TD Wealth

Rateshock

Monthly Perspectives | Portfolio Advice & Investment Research

September 2017

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On July 12th the Bank of Canada's (BoC) Board of Governors finally stopped crying wolf and announced an increase in interest rates for the first time in seven years. More recently, on September 6th, the BoC raised the key interest rate by another 0.25%, bringing the Canada's overnight lending rate to 1.0%, up from 0.50% where it has been pegged since 2015. The almost ten year era of easy money and historical low interest rates has created a challenging environment for fixed income investors. For the first time in a long time, investors have begun to ask "is this the end of the Goldilocks environment for interest rates?" Should investors be prepared for the next phase of "rateshock"?

In this issue

To better understand where the fixed income opportunities will be in this new landscape and answer this question we sat down with three of the real thought leaders in fixed income markets to get their perspective, and where they see the opportunities and obstacles as we head into the fall. The portfolio managers we spoke to were Robert Pemberton, Head of Fixed Income at TD Asset Management, Alfred T. Murata, Managing Director and Portfolio Manager at PIMCO and Michael Quinn, Chief Investment Officer at RP Investment Advisors.

Brad Simpson: In Canada, interest rates have increased and investors may have suffered losses investing in fixed income over the past year. Many investors are starting to worry that their fixed income investments are starting to get a little cold. How are you positioning your portfolios for rising interest rates?

Alfred T. Murata: The dual objectives of the Monthly Income Fund are to generate an attractive level of income and to preserve capital. The Fund's benchmark-agnostic approach and its flexibility to invest across a broad opportunity set have been crucial to meeting those objectives in different interest rate environments.

The Fund has a wide duration range of 0-8 years that allows it to adjust duration exposure tactically in favor of sectors and interest rate markets that are more attractive. For example, the Fund can invest in interest rate duration in various markets around the world, which may perform better than rising rates in Canada. It can also invest in floating rate securities, which have coupons that reset to prevailing interest rates and so may cushion against higher rates. This approach helps the fund seek a consistent distribution and return in a variety of market conditions.

Currently, most of our interest rate exposure is to U.S. duration and we have limited exposure to Canadian interest rate risk. As the U.S. economy continues to strengthen, we expect interest rates to grind higher. We are keeping interest rate exposure in the front-end of the U.S. curve low based on our current view that the Federal Reserve will continue to raise interest rates gradually. We continue to see relative value in the intermediate portion of the yield curve as it provides downside protection to the portfolio and we think global influences are likely to keep U.S. rates range-bound. We also find it attractive to invest in Australian interest rate duration. If there's a slowdown in Chinese growth, we think commodity prices would weaken, reducing growth and interest rates in Australia. We continue to see value in diversifying exposures globally.

Robert Pemberton: Interest rates have risen in response to increasing global growth and anticipation of more restrictive monetary policy at central banks, which caused some negative returns in bonds. Central bank policies in the U.S., United Kingdom, Canada and Europe are converging in a coordinated effort to remove some of the significant monetary policy accommodation in the system. For example, there are expectations for further rate increases in the U.S. and Canada, a reduction in the Federal Reserve's balance sheet and tapering of the bond purchase program in Europe.

Despite the recent increase in yields, fixed income has provided stable and positive returns over the past few years, and managers can employ numerous strategies to protect capital and provide income in a rising rate environment. In our view, duration positioning is the least predictable way of adding value. Therefore, we concentrate our efforts on fundamental security selection with a focus on an overweight of high quality corporate bonds. Since yields tend to rise when the economy is growing and inflation is increasing, the backdrop for corporate bonds and corporate profits tends to be relatively positive. Portfolios may include investment grade bonds, high yield bonds, leveraged loans and private debt, all of which provide additional income to help insulate against negative returns.

Michael Quinn: A key market theme this year has been the desire on the part of central banks globally to withdraw monetary policy stimulus. Despite relatively benign inflation data, concerns around global asset price stability have been an important motivation in pursuing this policy. Until very recently, BoC had been somewhat out of step with this global trend, having chosen to cling to a more dovish outlook. In mid-June, the Bank's changing output gap expectations (closing faster than expected) prompted the BoC to turn surprisingly hawkish in its communications and to begin reversing the rate cuts implemented in 2015 as "insurance" against the oil price collapse. Very quickly, the Canadian bond market began to price in a 90% probability of a 25 basis point rate hike in July, with many analysts forecasting a cumulative 75 basis points of rate hikes before the end of 2018. In June alone, the FTSE TMX Mid-Term Bond Index lost 2.27% of its value.

