

## From the Desk of the Asset Allocation Team



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### TD Alternative Risk Focused Pool: A Strategic Approach to Portfolio Resilience

#### At a Glance:

- The **TD Alternative Risk Focused Pool (the "Pool")** is a liquid alternative multi-strategy solution designed to be a complement in a traditional balanced stock/bond portfolio.
- This core liquid alternative investment solution seeks to deliver diversification benefits with low volatility and downside capture while also seeking to provide an attractive yield enhancement driven by robust risk management and tactical flexibility.
- With a multi-strategy approach that encapsulates a wide range of intellectual capital at TD Asset Management ("TDAM", "we", "our"), the Pool is ideal for investors seeking to enhance portfolio diversification, harvest returns from uncorrelated exposures, and access institutional strategies without being an accredited investor.

#### A Strategy for Today's Challenging Environment

Today's investment landscape is more challenging than in the past. Investors are facing key emerging challenges: higher inflation, increasing economic uncertainty, and more volatile markets amid ongoing trade tensions and tariff negotiations. With traditional assets such as stocks and bonds prone to being increasingly correlated, especially during inflation shocks, portfolios of just stocks and bonds are increasingly strained under the weight of simultaneous equity and bond drawdowns. Investors need a solution that can provide diversification in response to rising rates, inflation, and market dislocations.

The **TD Alternative Risk Focused Pool (the "Pool")** is designed to meet these challenges head on. The Pool is a liquid alternative, multi-strategy solution designed to act as a complement in a traditional balanced stock/bond portfolio to help manage risk across market regimes.

#### Why Does it Matter Now?

Traditional balanced portfolios can be exposed to lower diversification benefits when it matters most, resulting in bigger drawdowns and ultimately leading to disappointed investors. Traditional portfolios seek to diversify market risk by investing in bonds and stocks. But today's market landscape is not just volatile, it is structurally different and more complex. Inflation is proving to be more persistent, and interest rate paths are less predictable. Furthermore, increasing geopolitical uncertainty is amplifying economic volatility. Once reliable diversifiers, today these asset classes tend to exhibit a higher degree of correlation with each other, especially when returns from bonds are challenged by high inflation.

#### How Does the Pool Manage Today's Emerging Risks?

In contrast, **the Pool** incorporates liquid alternatives with a lower correlation to bonds and stocks while offering attractive yield enhancement. It is a strategy designed to help reduce portfolio risk while preserving return potential, resulting in better risk-adjusted returns for every dollar of invested capital.

At TDAM, our focus is on incorporating alternative assets to enhance returns and improve diversification through a

structured, multi-strategy approach:

- **Inflation Hedges:** These assets maintain or increase in value during inflationary periods. Alternative assets such as *commodities* and *real assets* can be a strong complement in a portfolio, particularly given low fixed income returns after adjusting for inflation. They also provide exposure to attractive secular trends, such as resource security and infrastructure investments.
- **Volatility Management:** Uses strategies that aim to reduce losses during market downturns. Strategies such as *cross-asset relative value* and *tail risk insurance* seek to protect capital in stressed environments and take advantage of price dislocations across asset classes including interest rates, equities, currencies, and commodities.
- **Alternative Income:** This refers to non-traditional sources of yield or cash flow from strategies such as dividend swaps. A dividend swap is an agreement with a counterparty where investors receive returns that closely track the dividend growth of a stock. It is a way to generate equity-like returns without owning the underlying stock and being subject to stock market volatility. The strategy diversifies and enhances yield beyond interest income from bonds. Through established relationships, these strategies are sourced from counterparties who need to recycle risks at prices favourable to investors.

## An Enhanced Multi-Strategy Solution for Investors

The Pool employs a multi-strategy approach to achieve its objectives. As seen below in **Table 1**, The **TD Alternative Risk Focused Pool – F Series** is structured using six core strategies.

