



Moderated by: Kim Parlee, VP, TD Wealth

# TD Asset Management (TDAM)

## Mitigating Risk in Times of Uncertainty with Fixed Income ETFs

**Michael Craig, CFA**

Managing Director  
Head of Asset Allocation & Derivatives

**Scott Colbourne, CFA**

Managing Director



# Agenda



- A New Approach to Portfolio Construction
- TDAM Fixed Income Capabilities
- Fixed Income ETF Solutions



# A New Approach to Portfolio Construction



# A New Approach To Help Meet Clients Unique Needs



Is there a better way to get to your clients destination?

- Improve diversification with **Factors**
- Portfolio allocations should be driven by **Exposure** not "weight"
- Understand the new role of fixed income

A new approach to meet client's unique needs

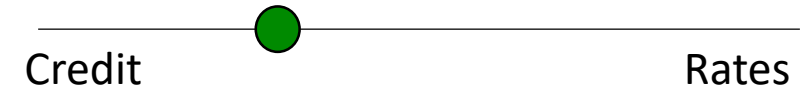
# The Journey to the Destination Matters



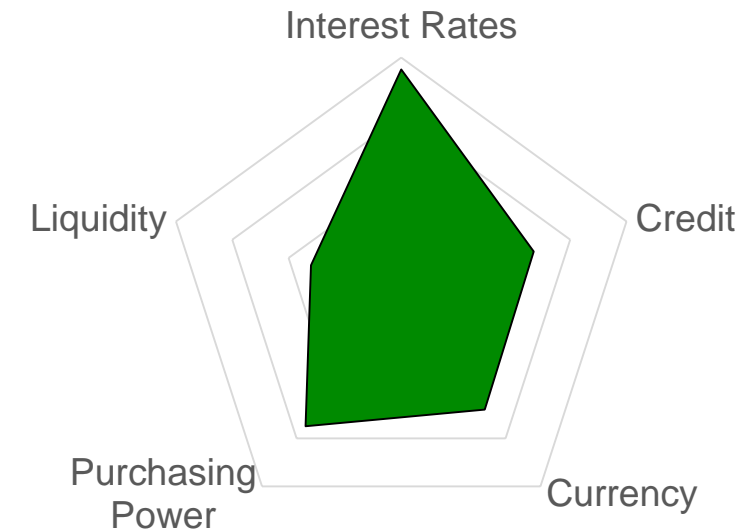
# Factor Exposures Should Take a Holistic View



- Many manage fixed income investments along a spectrum, failing to take a holistic view
- Reality is much more complicated, and ignoring embedded risks has consequences for portfolio construction
- Many of the same risk factors present in fixed income are also present in equities

