Touchstone Dividend Select ETF





U.S. Equity – Large-Cap Value

Actively Managed, Fully Transparent ETF

2Q/2024

Fund Manager Commentary

As of June 30, 2024

Fund Highlights

- Dividend-focused strategy invests primarily in U.S. large capitalization companies that:
 - Historically paid consistent, growing dividends
 - Have sustainable competitive advantages, which have the potential to support reliable, growing dividends with reasonable valuations
- · Seeks to invest in businesses that trade at reasonable valuations compared to their intrinsic value
- Focuses on businesses that are believed to have a sustainable competitive advantage or a high barrier to entry in place

Market Recap

The economy has continued to grow at a robust pace throughout the first half of 2024. Healthy job and wage gains coupled with significant increases in net worth have supported recent spending as excess savings from pandemic era programs are now largely exhausted. The labor market has become more balanced in recent months and the unemployment rate has moved modestly higher to 4.1% compared to last year's low of 3.4%. While this slowing should put downward pressure on inflation, it could also lead to a larger decline in consumption.

Amid continued strength in the economy and softening in the labor market, inflation has remained volatile and investors have maintained their focus on the Federal Reserve (Fed) and when the U.S. can expect rate cuts. Forecasts for the path of the federal funds rate have varied meaningfully this year and are likely to continue as new economic data is released. Inflation came into the year near the Fed's 2% target on a 6-month basis but upside surprises for the first few months of 2024 sparked concerns around elevated inflation. While inflation worries are still present, recent data has renewed faith that inflation will move lower and the larger trend remains intact. The Fed's preferred gauge of inflation, Core Personal Consumption Expenditure Price Index, is at a yearly rate of 2.6%, down from 4.7% last May. While continued progression should increase the Fed's confidence to cut, they have emphasized the desire to move slowly and stay data dependent.

The market is anticipating 2 to 3 interest rate cuts in the second half of the year with consensus forecasts pointing toward continued growth and leading to a 'soft landing'. As a result, equity markets have moved higher and interest rates appear to have stabilized following recent inflation reports. The equity market remains bifurcated as enthusiasm around artificial intelligence (AI) boosted mega-cap technology names while value and dividend-oriented stocks underperform.

Portfolio Review

The Touchstone Dividend Select ETF (NAV) outperformed its benchmark, the Russell 1000 Value Index for the quarter ended June 30, 2024.

Security selection was the primary driver of outperformance during the quarter while sector allocation also contributed, albeit to a lesser extent. The dividend orientation of the strategy was a modest positive factor for the quarter as dividend paying stocks outperformed non-dividend paying stocks.

Selection within Information Technology, Materials, and Communication Services were the primary drivers of positive security selection during the quarter. Selection within Consumer Staples and Health Care was the largest detractors to security selection. An overweight to Information Technology was the primary contributor to positive sector allocation.

The largest individual contributors to relative performance were overweight positions in Broadcom, Apple, KLA Corp, Microsoft, and Qualcomm (all Information Technology sector).

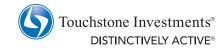
Broadcom continued to move higher during the quarter. The stock rose following its better than expected second quarter earnings release, largely driven by increased demand for its AI products.

KLA Corp experienced a similar quarter, with the stock gaining during the quarter after the company reported better than expected earnings and an optimistic outlook. KLA is expected to be an AI beneficiary as new AI capabilities drive upgrade cycles in smartphones and PCs, resulting in increased demand for the process control equipment sold by KLA.

Apple outperformed during the second quarter after being an underperforming stock in the first quarter. The company reported better than expected earnings and upbeat guidance during the quarter that led to a wave of price target increases from analysts.

(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/dividend-select-etf.



DVND

Several factors contributed to the positive sentiment around Apple during the period, including better than expected sales in China, an increased share buyback program, and increased investment in AI.

The largest detractors from performance were overweight exposures to Stanley Black & Decker (Industrials sector), CVS (Health Care sector), Starbucks (Consumer Discretionary sector), Dollar General (Consumer Staples sector), and Intel (Information Technology sector).

Stanley Black & Decker underperformed during the quarter despite reporting quarterly results that met investor expectations as a weakening consumer backdrop weighed on the shares. Stanley remains a high conviction position in the Fund as the company continues to execute on its inventory reduction and cost cutting initiatives.

Starbucks reported second quarter results that missed expectations and led to a 16% drop in the stock the following day. Softening consumer spending and sluggish growth in international markets pressured sales during the period and led to lower guidance.

Like Stanley Black & Decker and Starbucks, Dollar General underperformed during the period as slowing consumer spending weighed on the stock.

Portfolio activity during the quarter was average. The Fund added two new names during the quarter.

The Fund initiated a position in Becton Dickinson (Health Care sector) during the quarter. Becton Dickinson is a diversified, non-cyclical medical device business with high barriers to entry and a high degree of recurring revenue. They've faced a few headwinds over the past 5 years, resulting in a sideways stock over that time. They've since alleviated several of those headwinds, resulting in a compelling entry point for a business with ~40% upside to fair value. They're also a dividend aristocrat, having raised the dividend annually for the past 52 years.

