

2008 Annual Financial Report

TD FUNDSMART MANAGED
PORTFOLIOS

TD FUNDSMART MANAGED MAXIMUM
EQUITY GROWTH PORTFOLIO

December 31, 2008

**TD Managed
Assets Program**



TD Managed Assets Program

ANNUAL FINANCIAL REPORT

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March 20, 2009

Dear Investor,

Please find enclosed your copy of the 2008 Annual Financial Report for the TD Managed Assets Program*¹.

The enclosed 2008 Annual Financial Report includes financial statements as well as notes to financial statements, the auditors' report and information about all series of the Portfolio.

Should you have any questions about the TD Managed Assets Program, please contact any TD Canada Trust branch, TD Waterhouse*² or your Financial Advisor. Or call us toll-free at 1-800-386-3757 (English), 1-800-409-7125 (French) or 1-800-288-1177 (Chinese). You can also e-mail us at td.mutualfunds@td.com or visit www.tdassetmanagement.com.

Thank you for investing with us.

Sincerely,

A handwritten signature in black ink, appearing to read 'Timothy Pinnington', written over a horizontal line.

Timothy Pinnington
President
TD Mutual Funds

Mutual Fund Representatives with TD Investment Services Inc. distribute mutual funds at TD Canada Trust.

¹ TD Mutual Funds* and TD Managed Assets Program are managed by TD Asset Management Inc., a wholly-owned subsidiary of The Toronto-Dominion Bank.

² TD Waterhouse Canada Inc. is a subsidiary of The Toronto-Dominion Bank. TD Waterhouse Canada Inc. – Member CIPF.

* Trade-mark of The Toronto-Dominion Bank, used under license.

TD FUNDSMART MANAGED MAXIMUM EQUITY GROWTH PORTFOLIO (THE “PORTFOLIO”)

Management’s Responsibility for Financial Reporting

The accompanying financial statements have been prepared by TD Asset Management Inc. as Manager of the Portfolio and approved by the Board of Directors. The Manager is responsible for the integrity, objectivity and reliability of the data presented. This responsibility includes selecting appropriate accounting principles and making judgments and estimates consistent with Canadian generally accepted accounting principles. The Manager is also responsible for the development of internal controls over the financial reporting process which are designed to provide reasonable assurance that relevant and reliable financial information is produced and the safeguarding of all assets of the Portfolio.

The Board of Directors of TD Asset Management Inc. is responsible for reviewing and approving the financial statements and overseeing management’s performance of its financial reporting responsibilities.

PricewaterhouseCoopers LLP are the external auditors of the Portfolio. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report is included on the following page of this Annual Report.

On behalf of TD Asset Management Inc.,
Manager of the Portfolio



Timothy Pinnington
Director and President, TD Mutual Funds
February 26, 2009



Rudy Sankovic
Director and Chief Financial Officer
February 26, 2009

AUDITORS' REPORT

To the Unitholders and Trustee of:

TD FundSmart Managed Maximum Equity Growth Portfolio (the "Portfolio")

We have audited the accompanying statement of investment portfolio of the TD FundSmart Managed Maximum Equity Growth Portfolio (the "Portfolio") as at December 31, 2008, the statements of net assets as at December 31, 2008 and 2007 and the statements of investment operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Portfolio's manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Portfolio's manager, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Portfolio as at December 31, 2008 and 2007 and the results of its investment operations and changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

