

## **Investment Adviser Brochure for TDAM USA Inc.**

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**This brochure provides information about the qualifications and business practices of TDAM USA Inc. ("TD Asset Management"). If you have any questions about the contents of this brochure, please contact us at (416) 982-7848. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.**

**TD Asset Management is a registered investment adviser with the SEC. Registration does not imply any level of skill or training.**

**Additional information about TD Asset Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**



## **2. MATERIAL CHANGES**

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that TD Asset Management provides to clients as required by SEC Rules. TD Asset Management completed its annual amendments to the Brochure as of January 31, 2012 and prepared according to the SEC’s new requirements and rules which is materially different in structure and requires certain new information that our previous brochure did not require. The Brochure was further amended as of February 27, 2012, but these amendments are not considered material.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on material changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Kenneth Marcuse, Chief Compliance Officer at (1) (416) 307-9497 or [kenneth.marcuse@td.com](mailto:kenneth.marcuse@td.com). Our Brochure is also available on our web site [www.tdamusa.com](http://www.tdamusa.com), free of charge.

Additional information about TD Asset Management is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with TD Asset Management.

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#### **4. ADVISORY BUSINESS**

TD Asset Management is a Delaware corporation formed in 1995. TD Asset Management's principal office is located in Toronto, Ontario, Canada and branch offices are located in New York City and Burlington, Massachusetts.

TD Asset Management provides discretionary investment management services to corporations, investment companies and offers discretionary investment management services to pension funds/plans, endowments and foundations ("institutional clients"). TD Asset Management is no longer offering discretionary investment management services to high-net worth private clients resident in the United States of America and is in the process of closing these accounts.

TD Asset Management is a wholly-owned subsidiary of The Toronto-Dominion Bank (TD Bank). TD Bank is a Canadian chartered bank regulated by the Office of the Superintendent of Financial Institutions.

TD Asset Management is skilled in a broad spectrum of fundamental and quantitative investment strategies ranging from actively managed money market funds to alternative investments. TD Asset Management offers custom solutions, such as asset liability matching, portable alpha and portfolio transition management, as well as other specialized segregated investment management services, including cash management and currency overlay. Through the development of an investment policy statement for a segregated account, clients can impose restrictions on investing in certain securities or types of securities.

TD Asset Management offers these strategies in conjunction with its affiliate TD Asset Management Inc. (TDAM), a portfolio manager registered in all provinces and territories of Canada. See additional information relating to TDAM in Section 10.3.

TD Asset Management provides investment advisory and other services to affiliated registered investment companies ("TDAM Funds") and non-affiliated registered investment companies and receives compensation for such services.

TD Asset Management does not participate in a wrap-fee program.

As of October 31, 2012 TD Asset Management has US \$13.07 billion of discretionary client assets under management.

## 5. FEES AND COMPENSATION

Institutional Client fees are subject to negotiation.

The Fee Schedule for High Net-Worth Private Clients<sup>1</sup> is as follows:

- Below \$20,000,000 of Assets under Management:

On first \$3,000,000 – 1.0% per annum  
On next \$3,000,000 – 0.75% per annum  
On next \$14,000,000 – 0.5% per annum

- Above \$20,000,000 of Assets under Management:

Total Assets up to \$50,000,000 – 0.5% per annum  
Over \$50,000,000 – 0.4% per annum

The specific manner in which fees are charged by TD Asset Management is established in a client's investment management agreement with TD Asset Management.

For institutional clients, TD Asset Management charges fees based on assets under management and will bill its fees in arrears on a calendar quarterly basis. For high-net worth private clients, fees are based on net market value of assets at quarter end and payable quarterly in arrears. An invoice is sent to the custodian who deducts the fees from the client's account.

TD Asset Management's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to TD Asset Management's fee, and TD Asset Management shall not receive any portion of these commissions, fees, and costs. Item 12 further describes the factors that TD Asset Management considers in selecting broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

TD Asset Management and its supervised personnel do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. However, a related broker-dealer may receive compensation for trade execution. See Section 10 for additional information.

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<sup>1</sup> TD Asset Management is no longer offering discretionary investment management services to high-net worth private clients resident in the United States of America and is in the process of closing these accounts.

## **6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

TD Asset Management currently does not charge performance-based fees for advisory services. Only fees based on a percentage of assets under management are charged.

However, certain supervised persons manage and trade, on behalf of our affiliate TDAM, accounts that charge performance-based fees 'side-by side' with our accounts. Performance-based fees may create potential conflicts of interest because of the incentive for supervised persons to favor these accounts in the allocation of investment opportunities. TD Asset Management has policies and procedures designed to provide that over time no account is favored to the detriment of another. See Section 12 for additional information.

