

TD Asset Management

TD Global Carbon Credit Index ETF (TCBN)

536318
(08/24)

TD Exchange-Traded Funds Interim Management Report of Fund Performance

for the period ended June 30, 2024

This Interim Management Report of Fund Performance contains financial highlights, but does not contain either the complete interim financial report or annual financial statements of the investment fund. You can get a copy of the interim financial report or annual financial statements at your request, at no cost, 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 proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure at no cost.



This interim management report of fund performance represents management's view of the significant factors and developments affecting the investment fund's performance and outlook since December 31, 2023, the investment fund's fiscal year-end, until June 30, 2024. This report should be read in conjunction with the 2023 annual management report of fund performance.

Management Discussion of Fund Performance

Results of Operations

TD Global Carbon Credit Index ETF (the "Fund") is an exchange-traded fund listed on the Toronto Stock Exchange ("TSX"). Units of the Fund are traded under TSX ticker symbol "TCBN". The Fund returned -14.9% for the six-month period ended June 30, 2024 (the "Reporting Period"), versus -13.8% for the Fund's product benchmark, the Solactive Global Carbon Credit CAD Hedged Index. Unlike the product benchmark, the Fund's return is quoted after the deduction of fees and expenses.

Market Update

The global economy grew at a modest pace over the Reporting Period, continuing to avoid a recession that was widely expected amid tight financial conditions. The U.S. economy expanded, benefiting from a resilient U.S. consumer. Residential investment was also a key contributor to growth. After stagnating in 2023, the U.S. residential real estate market appeared to be improving, due in part to expectations that the U.S. Federal Reserve Board ("Fed") could begin lowering interest rates in 2024. The Fed held the target range of its benchmark interest rate steady at 5.25%-5.50%. China's economy showed some signs of stabilizing and expanded in the first quarter of 2024, but ongoing challenges limited overall growth. China's property market continued to struggle amid high debt levels. In addition, domestic demand remained subdued, weighing on business activity. In an effort to stimulate the property market, the People's Bank of China lowered its five-year loan prime rate, a reference rate for mortgages, early in the Reporting Period. Meanwhile, the government undertook an aggressive bond issuance, seeking to use the money to support the challenged areas of China's economy.

After contracting in the fourth quarter of 2023, Europe's economy rebounded in the first quarter of 2024, posting a small expansion. The services sector was a key driver of growth, benefiting from an increase in demand and output. Conversely, manufacturing sector activity remained challenged, weighing on overall economic growth. Amid slowing inflation and modest economic growth, the European Central Bank reduced its benchmark interest rate by 0.25% to 4.25%. Among Europe's largest countries, the German economy expanded over the Reporting Period, albeit at a relatively slow pace. Business investment and exports increased, positively contributing to the German economy. The U.K. economy expanded in the first quarter of 2024 after falling into a technical recession (a technical recession is reached when an economy has two straight quarterly contractions) towards the end of 2023. The economy got a boost from consumer spending. The Bank of England ("BoE") held its benchmark interest rate steady at 5.25%. However, a downward trend in inflation raised expectations that the BoE might be preparing to reduce interest rates later in 2024. Japan's economy was relatively weak in the first quarter of 2024, hindered by a decline in personal spending. For the first time in 17 years, the Bank of Japan increased its benchmark interest rate to a target range of 0.00%-0.10%, largely in response to elevated inflationary pressures.

The European Union's ("EU") policy developments, such as the European Green Deal, have significantly impacted the EU Emissions Trading System ("ETS") and the carbon market. These initiatives aim to reduce net greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. As a result, the EU has introduced stricter emission allowance allocations and reinforced the role of carbon pricing in its climate strategy. The introduction of new regulations and adjustments to the EU ETS, including the Market Stability Reserve mechanism, have been designed to tighten the supply of allowances and support higher carbon prices, ultimately affecting carbon credit prices.

Carbon credit markets were relatively volatile over the Reporting Period, reflecting uncertain economic conditions amid elevated inflation and high borrowing costs. The carbon credits market finished lower as economic, industrial and policy-related factors affected demand and supply. Weak economic conditions in the EU, particularly early in the Reporting Period, slowed economic activity and resulted in a reduction in carbon emissions, which pushed down the prices of carbon credits. Additionally, demand for carbon credits fell in several sectors that have emphasized the transition to cleaner alternatives. However, as economic activity picked up as the Reporting Period progressed, emissions increased, particularly in those industries that have been slower to adopt greener technologies. The EU's commitment to reduce carbon emissions has been constructive for carbon credit prices over the past several years, despite the decline over the Reporting Period. The contract price of EU carbon credits traded between 50 and 78 euros over the Reporting Period, starting at 77.25 euros and ending at 66.13 euros.

Key Contributors/Detractors

The Fund continues to be managed with the objective of tracking the performance of its product benchmark. The Fund's returns are influenced by the same factors that affect the global carbon credit markets.

