



TD Global Technology Leaders Index ETF (TEC)



Analyst Commentary

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Strong Performance to Close Out the First Half of the Year.

The TD Global Technology Leaders Index ETF ("TEC") ended the month of June up 7.9%, capping off an excellent first half to the year which saw the ETF rise 26.1%. Meanwhile, the Nasdaq-100 Index ("NDX") was up 6.5% and 21.6% and the S&P 500 Index rose 3.8% and 19.4%, respectively. In other words, for the first six months of 2024, TEC generated a remarkable 446 basis points ("bps") of "alpha" over the Nasdaq-100 Index!

The Portfolio Advisor ("we", "our") observed that 2023 was the year of "easy money" for the Technology sector, with broad strength in the performance of internet, software, and semiconductor stocks. The bar went up meaningfully in 2024 as the market increasingly rewarded companies with positive earnings revisions and tangible progress in the artificial intelligence ("AI") space (i.e., telling a good story was no longer enough). It came as no surprise that semiconductors and infrastructure companies like Microsoft Corporation and Amazon.com, Inc., performed well throughout the first half of the year, their shares supported by tangible momentum in their cloud businesses. Meanwhile, once high-flying software companies that touted AI capabilities (i.e., Salesforce) were punished by investors at the first sign that AI promises were not translating into revenues.

All Eyes on Second Quarter Earnings.

We believe the second quarter earnings season will be pivotal in determining the next leg for Technology sector performance. Semiconductor companies will need to continue to post earnings growth and positive estimate revisions, which will be made possible if the big technology giants come out with renewed and growing commitments to capital expenditures to support AI-based workloads.

Software companies along with their information technology ("IT") service partners will need to signal a stabilizing environment moving forward. The bar for earnings is high but not impossible.

Are We in a Stock Market Bubble?

Despite the worry about potential bubble conditions, we find only limited evidence of inflated valuations in certain segments of the market. Looking for indicators of euphoria, we note that unprofitable stocks have remained out of favour since 2022, indicating a certain level of discernment by investors. Additionally, the Initial Public Offering ("IPO") market, while having reopened, has not seen a flood of lower quality companies looking to capitalize on loose market conditions, and therefore remains highly selective. Similarly, we are observing public markets rewarding strong results but outright punishing deteriorating business momentum, another good sign in our opinion. Looking out over the long run, we believe that the Technology sector remains well positioned to outperform over a multi-year horizon

Standard Performance – TD Global Technology Leaders Index ETF

Returns as of June 30, 2024	1 Month	3 Months	6 Months	1 Year	Since Inception	Inception Date
TD Global Technology Leaders Index ETF	7.90%	10.83%	26.36%	39.39%	21.15%	05/07/19
Benchmark ¹	7.95%	10.94%	26.62%	39.95%	21.62%	
Difference	-0.05%	-0.11%	-0.26%	-0.56%	-0.47%	

Source: TD Asset Management Inc. ("TDAM"), as of June 30, 2024. Returns of periods greater than one year are annualized.

¹100% Solactive Global Technology Leaders (C\$, Net Total Return) Index

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