Additionally, certain supervised persons, on behalf of our affiliate TDAM, manage portfolios that maintain both long and short positions in the same security in different accounts. A potential conflict of interest may be created if the supervised person with a long-short strategy uses knowledge of the trading program of a long only strategy (or vice versa) to advantage or disadvantage of an account.

TD Asset Management has a policy in place that addresses the potential conflict by monitoring trading to identify any security that meets the side by side criteria. If there are any holdings that meet the side by side criteria, Compliance contacts the portfolio manager to confirm the rationale for the trade. Compliance then reviews the portfolio manager's rationale to confirm that the policy requirements have been met. If the policy requirements were not met, then the trade would be considered an error and the error reporting and review processes would be followed. All errors are reported and reviewed by the Error Committee which consists of representatives from Risk Management and Compliance.

## **7. TYPES OF CLIENTS**

TD Asset Management provides discretionary investment management services to corporations and, investment companies and offers discretionary investment management services to pension funds/plans, endowments and foundations ("institutional clients").

## **8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

TD Asset Management's security analysis methods include the use of quantitative models (which use brokerage research as an input factor), including sampling of securities included in various securities indices.

Another method of analysis employed by TD Asset Management is fundamental analysis. TD Asset Management's methods of security analysis may include such factors as market position, product development, management capabilities and financial strength.

TD Asset Management may also use written reports prepared by recognized analysts (including brokerage research) who are specialists in a particular industry, and may use computer-based models to assist it in its portfolio management.

Other sources TD Asset Management may use include statistical and other information published by industry and government sources as well as telephone communications with and meetings of professionals within a particular industry.

Below are some of the risks that you may encounter when entering into a discretionary investment management agreement.

## **Risks of Investing:**

### **Performance Risk**

As with any investment there is a risk of loss and there is no guarantee that your portfolio will achieve its investment objectives.

### **Equity Risk**

Accounts that invest in or have exposure to equities, also called stocks or shares, are affected by stock market movements. When the economy is strong, the outlook for many companies will be good, and share prices will generally rise, as will the value of the account that owns these shares. On the other hand, share prices usually decline in times of general economic or industry downturn. The price of equity securities of certain companies or companies within a particular industry sector may fluctuate differently than the value of the overall stock market because of changes in the outlook for those individual companies or the particular industry.

### **Liquidity Risk**

Liquidity risk is the possibility that an account will not be able to convert its investments to cash when it needs to, or will not be able to do so at a reasonable price. Some securities are or may become illiquid because of legal restrictions, the nature of the investment itself, settlement terms, a shortage of buyers or other reasons. Generally, investments with lower liquidity tend to have more dramatic price changes and may subject the holder to losses or additional costs.

### **International Market Risk**

Accounts that invest in or have exposure to securities of foreign issuers are subject to additional risks:

- The economic environment or the particular economic and political factors of the country or geographic region in which the foreign issuer operates may impact the value of its securities.
- Certain foreign countries may have different accounting, auditing and financial reporting standards for issuers of securities, making their securities more difficult to evaluate.
- There may be less information publicly available about a foreign issuer than about a U.S. issuer, and the quality of the information may be less reliable.
- Volume and liquidity in some foreign stock and bond markets are less than in the U.S. Also, at times, there can be greater price volatility. Listed companies and investment dealers in foreign countries may be less regulated than in the U.S. Plus political and social instability, restrictions on the movement of capital and the threat of expropriation can affect the value of investments in less developed countries.

### **Suspension of Trading Risk**

Securities exchanges typically have the right to suspend or limit trading in any instrument traded on the exchange. A suspension would render it impossible to liquidate positions and could expose the account to losses.

### **Tracking Risk – Index, Funds or Securities**

Certain Funds (“Tracking Funds”) may seek to have all or a substantial portion of their returns linked to the performance of one or more recognized indices (the “Reference Index”), units of one or more mutual funds (the “Reference Fund”) or a basket of securities (the “Reference Securities”) by either directly purchasing the appropriate securities or by entering into forward contracts and other derivative instruments. The return of a Tracking Fund may be lower than that of its respective Reference Index, Reference Fund or Reference Securities because the Tracking Fund bears its own fees and expenses, including commissions and the costs of the forward contracts and other derivatives that it may use to achieve its investment objectives. Tracking Funds that use derivatives to achieve their investment objectives face the same risks of using derivatives as discussed above under Derivatives risk, including the risk that a counterparty might not fulfill its obligations. The ability of such Tracking Funds to achieve their investment objective may depend on whether suitable derivative arrangements can be entered into. If a Tracking Fund is not able to find enough suitable counterparties with whom to enter into derivative arrangements, the Tracking Fund may be unable to track the performance of its corresponding Reference Index, Reference Fund or Reference Securities, to the extent desired. A Tracking Fund may be terminated if enough suitable counterparties cannot be found. There may be a delay between the time an investor buys units of a Tracking Fund and the time the Tracking Fund gets additional exposure to the Reference Index, Reference Fund or Reference Securities through the use of derivatives or otherwise. During this delay, the Tracking Fund may be unable to track the performance of its corresponding Reference Index, Reference Fund or Reference Securities for the purchase amount of those units to the extent desired. If new purchases or redemptions of units are large compared to the size of the Tracking Fund, the ability of the Tracking Fund to track its Reference Index, Reference Fund or Reference Securities may be significantly reduced.

