

TD Canadian Diversified Yield Fund

535320
(03/25)

TD Mutual Funds Annual Management Report of Fund Performance

for the period ended December 31, 2024

This annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, at no cost, by calling 1-800-386-3757, by writing to us at TD Asset Management Inc., P.O. Box 100, 66 Wellington Street West, TD Bank Tower, Toronto-Dominion Centre, Toronto, Ontario, M5K 1G8, or by visiting our website at www.td.com/ca/en/asset-management or the SEDAR+ website at www.sedarplus.ca.



Securityholders may also contact us or visit our website to get a copy of the investment fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure at no cost.

Management Discussion of Fund Performance

Investment Objectives and Strategies

The investment objective of TD Canadian Diversified Yield Fund (the "Fund") is to seek to provide a high level of after-tax income, with a view to achieving capital appreciation as a secondary objective. The Fund may invest directly in, or gain exposure to, investments including but not limited to, dividend-paying common shares of Canadian corporations, high-quality preferred shares issued by Canadian financial institutions, utilities and other corporations and Canadian dollar-denominated bonds. In seeking to achieve these objectives, the Fund primarily holds any combination of common and preferred shares, government and corporate bonds (which may include mortgage-backed or asset-backed securities), and other income producing securities.

Risk

The risks of investing in the Fund remain as outlined in the simplified prospectus.

Results of Operations

The D-Series units of the Fund returned 24.3% for the year ended December 31, 2024 (the "Reporting Period"), versus 23.0% for the Fund's product benchmark and 21.6% for the Fund's general market index. The Fund's product benchmark is comprised of 50% S&P/TSX 60 Total Return Index and 50% S&P/TSX Preferred Share Total Return Index. The Fund's general market index is the S&P/TSX Composite Total Return Index. Unlike the product benchmark and general market index, the Fund's return is quoted after the deduction of fees and expenses. Returns for other series of the Fund may vary, largely due to differences in fees and expenses. Refer to the Past Performance section for returns of various series of the Fund.

Market Update

Canada's economy came under pressure over the Reporting Period, largely as a result of tight financial conditions. Consumer spending, real estate activity and the labour market weakened. At the same time, inflationary pressures softened, moving closer to the Bank of Canada's ("BoC") 2% target. In response, the BoC began lowering interest rates in June 2024 and continued to lower rates over the remainder of the year. Overall, the BoC lowered its benchmark overnight interest rate by 1.75% to 3.25%. The BoC also suggested it would gradually lower interest rates further in 2025, hoping that looser financial conditions could ease the burden on Canadian households and help reignite consumer spending. There was also some expectation that rising demand could kickstart business activity, potentially resulting in improved job growth.

The Canadian equity market rose over the Reporting Period, with 10 of 11 sectors posting positive returns. The information technology, financials and materials sectors were the strongest performers, while communication services, real estate and health care were the weakest-performing sectors.

Lower interest rates, developments in artificial intelligence and positive investor sentiment helped push information technology stocks higher over the Reporting Period. Expectations that economic activity

in Canada could pick up after multiple interest rate cuts from the BoC helped lift the financials sector higher. Additionally, the dividends of financials sector stocks became more attractive as interest rates declined. The materials sector benefited from higher gold prices amid economic uncertainty and ongoing geopolitical tensions. Supply concerns pushed up the prices of many commodities.

Key Contributors/Detractors Relative to the Product Benchmark

The Fund generated a positive return over the Reporting Period and outperformed its product benchmark.

