



From the Desk of the Fixed Income Team

TD Target Maturity Bond Funds

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The Fixed Income Team at TD Asset Management Inc. (TDAM, we, our) highlights how disciplined portfolio construction and active management can shape the future of target maturity bond investing. The Team's strategy centers on positioning cash efficiently, leveraging sector selection and strong corporate allocations to maintain yield and avoid cash drag in a changing market.

Shifting Monetary Policy and Market Opportunity

Canada's monetary policy is undergoing a meaningful shift. Central banks are moving from a singular focus on inflation to addressing signs of labour market weakness. While volatility may persist, we believe this evolving backdrop can present a timely opportunity for advisors to reassess their fixed income positioning. An emerging theme is the volume of upcoming maturities in Target Maturity Bond Funds (TMBs), offering advisors a unique opportunity to reposition client portfolios in response to changing monetary policy.

Industry-Wide Reinvestment Potential

This marks a pivotal moment for strategic decision-making and guiding clients through asset redeployment, with the potential to optimize portfolios across a broader economic and institutional landscape. The 2025 maturity cycle is not limited to TDAM, other major Canadian financial institutions also hold substantial assets in funds reaching maturity, contributing to an industry-wide investment opportunity. While the maturing funds at TDAM remain a central focus, it is crucial to recognize that similar maturity cycles are occurring across the Canadian financial industry. This broader context calls for proactive planning—not only to optimize reinvestment strategies for TDAM clients, but also to remain aware of how other institutions are approaching asset redeployment. By maintaining cross-institutional awareness, advisors can anticipate market shifts, benchmark strategies, and position portfolios to capture opportunities that arise from this industry-wide maturity event.

Returns as of September 30, 2025	3 months	Year to Date	1 year	3 years	5 years	Since Inception ¹
TD Target 2025 Investment Grade Bond ETF (TBCE)	0.73%	2.37%	3.55%	N/A	N/A	4.45%

Source: TD Asset Management Inc. ("TDAM"), as of September 30, 2025.
Returns for periods greater than one year are annualized; net of expenses.
Note: Numbers may not add due to rounding.
¹ Inception Date: April 2, 2024

Strategic Cash Redeployment and Portfolio Construction

As target maturity bond funds approach their maturity dates, advisors and investors face the risk of *cash drag*— not because proceeds are left uninvested, but because they are often shifted into more liquid, lower-yielding products such as T-Bills. Ineffectively navigating this transition can impact overall portfolio performance as uninvested proceeds dilute returns, which becomes a key concern for advisors and investors.

The way we construct our portfolios and position them reflects both market dynamics and a conviction in the credit quality of corporate issuers. At TDAM, our active management framework enables the identification of value, supporting both income generation and capital preservation objectives.