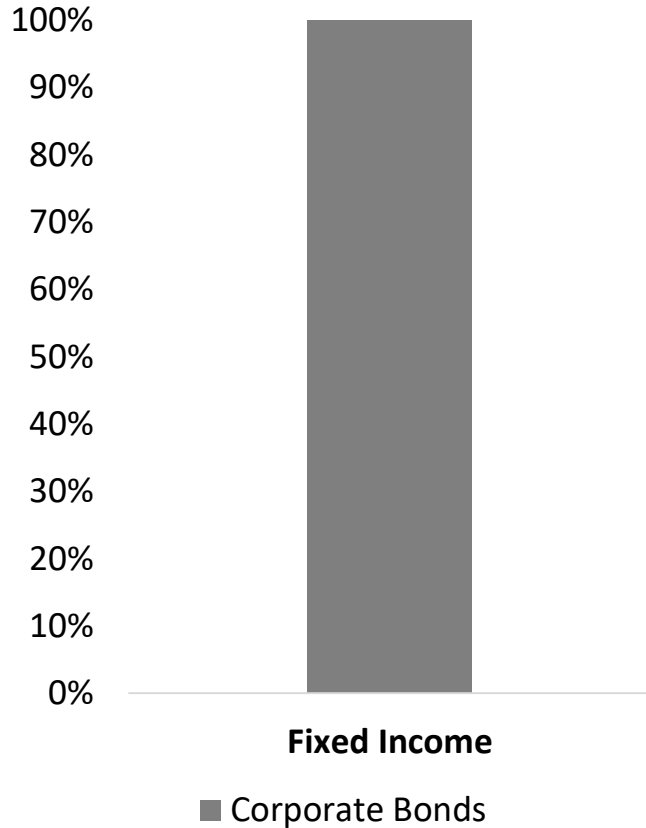


## Fixed Income Risk Factors



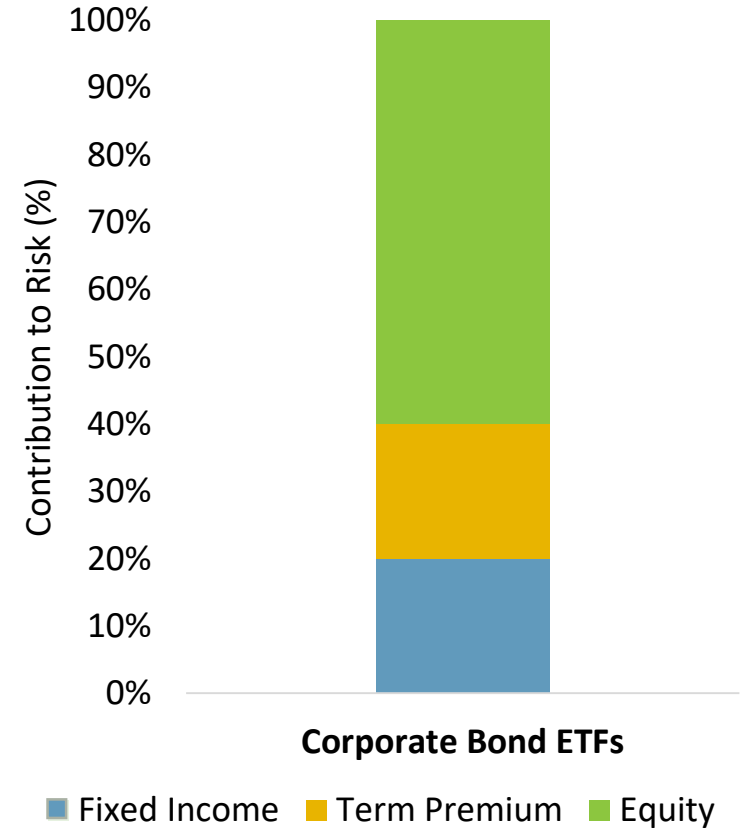
# What is a Factor Exposure?

Nutrients of Asset Classes = Factor Exposure



Nutrition Facts	
1	8 servings per container <b>Serving size 2/3 cup (55g)</b>
2	Amount per serving <b>Calories 230</b>
% Daily Value*	
3	<b>Total Fat</b> 8g <b>10%</b> Saturated Fat 1g <b>5%</b> Trans Fat 0g
	<b>Cholesterol</b> 0mg <b>0%</b>
	<b>Sodium</b> 160mg <b>7%</b>
	<b>Total Carbohydrate</b> 37g <b>13%</b> Dietary Fiber 4g <b>14%</b> Total Sugars 12g
4	Includes 10g Added Sugars <b>20%</b>
	<b>Protein</b> 3g
5	Vitamin D 2mcg 10% • Calcium 260mg 20% Iron 8mg 45% • Potassium 235mg 6%