- The Fund's stock selection within the financials sector contributed to performance, largely owing to its positions in preferred issues from two banks and one asset management company, each of which returned more than 30%. The Fund's positions in Royal Bank of Canada and Brookfield Corp., which returned more than 30% and 50%, respectively, also contributed.
- The Fund's underweight exposure to the communications services sector contributed to performance as this was the weakest-performing sector during the Reporting Period.
- The Fund's security selection within the information technology sector contributed to performance owing to a position in Shopify Inc., which reported multiple quarters of strong revenue growth, as did its lack of exposure to Open Text Corp., which was down approximately 20%.
- The Fund's stock selection within the energy sector detracted from performance owing to its positions in Canadian Natural Resources Ltd. and an oil & gas producer preferred share, both of which underperformed the sector.
- The Fund's security selection within the industrials sector detracted from performance owing to its position in Canadian National Railway Co., which underperformed the sector, as well as its lack of exposure to WSP Global Inc., which returned almost 40%.

Key Contributors/Detractors Relative to the General Market Index

The Fund outperformed the general market index as a result of its bias to the financials sector and its security selection within the utilities sector. The Fund's allocation to preferred shares also contributed to performance.

Recent Developments

Buoyed by strong corporate earnings growth and a resilient economic environment, the S&P/TSX Composite Total Return Index and the S&P 500 Index produced strong returns, each one reaching new highs throughout the Reporting Period and finishing up higher by more than 20%. The Fund's preferred share holdings also performed well owing to a favourable taxation decision and a supportive credit environment. While U.S. President-Elect Donald Trump's tariff threats are concerning, the Portfolio Adviser doesn't expect to see blanket tariffs, given the intertwined nature of the Canadian and U.S. economies. Inflation has come down to target ranges, allowing the BoC to cut interest rates several times in 2024, and the Portfolio Adviser anticipates further cuts in 2025, which should help Canada's economic growth. The potential for a more business-friendly federal government later in 2025 brings hope of better conditions in the coming years.

Overall, the outlook for Canadian equities is positive. With declining interest rates, economic growth and healthy commodity prices, the Portfolio Adviser expects favourable earnings and cash flow growth from banks, insurance companies and oil & gas producers. The Portfolio Adviser remains focused on individual stock selection, with an added emphasis on quality companies that offer attractive risk-reward profiles.

Within the Fund's holdings in preferred shares, recession concerns and the potential for a sharp decline in bond yields have not played out. Redemptions from issuers, especially from Canadian banks, remain a theme, with total issuer redemptions exceeding \$5 billion in 2024. These redemptions are driving preferred share prices higher as owners of redeemed securities are buying back into a smaller pool of preferred assets. The Fund has benefited from this redemption activity, exiting securities once they have been called for redemption, and re-investing the proceeds into other securities ahead of other market participants.

Related Party Transactions

Affiliates of TD Asset Management Inc. ("TDAM") may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as in connection with banking (including deposit taking), custody, securityholder account maintenance and reporting, brokerage and derivatives transactions.

Manager, Trustee and Portfolio Adviser:

TDAM, a wholly-owned subsidiary of The Toronto-Dominion Bank ("TD"), is the manager, trustee and portfolio adviser of the Fund. The Fund pays TDAM an annual management fee, which may vary for each series of the Fund. The Fund also pays TDAM an annual administration fee of 0.08%, calculated and accrued as a percentage of the net asset value, with respect to the D-Series units of the Fund.

Distributor:

Certain series of units of the Fund are distributed through brokers and dealers including TD Waterhouse Canada Inc. ("TDWCI"), a wholly-owned subsidiary of TD. TDWCI, like other dealers, is paid a trailer commission by TDAM for distributing certain series of units of the Fund. Trailer commissions are paid by TDAM out of the management fees it receives from the Fund and are based on the average value of assets held by each dealer.

Registrar and Transfer Agent:

TD is the registrar and transfer agent of the Fund, and as such maintains all unitholder records, processes purchase, switch, conversion and redemption orders, issues investor statements and prepares annual tax reporting information on behalf of the Fund.

TD earns a foreign exchange spread when unitholders switch between units of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with TD for which TD earns a fee.

Administration and Securityholder Services:

TDWCI, in addition to acting as a dealer, also provides administration and securityholder services to the Private Series units of the Fund for which such costs are reflected in the operating expenses for the Private Series units of the Fund. These services include securityholder account maintenance and reporting.

