

## Fund Manager Commentary

As of December 31, 2023

### Fund Highlights

- Primarily invests in income producing securities including corporate debt securities, mortgage related securities, asset-backed securities, government securities (both U.S. government securities and foreign sovereign debt), and preferred stocks
- Expanded opportunity set provides the flexibility to react to market dislocations
- Broadly diversified by sector, resulting in multiple sources of return potential and low correlation to traditional asset classes
- Duration management is used as a risk mitigation tool; seeks to avoid taking large duration positions due to the difficulty in predicting interest rates
- Active management and security selection are focused on building a high conviction portfolio

### Market Recap

The fourth quarter of 2023 witnessed capital markets posting strong results, primarily driven by the pause in interest rate hikes. Real GDP growth among major, developed market economies, were weaker than the U.S. Japan, the U.K., and the European Union all posted negative growth in the third quarter. However, among emerging market economies, China, India, and most of the developing Asian countries had stronger growth in the third quarter after struggling during the first half of the year.

### Portfolio Review

The Touchstone Dynamic International ETF (NAV) underperformed its benchmark, the MSCI ACWI Ex-U.S. Index, for the quarter ended December 31, 2023. TDI's sub-advisor, Los Angeles Capital Management, LLC assumed day-to-day management duties on December 11, 2023.

For the period October 1 to December 8, 2023, the Fund's prior sub-advisor, Wilshire Associates, managed the Fund as the Touchstone Dynamic Allocation Fund (Class A Shares Load Waived), which underperformed its first benchmark, the MSCI ACWI but outperformed its second benchmark, the Bloomberg U.S. Universal Index over this time.

The Touchstone Dynamic Allocation Fund underperformed the ACWI due to a 40 percent allocation to fixed income funds during a market environment when equities outperformed fixed income. The aforementioned pause in interest rate hikes by global central banks led to a rally in risk assets in November and December. As the Fund transitioned from the Dynamic Allocation Fund to TDI

in December, underweight to cyclical and riskier segments of the MSCI ACWI Ex-U.S. Index such as Materials and Financials represented a modest relative performance headwind for TDI.

### Outlook and Conclusion

We are reminded especially in periods like these of the importance of the steady hands of financial professionals, trust in your investment strategy, and the risks of trying to time the market. Furthermore, we believe that environments that are more volatile create more opportunity for active managers to add value, especially those that are Distinctively Active with high Active Share.

<sup>†</sup>Fort Washington is a member of Western & Southern Financial Group

Performance data quoted represents past performance, which is no guarantee of future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than performance data given. **For performance information current to the most recent month-end, visit <https://www.westernsouthern.com/touchstone/etfs/dynamic-international-etf>.**



**Fund Facts** (As of 12/31/23)

| Symbol                   | Inception Date        | CUSIP     | Exchange | Annual Fund Operating Expense Ratio |       |
|--------------------------|-----------------------|-----------|----------|-------------------------------------|-------|
|                          |                       |           |          | Total                               | Net   |
| TDI                      | 09/30/04              | 89157W608 | Nasdaq   | 1.11%                               | 0.65% |
| <b>Total Fund Assets</b> | <b>\$53.3 Million</b> |           |          |                                     |       |

Expense ratio is annualized. Data as of the current prospectus. Touchstone Advisors has contractually agreed to waive a portion of its fees and/or reimburse certain Fund expenses in order to limit certain annual fund operating expenses (excluding Acquired Fund Fees and Expenses "AFFE," and other expenses, if any) to 0.65%. These expense limitations will remain in effect until at least 10/29/24.

**Total Returns** (As of 12/31/23)

|                  | 4Q23   | YTD    | 1 Year | 3 Year | 5 Year | 10 Year | Inception |
|------------------|--------|--------|--------|--------|--------|---------|-----------|
| ETF NAV          | 10.97% | 17.21% | 17.21% | 1.10%  | 6.73%  | 4.41%   | 5.49%     |
| ETF Market Price | 10.89% | 17.12% | 17.12% | 1.08%  | 6.71%  | 4.40%   | 5.49%     |
| Benchmark        | 9.75%  | 15.62% | 15.62% | 1.55%  | 7.08%  | 3.83%   | 5.65%     |

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Investing involves risk, principal loss is possible. Unlike mutual funds, ETFs may trade at a premium or discount to their net asset value. Touchstone ETFs are new and have limited operating history to judge. Shares are bought and sold at market price not net asset value (NAV). Market price returns are based upon the consolidated market price and do not represent the returns you would receive if you traded shares at other times.

The indexes mentioned are unmanaged statistical composites of stock market or bond market performance. Investing in an index is not possible. Unmanaged index returns do not reflect any fees, expenses or sales charges.

**A Word About Risk**

The Fund invests in equities which are subject to market volatility and loss. The Fund invests in preferred stocks which are relegated below bonds for payment should the issuer be liquidated. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing their price to decline. The Fund invests in foreign securities, including depositary receipts, such as American Depositary Receipts, Global Depositary Receipts, and European Depositary Receipts, which carry the associated risks of economic and political instability, market liquidity, currency volatility and accounting standards that differ from those of U.S. markets and may offer less protection to investors. Touchstone exchange-traded funds (ETFs) are actively managed and do not seek to replicate a specific index. ETFs are bought and sold through an exchange at the then current market price, not net asset value (NAV), and are not individually redeemed from the fund. Shares may trade at a premium or discount to their NAV when traded on an exchange. Brokerage commissions will reduce returns. There can be no guarantee that an active market for ETFs will develop or be maintained, or that the ETF's listing will continue or remain unchanged.

The Adviser engages a sub-adviser to make investment decisions for the Fund's portfolio; it may be unable to identify and retain a sub-adviser who achieves superior investment returns relative to other similar sub-advisers. Events in the U.S. and global financial markets, including actions taken to stimulate or stabilize economic growth may at times result in unusually high market volatility, which could negatively impact Fund performance and cause it to experience illiquidity, shareholder redemptions, or other potentially adverse effects. Financial institutions could suffer losses if interest rates rise or economic conditions deteriorate. The Fund uses proprietary statistical analyses and models to construct the portfolio, models can perform differently than the market as a whole. The Fund may be more or less exposed to a risk factor than its individual holdings. Quantitative models are subject to technical issues which could adversely affect their effectiveness or predictive value.

The Fund's investments in other investment companies will be subject to substantially the same risks as those associated with the direct ownership of the securities comprising the portfolios of such investment companies, and the value of the Fund's investment will fluctuate in response to the performance of such portfolios. In addition, if the Fund acquires shares of investment companies, shareholders of the Fund will bear their proportionate share of the fees and expenses of the Fund and, indirectly, the fees and expenses of the investment companies or ETFs. Current and future portfolio holdings are subject to change.

Please consider the investment objectives, risks, charges and expenses of the ETF carefully before investing. The prospectus and the summary prospectus contain this and other information about the Fund. To obtain a prospectus or a summary prospectus, contact your financial professional or download and/or request one at [TouchstoneInvestments.com/resources](https://www.TouchstoneInvestments.com/resources) or call Touchstone at 833.368.7383. Please read the prospectus and/or summary prospectus carefully before investing.

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