**Table 1: Asset Allocation of TD Alternative Risk Focused Pool – F Series**

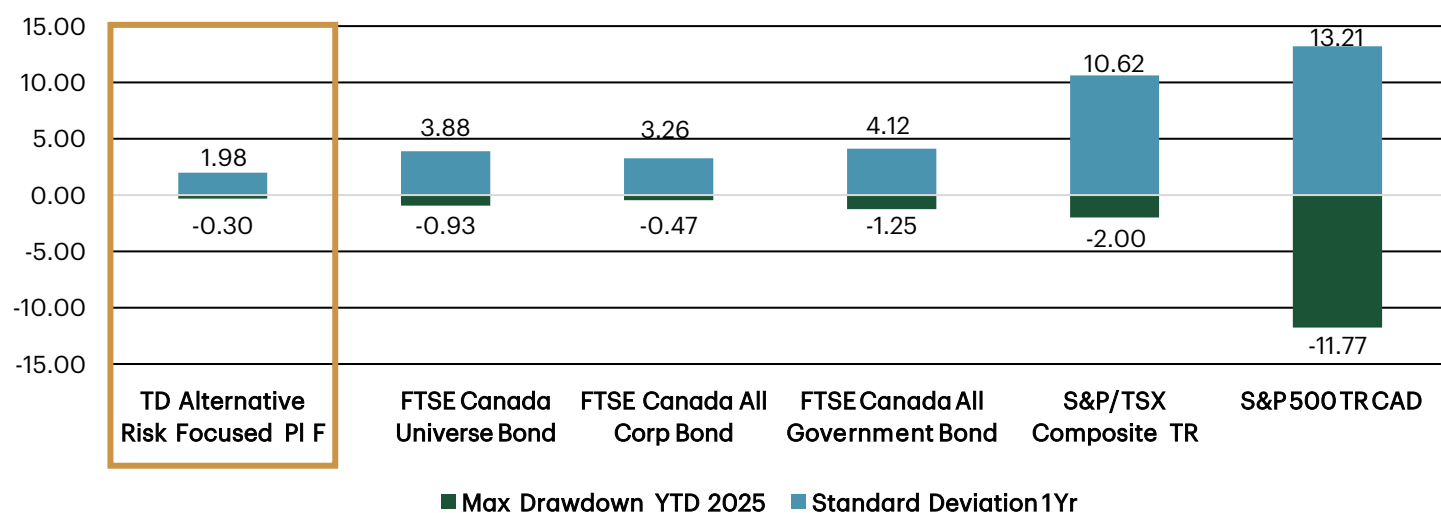
Tactical Asset Class	Current Weight	Target Asset Class Weight (%)
<b>Tactical Equity</b> (incl. Div Swap) <i>• Capital efficient alpha with risk control</i>	10.7	35.0
<b>Tactical Fixed Income</b> <i>• Agile yield enhancement</i>	58.7	35.0
<b>Currency</b> <i>• Uncorrelated source of return</i>	1.0	10.0
<b>Commodities</b> <i>• Hedge against unexpected inflation / geopolitical risks</i>	4.8	9.0
<b>Real Assets</b> (Infrastructure, Real Estate) <i>• Inflation-linked, predictable cashflows</i>	4.7	4.0
<b>Cash</b> (and Collateral) <i>• Foundation of a multifaceted return stack</i>	31.0	57.0
<b>Total</b>	<b>110.8</b>	<b>150.0</b>
<b>Regulatory Leverage</b>	<b>1.1x</b>	<b>1.5x</b>

Source: TD Asset Management Inc., as of June 30, 2025.

## Performance in Action

Despite the volatility year-to-date ("YTD"), particularly during the "Liberation Day" selloff in April 2025, the TD Alternative Risk Focused Pool – F Series maintained a positive performance consistent with its investment objective and Low-Risk categorization. By maintaining exposure to a broad range of asset classes such as *real assets* (*infrastructure*) and *commodities* as well as investment strategies such as *credit*, *dividend swaps*, *bullion (gold)* and *equity futures/options*, the Pool is well positioned to adapt to changing macroeconomic conditions. As illustrated in **Chart 1** below, the Pool has demonstrated lower downside capture and standard deviation than broad market bond and equity indices.

**Chart 1: TD Alternative Risk Focused Pool – F Series versus Market Benchmarks**



Source: Morningstar, as of June 30, 2025

As seen in **Table 2** below, the Pool's lower standard deviation and lower drawdown have resulted in higher risk-adjusted returns than bonds, highlighting the benefit of a well-structured, multi-strategy portfolio.

**Table 2: Returns and Standard Deviation of TD Alternative Risk Focused Pool – F Series**

Returns as of June 30, 2025	1 month	3 months	6 months	YTD	1 year Standard Deviation
TD Alternative Risk Focused Pool – F Series	0.71%	1.37%	2.49%	2.49%	1.98%
FTSE Canada Universe Bond	0.06%	-0.57%	1.44%	1.44%	3.88%

Source: TD Asset Management Inc., FTSE Debt Capital Markets Inc. as of June 30, 2025.

## The TDAM Advantage - Incorporating Investment Strategies Beyond a Traditional Approach

The Asset Allocation Team (the "Team") at TDAM is continuously seeking opportunities to enhance the resilience of the TD Alternative Risk Focused Pool. This strategy is ideal for clients seeking to:

- Reduce volatility and drawdown of a traditional balanced portfolio
- Harvest returns from uncorrelated exposures
- Access liquid, institutional strategies without being an accredited investor

The team possesses a distinct and crucial ability to create portfolio diversifiers that generate returns above Fixed Income. The aim is to fortify the Pool against an uncertain, high-inflation environment by incorporating capital-efficient, liquid alternative strategies that are not widely available to individual investors. The team adopts a multi-strategy investment approach with full tactical flexibility to implement best ideas with agility, leveraging the deep and diverse intellectual capital embedded within TDAM, to help clients navigate emerging investment challenges.

**For further information,  
please contact your TDAM representative.**



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