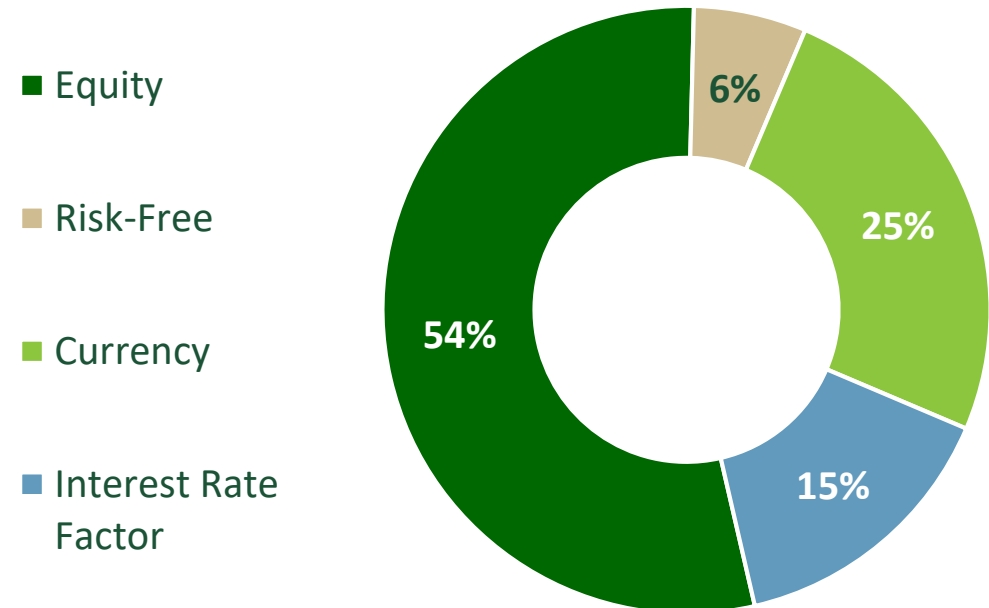
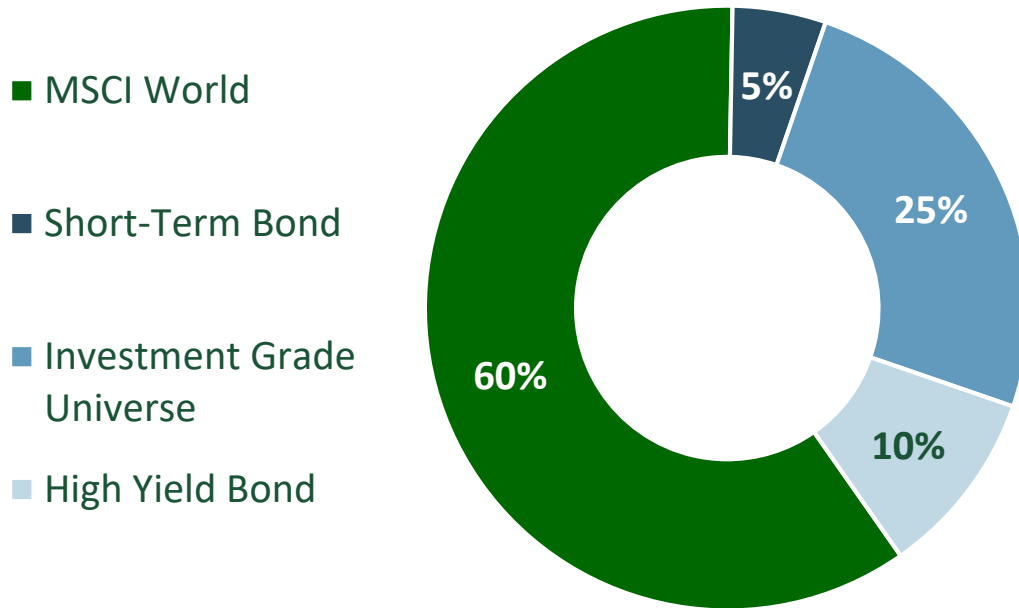
\* The % Daily Value (DV) tells you how much a nutrient in a serving of food contributes to a daily diet. 2,000 calories a day is used for general nutrition advice.



