TD Asset Management

TD 1-10 Year A Minimum Corporate Bond Ladder Managed Account

as of June 30, 2022

Q2 2022

Market Recap[3]

The Federal Reserve (Fed) increased the federal funds rate by 1.25% during the quarter (0.50% in May, 0.75% in June). The current target range is 1.50%-1.75%. The reduction in the Fed's balance sheet began in June with a more aggressive runoff than the prior tightening cycle as it transitions to a more neutral policy framework. In addition to the Fed, the Bank of England, the Bank of Canada, as well as other major central banks, continue raising their respective policy rates as the need for policy accommodation wanes. Elevated inflation readings and a strong U.S. labor market are driving expectations for higher short-term rates over the next 8-10 months.

Real GDP decreased 1.6% in Q1 2022 (Q4 2021 growth was 6.9%). Household consumption slowed but remained positive while business investment improved on a sequential basis. Domestic demand showed quarterly improvement as well. Inflation remains at a historically high level. Economic data indicate a slowing U.S. economic expansion. Below trend growth is forecast this year with an increased likelihood of a recession in 2023.

U.S. Treasury yields increased during the quarter due to more positive economic reports, including a strong labor market, and persistently elevated inflation data. This has caused investors to adjust their expectations on the timing, magnitude, and several additional Federal Open Market Committee (FOMC) rate hikes. The inflation rate remains well above the Fed's 2% target. Interest rates increased across the curve: 2-year: 2.96% (+62 bps), 5-year: 3.04% (+58 bps), 10-year: 3.02% (+68 bps), 30-year: 3.19% (+74 bps). The Bloomberg U.S. Aggregate Bond Index returned -4.69% for the quarter, -10.29% for the last 12 months. The index ended the quarter with an average yield of 3.72%, +80 bps for the quarter.

During the quarter the spread on the Bloomberg U.S. Credit Index increased 35 bps to 143 bps as high inflation, a more hawkish FOMC, a rapidly slowing growth outlook, and geopolitical events negatively impacted valuations within the U.S. credit market. The rise in U.S. credit spreads reduced bond returns relative to U.S. Treasuries. AAA-rated issuers outperformed their lower-rated peers as the risk-off trade benefitted higher-rated issuers. On an excess return basis, non-corporate sectors such as supranational, foreign agencies, and foreign local governments performed best.

Source: TDAM, TD Economics & Bloomberg Financial L.P.

Investment Professionals

Glenn Davis, CFA
Managing Director
Industry experience: 43 years

Dennis Woessner, CFA
Vice President & Director
Industry Experience: 35 years

Investment Overview

Minimum Investment:
$100,000

Inception Date:
January 21, 2020

Asset Class:
Fixed Income

Management Style:
Passive Fundamental

Benchmark[2]:
Bloomberg Barclays Intermediate Corporate Total Return Index

Base Currency:
USD

U.S. Availability:
Unified Managed Account (UMA)

Investment Objective

The TD 1-10 Year A Minimum Corporate Bond Ladder Managed Account model seeks predictable income and capital preservation from high quality corporate bonds. The portfolio is constructed with the goal of maintaining principal protection with predictable cash flows even in volatile interest rate environments.

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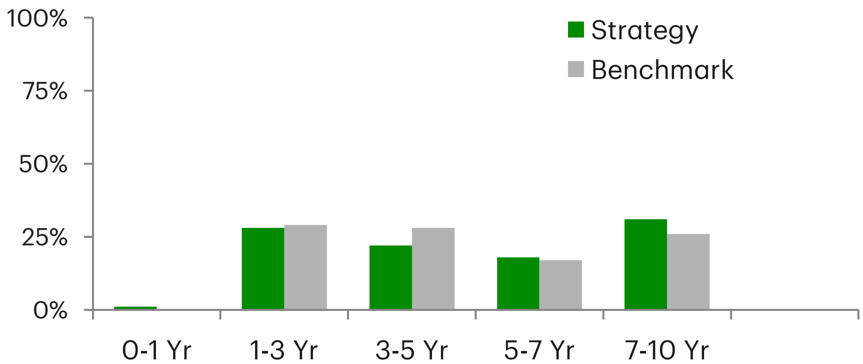
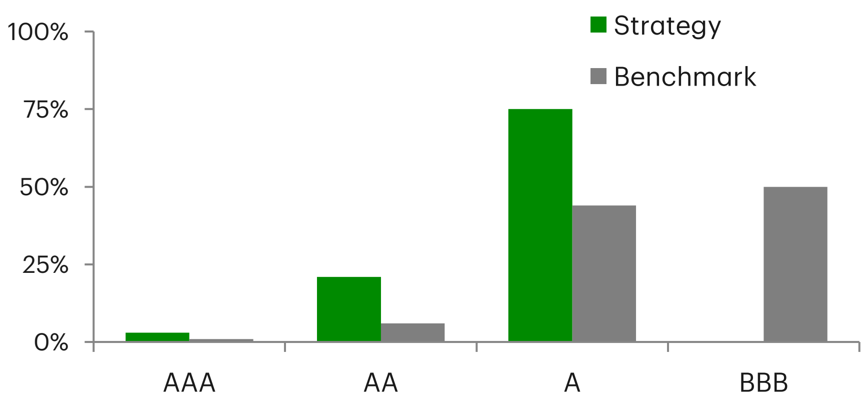
Sector Weights (%)[1,2,3]