### **Specialization Risk**

Accounts may invest primarily in or have exposure to companies in particular industries or particular geographic areas of the world. If the particular industry or geographic region prospers, the outlook for companies in that industry or geographic region will generally increase, as will the value of the accounts that invest in them. Conversely, if the particular industry or geographic region experiences a downturn, the outlook for companies in that industry or geographic region will generally decline, as will the value of the accounts that invest in or have exposure to them. In addition, the account may suffer because it has relatively few other investments within other industries or geographic areas to offset the downturn.

### **Interest Rate Risk**

Income from fixed income investments will vary with changes in prevailing interest rates. As a result, fixed income securities may decline in value. Accounts that invest in or have exposure to bonds, mortgages and other income-producing securities can also be affected by changes in the general level of interest rates. Bonds generally pay interest based on the level of rates when the bonds were issued. When interest rates fall, the price of bonds generally rises. That is because existing bonds pay higher rates than new ones, and are therefore in greater demand and worth more. On the other hand, when interest rates rise, bond prices generally fall, reducing the value of the bond.

### **Credit Risk**

Fixed income investments involve credit risk. Credit risk is the risk that the government, company or special purpose vehicle (such as a trust) issuing a short-term (sometimes called commercial paper) or long-term fixed income security will be unable to make interest payments or pay back the principal. Securities that have a low credit rating have high credit risk. Lower-rated debt securities issued by companies or governments in developing countries often have higher credit risk.



Securities issued by well-established companies or by governments of developed countries tend to have lower credit risk. The market value of a debt security can be affected by a downgrade in the issuer's credit rating, a change in the creditworthiness, or perceived creditworthiness, of the issuer or, in the case of asset-backed commercial paper, any assets backing the security. Accounts that invest in or have exposure to companies or markets with high credit risk tend to be more volatile.

### **Prepayment Risk**

Prepayment risk is the risk that the ability of an issuer of a debt security to repay principal prior to a security's maturity can cause greater price volatility if interest rates change. Such prepayments often occur during periods of declining interest rates, and may cause reinvestment of assets in lower yielding securities.

### **Asset-Backed Securities Risk**

The value of asset-backed securities may be affected by the credit risk of the servicing agent for the pool, the originator of the loans or receivables, or the financial institution(s) providing the credit support. In addition to credit risk, asset-backed securities and other securities with early redemption features are subject to prepayment risk. During periods of declining interest rates, prepayment of loans underlying asset-backed securities can be expected to accelerate or an issuer may retire an outstanding bond early to reduce interest costs.

### **Tax Risk**

Tax laws and regulations applicable to an Account or Fund may change, which may result in unexpected tax liabilities. Clients should consult their own tax advisors to determine the potential tax-related consequences of investing in an Account or Fund.

### **State-Specific Risks**

When investing in a particular state's bonds, yields will depend on among other things, conditions in that state's municipal securities markets and debt securities markets generally, and economic, political and regulatory occurrences within that state.

### **Concentration Risk**

The investment objectives of an account may permit concentration in one or more issuers. A relatively high concentration of assets in, or exposure to, a single or small number of issuers may reduce the diversification and/or liquidity of an account, and increase its volatility.

### **Derivatives Risk**

The use of derivatives by accounts is subject to certain risks:

- There is no assurance that liquid markets will exist for an account to close out its derivative positions. Derivative instruments in foreign markets may be less liquid and more risky than comparable instruments traded in North American markets.
- Exchange-imposed trading limits could affect the ability of an account to close out its positions in derivatives. These events could prevent an account from making a profit or limiting its losses.
- Prices of options and futures on a stock index may be distorted if trading of certain stocks in the index is interrupted or if trading of a large number of stocks in the index is halted. Such price distortions could make it difficult to close out a position.
- An account that uses derivatives is subject to credit risk associated with the ability of

counterparties to meet their obligations. In addition, an account could lose its margin deposits if a dealer with whom an account has an open derivatives position goes bankrupt.

