

# TD *Emerald* Retirement Target Date Funds: Optimizing Retirement Savings

**Capital Accumulation Plan (CAP)** sponsors know their members all have a common goal — to maximize their nest eggs so they can enjoy retirement in comfort. While CAP sponsors have a limited ability to ensure members contribute enough to their retirement savings, they can help them increase the probability of accumulating sufficient savings to meet their retirement spending needs by offering strong retirement driven investment options.

Research conducted by TD Asset Management Inc. (TDAM) indicates that retirement income results can be improved through increased equity exposure in the form of low volatility equity portfolios. The challenge is balancing the need for returns in excess of what fixed income markets are expected to provide with the need to protect against large losses near or during retirement. So how can CAP sponsors help members optimize their retirement savings? TDAM's Retirement Target Date Funds (the Funds) offer a solution.

### TDAM's unique advantage

The Funds, which celebrated their third anniversary on March 31, 2013, are unique in the Canadian target date landscape. While conventional target date funds make significant allocations to fixed income and/or less correlated assets with a view to mitigating risk, TDAM's Retirement Target Date Funds maximize equity exposure with a view to providing a superior retirement outcome. Because the Funds gain their equity exposure exclusively through low volatility equity portfolios, they can offer relatively high equity allocations while also lowering the level of risk.

The Funds use two low volatility equity portfolios — TD *Emerald* Low Volatility Canadian Equity Pooled Fund Trust (PFT) and the TD *Emerald* Low Volatility All World Equity PFT — which operate based on the premise that a low volatility equity portfolio can produce competitive returns while exposing investors to up to 30% less risk than a traditional cap-weighted index.<sup>1</sup> This premise is supported by decades of academic and professional research and by the impressive performance of TDAM's low volatility strategies. While it may seem counterintuitive, the following graphic illustrates that the Funds have lower standard deviation than their peers.

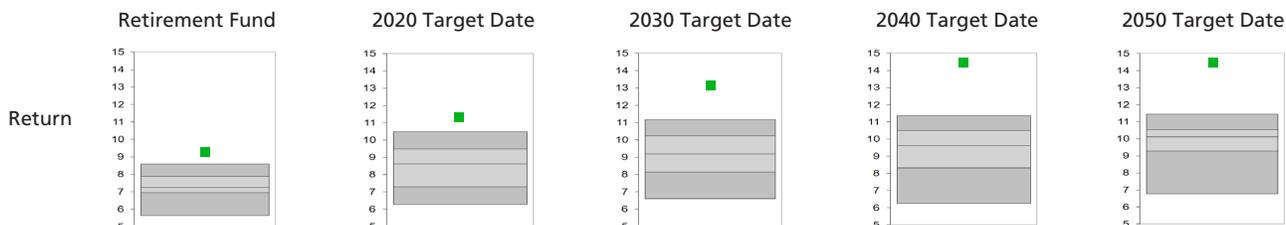
<sup>1</sup> Based on simulated and live returns of 23 years of Canadian equity history and 15 years of global equity history ending December 31, 2012. Source: TDAM.



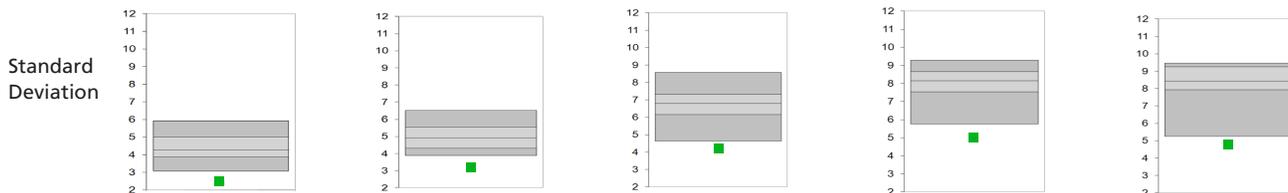
# TD Asset Management

## Performance against Target Date Universe

### Strong relative performance



### Reduced risk despite relatively high equity allocations



■ TD Emerald Retirement Target Date Funds

Performance characteristics in \$C over 3 years ending March 31, 2013 (quarterly calculations);  
Source: eVestment alliance

The enhanced risk-adjusted returns generated by TDAM's Funds can help CAP members achieve a better retirement outcome while also taking on less risk. Gaining additional equity exposure with relatively lower levels of risk is a particularly powerful advantage now, with fixed income yields close to historical lows and expected to remain low for some time to come. TDAM's approach is also simpler, more cost effective and, if recent history is a good indicator, more effective at lowering risk than approaches that utilize less correlated non-traditional asset classes.

## Paving the way to retirement

When a TDAM Retirement Target Date Fund is more than 25 years from its target date, its asset mix maximizes the exposure to equities at 90%. Once a Fund is less than 25 years from its target date, the manager gradually reduces the equity exposure on a quarterly basis, so it becomes more conservative as it moves toward the target date. Once a Fund reaches its target date, it will have an asset mix that approximates that of the TD *Emerald* Retirement Income Fund, allowing for an easy transition to the post-retirement option.

The Funds celebrated their 3-year anniversary March 31, 2013, and each has outperformed their respective benchmarks over the past 1, 2 and 3 years while reducing volatility relative to their benchmarks at the same time.

To find out more about TDAM's Retirement Target Date Funds, contact your Relationship Manager. ■

## TD Emerald Target Date Fund Performance as of March 31, 2013

	1 year	2 year	3 year
TD Emerald 2020 Retirement Target Date PFT	10.44%	10.84%	11.22%
Benchmark <sup>1</sup>	7.50%	5.01%	6.77%
Outperformance	2.94%	5.83%	4.45%
TD Emerald 2030 Retirement Target Date PFT	13.08%	12.44%	13.16%
Benchmark <sup>2</sup>	8.70%	4.15%	6.81%
Outperformance	4.38%	8.29%	6.35%
TD Emerald 2040 Retirement Target Date PFT	14.93%	13.55%	14.39%
Benchmark <sup>3</sup>	9.58%	3.82%	6.92%
Outperformance	5.35%	9.73%	7.47%
TD Emerald 2050 Retirement Target Date PFT	14.92%	13.54%	14.40%
Benchmark <sup>3</sup>	9.58%	3.82%	6.92%
Outperformance	5.34%	9.72%	7.48%
TD Emerald Retirement Income PFT	8.12%	9.18%	9.12%
Benchmark <sup>4</sup>	6.39%	5.64%	6.48%
Outperformance	1.73%	3.54%	2.64%

Returns: Post-expense and gross of management fees, numbers may not add due to rounding. The benchmark for each fund is composed of the the DEX Universe Bond Index, S&P/TSX Composite TRI, and MSCI World ex-Canada TRI, and DEX Universe Bond Index, with weights respective of their underlying funds.

<sup>1</sup> 47.4% DEX Universe Bond Index – C\$, 26.3% S&P/TSX Composite TRI – C\$, 26.3% MSCI World ex-Canada TRI – C\$

<sup>2</sup> 25.4% DEX Universe Bond Index – C\$, 37.3% S&P/TSX Composite TRI – C\$, 37.3% MSCI World ex-Canada TRI – C\$

<sup>3</sup> 10% DEX Universe Bond Index – C\$, 45% S&P/TSX Composite TRI – C\$, 45% MSCI World ex-Canada ND TRI – C\$

<sup>4</sup> 60% DEX Universe Bond Index – C\$, 17.5% S&P/TSX Composite TRI – C\$, 17.5% MSCI World ex-Canada TRI – C\$, 5% DEX 91 Day T-Bill – C\$

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