

TD Short/Intermediate Government Bond Managed Account

as of June 30, 2022



Market Recap¹

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:
\$250,000

Inception Date:
January 31, 2010

Asset Class:
Fixed Income

Management Style:
Active Fundamental

Benchmark²:
ICE BofAML 1-5 Year U.S. Treasury & Agency Index

Base Currency:
USD

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

Investment Objective

The TD Short/Intermediate Government Bond Managed Account seeks to provide a high level of income consistent with the preservation of capital and liquidity.

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Performance Summary⁴

During the quarter, the portfolio's capital preservation position – portfolio duration below benchmark duration, benefitted performance as interest rates increased. The portfolio's overweight to U.S. Agency debt relative to the benchmark benefitted performance as the additional yield offset part of the spread widening. The short-intermediate segment of the Treasury yield curve flattened 4 bps – two-year yield increased 62 bps whilst the five-year yield increased 58 bps during the period.

We expect U.S. growth (real GDP) to be below trend this year with an increasing likelihood of a recession in 2023 as the FOMC tightens financial conditions (increasing interest rates and reducing its balance sheet), consumer demand wanes and business investment declines as corporate profits fall. The Fed remains committed to price stability and a strong labor market. Strong inflation data will pressure yields higher.

Historical Performance⁴

	3m	1Y	3Y	5Y
Managed Account (gross)	-0.78%	-4.47%	0.10%	0.93%
Managed Account (net)	-1.06%	-5.51%	-0.99%	-0.17%
Benchmark ^{2,3}	-0.81%	-4.60%	0.04%	0.91%

Calendar Year Returns⁴

	YTD	2021	2020	2019	2018
Managed Account (gross)	-3.84%	-1.05%	4.20%	4.18%	1.47%
Managed Account (net)	-4.37%	-2.13%	3.07%	3.05%	0.37%
Benchmark ^{2,3}	-3.95%	-1.09%	4.22%	4.18%	1.53%

SMA performance results reflect the performance history of a single representative account of the TD Short/Intermediate Government Bond Managed Account that TD Asset Management believes is representative of client accounts invested in the strategy. Past performance is not a guarantee of future results. For more information, please refer to the Important Information located at the end of this document.

Investment Approach

The strategy invests in Treasury and Agency securities with maturities between 1 and 5 years. Overweight exposure to non-Treasury securities should produce a consistent yield premium to the benchmark. The investment team also seeks to add value through security selection and sector rotation while keeping turnover low to minimize costs.

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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Top Holdings^{1,5,7}

		Maturity	Weight (%)
1	United States Treasury Note/Bond	November 30, 2023	8.66
2	United States Treasury Note/Bond	June 30, 2024	8.08
3	United States Treasury Note/Bond	February 29, 2024	7.13
4	United States Treasury Note/Bond	December 31, 2024	5.59
5	United States Treasury Note/Bond	February 15, 2024	5.55
6	United States Treasury Note/Bond	July 15, 2023	5.33
7	United States Treasury Note/Bond	December 31, 2026	5.29
8	United States Treasury Note/Bond	September 30, 2023	5.10
9	Federal Home Loan Mortgage Corp	February 12, 2025	4.59
10	United States Treasury Note/Bond	April 30, 2026	4.46

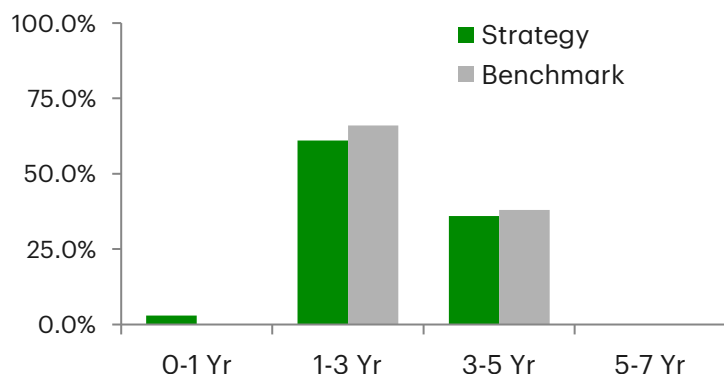
Statistics¹

	Model	Benchmark ²
Yield to Maturity	2.96%	2.98%
Average Maturity (yrs)	2.6	2.7
Duration (yrs)	2.5	2.6
Number of Holdings	23	547

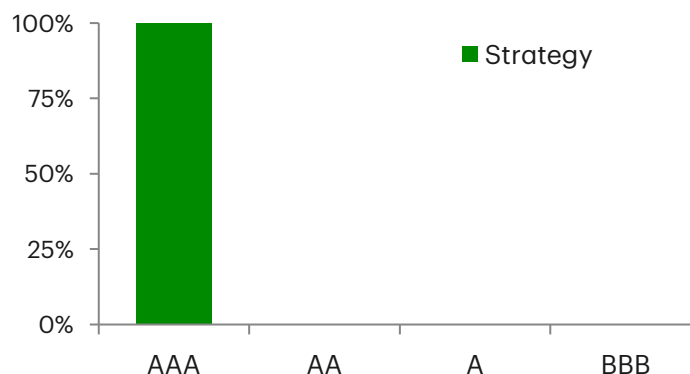
Sector Weights (%)¹

	Model	Benchmark ²
U.S. Government	99.0	99.9
Corporate	0.0	0.0
Non-Corporate	0.0	0.1
Securitized	0.0	0.0
Cash	1.0	0.0

Term Profile (%)¹



Credit Quality (%)^{1,6}



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. 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.
2. The ICE BofAML 1-5 Year U.S. Treasury & Agency Index is comprised of US dollar denominated, fixed rate, nominal US Treasury and non-subordinated US agency debt issued in the US domestic market.
3. 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. Information about indices allows for the comparison of an investment strategy's results to that of a widely recognized broad market index. There is no representation that such index is an appropriate benchmark for such comparison. Results for an index do not reflect trading commissions and costs. Index volatility may be materially different from a strategy's volatility and portfolio holdings may differ significantly from the securities comprising an index
4. Performance results reflect the representative account of the TD Short/Intermediate Government Bond Managed Account and was selected on the basis of objective, non-performance based criteria, including length of time in the strategy and lack of any constraints that would cause performance deviations from the strategy and an asset size sufficient to be fully modeled. Other accounts in this strategy performed better or worse than the representative account, and this account's performance is no guarantee of future performance. Performance reflects the reinvestment of interest income. Gross performance shown does not reflect the deduction of investment management fees and certain transaction costs, which will reduce portfolio performance. Net performance includes the deduction of a 1.23% annual wrap fee, which is the maximum anticipated wrap fee for fixed income SMAs. The annual wrap fee includes advisory and investment management services as well as custody and execution services. Actual fees may vary. Investors should not rely on this performance data as an indication of future returns. The benchmark, which is unmanaged and shown for comparison purposes only, may have greater or less volatility than the strategy. Please refer to the adviser's Form ADV Part 2A for a description of all fees and expenses. Further information is available upon request. Performance greater than one year is annualized. Past performance is not indicative of future results.
5. Top Holdings exclude cash and include top securities only.
6. 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).
7. No discussion with respect to specific holdings should be considered a recommendation to purchase or sell any particular security. The companies discussed do not represent all past investments. It should not be assumed that any of the investments discussed were or will be profitable, or that recommendations or decisions made in the future will be.

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Important Information

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