

# TD Asset Management

## TD *Emerald* Canadian Treasury Management Fund

525666  
(03/20)

### TD *Emerald* Funds Annual Management Report of Fund Performance

for the year ended December 31, 2019

This Annual Management Report of Fund Performance contains financial highlights, but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, at no cost, by calling 1-888-834-6339, by writing to us at TD Asset Management Inc., TD Canada Trust Tower, 34th Floor, 161 Bay Street, Toronto, Ontario, M5J 2T2, by e-mail to [inst.info@tdam.com](mailto:inst.info@tdam.com), or by visiting our website at [www.tdaminstitutional.com](http://www.tdaminstitutional.com) or the SEDAR website at [www.sedar.com](http://www.sedar.com)



Securityholders may also contact us or visit our website to get a copy of the investment fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure at no cost.

## Management Discussion of Fund Performance

### Investment Objectives and Strategies

The investment objective of TD Emerald Canadian Treasury Management Fund (the "Fund") is to seek to earn a high rate of interest income and at the same time preserve capital and maintain liquidity. In seeking to achieve this objective, the Fund invests primarily in Canadian dollar denominated debt instruments, such as treasury bills of Canadian governments, bankers' acceptances of Canadian chartered banks and commercial paper of corporations and trusts, maturing in not more than one year. The Fund may invest in foreign securities to an extent that will vary from time to time, up to a maximum of 30% of its assets at the time that foreign securities are purchased. The Fund seeks to maintain a unit price of \$10.00.

### Risk

The risks of investing in the Fund remain as outlined in the simplified prospectus.

### Results of Operations

The Institutional Class units of the Fund returned 1.90% for the year ended December 31, 2019 ("Reporting Period"), versus 1.68% for the Fund's product benchmark, the FTSE Canada 30 Day T-Bill Index. Unlike the product benchmark, the Fund's return is quoted after the deduction of fees and expenses.

### Market Update

Canadian economic growth, as measured by gross domestic product, was relatively strong over the Reporting Period, particularly in the second quarter. This was largely in response to a significant rise in exports. While economic growth slowed in the third quarter, it remained fairly robust, largely as a result of strong consumer spending, business investment and real estate investment.

Inflation was steady over the Reporting Period and in line with the Bank of Canada's ("BoC") target range. While the labour market was generally stable, the unemployment rate experienced a notable increase to 5.9% near the end of the Reporting Period as a result of job losses. At its latest meeting, the BoC held its benchmark interest rate steady at 1.75% and noted it would closely monitor global economic strength when making any adjustments to the benchmark interest rate in Canada.

The FTSE Canada 91 Day T-Bill Index rose 1.61% over the Reporting Period. The Government of Canada 91-day Treasury bill yield was 1.66% at the end of the Reporting Period, up slightly from 1.65% at the start of the Reporting Period.

### Key Contributors/Detractors

The Fund outperformed its product benchmark, largely as a result of supportive credit conditions given the Fund's structural over-exposure to corporate bonds, as credit spreads (the difference in yields between corporate bonds and government bonds with similar maturities) narrowed over the Reporting Period. The Fund maintained a higher yield than its product benchmark during the Reporting Period. The Fund's duration (sensitivity to changes in interest rates) was largely positioned near its product benchmark levels over the Reporting Period.

### Assets

The Fund experienced a significant decrease in assets due to investor redemption activity.

### Recent Developments

Looking ahead, the Portfolio Adviser continues to monitor a variety of macroeconomic factors that could impact financial markets. Heading into 2020, global central banks tempered optimism about the global economy, lowering growth forecasts accordingly. In the Portfolio Adviser's view, Brexit uncertainty and weak industrial production are hampering economic growth in Europe. Over the first few months of 2020, policy makers became concerned about the economic effects of the COVID-19 outbreak. Monetary policy is broadly expected to remain accommodative as central banks seek to insulate the global economy from decreased demand and a disruption of supply chains in the wake of the COVID-19. The Portfolio Adviser expects the Bank of Canada and the U.S. Federal Reserve Board to implement further accommodative policy action in the near term. Inflation is expected to remain tepid while labour market strength will be tested. The Portfolio Adviser expects a continued low interest rate environment in the coming year.