Custodian:

TD is the sub-custodian of the Fund and may hold a portion of the assets (including cash and investments) of the Fund.

Buying and Selling Securities:

TDAM has established an independent review committee ("IRC") which acts as an impartial and independent committee to review and provide recommendations or, if appropriate, approvals respecting any conflict of interest matters referred to it by TDAM. The IRC prepares, at least annually, a report of its activities for securityholders of the Fund. The report is available on the TDAM website at www.td.com/ca/en/asset-management or at the securityholder's request at no cost by contacting TDAM (see front cover).

The Fund relied on standing instructions from the IRC in respect of one or more of the following transactions:

- (a) trades in securities of TD or any affiliate or associate thereof;
- (b) investments in the securities of an issuer where TD Securities Inc., TDWCI, or any other affiliate of TDAM (a "Related Dealer") acted as an underwriter during the distribution of such securities and the 60-day period following the completion of the distribution of the underwritten securities;
- (c) purchases or sales of securities of an issuer from or to another investment fund or discretionary managed account managed by TDAM; and
- (d) purchases of securities from or sales of securities to a Related Dealer, where it acted as principal.

The relevant standing instructions require that securities transactions with related parties conducted by TDAM (i) are free from any influence by an entity related to TDAM and without taking into account any consideration relevant to an entity related to TDAM; (ii) represent the business judgment of TDAM uninfluenced by considerations other than the best interests of the Fund; (iii) comply with the applicable policies and procedures of TDAM; and (iv) achieve a fair and reasonable result for the Fund.

Brokerage Arrangements (000s):

From time to time, the Fund may enter into portfolio securities transactions with Related Dealers who may earn commissions or spreads provided that such trades are made on terms and conditions that are comparable to non-affiliated brokerages. During the Reporting Period, the Fund paid commissions to related parties amounting to \$8 or 10.2% of total commissions paid by the Fund for portfolio transactions in total.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five fiscal years, as applicable. For series that commenced operations during any of the periods presented, the data reported for that period represents results from the commencement of operations (as disclosed in the Past Performance section) to the end of that reporting period.

Net Assets per Unit (\$) ¹

	D-SERIES					PRIVATE SERIES				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
Net Assets, Beginning of Year	12.56	12.35	14.19	10.74	11.56	21.29	20.92	24.05	18.21	19.63
Increase (Decrease) from Operations:										
Total Revenue	0.58	0.63	0.59	0.52	0.53	0.97	1.08	1.01	0.87	0.89
Total Expenses (excluding distributions)	(0.13)	(0.12)	(0.14)	(0.16)	(0.13)	(0.02)	(0.02)	(0.02)	(0.01)	(0.02)
Realized Gains (Losses) for the Period	0.44	0.02	0.94	0.36	(0.09)	0.71	0.04	1.58	0.40	(0.18)
Unrealized Gains (Losses) for the Period	2.13	0.23	(2.37)	2.23	(1.81)	3.65	0.36	(3.91)	5.50	(2.36)
Total Increase (Decrease) from Operations ²	3.02	0.76	(0.98)	2.95	(1.50)	5.31	1.46	(1.34)	6.76	(1.67)
Distributions:										
From Net Investment Income (excluding dividends)	0.00	(0.01)	(0.02)	0.00	(0.01)	0.00	(0.03)	(0.04)	0.00	(0.02)
From Dividends	(0.45)	(0.52)	(0.44)	(0.35)	(0.42)	(0.97)	(1.05)	(0.98)	(0.86)	(0.93)
From Capital Gains	0.00	0.00	(0.47)	0.00	0.00	0.00	0.00	(0.81)	0.00	0.00
Return of Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Annual Distributions ³	(0.45)	(0.53)	(0.93)	(0.35)	(0.43)	(0.97)	(1.08)	(1.83)	(0.86)	(0.95)
Net Assets at December 31	15.12	12.56	12.35	14.19	10.74	25.61	21.29	20.92	24.05	18.21

¹ This information is derived from the Fund's audited annual financial statements prepared in accordance with International Financial Reporting Standards. The Fund measures fair value of its investments based on close market prices, where the close market price falls within the bid-ask spread or based on quotations from recognized dealers.

