



Asset Management

An introduction to

Financial Executives International Canada

The New World of Treasury – Lessons from the Summer of 2007

December 2007

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Agenda

Formal Presentation

- Origins of financial turmoil
- The players
- Consider how the sector has changed

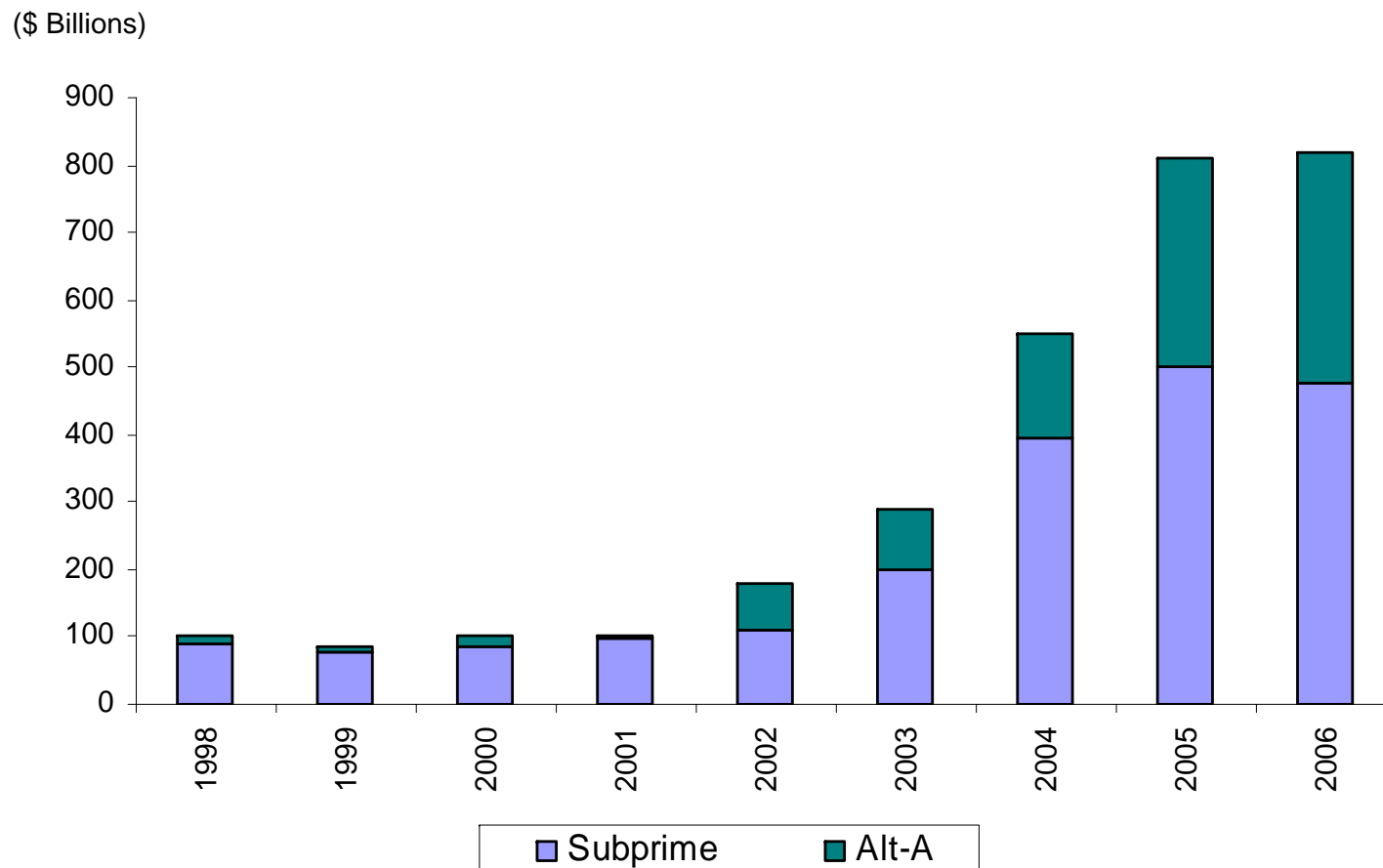
Q&A



- Global economy currently robust
- Unprecedented liquidity crisis
- Discussion of impact of liquidity on economy