The Portfolio Adviser anticipates that the lower-for-longer interest rate environment should continue for a prolonged period. The Portfolio Adviser expects earnings growth to slow but remain broadly positive. In a historical context, market valuations for riskier assets appear to be at fair value. As such, the Portfolio Adviser is cautiously optimistic. Given that credit spreads are being supported by low interest rates and a search for yield by global investors, the Portfolio Adviser maintains a preference for corporate bonds over government bonds. The Portfolio Adviser also maintains a preference for relative safety and liquidity in treasury management solutions. The Portfolio Adviser continues to monitor all of the factors that could influence the Fund's investment portfolio.

Regarding the recent COVID-19 outbreak, the Portfolio Adviser is aware of the negative economic consequences and continues to closely monitor the impact to markets. While there is no definitive way to estimate the degree of the economic damage as different governments and central banks may have different abilities to respond, the Portfolio Adviser believes the U.S. economy could be relatively resilient to a global downturn given strong corporate health, low unemployment, a relatively high savings rate and strong consumer spending. The Portfolio Adviser continues to monitor the risk and will adjust positioning when warranted.

**Related Party Transactions**

Affiliates of TD Asset Management Inc. (“TDAM”) may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as in connection with banking, custody, brokerage and derivatives transactions.

*Manager, Trustee and Portfolio Adviser:*

TDAM, a wholly-owned subsidiary of The Toronto-Dominion Bank (“TD”), is the manager, trustee and portfolio adviser of the Fund. TDAM is paid directly by the unitholders an annual management fee for providing management services.

The Fund pays TDAM an annual administration fee in consideration for TDAM paying certain operating expenses of the Fund. The tiered administration fee is calculated based on the net asset value of the Fund, and is accrued daily and paid to TDAM monthly.

	<i>(expressed as a %)</i>
First \$250 Million of Net Asset Value	0.03
Next \$250 Million of Net Asset Value	0.02
Balance Over \$500 Million of Net Asset Value	0.01

*Distributor:*

Units of the Fund are generally intended for sale to institutional investors subject to certain restrictions and can be obtained directly from a TDAM representative in any province or territory where TDAM is or may become qualified to receive orders for units of the Fund.

*Registrar and Transfer Agent:*

TD is the registrar and transfer agent of the Fund, and as such maintains all unitholder records, processes purchase, switch, conversion and redemption orders, issues investor statements and prepares annual tax reporting information on behalf of the Fund.

*Administration and Securityholder Services:*

The Fund also maintains bank accounts and overdraft provisions with TD for which TD earns a fee.

*Buying and Selling Securities:*

TDAM has established an independent review committee (“IRC”) which acts as an impartial and independent committee to review and provide recommendations or, if appropriate, approvals respecting any conflict of interest matters referred to it by TDAM. The IRC prepares, at least annually, a report of its activities for securityholders of the Fund. The report is available on the TDAM website at [www.tdaminstitutional.com](http://www.tdaminstitutional.com) or at the securityholder’s request at no cost by contacting TDAM (see front cover).

The Fund relied on standing instructions from the IRC in respect of one or more of the following transactions:

- (a) trades in securities of TD or any affiliate or associate thereof;
- (b) investments in the securities of an issuer where TD Securities Inc., TD Waterhouse Canada Inc., or any other affiliate of TDAM (a “Related Dealer”) acted as an underwriter during the distribution of such securities and the 60-day period following the completion of the distribution of the underwritten securities;
- (c) purchases or sales of securities of an issuer from or to another investment fund or discretionary managed account managed by TDAM; and
- (d) purchases of securities from or sales of securities to a Related Dealer, where it acted as principal.

The IRC of the Fund has approved standing instructions to permit the Fund to engage in *in specie* transactions with related mutual funds and discretionary managed accounts managed by TDAM.

The relevant standing instructions require that securities transactions with related parties conducted by TDAM (i) are free from any influence by an entity related to TDAM and without taking into account any consideration relevant to an entity related to TDAM; (ii) represent the business judgment of TDAM uninfluenced by considerations other than the best interests of the Fund; (iii) comply with the applicable policies and procedures of TDAM; and (iv) achieve a fair and reasonable result for the Fund.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five fiscal years, as applicable.

