



WAAC Perspectives

TD Wealth Asset Allocation Committee (WAAC)
and TD Wealth Investment Policy Committee (WIPC)

2024

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Views as of
February 15, 2024

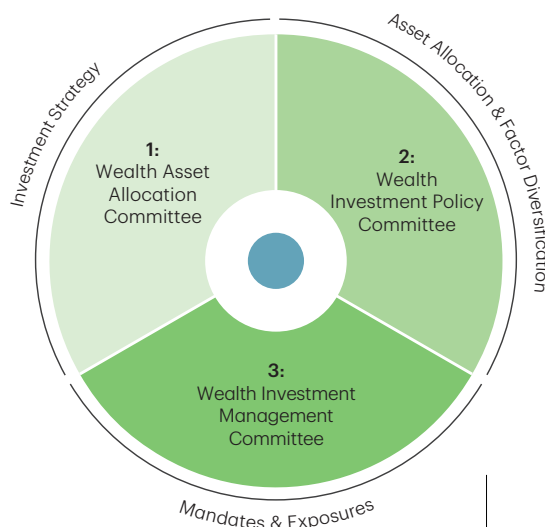
TD Wealth Strategy Process

Investment is a very human endeavour, and it's our people who make the difference. Our wealth strategy process leverages a diverse group of industry experts from across TD Asset Management and TD Wealth to harness the thought leadership of the Wealth Asset Allocation Committee, Wealth Investment Policy Committee and the Wealth Investment Management Committee.

Our team of analysts and portfolio managers have a deep commitment to understanding the global economy, and the function and behaviour of financial markets. Using risk factors to manage exposure, we build and manage goals-based portfolios that blend the best of traditional and alternative asset classes — resulting in a distinct track record of success.

1. Wealth Asset Allocation Committee (WAAC)

Considers the financial-market environment and provides direction and themes



2. Wealth Investment Policy Committee (WIPC)

Interprets WAAC views and sets general investor profile asset-class weights

3. Wealth Investment Management Committee (WIMC)

Manages strategies and mandates to fulfill specific factor and asset mixes

TD Wealth Strategy Process

WAAC - Core Asset Class Allocations

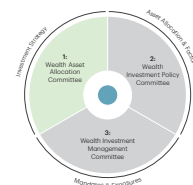


	Positioning	Rationale
Cash & Equivalents	<p>Modest Underweight</p> <p>Previous Month</p>	<p>The yield on cash and equivalents rose alongside rate hikes from the BoC. As key economic data continues to normalize, the risks of additional monetary policy tightening are reduced, however, we continue to believe that other asset classes may present a stronger opportunity over the long-run.</p>
Fixed Income	<p>Modest Overweight</p> <p>Previous Month</p>	<p>As the normalization of inflation appears to be slowing alongside waning economic growth, the Bank of Canada (“BoC”) continues to debate the need to maintain tight monetary policy and to reinforce its higher-for-longer policy rate path. On the flipside, this may also imply higher for longer income returns within the asset class. We expect that fixed income will be able to generate positive returns over the next 12 months and that bonds can still provide diversification benefits, reduce overall portfolio volatility and preserve capital.</p>
Equity	<p>Neutral</p> <p>Previous Month</p>	<p>We believe that the equity market has a balanced return outlook. Earnings in the U.S. are growing year-over-year. Valuations in many geographies are reasonable, with the U.S. commanding a premium largely due to its exposure to higher growth technology companies.</p>
Alternatives	<p>Neutral</p> <p>Previous Month</p>	<p>We believe that an allocation to alternative assets can benefit diversified portfolios especially when implemented over the long-term. Alternative assets can provide inflation protection and attractive absolute returns, while acting as long-term portfolio stabilizers via their diversification benefits and less correlated income streams.</p>



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Fixed Income - Modest Overweight