Recent Developments

The Portfolio Adviser expects global economic activity to remain relatively modest in 2024, as a result of tight financial conditions, geopolitical tensions, and softer demand from consumers and businesses. Given relatively weak economic conditions and moderating inflation, global central banks are expected to begin lowering interest rates. This could help reignite economic growth over the second half of 2024 and help the global economy avoid a recession.

Given that this Fund is designed to passively track the price of EU allowance emission credits, the Portfolio Adviser does not make any allocation decisions. Looking ahead, the Portfolio Adviser will continue to be mindful of a variety of macroeconomic factors that may influence the performance of financial markets. EU economic indicators have continued to show general weakness, especially in industrial production. Nonetheless, the market remains structurally sound as emissions should continue to exceed the amount of EU allowances released to the market.

Short-term issues aside, the EU remains committed to its climate targets, most recently demonstrated by its decision to extend the EU ETS to the maritime sector. This will be phased in over a three-year period from 2024 to 2026, and will add to the deficit by the end of the phase-in period. With EU emissions still well above their 2030 target, the Portfolio Adviser believes higher emission credit prices will likely be required to incentivize further large-scale decarbonization efforts.

The Portfolio Adviser expects the carbon credit market to remain influenced by the trajectory of global economic recovery, further advancements in emission-reducing technologies and the evolving regulatory landscape. The EU's commitment to achieving its climate goals suggests a continued tightening of emission allowances, potentially supporting EU allowance prices in the medium to long term.

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, deposit-taking, custody, brokerage and derivatives transactions, subject to approval or review by the Fund's independent review committee ("IRC") and/or compliance with applicable internal policies and procedures.

Manager, Trustee and Portfolio Adviser:

TDAM, a wholly-owned subsidiary of The Toronto-Dominion Bank ("TD"), is the manager, trustee, portfolio adviser and promoter of the Fund. The Fund pays TDAM an annual management fee.

Designated Broker and Dealer:

TDAM has entered into an agreement with TD Securities Inc. ("TDS"), an affiliate of TDAM, to act as designated broker and dealer to perform certain duties for the Fund. The designated broker arrangements entered into with TDS are consistent with market terms and conditions.

Custodian:

TD is the sub-custodian of the Fund and may hold a portion of cash of the Fund.

Buying and Selling Securities:

TDAM has established the IRC to act 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 did not engage in any portfolio transactions requiring IRC approval during the Reporting Period.

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 six-month period ended June 30, 2024 and the past five fiscal years, as applicable. For units of the Fund 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

	2024	2023	2022	2021	2020	2019
Net Assets, Beginning of Period	43.16	45.56	50.00 [†]	N/A	N/A	N/A
Increase (Decrease) from Operations:						
Total Revenue	0.82	2.32	0.32	N/A	N/A	N/A
Total Expenses (excluding distributions)	(0.13)	(0.35)	(0.11)	N/A	N/A	N/A
Realized Gains (Losses) for the Period	(4.76)	(10.72)	5.71	N/A	N/A	N/A
Unrealized Gains (Losses) for the Period	(2.36)	3.93	(5.50)	N/A	N/A	N/A
Total Increase (Decrease) from Operations ²	(6.43)	(4.82)	0.42	N/A	N/A	N/A
Distributions:						
From Net Investment Income (excluding dividends)		0.00	(3.76)	N/A	N/A	N/A
From Dividends		0.00	0.00	N/A	N/A	N/A
From Capital Gains		0.00	0.00	N/A	N/A	N/A
Return of Capital		0.00	0.00	N/A	N/A	N/A
Total Annual Distributions ³	0.00	0.00	(3.76)	N/A	N/A	N/A
Net Assets, End of Period	36.73	43.16	45.56	N/A	N/A	N/A

¹ This information is derived from the Fund's interim and audited annual financial statements prepared in accordance with International Financial Reporting Standards. The Fund measures fair values 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 period. This table is 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. The Fund may make notional distributions from time to time and the units issued on reinvestments are immediately consolidated with the units held prior to the notional distribution. As a result, the total number of units held after the notional distribution is identical to the number of units held before the notional distribution. The following table shows the notional distributions for the periods presented, as applicable.

	2024	2023	2022	2021	2020	2019
Notional Income Distribution	0.00	0.00	3.76	N/A	N/A	N/A
Notional Dividend Distribution	0.00	0.00	0.00	N/A	N/A	N/A
Notional Capital Gains Distribution	0.00	0.00	0.00	N/A	N/A	N/A
Notional Return of Capital Distribution	0.00	0.00	0.00	N/A	N/A	N/A

[†] Initial offering price.