February 26, 2009

TD FUNDSMART MANAGED MAXIMUM EQUITY GROWTH PORTFOLIO

Statements of Net Assets *(in 000s except per unit amounts and number of units)*

as at December 31, 2008 and 2007

	2008	2007
Assets		
Investments at Fair Value (Note 2)	\$ 24,847	\$ 42,408
Cash	0	57
Subscriptions Receivable	11	105
Receivable for Investment Sales	131	88
	<u>24,989</u>	<u>42,658</u>
Liabilities		
Bank Overdraft	65	0
Accrued Liabilities	48	89
Redemptions Payable	23	37
Distributions Payable	0	26
Payable for Investment Purchases	0	4
	<u>136</u>	<u>156</u>
Net Assets	<u>\$ 24,853</u>	<u>\$ 42,502</u>
Net Assets Representing Unitholders' Equity		
Investor Series	\$ 22,975	\$ 38,212
Premium Series	\$ 575	\$ 2,429
Advisor Series	\$ 1,303	\$ 1,861
	<u>\$ 24,853</u>	<u>\$ 42,502</u>
Number of Units Outstanding		
Investor Series	3,407,518	3,807,104
Premium Series	78,476	224,085
Advisor Series	177,001	169,991
Net Assets Per Unit		
Investor Series	\$ 6.74	\$ 10.04
Premium Series	\$ 7.32	\$ 10.84
Advisor Series	\$ 7.36	\$ 10.95

The accompanying notes are an integral part of these financial statements.

TD FUNDSMART MANAGED MAXIMUM EQUITY GROWTH PORTFOLIO

Statements of Investment Operations *(in 000s except per unit amounts)*

for the periods ended December 31, 2008 and 2007

	2008	2007
Investment Income		
Income Distributions Received from Underlying Funds	\$ 503	\$ 284
Interest	1	1
Less: Withholding Taxes	(21)	(33)
	483	252
Expenses (Note 4)		
Management Fee	836	1,130
Independent Review Committee Fees	0	2
	836	1,132
Less: Waived Expenses	(0)	(2)
	836	1,130
Net Investment Income (Loss)	(353)	(878)
Net Realized Gain (Loss) on Sale of Investments	(2,036)	3,177
Net Change in Unrealized		
Appreciation/Depreciation of Investments	(10,903)	(5,339)
Capital Gains Distributions Received from Underlying Funds	0	306
Net Gain (Loss) on Investments	(12,939)	(1,856)
Increase (Decrease) in Net Assets from Investment Operations[†]	\$ (13,292)	\$ (2,734)
[†]Increase (Decrease) in Net Assets from Investment Operations		
Investor Series	\$ (11,999)	\$ (2,460)
Premium Series	\$ (666)	\$ (166)
Advisor Series	\$ (627)	\$ (108)
	\$ (13,292)	\$ (2,734)
Increase (Decrease) in Net Assets from Investment Operations - Per Unit		
Investor Series	\$ (3.28)	\$ (0.66)
Premium Series	\$ (3.87)	\$ (0.89)
Advisor Series	\$ (3.77)	\$ (0.70)

TD FUNDSMART MANAGED MAXIMUM EQUITY GROWTH PORTFOLIO

Statements of Changes in Net Assets *(in 000s except number of units)*

for the periods ended December 31, 2008 and 2007

	Investor Series	
	2008	2007
Net Assets, Beginning of the Period	\$ 38,212	\$ 42,349
Increase (Decrease) in Net Assets from Investment Operations	(11,999)	(2,460)
Capital Unit Transactions [†]		
Proceeds from Sale of Units	4,613	9,025
Reinvestments of Distributions	0	1,656
Early Redemption Fees	1	0
Amounts Paid on Redemptions	(7,852)	(10,676)
	(3,238)	5
Distributions to Unitholders		
From Net Realized Gains on Investments	0	(1,682)
Increase (Decrease) in Net Assets for the Period	(15,237)	(4,137)
Net Assets, End of the Period	\$ 22,975	\$ 38,212
†Capital Unit Transactions		
Units Outstanding, Beginning of the Period	3,807,104	3,790,378
Units Issued	530,219	805,188
Units Issued on Reinvestments	0	164,872
Units Redeemed	(929,805)	(953,334)
Units Outstanding, End of the Period	3,407,518	3,807,104

The accompanying notes are an integral part of these financial statements.

