

TD Asset Management

TD Select Short Term Corporate Bond Ladder ETF (TCSB)

535716
(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 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 & Strategies

The investment objective of TD Select Short Term Corporate Bond Ladder ETF (the "Fund") is to seek to earn a high rate of interest income while preserving capital through exposure to the performance of a diversified portfolio of primarily Canadian investment-grade corporate bonds, divided into groupings with staggered maturities from approximately one to five years. In seeking to achieve this objective, the Fund uses fundamental credit research and quantitative screens to select the corporate bonds. The Fund may also invest in non-investment-grade bonds and/or foreign securities to enhance total returns.

Risk

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

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 "TCSB". The Fund returned 6.7% for the year ended December 31, 2024 (the "Reporting Period"), versus 7.3% for the Fund's product benchmark and 4.2% for the Fund's general market index. The Fund's product benchmark is the FTSE Canada Short Term Corporate Bond Index and its general market index is the FTSE Canada Universe Bond Index. Unlike the product benchmark and general market index, the Fund's return is quoted after the deduction of fees and expenses.

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.

Canadian bond prices increased over the Reporting Period, with yields moving lower. The BoC's interest rate decreases helped push down Canadian bond yields, particularly those at the shorter end of the yield curve. The benchmark 10-year Government of Canada bond yield rose from 3.11% to 3.22%, with much of the gains coming early in the Reporting Period before the BoC lowered interest rates. Short-term bond prices outperformed their mid- and long-term counterparts. Corporate bond prices rose and outperformed government bonds, which also increased. Credit spreads (the difference in yields between corporate and government bonds with similar maturities) narrowed.

The FTSE Canada Short Term Overall Bond Index increased 5.7% over the Reporting Period. The corporate sector rose 7.3%, outperforming the government sector, which rose 4.9%.

Within the corporate sector, BBB-rated bonds delivered the strongest returns over the Reporting Period, rising 7.8%, followed by A-rated bonds, which increased 7.0%. AAA/AA-rated bonds trailed the sector, rising 6.7%. Among corporate issuers, energy and securitization sector bonds posted the largest returns. Provincial bonds delivered the strongest returns within the government sector. Investment-grade credit spreads narrowed from 1.03% to 0.78%.

The FTSE Canada Short Term Overall Bond Index's average yield fell from 4.09% to 3.23% over the Reporting Period. The average yield of corporate bonds declined from 4.76% to 3.71%, while the average yield of government bonds fell from 3.76% to 3.00%.

Key Contributors/Detractors Relative to the Product Benchmark

During the Reporting Period, the Fund generated a positive return but underperformed its product benchmark.

- The Fund's sector allocation detracted from performance.
- The Fund's security selection detracted from performance.
- The Fund's income advantage contributed to performance.

Key Contributors/Detractors Relative to the General Market Index

During the Reporting Period, the Fund outperformed its general market index owing to its income advantage.

Assets

The Fund experienced a significant increase in assets due to investor purchase activity.

Recent Developments

The Portfolio Adviser expects slightly below or around-trend global economic growth for 2025 as the effects of tighter financial conditions continue to filter through the global economy, offset by decreasing interest rates. While most central banks have begun easing their monetary policies, the current financial conditions are still restrictive relative to those of the past decade, and higher borrowing costs may continue to weigh on business activity. While interest rates are moving lower, the Portfolio Adviser believes the paths that central banks take regarding monetary policy will largely be determined by inflation's "stickiness" and labour market conditions, with the former playing an increasing role in policy decisions.

While the Portfolio Adviser has a favourable outlook for fixed income, market volatility and a slowing global economy call for caution and selectivity. Data suggests corporations are still doing well despite the slowing economy, and thus the Portfolio Adviser remains positive toward corporate credit overall. The Fund's exposure to high-quality corporate credit is expected to add value over time versus government bonds. However, Considering the backdrop of potentially slower quarters ahead, the Fund is positioned defensively with a bias to bonds with higher-quality credits.

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 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 TDS, TD Waterhouse Canada Inc., 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.

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 (\$)¹

	2024	2023	2022	2021	2020
Net Assets, Beginning of Year	14.48	14.23	15.29	15.62	15.44
Increase (Decrease) from Operations:					
Total Revenue	0.55	0.51	0.52	0.51	0.58
Total Expenses (excluding distributions)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Realized Gains (Losses) for the Period	0.07	0.04	(0.71)	(0.18)	(0.28)
Unrealized Gains (Losses) for the Period	0.41	0.80	(0.30)	(0.25)	0.10
Total Increase (Decrease) from Operations²	0.99	1.31	(0.53)	0.04	0.36
Distributions:					
From Net Investment Income (excluding dividends)	(0.47)	(0.46)	(0.37)	(0.34)	(0.60)
From Dividends	0.00	0.00	0.00	0.00	0.00
From Capital Gains	0.00	0.00	0.00	0.00	0.00
Return of Capital	(0.25)	(0.26)	(0.02)	(0.02)	0.00
Total Annual Distributions³	(0.72)	(0.72)	(0.39)	(0.36)	(0.60)
Net Assets at December 31	14.71	14.48	14.23	15.29	15.62

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 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
Notional Income Distribution	0.00	0.00	0.00	0.00	0.00
Notional Dividend Distribution	0.00	0.00	0.00	0.00	0.00
Notional Capital Gains Distribution	0.00	0.00	0.00	0.00	0.00
Notional Return of Capital Distribution	0.00	0.00	0.00	0.00	0.00

Ratios and Supplemental Data

	2024	2023	2022	2021	2020
Total Net Asset Value (\$000s)¹	191,188	78,928	71,523	43,574	20,305
Number of Units Outstanding (000s)¹	13,000	5,450	5,025	2,850	1,300
Management Expense Ratio (%)²	0.28	0.28	0.28	0.28	0.27
Management Expense Ratio Before					
Waivers or Absorptions (%)	0.28	0.28	0.28	0.28	0.28
Trading Expense Ratio (%)³	0.00	0.00	0.00	0.00	0.00
Portfolio Turnover Rate (%)⁴	58.71	156.49	162.27	89.27	91.62
Net Asset Value per Unit (\$)	14.71	14.48	14.23	15.29	15.62
Closing Market Price (\$)⁵	14.76	14.50	14.24	15.32	15.64

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 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.

