



# Optimism Energizes Markets Despite Unknowns

## 5 Key Investment Themes for 2021 and Beyond

### At a glance

- Entering 2021, we are bullish on equities overall. While risks remain, we are optimistic in terms of global economic growth. Improving corporate fundamentals, earnings visibility, dividend yields, and economic conditions should drive positive returns over a 12-18 month horizon.
- Our expectation is for protracted low interest rates and stagnant inflation. The continuation of coordinated policy efforts may be required to combat the interim impacts of the COVID-19 pandemic, and to protect against prevailing risks. However, excessive government borrowing could lead to inflationary pressures and tax increases longer-term.
- We maintain a modest fixed income underweight overall but are modestly overweight investment grade corporate credit due to its relative yield advantage over government bonds. We remain maximum underweight government bonds as they provide limited value opportunity.
- COVID-19 vaccine and treatment progress have been a significant driver of improved risk sentiment in markets. However, an efficient public vaccination rollout will be critical to sustaining the recovery.
- We expect alternative assets such as infrastructure, mortgages, and real estate to play a greater role in portfolios due to their diversification benefits, and income advantage they can provide over low or negative real rates in fixed income.

The events which shaped 2020 have had broad and very personal impacts on all of us. Millions around the world have suffered hardships, from both a health and financial perspective, and continue to face challenges. Not only did the emergence of a global health crisis early in the year put an abrupt halt to our way of life, but it also ended the longest economic expansion in history. Major equity markets initially went into a downward-spiral, but swiftly recovered most of their losses in record time, with some subsequently reaching new highs, as aggressive policy measures effectively backstopped the collapsing economy. The end of the year was punctuated by a highly contested

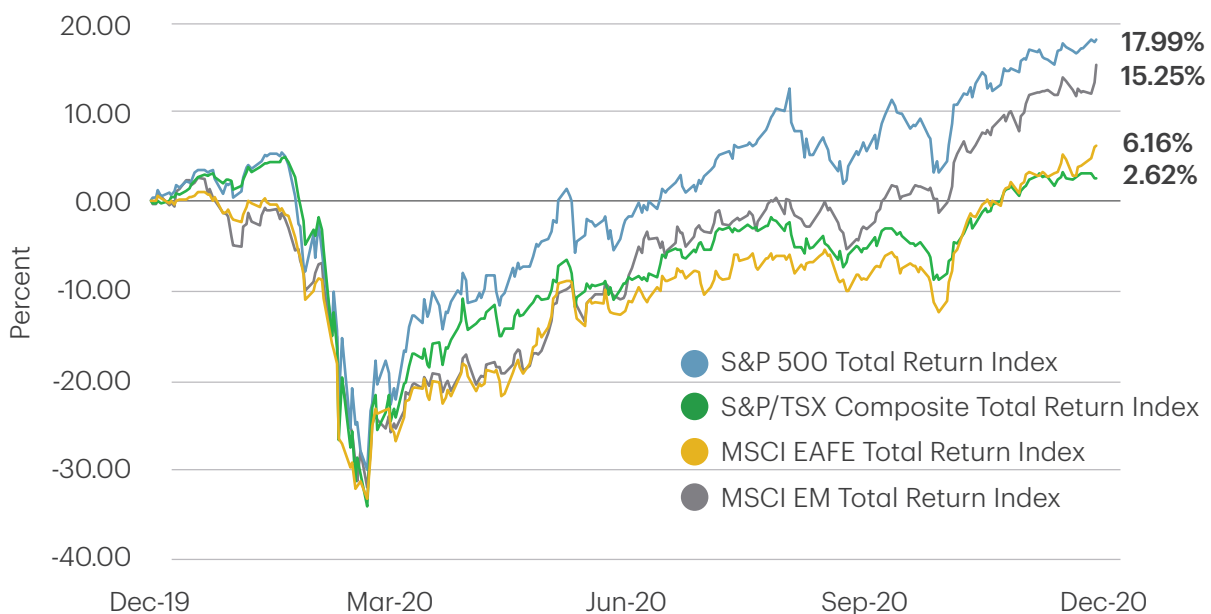
U.S. presidential election that to many represented a direct attack on U.S. democracy. This only added fuel to existing market volatility, and investor anxiety, all while COVID-19 cases surged around the world. But with 2020 now in the rear-view, and investor sentiment improving, thanks in large part to the rapid progression of COVID-19 vaccines and treatments, the world may finally be able to look forward to calmer days ahead. Risks remain however, but the TD Wealth Asset Allocation Committee ('the Committee', 'we', 'our') believes the tailwinds outnumber the headwinds and are optimistic that 2021 will be positive for global economies and our collective wellbeing.