As such, the Fund's accounting policies for measuring the fair value of investments in the financial statements are substantively consistent with those used in measuring the net asset value ("NAV") for transactions with unitholders.

² Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial periods. These tables are not intended to be a reconciliation of the net assets per unit.

³ Distributions were paid in cash or reinvested in additional units of the Fund, or both.

Ratios and Supplemental Data

	D-SERIES					PRIVATE SERIES				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
Total Net Asset Value (\$000s) ¹	3,612	2,758	3,005	2,906	1,174	200,274	181,384	191,376	235,558	202,682
Number of Units Outstanding (000s) ¹	239	220	243	205	109	7,821	8,522	9,147	9,795	11,129
Management Expense Ratio (%) ²	0.92	0.92	1.04	1.19	1.19	0.04	0.05	0.04	0.04	0.04
Management Expense Ratio Before Waivers or Absorptions (%)	0.92	0.93	1.08	1.19	1.19	0.04	0.05	0.04	0.04	0.04
Trading Expense Ratio (%) ³	0.04	0.07	0.03	0.02	0.06	0.04	0.07	0.03	0.02	0.06
Portfolio Turnover Rate (%) ⁴	21.89	19.70	13.48	5.10	4.73	21.89	19.70	13.48	5.10	4.73
Net Asset Value per Unit (\$)	15.12	12.56	12.35	14.19	10.74	25.61	21.29	20.92	24.05	18.21

¹ This information is provided as at December 31 of the past five fiscal years, as applicable.

² Management Expense Ratio ("MER") is based on total expenses (excluding distributions, commissions and other portfolio transaction costs) net of any waivers or absorptions for the stated period, including the Fund's proportionate share of the MER, if any, of the underlying fund(s) in which the Fund has invested in, and is expressed as an annualized percentage of daily average NAV during the period. Management Expense Ratio Before Waivers or Absorptions is based on total expenses and excludes the management fees on the portion of the NAV the Fund invests in the underlying funds that are managed by TDAM or its affiliates. There will be no duplication of management fees paid to TDAM or its affiliates. Any waivers or absorptions may be discontinued at any time by TDAM at its discretion without notice.

³ The trading expense ratio ("TER") represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average NAV during the stated period. Where a Fund invests in units of any underlying fund, the TER presented for the Fund includes the portion of TERs, if available, of the underlying fund(s) attributable to this investment.

⁴ The Fund's portfolio turnover rate ("PTR") indicates how actively the Fund's portfolio adviser manages its investments. A PTR of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the stated period. The higher a fund's PTR, the greater the trading costs payable, directly or indirectly, by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the fiscal year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Management Fees

As manager and trustee of the Fund, TDAM is responsible for the overall business and affairs of the Fund, including activities related to making units of the Fund available to investors, and providing, or arranging for the provision of, investment advisory services and marketing services to the Fund. In consideration for the provision of such services, each series of the Fund, other than Private Series units, pays TDAM a management fee.

Management fees are calculated and accrued on a daily basis for each applicable series based on the net asset value of that series and paid monthly to TDAM.

The simplified prospectus discloses a specified annual management fee rate that TDAM can charge for each series of the Fund. Where TDAM chooses to charge a management fee rate below the specified annual management fee rate, the difference represents a waiver of management fees. TDAM may waive all or a portion of the management fees being charged to the Fund, which may be discontinued at any time by TDAM at its discretion without notice to unitholders.