	Positioning	Rationale
Domestic Government Bonds	Modest Overweight	The BoC remains patient in its monetary policy stance, waiting on further evidence of decelerating inflation to emerge. The bond market has re-priced its expectations of the first rate cut, expecting it to come late second quarter or early third quarter of 2024. We do not anticipate a consistent decline in yields until we are within a couple of months of the BoC's first rate cut or until there is visible weakness in the labour market. Over the longer term, we feel government bonds continue to remain appealing due to their potential to generate positive nominal returns.
Investment Grade Corporate Credit	Neutral	Investment grade spreads have tightened in recent months and continue to reflect a very modest softening of the global economic backdrop. We continue to see the best opportunities in lower duration corporate bonds given their appealing all-in yields and are more cautious on longer duration corporate bonds due to the uncertain global economic outlook.
High Yield Credit	Modest Underweight	All-in yields remain elevated, but have declined in recent months, indicating strong potential returns. However, we continue to expect financial conditions to tighten and drive a deterioration of corporate credit fundamentals. This may create a particularly challenging backdrop for corporations with elevated debt loads, increasing overall volatility and downside risk.
Global Bonds Developed Markets	Neutral	Most leading central banks have shifted focus from policy tightening to policy easing in the next 12 months, though they have pushed back against expectations for imminent rate cuts in the first quarter of 2024. We do anticipate some divergence in monetary policy across developed economies in 2024, as the Bank of Japan has yet to tighten monetary policy and is expected to pivot soon. Therefore, opportunities across developed market bonds will vary and we expect less positively correlated returns in global bonds over the next 12 to 18 months.
Global Bonds Emerging Markets	Neutral	The dispersion of returns within emerging markets continues to present some opportunities. We continue to maintain a neutral outlook as yields are attractive in some regions where central banks had proactively hiked interest rates before the U.S. Federal Reserve. Bond returns will likely underperform in other regions where central banks are still early in normalizing monetary policy.

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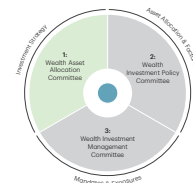
Equities - Neutral



	Positioning	Rationale
Canadian Equities	Neutral	Canadian gross domestic product growth has slowed, but with the full effect of higher rates on the consumer and real estate market yet to be seen, the Canadian economy could remain weak. That said, strong free cash flows within the Energy sector, and relatively inexpensive Financials stocks, may present attractive opportunities.
U.S. Equities	Modest Overweight	The U.S. labour market and gross domestic product growth have remained robust. Overall, the S&P 500 Index has resumed year-over-year earnings growth. This is supportive of multiples, which we view as fair in consideration of the higher technology exposure of the U.S. market.
International Equities	Modest Underweight	International stocks remain challenged by weaker corporate returns and slowing macroeconomic conditions, particularly in Europe. Overall we feel that this may limit further gains, however Japanese equities look attractive on a relative basis, with momentum building behind a corporate reform agenda aimed at boosting profitability and valuation multiples.
Chinese Equities	Neutral	The Chinese economy is showing signs of stabilization and the government remains focused on supporting growth, but challenges remain in the property sector.
Emerging Market Equities (excluding China)	Neutral	Some emerging market central banks appear to have paused their rate hiking cycle, with Brazil and Chile cutting rates. While this is supportive of better domestic growth in these countries, it might be partially offset by the impact weaker global growth could have on exports.

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Alternatives - Neutral



	Positioning	Rationale
Commercial Mortgages	Modest Overweight	Commercial mortgages continue to provide accretive income while insulating investor returns from the increased volatility in interest rates.
Private Debt (Universe)	Modest Overweight	High credit quality and global diversification provides an income ballast in an uncertain economic environment. Incremental income and potential capital appreciation from interest rate moderation provide upside.
Domestic Real Estate	Maximum Underweight	Canadian real estate transaction activity remains selective. Industrial, retail and multi-unit residential fundamentals remain sound, while office continues to experience leasing headwinds and a flight to quality.
Global Real Estate	Modest Underweight	Certain regions across the globe have seen quicker downward adjustments to valuations but we are now seeing early signs that these adjustments may be slowing down. Multi-unit residential and a tilt to the Asia Pacific may be able to provide global real estate portfolios with enhanced risk-adjusted returns.
Infrastructure	Modest Overweight	Increases in cash flow from higher-than-expected inflation is buffering rising interest rates. Investor appetite remains strong, particularly for energy transition investments and critical infrastructure sectors that generate stable, growing cash flows.

Sub-Asset Classes

	Positioning	Rationale
U.S. Dollar	Neutral	Relative growth differentials favor the U.S. economy and by extension the U.S. dollar. While U.S. growth may also decelerate, it is expected to remain stronger than in Canada or parts of Europe. This leaves room for relative strength in the U.S. Dollar.
Commodities (Gold, Energy, Metals, Agriculture, Carbon)	Modest Overweight	Commodities can help to diversify portfolios as their returns have a low correlation to both stocks and bonds. While energy and some materials prices have weakened, they could find some support as inventories are reasonable and producers have been disciplined. The copper market could see further tightness due to recent disruptions and downgrades to existing supply. The potential of the U.S. Federal Reserve shifting to rate cuts would be supportive of gold.