## 5 Key Factors Driving the Economic Recovery

The COVID-19 outbreak blindsided global markets with an almost unparalleled force. As the economic consequences of the exogenous shock became clearer, the S&P 500 Index plunged by more than 30% from its peak (**Chart 1**). The gap between the February 19 record high and the market bottom on March 23, was a mere 23 trading days. This was the fastest drawdown of this magnitude

ever, outpacing comparable percentage declines experienced during the Great Depression era (1930s) and Global Financial Crisis (2007-2009). In further defiance of perceived market norms, the S&P 500 Index then swiftly ascended to a new record high in August. This recovery, when measured from peak to trough to peak, was the fastest on record.

**Chart 1: Index returns over the past 12 months**



Source: Bloomberg Finance L.P. as of December 30, 2020.

The market's resilience in the face of a struggling global economy may be one of the more surprising outcomes to emerge from 2020. Despite the prevailing confluence of headwinds that continue to cast doubt on the sustainability of the recovery, markets have demonstrated the uncanny ability to peer into the more distant horizon, and shrug aside any immediate perils.

While not ignoring the potential hurdles that we may experience along the way, the following is a rundown of **5 key drivers behind the 2020 recovery**, and why we are optimistic about 2021 and beyond.

## 1 Strength in Numbers

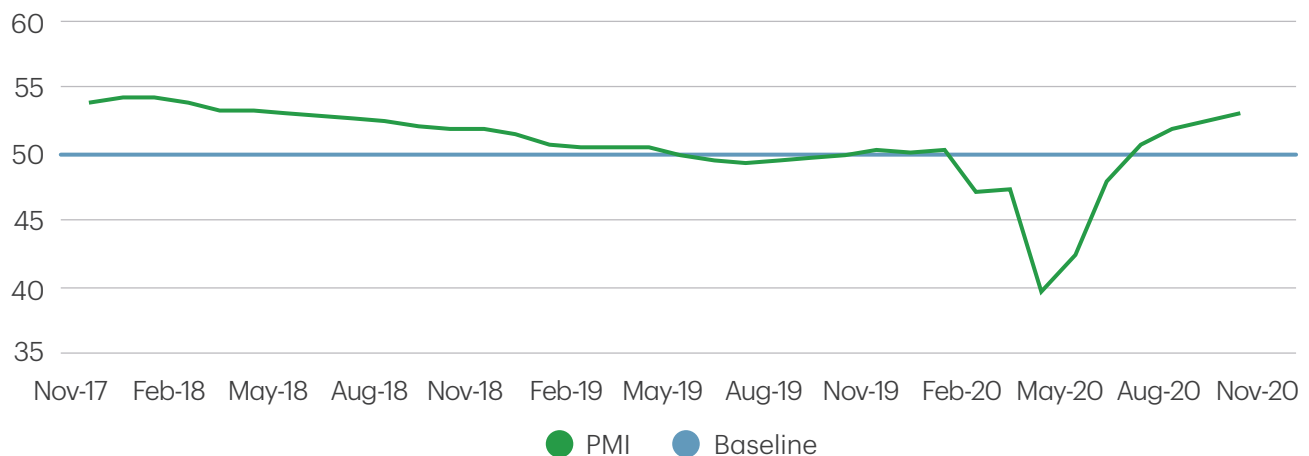
Globally, economic fundamentals appear to be strengthening from the depths of the pandemic induced weakness. In October, the International Monetary Fund (IMF) estimated that 2020 global Gross Domestic Product (GDP) would see a decline of 4.4%. This may not be ideal, but an improvement over earlier expectations in the spring of a 4.9% decline. The improved outlook was driven by a stronger than anticipated uptick in economic output, particularly for advanced economies. In 2021, the IMF is projecting GDP growth to rebound to a robust 5.2%.<sup>1</sup>

