TD Alternative Commodities Pool

Product Overview

At a glance

- **Inflation Protection:** Help hedge against some expected and unexpected inflation risk. When inflation rises, the prices of goods and services increase. Since commodities are the building blocks of those goods and services, their prices tend to go up as well.
- **Historically low correlation to stocks and bonds:** Commodity performance is generally based on current supply and demand dynamics and moves independently from the prices of stocks and bonds, which can help provide stability within a diversified portfolio.
- **Potential to increase risk adjusted returns over time:** Realize the potential benefits of low to negative correlation by adding commodities to a balanced portfolio, which can improve diversification by improving a portfolio's risk-adjusted performance.

Investment Objectives

TD Alternative Commodities Pool (the "Pool") seeks to generate capital growth with low correlation to equity and fixed income markets over the long-term by capturing returns related to the commodity markets.

Why Invest:

- Obtain exposure to the movements in the price of commodities based on TD Asset Management Inc.'s (TDAM) view of a commodity super-cycle
- The Pool complements traditional portfolios that may not be built for inflationary environments due to lack of exposure to commodities
- Potential for portfolio diversification through exposure to a broad basket of commodities
- Benefit from TDAM's high-quality research, active management, and use of derivatives to capture market returns

An actively managed commodity solution which seeks to provide portfolio diversification, capital appreciation, and lower volatility typically associated with individual commodities.

A Purpose-Built Commodity Solution

Active and Dynamic Risk Management

More Flexibility and Potential through Derivatives

Access a Broad Basket of Commodities

High-Quality Research

Benefit from TDAM's proprietary research through qualitative and quantitative models - based on a wide range of technical and fundamental inputs

Investment Process

The Portfolio Manager seeks to achieve the investment objective of the **TD Alternative Commodities Pool** by investing primarily in commodity-linked derivative instruments. The value of commodity-linked derivative instruments may be affected by overall market movements and other factors affecting the value of a particular industry or commodity, such as weather, embargoes, or political and regulatory developments.

- The Portfolio Manager intends to invest in one or a combination of, but not limited to, commodity-linked derivative instruments, including swap agreements, futures, options, and commodity index-linked notes that provide exposure to the investment returns of commodities markets
- The Pool will use a combination of conventional and alternative investment strategies, including the use of leverage, created through exposure to derivates, short-selling, and/or the use of borrowing

The commodities exposure in the Pool is more diversified than single commodity funds such as gold or silver. The Pool provides investors with potential exposure to, but not limited to, the following commodity groups:

- Energy
- Grains
- Industrial and Precious Metals
- Softs (Coffee, Cotton, Sugar)
- Livestock
- Carbon Credits

Key Features

The Pool offers investors:

Institutional Experience

- The Pool draws upon TDAM's years of experience in successfully managing alternative strategies for large pension plan managers in Canada
- Gain exposure to strategies traditionally only available to institutional investors

High Quality Fundamental Research

- TDAM's dedicated commodities team takes an active quantitative and qualitative approach in combination with high quality fundamental research to seek to add more value and capabilities compared to the broadly used passive, systematic, or indexing approaches used by other funds with similar objectives

Asset Allocation Expertise

- TDAM's asset allocation and derivatives teams have been providing investors with Fund of Funds solutions and alternative strategies for over 30 years
- Take advantage of TDAM's expertise and track record in managing Fund of Fund solutions and alternative investment strategies