- There is no assurance that an account's hedging strategies will be effective. There may be an imperfect historical correlation between the behaviour of the derivative instrument and the investment being hedged. Any historical correlation may not continue for the period during which the hedge is in place.
- Using futures and forward contracts to hedge against changes in currencies, stock markets or interest rates cannot eliminate fluctuations in the prices of securities in the account or prevent losses if the prices of these securities decline.
- Hedging may also limit the opportunity for gains if the value of the hedged currency or stock market rises or if the hedged interest rate falls. The inability to close out options, futures, forwards and other derivative positions could prevent an account from using derivatives to effectively hedge its portfolio or implement its strategy.
- Gains or losses from derivatives contracts may result in fluctuations in an investment company's taxable income. As a result, shareholders in investment companies that use derivatives during a taxation year may be subject to the possibility of larger distributions, smaller distributions, and an inability to make a regular distribution and/or distributions which include a return of capital.

### **Foreign Currency Risk**

Changes in the value of the United States dollar compared to a foreign currency or the imposition of foreign exchange controls will affect the value, of any securities with foreign currency exposure held by an account. For example, if the U.S. dollar rises in value relative to the Canadian dollar, an account's U.S. stocks will be worth more in Canadian dollars. On the other hand, if the U.S. dollar falls, an account's U.S. holdings will be worth less in Canadian dollars.

### **Leverage Risk**

Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If a client uses borrowed money to purchase securities, the responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines.

### **Repurchase Risk**

An account or fund may enter into repurchase agreements, which are instruments under which an account or fund acquires ownership of a security from a broker-dealer or bank that agrees to repurchase that security from the account or fund at a mutually agreed upon time and price (which resale price is higher than the purchase price), thereby determining the yield during the account's or fund's holding period. Repurchase agreements are, in effect, loans collateralized by the underlying securities. In the event of a bankruptcy or other default of a seller of a repurchase agreement, an account or fund might have expenses in enforcing its rights, and could experience losses, including a decline in the value of the underlying security and loss of income."

Additional risk disclosures applicable to the TDAM Funds are provided in the Prospectus and Statement of Additional Information. Please review those documents prior to investing in one of the funds.

## 9. DISCIPLINARY INFORMATION

Currently there is no legal or disciplinary information to disclose involving TD Asset Management or its advisory affiliate TDAM.

## 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### General

TD Asset Management has relationships that are material to its investment management business with the following related persons.

#### 1. Broker - Dealer

**TD Ameritrade Inc. ("TD Ameritrade")** is a U.S. registered broker-dealer and a related person of TD Asset Management. TD Ameritrade distributes shares of the TDAM Funds to its customers, for which it also provides shareholder services. For performing these services, TD Ameritrade receives compensation from the TDAM Funds for both distribution and shareholder service activities, although TD Ameritrade may elect to waive these amounts. These payments may create a conflict of interest by influencing TD Ameritrade to recommend the TDAM Funds over another investment. To address these potential conflicts of interest, recommendations to invest assets in TDAM Funds are made only when such investments are consistent with an account's investment objectives, policies, guidelines and restrictions.

**TD Ameritrade Clearing, Inc.**, a U.S. registered broker-dealer, provides transfer agency services for the TDAM Funds, and is paid by the TDAM Funds for these services.

**TD Securities Inc.**, is registered in all provinces and territories of Canada as an investment dealer and is a related person.

TD Asset Management can execute fixed income securities transaction through TD Securities subject to applicable regulatory requirements. TD Securities will receive commissions for trade execution. TD Asset Management seeks to obtain best execution on all such transactions.

#### 2. Investment Company

TD Asset Management is the adviser to the TDAM Funds, a U.S. registered series investment company, and has entered into an Administration Agreement with these funds to provide administrative services such as maintaining books and records and preparing reports required by federal, state and other applicable laws and regulations.

Also, TD Asset Management acts as sub-adviser to a Canadian mutual fund trust advised by TDAM, a Canadian portfolio manager and affiliate of TD Asset Management.

Subject to the investment guidelines and applicable law, TD Asset Management may invest client accounts in the TDAM Funds.

TD Asset Management has a conflict of interest to the extent that it recommends or invests client accounts in the TDAM Funds (rather than in unaffiliated funds), because TD Asset Management may benefit from increased subscriptions to the TDAM Funds. Should this occur, TD Asset Management would offset, rebate or otherwise reduce its fees with respect to investments in TDAM Funds; however, this reduction would not necessarily eliminate the conflict, and TD Asset Management may nevertheless have a financial incentive to favor investments in TDAM Funds.