The Purchasing Managers Index (PMI), a forward-looking indicator of economic activity, is generally a good barometer for where activity may be headed in the coming months. PMI tracks sentiment among purchasing managers at manufacturing, construction and/or services firms. A growing PMI means that consumer demand is expanding as manufacturers look to fulfill orders, which bodes well for a strengthening economy. As shown in **Chart 2**, PMI data has been climbing since plunging earlier in the year (values above 50 indicate expansion, values below 50 indicate contraction).

Of note, U.S. November PMI data provided a post-election glimpse of U.S. economic performance and pointed to manufacturing activity expanding at a stable pace. The strength in the numbers continues to provide evidence that the recovery remains on solid footing and that demand is returning to more normalized conditions to fill the output gap from earlier in the year.

Additionally, service industries continue to see improving demand in the U.S., as measured by the Institute for Supply Management's services index. While growth moderated late in the year, activity remained strong as the consumer shift to online purchases during the pandemic helped retailers and transportation companies maintain a healthy level of business activity. Service industries led by transportation, warehousing, health care, food services, construction and retail, have also shown demand growth. Inventories are at multi-year lows, which should give a boost to the manufacturing sector as they look to fulfill orders as a result of increasing demand.

**Chart 2: Global PMIs expanding**



JPMorgan Global Manufacturing PMI; Baseline = 50  
Source: Bloomberg Finance L.P. as of November 25, 2020.

<sup>1</sup>International Monetary Fund: IMF.org.

We have also seen a gradual uptick in North American employment data. This combined with healthy consumer spending, and strong housing markets, is further evidence that many sectors of the economy are rebounding. However, the jobs market will require more time to fully recover as unemployment remains elevated across most

advanced economies still suffering through lockdowns and mobility restrictions. While it may take time for the productive capacity of the economy to reach its full potential, the numbers have been encouraging and we expect continued improvement as we approach the broad availability of vaccines in 2021.

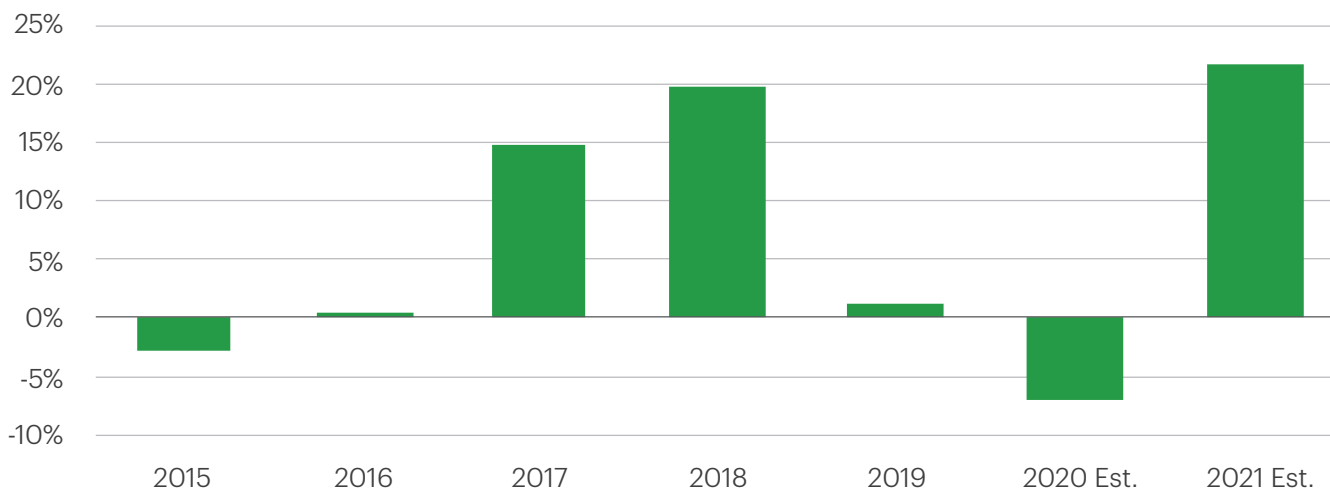
## 2 The Return to Corporate Profitability Growth