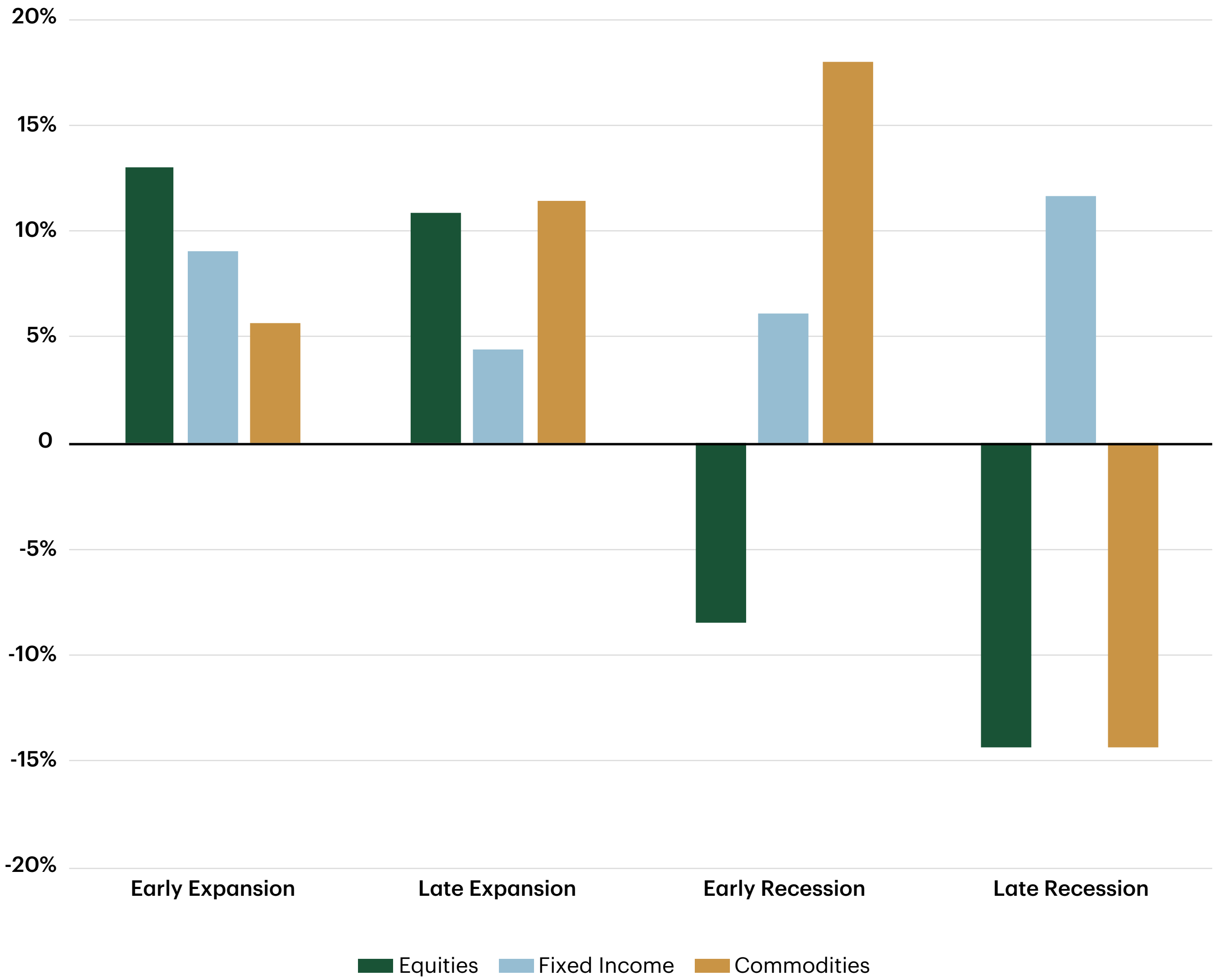
Diversification

- Stocks typically price in future earnings expectations, bond yields hinge on macroeconomic conditions
- Commodities prices are generally based on current supply and demand and independent of stocks and bond movements, helping to diversify portfolios and reduce volatility

An Essential Consideration in many Portfolios

Investors are motivated to invest in commodities for three primary reasons: inflation protection, portfolio diversification and expected returns. The chart below highlights commodities low correlation to other asset classes and the resulting benefits of diversification through different phases of the business cycle.

