

# TD Asset Management

## TD Select U.S. Short Term Corporate Bond Ladder ETF (TUSB/TUSB.U)

535720  
(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 Select U.S. 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 U.S. investment-grade corporate bonds, divided into five 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 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 "TUSB" for Canadian dollar denominated units and "TUSB.U" for U.S. dollar denominated units. Units of TUSB returned 14.2% for the year ended December 31, 2024 (the "Reporting Period"), versus 14.5% for the Fund's product benchmark and 10.4% for the Fund's general market index. The Fund's product benchmark is the Bloomberg US Corporate 1-5 Years Total Return Index (Value Unhedged, C\$) and its general market index is the Bloomberg US Aggregate Bond Index (C\$). Unlike the product benchmark and general market index, the Fund's return is quoted after the deduction of fees and expenses. Returns for other units of the Fund may vary, largely due to differences in currencies. Refer to the Past Performance section for returns of various units of the Fund.

### 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. bond prices posted a small gain over the Reporting Period, while bond yields increased slightly. The Fed was a bit slower than some other major central banks to begin lowering interest rates as a result of the resilient U.S. economy and still elevated inflationary pressures. The Fed noted that further interest rate decreases would be gradual due to solid economic conditions, which helped push U.S. bond yields sharply higher near the end of the Reporting Period. The benchmark 10-year U.S. Treasury bond yield increased from 3.88% to 4.57%. Government bond prices increased but underperformed corporate bonds, which also advanced. Credit spreads (the difference in yields between corporate and government bonds with similar maturities) narrowed.

### Key Contributors/Detractors Relative to the Product Benchmark

During the Reporting Period, the Fund generated a positive return and performed in-line with its product benchmark before the deduction of fees and expenses.

- The Fund's income advantage relative to the product benchmark contributed to performance.
- The Fund's security selection contributed to performance.
- The Fund's yield curve positioning (allocation to bonds with different maturities) detracted from performance.

### Key Contributors/Detractors Relative to the General Market Index

During the Reporting Period, the Fund outperformed its general market benchmark 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 path 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. Each class of 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 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

	TUSB (C\$)					TUSB.U (US\$)				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
<b>Net Assets, Beginning of Year</b>	13.51	13.60	13.80	14.37	15.14	9.97	9.78	10.84	11.29	11.54
<b>Increase (Decrease) from Operations:</b>										
Total Revenue	0.71	0.66	0.60	0.53	0.73	0.52	0.56	0.51	0.46	0.35
Total Expenses (excluding distributions)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.03)	(0.03)	(0.02)	(0.03)	(0.03)
Realized Gains (Losses) for the Period	0.23	0.10	(0.63)	(0.70)	(0.46)	0.17	0.06	(0.48)	(0.49)	(0.16)
Unrealized Gains (Losses) for the Period	1.02	(0.10)	0.46	0.24	(0.10)	0.77	0.24	0.11	(0.07)	(0.46)
<b>Total Increase (Decrease) from Operations²</b>	1.92	0.62	0.39	0.03	0.13	1.43	0.83	0.12	(0.13)	(0.30)
<b>Distributions:</b>										
From Net Investment Income (excluding dividends)	(0.65)	(0.62)	(0.48)	(0.48)	(0.75)	(0.44)	(0.50)	(0.62)	(0.36)	(0.35)
From Dividends	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
From Capital Gains	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Return of Capital	(0.07)	(0.10)	0.00	0.00	0.00	(0.10)	(0.04)	(0.03)	(0.13)	(0.05)
<b>Total Annual Distributions³</b>	(0.72)	(0.72)	(0.48)	(0.48)	(0.75)	(0.54)	(0.54)	(0.65)	(0.49)	(0.40)
<b>Net Assets at December 31</b>	14.64	13.51	13.60	13.80	14.37	9.94	9.97	9.78	10.84	11.29

<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.