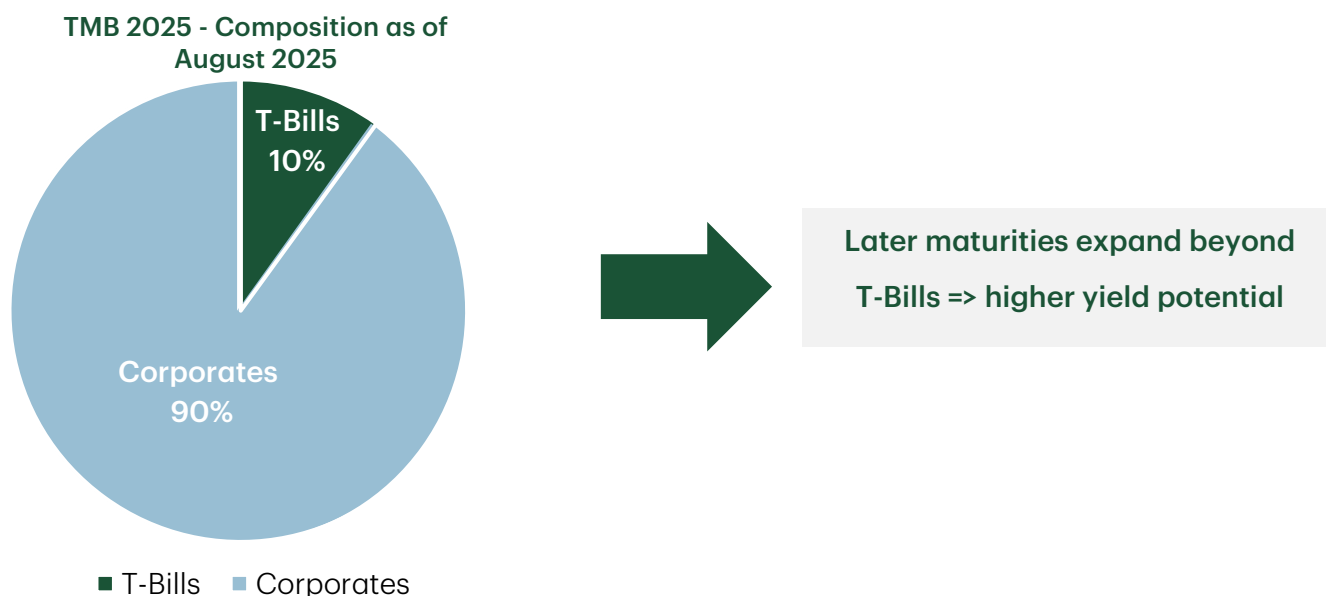
Sector selection can further enhance portfolio strength. This is evident in the newest addition to our line-up of Target Maturity Bond Funds: the TD Target 2031 Investment Grade Bond Fund. It features a meaningful allocation to the Real Estate, Energy, and Communications sectors, chosen for both availability (bonds that align with specified maturity date) and forward-looking conviction (fundamentals are supportive).

Competitive Advantage and Strategic Outlook

Target Maturity Bond Funds (TMBs) at TDAM continue to demonstrate strong performance and competitive differentiation, supported by a disciplined investment process that emphasizes fundamentals, technicals and valuation discipline. Of note has been our differentiated navigation of the maturity year. At TDAM, our strategy involves more than a simple transition to Treasury Bills in the maturity year; instead, we continue to invest in corporate bonds in the earlier part of the maturity year. While it may seem like a small distinction, it can provide a material yield advantage. As illustrated by the composition of the 2025 TMB at the end of August, corporate bonds accounted for 90% of its holdings (**Chart 1**). Currently, with maturity in about a month, corporate bonds still account for more than half the portfolio.

Going forward, we are exploring the transition into other higher yielding cash alternatives in addition to Treasury Bills to further improve return potential. This evolution supports continued strong performance and reflects our commitment to delivering value and stability for investors.

Chart 1: Maximizing Yield Potential Driving Strong Results to Maturity



Source: TD Asset Management Inc. (TDAM), as of August 31, 2025.

Looking Ahead

The upcoming wave of maturities in Target Maturity Bond Funds presents a timely opportunity for reinvestment. With yields still elevated and credit fundamentals solid, this environment remains attractive for income generation. At TDAM, our disciplined approach—grounded in active credit selection, robust cash management, and targeted sector exposure—positions advisors to navigate this reinvestment cycle with confidence. Whether the objective is capital preservation, steady income, or total return enhancement, we highlight below a range of TDAM's corporate fixed income solutions that are suited for different market scenarios.

Table 1: Corporate Bond Funds Positioned for Opportunity

Scenario	Fund/ETF	Key Characteristics
All-weather core holding	- Target Maturity Bond Funds (TMB) - TD Select Short Term Corporate Bond Ladder ETF (TCSB) - TD Select U.S. Short Term Corporate Bond Ladder ETF (TUSB) - Not CAD Hedged	- Low duration - Lower/no high yield exposure (TMB)
Bull case, (spreads falling and rates steady)	- TGFI/TD Global Income Fund - TD High Yield Bond Fund	~3-5 year duration - Meaningful high yield exposure
Bear case (rising credit spreads, rates rally)	- TD Canadian Corporate Bond Fund - TD Sustainability Bond Fund	5 to 6 year duration - No high yield exposure
Meaningful U.S. Rate Exposure	- TGFI/TD Global Income Fund - TD High Yield Bond Fund - TD Sustainability Bond Fund - TUSB (Not CAD-Hedged)	

Note: For information purposes only.

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



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