### Net Assets per Unit (\$) <sup>1</sup>

INSTITUTIONAL CLASS	2019	2018	2017	2016	2015
<b>Net Assets, Beginning of Year</b>	10.00	10.00	10.00	10.00	10.00
<b>Increase (Decrease) from Operations:</b>					
Total Revenue	0.19	0.16	0.09	0.07	0.08
Total Expenses (excluding distributions)	0.00	0.00	0.00	0.00	0.00
Realized Gains (Losses) for the Period	0.00	0.00	0.00	0.00	0.00
Unrealized Gains (Losses) for the Period	0.00	0.00	0.00	0.00	0.00
<b>Total Increase (Decrease) from Operations <sup>2</sup></b>	0.19	0.16	0.09	0.07	0.08
<b>Distributions:</b>					
From Net Investment Income (excluding dividends)	(0.19)	(0.16)	(0.09)	(0.07)	(0.08)
From Dividends	0.00	0.00	0.00	0.00	0.00
From Capital Gains	0.00	0.00	0.00	0.00	0.00
Return of Capital	0.00	0.00	0.00	0.00	0.00
<b>Total Annual Distributions <sup>3</sup></b>	(0.19)	(0.16)	(0.09)	(0.07)	(0.08)
<b>Net Assets at December 31</b>	10.00	10.00	10.00	10.00	10.00

<sup>1</sup> This information is derived from the Fund's audited annual financial statements prepared in accordance with International Financial Reporting Standards. The Fund measures fair value of its investments based on close market prices, where the close market price falls within the bid-ask spread or based on quotations from recognized dealers. As such, the Fund's accounting policies for measuring the fair value of investments in the financial statements are substantively consistent with those used in measuring the net asset value ("NAV") for transactions with unitholders.

<sup>2</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial periods. This table is not intended to be a reconciliation of the net assets per unit.

<sup>3</sup> Distributions were paid in cash or reinvested in additional units of the Fund, or both.

## Ratios and Supplemental Data

INSTITUTIONAL CLASS	2019	2018	2017	2016	2015
Total Net Asset Value (\$000s) <sup>1</sup>	239,438	384,563	700,944	447,675	1,175,522
Number of Units Outstanding (000s) <sup>1</sup>	23,944	38,456	70,094	44,767	117,552
Management Expense Ratio (%) <sup>2</sup>	0.04	0.04	0.03	0.02	0.02
Management Expense Ratio Before Waivers or Absorptions (%)	0.05	0.04	0.03	0.03	0.02
Trading Expense Ratio (%) <sup>3</sup>	0.00	0.00	0.00	0.00	0.00
Portfolio Turnover Rate (%) <sup>4</sup>	N/A	N/A	N/A	N/A	N/A
Net Asset Value per Unit (\$)	10.00	10.00	10.00	10.00	10.00

<sup>1</sup> This information is provided as at December 31 of the past five fiscal years, as applicable.

<sup>2</sup> Management expense ratio ("MER") is based on total expenses (excluding distributions, commissions and other portfolio transaction costs) net of any waivers or absorptions for the stated period and is expressed as an annualized percentage of daily average NAV during the period. Any waivers or absorptions may be discontinued at any time by TDAM at its discretion without notice.

<sup>3</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average NAV during the stated period.

<sup>4</sup> The Fund's portfolio turnover rate ("PTR") indicates how actively the Fund's portfolio adviser manages its investments. A PTR of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the stated period. The higher a fund's PTR, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the fiscal year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

## Management Fees

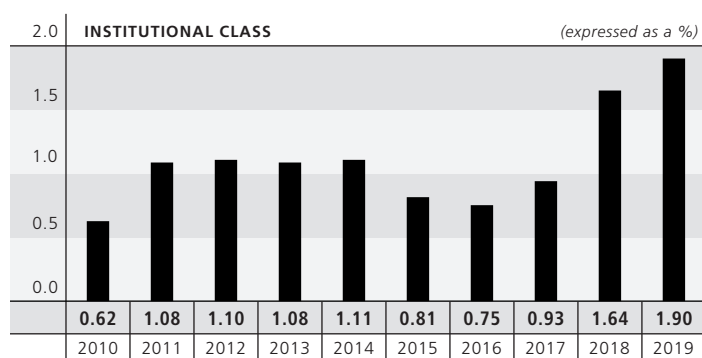
The Fund's Institutional Class units do not pay a management fee. Instead, such fee is negotiated separately and paid directly by unitholders to TDAM.

### Past Performance

The following chart shows how the Fund has performed in the past, and can help you understand the risks of investing in the Fund. These returns include the reinvestment of all distributions and would be lower if an investor did not reinvest distributions. They do not include deduction of sales, switch, redemption, or other optional charges (which dealers may charge) or income taxes payable, and these returns would be lower if they did. The Fund's past performance does not necessarily indicate how it will perform in the future.

