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The best of both worlds

Getting all the benefits of a bond in an ETF

At a glance

- **Inflation is now moderating and the expectation for 2025 is that major central banks will likely continue to cut interest rates.**
- **Despite recent rate cuts, fixed income is currently providing investors with attractive income. This, along with the potential for capital appreciation as rates fall, can provide an attractive total return opportunity.**
- **To take advantage of the opportunities present in today's fixed income market, TD Asset Management Inc. (TDAM) offers the TD Target Maturity Bond ETFs - a suite of one-ticket fixed income investment solutions designed to act like an individual bond while providing liquidity, diversification, and professional oversight benefits from TDAM's Fixed Income Investment Team**

If recent years have illustrated anything, it is that markets can be volatile and unpredictable. The interest rate environment continues to undergo significant transformation, defined by falling bond yields now that inflation has moderated, as major central banks, including the Bank of Canada (BoC) and the U.S. Federal Reserve ("the Fed") have begun to cut rates. While the bond market has priced in a policy rate path that would see the BoC return to a neutral level over the next two years, a sudden weakening of the economy could trigger greater rate cuts from BoC.

Against this backdrop, TDAM continues to expect fixed income will likely generate positive income returns over the next 12 months that may also be bolstered by capital returns in a scenario where the economy deteriorates, forcing the BoC to ease policy more than currently expected.

The case for fixed income

Investors with a long-term time horizon should remain focused on building a portfolio than can provide valuable diversification benefits alongside riskier assets. The two potential benefits in the near term for investors who include fixed income in their portfolio are attractive returns and diversification.

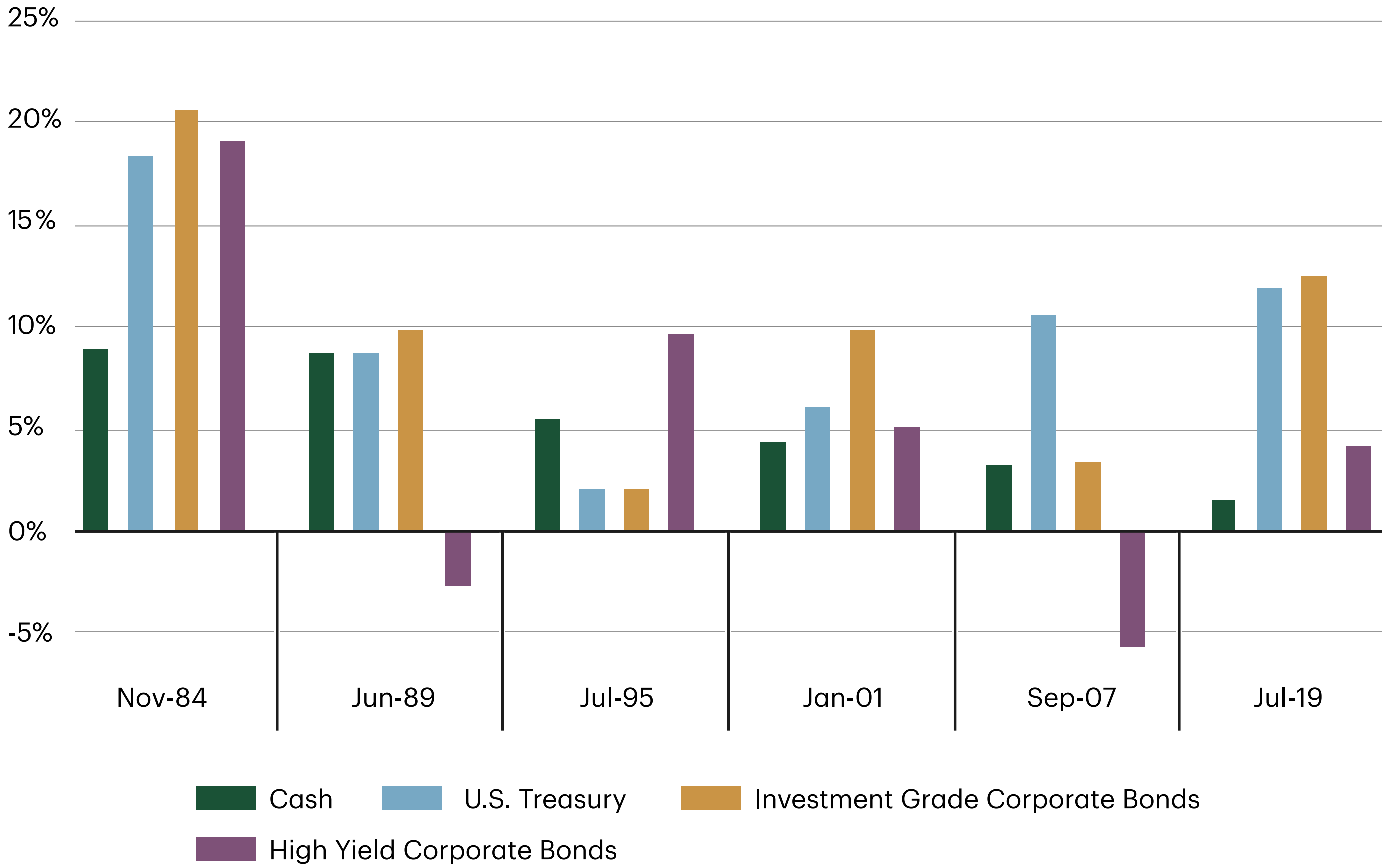
Attractive returns

Fixed income is still providing investors with attractive income. This, along with the potential for capital appreciation as rates continue to ease, can provide a very attractive total return opportunity. This is because bond prices have an inverse relationship with interest rates. This means that, typically, when interest rates go up, bond prices go down and when interest rates go down, bond prices go up.