U.S. Market Gross New Issuance for Subprime and Alt-A



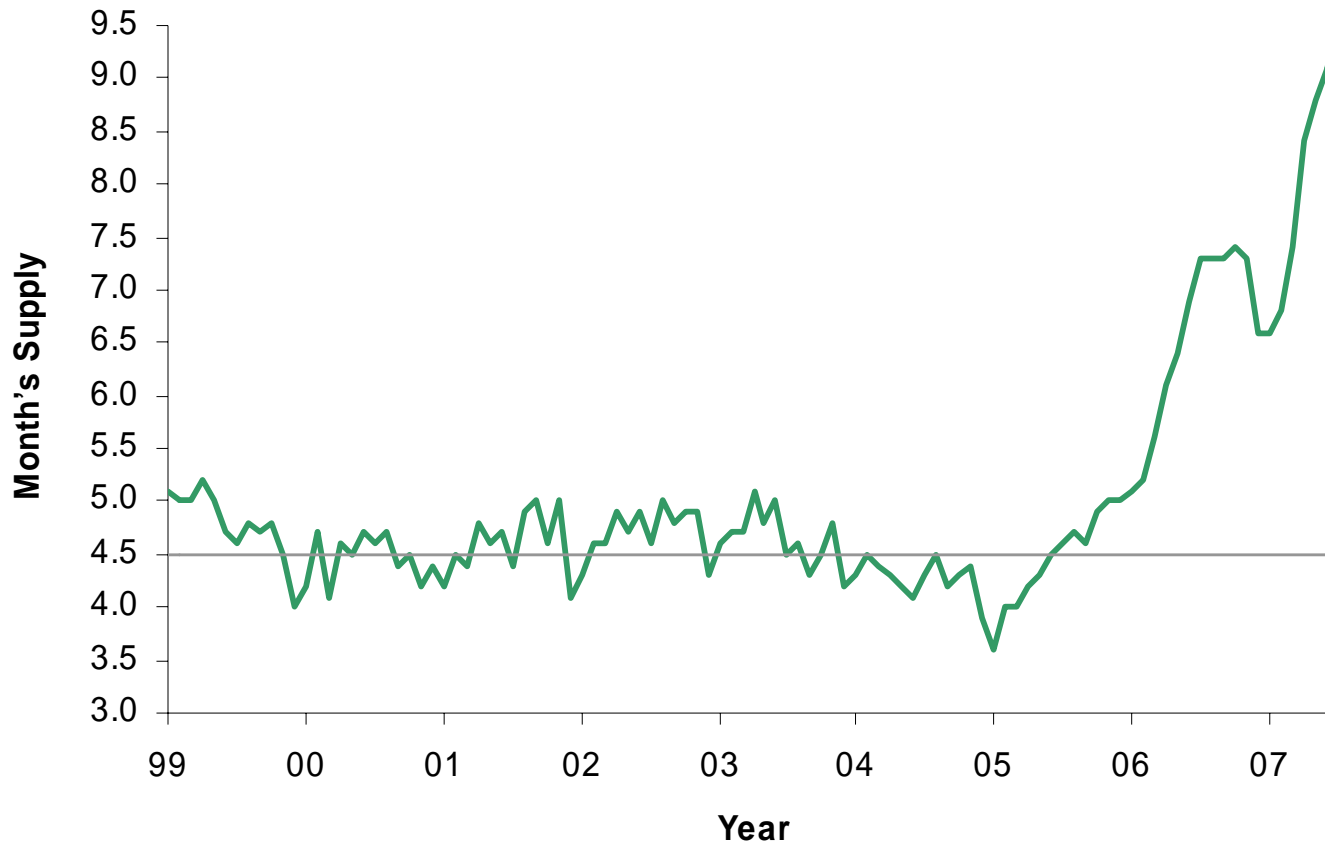
Significant growth in subprime market

Source: Merrill Lynch



U.S. Unsold Inventories

Existing Single Family Homes on the Market

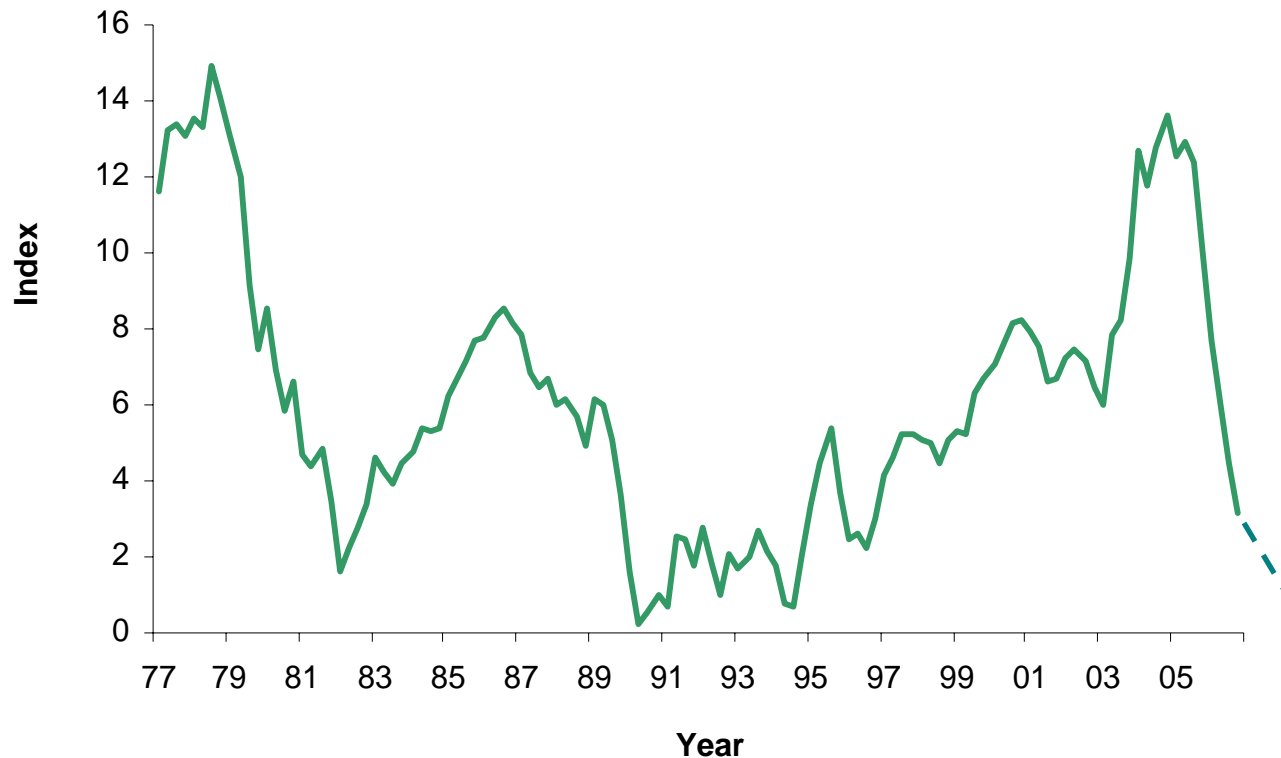


Growth in supply exceeds growth in demand...