The annual management fees and a breakdown of the major services rendered for each series, as a percentage of the management fees paid, are as follows:

(expressed as a %)	Annual Mgmt. Fees*	Dealer Compensation	Waived Operating Expenses	Other†
D-Series	0.75	0.00	0.00	100.00
Private Series	0.00	N/A	N/A	N/A

There are no management fees paid by the Fund in respect of Private Series units of the Fund. Unitholders in the Private Series pay a negotiated fee directly to TDAM, their dealer or TD Waterhouse Private Investment Counsel Inc.

* Includes management fees paid by the Fund and the proportionate management fees, if any, of the underlying fund(s) managed by TDAM held by the Fund. However, no management fees are payable by the Fund that, to a reasonable person, would duplicate a fee payable by the underlying fund(s) for the same services.

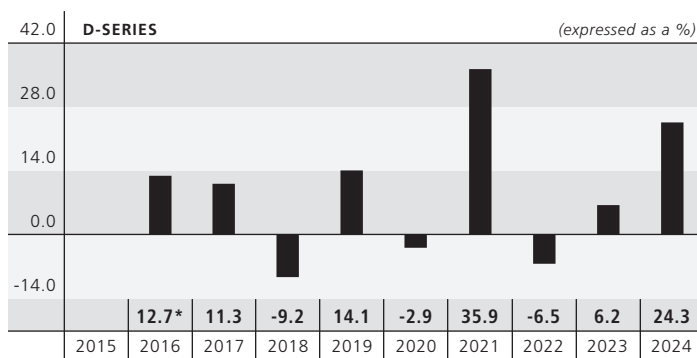
† Investment advisory, trustee, marketing services and other.

Past Performance

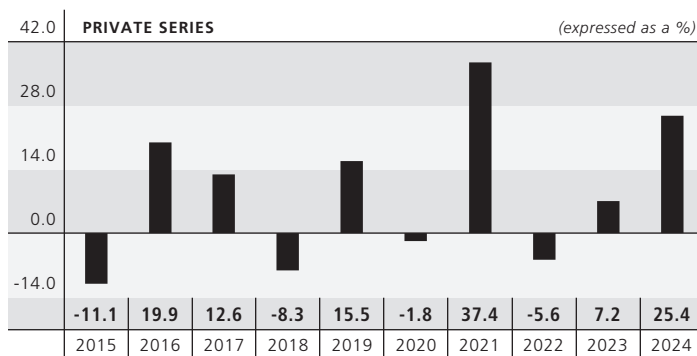
The following charts show how the Fund has performed in the past, and can help you understand the risks of investing in the Fund. These returns include the reinvestment of all distributions. They do not include deduction of sales, switch, redemption, or other optional charges (which dealers may charge) or income taxes payable, and these returns would be lower if they did. The Fund's past performance does not necessarily indicate how it will perform in the future.

Year-by-year returns

The bar charts show how the Fund's performance has varied from year to year for each of the years shown. They show in percentage terms how an investment made on January 1 would have increased or decreased by December 31.



* From April 26, 2016 (commencement of operations) to December 31, 2016



Annual Compound Returns

The following table shows the annual compound total returns for each series of units of the Fund for each of the periods indicated ended on December 31, 2024, compared with the following benchmarks:

- The Product Benchmark is comprised of:
 - 50% S&P/TSX 60 Total Return Index – This index is comprised of the largest 60 companies on the S&P/TSX Composite Index, by market capitalization; and
 - 50% S&P/TSX Preferred Share Total Return Index – This index is comprised of Canadian preferred shares traded on the Toronto Stock Exchange.
- General Market Index:
 - S&P/TSX Composite Total Return Index – This index is comprised of Canadian issuers traded on the Toronto Stock Exchange.

(expressed as a %)	Past year	Past 3 years	Past 5 years	Past 10 years	Since inception
D-Series	24.3	7.3	10.2	N/A	9.0
Private Series	25.4	8.3	11.3	8.1	N/A
Product Benchmark	23.0	5.6	9.1	6.2	♦
General Market Index	21.6	8.6	11.1	8.7	♦

♦ Please refer to the following table for product benchmark and general market index returns relative to each series' inception date, where applicable.