Asset Class Returns During Different Phases of the Business Cycle



Source: Bloomberg Finance L.P., as of April 28, 2023. Data from 1977 - 2023.

Diversification

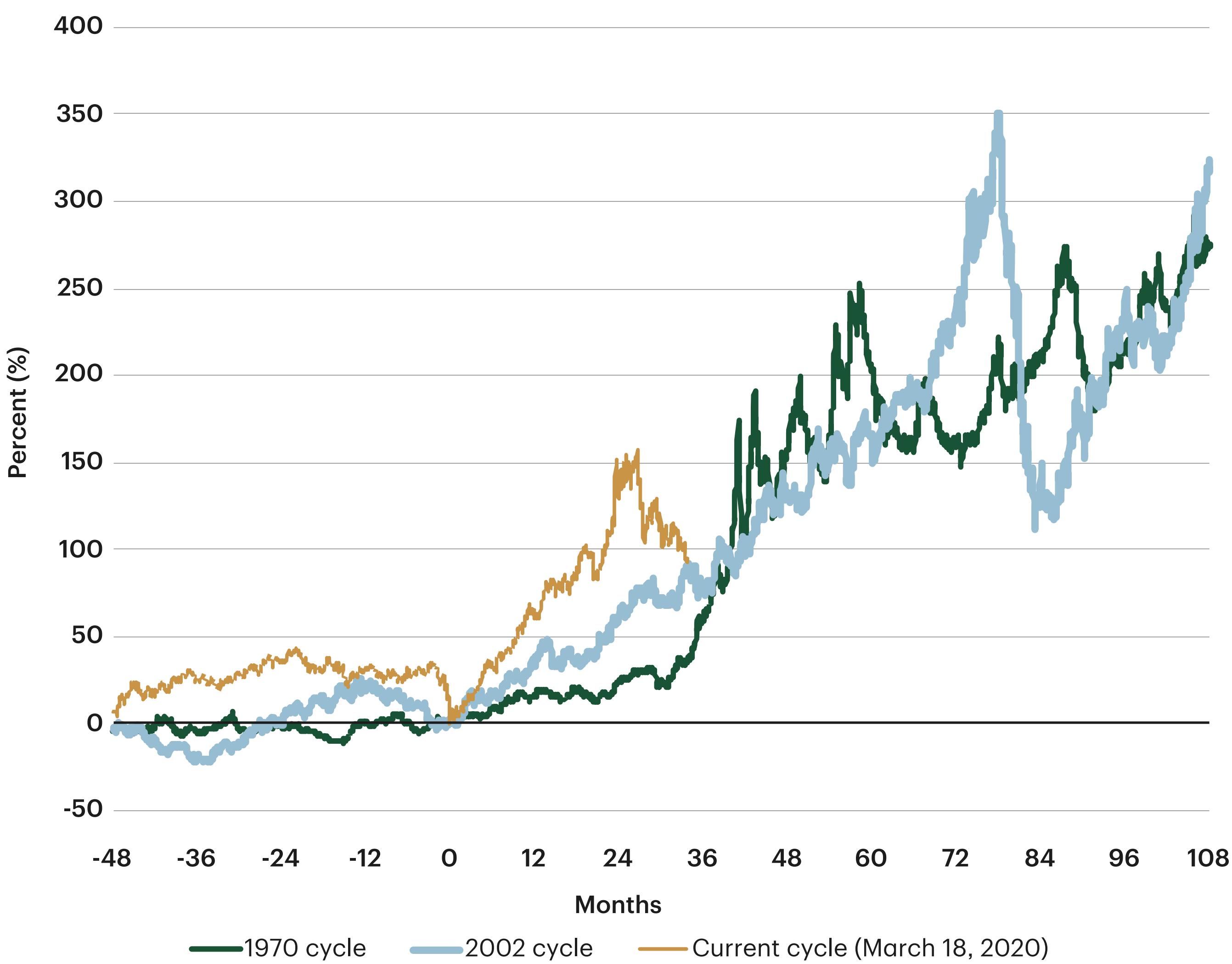
Early Stages of a Commodity Super-cycle

The economy tends to be very cyclical, following patterns we have seen in the past, time and time again. We usually experience four stages: expansion, peak, contraction (also known as recession), and a trough, and eventually another expansion to mark the beginning of a new cycle. These cycles can range from 2 years or less, to more than a decade. Commodities are assets that have tangible properties (such as energy, metals, and agricultural products). They are most often used as inputs in the production of other goods or services and generally move in the same direction, through long boom (bull markets) and bust (bear markets) cycles – historically independent of stock and bond performance (a low correlation).

A **commodities super-cycle** can be described as a period where commodity supplies fail to keep up with demand, resulting in tighter inventories, and consistent and sustained price increases – a favourable environment for positive commodity investment returns. There are two ingredients required for a commodity super-cycle: a generational demand shock and an extended period of underinvestment in supply. **Today, TDAM believes we have both.**