	TUSB (C\$)					TUSB.U (US\$)				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
Notional Income Distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Notional Dividend Distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Notional Capital Gains Distribution	0.00	0.00	0.00	0.00	0.00	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	0.00	0.00	0.00	0.00	0.00

## Ratios and Supplemental Data

	TUSB (C\$)					TUSB.U (US\$)				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
Total Net Asset Value (\$000s)¹	11,714	7,090	5,780	4,141	3,592	4,471	2,243	4,155	7,048	5,645
Number of Units Outstanding (000s)¹	800	525	425	300	250	450	225	425	650	500
Management Expense Ratio (%)²	0.29	0.28	0.28	0.29	0.29	0.28	0.28	0.27	0.27	0.27
Management Expense Ratio Before Waivers or Absorptions (%)	0.30	0.30	0.30	0.30	0.31	0.29	0.29	0.29	0.28	0.29
Trading Expense Ratio (%)³	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Portfolio Turnover Rate (%)⁴	106.14	136.83	145.37	79.83	116.23	106.14	136.83	145.37	79.83	116.23
Net Asset Value per Unit (\$)	14.64	13.51	13.60	13.80	14.37	9.94	9.97	9.78	10.84	11.29
Closing Market Price (\$)⁵	14.64	13.45	13.70	13.92	14.34	9.95	9.98	9.77	10.83	11.28

<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>5</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†
TUSB	0.25	N/A	5.55	94.45
TUSB.U	0.25	N/A	5.48	94.52

\* 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.

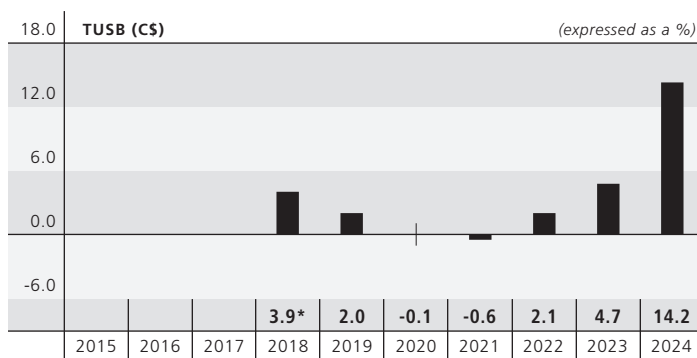
† Trustee, marketing services and other.

## Past Performance

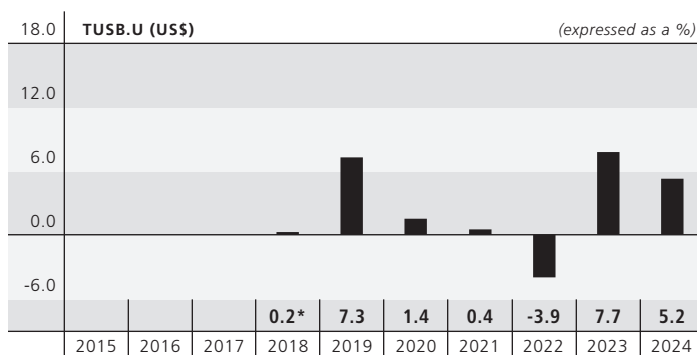
The following charts show how the Fund has performed in the past, and can help you understand the risks of investing in the Fund. These returns include the reinvestment of all distributions during the period in additional units at the net asset value per unit of the Fund at the time of distribution. 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 charts show 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



\* 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:
  - Bloomberg US Corporate 1-5 Years Total Return Index (Value Unhedged) – This index covers the U.S. dollar-denominated, investment-grade, fixed-rate, taxable corporate bond market of U.S. Securities and Exchange Commission-registered securities that are maturing within one to five years.
- General Market Index:
  - Bloomberg US Aggregate Bond Index – This index covers the U.S. dollar-denominated, investment-grade, fixed-rate, taxable bond market of U.S. Securities and Exchange Commission-registered securities.