### 3. Investment Adviser

In providing investment management services and advice, TD Asset Management through a participating affiliate arrangement draws on the personnel, resources and experience of TD Asset Management Inc. (TDAM), a corporation organized under the laws of Ontario, Canada and a related person. TDAM is a foreign private adviser that is exempt from registration with the SEC. TDAM provides advice and/or research to TD Asset Management for use with TD Asset Management's U.S. clients by acting as a 'participating affiliate' in accordance with a series of no-action relief letters.

Personnel of TDAM involved in TD Asset Management's advisory activities are deemed 'supervised persons' of TD Asset Management with respect to such activities and are subject to TD Asset Management policies and procedures as well as supervision and periodic monitoring.

TDAM may recommend to TDAM's clients, or invest on behalf of TDAM's clients in, securities that are the subject of recommendations to or discretionary trading on behalf of TD Asset Management's U.S. clients.

In addition, a number of TD Asset Management's personnel involved in portfolio management, trading, and research are also officers and employees of TDAM and provide investment management services to clients of TDAM through a sub-advisory agreement.

TD Asset Management is also used as a brand name for marketing purposes. The brand is used to designate the operations of TDAM USA Inc., in the United States and the operations of TD Asset Management Inc., in Canada.

### 4. Bank or Thrift Company

**TD Bank, N.A. ("TD Bank")** is a national bank and an affiliate of TD Asset Management. TD Bank distributes shares of the TDAM Funds to its customers, for which it also provides shareholder services. For performing these services, TD Bank receives compensation from certain TDAM Funds for distribution and shareholder service activities, although TD Bank may elect to waive these amounts. These payments may create a conflict of interest by influencing TD Bank to recommend the TDAM Funds over another investment. To address these potential conflicts of interest, recommendations to invest assets in TDAM Funds are made only when such investments are consistent with an account's investment objectives, policies, guidelines and restrictions...

TD Asset Management may pay referral fees in some instances to affiliates who successfully refer clients to TD Asset Management. These referral fees are one time fees, and are based on a percentage of first year revenues.

TD Bank also maintains custody for select accounts of TD Asset Management. Please refer to Section 15.

**The Toronto-Dominion Bank** is a Canadian chartered bank regulated by the Office of the Superintendent of Financial Institutions. Certain areas of The Toronto-Dominion Bank may provide their services to TD Asset Management, such as Compliance, Legal and Finance

The Toronto-Dominion Bank has issued securities to the public in the United States and Canada. TD Asset Management may purchase securities of The Toronto-Dominion Bank for discretionary managed accounts. Before acquiring such securities, TD Asset Management will fully disclose the relationship and obtain informed written consent from the client(s).

## **11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

TD Asset Management has adopted a Code of Ethics for all supervised persons of the firm describing its standards of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons of TD Asset Management, including those employees of TDAM who provide services to TD Asset Management through a participating affiliate arrangement, must acknowledge the terms of the Code of Ethics annually, or as amended.

TD Asset Management anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which TD Asset Management has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which TD Asset Management, its affiliates and/or clients, directly or indirectly, have a position of interest. TD Asset Management's employees and persons associated with TD Asset Management are required to follow TD Asset Management's Code of Ethics and Personal Trading Policy and Procedures. Subject to satisfying this policy and applicable laws, officers, directors and employees of TD Asset Management and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for TD Asset Management's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of TD Asset Management will not interfere with:

- (i) making decisions in the best interest of advisory clients; and
- (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt securities, based upon a determination that trades in these exempt securities would not materially interfere with the best interest of TD Asset Management's clients. In addition, the Code requires pre-clearance of non-exempt securities and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, which is reasonably designed to prevent conflicts of interest between TD Asset Management and its clients. In the event that a violation does occur, there are various disciplinary measures that can be imposed based on the severity of the violation.
- (iii) The Code of Ethics and Personal Trading Policy and Procedures is overseen by our Compliance Department which has a reporting line to The Toronto-Dominion Bank Global Corporate Compliance Department.

TD Asset Management's clients or prospective clients may request a copy of the Code of Ethics by contacting TD Asset Management's Chief Compliance Officer as provided in Section 2.

## **12. BROKERAGE PRACTICES**

### **Broker Selection and Best Execution**

Unless otherwise directed by the client in writing, all decisions as to the purchase and sale of securities, including the selection of the broker-dealer and the negotiation, where applicable, of

commissions or spreads, are made by TD Asset Management. In making this selection, the determination of brokerage allocation is a process in which we measure and evaluate a broker-dealer's ability to provide "best execution" (*i.e.*, the most advantageous execution terms for our clients that are reasonably available under the circumstances during the time of the trade), as well as their order execution capabilities, order execution products and services, and research products and services.

