

## TD Q U.S. Low Volatility ETF (TULV)

536196  
(03/25)

### TD Exchange-Traded 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 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](http://www.td.com/ca/en/asset-management) or the SEDAR+ website at [www.sedarplus.ca](http://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 & Strategies

The investment objective of TD Q U.S. Low Volatility ETF (the "Fund") is to seek to achieve long-term capital growth by investing directly in, or obtaining exposure to, equity securities of issuers in the United States, while seeking to reduce volatility. In seeking to achieve this objective, the Fund optimizes the portfolio by overweighting stocks that are expected to deliver less volatile returns and by underweighting, or excluding, stocks that are expected to deliver more volatile returns. The Fund uses historical standard deviation as a tool in selecting the stocks, looking at individual stocks and the correlation between stocks, with the aim of reducing volatility. As a result of this strategy, the Fund may not fully benefit from strong equity markets.

### Risk

Effective February 27, 2025, the risk rating for the Fund increased from "Low to Medium" to "Medium" (per standard risk classification methodology mandated by the Canadian Securities Administrators). There are no changes to the investment objectives, strategies or management of the Fund associated with the new risk rating.

### Results of Operations

The Fund is an exchange-traded fund listed on the Toronto Stock Exchange ("TSX"). Units of the Fund are traded under TSX ticker symbol "TULV". The Fund returned 23.3% for the year ended December 31, 2024 (the "Reporting Period"), versus 35.9% for the Fund's product benchmark and general market index, the MSCI USA Index (Net Dividend, Total Return, C\$). Unlike the product benchmark and general market index, the Fund's return is quoted after the deduction of fees and expenses.

#### Market Update

The U.S. economy continued to expand over the Reporting Period, demonstrating its relative strength despite tight financial conditions and softer economic activity elsewhere around the world. Consumer spending was the key driver of growth as U.S. households proved their resiliency amid high borrowing costs and elevated inflation. However, small cracks began to emerge as the Reporting Period progressed. Relatively strong manufacturing activity began to fade in response to slower demand. Real estate market activity waned with high mortgage rates weighing on demand. A slowing U.S. labour market raised concerns about the health of the overall economy. The U.S. unemployment rate rose to its highest level since 2021. In response to the slowing labour market and easing inflationary pressures, the U.S. Federal Reserve Board ("Fed") lowered the target range of its benchmark interest rate by 1.00% to 4.25%-4.50%. At its final meeting of the Reporting Period, the Fed lowered its expectations for the number of interest rate cuts in 2025 given inflation was still above its 2% target and economic conditions were relatively stable.

U.S. equities delivered a strong gain over the Reporting Period, with 10 of 11 sectors generating positive returns. Communication services, information technology and consumer discretionary were the strongest-performing sectors, while materials, health care and real estate were the weakest-performing sectors.

The communication services and information technology sectors were key drivers of U.S. equity market gains over the Reporting Period. Both benefited from the progress and expected capabilities of artificial intelligence. Investors also raised the valuations of stocks in both sectors in response to lower interest rates. U.S. consumer spending remained resilient despite tight financial conditions, which benefited the consumer discretionary sector.

#### Key Contributors/Detractors

During the Reporting Period, the Fund generated a positive return but underperformed its product benchmark. This is in line with expectations, since the Fund's strategy is designed to be more defensive and will typically underperform in a rising market.

- The Fund's aversion to the information technology sector detracted from performance as this was one of the top-performing sectors during the Reporting Period.
- The Fund's bias toward the health care sector detracted from performance as this sector underperformed the product benchmark.
- The Fund's security selection within the financials sector detracted from performance, largely owing to its positions in life and health insurance company Globe Life Inc., financial exchange owner Cboe Global Markets Inc. and financial data company FactSet Research Systems Inc., all of which underperformed the sector.
- The Fund's bias to the financials sector contributed to performance as this was one of the top-performing sectors during the Reporting Period.
- The Fund's lack of exposure to the energy sector contributed to performance as this was one of the weakest-performing sectors during the Reporting Period.