Mitigating Outside & Inside Risks

# Moving to a Factor Based Approach

## How Does a Traditional Portfolio Look Under the Factor Microscope?





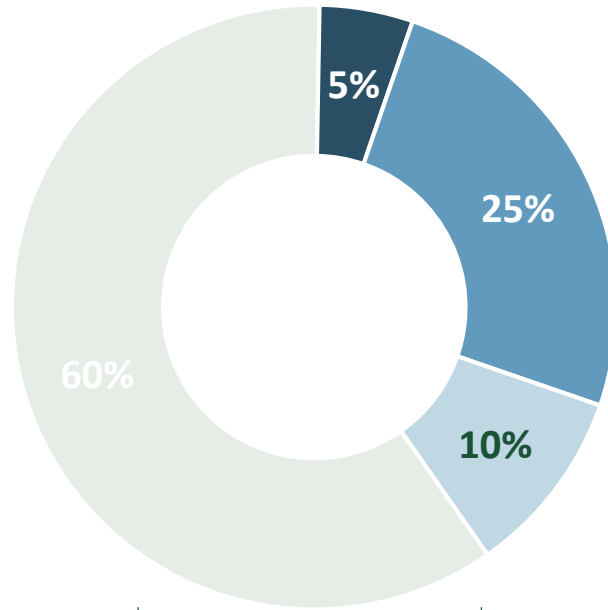
# Moving to a Factor Based Approach

## How Does a Traditional Portfolio Look Under the Factor Microscope?



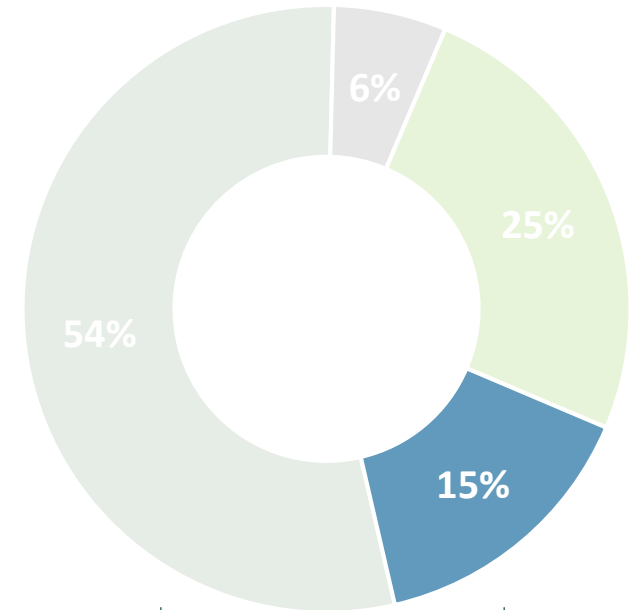
Traditional approach does not line up perfectly in terms of factors.

- MSCI World
- Short-Term Bond
- Investment Grade Universe
- High Yield Bond



**40% Bonds**

- Equity
- Risk-Free
- Currency
- Interest Rate Factor

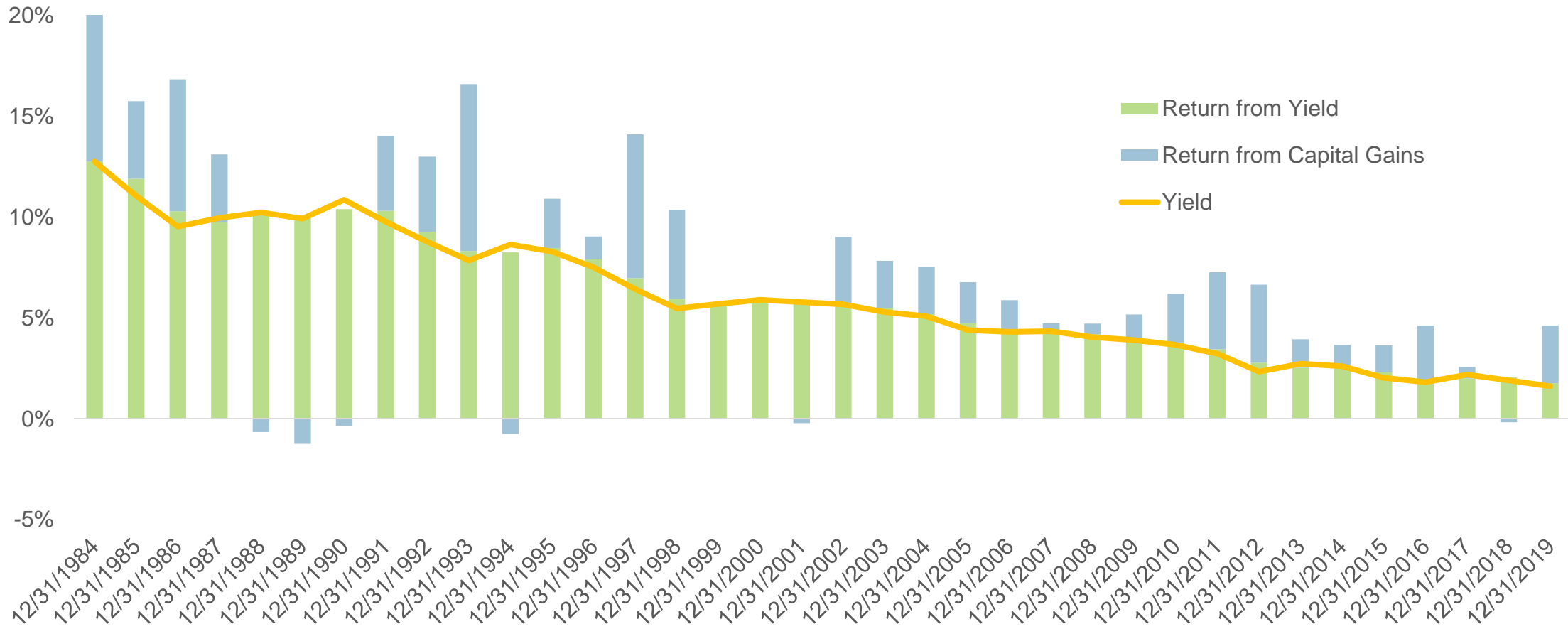


**15% Bonds**

# Is the Role of Fixed Income Evolving?



## 3yr Rolling Fixed Income Returns vs Yield



# A Factor Optimized Fixed Income Portfolio



- Delivers a Yield Advantage with Less Risk
- Is a Powerful Diversifier to Equities
- Adds Value Through Tactical Shifts as Factor Relationships Change
- Understands When to Pay for Active