Diversification

Fixed income helps to diversify a portfolio and reduce portfolio volatility, preserve capital, and reduce risk. In volatile times, fixed income may become an investment portfolio stabilizer.

1 year returns following a U.S Federal Reserve interest rate cut



Source: Bloomberg Finance L.P. Cash is represented by the ICE BofA US 3-Month Treasury Bill Index, U.S Treasury is represented by the Bloomberg US Treasury Total Return Index Unhedged USD, Investment Grade Corporate is represented by the Bloomberg US Corporate Total Return Value Index Unhedged USD and High Yield Corporate is represented by the Bloomberg US Corporate High Yield Total Return Index Value Unhedged USD.

Solutions that “target” the current investing environment

To take advantage of the opportunities present in today’s fixed income market, TDAM offers a suite of target maturity bond exchange-traded funds (ETFs). Target maturity bond ETFs have been amongst the best-selling investment solutions across the industry. These ETFs have a compelling structure that combines the maturity profile of a bond with the diversification benefits of a managed product. Target maturity bond ETFs typically hold a portfolio of individual bonds that provide regular income and distribute a final payout on a pre-set termination date. Like traditional bonds, they offer an element of stability and predictability in cash flows with the added benefit of being able to buy or sell them at any time. In a nutshell, target maturity bond ETFs are a simple and low-cost way to add targeted fixed income exposure to any portfolio.

The TD Target Maturity Bond ETFs invest in a portfolio of investment-grade corporate bonds which are hand-picked by TDAM’s Fixed Income Investment Team, offering increased diversification and the chance to help generate higher yields when compared to other fixed income products.

Key considerations and benefits of the TD Target Maturity Bond ETFs

The TD Target Maturity Bond ETFs offer the best of both worlds where they not only provide the benefits of a traditional bond fund like diversification and regular income but also the benefits that come with an ETF like liquidity and transparency. In summary, the main benefits and considerations for investors include:

1

Ease of execution

It's easier for an investor to purchase a portfolio of bonds with a known maturity as opposed to building their portfolio one bond at a time through a broker which often requires large sums of cash. TD Target Maturity Bond ETFs can be easily purchased at a low cost on the S&P/TSX Composite Index with no minimum purchase amount giving you the desired bond exposure.

2

Improved liquidity

Unlike holding a basket of individual bonds that may be less liquid in the secondary market, an ETF structure allows investors to easily trade and adjust their bond exposure in response to changing market conditions or evolving investment objectives. TD Target Maturity Bond ETFs are a flexible investment as they provide daily liquidity through the exchange. Buy or sell when you want. Plus, they can offer competitive yields to Guaranteed Investment Certificates (GICs) or other money market instruments.

3

Potential tax-efficiency

From a tax perspective, a portion of the total return can be treated as capital gains as opposed to interest income which is taxed at higher rate.

4

Aligning investment time horizons

Another key advantage of the TD Target Maturity Bond ETFs is the ability to match the time horizon of the investor with the maturity date of the ETF, which allows investors to save for specific financial goals or needs. This precise time horizon matching enhances the predictability of cash flows and provides a clear path for meeting future financial needs.

5

Build better laddered portfolios

TD Target Maturity Bond ETFs are an efficient way to help build a laddered portfolio to manage interest rate and/or reinvestment risk. While a normal bond fund must buy and sell individual bonds to maintain an average maturity, a target maturity bond ETF has a fixed target date and when the fund closes, investors receive the market value of their investment just as they do with individual bonds at maturity.

Benefits

What happens at maturity?

While traditional bond funds provide investors with diversification, manager expertise, and regular income, they don't have a fixed maturity date, as the fund must buy and sell individual bonds to maintain an average maturity date. In a rising rate environment, it means the fund can suffer a loss if it must sell bonds when prices are down. Conversely, while falling rates can lift bond prices, they can be harmful if the fund must replace older bonds with new ones that pay less interest, reducing the fund's yield.

As the name suggests, target maturity bond ETFs purchase bonds that have a common maturity date. When the ETF's maturity date arrives, the fund closes, and investors receive the market value of their investment just as they do with individual bonds. The income received is relatively stable because the ETF typically doesn't need to replace holdings along the way.

Comparing different types of fixed income offerings

Quick Comparison	TD Target Maturity Bond ETFs	Individual Bonds	Traditional Bond Funds
Defined Maturity	✓	✓	✗
Ability to Bulk Trade	✓	✗	✓
Monthly Income	✓	✗	✓
Ease of Execution	✓	✗	✓
Diversification	✓	✗	✓
Professional Management	✓	✗	✓

Maturity

For more information on the suite of TD Target Maturity Bond ETFs, please visit our **website >.**

Connect with TD Asset Management