

# Quarterly Fund Commentary | Q1 2017

## TD Core Bond Fund, Advisor Class



<b>Symbol:</b> TDCBX	<b>Asset Class:</b> Fixed Income	<b>Style:</b> Active Fundamental	<b>Inception:</b> 03/21/2013	<b>CUSIP:</b> 87237U659
-------------------------	-------------------------------------	-------------------------------------	---------------------------------	----------------------------

### Fund Commentary<sup>1</sup>

As of March 31, 2017

**Market Recap:** The U.S. Federal Reserve (the Fed) increased the federal funds rate to the 0.75% – 1.00% range in its March 15, 2017 policy announcement, marking the second increase of the benchmark rate in three months. The Fed noted expanding economic activity, with solid job gains and unemployment remaining low. Household spending has continued to rise, albeit moderately, while business fixed investment "appears to have firmed somewhat." Inflation has increased in recent quarters but still remains below the 2% long-term target. The Fed also stated that "near-term risks to the economic outlook appear roughly balanced," and with gradual changes in monetary policy, economic conditions should strengthen further. The Fed continues to expect a gradual pace to tightening of its policies and believes the federal funds rate will remain lower than long run levels for some time.

**Performance Summary:** Over the period, the U.S. Treasury bond yield curve rose at the short end of the curve, reflecting the Fed's 0.25% increase of the federal funds rate. Mid to long-term Treasury yields were flat to marginally lower. The 10-year U.S. Treasury bond yield stood at 2.40% at the end of the period, falling from 2.45% at the beginning of the year. As a result, the yield curve became somewhat flatter, suggesting growth and/or inflation expectations were largely unchanged. The shift in the yield curve contributed to the underperformance of short-term bonds over the period.

U.S. investment-grade credit spreads ended the period at 112 basis points (bps), falling from 118 bps at the beginning of 2017. Narrowing credit spreads contributed to the outperformance of corporate bonds, as measured by the Bloomberg Barclays US Credit Index, which returned 1.22% compared to government issues, as measured by the Bloomberg Barclays US Treasury Index, which returned 0.67%. Sectors performing well were energy, basic materials and banks. Moreover, lower-rated corporate bonds (BBB's), which are typically more sensitive to economic conditions, outperformed their higher-quality counterparts. Mortgage backed securities underperformed treasuries and corporates during the quarter and the portfolio remains underweighted to MBS. The portfolio advisor continues to favor higher quality issuers within the corporate bond sector and corporate bonds over treasuries for their yield advantage.

### Investment Overview

**Investment Objective:** The TD Core Bond Fund ("Fund") seeks to provide current income.

### Portfolio Management:

**Glenn Davis, CFA**  
Managing Director  
Industry Experience: 37 years

**Dennis Woessner, CFA, CAIA**  
Vice President & Director  
Industry Experience: 29 years

**Benchmark:** Bloomberg Barclays U.S. Aggregate Bond Index

**Gross Expense Ratio<sup>3</sup>:** 1.24%

**Net Expense Ratio<sup>3,4</sup>:** 0.77%

**Actual Expense Ratio<sup>3</sup>:** 0.52%

### Historical performance (%)<sup>1</sup>

	1 mos.	3 mos.	1 yr.	3 yrs.	5 yrs.	Since Inception
Fund	-0.14	0.61	-0.47	2.14	–	1.56
Benchmark <sup>2</sup>	-0.05	0.82	0.44	2.68	–	2.02

### Calendar year returns (%)<sup>1</sup>

	YTD	2016	2015	2014	2013
Fund	0.61	1.92	0.01	5.76	–
Benchmark <sup>2</sup>	0.82	2.65	0.55	5.97	–

*Performance information represents past performance and does not guarantee future results. Current performance may be higher or lower than the performance data cited. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. For performance information current to the most recent month end, please visit [www.tdamusa.com](http://www.tdamusa.com). Performance greater than one year is annualized.*

*Before investing you should carefully read the prospectus and/or the summary prospectus and carefully consider the investment objectives, risks, charges and expenses of the Fund. The prospectus and the summary prospectus contain this and other information about the Fund and may be obtained by calling 1-866-416-4031.*

SECURITIES AND INVESTMENTS		
NOT FDIC INSURED	NO BANK GUARANTEE	MAY LOSE VALUE



## Important Information

1. All information provided within this document is current as of the date indicated on the first page unless otherwise specified and is subject to change. Source: TD Asset Management.
2. Benchmark performance is not impacted by fees. There are no fees for the benchmark as one cannot invest in an index.
3. Gross Expense and Net Expense Ratios are taken from the most recent prospectus. Actual Expense Ratio is historical and annualized based on the six-month period ending 01/31/2017 as calculated in the most recent annual report. The Net Expense Ratio represents the amount that will be paid by the investor.
4. The Adviser has contractually agreed to waive fees and reimburse expenses at least through May 31, 2017.

TDAM USA Inc. is a Delaware corporation registered as an investment adviser with the U.S. Securities and Exchange Commission (SEC). In providing investment management services and advice, TDAM USA Inc. has available to it, and draws on, the personnel, resources and experience of TD Asset Management Inc. TD Asset Management Inc. is not registered in the United States as an investment adviser with the SEC and does not offer its services within the United States.

TD Asset Management operates through TD Asset Management Inc. in Canada and through TDAM USA Inc. in the United States. Both are wholly-owned subsidiaries of The Toronto-Dominion Bank.

The Fund is a series of TD Asset Management USA Funds Inc. SEI Investments Distribution Co., which is not affiliated with TD Asset Management or any of its affiliates, acts as distributor of shares of the Fund.

This material is for informational purposes only and is not an offer or solicitation to buy or sell any security or other financial product or instrument.

The information does not provide individual financial, legal, tax or investment advice and is for information purposes only.

Commentary provided herein reflects the authors' opinion as of the date of this document, and is subject to change without notice. There is no guarantee that any forecast or opinion in this material will be realized. The statements contained herein are based on material believed to be reliable but cannot be guaranteed. Where such statements are based in whole or in part on information provided by third parties, they are not guaranteed to be accurate or complete. The Toronto-Dominion Bank and its affiliates are not liable for any errors or omissions in the information or for any loss or damage suffered.

Certain statements in this document may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects", "anticipates", "intends", "believes", "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest and foreign exchange rates, equity and capital markets, and the general business environment, assuming no changes to tax or other laws or government regulation or catastrophic events. Expectations and projections about future events are inherently subject to risks and uncertainties, which may be unforeseeable and may be incorrect in the future. FLS are not guarantees of future performance. Actual events could differ materially from those expressed or implied in any FLS. A number of important factors including those factors set out above can contribute to these digressions. You should avoid placing any reliance on FLS. TD Asset Management may not update any FLS.

## Investment Risks

Bonds and bond funds are subject to interest rate risk and will decline in value as interest rates rise. Mortgage-backed securities are subject to prepayment and extension risk and therefore react differently to changes in interest rates than other bonds. Small movements in interest rates may quickly and significantly reduce the value of certain mortgage-backed securities. The Fund may invest in derivatives, which are often more volatile than other investments and may magnify the Fund's gains or losses. Not FDIC Insured • May Lose Value • No Bank Guarantee.

®The TD logo and other trademarks are the property of The Toronto-Dominion Bank. All trademarks are the property of their respective owners.