(expressed as a %)	Product Benchmark	General Market Index
D-Series (Apr. 26, 2016)	8.3	10.2

A discussion of the Fund's performance compared to the product benchmark and general market index can be found in the Results of Operations section.

Summary of Investment Portfolio

as at December 31, 2024

	% of Net Asset Value
ASSET ALLOCATION	
Canadian Equities	55.9
Canadian Preferred Equities	42.2
Cash (Bank Overdraft)	1.4
Global Preferred Equities	0.4
Other Net Assets (Liabilities)	0.1
PORTFOLIO ALLOCATION	
Financials	48.6
Energy	19.5
Industrials	7.3
Information Technology	6.3
Utilities	6.3
Materials	3.7
Consumer Staples	2.5
Real Estate	1.9
Communication Services	1.4
Cash (Bank Overdraft)	1.4
Consumer Discretionary	1.0
Other Net Assets (Liabilities)	0.1
TOTAL NET ASSET VALUE (000s)	\$ 203,886

Cash held with The Toronto-Dominion Bank, a related party to the Fund, was 1.4% of net asset value of the Fund.

	% of Net Asset Value
TOP 25 INVESTMENTS	
Royal Bank of Canada	5.8
Shopify Inc.	3.7
Canadian Natural Resources Limited	3.1
Brookfield Corporation	3.0
Bank of Montreal	2.7
The Toronto-Dominion Bank†	2.7
Enbridge Inc.	2.7
Canadian Pacific Kansas City Limited	2.6
Constellation Software Inc.	2.2
Intact Financial Corporation	1.9
Enbridge Inc., Pref., Series 3 5.288%	1.9
Waste Connections Inc.	1.8
Canadian National Railway Company	1.8
Canadian Imperial Bank of Commerce	1.8
Agnico Eagle Mines Limited	1.7
The Toronto-Dominion Bank†, Pref., Series 9 3.242%	1.7
National Bank of Canada	1.6
Brookfield Corporation, Pref., Series 32 6.744%	1.6
Sun Life Financial Inc.	1.5
Cenovus Energy Inc., Pref., Series 7 3.935%	1.5
Manulife Financial Corporation	1.4
Cash (Bank Overdraft)	1.4
Enbridge Inc., Pref., Series R 6.314%	1.3
Pembina Pipeline Corporation, Pref., Series 9 4.302%	1.3
National Bank of Canada, Pref., Series 42 7.056%	1.3
Total % of Net Asset Value represented by these holdings	54.0

† Related party to the Fund as an affiliated entity of TD Asset Management Inc.

Note: Totals may not add due to rounding to one decimal place of individual figures.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. Updates are available quarterly. You may obtain the most current quarterly information by contacting 1-800-386-3757, by writing to us at TD Asset Management Inc., P.O. Box 100, 66 Wellington Street West, TD Bank Tower, Toronto, Ontario, M5K 1G8, or by visiting our website at www.td.com/ca/en/asset-management.

Caution regarding forward-looking statements

Certain portions of this report, including, but not limited to, “Results of Operations” and “Recent Developments”, may contain forward-looking statements including, but not limited to, statements about the Fund, its strategy, risks, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” and similar forward-looking expressions or negative versions thereof.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future general economic, political and relevant market factors, such as interest rates, foreign exchange rates, equity and capital markets, and the general business environment, in each case assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date.

Forward-looking statements are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and relevant market factors in North America and internationally, interest and foreign exchange rates, equity and capital markets, business competition, technological change, changes in government relations, unexpected judicial or regulatory proceedings and catastrophic events.

The above mentioned list of important factors is not exhaustive. You are encouraged to consider these and other factors carefully before making any investment decisions and you are urged to avoid placing any undue reliance on forward-looking statements. Further, there is no specific intention of updating any forward-looking statements contained herein whether as a result of new information, future events or otherwise.

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