Premium Series		Advisor Series		TOTAL	
2008	2007	2008	2007	2008	2007
\$ 2,429	\$ 1,457	\$ 1,861	\$ 2,053	\$ 42,502	\$ 45,859
(666)	(166)	(627)	(108)	(13,292)	(2,734)
233	2,406	772	435	5,618	11,866
0	90	0	76	0	1,822
0	0	0	0	1	0
(1,421)	(1,268)	(703)	(519)	(9,976)	(12,463)
(1,188)	1,228	69	(8)	(4,357)	1,225
0	(90)	0	(76)	0	(1,848)
(1,854)	972	(558)	(192)	(17,649)	(3,357)
\$ 575	\$ 2,429	\$ 1,303	\$ 1,861	\$ 24,853	\$ 42,502
224,085	122,247	169,991	168,888		
22,766	200,068	81,269	36,068		
0	8,313	0	6,967		
(168,375)	(106,543)	(74,259)	(41,932)		
78,476	224,085	177,001	169,991		

TD FUNDSMART MANAGED MAXIMUM EQUITY GROWTH PORTFOLIO

Statement of Investment Portfolio

as at December 31, 2008

NO. OF UNITS	DESCRIPTION	COST	FAIR VALUE	% OF TOTAL NET ASSETS
EQUITY FUNDS				
CANADIAN EQUITY				
39,922	AGF Canadian Large Cap Dividend Fund, Series "O"	\$ 1,984,903	\$ 1,258,737	
333,523	Brandes Sionna Canadian Equity Fund, Class "I"	3,419,296	2,516,434	
288,029	Synergy Canadian Corporate Class, "I" Shares	3,216,289	2,511,610	
171,195	TD Canadian Small-Cap Equity Fund, Institutional Series	2,632,792	1,564,720	
		<u>11,253,280</u>	<u>7,851,501</u>	31.6
U.S. EQUITY				
170,205	TD U.S. Blue Chip Equity Fund, Institutional Series	2,639,035	1,964,165	
239,875	TD U.S. Large-Cap Value Fund, Institutional Series	2,741,795	1,964,576	
115,252	TD U.S. Mid-Cap Growth Fund, Institutional Series	1,538,019	1,251,633	
83,325	TD U.S. Small-Cap Equity Fund, Institutional Series	992,385	756,592	
		<u>7,911,234</u>	<u>5,936,966</u>	23.9
INTERNATIONAL EQUITY				
413,070	TD International Equity Growth Fund, Institutional Series	4,219,482	2,730,393	
171,396	Templeton International Stock Fund, Series "O"	3,707,473	2,658,349	
		<u>7,926,955</u>	<u>5,388,742</u>	21.7
GLOBAL EQUITY				
271,982	Brandes Global Equity Fund, Class "I"	3,942,932	2,205,777	
194,354	Brandes Global Small-Cap Equity Fund, Class "I"	2,703,181	1,263,130	
373,064	TD Global Multi-Cap Fund, Institutional Series	3,764,327	2,201,076	
		<u>10,410,440</u>	<u>5,669,983</u>	22.8
TOTAL INVESTMENT PORTFOLIO		<u>37,501,909</u>	<u>24,847,192</u>	100.0
Other Net Assets		5,312	5,312	0.0
TOTAL NET ASSETS		<u>\$ 37,507,221</u>	<u>\$ 24,852,504</u>	100.0

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. *The Portfolio* The TD FundSmart Managed Maximum Equity Growth Portfolio (the “Portfolio”) is an open-ended mutual fund trust established under the laws of Ontario and is governed by Amended, Consolidated and Restated Declarations of Trust dated October 26, 2007 (“Declarations of Trust”). The Portfolio invests exclusively in specified mutual fund trusts (“Underlying Funds”).

TD Asset Management Inc. (“TDAM”) is the manager, portfolio adviser and trustee of the Portfolio. TD Investment Services Inc. (“TDIS”) is the principal distributor of the Investor Series and Premium Series units of the Portfolio. Both TDAM and TDIS are wholly-owned subsidiaries of The Toronto-Dominion Bank (the “Bank”).

The Portfolio is authorized to issue an unlimited number of units of multiple series that rank equally and are available for sale under two separate simplified prospectuses, one for the Investor Series and Premium Series, and one for the Advisor Series. The various series offered by the Portfolio are as described below.

