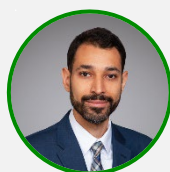




# TD Global Healthcare Leaders Index ETF

As of July 31, 2024



## Analyst Commentary

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As of the end of July, the Q2 2024 earnings season for the Health Care sector has largely wrapped-up. The sector posted good results with revenues up 7% year-over-year ("YoY"), and adjusted earnings up 12% YoY, with 95% of the S&P 500 Index healthcare companies beating or meeting earnings estimates. The sector is increasingly demonstrating that the worst of the earning headwinds coming out of the COVID-19 pandemic are now in the past, as the sector returns to growth.

There were a couple notable areas of strength during the second quarter's earnings season. First, the Portfolio Advisor ("we", "our") continues to see growing green shoots from the Life Sciences Tools industry, with the inventory destocking cycle in North America and Europe having largely run its course, and with management teams increasingly constructive that we'll see a recovery in volumes in the quarters ahead. Danaher Corporation's management team called out an improving book-to-bill ratio, and bioprocessing orders were up in the high single-digits, suggesting that YoY revenue declines may inflect to positive growth as we lapse the upcoming quarters. All-in, Life Sciences Tools stocks were up 13.2% in July, the best performance of any industry group in the Health Care sector.

Second, we saw strong results out of the Medical Equipment & Supplies industry. The continued recovery of elective surgeries, made possible by continued staffing gains at hospital and outpatient facilities, drove strong volumes across the board. Additionally, the continued recovery in elective procedures drove positive volume growth at hospitals and allowed them to post positive operating leverage.

However, given these tailwinds are already well understood by investors, and given that growth is likely to moderate from its current pace in the upcoming quarters, share performance of the Medical Equipment & Supplies industry, was largely flat month-over-month.

Lastly, in the Pharmaceuticals & Biotechnology industry, we continue to see mixed results, driven by individual companies' drug pipelines and patent expiries. GLP-1 drugs continue to be a key area of focus amongst investors, with Novo Nordisk A/S ("Novo Nordisk") and Eli Lilly and Company ("Eli Lilly") to report their results in August. While growth is likely to continue to remain strong for GLP-1 drugs, a growing number of competitors looking to enter the space, including Amgen Inc., Roche Holdings AG, Pfizer Inc., and others, will continue to make the shares volatile. However, we believe Novo Nordisk's and Eli Lilly's first mover advantage, manufacturing scale, and upcoming next-generation products, should allow them to maintain their dominant market share position. However, successful competitor launches are likely to eventually weigh on valuation multiples.

For the full-year 2024, Health Care sector revenues are expected to grow approximately 7% YoY, as we finally lapse the headwind from the loss of COVID-19 pandemic related sales. Looking out over the next few years, we expect growth to normalize to the approximately 9% Compound Annual Growth Rate ("CAGR") seen over the last 30 years.

The TD Global Healthcare Leaders Index ETF ("TDOC") was up 14.4% year-to-date ("YTD") at the end of July 2024. However, returns trailed the broader market with the MSCI World Index posting a 19.2% gain YTD, driven by gains in the Technology and Communication Services sectors.

The primary contributors to TDOC performance in July included Roche Holdings AG, (+18.1% month-over-month ("MoM")), UnitedHealth Group Inc., (+14.2% MoM) and Danaher Corporation, (+11.9% MoM). The primary detractors included Dexcom, Inc., (-39.6% MoM), Edwards Lifesciences Corporation, (-31.1% MoM), and Eli Lilly and Company, (-10.3% MoM).

Looking out over the long run, we believe that TDOC continues to be well positioned and will continue to benefit from the many attractive attributes of the Health Care sector including largely inelastic demand, strong volume growth driven by an aging population, as well as historically strong research and development productivity which has repeatedly expanded the addressable market for health care. Combined with attractive valuations when compared to the broader market, we believe the Health Care sector remains well positioned to outperform over a multi-year horizon.

## Standard Performance – TD Global Healthcare Leaders Index ETF

Returns as of June 30, 2024	1 Month	3 Months	6 Months	1 Year	Since Inception	Inception Date
<b>TD Global Healthcare Leaders Index ETF</b>	<b>5.55%</b>	<b>8.58%</b>	<b>11.04%</b>	<b>15.55%</b>	<b>9.59%</b>	<b>04/07/21</b>
Benchmark <sup>1</sup>	5.60%	8.72%	11.33%	16.07%	10.15%	
<b>Difference</b>	<b>-0.05%</b>	<b>-0.14%</b>	<b>-0.29%</b>	<b>-0.52%</b>	<b>-0.56%</b>	

Source: TD Asset Management Inc., as of July 31, 2024. Returns for periods greater than one year are annualized.

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