As would be expected, the onset of COVID-19 and ensuing economic shutdowns put pressure on businesses and drove a reduction in year-on-year earnings growth for S&P 500 Index companies. **Chart 3** provides a broad perspective of these impacts. In 2018, we witnessed outsized earnings growth from a combination of Trump tax cuts, a buoyant global economy, and solid consumer spending. Earnings then tapered off in 2019 largely due to the U.S./China trade war and waning benefits from the previous year's tax cuts. Moving to 2020, initially the projections were for robust earnings growth. Then as the pandemic struck, earnings took an immediate hit, and dropped precipitately. Overall in 2020, earnings are expected to decline by about 7%, year-on-year. And while under different circumstances this would be considered a sizable decline, we view it as temporary as earnings in 2021 are expected to rebound a robust 22% year-on-year. This is a positive sign, as strong corporate health is key for sustainable long-term economic growth.

Another important factor to consider is who the winners and losers were for 2020. The digital economy and

so-called stay-at-home stocks experienced most of the benefits as lockdowns forced people and companies to adapt to new ways of life and conducting business. The earnings recession was concentrated in sectors most impacted by the pandemic, e.g. retail, hospitality and tourism. These sectors saw the most significant earnings drawdowns, but as we look out to the post pandemic world, we believe the collapse in earnings is transitory, and sets up for broader returns in 2021. For example, markets could see a meaningful shift out of growth-oriented businesses, that outperformed during the crisis, to rebounding cyclical sectors and value-oriented stocks. This rotation had already started in the latter part of the year with the positive vaccine news and this momentum may continue in the coming months. In a future scenario where many individuals are vaccinated against COVID-19, and there is a return to normalized mobility conditions, the hardest hit sectors could see a fairly robust bounce-back and narrow the disparity of returns we witnessed across markets during 2020.

**Chart 3: S&P 500 Index earnings growth YoY%**



Source: Bloomberg Finance L.P. as of December 14, 2020.

### 3 Effective and Aggressive Policy Action

The 2020 recession was unique in that it was delivered via an external shock to the system, unlike many preceding recessions that were caused by either macroeconomic factors or structural weaknesses within the financial system. As conditions worsened, global authorities responded with aggressive and coordinated measures to effectively prevent further hemorrhaging of the economy, while maintaining liquidity in credit markets. The crisis accelerated what can now be viewed as the modern approach to monetary and fiscal policy, deployed in times of unusual stress. In the U.S. alone, Congress approved relief packages totalling \$2.4 trillion, more than 11% of gross domestic product, while the U.S. Federal Reserve (the Fed) enacted quantitative easing measures (injecting money into the economy to expand activity through bond purchases) at much higher levels than during the Global Financial Crisis (GFC). Governments also proved effective at spreading stimulative benefits more broadly than during the GFC which helped prevent additional damage to the most heavily impacted sectors of the economy.

Additionally, major central banks signaled a clear intention to keep interest rates at historic lows until a measurable recovery is firmly in hand. The Fed is also leading major central banks at evolving policy frameworks to allow

inflation to overshoot targets to ensure longer-term economic objectives are achieved. On this side of the border, the Bank of Canada has joined in this commitment to keeping rates at low levels and adopting a similar inflation targeting program to that of the Fed.

As a result, we expect the continuation of coordinated policy efforts to help combat the impacts of the pandemic, as several headwinds remain that could disrupt the path to recovery. We also believe that more fiscal stimulus may be needed in many global economies to support the unemployed and small businesses that continue to suffer. In late December, U.S. lawmakers announced an additional \$900 billion relief package to deliver aid to a still struggling economy, and to help jobless Americans.