In order to preserve capital, we reduced the interest rate sensitivity of our core bond replacement strategies materially. In our long/short strategies our interest rate sensitivity is always negligible. Global rates are likely to rise gradually, in our view, which should continue to be constructive for credit. Still, it is increasingly difficult to find value in the credit markets after years of spread compression. This has led us to overweight high conviction holdings that we believe offer material upside. Overall we have taken down risk, raised liquidity and we generally remain nimbly positioned in order to preserve capital should interest rates begin to rise more forcefully or should credit become dislocated more broadly.

Within our portfolio of credit investments we have overweighed sectors such as financials that benefit from higher yields and steeper yield curves, and underweighted sectors like real estate which are likely to face headwinds as rates rise.

Simpson: Is the rise in interest rates and the losses suffered by fixed income investors a sign of the challenges ahead for investors? Should return expectations be readjusted? Is it time to run to the hills?

Murata: A rise in interest rates and losses suffered by some fixed income investors could be challenging. However, at PIMCO, we believe that active management can help investors navigate these markets. The Monthly Income Fund's benchmark agnostic approach and wide duration band gives us the flexibility to adjust our interest rate exposures based on our macroeconomic views and potentially perform well in rising rate environments.

The Fund can allocate across the global fixed income market to find pockets of value less affected by the rise of interest rates. An example of this is our exposure to non-agency mortgage-backed securities (MBS), which continue to be attractive investments. Non-agency MBS are bonds backed by residential loans, where the investor depends upon the cash flows from the underlying loans to be repaid, rather than from a guarantee from a government or other entity. Consequently, the primary risk factor for non-agency MBS is related to the level of residential housing prices, rather than interest rate risk. We find it attractive to invest in non-agency MBS within a global multi-sector portfolio due to the stability of

Canada 5-year rates rose 62 basis points (May 24, 2017 – July 27, 2017) after the Bank of Canada began to issue more hawkish communications at its May 24th policy Meeting.

Source: Bloomberg Finance L.P.

the yield profile across a wide variety of economic and housing price scenarios. Additionally, around half of the overall portfolio is allocated to floating rate securities, which could benefit as interest rates rise.

Pemberton: The rise in interest rates is certainly a sign of the challenges investors will face in the future. The scale of the increase is where facts may diverge from feelings. How high rates may rise is a critical question faced by investors and bond fund managers. We believe the current outlook for yields is more balanced than investors may perceive; yields have risen quickly, but we do not expect interest rates to rise dramatically from here.

Interest rates, over the long run, should be a reflection of real rates of growth. Across developed economies, we have seen increases in employment, good recent momentum in GDP growth and rebounds in industrial production, but we haven't witnessed a meaningful change in prices and wages. This is partly due to demographics, along with technological advancements and increasing retail competition. These factors are suppressing inflation and the rate of long term economic growth, and we don't expect them to abate any time soon. Lower long-term growth coupled with low inflation means that we aren't likely to see yields move meaningfully higher.

Fixed income investors will need to adjust their expectations for bond returns going forward. Investors should no longer expect equity-like returns with bond-like volatility, a phenomenon that we witnessed in the years following the great financial crisis. A more reasonable expectation would be low, coupon-like returns with bond-like volatility, similar to the experience of the last couple of years. However, fixed income should continue to play an important role in a diversified portfolio, offering stability, diversification and some income.

	10 Year Return	10 Year Volatility	20 Year Return	20 Year Volatility
S&P 500 TR - C$	9.45%	11.65%	6.32%	12.79%
US High Yield - C$	9.72%	9.22%		
FTSE TMX Corporate Bond Universe	5.66%	3.20%	5.92%	3.33%
S&P/TSX Composite TR - C$	3.90%	13.39%	6.50%	14.78%

Source: FTSE TMX, Bank of America Merrill Lynch, S&P. Returns to July 31, 2017

Quinn: In a coordinated way, central banks globally are removing the emergency levels of monetary policy stimulus they implemented during the financial crisis. This shift in policy direction suggests that interest rates are likely to keep moving higher, which is, generally speaking, bad for interest rate sensitive instruments like bonds. For this reason, fixed income investors will be facing some headwinds and return expectations should be adjusted accordingly. Having said that, a rising rate environment usually occurs alongside an improving economic backdrop, which can be supportive of corporate debt investments. In other words, credit spreads can compress as rates rise, so bond managers can make money as long as they are actively managing or hedging the interest rate exposure.

