TD Greystone Asset Management

A Better Plus for Bonds

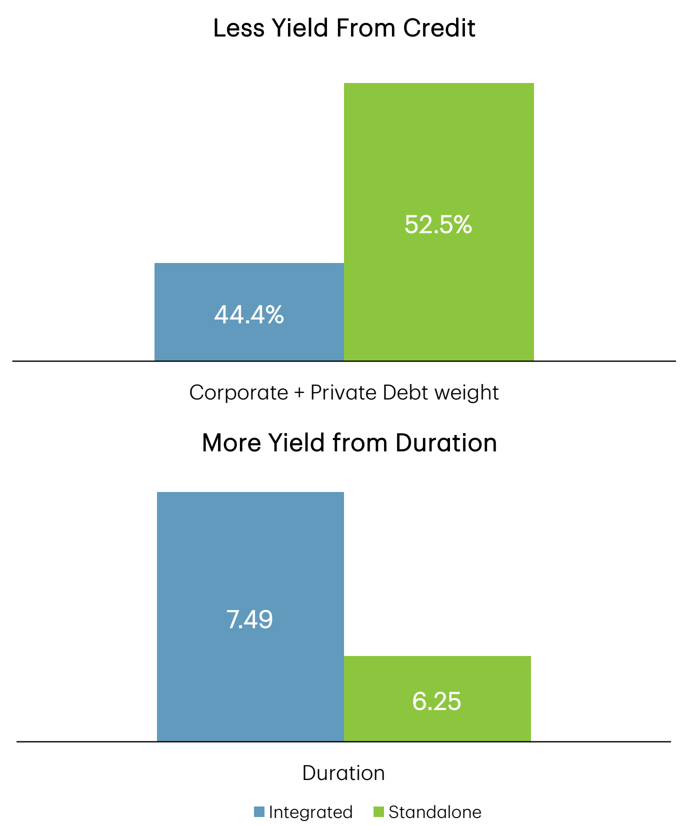
High-quality private real estate debt has historically shown negative correlations to the equity markets, and this important difference was realized in the fourth quarter as the Greystone Bond Plus Fund outperformed all but one Canadian core plus manager.[1] This outperformance occurred at a time when investors required stability from fixed income allocations as global equities fell 13.3%.[2]

Similar to core bonds, TD Greystone Asset Management ("TD Greystone") believes that core plus fixed income strategies should not only provide enhanced returns but can also play an important role in reducing total portfolio volatility, particularly in periods of equity stress. Through the integration of private debt into fixed income portfolios, we seek to provide a diversified yield enhancement that takes on the role of portfolio stabilizer.

Strong performance has not been isolated to quarters of credit spreads widening, as the Greystone Bond Plus Fund has been a top quartile performer over the one, two, and four year annualized periods.[3] Bolstering this strong track record is the fact that the Greystone Bond Plus Fund had a lower standard deviation than all but one Canadian core plus manager over the previous four years, again assisting total investment programs to drive higher returns while stabilizing the overall portfolio.[4]

We believe the benefits of the Greystone Bond Plus Fund are not only derived through the inclusion of private debt but also by the manner of which it is integrated into the fixed income portfolio. This is illustrated by comparing TD Greystone's Bond Plus approach versus a standalone strategy that invests 75% of its assets in a core bond fund[5] and the remaining 25% in private debt[6].

Figure 1: Integrated vs. Standalone Approach



Standalone: 75% Universe Bonds 25% Private Debt. Integrated: Greystone Bond Plus Fund. As at Dec. 31, 2018.

TD Greystone's Bond Plus approach has more duration and less credit risk, as displayed in Figure 1. These characteristics are increasingly important as the economic cycle nears its end. An economic recession would likely push interest rates lower and credit spreads higher, which would cause the standalone allocation to underperform the integrated bond plus approach illustrated in Figure 1. Augmenting the attractiveness of fully integrating your private debt and fixed income are the fee synergies, liquidity management and administrative ease that are made available through TD Greystone's Bond Plus solution.

At TD Greystone, we understand how fixed income risks can interact with equities and alternative investments, and we seek to deliver a strategy that provides stability in a portfolio during times of stress, along with yield enhancement from private commercial mortgages. For more information on our fixed income capabilities, please contact your TD Greystone representative or visit our website at [www.greystone.ca/fixedincome.](www.greystone.ca/fixedincome)

[1] eVestment Canadian Core Plus Fixed Income as at Dec 31, 2018.
[2] MSCI World (USD), sourced from Bloomberg L.P.
[3] eVestment Canadian Core Plus Fixed Income as at Dec 31, 2018.
[4] Ibid.
[5] FTSE Universe Bonds.
[6] Greystone Mortgage Fund.

Performance (%)

As at Dec 31, 2018	1 Year	2 Year	3 Year	4 Year	Since Inception (July 2014)
Bond Plus	**2.3**	**2.9**	**2.8**	**2.9**	**3.5**
FTSE TMX Canada Universe Bond	1.4	2.0	1.9	2.3	2.9
Difference	0.9	0.9	0.9	0.6	0.6

Source: TD Greystone Asset Management.

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