Investor Series: offered to investors on a no-load basis.

Premium Series: offered on a no-load basis to large investors with a minimum initial investment of \$250,000.

Advisor Series: offered to investors through registered brokers and dealers with either a front-end, back-end or low-load purchase option.

Each series of units is sold under differing purchase options and may have different management fees. The management fee rates for each series of the Portfolio are provided in Note 4.

In the year a series is established, “period” represents inception to December 31, and in all other cases “period” represents the year ended December 31.

The Investor Series of the Portfolio was established on November 12, 1998, the Premium Series was established on November 1, 2005, and the Advisor Series was established on November 30, 2001.

2. Summary of Significant Accounting Policies

Basis of presentation: These financial statements, prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), include estimates and assumptions by management that affect the reported amounts of assets, liabilities, investment income, expenses and gains and losses during the reporting period. Actual results may differ from these estimates.

Adoption of New Accounting Standards: On January 1, 2008, the Portfolio adopted *Canadian Institute of Chartered Accountants (“CICA”) Handbook - Accounting* Section 3862, “*Financial Instruments - Disclosures*” and Section 3863, “*Financial Instruments - Presentation*”. The new standards replaced *CICA Handbook* Section 3861, “*Financial Instruments - Disclosure and Presentation*”. The previous requirements relating to presentation of financial instruments have been carried forward unchanged. The new standards increase the emphasis on the disclosure of risks associated with financial instruments, how those risks are managed and require that sensitivity analysis be provided. Refer to Note 7 for discussion of financial risk management.

CICA Handbook Section 1535, “*Capital Disclosures*” establishes standards for disclosing information about an entity’s capital and how it is managed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Refer to Note 3 for a discussion on the Portfolio’s capital and how it is managed.

Net asset value (“NAV”) is the value of the total assets of a Portfolio less the value of its total liabilities at a Valuation Date (defined below) determined in accordance with Part 14 of National Instrument 81-106 – Investment Fund Continuous Disclosure (“NI 81-106”) for the purpose of processing unitholder transactions. Net assets (“net assets”) are determined in accordance with *CICA Handbook* Section 3855, “*Financial Instruments – Recognition and Measurement*” (“Section 3855”).

The following is a summary of significant accounting policies followed by the Portfolio in determining net assets for purposes of these financial statements.

(i) *Valuation of Investments* Investments are deemed to be held for trading in accordance with Section 3855, and therefore are recorded at fair value.

Bid prices are not available for the Underlying Funds held by the Portfolio since these investments are valued at the series’ NAV per unit at the end of each Valuation Date (as defined below). Therefore, the investments in the Underlying Funds are valued using the series’ NAV per unit.

The Portfolio invests in underlying mutual funds and therefore does not incur transaction costs. However, the underlying mutual funds held by the Portfolio may be subject to transaction costs and therefore the Portfolio may indirectly incur transaction costs.

The change in net excess (shortfall) of the market value of investments (including unrealized gains and losses on foreign exchange) over (under) the total average cost of the investments is included as Net Change in Unrealized Appreciation/Depreciation of Investments in the Statements of Investment Operations.

(ii) *Investment Transactions, Income and Expenses* The cost of investments represents the amount paid for each security, and is determined on an average cost basis. Investment transactions are accounted for as of the trade date. Realized and unrealized gains and losses from investment transactions are calculated on an average cost basis. Interest income and expenses are accrued daily, and expenses are accrued separately to each series, while income, gains and losses are allocated to each series based on their respective NAV.

(iii) *Distributions from Underlying Funds* Distributions received from Underlying Funds out of interest, foreign income and related withholding taxes, Canadian dividends and net realized capital gains are recognized when declared.

(iv) *Other Assets and Liabilities* Interest receivable, dividends receivable, subscriptions receivable, receivable for investment sales and other net assets are designated as loans and receivables and recorded at cost or amortized cost. Similarly, accrued liabilities, redemptions payable, payable for investment purchases, and other liabilities are designated as other financial liabilities and reported at cost or amortized cost. Cost or amortized cost approximates fair value for these assets and liabilities.