#### Recent Developments

Although U.S. equity markets faced bouts of volatility, they ended the Reporting Period strong and with plenty of momentum heading into 2025, driven by encouraging economic data that underscored the strength of the U.S. economy. The Fed has embarked on a long-awaited cycle of cutting interest rates as inflationary pressures have eased, while focus has shifted to employment numbers and overall economic health. The Republican sweep of the U.S. election may bode well for U.S. equity markets, if the pattern of Donald Trump's first term is any guide. Consumer sentiment has also lifted in recent months, and lower interest rates should allow greater discretionary spending.

With that said, Trump's proposed policies also bring risks, as his proposed universal tariff policy and plans to deport undocumented immigrants could be inflationary. Furthermore, universal tariffs may bring the risk of retaliatory tariffs from other countries, which could negatively affect U.S. exporters. After strong returns in 2024, U.S. market valuations are approaching 20-year highs. If market sentiment weakens in the upcoming months, stocks could face a rough ride down to more reasonable valuation levels. Conflicts between Russia and Ukraine, Israel and Hamas, and the antagonistic U.S. and China trade relationship are further concerns that could destabilize U.S. and global growth.

The Portfolio Adviser believes the Fund is well positioned to provide stability during periods of economic slowdown or market volatility. The Portfolio Adviser favours stocks that deliver less volatile returns, and the Fund maintains underweight exposures to or excludes stocks that are expected to deliver more volatile returns. The Portfolio Adviser's systematic process of building low-volatility portfolios allows the Fund to maintain an underweight allocation to volatile growth stocks, such as information technology companies, while staying defensive and diversified across sectors. The Fund's current positioning includes overweight exposures to the consumer staples, health care and utilities sectors, and underweight exposures to the information technology, consumer discretionary and industrials sectors.

#### **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](http://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 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 (\$) <sup>1</sup>

	2024	2023	2022	2021	2020
<b>Net Assets, Beginning of Year</b>	18.16	19.13	19.04	15.66	15.00 <sup>†</sup>
<b>Increase (Decrease) from Operations:</b>					
Total Revenue	0.50	0.49	0.49	0.37	0.24
Total Expenses (excluding distributions)	(0.14)	(0.13)	(0.13)	(0.11)	(0.08)
Realized Gains (Losses) for the Period	0.89	(0.23)	0.62	1.49	0.43
Unrealized Gains (Losses) for the Period	2.94	(0.78)	(0.17)	1.82	(0.19)
<b>Total Increase (Decrease) from Operations <sup>2</sup></b>	4.19	(0.65)	0.81	3.57	0.40
<b>Distributions:</b>					
From Net Investment Income (excluding dividends)	(0.33)	(0.36)	(0.28)	(0.28)	(0.66)
From Dividends	0.00	0.00	0.00	0.00	0.00
From Capital Gains	0.00	0.00	(0.82)	(1.52)	(0.02)
Return of Capital	0.00	0.00	(0.06)	0.00	0.00
<b>Total Annual Distributions <sup>3</sup></b>	(0.33)	(0.36)	(1.16)	(1.80)	(0.68)
<b>Net Assets at December 31</b>	22.03	18.16	19.13	19.04	15.66

<sup>1</sup> This information is derived from the Fund's 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.

<sup>2</sup> 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.

<sup>3</sup> 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
Notional Income Distribution	0.00	0.00	0.00	0.02	0.54
Notional Dividend Distribution	0.00	0.00	0.00	0.00	0.00
Notional Capital Gains Distribution	0.00	0.00	0.82	1.52	0.01
Notional Return of Capital Distribution	0.00	0.00	0.04	0.00	0.00

<sup>†</sup> Initial offering price.