TD Asset Management maintains a list of broker-dealers ("Approved Brokers") that meet our standards with respect to execution and research capabilities. We perform periodic evaluations of the order execution and research services received from the Approved Brokers and make updates to the list accordingly.

It is our fiduciary duty to seek to obtain best execution when effecting security transactions for all our clients' investment accounts. In seeking best execution, we consider a number of elements, including but not limited to, execution price, speed of execution, certainty of execution, and overall cost of the transaction.

For fixed income transactions, brokerage allocation is primarily based on the broker-dealer's order execution capabilities, focusing on availability of inventory and pricing.

TD Asset Management traders may place fixed income trades with TD Asset Management's affiliated broker-dealers, so long as the client has provided their authorization to do so and the trader believes that the costs and execution of such trades are comparable and competitive to other brokers on the Approved Brokers list. This practice will be conducted in accordance with federal securities laws.

For equity transactions and through the broker vote process, we estimate a target percentage allocation of trades covering a six month period, which is based on our evaluation of each Approved Broker's past performance with TD Asset Management. The target allocations we make to each Approved Broker are strictly targets and not an obligation. While we try and adhere to the target percentages, variance may occur due to the overriding principle of seeking best execution. Additionally, the Best Execution Committee, which includes representation from Trading, Portfolio Management and Risk Management, conducts periodic reviews for adherence to the brokerage allocation targets set from the results of the broker-dealer vote.

Our firm has established a Trade Management Oversight Committee ("TMOC") as a framework for oversight on conflict of interest matters relating to trading, as well as TD Asset Management's overall trading processes. TMOC has a broad representation within the firm, and its membership includes Portfolio Management, Trading, Risk Management, Compliance and Operations. Quarterly TMOC meetings are held where members evaluate and approve the addition or deletion of broker-dealers on the Approved Brokers list, review various trading related reports, and assess and approve trading policies. Committee members also discuss industry developments and share ideas.

### **Research and Soft Dollars**

Consistent with our duty to seek best execution, and in accordance with SEC guidance, our firm may participate in bundled brokerage and/or commission sharing arrangements to receive brokerage and research products and services. The term "soft dollars" is generally defined as the practice whereby one or more clients pay a brokerage commission to a specific broker that is in excess of what another broker might have charged for effecting the same transaction, in recognition of the value of the brokerage and/or research services provided by the specific broker.

Brokerage and research services provided to TD Asset Management by a broker-dealer or third party service provider may include, among other things, effecting securities transactions and performing services incidental thereto (such as clearance, settlement and custody) and providing information regarding the economy, industries, sectors of securities, individual companies, statistical information, taxation; political developments, legal developments, technical market action, pricing and appraisal

services, credit analysis; risk measurement analysis and performance analysis. Such research services can be received in the form of written reports, personal meetings with security analysts and/or individual company management, attending conferences, and databases and software including, but not limited to, quantitative analytical software; market data from feeds or databases and post-trade analytics. The research services provided by a broker-dealer may be proprietary and/or provided by a third party (*i.e.*, originates from a party independent from the broker that provided the execution services).

While our policy is to seek best execution, a specific broker-dealer may be selected for a portion of our trades provided that we have: (i) determined that the brokerage and research products or services provided by the broker-dealer appropriately support our investment decision-making responsibilities, and (ii) made a good faith determination that the amount of commissions paid (which may be higher than commissions charge by other Approved Brokers) is reasonable in relation to the value of brokerage and research products and services received. These determinations can be viewed in terms of either the specific transactions or our overall responsibility to the accounts for which we exercise investment discretion.

TD Asset Management believes it is imperative to its investment decision-making process to have access to this type of research and brokerage. While we seek to allocate soft dollar benefits in a fair and equitable manner, the brokerage and research products and services provided by a broker-dealer and/or third party provider may be used by TD Asset Management in servicing any or all of our clients, and may be used in connection with clients other than those making the payment of commissions as may be permitted by federal regulations. Moreover, the receipt of such brokerage and research products and services may be deemed to be the receipt of an economic benefit by TD Asset Management due to the fact that TD Asset Management does not pay for the brokerage and research products and services, and although customary, may be deemed to create a conflict of interest between TD Asset Management and our clients. These types of arrangements also may give TD Asset Management an incentive to select or recommend a broker-dealer or third party research provider based on its interest to receive the research or other products or services, rather than on our clients' interest in receiving a more favourable execution. Therefore, we believe it is important for our clients to be aware of the issues surrounding soft dollar arrangements. TD Asset Management also has established policies and procedures that help address these conflicts and ensure that our clients receive fair and equitable benefit in return for the brokerage commissions generated.