(v) *Translation of Foreign Currencies* The fair value of investments and other assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the rate of exchange which is current on the Valuation Date (as defined below).

The Underlying Funds' investment portfolios may consist of securities that are traded in foreign markets. The proceeds on the sale of such securities will be realized in the respective currency. Unhedged foreign currency positions are subject to gains and losses due to fluctuations in the respective exchange rates.

Purchases and sales of investments in foreign currencies and foreign currency dividend and interest income are translated into Canadian dollars at the rate of exchange on the respective date of the transaction.

(vi) *Valuation of the Portfolio* TDAM usually calculates the NAV per series unit for the Portfolio as at 4 p.m. (Eastern time) on each day that the Toronto Stock Exchange is open for trading, but in some circumstances, it may be calculated at another time. Each day on which a NAV is calculated is referred to as a Valuation Date ("Valuation Date").

A separate NAV is calculated for each series of units of the Portfolio by taking the series' proportionate share of the Portfolio's common assets less that series' proportionate share of the Portfolio's common liabilities and deducting from this amount all liabilities that relate solely to that specific series. The NAV per series unit is determined by dividing the NAV of each series of the Portfolio by the total number of units of that series outstanding.

(vii) *Increase (Decrease) in Net Assets from Investment Operations Per Unit* The Increase (Decrease) in Net Assets from Investment Operations Per Unit reported on the Statements of Investment Operations is calculated as the increase (decrease) in net assets from investment operations attributed to each series of units, divided by the weighted average number of units of that series outstanding during the period.

Future Accounting Change: In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian standards and interpretations for publicly accountable enterprises effective January 1, 2011, which includes investment funds. The Portfolio will adopt IFRS on January 1, 2011. Management has commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS and is in the process of developing a changeover plan, which will include identifying differences between the Portfolio's current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact. Management has presently determined that the impact of IFRS would be limited to additional note disclosures and that there would be no significant impact to NAV per unit as a result of the changeover to IFRS. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

3. *Unitholders' Equity* Units of the Portfolio, which are redeemable at the option of the unitholders in accordance with the provisions of the Declarations of Trust, do not have any nominal or par value and the number of units which may be issued is unlimited. Units are issued or redeemed on a daily basis at the NAV per series unit next determined after the purchase order or redemption request, respectively, is received by TDAM. Purchases and redemptions include units exchanged from one series to another series within the Portfolio.

Units issued and outstanding represent the capital of the Portfolio. The Portfolio does not have any specific capital requirements on the subscription and redemption of units, other than minimum subscription requirements. Changes in the Portfolio's capital during the period are reflected in the Statements of Changes in Net Assets. The Manager is responsible for managing the capital of the Portfolio in accordance with their investment objectives and in managing their liquidity in order to meet redemption requests as discussed in Note 7.

4. *Management Fees and Other Expenses (000s)*

Series	Management Fees		Other Expenses		Waived Expenses	
	2008	2007	2008	2007	2008	2007
Investor Series	\$ 766	\$ 1,039	\$ 0*	\$ 2	\$ 0*	\$ 2
Premium Series	32	44	0*	0*	0*	0*
Advisor Series	38	47	0*	0*	0*	0*

*Less than \$500

The Portfolio pays TDAM a management fee for the investment management and portfolio administration provided on behalf of the Portfolio. The management fee is a variable fee dependent upon the amount of all other fees and expenses that are paid by the Portfolio.

The Management Expense Ratios (“MER”) of the Portfolio are capped such that the MER of the Investor Series cannot exceed 3.20 percent, the MER of the Premium Series cannot exceed 2.45 percent and the MER of the Advisor Series cannot exceed 3.30 percent. The maximum management fee is the amount that would be necessary to reach the cap, when combined with all expenses of the Portfolio and its share of the Underlying Funds’ expenses.