However, we do need to consider the longer-term implications of the exceedingly high debt levels governments have taken on to manage this period of weakness. This will likely impact spending and investment further down the road and lead to higher taxes, but the burden of this debt will likely remain on the backburner for some time due to the expectation for an extended period of low interest rates.

### 4 Markets React Positively to U.S. Presidential Election Outcome

In a year fraught with uncertainty, the elevated level of unease leading into the U.S. presidential election hung over investors and markets like a dark cloud. However, once all the votes were counted and Democratic candidate Joe Biden was declared the winner over incumbent Donald Trump, the outcome helped remove some political uncertainty, despite President Trump's numerous failed attempts to legally challenge the outcome.

At the time of writing, despite earlier predictions, it seemed more likely that Democrats would gain control of the Senate following a hotly-contested Georgia run-off election for two remaining Senate seats. Markets responded positively in November to the prospects of a Biden presidency and a split Congress outcome, with Democrats expected to rule the House and Republicans to remain in control of the Senate. The impact of Democratic control over all three branches of government has yet to be determined despite Biden's

aggressive liberal policy objectives like increased taxation on corporations and high-income earners, however, this outcome could expedite the passing of additional fiscal stimulus, which would provide much needed support for businesses and individuals hardest hit by the pandemic.

Markets were also encouraged by the potential for a pivot back to a more multilateral approach to U.S. foreign policy when engaging with the international community. This should benefit much of the world's financial markets as countries can refocus on working together to achieve parallel economic objectives. The diminished threat of new tariffs or other hardline negotiation tactics will also be a welcome change to U.S. trading partners. That said, U.S./China frictions are likely to be a lasting theme, and a tough stance toward China remains a bipartisan U.S. position, but increased diplomacy could create a more sustainable path toward achieving objectives.

## 5 The Game Changer: Vaccines

A main catalyst for the spike in risk sentiment during the fourth quarter of 2020 was on the back of several encouraging announcements on the COVID-19 vaccine front. Major pharmaceuticals, including Pfizer Inc. and Moderna, Inc., announced above 90% efficacy rates for their vaccines during late-stage trials. This naturally brought about the euphoric, yet objective realization that an end to the COVID-19 pandemic is within reach.

The anticipation that a significant percentage of the population could be vaccinated by the summer of 2021 should provide much needed relief to segments of the economy and countries that have been hardest hit by the pandemic. Many industries like travel, retail and hospitality that have had their operations severely disrupted, could

experience a demand surge for their products and services as economies fully re-open.

While we are more confident of the eventuality of a vaccinated world, the potential for near-term market disruptions generated by a resurgence of infections, an increase in hospitalizations and mortality rates, and fears of tighter lockdown restrictions, remain a significant headwind. Additionally, the news of vaccines, while encouraging, should be approached with some trepidation as outstanding questions remain around distribution and the duration of their effectiveness. Undoubtedly we remain hopeful that vaccines will be the game changer of 2021, as well as the great performance equalizer for the many businesses and individuals that were left behind in 2020.

**Undoubtedly we remain hopeful**  
that vaccines will be the game changer  
of 2021, as well as the great performance  
equalizer for the many businesses and  
individuals that were left behind in 2020.

In summary, we expect economic growth to be modestly positive for 2021. Unlike the GFC, we do not expect governments to dial back expenditures, as such, both monetary and fiscal conditions should remain accommodative and provide the necessary backstop against potentially deteriorating economic conditions. We remain committed to a disciplined investment process, that seeks to identify assets that offer attractive value and strong risk/return characteristics. As we navigate any future uncertainty, we maintain our conviction in structuring well-diversified, multi-asset portfolios, that can best manage risk, and deliver solid results regardless of market conditions.

It goes without saying that 2020 was an incredibly challenging year for many of us. While the situation in Canada and the world continues to change every day, one thing is certain to never change—our commitment to our investors. We would like to extend our highest gratitude for your continuous support and we remain hopeful for brighter days ahead from both a health and investment perspective.

