Philosophy

TD Asset Management Inc.’s (TDAM) active fundamental fixed income philosophy is built on guiding principles that stress extensive independent credit research, stringent security selection, sound yield and credit curve analysis and disciplined portfolio construction. We believe that delivering this expertise through a highly disciplined portfolio construction methodology is the most predictable way to generate competitive risk-adjusted returns when measured against any given benchmark.

Key features

- **Extensive independent credit research.** We develop our own internal credit ratings and have a well-articulated credit research process.

- **Sound yield and credit curve analysis.** Finding value along the yield curve and strategically positioning the portfolios to take advantage of opportunities and manage risks.

- **Strategic portfolio construction.** Focus on sector allocation and term structure, helping to ensure a well-diversified exposure to quality issuers and an appropriate credit quality allocation.

- **Disciplined risk management.** We regularly stress test portfolios, theoretically exposing them to potential vulnerabilities, such as interest rate and credit shock scenarios to better understand how current positioning could be influenced in various market environments.

Investment process

**Global macroeconomic analysis.** Our research process starts with an evaluation of the global macroeconomic landscape. Across the global community we undertake a country-by-country review and focus on key economic indicators, review central bank policy, and examine the fiscal and political environment.

**Independent credit research.** We primarily focus on free-cash-flow generation and an issuer’s ability to make timely coupon and principal repayments, in addition to management’s ability to take advantage of and/or operate effectively in the current political, regulatory and economic environments. This results in our confidence in the quality of issuers our clients’ capital is invested in.

**Security selection.** Our assessment of relative valuation, issuer strength and quality help us determine where to find value within sectors and industries, and across issues and credit quality, as we seek adequate compensation for the risk taken.

**Yield and credit curve analysis.** Our yield and credit curve analysis process focuses on macroeconomic factors, historical yield curves, breakeven scenarios and natural supply-and-demand factors.

**Disciplined portfolio construction.** Our team follows the same robust process for all mandates. Analyzing global macroeconomic trends provides a better understanding of the current economic environment, market risk appetite and probability of extreme outcomes to strategically construct a portfolio and help ensure risk control and long-term added value.

---

### Strategic portfolio construction process

**Portfolio positioning:**
Benefit from macroeconomic outlook and strategic investment themes

<table>
<thead>
<tr>
<th>DURATION</th>
<th>YIELD CURVE</th>
<th>SECTOR</th>
<th>QUALITY</th>
</tr>
</thead>
</table>

**Security selection:**
Fundamental analysis to consistently uncover true value

<table>
<thead>
<tr>
<th>CREDIT RESEARCH</th>
<th>BREAKEVEN ANALYSIS</th>
<th>RELATIVE VALUATION</th>
<th>RISK/REWARD COMPENSATION</th>
</tr>
</thead>
</table>

**Portfolio construction for a total return outcome**
Fundamental Fixed Income

Core Plus

Our Core Plus Fixed Income strategies seek to further enhance returns by expanding our opportunity set beyond the Canadian investment grade bond universe, thus providing greater opportunity to capture incremental excess returns over the long term.

Risk management

Risk management is inherent in the portfolio architecture of TD Emerald Pooled Fund Trusts. Investors may benefit from:

• **Independent monitoring.** An independent 25-plus member Risk Management team oversees and monitors portfolio guidelines and risk controls on a daily basis.

• **A risk management culture.** TDAM fosters a risk management culture that increases personal accountability and maintains the integrity of our investment management and product management processes.

Working together to seek a better outcome.

As one of Canada’s largest investment management firms, TDAM offers a full suite of investment management solutions for corporations, pension funds, endowments, foundations and high net worth individuals.

We collaborate with investors to develop progressive investment solutions and implement them with foresight and discipline. The breadth of our investment capabilities includes:

• Active fundamental, quantitative and passive pooled funds and segregated accounts

• Variety of specialized solutions, including:
  » Liability driven investment solutions
  » Tactical asset allocation
  » Bond and currency overlay strategies
  » Derivatives-based investment solutions

Contact us to find out how TDAM can bring new thinking to your most important challenges.

1-888-834-6339 | inst.info@tdam.com | tdaminstitutional.com