We also participate in Commission Sharing Arrangements (CSAs), where by the CSA provider will allocate TD Asset Management client commission dollars for transactions we've executed through them to certain non-affiliated broker-dealers and/or third party providers that have clearing arrangements with them and which provide or have provided meaningful research to TD Asset Management but cannot, in our opinion, provide best execution. TD Asset Management may cause clients to pay more if we believe that the amount of additional commission is reasonable in relation to the value of the brokerage and research products and services received.

In some cases, TD Asset Management may receive both research and non-research (*e.g.*, administrative or accounting services etc.) services. In addition, we may use certain research products to assist us with marketing our services to the public. This is commonly referred to as a "mixed use" product. In these cases, we will make a good faith determination of the portion allocated to non-research and/or marketing, and we will pay the allocation amount with our own monies ("hard dollars"). In making such good faith allocations, a conflict of interest may exist by reason of our allocation of the costs of such services and benefits between those that primarily benefit TD Asset Management and those that primarily benefit our clients. To address the conflicts surrounding soft dollar arrangements, TD Asset Management has adopted written policies and procedures regarding trading, use of client commissions and brokerage selection. In addition, we have a Best Execution Committee that performs periodic reviews of our trade executions and soft dollar arrangements to help ensure they are in the best interests of our clients.

### **Directed Brokerage**

At the request of a client, we may enter into a directed brokerage and/or a commission recapture arrangement, which are solely for the benefit of the requesting client. When a client designates a broker-dealer, it may not be possible for us to obtain the same execution that would be attainable if we had full discretion to select the executing broker-dealer. Under these circumstances, clients should understand that: (1) we generally do not negotiate specific brokerage commission rates with the directed broker on the client's behalf, or seek better execution services or prices from other broker-dealers and, as a result, a client may pay higher commissions and/or receive less favourable net prices on transactions for their account than might otherwise be the case, (2) transactions for that client generally will be effected independently (not aggregated), and (3) conflicts may arise between the client's interest in receiving best execution with respect to transactions effected for the account and TD Asset Management's interest in potentially receiving future client referrals from the directed broker. Therefore, prior to directing us to use a specific broker-dealer, a client should consider whether, under that restriction, execution, clearance and settlement capabilities, commission expenses and whatever amount is allocated to custodian fees, if applicable, would be comparable to those otherwise obtainable.

All client directed brokerage and/or commission recapture arrangements, including terms and conditions, are required to be approved by Compliance and Risk Management prior to their commencement.

### **Trade Aggregation and Allocation**

From time to time, TD Asset Management may determine, based on a variety of reasons, that the purchase or sale of a particular security is appropriate for multiple client accounts. When this happens, we may determine that it is appropriate in the interests of efficient and effective execution to attempt to execute the trade orders as one or more block trades (*i.e.*, aggregate the individual trade for each account into one or more trade orders.). This process may give rise to actual or potential conflicts of interest among the accounts for whom the security purchase or sale is appropriate, and among the subset of those accounts actually participating in a block trade, especially if the block trade order results in a partial fill. In order to address these conflicts, we have adopted certain policies and procedures that we follow when aggregating trades in an effort to provide an objective and equitable method of trade allocation so that all participating clients are treated fairly.

Our firm will ensure fairness when allocating filled aggregated orders among our clients, and will allocate partially filled orders on a pro-rata basis or in another fair and reasonable manner, as outlined in our policies and procedures.

When orders for the same security are aggregated for execution, the allocation method used in relation to the corresponding fills will be documented prior to the execution.

Partially filled orders that include pooled proprietary accounts will be allocated to all non-proprietary accounts first, with the pooled proprietary accounts filled last.

While some of TD Asset Management's proprietary accounts will participate in aggregated trades as mentioned above, the firm's proprietary accounts are excluded from aggregation and those orders are executed only after all other client account orders involving the same security, in the same direction of trade, are fully executed. For detailed information regarding employee personal trading, please refer to Item 11 above.

Managed program groups may not have all orders immediately entered for execution, as it often takes longer to execute an idea generation for TD Asset Management's models, in comparison to other accounts. Our objective is to minimize material delays, where possible, while additionally ensuring that clients invested in the same model receive the same execution price for same day aggregated and executed trades.



Trades for TD Asset Management money market funds are aggregated separately. Aggregation of money market securities is influenced by the unique features of money market instruments and money market portfolios. The investment decisions for these portfolios are driven by the uniqueness of the security (credit rating, duration, industry and sector exposure, etc) rather than a specific issuer name. The consistent nature of the investment style and the timing of cash flow information drive the trade decisions.

Allocations of money market securities will be driven by designating accounts into groups based on their investment guidelines, restrictions, and cash flow timing. The Portfolio Manager will ensure that all relevant accounts are considered for participation and that clients are not favoured based on fees.