# Optimism

# Asset Class Assumptions for 2021

Overall, entering 2021 we are underweight fixed income, modestly overweight equities and alternative assets, and will make necessary strategic adjustments to our views as the environment unfolds. At TDAM, we remain

active in evaluating long-run return expectations for key asset classes, while relying on our multi-asset investment philosophy, and input from our network of experienced investment teams, to deliver informed strategic views.

## Equities

	Underweight	Neutral	Overweight
U.S. equities	-		+
Canadian equities	-		+
International equities	-		+
Chinese equities	-		+
Emerging Markets equities – excluding China	-		+

We expect **U.S. equities** to deliver positive total returns in 2021, in the range of 6-9%, as key 2020 risks like the U.S. election and the COVID-19 pandemic begin to subside. With a greater level of clarity in markets, equity multiples, despite appearing elevated in certain sectors, may see continued expansion. This will be driven by earnings growth, improving corporate fundamentals and the general firming of economic conditions.

Stimulus will remain a key driver of equity markets, while protracted low rates and a weaker U.S. currency may provide an additional boost to U.S. stocks, most notably large-cap as they derive much of their revenue from abroad. Cyclical and value stocks, and riskier assets like small-caps, could outperform growth sectors in a 'normalized' post-recession environment. Despite certain unknowns and risks, we remain optimistic of an improving global economy and expect stable returns for U.S. equities over the next 12-18 months.

We are moderately bullish on **Canadian equities** entering 2021 and expect total returns including dividends in the range of 7-10%. Canadian stocks significantly lagged the performance of other major equity markets in 2020 and could see this return disparity narrow with broad economic re-openings. Unfortunately, working against the S&P/TSX Composite Index in 2020 was its high concentration to sectors that largely underperformed, like Financials, Materials, and Industrials. We believe these underperforming sectors will be strong beneficiaries of broad economic re-openings.

For example, Canadian financials (about 30% of the S&P/TSX Composite Index) were under pressure from low interest rates for much of the year, and this will remain an ongoing theme for some time. However, with the economy in better shape compared to six months ago, we believe Canadian financials are well provisioned against further economic shocks. Canadian banks are well diversified and stable franchises and while lending margins will remain under pressure, other divisions within the banks are expected to generate quality earnings growth. While Canadian Financials did perform well in the latter half of the year, we believe there is more room for improvement in 2021. Investors can also expect to receive dividend yields in the range of 4-6%, a very attractive return in a world starved for yield.

We see attractive growth opportunities for **Chinese equities**. Chinese equities could deliver returns above that of U.S. and Canadian equity markets in 2021, but with greater volatility, given favorable relative valuations and the economy's accelerating rebound as investment and exports increase. China's successful pandemic containment efforts have allowed its business activity to recover at a more robust pace relative to countries still grappling with the pandemic. This may place China in a solid position to outperform global counterparts in 2021 that are in earlier stages of their recovery. Chinese equity markets though tend to historically have greater volatility to go along with their greater expected returns.

After a strong rebound over the summer, China may be one of the only major economies that will see positive aggregate growth in 2020 relative to 2019. China has several factors working in its favour, a strengthening labour market, growing consumption and the potential for a more predictable trade policy with the U.S. under a Biden presidency. In addition, unlike several advanced economies, China's recovery is also taking shape without massive government borrowing and central bank easing. However, future waves of the pandemic and renewed lockdowns in some parts of the world remain a headwind to China's recovery.

We have a modest overweight on **international equities**. The Eurozone, the world's third largest economy when measured by GDP, struggled with COVID-19 cases, lockdowns and restrictions during much of 2020. Many European countries might now be past their daily peaks; however, it may be too soon to declare victory. The U.K. recently became the first country to authorize the use of the Pfizer-BioNTech vaccine, which generated much euphoria and optimism. The 1.8 trillion-euro financial package

recently approved by European Union member states to help the economy recover from the recession should provide a much-needed boost entering 2021. In addition, a major risk had been removed with the U.K. and European Union agreement on a post-Brexit trade deal at the end of 2020.