U.S. House Prices

OFHEO House Price Index



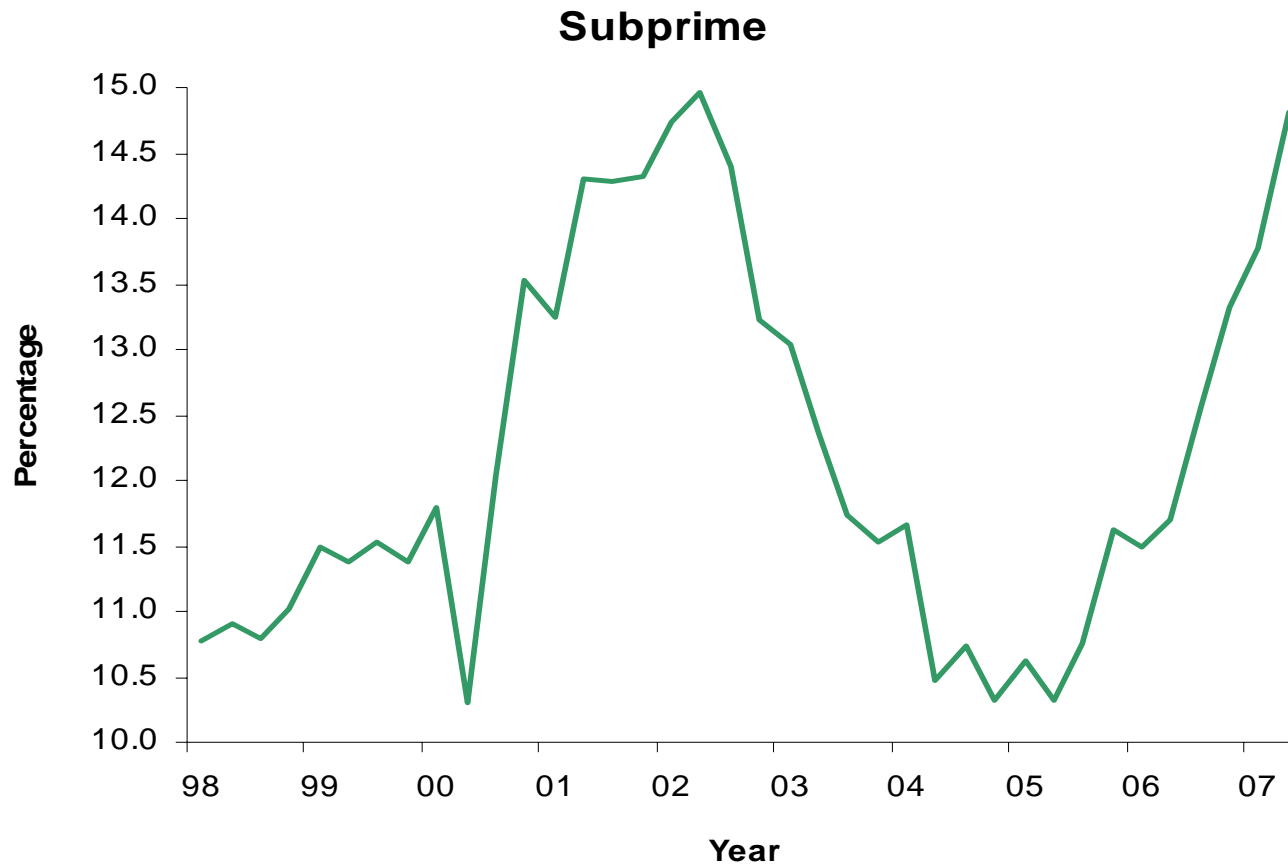
...leading to price correction

Source: Merrill Lynch, Office of Federal Housing Enterprise Oversight



Mortgage Delinquencies On The Rise

(Mortgage Delinquency Rates %)



Dramatic increase in delinquencies

Source: Bloomberg



BBB - Asset Backed Security Index

(index level)