### **Limited Offering Allocations**

TD Asset Management may, from time to time, when determined consistent with a client's investment objectives, strategy and restrictions, purchase limited investment offerings (*i.e.*, new issues, private placements etc.) for certain client accounts, including the firm's proprietary pooled accounts. When this occurs it is our intention to allocate shares in these investments among participating accounts in an equitable manner so as not to give one account preference over another. If we do not receive a full allocation of shares, then the shares received will be allocated to the participating accounts on a pro-rata basis, with the exception that we will not allocate to any account where such allocation would result in a de minimus amount of shares. TD Asset Management reserves the right to make exceptions to this policy if we believe it is in the best interest of clients to do so.

## **13. REVIEW OF CLIENT ACCOUNTS**

At the onset of an advisory relationship, TD Asset Management will formulate investment guidelines customized to a client's investment objectives after a thorough analysis of the client's requirements. This analysis will use various analytical techniques and assumptions, taking into consideration the client's financial situation, investment experience, investment objectives, risk tolerance, current investments, spending requirements, investment policy statement guidelines and other relevant factors. The guidelines are based on the output from TD Asset Management. Once reviewed by the client, the investment guidelines are implemented. TD Asset Management's risk management group independently monitors adherence to the investment guidelines on a daily basis. Depending on their requirements, clients receive, on a monthly or quarterly basis, written reports on portfolio positions, transaction summaries and performance reviews.

## **14. CLIENT REFERRALS AND OTHER COMPENSATION**

TD Asset Management does not receive any economic benefit, from persons who are not clients, for providing investment advice or advisory services to its clients.

Although not a general practice, TD Asset Management and its affiliate, TDAM, may pay referral fees in some instances to affiliates who successfully refer clients. These referral fees would be one time fees, based on a percentage of first year revenues and would not result in an additional charge to advisory clients. This practice would comply with relevant requirements of the Investment Advisers Act.

Our affiliate, TDAM, subscribes to investment manager databases and attends a conference sponsored by an institutional asset management consultant who conducts searches and recommends investment managers to clients. These consultants may recommend that their clients hire us or our affiliate or invest in products that we or our affiliate sponsor.

## **15. CUSTODY**

TD Asset Management does not take actual custody of client assets. Our client assets are custodied at banks and broker-dealers, including our qualified custodian affiliate TD Waterhouse Canada Inc.

Our clients receive statements concerning their portfolios from both TD Asset Management and their custodians. We encourage clients to carefully review their custodial statements and compare the statements received from their custodians with the statements they receive from TD Asset Management.

## **16. INVESTMENT DISCRETION**

TD Asset Management receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. The discretionary authority is provided in the Investment Management Agreement. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account and in accordance with fiduciary standards.

When selecting securities and determining amounts, TD Asset Management observes the investment policies, limitations and restrictions of the clients it advises. For registered investment companies, TD Asset Management's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions (e.g. affiliated entities) must be provided to TD Asset Management in writing.

## **17. VOTING CLIENT SECURITIES**

TD Asset Management has established policies and procedures that set out a general statement of policy with respect to proxy voting activities conducted by TD Asset Management. The Proxy Policy includes guidelines for determining how to vote in respect of common issues that require voting decisions, a framework for addressing novel or contentious matters and the obligations of the Proxy Committee.

The Proxy Policy permits TD Asset Management to delegate responsibility for certain proxy voting activities to third-party service providers. TD Asset Management has engaged Risk Metrics Group, (formerly known as Institutional Shareholder Services, Inc.) ("RMG") to vote proxies related to securities held by accounts for which TD Asset Management retains the right to vote. RMG has been instructed to vote in accordance with the principles and guidelines set out in the Proxy Policy.

The Proxy Policy sets out a framework to ensure TD Asset Management can resolve material conflicts of interest related to voting matters, including conflicts between an account and (i) TD Asset Management and its affiliates; (ii) individuals making proxy voting decisions; or (iii) service providers making proxy voting decisions (collectively, "Conflicts"). This framework requires independent proxy decision makers to ensure proxies are voted in accordance with the Proxy Policy or brought to the attention of the Proxy Committee. Such decision makers are provided guidance in determining whether a Conflict exists with respect to any voting matter. In cases where a Conflict arises, the Proxy Committee reviews the matter to determine what actions are necessary to ensure the Conflict is handled appropriately and the proxy is voted in the best interests of the account.

The Proxy Policy is available on request, at no cost, by contacting TD Asset Management's Chief Compliance Officer as provided in Section 2.

## **18. FINANCIAL INFORMATION**

Not applicable for TD Asset Management.