As long as interest rates move higher in a gradual and orderly way, credit investors can realize benefits. Sharp adjustments in interest rates can be destabilizing in the short term, especially given the feedback loop from investment vehicles such as mutual funds and ETFs that can respond quickly to changing return streams. Conversely, a gradual increase in rates tends to draw institutional investors into the market as they can realize better "all in" returns to set against their liability streams.

It is also worthy of mention that return expectations from fixed income are likely too high after years of strong returns, helped along by accommodative monetary policy. Investors may have come to think of fixed income as generating equity-like returns given recent experience, although longer term these expectations may not be realistic.

Although investors do likely have to adjust their expectations somewhat, opportunities in corporate debt still exist. Remaining focused on active managers that are capable of managing risk, and preserving capital if interests rates rise aggressively, will be an important consideration for investors going forward.

Simpson: Not to sound unpatriotic, but is now the time for investors to look outside of Canada, and if so, what should investors know about investing in global fixed income?

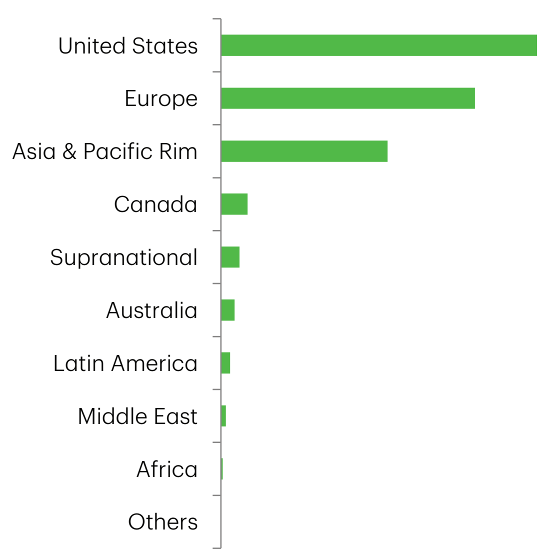
Murata: Yes. Investors should look globally to find the best opportunities across all sectors of the fixed income markets. To source these ideas, investors should look for managers that have deep global resources. That's where PIMCO's scale comes into play. With portfolio managers and trading desks around the world, we have the ability to invest across all sectors of the $100 trillion global fixed income markets. The Monthly Income Fund has been able to utilize these resources to capitalize on PIMCO's best income ideas across the global fixed income markets. This can be especially valuable in an environment of low interest rates, where market mispricings may represent a more significant source of return potential.

An example of how the Monthly Income Fund has been able to capitalize on its global opportunity set is its exposure to Australian duration. Australian government bonds currently offer a slight pick-up in yield relative to Canada and the U.S. while offering high quality downside protection in the event of a global slowdown. Australian government rates should benefit the portfolio if there is a slowdown in Chinese economic growth which should benefit these bonds as economic growth and interest rates in Australia might fall as a result.

Pemberton: From a diversification perspective, it is always time to invest in global fixed income as there is a wider opportunity set to choose from. From an asset allocation perspective within the fixed-income component, we view global government bonds as unattractive given very low real yields; we still prefer high quality corporate bonds as an attractive alternative, while high yield is unattractive at current levels. Therefore, it is still appropriate to look outside Canada, but investors should be sensitive to risk levels in specific markets, particularly high yield.

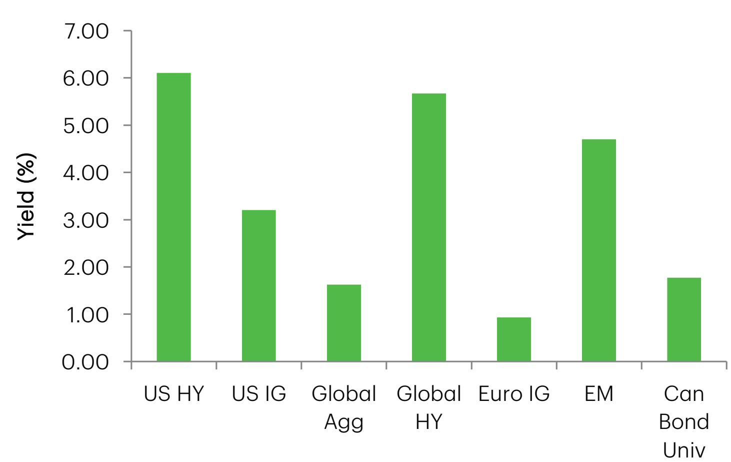
Investors should be aware of the size of the global bond market, estimated at approximately $65 trillion, according to Barclays Global Multiverse. Canada represents about 3% of this market. Diversifying the sources of income in a bond portfolio can enhance long-term risk-adjusted returns. Furthermore, there are numerous global fixed income asset classes that can generate higher levels of income within a portfolio, including U.S. investment grade corporate bonds, global high yield corporate bonds and emerging market bonds.

