

# TD Target Maturity Bond Funds: Matures like a bond, and diversifies like a fund



## From the Desk of the Fixed Income Investments Team

### At a Glance:

**Why TD Target Maturity Bond Funds (TMBs) now:** Markets are volatile amid headline-sensitive dynamics, making defined outcomes more valuable than market timing

**Portfolio role:** Bridges cash and fixed income, reducing cash drag while maintaining liquidity and a clear investment horizon

**Key TDAM differentiator:** Minimize cash drag in the maturity year, and a robust, research-driven credit platform

By David Tallman, CFA, and Sayada Nabi. Edited by Jitesh Chauhan.

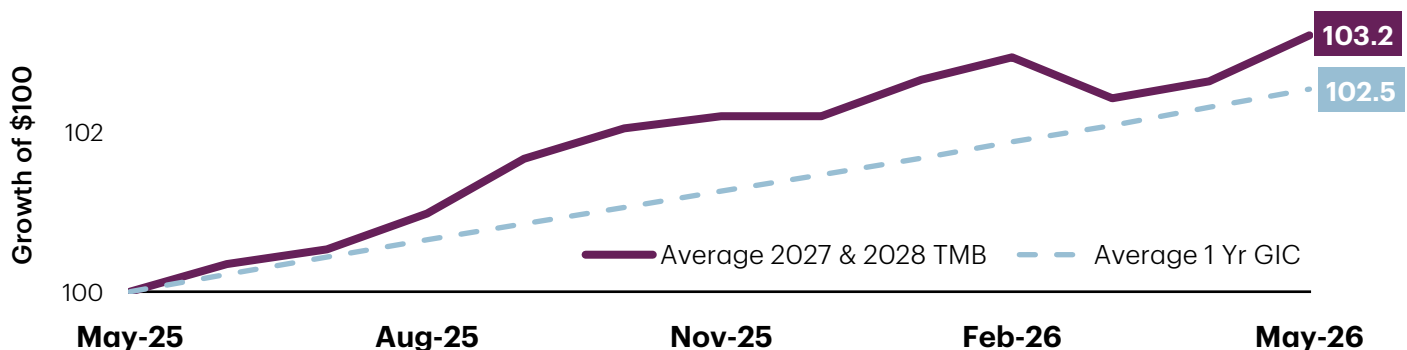
### Converting Uncertainty into Defined Outcomes

Today’s market can put bond investors in a tough spot, as inflation concerns drive interest rate volatility. This can put bond prices under pressure, bringing the role of fixed income as a portfolio stabilizer into question. When investors are unsure about how to allocate in this backdrop, it can result in a common positioning dilemma of elevated cash allocations. While cash offers short-term comfort, it introduces a long-term cost: cash drag. This is where idle capital limits, and in some cases erodes, income generation, which reduces growth over time.

While persistent inflation can be a headwind to bond values, as experienced in 2022, there is value in understanding how the inflation narrative has evolved this time around. Unlike 2021–2022, where inflation was largely demand-driven, today’s environment is increasingly shaped by headline risk and supply-driven pressures. These forces tend to be more episodic than demand-driven inflation, and typically lead to short-term volatility in interest rate expectations, rather than a sustained upward trend.

Nevertheless, global central bank expectations continue to be repriced as new data emerges, many investors point to this fluctuation as a key reason for staying on the sidelines. At current yield levels, however, there is a real opportunity cost in remaining in cash, and the structure of TD’s Target Maturity Bonds (TMBs) allow investors to access additional returns while also sidestepping any jitters around rate volatility **(Chart 1)**.

**Chart 1: Embracing Smarter Alternatives – Cash Activation Opportunity**



Note: GIC rates for 1 year are as of May 2025  
Source: TD Asset Management Inc., as of May 31, 2026