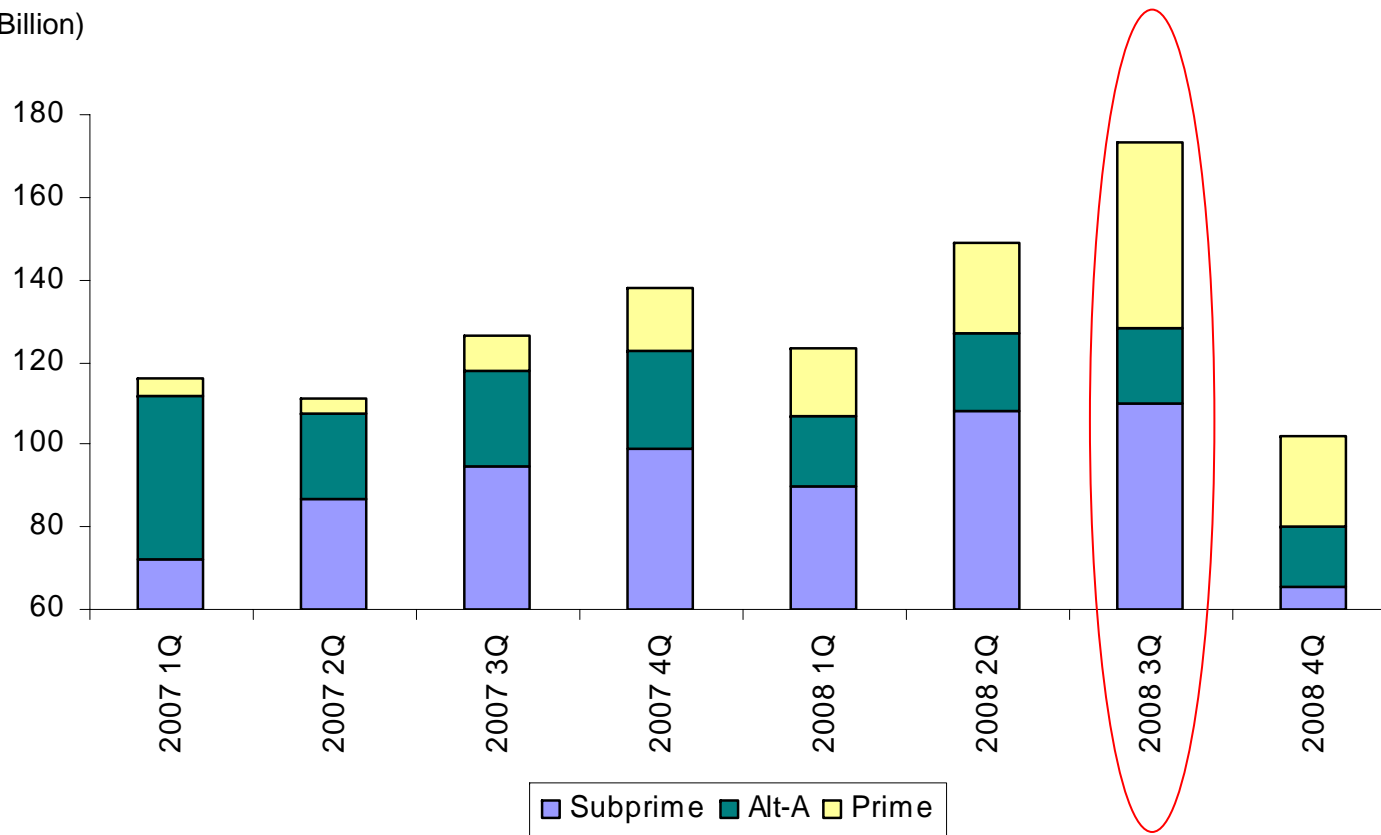
Market anticipates losses at 60%

Source: Bloomberg



Mortgage Reset Calendar to Intensify - "ARM's"

Mortgage resets by product type
(\$ Billion)

