Philosophy

TDAM’s 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.

The private debt team is highly selective about the deals they source, well-connected with borrowers and market participants, and equipped with the credit processes and infrastructure to monitor transactions over the life of an issue. The team’s extensive experience and strong industry reputation give it access to a broad range of opportunities and often allow it to be directly involved in structuring transactions, which can result in preferred credit and pricing terms.

Key features

- **Direct access to issuers.** The portfolios will favour narrowly distributed (i.e. 1 to 4 lenders) transactions, which generally leads to improved terms and conditions for a given level of risk.

- **In-depth fundamental analysis.** The private credit research group, which is dedicated to sourcing, structuring and assessing private debt transactions, will leverage the strength and experience of one of the largest dedicated public credit research teams in Canada.

- **Strategic portfolio construction.** Portfolios are designed to provide exposure to a diversified mix of private debt opportunities including real estate, infrastructure, power and energy, secured and un-secured corporate issues, and asset backed loans.

- **Geographic diversification.** Exposure primarily to Canadian and U.S. issuers and may also invest in non-North American issuers while hedging foreign currency and interest rate risks.

Investment process

Pre-screen potential transactions. Before undertaking detailed analysis, the private debt team and portfolio manager will pre-screen investment opportunities to help ensure an attractive credit risk and return profile.

Independent credit research. Private debt transactions do not benefit from external credit ratings as it is the case with public bonds. Therefore, investing in private debt requires skill and specific knowledge due to the unique aspect of each transaction and the specialized nature of the assets securing such transactions. Success in this market requires sensible credit underwriting guidelines and a commitment to invest in high level analytical talent which is necessary to make responsive and informed credit decisions.
Fundamental Fixed Income, Private Debt

**Security selection.** Our credit decisions and valuations are independent from each other. Security selection is based on the appropriateness of valuation for a given level of risk. The mandate aims to identify opportunities to achieve the best level of return for a given level of risk.

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

**Portfolio construction.** 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.

**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.

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