⁵ 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	0.25	N/A	0.07	99.93

* 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.

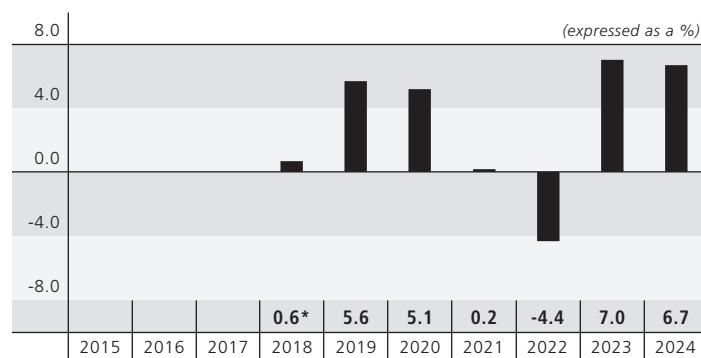
† Trustee, marketing services and other.

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 November 8, 2018 (commencement of operations) to December 31, 2018

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:
 - FTSE Canada Short Term Corporate Bond Index – This index is comprised of marketable Canadian corporate bonds with terms to maturity of one to five years and a rating of BBB or better.
- General Market Index:
 - FTSE Canada Universe Bond Index – This index is comprised of Canadian investment-grade bonds which mature in more than one year.

(expressed as a %)	Past year	Past 3 years	Past 5 years	Past 10 years	Since inception
(Inception date November 8, 2018)					
TD Select Short Term Corporate Bond Ladder ETF	6.7	3.0	2.8	N/A	3.3
Product Benchmark	7.3	3.0	3.0	N/A	3.3
General Market Index	4.2	-0.6	0.8	N/A	2.1

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 Bonds	90.4
U.S. Bonds	8.3
Global Bonds	0.5
Cash (Bank Overdraft)	0.2
Derivatives	0.0
Other Net Assets (Liabilities)	0.6
PORTFOLIO ALLOCATION	
Corporate Bonds	99.2
Cash (Bank Overdraft)	0.2
Foreign Exchange Forward Contracts	0.0
Other Net Assets (Liabilities)	0.6
CREDIT RATINGS[§]	
AA	1.1
A	17.7
BBB	70.3
BB	7.0
B	2.8
CCC	0.3
TOTAL NET ASSET VALUE (000s)	
	\$ 191,188

[§] Credit Ratings are obtained from S&PGR, Moody's or DBRS Ltd. rating agencies.

	% of Net Asset Value
TOP 25 INVESTMENTS	
Royal Bank of Canada Variable Rate, Callable 2.088% Jun 30, 2030	2.3
Primaris Real Estate Investment Trust Callable 6.374% Jun 30, 2029	2.3
RioCan Real Estate Investment Trust Callable 5.962% Oct 1, 2029	2.3
Bank of Montreal Callable 4.420% Jul 17, 2029	2.2
TELUS Corporation Callable 3.150% Feb 19, 2030	2.2
Pembina Pipeline Corporation Callable, Series 15 3.310% Feb 1, 2030	2.2
Crombie Real Estate Investment Trust Callable, Series K 5.244% Sep 28, 2029	2.2
Veren Inc. Callable 4.968% Jun 21, 2029	2.1
Dream Industrial Real Estate Investment Trust Callable, Series A 1.662% Dec 22, 2025	2.1
National Bank of Canada Variable Rate, Callable 1.573% Aug 18, 2026	2.1
Granite REIT Holdings Limited Partnership Callable 3.999% Oct 4, 2029	2.0
Bell Canada Callable 2.900% Sep 10, 2029	2.0
Dream Summit Industrial Limited Partnership Callable 5.111% Feb 12, 2029	2.0
RioCan Real Estate Investment Trust Callable 4.628% May 1, 2029	2.0
Pembina Pipeline Corporation Callable, Series 7 3.710% Aug 11, 2026	1.9
Federation des caisses Desjardins du Quebec Variable Rate, Callable 5.279% May 15, 2034	1.8
RioCan Real Estate Investment Trust Callable, Series AD 1.974% Jun 15, 2026	1.8
Pembina Pipeline Corporation Callable, Series 12 3.620% Apr 3, 2029	1.8
The Toronto-Dominion Bank [†] Variable Rate, Callable 4.859% Mar 4, 2031	1.7
Brookfield Infrastructure Finance ULC Callable 5.616% Nov 14, 2027	1.7
Brookfield Renewable Partners ULC Callable 3.630% Jan 15, 2027	1.6
Canadian Imperial Bank of Commerce Variable Rate, Callable 2.010% Jul 21, 2030	1.6
Enbridge Inc. Callable 5.700% Nov 9, 2027	1.6
The Bank of Nova Scotia Variable Rate, Callable 3.934% May 3, 2032	1.5
Keyera Corporation Callable, Series 1 3.934% Jun 21, 2028	1.5
Total % of Net Asset Value represented by these holdings	48.5

[†] 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 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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