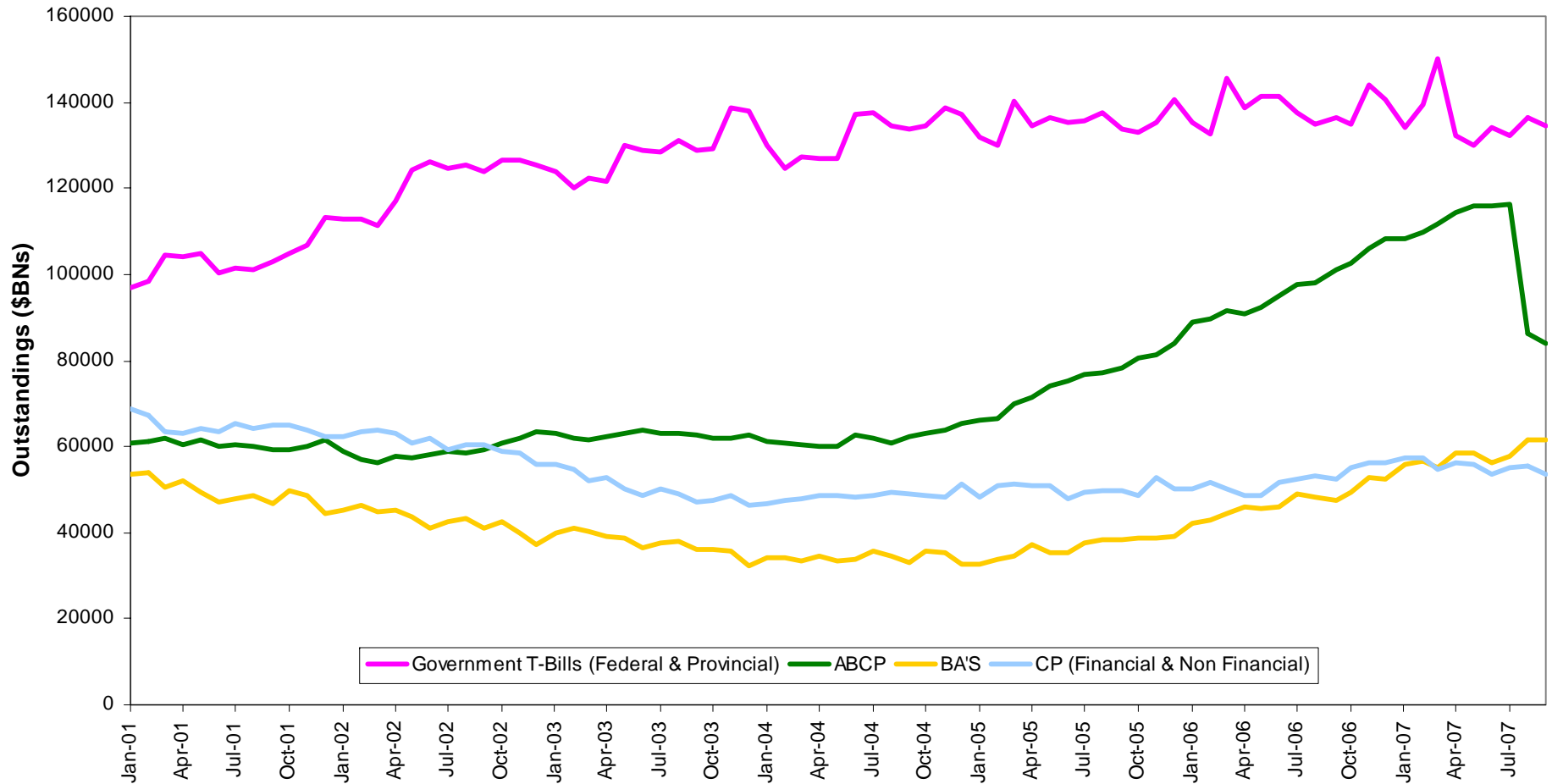


Problems may not peak for 12 months

Source: Merrill Lynch



Government T-bills, ABS, BA, CP

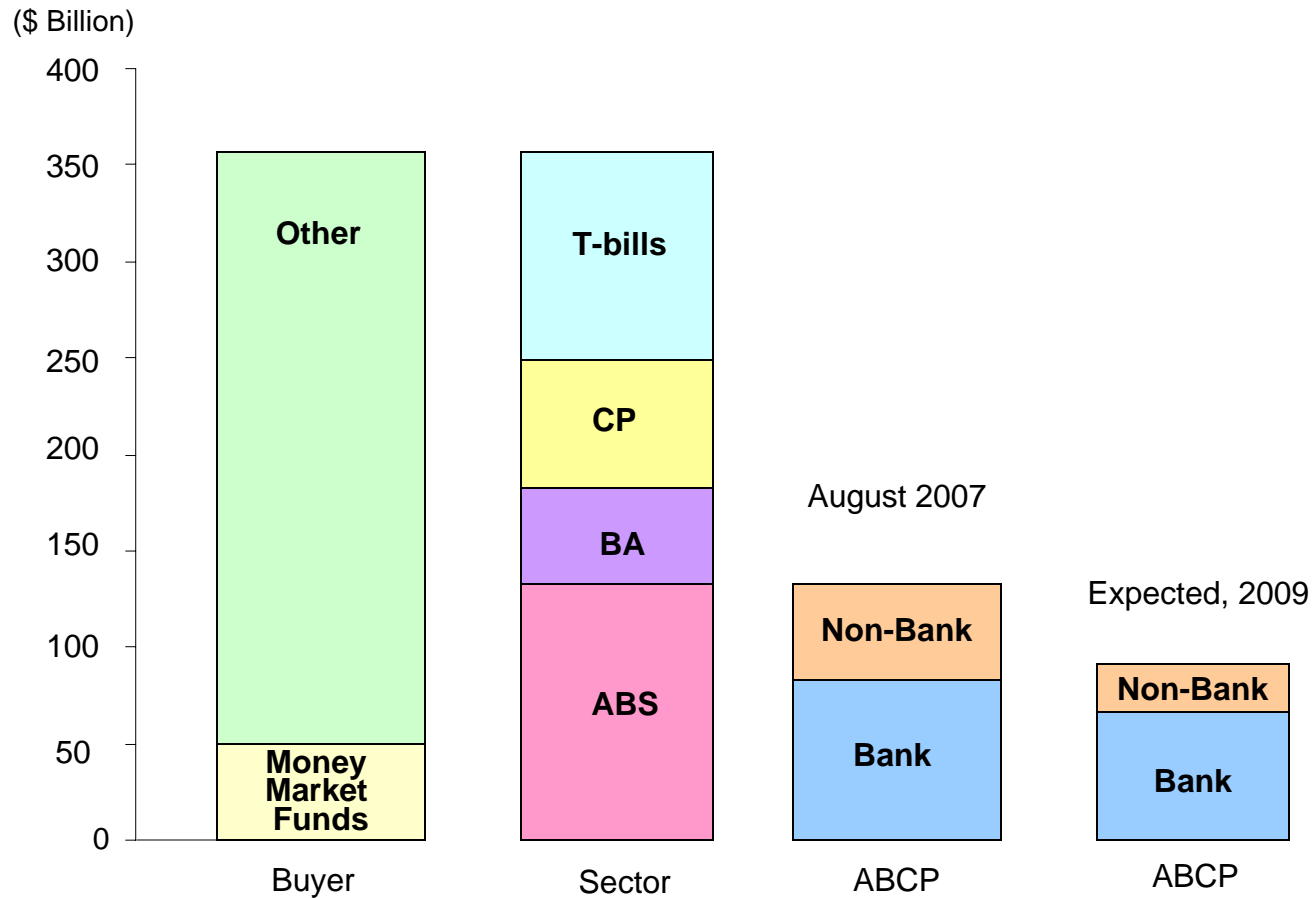


ABCP: a significant part of Canadian market

Source: Bank of Canada



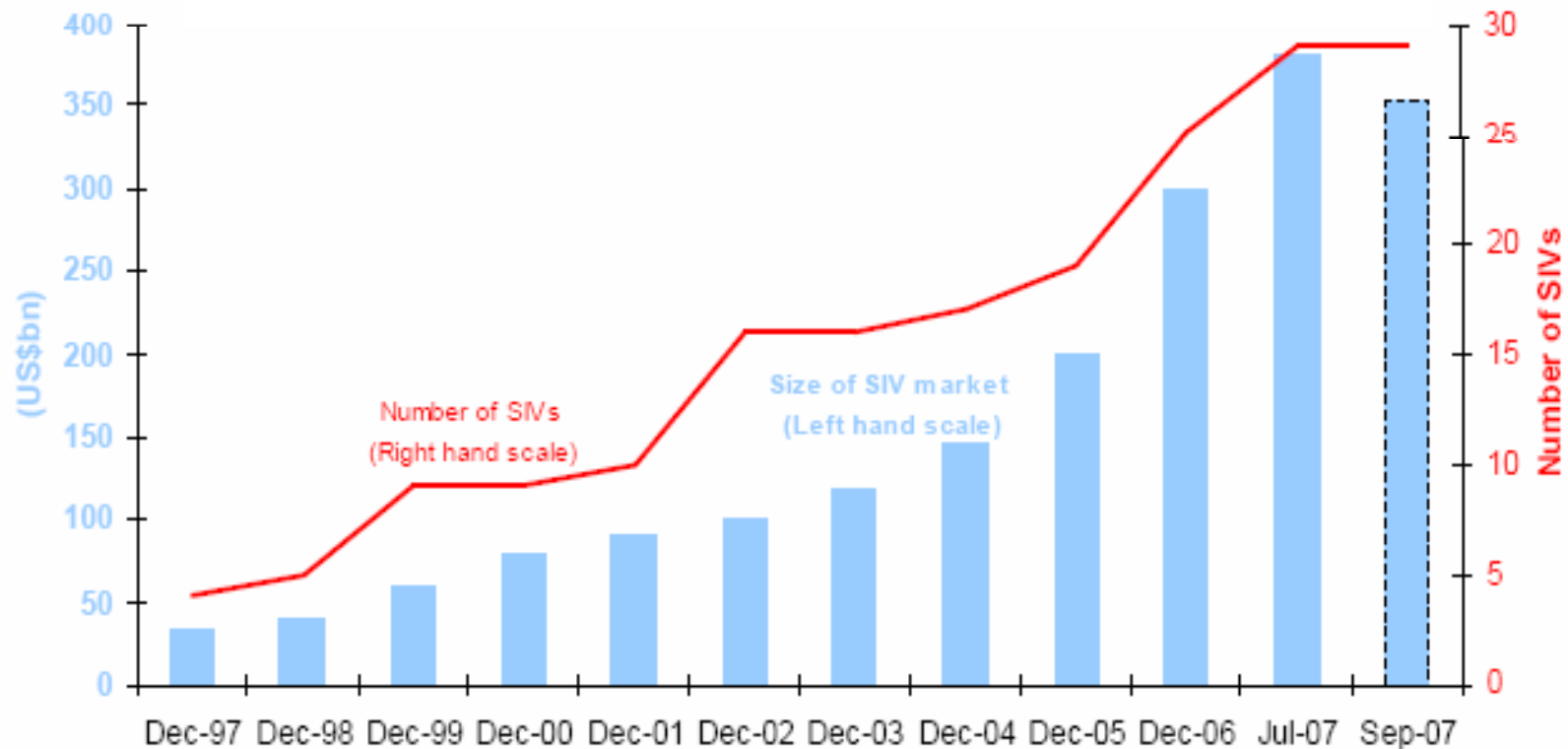