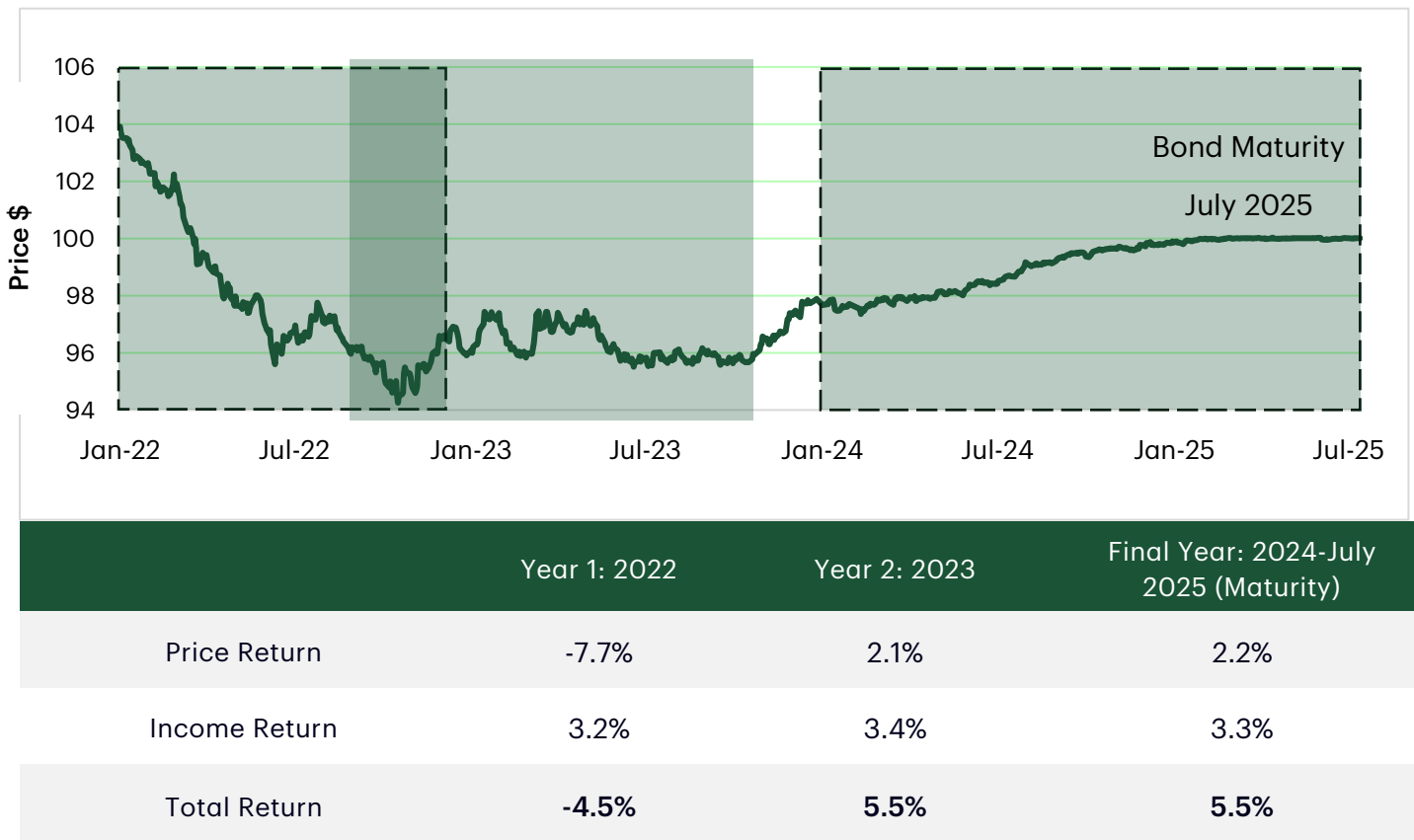
## A Differentiated Approach to Fixed Income

At TD Asset Management Inc. (TDAM, we, our), we believe TMBs offer a differentiated way to approach fixed income, one that aligns more closely with how investors typically think about their financial goals.

Each fund is built with a specific maturity year in mind, providing a clear investment horizon and maturity value. This contrasts with traditional fixed income funds, where duration is continually rolled and outcomes are less predictable. While bond prices may fluctuate in response to interest rate movements, the path toward maturity introduces a natural “pull-to-par” dynamic, helping to reduce the impact of interim volatility for investors aligned to that time horizon.

This dynamic, an inherent feature of TMBs, supports the defined outcome profile and highlights the importance of portfolio construction across different vintages. **Chart 2** is used to illustrate what the pull-to-par process can look like. We see that fluctuations are part and parcel of the bond’s life, however, that is offset by the income return year after year. And more importantly, despite the movements over its lifetime, as it moved closer to maturity, it also moved closer to its par value. Provided there is no default, investors can expect to receive full principal at maturity, and TDAM has not had a default in the investment grade space over the last 20 years, a reflection of our disciplined credit research process. While this is one bond, it can be an illustrative representation of the inner workings of a target maturity bond strategy.

**Chart 2: What Par-to-Pull can Look Like**



Source: Bloomberg Finance L.P., as of July 2025.

An illustrative investment-grade corporate bond maturing between 2022–2025 with a 3.3% coupon.

With yields meaningfully higher than a decade ago income is at the forefront of total return conversations, as it provides a potential buffer against market fluctuations. Unlike more traditional bond products, TMBs trade daily (in the case of the ETF series), offering liquidity without lock-up, allowing investors to adapt when circumstances change.

In our view, the combination of defined maturity, predictable income, and liquidity allows TMBs to serve as a bridge between cash and longer-duration fixed income. Short-duration solutions, such as TMBs, can play a significant role in helping investors stay invested while navigating uncertainty. Rather than waiting for full clarity on inflation or rates, TMBs allow investors to earn income while maintaining flexibility.

