Touchstone Dividend Select ETF

DVND

Sub-Advised by: Fort Washington Investment Advisors, Inc.

U.S. Equity – Large Cap Value | Actively Managed, Fully Transparent ETF | 1Q/2025

Fund Manager Commentary

As of March 31, 2025

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

Uncertainty was the dominant theme in markets during the first quarter, driven largely by shifting policies under the new administration. Evolving trade policies and escalating tensions with key trading partners created an added layer of complexity for businesses, impacting corporate planning and investment decisions. At the same time, consumer sentiment showed signs of softening, with investors reassessing the potential impact of new policies on spending behavior.

This growing lack of clarity combined with rising inflation concerns have created uncertainty around the trajectory of U.S. economic growth, prompting economists to revise their 2025 GDP forecasts. However, it is worth emphasizing that much of the deterioration so far has been reflected in soft data, surveys, sentiment indicators, and business confidence, rather than hard economic metrics like GDP or employment.

Increased policy uncertainty and renewed growth fears led to a risk off tone for financial markets as interest rates declined and risk assets underperformed. Equities were volatile as the S&P 500 briefly entered correction territory from mid-February highs and ended the quarter down 4.3%.

Portfolio Review

The Touchstone Dividend Select ETF (NAV) underperformed its benchmark, the Russell 1000 Value Index for the quarter ended March 31, 2025.

Security selection was a positive contributor to relative performance during the period while sector allocation was negative. The dividend orientation of the Fund was positive for the quarter as dividend paying stocks outperformed non-dividend paying stocks.

Selection within Industrials, Consumer Discretionary, and Health Care sectors were the primary drivers of positive security selection during the quarter. Selection within Materials and Financials sectors were the largest detractors to security selection. An overweight to the Information Technology sector was the primary detractor to sector allocation.

The largest individual contributors to relative performance included overweight positions in CVS Health Corp (Health Care sector), Philip Morris (Consumer Staples sector), American Tower Corp (Real Estate sector), AT&T (Communication Services sector), and Yum Brands (Consumer Discretionary sector).

CVS reported quarterly results that were better than expected, sending its shares 15% higher for its best 1-day gain since 1999. The company also provided an upbeat outlook that exceeded investor expectations following several quarters of disappointing results, specifically within its Aetna business.

Philip Morris outperformed during the quarter, driven by stronger-than-expected fourth quarter results and fiscal year 2025 guidance that exceeded consensus expectations. Performance was supported by robust growth in its smoke-free portfolio, along with modest gains in combustible cigarette sales and profits. The company continues to see significant growth potential in its multi-category smoke-free business, with products like Zyn (nicotine pouches) expanding overall nicotine consumption occasions.

American Tower Corp outperformed as interest rates moved lower during the quarter, supporting the stock given the high sensitivity of REITs to interest rates.

The largest detractors from performance included overweight exposures to Broadcom (Information Technology sector), Microsoft (Information Technology sector), Apple (Information

(continued)

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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.***

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Technology sector), and Las Vegas Sands (Consumer Discretionary sector), and an underweight to Berkshire Hathaway (Financials sector; not held in the Fund).

Broadcom, Microsoft, and Apple all underperformed with a similar theme as Information Technology shares lagged the broader market during the quarter following several years of strong growth.

During the quarter, the Fund swapped names within the Utilities sector, selling Entergy and adding Southern Company. Southern Company is a regulated utility that operates in regions with both favorable regulatory backdrops and areas where population is growing in Georgia, Alabama, and Mississippi. Entergy was eliminated from the portfolio following strong outperformance over the last year and subsequently full valuation.

There were no material sector changes during the quarter. The Fund's Information Technology sector allocation remains the largest sector overweight, while Financials, Energy, and Industrials sector allocations are the largest underweights.

Outlook and Conclusion

Stocks extended declines in March as renewed economic uncertainty took hold, driven by the threats and implementation of tariffs on imported goods. Growth stocks—particularly the "Magnificent 7"—suffered outsized losses, with the S&P 500 falling 5.6% and the tech-heavy Nasdaq dropping 8.1%. From the market high in mid-February to the low in mid-March, the S&P 500 fell 10.1%, putting it into correction territory before gaining back 1.6% into month-end. Investor sentiment weakened further on concerns that tariffs will dampen demand and weigh on future growth. To date, the softer economic signals have come primarily from soft data, such as sentiment surveys, rather than hard data like employment or consumption figures. However, the balance could shift quickly.

The implications of the Trump administration's tariff policies remain uncertain in scale but clear in direction. Tariffs are likely to act as a drag on economic momentum, disrupting supply chains and curbing consumption where businesses pass through higher input costs to consumers. Country-based reciprocal tariffs announced April 2nd exceeded most forecasts and additional product-specific tariffs are still to come (semiconductors, pharmaceuticals, and potentially more). As a result of these new and anticipated developments, we expect elevated market volatility and persistent pressure on consumer and business confidence as policy clarity remains elusive.

Tariffs continue to dominate investor focus, but concerns about the durability of artificial intelligence (AI)-related demand are also front and center. While near-term enthusiasm remains high, markets are becoming somewhat skeptical about the long-term trajectory of AI infrastructure investment. On trade, the Administration appears committed to a long-term rebalancing of the U.S. role in global commerce. That path is unlikely to be quick or orderly. Volatility is likely to remain a feature of this evolving environment. Fortunately, the economy is entering this period from a position of relative strength, with many consumer spending indicators still showing resilience. As always, we will be closely monitoring incoming data—especially around consumption and business activity.

We remain constructive on U.S. equities but acknowledge near-term headwinds exist and aggregate market valuations do not fully compensate for such. 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 protection through lower volatility during times of distress.

Looking ahead, key factors to watch include potential shifts in fiscal policy, the Federal Reserve's (Fed) response to evolving macroeconomic conditions, and the extent to which business and consumer sentiment translates into actual spending and business activity. If uncertainty persists or tariffs escalate into larger trade wars, it will likely manifest in weaker hard data. That said, a dovish Fed reaction or a pivot on trade policy could help restore some confidence and support domestic growth.

Fund Facts

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio Total	Net
DVND	08/02/22	89157W103	NYSE Arca	1.17%	0.50%
Total Fund Assets	**$35.2 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 0.49%. These expense limitations will remain in effect until at least 04/29/26.

Total Returns

	1Q25	YTD	1 Year	Inception
ETF NAV	2.08%	2.08%	7.02%	11.12%
ETF Market Price	2.11%	2.11%	6.95%	11.14%
Benchmark	2.14%	2.14%	7.18%	10.64%

Benchmark - Russell 1000® Value Index

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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.

Top 10 Holdings of Fund

		(% of Portfolio)
1	Dreyfus Gov Cash	3.8
2	Microsoft Corp.	3.5
3	Philip Morris International	2.6
4	Broadcom Inc.	2.4
5	Apple, Inc.	2.3
6	AT&T Inc.	2.2
7	Johnson & Johnson	2.2
8	Wells Fargo & Co.	2.2
9	Medtronic PLC	2.2
10	Cisco Systems Inc.	2.2

Source: BNY Mellon Asset Servicing

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

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 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 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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