TDAM Offers the Ingredients and a Packaged Solution



# TD Asset Management

## Fixed Income Capabilities



# Fixed Income Investment Management



**Portfolio Management** focused on

- maximizing yield, minimizing risk
- capitalizing on opportunities, avoiding threats

**Credit Analysts** publish independent ratings and proprietary research

**Trading Desk** implement investment decisions, ensuring best execution

# Deep and Experienced Fixed Income Team

Fixed Income Assets Under Management C\$157.8 B<sup>1</sup>



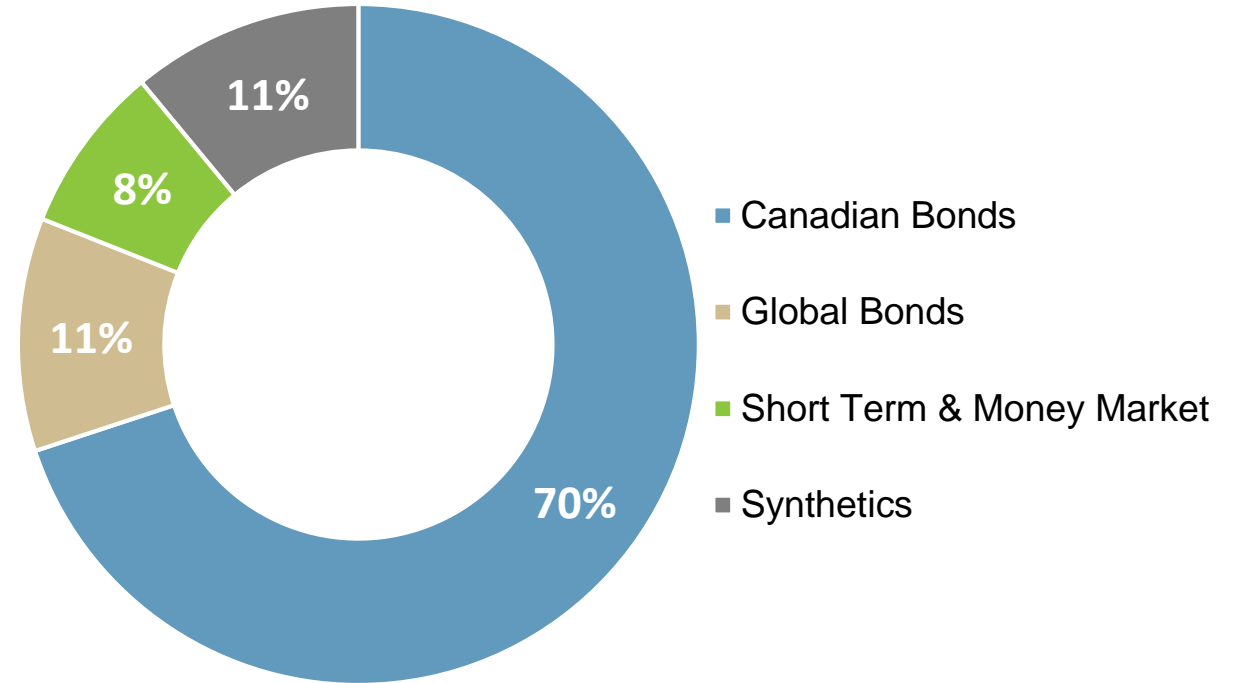
**20+** Portfolio Managers



**16+** Credit Research Analysts



**6+** Client Portfolio Managers



# The Investment Opportunity Set

Seeking to add value across sectors



## Global Macroeconomic Analysis

- Fiscal/Political Environment
- Diffusion/Surprise Indices
- Currency Analysis



## Tactical Allocation Decision

- Credit Quality
- Relative Valuation
- Breakeven inflation rates

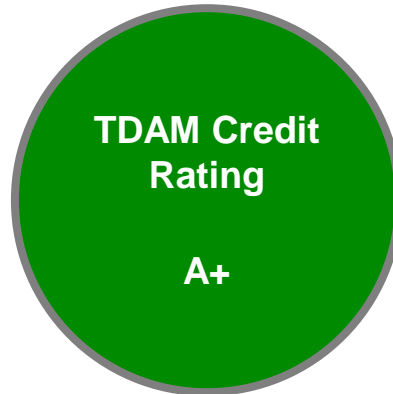
# Proprietary Credit Analysis

Independent Research, Original Thought