Government T-bills, ABS, BA, CP



ABCP outstandings to decline

Source: Bank of Canada, TDAM

U.S. SIV Market Development



U.S. SIV market equivalent to Canadian non-bank ABCP market

Source: Fitch, dated as of September 2007



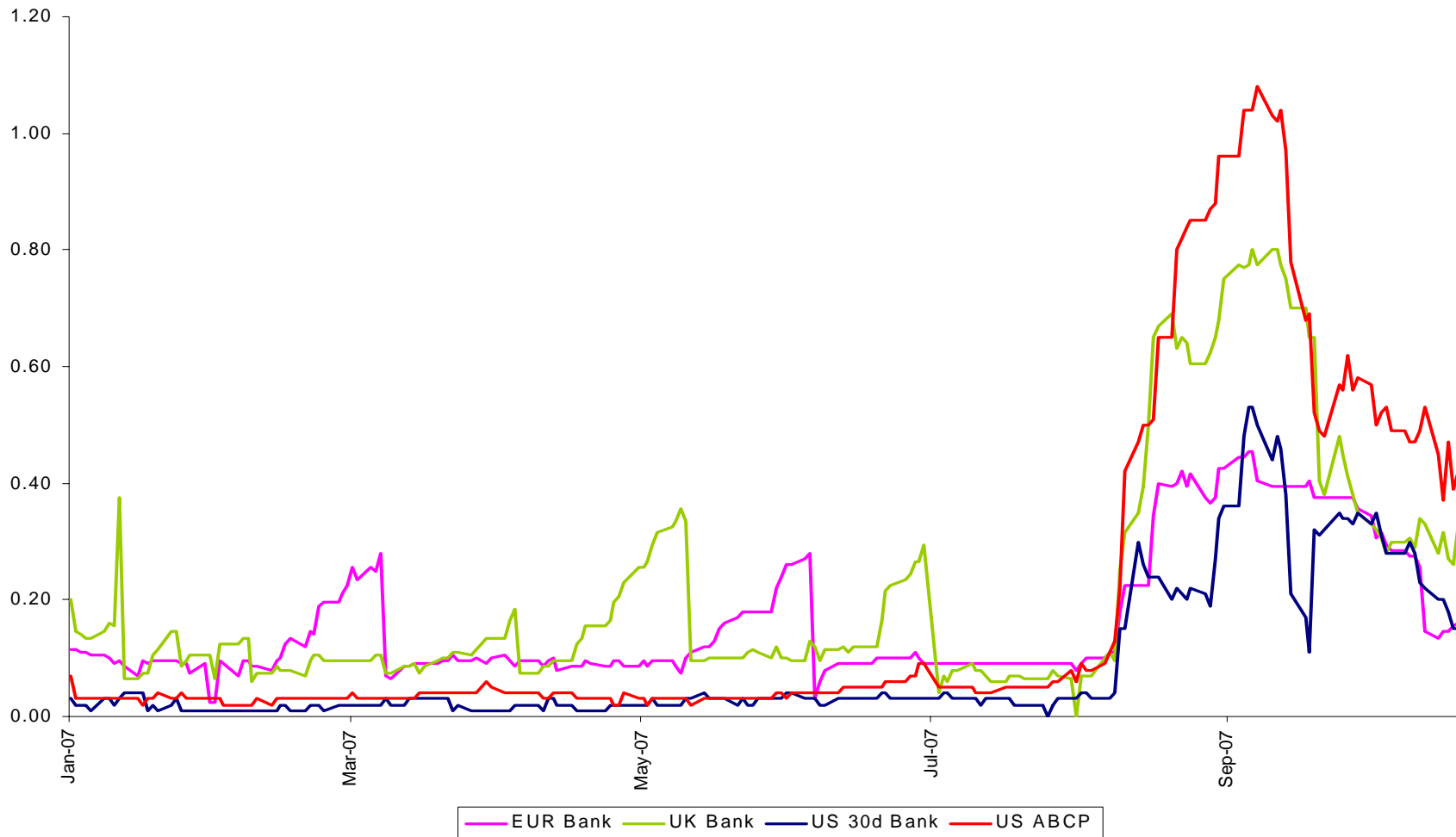
Canadian Money Market Spread vs. T-Bills