Ratios and Supplemental Data

	2024	2023	2022	2021	2020	2019
Total Net Asset Value (\$000s) ¹	3,306	3,884	2,734	N/A	N/A	N/A
Number of Units Outstanding (000s) ¹	90	90	60	N/A	N/A	N/A
Management Expense Ratio (%) ²	0.73	0.73	0.71	N/A	N/A	N/A
Management Expense Ratio Before Waivers or Absorptions (%)	0.79	0.77	0.94	N/A	N/A	N/A
Trading Expense Ratio (%) ³	0.00	0.00	0.00	N/A	N/A	N/A
Portfolio Turnover Rate (%) ⁴	0.00	0.00	0.00	N/A	N/A	N/A
Net Asset Value per Unit (\$)	36.73	43.16	45.56	N/A	N/A	N/A
Closing Market Price (\$) [‡]	36.80	43.25	44.73	N/A	N/A	N/A

¹ This information is provided as at June 30, 2024 and 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 and is expressed as an annualized percentage of daily average NAV during the period. Any waivers or absorptions may be discontinued at any time by TDAM at its discretion without notice.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average NAV during the stated period.

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 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.

[‡] Mid price would be used if no transaction took place on the last business day of the financial period.

Management Fees

As manager of the Fund, TDAM is responsible for the overall business and affairs of the Fund, including activities related to providing, or arranging for the provision of, certain administrative services and marketing services to the Fund. In consideration for the provision of such services, the Fund pays TDAM a management fee.

Management fees, plus applicable taxes, are calculated and accrued on a daily basis based on the net asset value of the Fund and are paid monthly to TDAM.

The prospectus discloses a specified annual management fee rate that TDAM can charge to the Fund. 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, as a percentage of the management fees paid, are as follows:

<i>(expressed as a %)</i>	Annual Mgmt. Fees*	Dealer Compensation	Waived Operating Expenses	Other†
Fund	0.65	N/A	8.70	91.30

* 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.

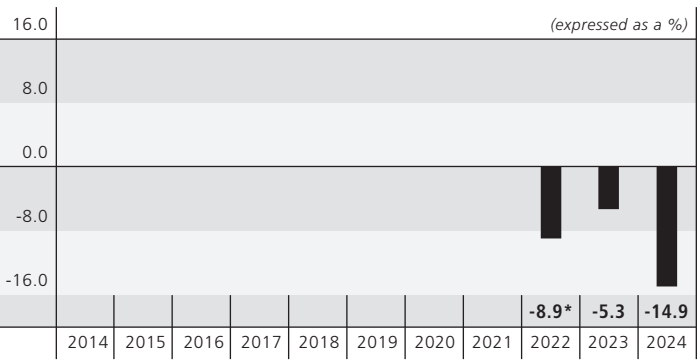
† Trustee, marketing services and other.

Past Performance

The following chart shows 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 during the period in additional units at the net asset value per unit of the Fund at the time of distribution. They do not take into account sales, redemption, distribution or other optional charges or income taxes payable by any unitholder, 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 chart shows how the Fund’s performance has varied from year to year for each of the years shown. It shows in percentage terms how an investment made on January 1 would have increased or decreased by December 31 for each year and for the six-month period ended June 30, 2024.



For the 12 months ended Dec. 31 and six-month period ended June 30, 2024
* From August 23, 2022 (commencement of operations) to December 31, 2022

Summary of Investment Portfolio

as at June 30, 2024

	% of Net Asset Value
ASSET ALLOCATION	
Cash (Bank Overdraft)	92.2
Short-Term Investments	10.5
Derivatives	(2.7)
Other Net Assets (Liabilities)	0.0
PORTFOLIO ALLOCATION	
Cash (Bank Overdraft)	92.2
Short-Term Investments	10.5
Total Return Swap Agreements	(2.7)
Other Net Assets (Liabilities)	0.0
TOTAL NET ASSET VALUE (000s)	\$ 3,306

Cash held with The Toronto-Dominion Bank, a related party to the Fund, was 90.5% of net asset value of the Fund.

	% of Net Asset Value
TOP 25 INVESTMENTS	
Cash (Bank Overdraft)	92.2
Government of Canada, Treasury Bill 4.670% Aug 29, 2024	10.5
Royal Bank of Canada Enhanced Commodity EUE Index, Total Return Swap (EUR) Aug 20, 2024 (Notional Value: 105.1% of total net asset value)	(2.7)
Total % of Net Asset Value represented by these holdings	100.0

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

CURRENCY LEGEND

(EUR) Euro

The Fund is not sponsored, promoted, sold or supported in any other manner by Solactive AG nor does Solactive AG offer any express or implicit guarantee or assurance either with regard to the results of using the Solactive Global Carbon Credit CAD Hedged Index (the "Index") and/or any trade mark(s) associated with the Index or the price of the Index at any time or in any other respect. The Index is calculated and published by Solactive AG. Solactive AG uses its best efforts to ensure that the Index is calculated correctly. Irrespective of its obligations towards TDAM, Solactive AG has no obligation to point out errors in the Index to third parties including but not limited to investors and/or financial intermediaries of the Fund. Neither publication of the Index by Solactive AG nor the licensing of the Index or any trade mark(s) associated with the Index for the purpose of use in connection with the Fund constitutes a recommendation by Solactive AG to invest capital in said Fund nor does it in any way represent an assurance or opinion of Solactive AG with regard to any investment in the Fund.

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 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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