Management Fees For Periods Ended December 31 (%)

Series	Year	Portfolio	Underlying	Total
Investor Series	2008	2.31	0.44	2.75
	2007	2.36	0.40	2.76
Premium Series	2008	1.83	0.44	2.27
	2007	1.88	0.40	2.28
Advisor Series	2008	2.31	0.44	2.75
	2007	2.36	0.40	2.76

All operating expenses of the Portfolio are paid for by TDAM, including securityholder reporting costs, custodian, legal, filing and audit fees, bank charges, borrowing costs and all taxes.

Pursuant to National Instrument 81-107, an Independent Review Committee (“IRC”) was appointed on April 26, 2007 and became operational effective September 19, 2007. Costs and expenses associated with the Portfolio’s IRC, including the remuneration of committee members, the costs of legal and other advisors to, and legal and other services for, committee members, and insurance costs are chargeable to the Portfolio, and TDAM fully reimburses the Portfolio for such costs and expenses.

5. *Brokerage Commissions and Soft Dollars* The Portfolio did not incur any brokerage commissions in 2008 and 2007 to execute transactions in the Underlying Funds, nor did it receive any investment or research services from brokers in exchange for commissions paid by the Portfolio.

Certain of the Underlying Funds have incurred brokerage commissions, a portion of which may have been received by the Underlying Funds’ investment advisers in the form of investment or research services (“soft dollars”). Amounts for each Underlying Fund are disclosed in the Underlying Funds’ annual financial statements, where ascertainable.

6. *Tax Status* The Portfolio qualifies as a mutual fund trust under the *Income Tax Act* (Canada).

All or substantially all of the net income for tax purposes and net taxable capital gains realized in any year are distributed to unitholders such that no income tax is payable by the Portfolio.

The Portfolio has accumulated the following net realized capital losses/non-capital losses which are available for utilization against net realized gains or net investment income as applicable for tax purposes in future years as follows. Capital losses have no expiry, non-capital losses can be carried forward for up to twenty years.

Capital (000s)	Non-Capital (000s) (year of expiry)
\$1,482	2028 \$284

7. *Financial Risk Management* The Portfolio is exposed to a variety of financial risks: market risk (including interest rate risk, currency risk, and other price risk), credit risk and liquidity risk. The manager seeks to reduce these risks by diversifying investments across the three main asset classes: money market investments for safety, bonds for income and equity investments for growth. Since different types of investments tend to move independently from one another, positive performance in one asset class can help offset negative performance in another, thereby reducing volatility and overall risk in the long-term.

The Portfolio is managed in accordance with its investment objectives, generally within specific asset class ranges as set out in the Portfolio’s simplified prospectus.

The Portfolio follows a long-term strategic asset allocation plan, which involves setting an asset allocation policy, selecting investments for each asset class, and periodically rebalancing the asset allocation of the Portfolio in accordance with its investment objectives.

Asset Allocation: This first step involves diversifying portfolio investments among several different investment categories or asset classes in order to optimally match the investment objectives and risk tolerances of the Portfolio with reasonable expectations for capital market behaviour. The Portfolio uses strategic asset allocation where the time horizon of an investment in the Portfolio is assumed to be long-term in nature. As a result, asset mix changes are infrequent and are usually in response to: changes in the risk profile or return objective; altered long-term expectations about one or several asset classes; or the emergence of a new class of assets not previously included. TDAM portfolio managers conduct a comprehensive analysis of the long-term risk and return relationships for the key asset categories - broadly defined as equity, fixed income and cash or cash equivalents. They then determine the optimal mix of these categories in order to try to maximize the potential returns given the risk tolerance of the Portfolio.

Fund Selection: The Underlying Funds are selected based on the strategic asset allocation decisions made in the asset allocation phase. Underlying Funds are evaluated using both quantitative and qualitative processes. On the quantitative side, the TDAM portfolio managers look for performance consistency and attractive risk-adjusted returns. This is complemented with qualitative analysis where the TDAM portfolio managers look for a consistent and credible investment process performed by a quality management team working in a stable organization. The TDAM portfolio managers conduct on-site visits of the top candidates and meet with the management teams. Only the funds with strong managers and consistent long-term performance at an appropriate level of risk are included in the Portfolio.