### Year-by-year returns

The bar chart shows how the Fund's performance has varied from year to year for each of the years shown. It shows in percentage terms how an investment made on January 1 would have increased or decreased by December 31.



### Current Yield

This is an annualized historical yield based on the seven-day period ended on December 31, 2019 and does not represent an actual one year return.

	(expressed as a %)
Institutional Class	1.80

### Summary of Investment Portfolio

as at December 31, 2019

	% of Net Asset Value
<b>PORTFOLIO ALLOCATION</b>	
Commercial Paper	53.2
Bankers' Acceptances	23.4
Reverse Repurchase Agreements	11.8
Cash (Bank Overdraft)	9.9
Provincial & Guarantees	1.3
Corporates	0.4
Other Net Assets (Liabilities)	0.0
<b>FIXED INCOME CREDIT RATING<sup>§</sup></b>	
R-1 High	80.7
R-1 Mid	7.7
R-1 Low	1.7

<sup>§</sup> Credit Ratings are obtained from S&PGR, Moody's or DBRS Ltd. rating agencies.

<b>TOTAL NET ASSET VALUE (000s)</b>	\$ 239,438
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	% of Net Asset Value
<b>TOP 25 INVESTMENTS</b>	
Government of Canada Treasury Bill,	
Reverse Repurchase Agreement dated December 31, 2019	
1.730% due January 2, 2020	11.8
Cash (Bank Overdraft)	9.9
Bay Street Funding Trust 1.910% due February 28, 2020	2.2
Honda Canada Finance Inc. 1.890% due February 11, 2020	2.1
Plaza Trust 1.950% due January 29, 2020	1.9
Plaza Trust 3.780% due January 2, 2020	1.7
bclMC Realty Corporation 2.770% due January 3, 2020	1.7
Ridge Trust 2.070% due January 10, 2020	1.7
Clarity Trust 1.990% due January 15, 2020	1.7
The Bank of Nova Scotia 2.010% due January 31, 2020	1.7
Canadian Imperial Bank of Commerce 1.880% due February 14, 2020	1.7
The Bank of Nova Scotia 1.970% due March 19, 2020	1.7
Fusion Trust 1.920% due May 19, 2020	1.7
The Bank of Nova Scotia 1.990% due February 6, 2020	1.6
HSBC Bank Canada 2.170% due January 8, 2020	1.5
Stable Trust 2.000% due March 27, 2020	1.5
Ridge Trust 1.900% due February 18, 2020	1.4
HSBC Bank Canada 2.250% due January 6, 2020	1.3
Royal Bank of Canada 1.980% due January 13, 2020	1.3
Royal Bank of Canada 2.050% due January 14, 2020	1.3
Royal Bank of Canada 1.940% due January 17, 2020	1.3
Royal Bank of Canada 1.990% due January 21, 2020	1.3
Canadian Master Trust 1.950% due January 22, 2020	1.3
Sure Trust 1.930% due January 27, 2020	1.3
Federation des caisses Desjardins du Quebec	
1.900% due January 31, 2020	1.3
<b>Total % of Net Asset Value represented by these holdings</b>	<b>57.9</b>

Note: Totals may not add due to rounding to one decimal place of individual figures.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. Updates are available quarterly. You may obtain the most current quarterly information by contacting TD Asset Management Inc. at 1-888-834-6339, by writing to us at TD Asset Management Inc., TD Canada Trust Tower, 34th Floor, 161 Bay Street, Toronto, Ontario, M5J 2T2, or by e-mail to inst.info@tdam.com

## Caution regarding forward-looking statements

Certain portions of this report, including, but not limited to, “Results of Operations” and “Recent Developments”, may contain forward-looking statements including, but not limited to, statements about the Fund, its strategy, risks, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” and similar forward-looking expressions or negative versions thereof.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future general economic, political and relevant market factors, such as interest rates, foreign exchange rates, equity and capital markets, and the general business environment, in each case assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date.

Forward-looking statements are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and relevant market factors in North America and internationally, interest and foreign exchange rates, equity and capital markets, business competition, technological change, changes in government relations, unexpected judicial or regulatory proceedings and catastrophic events.

The above mentioned list of important factors is not exhaustive. You are encouraged to consider these and other factors carefully before making any investment decisions and you are urged to avoid placing any undue reliance on forward-looking statements. Further, there is no specific intention of updating any forward-looking statements contained herein whether as a result of new information, future events or otherwise.

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