Super-cycles historically have been driven by both robust demand and constrained supply and typically last 8-12 years. The strong returns on global commodities we experienced in 2022 have led many to believe that this may be the beginning of a new commodity super-cycle. At TDAM, we feel that after spending the better part of a decade in a bear market, commodity prices are likely in the early stages of a super-cycle.

Super-cycle in Perspective



Source: Refinitv Datastream, TD Asset Management, as of March 31, 2023.

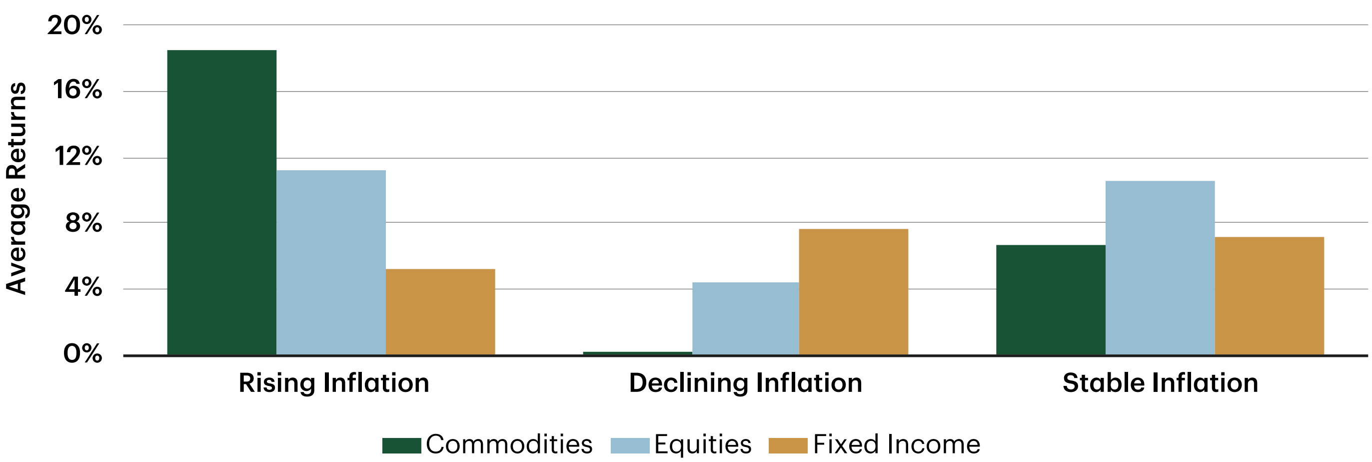
The TDAM Advantage: A Unique Solution

TD Alternative Commodities Pool can be a great complement for balanced portfolios, with an innovative approach that seeks to achieve capital appreciation with low correlation to equity and fixed income markets, which can improve diversification when added to investment portfolios. The Asset Allocation Team at TDAM is constantly monitoring the impact of global events to help inform our investment decisions - which is unique in the marketplace compared to the broadly used passive, systematic, or indexing approaches used by other funds with similar objectives.