(expressed as a %)	Past year	Past 3 years	Past 5 years	Past 10 years	Since inception
TUSB (C\$) (Nov. 8, 2018)	14.2	6.9	3.9	N/A	4.2
Product Benchmark (C\$)	14.5	6.2	4.1	N/A	4.5
General Market Index (C\$)	10.4	1.9	1.8	N/A	3.1
TUSB.U (US\$) (Nov. 8, 2018)	5.2	2.9	2.1	N/A	2.9
Product Benchmark (US\$)	4.9	1.7	2.0	N/A	2.9
General Market Index (US\$)	1.3	-2.4	-0.3	N/A	1.5

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. Bonds	88.2
Canadian Bonds	10.4
Global Bonds	0.4
Cash (Bank Overdraft)	0.3
Other Net Assets (Liabilities)	0.7
<b>PORTFOLIO ALLOCATION</b>	
Corporate Bonds	99.0
Cash (Bank Overdraft)	0.3
Other Net Assets (Liabilities)	0.7
<b>CREDIT RATINGS<sup>§</sup></b>	
A	10.6
BBB	74.6
BB	11.3
B	2.3
CCC	0.2
<b>TOTAL NET ASSET VALUE (000s)</b>	
	\$ 18,141

<sup>§</sup> Credit Ratings are obtained from S&PGR, Moody's or DBRS Ltd. rating agencies.

	% of Net Asset Value
<b>TOP 25 INVESTMENTS</b>	
Plains All American Pipeline Limited Partnership/Plains All American Finance Corporation (USD) Callable 4.500% Dec 15, 2026	3.0
Truist Financial Corporation (USD) Variable Rate, Callable 1.267% Mar 2, 2027	2.7
Wells Fargo & Company (USD) Variable Rate, Callable 2.393% Jun 2, 2028	2.7
The Bank of Nova Scotia (USD) 4.500% Dec 16, 2025	2.6
T-Mobile USA Inc. (USD) Callable 1.500% Feb 15, 2026	2.5
EQT Corporation (USD) Callable 7.000% Feb 1, 2030	2.5
ONEOK Inc. (USD) Callable 3.400% Sep 1, 2029	2.5
Ventas Realty Limited Partnership (USD) Callable 3.000% Jan 15, 2030	2.3
Welltower Inc. (USD) Callable 3.100% Jan 15, 2030	2.3
The Goldman Sachs Group Inc. (USD) 4.250% Oct 21, 2025	2.3
American Tower Corporation (USD) Callable 3.800% Aug 15, 2029	2.3
Morgan Stanley (USD) Variable Rate, Callable 3.622% Apr 1, 2031	2.2
Huntington Bancshares Inc. (USD) Variable Rate, Callable 5.272% Jan 15, 2031	2.1
Citigroup Inc. (USD) Variable Rate, Callable 3.980% Mar 20, 2030	2.0
Truist Financial Corporation (USD) Callable 3.875% Mar 19, 2029	2.0
Targa Resources Partners Limited Partnership/Targa Resources Partners Finance Corporation (USD) Callable 6.875% Jan 15, 2029	1.9
Fifth Third Bancorp (USD) Variable Rate, Callable 6.339% Jul 27, 2029	1.9
Capital One Financial Corporation (USD) Variable Rate, Callable 5.700% Feb 1, 2030	1.9
Energy Transfer Limited Partnership (USD) Callable 5.250% Apr 15, 2029	1.8
Morgan Stanley (USD) Variable Rate, Callable 5.123% Feb 1, 2029	1.8
U.S. Bancorp (USD) Variable Rate, Callable 5.775% Jun 12, 2029	1.8
Truist Financial Corporation (USD) Callable 1.950% Jun 5, 2030	1.8
Videotron Limited (USD) Callable 3.625% Jun 15, 2029	1.8
JPMorgan Chase & Company (USD) Variable Rate, Callable 1.578% Apr 22, 2027	1.7
Bank of Montreal (USD) Variable Rate, Callable 3.803% Dec 15, 2032	1.7
Total % of Net Asset Value represented by these holdings	54.1

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

**CURRENCY LEGEND**

(USD) United States Dollar

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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