

Fund Manager Commentary

As of December 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

Global equities delivered another year of stellar gains, led in large part by large cap U.S. stocks. However, the picture was less rosy outside of the U.S. with the MSCI ACWI Ex-U.S. Index declining by -7.6% during the fourth quarter of 2024. European equities retreated during the period due to recession fears and political instability in France and Germany. Additionally, Emerging Market equities weakened as investors grew concerned with the potential impact of trade tariffs with the incoming U.S. administration. However, Taiwan continued to be a bright spot within Emerging Markets due to the artificial intelligence-related semiconductor rally.

Portfolio Review

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

During the quarter, the Fund's portfolio benefited from its positioning towards companies with fundamentally driven momentum and towards firms with favorable earnings support from the analyst community. Additionally, an overweight to companies trading at favorable valuations contributed to performance. However, an overweight to companies with robust long-term growth prospects and strong earnings quality profiles detracted from performance as investors penalized these fundamental characteristics.

Among the largest stock contributors were: Sea Ltd (Communications Services sector, Singapore). During the quarter, an overweight to Sea Ltd added to performance, as the e-commerce company reported third quarter revenue that beat consensus estimates.

Alibaba Group Holding (Consumer Discretionary sector, China). The portfolio benefited from its underweight to Alibaba Group Holding, as the company reported revenue that underwhelmed investors. Additionally, the company has been impacted by reduced consumer spending in China. The Fund's portfolio did not hold Alibaba during the quarter, hence the underweight.

Nestle (Consumer Staples sector, Switzerland). The portfolio benefitted from not holding Nestle, as shares of the company struggled during the quarter after naming a new CEO and cutting its full-year guidance.

Among the largest stock detractors were Novo Nordisk A/S (Health Care sector, Denmark). The Fund's portfolio was hurt by its overweight to the drug maker as the company's experimental obesity treatment fell short of expectations.

Adani Green Energy Ltd (Utilities sector, India). The Utility company's shares tumbled during the quarter after U.S. prosecutors allege that the founder was involved in a bribery scheme to win Indian solar energy contracts. The exposure to the company held back performance during the quarter.

Barrick Gold Corp (Materials sector, Canada). During the period, the average overweight to the company detracted from performance after reporting earnings that missed analyst expectations.

Overall, the Fund's portfolio reduced its underweight to Industrials as the sector saw improving fundamental momentum and an increase in earnings quality. Additionally, the portfolio extended its underweight to Energy during the period due to its lack of analyst support and less favorable long-term valuation.

(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>.**



Outlook and Conclusion

Given diverging economic paths from country to country, we expect diverging monetary policy globally, with the European Central Bank and Bank of England likely to ease and the Bank of Japan expected to raise rates. While many macro risks dissipated in the second half of 2024, several new ones are likely to materialize in 2025, including heightened geopolitical uncertainty. Lastly, the potential of new tariffs weighing on corporate cost and revenue structures will lead to unforeseen consequences and greater geopolitical uncertainty. We continue to monitor investors' outlook of the global economy and how that will change their preference towards riskier attributes globally.

We continue to prefer quality businesses that are delivering strong cash earnings and operating efficiently. The Dynamic Alpha Model also maintains a preference for firms that have been steadily growing revenue and are expected to continue growing over the next three to five years. Naturally, these firms trade at a premium valuation based on traditional value factors and are also unlikely to be the target of short sellers, as measured by the Model's Short Sentiment factor. Lastly, the Model has a slight preference for larger cap companies across the globe whose strong returns can be justified by fundamentals.



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	\$49.4 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

	4Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
ETF NAV	-6.89%	6.60%	6.60%	1.49%	4.52%	4.54%	5.54%
ETF Market Price	-5.92%	6.56%	6.56%	1.45%	4.50%	4.53%	5.54%
Benchmark	-7.60%	5.53%	5.53%	0.82%	4.10%	4.80%	5.64%

Benchmark - MSCI ACWI Ex-US Index

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From time to time, the investment adviser may waive some fees and/or reimburse expenses, which if not waived or reimbursed, will lower performance. Returns assume reinvestment of all distributions. Returns are not annualized for periods less than one year.

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	Taiwan Semiconductor Manufacturing Co. Ltd.	3.1	6	Novartis AG	2.4
2	Intesa Sanpaolo SpA	2.9	7	Asustek Computer Inc.	2.3
3	Novo Nordisk A/S	2.8	8	Tencent Holdings Ltd.	2.3
4	Sea Ltd.	2.6	9	Oversea-Chinese Banking Corp. Ltd.	2.3
5	Industria de Diseno Textil SA	2.5	10	Swiss Re AG	2.3

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 or call Touchstone at 833.368.7383. Please read the prospectus and/or summary prospectus carefully before investing.

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