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Summary of WAAC Strategic Positioning



	Assets Class	Underweight		Neutral		Overweight
Fixed Income ● Modest Overweight	Domestic Government Bonds				●	
	Investment Grade Corp. Credit			●		
	High Yield Credit		●			
	Global Bonds - Developed			●		
	Global Bonds - Emerging			●		
Equities ● Neutral	Canadian			●		
	U.S.				●	
	International		●			
	China			●		
	Emerging Markets excl. China			●		
Alternatives / Real Assets ● Neutral	Commercial Mortgages					●
	Private Debt				●	
	Domestic Real Estate	●				
	Global Real Estate	●				
	Infrastructure				●	
Commodities	Commodities				●	
Cash & Equivalents ● Modest Underweight	Cash		●			
Sub-Classes	U.S. Dollar vs Basket of Currencies			●		

Source: Wealth Asset Allocation Committee, as of February 15, 2024.

We continue to monitor the above economic and market themes, and believe that maintaining a portfolio of high-quality assets is critical to long-term investment success.

While there is always potential for market volatility, we encourage investors to remain focused on the long-term. We consider periods of higher volatility to be normal market behaviour that can help clear excesses and create investment opportunities.

TD Wealth Strategy Process

WIPC strategic and dynamic asset-class weights by investor profile



Although the WAAC view is not changed from the previous month, the Wealth Investment Policy Committee (WIPC) approved a new strategic asset allocation table that incorporates commodities. The committee believes that adding commodities explicitly in the asset allocation table will enhance diversification and provides clients with broader investment opportunities. Across all risk profiles, WIPC allocated 2 to 4 percentage points (pp) to commodities. The allocation is funded mostly by fixed income allocation and some Canadian equity allocation in the first five risk profiles. For the aggressive growth profile, the commodities allocation is funded mostly by Canadian equity allocation and some real estate allocation. Regarding the dynamic asset allocation, WIPC did not make any additional changes, except for adding commodities at the strategic weight across the risk profiles.

Overall, at the top asset class allocation tier, WIPC maintains a modest overweight position in fixed income, a neutral position in equities, alternatives/real assets, and a modest underweight position in cash & equivalents. This aligns with WAAC's core asset class allocation view. Within equities, WIPC has maintained a neutral allocation to Canada and a modest overweight allocation to U.S. equities in all of the risk profiles. Elsewhere, the allocation to international equities remains underweight by 2 pp while the allocation to China/Emerging Markets remains neutral.

Within fixed income, WIPC has maintained the overweight allocation to domestic government bonds by 2 pp in all profiles except Aggressive Growth, which is 1 pp overweight. The allocation to investment grade corporate bonds is neutral to modest overweight while the allocation to high yield bonds is underweight by 1 to 2 pp. The allocation to global bonds remains neutral for Developed Markets and Emerging Markets. WIPC has also maintained an overall neutral allocation to alternatives. At the subclass level the allocation to commercial mortgages remains overweight by 1 pp in all investor profiles, with the exception of Conservative Income which is neutral. The allocation to private debt is neutral, and real estate is underweight by 1 – 2 pp. The allocation to infrastructure is neutral for the Conservative and Balanced Income investor profiles, and 1 pp overweight for all other profiles.

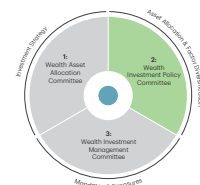
Expanded view:

Asset Class	Conservative Income		Balanced Income		Balanced		Balanced Growth		Growth		Aggressive Growth	
	Strat.	Dyn.	Strat.	Dyn.	Strat.	Dyn.	Strat.	Dyn.	Strat.	Dyn.	Strat.	Dyn.
Cash	2.0%	1.0%	2.0%	1.0%	2.0%	1.0%	2.0%	1.0%	2.0%	1.0%	2.0%	1.0%
Public Fixed Income	69.0%	70.0%	54.0%	55.0%	39.0%	40.0%	24.0%	25.0%	14.0%	15.0%	0.0%	1.0%
Domestic Government Bonds	28.0%	30.0%	22.0%	24.0%	15.0%	17.0%	9.0%	11.0%	5.0%	7.0%	0.0%	1.0%
Invest. Grade Corp Bonds	24.0%	25.0%	19.0%	20.0%	14.0%	15.0%	9.0%	9.0%	5.0%	5.0%	0.0%	0.0%
High Yield Bonds	5.0%	3.0%	4.0%	2.0%	3.0%	1.0%	2.0%	1.0%	1.0%	0.0%	0.0%	0.0%
Global Bonds - Developed	8.0%	8.0%	6.0%	6.0%	5.0%	5.0%	3.0%	3.0%	2.0%	2.0%	0.0%	0.0%
Global Bonds - Emerging	4.0%	4.0%	3.0%	3.0%	2.0%	2.0%	1.0%	1.0%	1.0%	1.0%	0.0%	0.0%
Public Equities	20.0%	20.0%	32.0%	32.0%	41.0%	41.0%	56.0%	56.0%	66.0%	66.0%	82.0%	82.0%
Canadian	6.0%	6.0%	10.0%	10.0%	11.0%	11.0%	16.0%	16.0%	19.0%	19.0%	22.0%	22.0%
U.S.	8.0%	10.0%	13.0%	15.0%	17.0%	19.0%	23.0%	25.0%	27.0%	29.0%	35.0%	37.0%
International	4.0%	2.0%	6.0%	4.0%	8.0%	6.0%	11.0%	9.0%	13.0%	11.0%	15.0%	13.0%
China/Emerging Markets	2.0%	2.0%	3.0%	3.0%	5.0%	5.0%	6.0%	6.0%	7.0%	7.0%	10.0%	10.0%
Alternatives	7.0%	7.0%	10.0%	10.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	12.0%	12.0%
Commercial Mortgages	4.0%	4.0%	4.0%	5.0%	4.0%	5.0%	4.0%	5.0%	4.0%	5.0%	0.0%	0.0%
Private Debt	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	0.0%	0.0%
Real Estate	0.0%	0.0%	1.0%	0.0%	3.0%	1.0%	3.0%	1.0%	3.0%	1.0%	3.0%	2.0%
Infrastructure	0.0%	0.0%	2.0%	2.0%	5.0%	6.0%	5.0%	6.0%	5.0%	6.0%	9.0%	10.0%
Fixed Income	71.0%	71.0%	56.0%	56.0%	41.0%	41.0%	26.0%	26.0%	16.0%	16.0%	2.0%	2.0%
Equity	20.0%	20.0%	32.0%	32.0%	41.0%	41.0%	56.0%	56.0%	66.0%	66.0%	82.0%	82.0%
Alternatives	7.0%	7.0%	10.0%	10.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	12.0%	12.0%
Commodities	2.0%	2.0%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	4.0%	4.0%

Strat: Strategic, Dyn: Dynamic. Source: Wealth Investment Policy Committee, as of February 15, 2024.

TD Wealth Strategy Process

WIPC strategic and dynamic asset-class weights by investor profile *continued*



Condensed view:

Asset Class	Conservative Income		Balanced Income		Balanced		Balanced Growth		Growth		Aggressive Growth	
	Strat.	Dyn.	Strat.	Dyn.	Strat.	Dyn.	Strat.	Dyn.	Strat.	Dyn.	Strat.	Dyn.
Cash	2.0%	1.0%	2.0%	1.0%	2.0%	1.0%	2.0%	1.0%	2.0%	1.0%	2.0%	1.0%
Public Fixed Income	78.0%	79.0%	63.0%	64.0%	48.0%	49.0%	33.0%	34.0%	23.0%	24.0%	0.0%	1.0%
Government	39.0%	40.0%	32.0%	33.0%	24.0%	25.0%	17.0%	18.0%	11.0%	12.0%	0.0%	1.0%
Corporate	39.0%	39.0%	31.0%	31.0%	24.0%	24.0%	16.0%	16.0%	12.0%	12.0%	0.0%	0.0%
Public Equities	20.0%	20.0%	35.0%	35.0%	50.0%	50.0%	65.0%	65.0%	75.0%	75.0%	98.0%	98.0%
Canadian	6.0%	6.0%	11.0%	11.0%	15.0%	15.0%	20.0%	20.0%	23.0%	23.0%	29.0%	29.0%
U.S.	8.0%	10.0%	14.0%	16.0%	20.0%	22.0%	26.0%	28.0%	30.0%	32.0%	40.0%	42.0%
International	4.0%	2.0%	7.0%	5.0%	10.0%	8.0%	13.0%	11.0%	15.0%	13.0%	19.0%	17.0%
China/Emerging Markets	2.0%	2.0%	3.0%	3.0%	5.0%	5.0%	6.0%	6.0%	7.0%	7.0%	10.0%	10.0%