Regional Distribution of Global Markets



Source: Bloomberg Barclays Global Aggregate Bond Index, June 30, 2017

Selected Global Bond Yields



Source: Factset; Bank of America Merrill Lynch US High Yield; Bloomberg Barclays US Aggregate Credit - Corporate - Investment Grade; Bloomberg Barclays Global Aggregate; Bloomberg Barclays Global High Yield; Bloomberg Barclays Euro Aggregate Credit – Corporate Bloomberg Barclays Emerging Markets USD Aggregate FTSE TMX Bond Universe

When investing in global fixed income markets, it is important to remember that domestic bonds primarily provide investors with a source of income through coupon payments, as well as the potential for capital gains (or losses) through price appreciation (or decline). Global bonds provide an additional investment opportunity through foreign currency exposure. Foreign currency exposures can be hedged back to Canadian dollars, allowing an investor to limit the drivers of fixed income returns in their portfolio to income and capital gains. Alternatively, they can remain unhedged, which allows an investor to add another lever of potential returns and risk.

Quinn: Investing outside of Canada has always been an important focus for us, not only because it affords us a much richer opportunity to uncover value, but because global reach serves an important risk management function. Although Canada is usually thought of as a lower volatility credit market, in recent months developments domestically have spurred some atypical volatility. Concerns around Canadian financial institutions following well-publicized developments at Home Capital Group, and the Bank of Canada's recently hawkish communications, have both acted as headwinds for Canadian fixed income markets. During this period, we de-emphasized the Canadian market and rotated our capital into the U.S. market. Investors often tend to think about investing outside of Canada as adding incremental risk when, in fact, it can actually offer an opportunity to achieve incremental safety. Although there are several reasons one could argue that now is a good time to be investing outside of Canada, we'd argue that having that optionality is always desirable for investors pursuing the best risk-adjusted opportunities available.

Simpson: This era of ultra-low interest rates has led many fixed income investors to suffer from rate shock. As a result many investors have shifted down on the credit curve from government bonds towards corporate bonds. Currently, credit spreads, measuring how eager investors are to hold corporate debt compared to the perceived safety of government bonds, appear stretched. What is your view on corporate bonds and should investors stay invested?

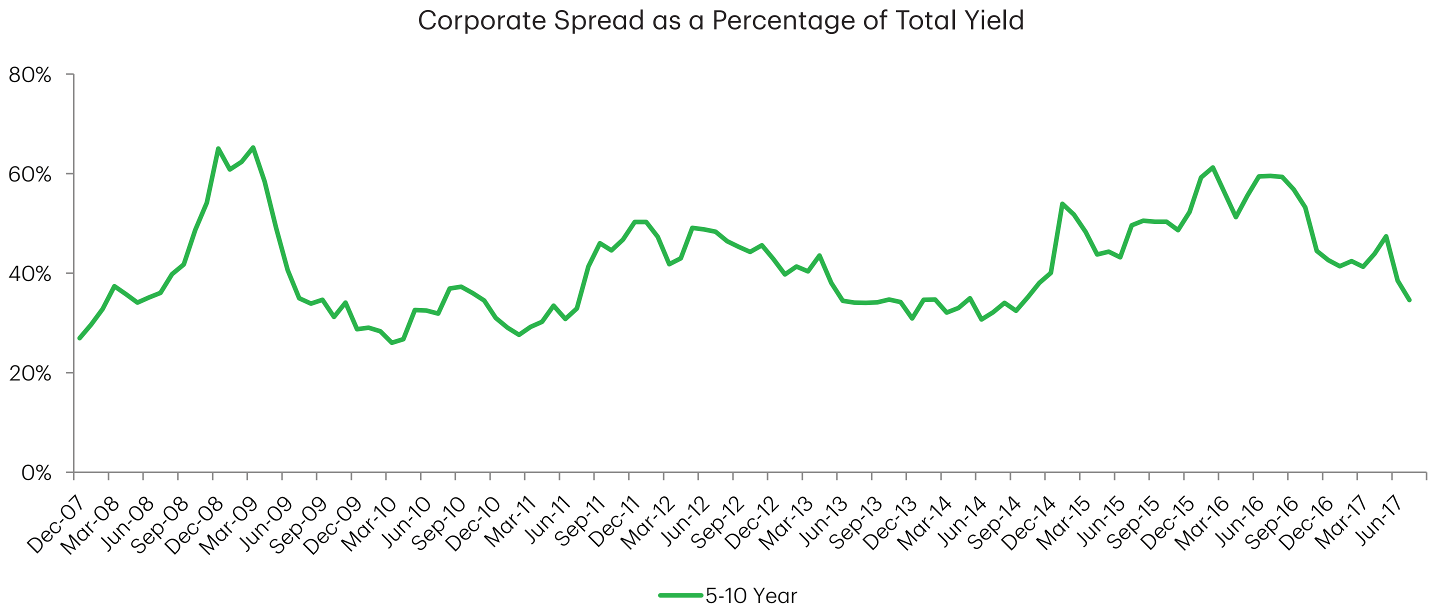
Murata: In credit markets, where market beta valuations look fair, we will seek to add value using our global team of credit portfolio managers and credit analysts, focusing on picking the winners and avoiding the losers in the capital structure.