Within this framework:

- Cash can support immediate liquidity needs
- Short-duration solutions can address near-term uncertainty
- TMBs can anchor defined time-horizon planning and laddering

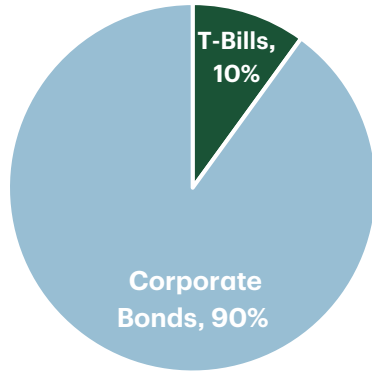
This progression enables a more intentional approach to portfolio construction, moving from idle cash toward structured outcomes.

### The TDAM Edge: Structural Differentiation

While this framework helps guide portfolio construction, differentiation within the category becomes an important consideration. While defined maturity is a key feature across the category, how these funds are constructed and managed can meaningfully impact outcomes.

Rather than transitioning early to cash or Treasury Bills, our approach as shown below in **Chart 3** prioritizes remaining invested in credit opportunities deep into the maturity year. This helps reduce cash drag within the strategy, increases yield incrementally, and better aligns with the goal of remaining invested over the intended time horizon.

**Chart 3: Composition 3 Months to Maturity**



**All existing maturities  
(2026, 2027, 2028, 2029, &  
2030) expand beyond  
T-Bills in final year =>  
Higher yield potential**

Source: TD Asset Management Inc., Morningstar®. As of Aug 30, 2025. Yield to Maturity.

Another key differentiator is how we diversify. Our TMBs are effectively diversified across a variety of sectors, which can help lower overall portfolio volatility. This effective portfolio diversification in our TMBs is made possible due to the collaboration with our independent credit research team.

At TDAM, our credit research team provides industry-specific insights across sectors and credit quality spectrum. With a 20+ year track record and spanning across the globe, our team covers more than 460 issuers, and more than 700 in depth credit reviews are conducted annually, to support proprietary, independent ratings and arrive at our approved credit list. Moreover, none of the names on our approved credit list have defaulted over the last 20 years. Our investment management teams are constantly reviewing and monitoring the economic landscape to find value and seek opportunities within the market

### Positioning in Today's Portfolio

In a market shaped by headline-driven volatility, shifting inflation expectations, and elevated cash balances, TMBs offer a practical solution:

- They provide visibility into outcomes through defined maturities
- They help convert idle cash into income-generating assets
- They maintain flexibility in uncertain environments

Ultimately, TMBs allow investors to address a core challenge in today's landscape, staying invested without needing to predict the next macro move, while maintaining a clearer path toward their financial goals.

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



---

The information contained herein has been provided by TD Asset Management Inc. ("TDAM") and is for information purposes only. The information has been drawn from sources believed to be reliable; however, its accuracy or completeness is not guaranteed. Graphs, charts and tables are used for illustrative purposes only and do not reflect future values or future performance of any investment. The information does not provide financial, legal, tax or investment advice. Particular investment, tax or trading strategies should be evaluated relative to each individual's objectives and risk tolerance.

No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Any characteristics, guidelines, constraints or other information provided herein is representative of the strategy and is provided for illustrative purposes only and may change at any time.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund and exchange-traded fund investments. Please read the prospectus and/or ETF Facts before investing. The indicated rates of return are for illustrative purposes only and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any investor that would have reduced returns.

There is no guarantee that the investment objectives will be achieved. Mutual funds and exchange-traded funds are not guaranteed or insured, their values change frequently and past performance may not be repeated. Investment strategies and current holdings are subject to change.

Certain information herein, including examples and illustrations, may refer to specific securities or outcomes and are provided for illustrative purposes only. They do not constitute recommendations to buy or sell securities and may not be representative of all portfolio holdings. Any reference to credit quality or default experience is based on internal assessments and historical observations and should not be interpreted as a guarantee of future outcomes.

Index returns are shown for comparative purposes only. Indexes are unmanaged and their returns include reinvestment of dividends, if applicable, but do not include any fees, expenses or sales charges. It is not possible to invest directly in an index.

Certain statements in this document may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects", "anticipates", "intends", "believes", "estimates" and similar forward-looking expressions. Forward-looking statements are based on current expectations and projections about future general economic, political and relevant market factors. Actual events may differ materially from those expressed or implied in such statements. Any views expressed are subject to change based on market and other conditions and may not materialize as expected.

©[2026] Morningstar is a registered mark of Morningstar Research Inc. All rights reserved.

TD Asset Management Inc. is a wholly owned subsidiary of The Toronto-Dominion Bank. ©The TD logo and other TD trademarks are the property of The Toronto-Dominion Bank or its subsidiaries.

(0626)