## TDAM Internal Research Metrics

TDAM internal credit rating implying probability of default



Internally developed metric displaying relative stability of an issuer

Analysts review relative pricing and compare to implied fundamental value

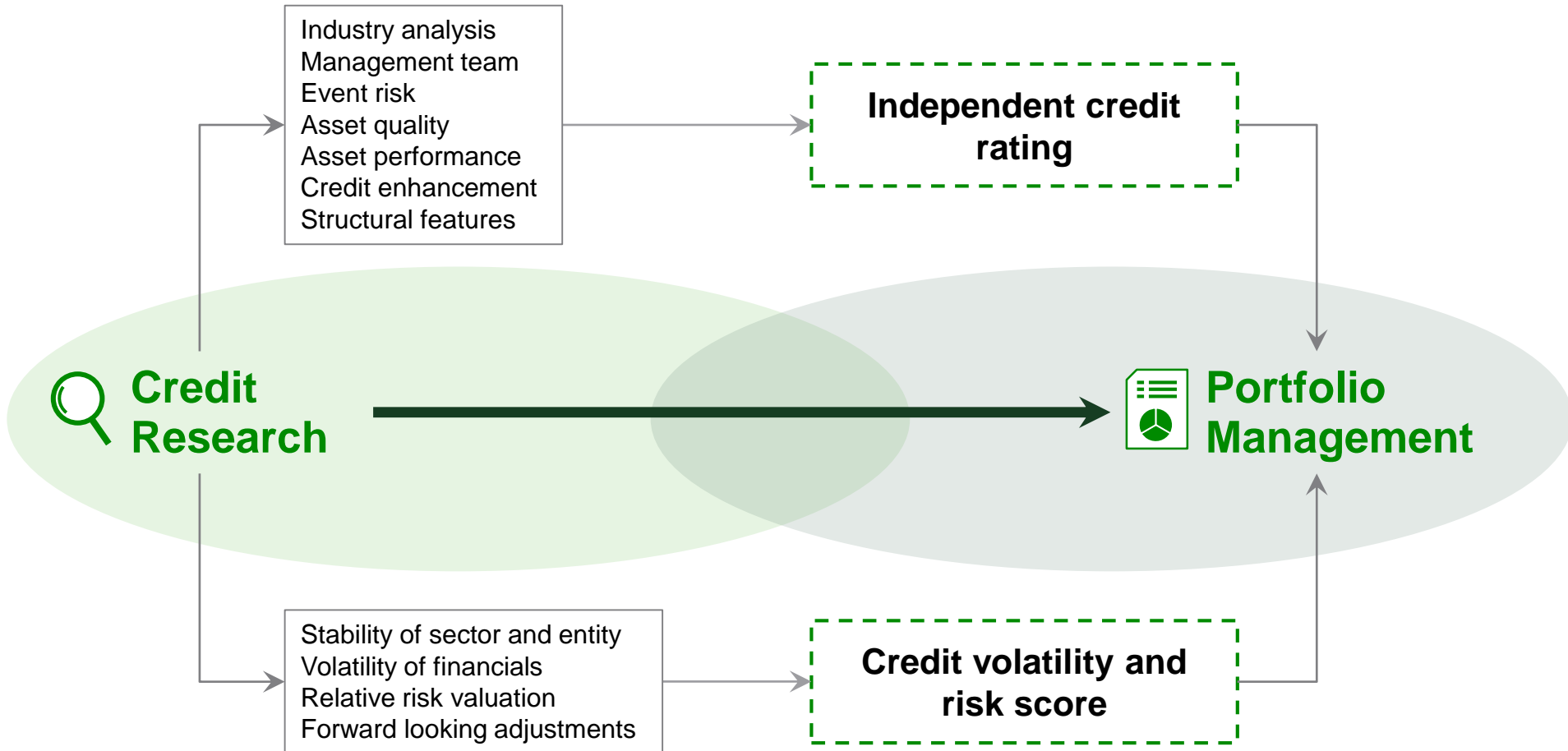


TDAM Maintains an ESG database and an internal ESG scale & score



# Cross Functional Collaboration

## Credit Research & Portfolio Management





# Fixed Income ETF Solutions



# ETF Factor Exposure - Cheat Sheets



**Canada/U.S. Fixed Income**

**International/Global Fixed Income**

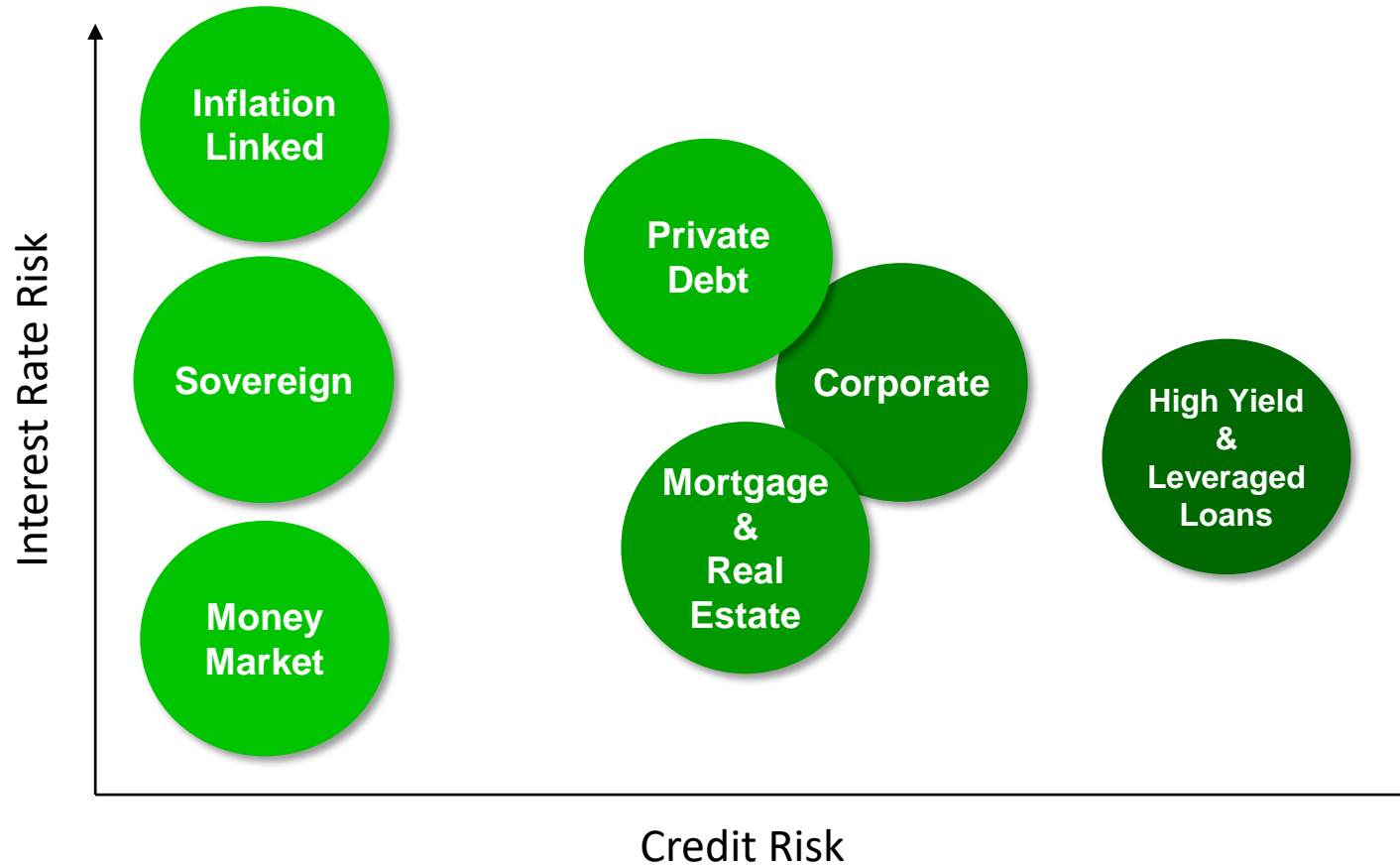
**Active Income**

		Equity	Interest Rate	Currency	Illiquidity	Alpha
TDB	TD Canadian Aggregate Bond Index ETF	✓	✓			
TCSB	TD Select Short Term Corporate Bond Ladder ETF	✓	✓			
TCLB	TD Canadian Long Term Federal Bond ETF		✓			
TUHY	TD Active U.S. High Yield Bond ETF	✓	✓	✓		✓
TUSB	TD Select U.S. Short Term Corporate Bond Ladder ETF	✓	✓	✓		
TULB	TD U.S. Long Term Treasury Bond ETF		✓	✓		
TGFI	TD Active Global Income ETF	✓	✓	✓		✓