Strat: Strategic, Dyn: Dynamic. Source: Wealth Investment Policy Committee, as of February 15, 2024.

TD Wealth Strategy Process

Factor Exposure

Asset Classes	Fixed Income Factor	Equity Risk Factor	Currency Risk Factor	Illiquidity Risk Factor	Alpha
Factor Positioning	Overweight	Neutral	Underweight	Overweight	Dynamic
Cash	•				•
Fixed Income					
Domestic Government Bonds	•				•
Investment Grade Corp. Credit	•	•	•		•
High Yield Credit	•	•	•	•	•
Global Bonds - Developed	•		•		•
Global Bonds - Emerging	•		•	•	•
Equity					
Canadian		•			•
U.S.		•	•		•
International		•	•		•
China		•	•		•
Emerging Markets ex China		•	•		•
Alternatives					
Mortgages	•	•	•	•	•
Private Debt	•	•	•	•	•
Real Estate	•	•	•	•	•
Infrastructure	•	•	•	•	•
Commodities					
Commodities	•		•		•

Source: Wealth Investment Policy Committee, as of February 15, 2024.

TD Wealth Strategy Process

Committee Members



Wealth Asset Allocation Committee

The TD Wealth Asset Allocation Committee (WAAC) is composed of a diverse group of TD investment professionals. WAAC’s mandate is to consider the financial-market environment and provide direction and themes for equities, fixed income, real assets and sub-classes for the next six to 18 months.

Committee members:

- David Sykes, CFA** **Chief Investment Officer, TD Asset Management Inc (Chair)**
- Michael Craig, CFA Managing Director & Head of Asset Allocation & Derivatives, TD Asset Management Inc.
- Anna Castro Managing Director, TD Asset Management Inc.
- Justin Flowerday, CFA..... Head of Public Equities, TD Asset Management Inc.
- Jennifer Nowski, CFA Vice President & Director, TD Asset Management Inc.
- Michael Augustine CFA Managing Director & Head of Fixed Income, TD Asset Management Inc.
- Alex Gorewicz Vice President and Director, TD Asset Management Inc.
- Jeffrey Trip, CFA Managing Director and Head of Alternative Investments, TD Asset Management Inc.
- Colin Lynch Managing Director and Head of Global Real Estate, TD Asset Management Inc.
- Kevin Hebner, Ph.D. Managing Director, Epoch Investment Partners, Inc.
- William Booth, CFA. Managing Director, Epoch Investment Partners, Inc.
- Brad Simpson, CIM, FCSI..... Chief Wealth Strategist, Wealth Investment Office, TDW
- Sid Vaidya, CFA, CAIA U.S. Wealth Investment Strategist, TD Wealth USA
- Bryan Lee, CFA Vice President & Director, TD Asset Management Inc.

Wealth Investment Policy Committee

The Wealth Investment Policy Committee is composed of a diverse group of TD investment professionals. WIPC’s mandate is to interpret WAAC views and set general asset-class weights for each investor profile.

Committee members:

- Brad Simpson, CIM, FCSI** **Chief Wealth Strategist, Wealth Investment Office, TD Wealth (Chair)**
- Michael Craig, CFA Managing Director, Head of the Asset Allocation & Derivatives, TDAM
- Anna Castro, CFA Managing Director, TDAM
- Jafer Naqvi VP & Director, TDAM
- Christopher Lo, CFA Senior Portfolio Manager, Head of Managed Investments, WIO, TD Wealth
- Fred Wang, CFA Senior Portfolio Manager, WIO, TD Wealth
- Aurav Ghai, CFA Senior Fixed Income Analyst & Portfolio Manager, WIO, TD Wealth
- Mansi Desai, CFA Senior Equity Analyst & Portfolio Manager, WIO, TD Wealth



Market Perspectives +  10 Minutes = Current Insights

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