Portfolio Review: The Portfolio is automatically adjusted or rebalanced on a regular basis to keep its asset mix in line with its investment objectives. In addition, the TDAM portfolio managers regularly monitor the markets and economic conditions, existing asset allocation, and the individual Underlying Funds in the Portfolio. Although the Portfolio may be subject to short-term market volatility, the Portfolio is designed for long-term investment. A long-term focus prevents revisions to the Portfolio's asset allocation in reaction to short-term market fluctuations. However, when required, the selection of individual Underlying Funds and the weightings of the Underlying Funds within the Portfolio will be adjusted to increase potential returns and/or reduce risk.

(i) *Interest Rate Risk* Interest rate risk arises from the possibility that changes in interest rates will affect the future cash flows or the fair value of interest-bearing investments.

The Portfolio is exposed to interest rate risk to the extent of the interest-bearing financial instruments held by the Underlying Funds. Underlying Funds' exposure to interest rate risk is concentrated in their investments in debt securities (such as bonds and debentures) and interest rate derivative instruments, if any. Short-term investments, currencies, and other assets and liabilities held by the Portfolio and the Underlying Funds are short-term in nature and/or non-interest bearing and not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

(ii) *Currency Risk* Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than the Portfolio's functional currency, which is the Canadian dollar. The Portfolio's direct exposure to currency risk is minimal as the units of the Underlying Funds held are valued in Canadian dollars. The Portfolio may be exposed to indirect currency risk in the event that the Underlying Funds invest in financial instruments that are denominated in a currency other than the Canadian dollar.

(iii) *Other Price Risk* Other price risk is the risk that securities will fluctuate in value because of changes in other prices (other than those arising from interest rate risk or currency risk).

All security investments present a risk of loss of capital. The maximum risk is determined by the fair value of the securities held by the Portfolio.

As at December 31, 2008, had the benchmark of the Portfolio increased or decreased by 5 percent, with all other variables held constant, the net assets of the Portfolio would have increased or decreased by approximately:

Benchmark	Impact on net assets (\$000)	Impact on net assets %
75% MSCI World Index Net Dividend (C\$), 25% S&P/TSX Composite Total Return Index	1,367	5.50

LEGEND

MSCI – Morgan Stanley Capital International
S&P/TSX – Standard and Poor’s/Toronto Stock Exchange

In practice, the actual trading results may differ from the above approximate sensitivity analysis amounts and the differences could be material.

(iv) *Credit Risk* Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Portfolio’s main credit risk concentration is in debt securities and trading derivative instruments held by the Underlying Funds. All debt securities and trading derivative instruments held by the Underlying Funds as at December 31, 2008 were listed financial instruments with the exception of foreign currency derivative contracts.

(v) *Liquidity Risk* Liquidity risk is defined as the risk that the Portfolio may not be able to settle or meet its obligations on time or at a reasonable price.

The Portfolio is exposed to daily cash redemptions of redeemable units. Units are redeemable on demand at the then current NAV per series unit at the option of unitholders. Liquidity risk is the possibility that a portfolio will not be able to convert its investments to cash when it needs to. As required by applicable securities legislation, the Portfolio maintains at least 90 percent of its assets in liquid investments (i.e. investments that are traded in active markets and can be readily disposed of). The Underlying Funds invest the majority of their investments in instruments that are traded in an active market and can be readily disposed of. In addition, the Portfolio retains sufficient cash and cash equivalents to maintain liquidity, and has the ability to borrow up to 5 percent of its NAV for the purpose of funding redemptions.

8. *Other Reports* The most recent set of financial statements of the Underlying Funds are available, without charge, by writing to:

TD Managed Assets Program
c/o TD Asset Management Inc.
TD Canada Trust Tower, 35th Floor
161 Bay Street
Toronto, Ontario
M5J 2T2

TD Asset Management Inc.

How to contact us

TD Investment Services Clients

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