We are neutral on **emerging markets equities (ex-China)**. Emerging markets equities posted solid returns over 2020, despite high COVID-19 infection rates in many countries like India and Brazil. Emerging markets are largely dominated by cyclical and value stocks which have gained in popularity as of late as positive news on COVID-19 vaccines has caused these stocks to rally. As vaccinations progress through 2021 and economies fully re-open, commodity prices may also see a rise which should bode well for emerging markets. Emerging markets are also home to higher yielding assets relative to advanced economies which are currently starved for yield. As a result, we anticipate emerging markets equities to deliver positive mid-to-high single-digit returns for 2021.

# Equities



# Alternatives/Real Assets

	Underweight	Neutral	Overweight
Commercial Real Estate	-	▲	+
Commercial Mortgages	-		▲+
Infrastructure	-		▲+

**Canadian Real Estate:** We are neutral Canadian real estate entering 2021. Over 2020, COVID-19 has had a distinct impact on the Canadian real estate market depending on the property type. The hospitality and retail sectors have been challenged the most and the office market has experienced a disruption in leasing activity as work-from-home has become the temporary normal. However, the pandemic has demonstrated the importance of e-commerce and supply chain logistics, as well as the need for industrial assets such as distribution, warehousing and fulfillment centers. Moreover, multi-family assets are providing capital preservation and income predictability given their countercyclical characteristics and strong fundamentals.

**Global Real Estate:** The pandemic impact on the global commercial real estate market has had varying results by geographic region. In the U.S., tourism hubs have been negatively impacted, while cities with a tilt towards the government and technology sector have and will be better insulated. The outlook on Europe’s market will continue to be dependent on the evolution of the pandemic and individual country’s fiscal response, while the economic recovery in Asia Pacific will be ahead of other regions given strict government measures and effective societal cooperation. As vaccine approvals roll out country by country, this has the potential to benefit the speed of economic recovery. We believe that having strategic targeted positions across all regions (i.e., U.S., Europe and Asia Pacific) and being diversified across all property types with a focus on industrial and essential-based retail assets, will help mitigate portfolio shocks and prolonged distress in markets in 2021.

**Commercial Mortgages:** We maintain a modest overweight to commercial mortgages. Heading into 2021, overall liquidity remains high as commercial

mortgage spreads trend towards the long-term average. The Government of Canada yield curve steepened earlier last year and has since maintained the upward slope while shifting down by a considerable amount, and the term premium for mortgages have stabilized. We expect the competition for resilient property types (i.e. multi-unit residential and industrial) will remain, which have the potential to drive spreads down even further. Our strategy going into 2021 is to continue to monitor the portfolio in this challenging environment, while focusing on underwriting high-quality assets with durable metrics which can provide investors with long-term stable risk-adjusted returns.

**Infrastructure:** We maintain a modest overweight to infrastructure. Infrastructure continued to offer strong, stable returns during the pandemic driven by the essential nature of the services provided by infrastructure assets. Looking forward, there is potential for significant growth in the infrastructure market as global markets recover. In addition, the pandemic has created a situation where governments have increased public deficits and sovereign debt is expected to increase by \$30 trillion over the next three years, creating the need for governments to find new sources of income. One expectation is that there will be an increased privatization of infrastructure assets, creating further opportunities to acquire these assets. We anticipate this will translate into significant capital being invested in private infrastructure assets in the coming years. Historically, low interest rates are compounding the opportunity to acquire new infrastructure. Currently, infrastructure equity and debt offer some of the largest expected spreads over government yields versus most other asset classes. The enhanced returns, stable contracted income and embedded inflation protection in infrastructure continues to offer attractive investment opportunities.

# Alternatives

# Fixed Income

	Underweight	Neutral	Overweight
Investment Grade Corporate Bonds	-		+
Inflation Linked Notes	-		+
High Yield Bonds	-		+
Domestic Government Bonds	-		+
Developed Market Bonds	-		+
Emerging Markets Bonds	-		+

In 2021, we expect bond markets to be subject to some volatility from an uneven economic recovery and the length of time for widespread vaccination to be achieved. Interest rates should remain low for the foreseeable future as the Fed and global central banks maintain an accommodative stance with respect to rates and their balance sheets. Global fiscal and monetary responses to the COVID-19 pandemic have helped ameliorate the negative impacts to the economy and accelerate the recovery during the latter part of the year. We expect a modest yield curve steepening as the economic recovery gains momentum in 2021.