Analog Devices (Information Technology sector) was also added to the Fund during the quarter. Analog Devices is the second largest analog semiconductor company with high barriers to entry based on its economies of scale in research & development / distribution and customer captivity due to its high switching costs. The stock had been a relative underperformer as sales have been cyclically weak as customers reduced orders to below end-market demand levels in order to reduce excess inventory in Industrial, Communications and other end markets. We expect the cycle will turn, leading to strong growth and profits as sales rise to reflect true end market demand.

There were no material sector changes during the quarter beyond modest differences due to market performance. Information Technology remains the largest sector overweight, while Financials, Energy, and Industrials are the largest underweights.

Outlook and Conclusion

Investor attention will remain on inflation forecasts and the implications for the amount and timing of future rate cuts. Although we expect inflation to continue its gradual trajectory toward 2%, progress is slowing as we near the target due to service inflation. The Fed continues to emphasize data dependence and,

because the labor market is currently balanced, they have the luxury of remaining patient. The Fed's most recent forecast shows one 25 basis point cuts this year and 100 basis points next year which implies the policy rate will remain restrictive for some time.

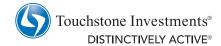
While higher rates haven't appeared to impact the economy as meaningfully as past cycles, recent data suggests current rates are still curbing aggregate demand. Consumer spending slowed in the first quarter and looks poised to continue below trend in the second quarter. Stress can be seen in lower income cohorts as delinquencies are rising, and have the potential to keep increasing, now that pandemic era savings have been depleted. Higher rates and elevated service inflation will continue to force more Americans to reduce discretionary spending.

The lagged effects of monetary policy along with tight lending standards and geopolitical risks present downside risks to current economic trends. However, most companies are financially stable having termed out debt at low rates, providing them room to weather the current environment. Separately, the consumer has been able to stay resilient despite the Fed trying to restrict growth. This positive consumer and corporate backdrop has resulted in markets anticipating a soft landing, especially as they expect the Fed to cut rates later this year.

We believe consumers will face increased challenges going forward, but the magnitude and impact to the economy is unclear. Separately, the U.S. elections could have significant implications for the deficit, inflation, and growth over the next couple years.

Although risks remain, the economic outlook is positive. As such, we remain constructive on U.S. equities but acknowledge nearterm headwinds exist and valuations have become stretched in certain sectors of the market. We are maintaining a cautious stance due to stretched valuations for the market but are selectively finding bottom-up opportunities. We are prioritizing high barrier to entry companies with high returns on capital while seeking to upgrade valuation where possible.

Following the material outperformance of growth-oriented stocks, dividend strategies are a compelling option as earnings begin to converge while the valuation discount remains at historically attractive levels. Dividend strategies have the potential to provide both capital appreciation and a growing stream of income while also providing downside risk mitigation through lower volatility during times of distress.





Fund Facts

Annual Fund Operating	
Expense Ratio	

Symbol	Inception Date	CUSIP	Exchange	Total	Net
DVND	08/02/22	89157W103	NYSE Arca	1.22%	0.68%
Total Fund A	Assets \$33.3 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 0.67%. These expense limitations will remain in effect until at least 04/29/25.

Total Returns

	2Q24	YTD	1 Year	Inception
ETF NAV	-0.34%	6.06%	13.50%	11.58%
ETF Market Price	-0.41%	6.10%	13.41%	11.60%
Benchmark	-2.17%	6.63%	13.06%	9.75%

Benchmark - The Russell 1000® Value Index measures the performance of thoseRussell 1000 companies with lower price-to-book ratios and lower expected arowth values.

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/

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)

 1 Dreyfus Gov Cash
 4.5

 2 Microsoft Corp.
 4.2

 3 Broadcom Inc.
 2.8

 4 Oracle Corp.
 2.7

 5 KLA Corp.
 2.4

Source: BNY Mellon Asset Servicing

		(% of Portfolio)
6	Qualcomm, Inc.	2.3
7	Apple, Inc.	2.3
8	Texas Instruments Inc.	2.2
9	Bank of America Corp.	2.2
10	BlackRock Inc.	2.1

The Frank Russell Company (FRC) is the source and owner of the data contained or reflected in this material and all trademarks and copyrights related thereto. The material may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a Touchstone Investments presentation of the data, and FRC is not responsible for the formatting or configuration of this material or for any inaccuracy in the presentation thereof.

A Word About Risk

The Fund invests in equities which are subject to market volatility and loss. The Fund invests in stocks of large-cap companies which may be unable to respond quickly to new competitive challenges. The Fund invests in dividend-paying companies. There is no guarantee that the companies in which the Fund invests will declare dividends in the future or that dividends, if declared, will remain at current levels or increase over time. Securities that pay dividends may be sensitive to changes in interest rates, and as interest rates rise or fall, the prices of such securities may fall.

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's service providers are susceptible to cyber security risks that could result in losses to a Fund and its shareholders. Cyber security incidents could affect issuers in which a Fund invests, thereby causing the Fund's investments to lose value. The Fund invests in value stocks which may not appreciate in value as anticipated or may experience a decline in value. 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 Touchstonelnvestments.com/resources or call Touchstone at 833.368.7383. Please read the prospectus and/or summary prospectus carefully before investing.

Touchstone ETFs are distributed by **Foreside Fund Services, LLC**

A registered broker-dealer and member FINRA

Touchstone is a member of Western & Southern Financial Group

Not FDIC Insured | No Bank Guarantee | May Lose Value