

Quarterly Fund Commentary | Q3 2017

TD Short-Term Bond Fund, Advisor Class



Symbol: TDSHX	Asset Class: Fixed Income	Style: Active Fundamental	Inception: 05/30/2013	CUSIP: 87237U485
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Fund Commentary¹

As of September 30, 2017

Market Recap: The U.S. Federal Reserve (Fed) kept the federal funds rate unchanged during the quarter. Although the job market has strengthened and growth projections were revised upwards, inflation has declined and continues to run below the Fed's 2% target. Fed Chair Yellen indicated that several of the factors keeping inflation down are expected to be temporary. Yellen also noted that while recent hurricanes in the U.S. may lead to a temporary spike in the price of items such as gasoline; this should not have a material effect in the medium term. The Fed also detailed its plans to start normalizing its balance sheet beginning in October. It will stop reinvesting a part of the maturing assets it holds on its balance sheet. A predictable and passive tapering strategy, such as outlined by the Fed, should allow markets to adjust in a stable manner, helping to minimize financial market volatility.

Performance Summary: During the quarter, U.S. Treasury rates increased across the yield curve. Short-end yields increased the most, reflecting the heightened probability of future rate increases by the Fed. Mid- to long-term Treasury yields rose modestly as U.S. economic growth was offset by muted inflationary pressure. As a result, the yield curve flattened over the period. The 10-year U.S. Treasury bond yield stood at 2.33% at the end of the period, falling from 2.45% at the beginning of the year; similarly, the 30-year Treasury yield, at 2.86% is 20bp lower year-to-date. The shift in the yield curve contributed to the underperformance of short-term bonds over the period. The Bloomberg Barclays U.S. Aggregate Bond Index returned 0.85% during the quarter.

The spread premium on the Bloomberg Barclays U.S. Credit Index (Investment Grade) narrowed 7bp to 96 basis points (1 bp = 0.01%) at the end of the period. Narrowing credit spreads contributed to the outperformance of corporate bonds versus Treasury issues. Moreover, lower-rated corporate bonds, which are typically more sensitive to economic conditions, outperformed their higher-quality counterparts. Among corporate issuers, energy, metals and mining, and utility sectors had a strong quarter.

Growth in the economy should continue to be supportive of the credit market. Our preference is for high quality investment grade bonds over government bonds.

Investment Overview

Investment Objective: The TD Short-Term Bond Fund ("Fund") seeks to provide a high level of income consistent with the preservation of capital and liquidity.

Portfolio Management:

Glenn S. Davis, CFA
Managing Director, TDAM USA Inc.

Industry Experience: 37 years

Dennis Woessner, CFA, CAIA
Vice President & Director, TDAM USA Inc.

Industry Experience: 29 years

Benchmark: Bank of America Merrill Lynch 1-3 Year U.S. Corporate/ Government Bond Index

Gross Expense Ratio³: 0.95%

Voluntary Waiver⁴: 0.25%

Net Expense Ratio³: 0.68%

Actual Expense Ratio³: 0.43%

Historical performance (%)¹

	1 mos.	3 mos.	1 yr.	3 yrs.	5 yrs.	10 yrs.	Since Inception
Fund	-0.08	0.40	0.75	0.98	-	-	0.86
Benchmark ²	-0.12	0.34	0.65	1.04	-	-	0.97

Calendar year returns (%)

	YTD	2016	2015	2014	2013
Fund	1.14	1.31	0.37	0.59	
Benchmark ²	1.04	1.29	0.67	0.78	

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. 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 July 31, 2017 as calculated in the most recent semi-annual or annual report. The Net Expense Ratio represents the amount that will be paid by the investor.
4. The Investment Manager has voluntarily agreed to reduce TD Short-Term Bond Fund and Class expenses (by paying certain expenses and/or waiving fees) so that the annualized ratio of total operating expenses will not exceed 0.43% of average daily net assets with respect to the Institutional Class of the Short-Term Bond Fund and 0.68% of average daily net assets with respect to the Advisor Class of the Short-Term Bond Fund. These waivers may be discontinued at any time.

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.

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Investment Risks

Bonds are affected by a number of risks, including fluctuations in interest rates, credit risk, prepayment risk, and inflation risk. Not FDIC Insured • May Lose Value • No Bank Guarantee.

Effective July 1, 2014, the benchmark was changed from the Bank of America Merrill Lynch 1-3 Year Treasury Index to the Bank of America Merrill Lynch 1-3 Year U.S. Corporate Government Index because it is more representative of the Fund's investment strategy. For illustrative purposes, only the Bank of America Merrill Lynch 1-3 Year U.S. Corporate Government Index returns are shown.

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