

# Sharing of Knowledge Learning Series 2024

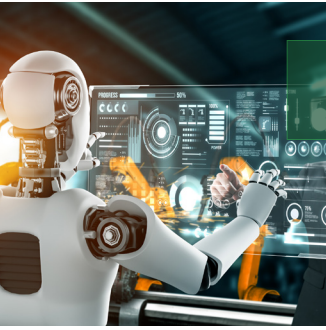


**The Sharing of Knowledge Learning Series is the annual event of TD Global Investment Solutions dedicated to discussing some of the most important current topics in the world of investing.** Held in eight cities across Canada – Vancouver, Calgary, Winnipeg, Regina, Edmonton, Saskatoon, Quebec City, Montreal - the 21<sup>st</sup> edition of SOKLS was a premiere regional event where institutional leaders from TD Asset Management Inc. (TDAM) and Epoch Investment Partners, Inc. (TD Epoch) shared thought-provoking insights and industry trends with current and prospective clients.

---

**This year's SOKLS event focused on two key areas:** what AI developments will mean for investors and how to structure private infrastructure deals.





# AI Is the New Macro: Implications for Investors

AI is a transformative technology that will be the key investment theme over the next decade. It brings with it a great deal of uncertainty, as well as many challenges and opportunities for investors.

The technology is expected to disrupt the labour market: jobs will change rather than disappear and new professions will appear. This is normal - 60% of current occupations didn't exist 80 years ago.

AI will also boost productivity. By 2035, an increase in productivity of 10% to 15% is forecasted as a result of innovations to activities such as writing, coding and call center work. AI productivity improvements will also come from product innovation – there will be entirely new goods, services and even sectors.

In this new landscape, superstar firms are expected to emerge, powered by economies of scale and network effects. These are firms which operate along all the layers of the AI stack: platforms, semiconductors and applications. The rise of these firms will produce increased market concentration or the so-called “winner takes most” paradigm.

As the center of the innovation economy, the U.S. will likely continue to attract the majority of the world's private investment in AI, thanks to its emphasis on encouraging innovation and keeping regulations light.

Despite America's historic aversion to regulation, the field of AI will need some degree of regulation in various jurisdictions worldwide as concerns mount over ethical and other implications of the technology. The challenge for governments is to protect consumers without strangling innovation.

This new digital economy is expected to have a profound impact not only on equities, but on all asset classes, including infrastructure and other alternatives. The first thing investors will have to do is budget for the uncertainty around AI's evolution. Thousands of companies are already developing what they hope will be killer apps, but it's impossible to tell which startups will be the next leviathans and whether the current titans will stumble.

This is why investors shouldn't fall for shiny promises of future earnings, as these promises may or may not be realized. Rather than betting on speculative growth, investors should favour companies which have free cash flow with high sustainable margins as well as a track record of delivering return on invested capital well above the weighted average cost of capital.

# Investments



# The Road Ahead: Sourcing and Structuring Infrastructure in a Competitive Market

Institutional investors have been adding private real assets such as infrastructure to their portfolios over the past two decades, given the diversification and other benefits they provide. However, as the market has become more competitive, acquiring assets has become more difficult.

The infrastructure sector has seen unprecedented growth since the global financial crisis of 2008, which demonstrated the critical importance of having alternatives in a portfolio. These assets are typically uncorrelated to other asset classes, they provide a hedge against inflation, and they offer long-term, stable, risk-adjusted returns. More than a decade later, the COVID-19 pandemic reinforced that lesson: many alternative assets, including infrastructure, remained resilient amid the turmoil.

Today, as the global economy grapples with climate change and deglobalization, the need for new infrastructure continues to grow. Power grids that are decarbonizing and require stability and supply chains are one area where significant investment in infrastructure is occurring, driving growth in renewable energy, energy storage and transportation assets.

This global transition has translated into even more opportunities for investment. In fact, the menu of investment options has never been more diverse. But, as a result, the infrastructure market has become ever more saturated and competitive, making the sourcing of deals and the creation of robust portfolios particularly challenging. If interest rates remain higher for longer, these sourcing difficulties will be exacerbated.

This kind of environment might look daunting even to the most sophisticated institutional investors - and certainly to smaller institutions which lack the resources of their larger counterparts. To navigate this unusually competitive market, investors need to know how to uncover unique deals and structure transactions. Successful infrastructure managers leverage relationships, on-the-ground local resources and creativity in sourcing and structuring infrastructure investments.

# Opportunity

## For more detail

To learn more about these topics, please contact your relationship manager, who can share thought leadership on AI and infrastructure.



For Consultants, please contact [Brendan.O'Brien@td.com](mailto:Brendan.O'Brien@td.com).



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. 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.

This material is not an offer to any person in any jurisdiction where unlawful or unauthorized. These materials have not been reviewed by and are not registered with any securities or other regulatory authority in jurisdictions where we operate.

Any general discussion or opinions contained within these materials regarding securities or market conditions represent our view or the view of the source cited. Unless otherwise indicated, such view is as of the date noted and is subject to change. Information about the portfolio holdings, asset allocation or diversification is historical and is subject to change.

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.

TD Global Investment Solutions represents TD Asset Management Inc. ("TDAM") and Epoch Investment Partners, Inc. ("TD Epoch"). TDAM and TD Epoch are affiliates and wholly-owned subsidiaries of The Toronto-Dominion Bank.® The TD logo and other TD trademarks are the property of The Toronto-Dominion Bank or its subsidiaries.