We currently see high yield as generally fully valued, but there are still many attractive structural opportunities in credit default swap indexes (CDX), rising stars (i.e., high yield issuers that we expect will be upgraded to investment grade) and secured bonds. Given the symmetry of buyers and sellers in the synthetic market, we prefer to express long positions in the form of CDS and CDX, where investors can capture the benefit of "rolling down" the credit curve rather than owning longer-dated cash bonds that are subject to volatile fund flows and generally offer limited roll-down potential. Also, employing structural trades such as CDX, which tend to provide greater liquidity, provides flexibility to reduce beta more quickly when needed while less liquid securities are reduced over time, which can help preserve capital in turbulent markets.

With credit spreads continuing to tighten since the first quarter of 2016, we view this as an opportunity to de-risk. In the Monthly Income Fund, we have maintained exposure to corporate credit but have been reducing credit risk by investing in shorter-dated bonds, reducing allocations to higher beta credits and moving up in the capital structure.

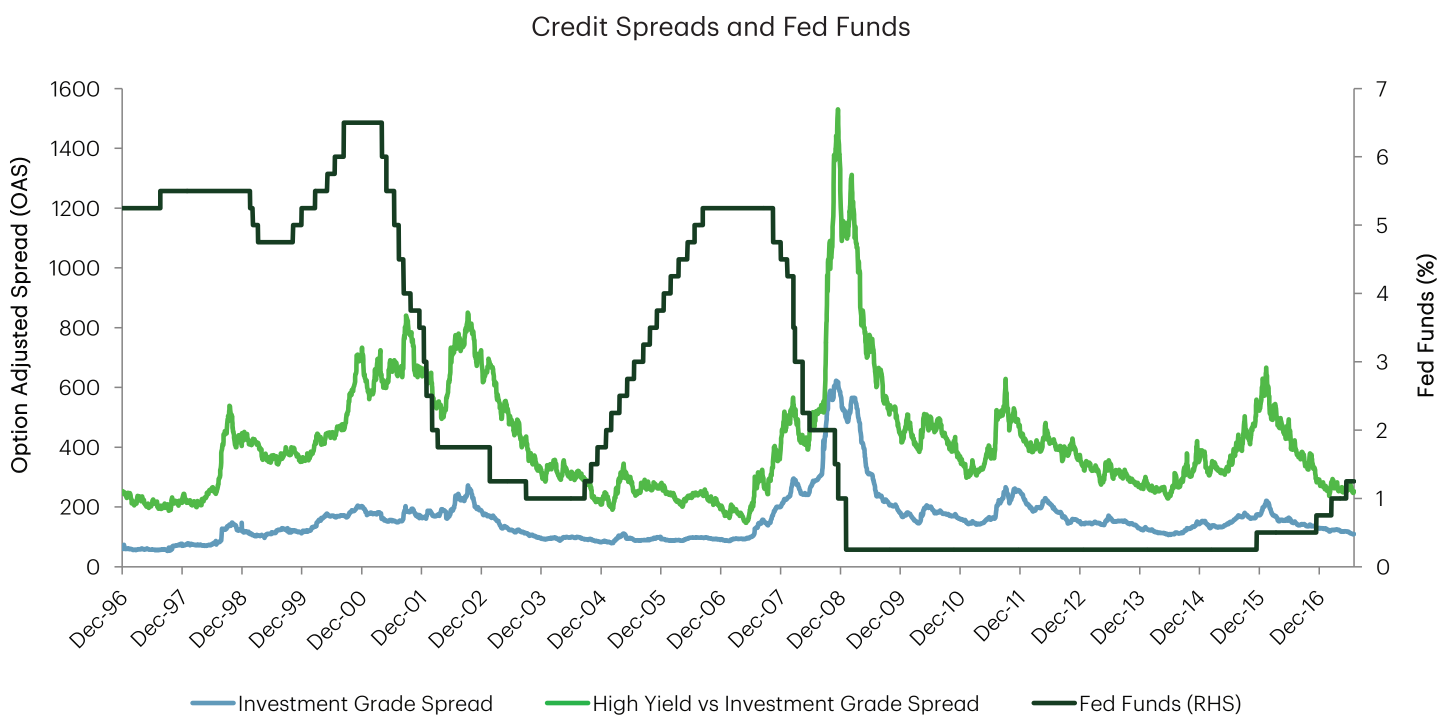
Pemberton: There is little doubt that both investment grade and high yield bond spreads appear stretched from a long-term perspective. The market is sending a cautious message, but with almost 50% of yield coming from the spread component of corporate bonds, we believe these bonds remain a key component of investor portfolios.