A notable theme to emerge in 2020 was the updated policy framework from the Fed. The Fed unveiled a shift in inflation targeting, with the new policy allowing inflation to overshoot targets for a period of time, after an economic downturn. The shift indicates that the Fed will maintain ultra-accommodative policy indefinitely, with its own projections implying no rate increases through to the end of 2023. As such, a lower for longer rate and yield environment is broadly expected to remain indefinitely. Given that other central banks may adopt a similar approach to policy, including the Bank of Canada, we maintain a maximum underweight to **government bonds** as we believe yields will remain range bound near record low levels for the extended term.

From a corporate credit perspective, the shutdowns and stay-at-home orders initially caused downward

adjustments to most future corporate sector earnings, which negatively impacted credit fundamentals in the short to intermediate term. Swift policy action helped to stabilize markets which have rebounded substantially since March. Despite the significant tightening, and with investment grade corporate bond spreads reverting to their longer-term averages, we retain a modest overweight to **corporate credit** due to their relative yield advantage over government debt. Given the spread compression in corporate bond markets, we remain active in seeking to unlock relative value opportunities which we believe still exists in today's markets.

High yield spreads have also narrowed considerably from late March, but there may be room for further tightening, particularly if the economic rebound gains momentum in 2021. We remain selective with a neutral position in **high yield bonds** as economic headwinds continue to cloud the outlook for many sectors of the economy.

We maintain a maximum underweight view for global **developed market bonds**. The still uncertain macroeconomic outlook, and prevalence for real yields to remain broadly negative, make global bonds unconvincing from an opportunity perspective. We maintain our neutral view on **emerging markets bonds** as opportunities offering incremental real yields do exist, but we remain highly selective due to continued economic uncertainty.

# Fixed Income

# Subclasses

	Underweight	Neutral	Overweight
Gold	-		+
Canadian dollar vs. the U.S. dollar (USD)	-		+
U.S. dollar versus a basket of currencies	-		+

The U.S. dollar has been in a downward trend for most of 2020. Weakness in the global reserve currency has been driven by a record amount of government stimulus and slowing economic growth. Increasing COVID-19 case levels, deaths and hospitalizations across the U.S. have also contributed to the currency's decline, due to fears of increased lockdown measures over the coming months. We maintain a modest underweight to the **U.S. dollar** as we see the potential for continued weakness in 2021 due to elevated debt levels and the potential for the U.S. to lag other advanced economies in rebounding from the pandemic.

Our expectations for a weak U.S. currency, and overall firming of Canadian economic conditions, underpins

our view that the **Canadian dollar** may outperform its U.S. counterpart over the next 12 months.

Our overall outlook for **gold** is a modest overweight, despite its late-year pullback as a result of the positive news around vaccine development. There are still plenty of uncertainties that could drive the precious metal higher. Furthermore, increased fiscal spending leading to larger government deficits and a weakening U.S. dollar could provide a further boost. On the other hand, better trade relations between the U.S. and China under a Biden presidency and a successful vaccination rollout could be a negative for gold.

### Connect with TD Asset Management



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. 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, 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. Such expectations and projections 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. The TD Wealth Asset Allocation Committee ("WAAC") is comprised of a diverse group of TD investment professionals. The WAAC's mandate is to issue quarterly market outlooks which provide its concise view of the upcoming market situation for the next six to eighteen months. The WAAC's guidance is not a guarantee of future results and actual market events may differ materially from those set out expressly or by implication in the WAAC's quarterly market outlook. The WAAC market outlook is not a substitute for investment advice. TD Asset Management Inc. is a wholly-owned subsidiary of The Toronto-Dominion Bank. Bloomberg and Bloomberg.com are trademarks and service marks of Bloomberg Finance L.P., a Delaware limited partnership, or its subsidiaries. All rights reserved. All trademarks are the property of their respective owners. ©The TD logo and other trademarks are the property of The Toronto-Dominion Bank or its subsidiaries.