

Investing with Impact

TD North American Sustainability Leadership Equity Model

Responsible investing aims to incorporate Environmental, Social and Governance (ESG) factors into investment decisions, to better manage risk as well as generate sustainable, long-term returns. This resonates with investors who, in addition to achieving their financial goals, are aligning their investments with their values to make a positive impact.

At TD Asset Management (TDAM), we are committed to meeting the evolving needs of our clients by providing responsible investment options that help advance ESG issues while generating long-term, sustainable returns.





This movement is gaining momentum. Societal demands, policy direction and investor capabilities are cultivating demand for ESG products and TDAM is at the forefront of change. In July 2008, TDAM became one of the first Canadian bank-owned asset managers to be a signatory to the United Nations Principles for Responsible Investment (PRI) and since 2009, has adopted a Sustainable Investment Policy across Canadian and U.S. operations.

Reinforcing our commitment to responsible investing, TDAM offers the **TD North American Sustainability Leadership Equity Model**. Combining the strength of TDAM's fundamental research process with nearly a decade of experience in ESG integration, this TDAM portfolio strives to invest in high quality businesses committed to making a positive impact on the world.

What is Responsible Investing? There are many terms that describe this approach, including impact investing, ethical investing, and sustainable investing. Collectively, these all represent an investment framework that seeks to generate measurable impact, along with providing a competitive financial return.



- Climate change
- Pollution controls
- Clean energy
- Resource sustainability



- Human rights
- Work and safety standards
- Gender equality
- Community relations



- Executive compensation
- Board composition
- Corruption policies
- Shareholder rights

Why is this important? Integrating ESG in the investment decision-making process can provide a more robust view of potential risks and opportunities. In addition to finding companies that contribute positively to the world, analysis also highlights companies whose business models are not aligned with ESG investment — including tobacco or alcohol producers, military companies, human rights violators, and companies involved in severe controversies.

Investors can positively influence companies' ESG practices through shareholder engagement and proxy voting, with an end goal of driving change.

How do we measure impact? The United Nations Sustainable Development Goals (UN SDG) provide a framework to understand and measure investors' real-world impact through their investment decisions.



Source: www.unpri.org/sdgs

Sustainable Development Goals - progress towards change

The United Nations General Assembly in collaboration with key global influencers developed an extensive blueprint aiming to create a sustainable world.

SDGs represent a framework that provides a way to understand and measure investors' real-world impact through investment decisions.

Did you know?

You don't need to give up performance to invest responsibly:

There is evidence that companies with strong ESG policies tend to outperform companies that do not score well.

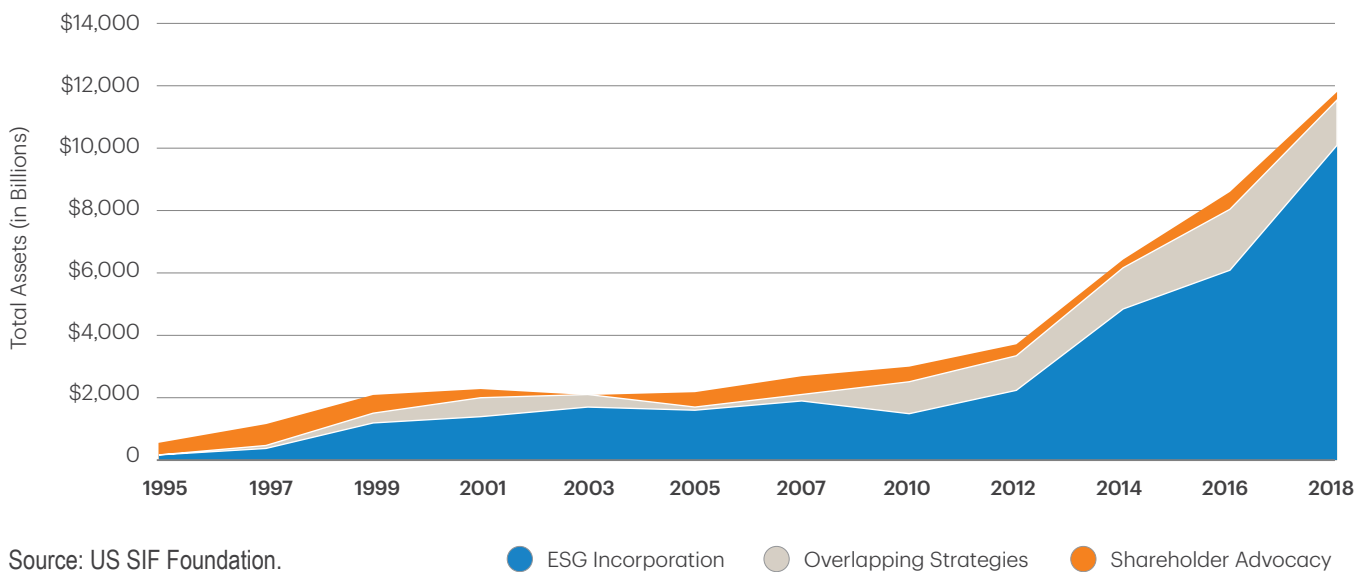
Responsible Investing can reduce the long-term risks of your investment:

Traditional risk management tools focus on financial metrics. Responsible investing augments risk mitigation by looking at the sustainability of a company's long-term business model. The objective is to invest in companies that are poised to have positive long-term growth, while avoiding companies who engage in harmful and/or controversial business practices which could impair long term value.

The market for Responsible Investing is growing rapidly:

Sustainable, Responsible, Impact investing (SRI) assets have expanded to \$12.0 trillion in the United States, up 38 percent from \$8.7 trillion in 2016, according to the US SIF Foundation.

Growth of Socially Responsible Investing 1995–2018



TD North American Sustainability Leadership Equity Model

The TD North American Sustainability Leadership Equity Model seeks to generate superior risk-adjusted returns by investing in a diversified portfolio of North American securities that are high-quality industry leaders and contributing to positive societal change.

Portfolio Highlights

This model may be suitable for High Net Worth investors and Endowments seeking a **Sustainable Investing strategy in a risk-controlled framework**

Actively managed, with a defined focus on:

- Companies that are high-quality industry leaders
- Maximum positive impact on SDGs
- High-quality compounders
- Underestimated Free Cash Flow (FCF) production
- Leadership in ESG characteristics

Scalable and repeatable process incorporating:

- Qualitative & quantitative inputs
- TDAM Fundamental research
- Sustainalytics (ESG) research
- Proprietary models
- Goals based framework

Benchmark	Number of holdings	Turnover
25% S&P/TSX Composite Index 75% S&P 500 Index (C\$)	30–50 Positions	<25% under normal circumstances

Our Process

The model combines TDAM's Fundamental Equity team investment process with the SDG engagement framework to achieve a targeted responsible investing portfolio that offers exposure to:

High Quality Compounding:

- TDAM's proprietary framework for identifying companies where the market, in our view, is underestimating both the predictability and production of free cash flow — a metric we believe drives the fundamental value of a business

Sustainable Leaders

- Identification of companies that through their business activities are directly contributing to achieving the Sustainable Development Goals (SDGs) as set by the UN

The goal is to invest in a collection of industry leaders that are on the right side of change — a sentiment that is expected to grow among investors.





The TD North American Sustainability Leadership Equity Model is another example of how TDAM is committed to being one of the leaders in responsible investing, and may be an attractive option for High Net Worth clients who are seeking to meet their own impact goals through TDAM products.

For more information on this Model, please contact a TD Wealth Private Investment Counsel Portfolio Manager



The information contained herein has been provided by TD Asset Management Inc. and is for information purposes only. The information has been drawn from sources believed to be reliable. Graphs and charts are used for illustrative purposes only and do not reflect future values or future performance of any investment. The information does not provide financial, legal, tax or investment advice. Particular investment, tax, or trading strategies should be evaluated relative to each individual's objectives and risk tolerance. The Private Investment Counsel Model is managed by TD Asset Management Inc. a wholly-owned subsidiary of The Toronto-Dominion Bank, and is offered through TD Wealth Private Investment Counsel, a subsidiary of The Toronto-Dominion Bank. TD Wealth Private Investment Counsel represents the products and services offered by TD Waterhouse Private Investment Counsel Inc., a subsidiary of The Toronto-Dominion Bank. All trademarks are the property of their respective owners. ® The TD logo and other trade-marks are the property of The Toronto-Dominion Bank.