TPRF	TD Active Preferred Share ETF	✓				✓
TPAY	TD Income Builder ETF	✓	✓	✓		✓

Not all Fixed Income ETFs offer the same Exposures

# The Evolution of Evaluating Risks

Standard Measures No Longer Suffice



## Risks Not Captured

- *Liquidity*
- *Currency*
- *Purchasing Power*

# An All-in-One Fixed Income ETF

## TD Income Builder ETF (TPAY) - Summary



Simplicity

Improved  
Outcomes

Exceptional  
Value

An **all-in-one fixed income solution**, focused on providing broad

- diversification
- income
- stability

**Active & Tactical Management**, with underlying active ingredients

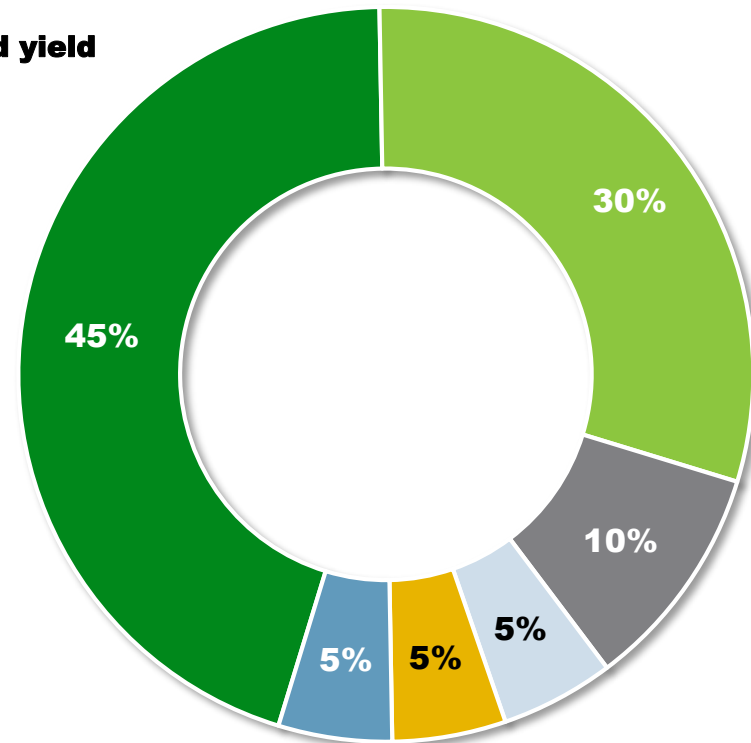
**Flexibility** to proactively adjust positioning for evolving market environment

**Professionally  
Managed** Fixed  
Income ETFs  
Allocated by an  
**Experienced** Asset  
Allocation team

# Initial Portfolio Construction



- TD Canadian Aggregate Bond Index ETF (TDB)
  - **Core Canadian Bond Universe Exposure. Stability, diversification and yield**
- TD Select Short Term Corporate Bond Ladder ETF (TCSB)
  - **Yield enhancement, low duration**
- TD Active Global Income ETF (TGFI)
  - **Yield enhancement, credit management, global diversification**
- TD U.S. Long Term Treasury Bond ETF (TULB)
  - **Duration management, defensive, USD exposure**
- TD Canadian Long Term Federal Bond ETF (TCLB)
  - **Duration management**
- TD Active U.S. High Yield ETF (TUHY)
  - **Yield enhancement, credit management**



# Benefits of an All-in-One Solution



We understand the dual role of fixed income and aim to be a **strong diversifier** with equities especially in bear-markets

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Managed for Tomorrow

Active Management + Tactical Asset Allocation = **Substantial Flexibility**

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**Seeking Higher Yields** vs. Benchmark & GIC's

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**Competitively Priced** Active Product

**Gives more time to the advisor to manage their client relationships**

**TD Asset Management**



**Thank You!**

Questions?





# Disclosure