An important consideration is how well are you are being compensated for risk. Currently, the spread difference between high yield and investment grade bonds is quite low, meaning riskier credit markets are providing lower protection in the form of yield spreads. While corporate bonds remain important in this world of relatively low yields, in-depth credit analysis and a focus on higher quality bonds are becoming increasingly important in both the investment grade and high yield spaces.



Source: Bloomberg, FTSE TMX mid corporate yield vs FTSE TMX mid federal yield

It is also important to note that spreads can remain steady for extended periods of time, even during a rising rate cycle (Fed funds is plotted in dark green).



Source: Bank of America Merrill Lynch US High Yield Master II (H0A0), US Corporate Master (C0A0), option adjusted spreads to July 31, 2017

Quinn: Credit valuations do appear less compelling than they have been. This is not to say that opportunities don't exist but investors do need to be more selective about what they invest in. Passive investment alternatives do potentially pose risks to investor capital in an environment of normalizing rates and richly priced credit. With valuations seemingly stretched, risk markets will likely be more prone to spurts of volatility going forward.

In the case of fixed income assets, these movements could be amplified by ETFs, which have facilitated unprecedented inflows into the asset class. Because ETF managers tend to behave indiscriminately from a valuation perspective (i.e. buy richly priced securities when inflows persist and sell outflows irrespective of value) they do offer value seeking managers an opportunity to monetize gains and capture value. Mispriced securities in the midst of credit upgrade cycles, issuers that stand to benefit from potential M&A activity, or issuers that have particular catalysts tied to them can still offer investors value and serve to better preserve capital. This is all to say that there are probably some credit instruments that investors should be selling but opportunities do continue to exist in global credit markets.

Simpson: With the rise in the Canadian dollar, a correspondingly weaker U.S. dollar, and an increase in geopolitical risks, investors appear to be nervous. What advice would you provide to a balanced investor?

Murata: PIMCO sees downside and upside risks as roughly balanced for the U.S. While the baseline macro outlook has become somewhat more stable given generally more balanced risks, we see the outlook for financial markets as somewhat more insecure, reflecting asset valuations that have tightened significantly over the past 12 months. We would advise that a balanced investor should remain focused on capital preservation and grinding out alpha rather than rely on hoped-for capital gains.

Pemberton: Canadian investors have had to contend with stronger than expected Canadian growth and a shift in Bank of Canada monetary policy. This has had a twofold impact for Canadian investors. 1) Markets swiftly priced interest rate increases into bond yields, which had an adverse impact on Canadian bond prices. 2) The strengthening Canadian dollar impeded returns for unhedged foreign currency exposure.

What hasn't changed is the role of fixed income in a balanced portfolio: it provides portfolio diversification, capital preservation and income. Balanced investors seeking to improve the probability of reaching their investment goals must keep in mind the importance of having a well-defined investment horizon, desired return and tolerance for risk.

Rapid adjustments in the markets, such as we have recently seen, reflect a very short investment horizon. Volatility can influence emotions, so investors should remain disciplined. While short-term volatility may provide a window during which they can rebalance to take advantage of opportunities, overall, investors should focus on long-term outcomes. Time should enable an investor to recoup losses that may have occurred during short-term downturn, and over a long period of time, a balanced investor's strategic investment mix will be responsible for the majority of investment returns. For example, government bonds and inflation linked securities can help with capital preservation and protect against inflation surprises, while a structural overweight to corporate debt (both high yield and investment grade) can provide long-term income and a tactical allocation to global bonds helps to diversify the opportunity set and provide potential currency protection.