Disruption in Canada is unprecedented



Global Short Term Spreads

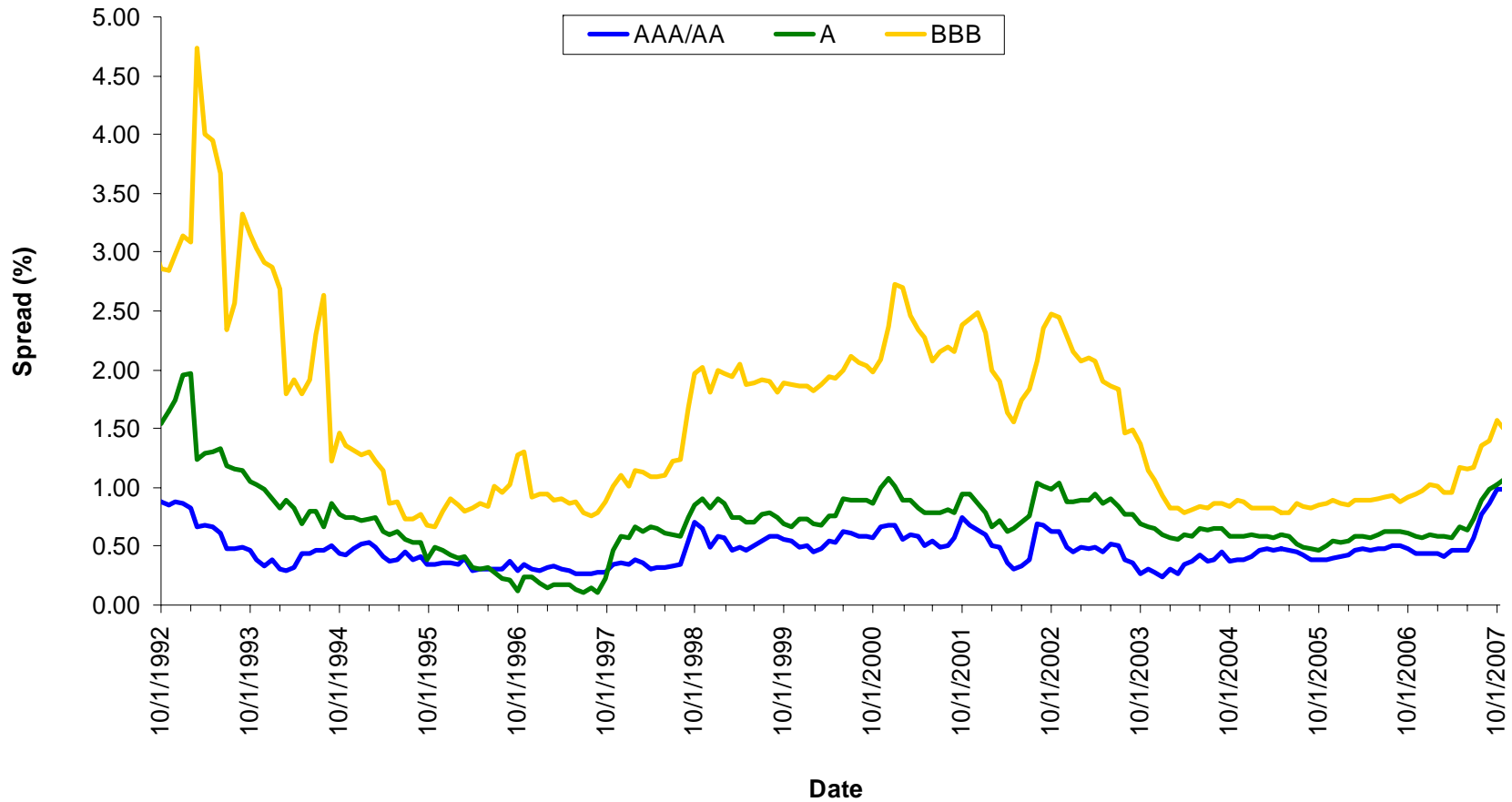


The disruption is global in nature



Canadian Corporate Spread History

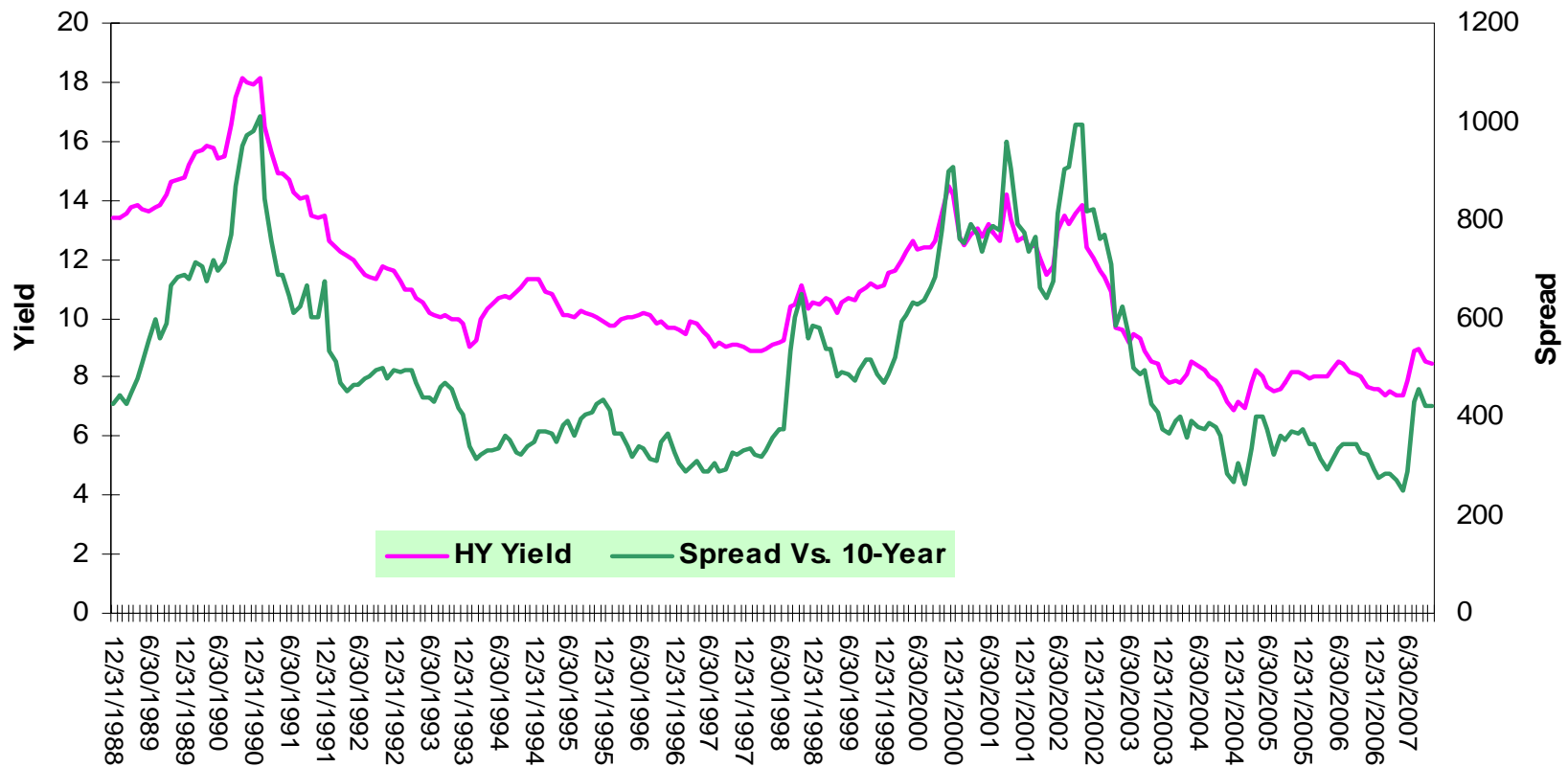
Mid Term Corporate Spreads vs Canada Portion of Index
as of October 18, 2007





