

Fund Manager Commentary

As of March 31, 2024

Fund Highlights

- Invests primarily in equity securities of non-U.S. companies domiciled in both developed and emerging markets
- Employs an adaptive quantitative investment process, the Dynamic Alpha Stock Selection Model®, to build equity portfolios that adapt to market conditions
- Believes that investor attitudes towards key investment risk change over the course of a market cycle and are a key determinant in explaining security returns
- Primarily invests in a fully transparent portfolio that will generally hold between 100 - 140 names

Market Recap

Investor sentiment was strong going into January, but few forecasted the extent of the equity rally in which indexes in the U.S., Europe and Japan hit all-time highs at the end of March. Strong market returns were due in part to the Federal Reserve's (Fed) decision to keep rates steady, citing at the time slower inflation among other things. However, with the expectation for rate cuts now in flux thanks to stronger-than-anticipated inflation in the U.S. reported in April, the Fed's June rate decision will be closely monitored, as will the European Central Bank's (ECB) activity, as many believe their hiking phase is over. Meanwhile, Emerging Markets were positive for the quarter but underperformed their developed counterparts as confidence in China's struggling economy waned and major central banks adjusted their policy positions accordingly.

Momentum was the strongest performing factor for the quarter as continuity of returns increased over the last 12 months. Some of this behavior is derived from the ongoing outperformance of the Information Technology (IT) sector, which has been positively impacted by surging interest in artificial intelligence (AI). Additionally, the potential of AI to boost productivity within a broader segment of the economy may be propelling stronger market returns in areas that could at first seem unrelated. Companies quick to adopt new technologies may be poised for further outperformance.

Portfolio Review

The Touchstone Dynamic International ETF (NAV) outperformed its benchmark, the MSCI ACWI Ex-U.S. Index, for the quarter ended March 31, 2024.

Overall, much of the first quarter of 2024 was marked by a resumption of the outperformance of large growth stocks. Growth-

oriented sectors, such as IT and Consumer Discretionary, led the way. The growth theme contributed to the outperformance of the portfolio in two key areas. At the fundamental level, exposure to stocks with strong fundamentally based momentum, robust long term growth expectations, favorable sentiment within the analyst community, and higher quality management are each reflective of the portfolio's growth positioning and were key drivers of outperformance for the period. Moreover, an overweight to the AI-sensitive Semiconductors & Semiconductor Equipment industry group added positively to excess return.

Notably, valuation within the global equity market was also rewarded. On a sector level, Financials and Energy both fared well. As a result, exposure to value themes also added to return, particularly the portfolio's exposure to companies favorably valued on a balance sheet basis. Market participants rewarded size during the quarter and the portfolio's modest exposure to smaller sized firms within the benchmark held performance back during the period.

The largest stock contributors were Novo Nordisk A/S (Health Care, Denmark), ASML Holdings NV (Information Technology, Netherlands), and Honda Motor Co (Consumer Discretionary, Japan). The portfolio's overweight to Novo Nordisk A/S was a contributor to return over the period. This health care company soared after reporting positive results for its obesity treatments. Novo is attractively valued given its growth prospects and robust management quality characteristics. Also, the portfolio benefited from an overweight to ASML Holdings due to its high management success and its fundamentally driven momentum. The company rallied during the period after reporting sales for its high-end chips climbed. Finally, an overweight to Honda Motor Co., the Japanese automaker, added to performance during the quarter. The company is favored by the analyst community and has favorable valuation characteristics.

(continued)

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>.**



The largest stock detractors were Toyota Motor Corp (Consumer Discretionary, Japan), Tokyo Electron (Information Technology, Japan), and A.P. Moller–Maersk (Industrials, Denmark). The Fund held an average underweight in Toyota Motor Corp., the Japanese carmaker, due to its poor exposure to management success relative to peers. The Fund’s average underweight to Tokyo Electron detracted from performance as the company rallied during the period after raising its revenue and profit forecasts. The company reported that sales to Chinese customers contributed to half of its revenue, and it expects strong demand from China through 2025. During the quarter, the Fund’s average overweight to A.P. Moller–Maersk detracted from performance as the shipping company projected a more challenging environment ahead during its recent earnings report.

Overall, the Fund slightly added to its overweight positioning to growth-oriented sectors, such as Information Technology and Consumer Discretionary, as robust long term growth characteristics continue to be favored by investors. Additionally, the strategy shifted out of Utilities during the period due to its less favorable fundamental profile.

Outlook and Conclusion

Moving forward investors will be closely watching inflation rates and monitoring central bank actions. The strategy is entering second quarter with an overweight to quality businesses across the globe. The strategy is also positioned toward companies with fundamental momentum. These are firms whose fundamental exposures have been justified by their price action. While the preference for valuation is more muted in North America and Europe, investors are more bullish on value characteristics within Japan and the Emerging Markets. Though market participants are favoring size globally, a shift from this positioning could occur if an acceleration in global growth becomes a higher probability event.

We expect the Fund to continue to embrace companies globally with characteristics investors are rewarding today. Currently, the Fund is embracing firms with higher quality attributes. Should the global economic outlook improve, and earnings expand broadly, we would expect the Fund to begin embracing firms with riskier attributes globally.



Fund Facts

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio	
				Total	Net
TDI	12/08/23	89157W608	Nasdaq	1.79%	0.65%
Total Fund Assets	\$56.3 Million				

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 04/29/25.

Total Returns

	1Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
ETF NAV	8.34%	8.34%	21.51%	3.14%	6.62%	5.03%	5.85%
ETF Market Price	8.28%	8.28%	21.35%	3.10%	6.59%	5.01%	5.84%
Benchmark	4.69%	4.69%	13.26%	1.94%	5.97%	4.25%	5.83%

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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.

Top 10 Holdings of Fund

	(% of Portfolio)		(% of Portfolio)
1 ASML Holding NV	3.6	6 Dreyfus Gov Cash	2.1
2 Novo Nordisk A/S	3.5	7 Fast Retailing Co. Ltd.	2.0
3 Intesa Sanpaolo SpA	2.5	8 Dollarama Inc.	2.0
4 Industria de Diseno Textil SA	2.5	9 Credicorp Ltd.	1.8
5 Constellation Software Inc.	2.4	10 Tokyo Gas Co. Ltd.	1.8

Source: BNY Mellon Asset Servicing

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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