Our view calls for a more cautious allocation to credit with particular emphasis on credit quality. A balanced investor should continue to maintain structural allocations to corporate bond markets but consider a more defensive posture in this allocation. Global markets, particularly from the perspective of a Canadian

Balanced investors seeking to improve the probability of reaching their investment goals must keep in mind the importance of having a well-defined investment horizon, desired return and tolerance for risk.

based investor, remain attractive from a diversification play and less so from a currency perspective.

Quinn: Broadly speaking, well-constructed, balanced portfolios should leave investors feeling confident in the knowledge that their financial objectives will be met, irrespective of near term shocks. Because our specific expertise is fixed income, one component that makes up the broader whole of a balanced portfolio, we think about geopolitical and currency risks in a very segregated, specific way.

When we construct portfolios, we think very carefully about layering and separating out risks that are predictable from those that are unpredictable. Currencies can deviate from perceived fair value for extended periods of time and aren't very predictable, in our view. We eliminate this risk by hedging any currency exposures back to Canadian or U.S. dollars, depending on the fund series. The net impact is that we never assume any meaningful currency risk in any of the strategies we manage.

Although interest rates are somewhat more predictable, in that central bank policy actions and inflation expectations ultimately determine the path of rates, the timing of these influences are also challenging to predict. This is particularly true given the unprecedented levels of monetary policy stimulus we've seen globally, where rates markets have arguably become distorted and excessively dependent upon the will of central banks. Having said that, stable or binary rate environments (e.g. crises or persistently rising/falling rates backdrops) do offer some predictability and an opportunity to add value for investors. In this sense, we think about interest rate risk as something that we manage or limit.

By eliminating one risk and managing a second, we have the opportunity to assume risk where it is the most predictable and where we have the greatest core competency. This capability, or edge, is in credit selection. The risk management framework in this aspect of our strategies is more refined and is focused on intensive screening, fundamental analysis, proper sizing and, above all, a detailed liquidity assessment. Ensuring that a bond is sufficiently liquid allows us to take down risk and preserve capital, if unexpected developments occur.

Geopolitical risks can impact any and all parts of a portfolio. Isolating risks the way we do — across currencies, rates and credit — allows us to limit the impact of unpredictable events and be a stable contributor in investor portfolios. This approach should leave investors feeling confident even in turbulent times.

Simpson: Thanks to all.