U.S. High Yield

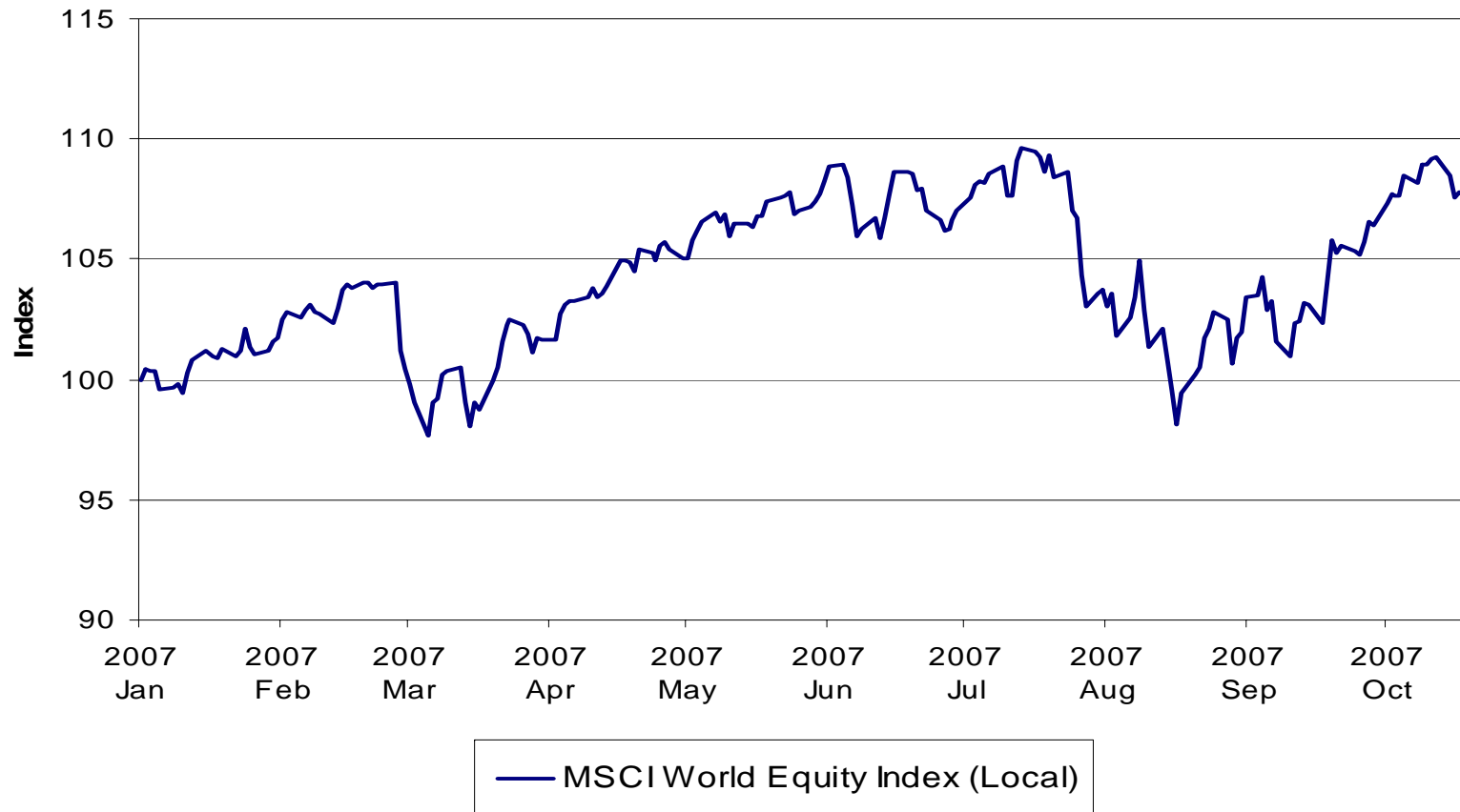
HISTORICAL SPREAD AND YIELD



High yield markets are not anticipating an economic crisis



Equity Markets



Global Equity markets are anticipating continued growth



Current Conditions

- U.S. Fed has aggressively cut rates
- Money Markets are starting to stabilize
- Equity markets are indicating continued global growth

BUT

- U.S. housing markets are uncertain but adjustable rate mortgages will be next at higher rates
- Weaker credits will have to pay higher price for capital
- Worries about long term inflation

Dislocation of Liquidity – The Fix

**Decline in
market confidence**

ADD



**Central Bank
Intervention**

+

**Decline in
investor demand**

ADD

**Increased Transparency
Stratification (MTL Accord)
Mark to Market (NOT Model)**

= Return to stability (over time)

Long term Outlook/Summary

- Continued global growth: Strong emerging economy weaker developed nations
- Strong Canadian fundamentals to cushion U.S. weakness
- Canadian Corporate balance sheets to withstand liquidity worries
- A slow and gradual return to a “normalized market”
- Canadian money markets to offer better value
 - More transparency
 - Higher spreads



Question & Answer

Analyze. Innovate. Create.



STRATEGIC INVESTMENT SOLUTIONS

ACTIVE, PASSIVE AND ALTERNATIVE INVESTMENTS

**BEST PRACTICES IN RISK MANAGEMENT AND
CONTROLS**



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