	Model	Benchmark[2]
U.S. Corporate	99.0	100.0
Cash	1.0	0.0

Term Profile (%)[3]



Credit Quality (%)[3,4]



Investment Approach

TDAM applies a consistent philosophy across all of its investment strategies, both active and passive. This philosophy is based on extensive independent credit analysis, a deep understanding of credit and yield curves and strategic portfolio construction.

The models will be passively managed and employ a "buy and hold" approach in which securities are expected to be held until maturity and as the bond matures, proceeds will be reinvested into the longest maturity bucket to maintain the models' laddered structures. Selected securities will generally be equally weighted in each maturity bucket of the ladder.

TD Asset Management

TD Asset Management offers a wide range of solutions with a long track record of helping clients meet their goals. Our demonstrated macroeconomic expertise, extensive independent credit research and highly-disciplined process enable us to potentially deliver optimal risk-adjusted outcomes.

Experienced Investment Team

A key driver of our ability to outperform is the individual and collective investment acumen of our portfolio managers.

Independent credit research

Our team of seasoned credit research analysts produces proprietary research and develops our internal credit ratings.

Risk management focus

Our risk management culture increases personal accountability and maintains the integrity of our processes.

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Statistics (%)[3]

	Model	Benchmark[1]
Duration (years)	4.6	4.3
Number of Holdings	47	4,440
Yield to Maturity	3.88%	4.48%
Average Maturity	5.1	5.0

Top Holdings[3,5,6]

		Maturity	Weight (%)
1	Royal Bank of Canada	October 5, 2023	3.41
2	GlaxoSmithKline Capital Inc	May 15, 2025	3.38
3	Comcast Corp	February 1, 2027	3.31
4	Toyota Motor Credit Corp	August 25, 2023	3.30
5	Bristol-Myers Squibb Co	July 26, 2029	3.30
6	Bank of Montreal	June 28, 2024	3.28
7	Goldman Sachs Group Inc/The	April 23, 2028	3.19
8	Florida Power & Light Co	February 3, 2032	2.97
9	Walt Disney Co/The	September 1, 2029	2.91
10	Home Depot Inc/The	September 15, 2031	2.82

Glossary of Terms

Duration: Duration is a measure of a security's price sensitivity to changes in interest rates. Duration considers a security's interest payments, the amount of time until the security matures, and maturity shortening features (e.g., demand features, interest rate resets, and call options). Generally, securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations.

Average Maturity: The average maturity is based on the dollar weighted average maturity of securities held in the SMA. Along with duration, average maturity can be used as a measure of sensitivity to changes in interest rates and markets. Generally, the longer the maturity, the greater the sensitivity to these changes.

For more information on data presented on this page, please refer to the Important Information located at the end of this document.

Important Information

1. The Bloomberg Barclays US Intermediate Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market whose maturity ranges between 1 to 9.9999 years. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers. Benchmark performance is not impacted by fees. It is not possible to invest directly in an index. Investors pursuing a strategy similar to an index may experience higher or lower returns and will bear the cost of fees and expenses that will reduce returns.
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3. All information provided within this document is current as of the date indicated on the first page unless otherwise specified and is subject to change. Source: TD Asset Management., Bloomberg Finance L.P.
4. Credit ratings are not recommendations to purchase, sell or hold a financial obligation in as much as they do not comment on market price or suitability for a particular investor. Ratings are subject to revision or withdrawal at any time by the rating organization. Credit-quality rating for each issue uses the middle rating of Standard & Poor's (S&P), Moody's Investors Service (Moody's) and Fitch Ratings Inc. (Fitch). When a rating from only two agencies is available, the lower rating is used. Likewise, if only one of the designated agencies rates a bond, the composite rating is based on that one rating. All ratings are converted to the equivalent S&P major rating category for purposes of the category shown. Ratings and portfolio credit quality may change over time. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest).
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Important Information

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Fixed Income Investment Risks

Bonds are affected by a number of risks, including fluctuations in interest rates, credit risk, prepayment risk, and inflation risk. Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to factors such as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. High yield, lower-rated securities are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues. Interest on municipal bonds is generally exempt from federal tax. However, some bonds may be subject to the alternative minimum tax and/or state or local taxes. Please refer to Epoch's Form ADV Part 2A for more information on investment risks.