Monthly market review

		(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Canadian Indices ($CA) Return	**Index**	**1 Month**	**3 Months**	**YTD**	**1 Year**	**3 Years**	**5 Years**	**Since 1/1/2012**	**10 Years**	**20 Years**
S&P/TSX Composite (TR)	50,167	0.67	-0.15	1.35	7.23	2.10	8.13	7.61	4.10	6.74
S&P/TSX Composite (PR)	15,212	0.45	-0.90	-0.50	4.21	-0.89	4.95	4.30	1.08	4.25
S&P/TSX 60 (TR)	2,380	0.37	-0.75	1.04	7.96	2.83	8.72	8.26	4.14	7.12
S&P/TSX SmallCap (TR)	969	0.30	0.78	-3.84	2.24	-1.48	4.12	3.09	1.47	-
U.S. Indices ($US) Return	**Index**	**1 Month**	**3 Months**	**YTD**	**1 Year**	**3 Years**	**5 Years**	**Since 1/1/2012**	**10 Years**	**20 Years**
S&P 500 (TR)	4,789	0.31	3.01	11.93	16.23	9.54	14.34	15.09	7.61	7.18
S&P 500 (PR)	2,472	0.05	2.48	10.40	13.85	7.25	11.93	12.26	5.31	5.18
Dow Jones Industrial (PR)	21,948	0.26	4.47	11.06	19.28	8.68	10.89	10.34	5.09	5.43
NASDAQ Composite (PR)	6,429	1.27	3.71	19.42	23.31	11.96	15.95	16.32	9.49	7.24
Russell 2000 (TR)	6,881	-1.27	2.90	4.42	14.91	7.67	13.15	14.06	7.38	7.59
U.S. Indices ($CA) Return	**Index**	**1 Month**	**3 Months**	**YTD**	**1 Year**	**3 Years**	**5 Years**	**Since 1/1/2012**	**10 Years**	**20 Years**
S&P 500 (TR)	6,004	0.72	-4.35	4.51	11.03	14.92	19.96	20.34	9.47	6.63
S&P 500 (PR)	3,098	0.47	-4.84	3.08	8.76	12.52	17.43	16.89	7.12	4.65
Dow Jones Industrial (PR)	27,514	0.68	-2.99	3.69	13.94	14.01	16.34	15.06	6.91	4.89
NASDAQ Composite (PR)	8,059	1.69	-3.69	11.50	17.80	17.46	21.65	21.68	11.38	6.70
Russell 2000 (TR)	8,626	-0.86	-4.45	-2.50	9.77	12.96	18.71	19.26	9.23	7.04
MSCI Indices ($US) Total Return	**Index**	**1 Month**	**3 Months**	**YTD**	**1 Year**	**3 Years**	**5 Years**	**Since 1/1/2012**	**10 Years**	**20 Years**
World	7,837	0.19	3.05	13.93	16.84	6.52	11.73	11.45	5.07	6.28
EAFE (Europe, Australasia, Far East)	7,609	-0.02	2.71	17.50	18.19	3.31	8.97	8.44	2.10	5.19
EM (Emerging Markets)	2,355	2.27	9.61	28.62	24.99	2.75	5.67	4.32	2.76	6.84
MSCI Indices ($CA) Total Return	**Index**	**1 Month**	**3 Months**	**YTD**	**1 Year**	**3 Years**	**5 Years**	**Since 1/1/2012**	**10 Years**	**20 Years**
World	9,825	0.61	-4.30	6.37	11.61	11.75	17.22	16.53	6.88	5.74
EAFE (Europe, Australasia, Far East)	9,539	0.39	-4.62	9.71	12.90	8.38	14.32	13.38	3.86	4.65
EM (Emerging Markets)	2,952	2.69	1.78	20.09	19.40	7.80	10.86	9.07	4.54	6.29
Currency	**Level**	**1 Month**	**3 Months**	**YTD**	**1 Year**	**3 Years**	**5 Years**		**10 Years**	**20 Years**
Canadian Dollar ($US/$CA)	79.77	-0.41	7.69	7.10	4.69	-4.68	-4.68		-1.70	0.51
Regional Indices (Native Currency) Price Return	**Index**	**1 Month**	**3 Months**	**YTD**	**1 Year**	**3 Years**	**5 Years**	**Since 1/1/2012**	**10 Years**	**20 Years**
London FTSE 100 (UK)	7,431	0.80	-1.19	4.03	9.57	2.90	5.40	4.91	1.66	0.02
Hang Seng (Hong Kong)	27,970	2.37	9.00	27.13	21.73	4.17	7.50	6.08	1.55	3.47
Nikkei 225 (Japan)	19,646	-1.40	-0.02	2.78	16.34	8.40	17.32	16.43	1.72	0.37

Benchmark Bond Yields	3 Month	5 Year	10 Year	30 Year
Government of Canada Yields	0.89	1.57	1.86	2.27
U.S. Treasury Yields	1.00	1.65	2.07	2.69

Canadian Bond Indices ($CA) Total Return	Index	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	Since 1/1/2012	10 Years
FTSE TMX Canada Universe Bond Index	1029.92	1.41	-1.68	1.83	-1.42	3.03	3.07	3.17	4.95
FTSE TMX Canadian Short Term Bond Index (1-5 Years)	698.19	0.42	-0.97	0.25	0.01	1.59	1.89	1.88	3.42
FTSE TMX Canadian Mid Term Bond Index (5-10)	1121.98	1.36	-2.45	1.16	-1.61	3.20	3.43	3.62	5.67
FTSE TMX Long Term Bond Index (10+ Years)	1662.46	2.91	-2.19	4.43	-3.31	4.84	4.35	4.57	6.94

Sources: TD Securities Inc., Bloomberg Finance L.P. TR: total return, PR: price return. As at August 31, 2017.

Important information

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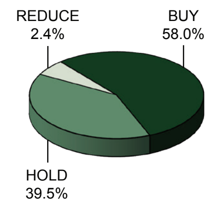

Percentage of subject companies under each rating category—BUY (covering Action List BUY, BUY and Spec. BUY ratings), HOLD and REDUCE (covering TENDER and REDUCE ratings).
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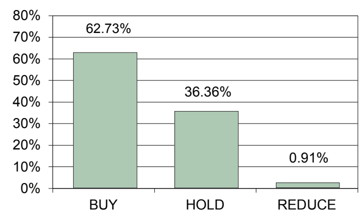

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