TDAM was among the first bank owned asset managers to offer an accessible professionally managed asset allocation portfolio to retail investors. And through the years, we've continued to evolve retail portfolios such as integrating alternative investments alongside equities and fixed income. Our approach combines three decades of asset allocation experience with innovation that can help improve investment outcomes. Collectively, TDAM's Asset Allocation Team is comprised of 29 investment professionals, who collaborate every day to manage over $101 billion[1] in assets on behalf of investors.

The addition of commodities to a portfolio today may be very timely given their performance, both relative and absolute, and during periods of increased inflation and related uncertainty, as we are experiencing today. Hence, the addition of commodities should be an essential consideration in portfolio construction.

Commodities Outperform in Periods of Rising Inflation

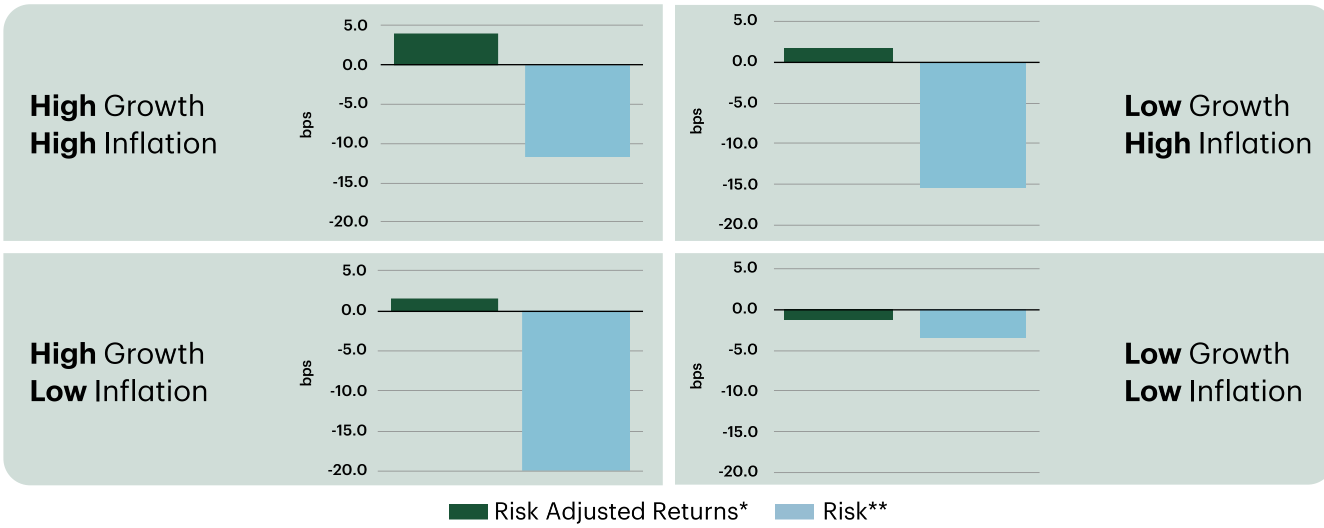


Source: Bloomberg Finance L.P., as of April 30, 2023. Data since 1977. Rising Inflation = Month-Over-Month (MoM) increase in Consumer Price Index (CPI) great than 25 basis points (bps). Declining Inflation = MoM decrease in CPI greater than 25 bps. Stable Inflation = MoM change in CPI less than 25 bps and greater than -25 bps.

Innovative Approach

[1] Aggregate statistics as of March 31, 2023 for TDAM and Epoch Investment Partners, Inc.