### Ratios and Supplemental Data

	2024	2023	2022	2021	2020
Total Net Asset Value (\$000s) <sup>1</sup>	68,302	47,205	42,090	24,755	23,491
Number of Units Outstanding (000s) <sup>1</sup>	3,100	2,600	2,200	1,300	1,500
Management Expense Ratio (%) <sup>2</sup>	0.34	0.34	0.34	0.34	0.34
Management Expense Ratio Before Waivers or Absorptions (%)	0.34	0.34	0.34	0.34	0.35
Trading Expense Ratio (%) <sup>3</sup>	0.00	0.01	0.01	0.01	0.01
Portfolio Turnover Rate (%) <sup>4</sup>	39.48	69.91	131.51	39.93	21.55
Net Asset Value per Unit (\$)	22.03	18.16	19.13	19.04	15.66
Closing Market Price (\$) <sup>‡</sup>	22.03	18.16	19.07	19.04	15.65

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

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>‡</sup> 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:

(expressed as a %)	Annual Mgmt. Fees*	Dealer Compensation	Waived Operating Expenses	Other†
Fund	0.30	N/A	0.00	100.00

\* 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.

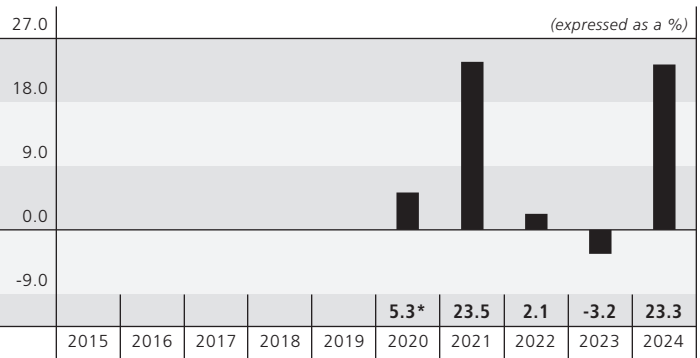
† Trustee, marketing services and other.

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.



\* From May 26, 2020 (commencement of operations) to December 31, 2020

Annual Compound Returns

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

- Product Benchmark:
  - MSCI USA Index (Net Dividend, Total Return, C\$) – This index aims to reflect the performance characteristics of large- and mid-capitalization companies in the United States, net of withholding taxes.
- General Market Index:
  - MSCI USA Index (Net Dividend, Total Return, C\$).

(expressed as a %)	Past year	Past 3 years	Past 5 years	Past 10 years	Since inception
(Inception date May 26, 2020)					
TD Q U.S. Low Volatility ETF	23.3	6.8	N/A	N/A	10.5
Product Benchmark	35.9	12.9	N/A	N/A	18.0
General Market Index	35.9	12.9	N/A	N/A	18.0

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
<b>ASSET ALLOCATION</b>	
U.S. Equities	98.8
Global Equities	1.0
Cash (Bank Overdraft)	0.5
Other Net Assets (Liabilities)	(0.3)
<b>PORTFOLIO ALLOCATION</b>	
Consumer Staples	25.1
Financials	23.6
Health Care	23.6
Utilities	12.6
Communication Services	11.3
Industrials	2.3
Information Technology	1.3
Cash (Bank Overdraft)	0.5
Other Net Assets (Liabilities)	(0.3)
<b>TOTAL NET ASSET VALUE (000s)</b>	<b>\$ 68,302</b>

	% of Net Asset Value
<b>TOP 25 INVESTMENTS</b>	
Fox Corporation	3.1
Boston Scientific Corporation	3.1
Johnson & Johnson	3.0
Colgate-Palmolive Company	3.0
CME Group Inc.	3.0
The Hershey Company	3.0
PepsiCo Inc.	3.0
Public Service Enterprise Group Inc.	2.9
Cboe Global Markets Inc.	2.9
T-Mobile US Inc.	2.9
Verizon Communications Inc.	2.7
General Mills Inc.	2.6
Consolidated Edison Inc.	2.6
Becton Dickinson and Company	2.6
Assurant Inc.	2.4
The Progressive Corporation	2.4
The Campbell's Company	2.1
McKesson Corporation	1.8
Walmart Inc.	1.8
Merck & Company Inc.	1.8
CMS Energy Corporation	1.8
FactSet Research Systems Inc.	1.7
NiSource Inc.	1.7
Arthur J. Gallagher & Company	1.7
Brown & Brown Inc.	1.5
<b>Total % of Net Asset Value represented by these holdings</b>	<b>61.1</b>

*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 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](http://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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