Adding a 5% allocation to a balanced portfolio (60/40) has the potential to improve risk adjusted returns



Source: Bloomberg Finance L.P., TD Asset Management, as of March 31, 2023. For illustrative purposes only. *Risk Adjusted Returns are measured using Sharpe Ratio **Risk is measured using standard deviation Note: Data from March 31, 1976 to March 31, 2023. High inflation = periods with inflation above its 3 years moving average. High Growth = periods with GDP growth higher than it's 5 year moving average. The charts compare the risk and return profile of a portfolio with 5% allocation to commodities relative to a 60-40 portfolio. The commodity exposure in the portfolio is funded with Equities. Asset class assumptions correspond with TD Asset Management's Long Term Asset Class Assumptions.

Portfolio Managers

Hussein Allidina, CFA

Managing Director, Head of Commodities, TDAM

- Head of Commodities
- Leads commodity and inflation strategies within the Asset Allocation Team and provides expertise relating to commodity markets
- Extensive experience in commodities, having served as Director responsible for commodity value-add and inflation-sensitive commodity mandates at a major Canadian pension plan, and as the Global Head of Commodity Research at a major global investment bank

Michael Craig, CFA

Managing Director, Head of the Asset Allocation and Derivatives Team, TDAM

- Head of the Asset Allocation and Derivatives Team
- Serves as a Portfolio Manager for all fund of fund solutions at TDAM
- Previously gained experience as a Portfolio Manager at an alternative asset management firm responsible for unconstrained fixed income mandates
- Member of the TD Wealth Asset Allocation Committee

Fast Facts

TD Alternative Commodities Pool

Benchmark	Bloomberg Commodity Index Total Return
CIFSC Category	Alternative Other
Suitability	Designed for medium to long-term investors seeking capital growth and portfolio diversification through an asset class with historically low correlation to equities and fixed income
Portfolio Manager	Hussein Allidina and Michael Craig
Management Fees	Advisor (ISC) – 1.70% | F-Series - 0.70% *35 bps management fee waiver on Advisor and F-Series until the end 2024. TDAM may cease to offer any waiver at any time without notice.
Currency	CAD – Advisor (ISC), F-Series, D-Series, Private, and O-Series USD – Advisor, F-Series, D-Series, and Private
Risk Rating	Medium (Dealer Risk Ratings may vary)
Management Style	Active Management
Distributions	Annual (variable)
Launch Date	September 26, 2023

Alternative Commodities

Glossary

Alternative mutual fund – An alternative mutual fund is a type of mutual fund that is permitted under securities legislation to adopt fundamental investment objectives that permit them to engage in certain investment strategies—including short-selling, borrowing, and use of derivatives - that other mutual funds are not permitted to engage in.

Commodity – A basic good that can be traded. For example: gold, oil, gas, wheat, lumber.

Derivative – A financial tool used to hedge, gain (leverage) or reduce exposure to specific assets, where the price is "derived" from underlying assets. Derivatives can include forward contracts, futures contracts, options, swaps, etc.

Futures contracts – A legal agreement to buy or sell a security at a predetermined price at a fixed time in the future. Allows investors to gain exposure to an asset or hedge against volatility.

Forward contracts – A customized legal agreement between two parties to buy or sell a security at a predetermined price at a fixed time in the future. Allows investors to gain exposure to an asset or hedge against volatility.

Hedging – Used to reduce or offset the risk of underlying investments.

Leverage – A form of borrowing assets without a full cash outlay, to increase the magnitude of potential gains (or losses) in an investment.

Long and short positions – A long position is a purchase of a security with the expectation it will increase in value. A short position involves selling a security in the expectation that it will decrease in value.

Option – An agreement that grants the holder the right but not the obligation to buy or sell a security.

Super-cycle – Can be described as a period where commodity supplies fail to keep up with demand, resulting in tighter inventories, and consistent and sustained price increases.

Swaps – A derivative that can be used to gain exposure or hedge against changes in financial markets. Credit swaps can be used to transfer credit risk from one part to another for a premium. Interest rate swaps can be used to optimize interest rates.

For more information, visit www.tdam.com
or contact your investment professional.

Connect with TD Asset Management

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