Touchstone International Equity ETF

TLCI

Sub-Advised by: The London Company

International – Large Cap Core | Actively Managed, Fully Transparent ETF | 2Q/2025

Fund Manager Commentary

As of June 30, 2025

Fund Highlights

- The Fund targets high quality, competitively advantaged companies exhibiting the key drivers of downside risk mitigation: consistently high and improving returns on capital and strong balance sheets
- The Fund invests in companies trading at attractive discounts to intrinsic value as determined by the sub-adviser's proprietary Balance Sheet Optimization valuation process in an effort to reduce forecast risk
- The Fund invests in 25-40 high-conviction companies with a long-term ownership mindset resulting in high active share and low turnover

Market Recap

Global equity markets rallied and broadened in second quarter, with strong gains across developed and emerging markets. The quarter started with volatility following the April 2nd Liberation Day tariff announcement by the U.S. administration. Global markets sharply plunged but quickly reversed course as deadlines were pushed out to allow for negotiation avoiding the worst-case outcome. Trends established in the first quarter continued, rising global equity markets and a weaker U.S. dollar, bolstering international market returns. International markets outpaced the U.S. market with the MSCI EAFE, enhanced by a weak U.S. dollar that contributed significantly to the quarterly return.

Economic indicators across Eurozone, U.K. and Asia continued to show mixed signals while dealing with an uncertain trade environment. From a sector perspective, Financials and Industrials led the MSCI EAFE higher during the quarter contributing over half the gain during the quarter. When drilling down into the industry groups, Banks and Capital Goods were the biggest individual contributors to the Index performance. Bank performance has been driven by lower rates, a benign credit environment and little-to-no exposure to global trade tensions. On the other side of the ledger, the worst performing sectors were Energy, Health Care, and Consumer Discretionary. Energy was the only sector in the red with lower oil prices dragging. Turning to market factors, the Volatility, Momentum, and Growth factors were positive contributors during second quarter. Value, Yield and Size factors faced headwinds, while Quality factors had mixed results.

Portfolio Review

The Touchstone International Equity ETF (NAV) underperformed its benchmark, the MSCI EAFE Index, for the period ended June 30, 2025.

Stock selection was a headwind to performance, partially offset by positive sector exposure. An underweight in both Energy and Health Care (weaker performing sectors) contributed to relative performance. While an underweight in both Utilities and Financials (better performing sectors) detracted from relative performance.

Our International Equity portfolio posted another quarter of strong absolute returns. While we slightly trailed the MSCI EAFE index, our relative results fell right in line with our 85-90% upside capture expectations. Similar to domestic markets, Quality and Lower Volatility factors underperformed across the developed international landscape, presenting headwinds to our portfolio.

Three of the top contributors to relative performance during the quarter were Nintendo Co. Ltd. (Japan, Communication Services sector), BAE Systems plc (U.K., Industrials sector), and Taiwan Semiconductor Manufacturing Co. Ltd. (Taiwan, Information Technology sector).

Nintendo officially unveiled the Switch 2 in April, and the initial customer response has been strong. Early indicators such as pre-order numbers suggest demand for the console is ahead of management's base case. We're encouraged by these early results, and our thesis is on track.

BAE Systems plc is the leading U.K. defense contractor, performed strongly during the second quarter. While continuing to report strong underlying financials results, widespread European and NATO government support for increased defense spending bolster investor sentiment and fundamentals. BAE is positioned well to

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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/international-equity-etf.***

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capitalize on future defense spending with the shares still at a reasonable valuation and conservative positioned balance sheet providing downside support.

Taiwan Semiconductor Manufacturing Co., Ltd.is the leading semiconductor fabrication company, shares rebounded in the second quarter after a tough start to the year. Fears over a slowdown in AI and data centers were largely overblown. Taiwan Semiconductor reported strong sales and profit performance throughout second quarter, exceeding expectations and confirming attractive structural demand fundamentals. We believe Taiwan Semiconductor still offers an attractive investment opportunity given the company's dominant competitive position, favorable exposure to structural growth, and attractive valuation.

Three of the largest detractors to during the quarter were Willis Towers Watson plc (U.K., Financials sector), Air Products and Chemicals Inc. (U.S., Materials sector), and Coloplast (Denmark, Healthcare sector).

Willis Towers Watson, plc a leading insurance broker, declined modestly in a strong upmarket after gaining 25% in the prior twelve months. The main reason for the pullback was due to fears of macro-driven weakness in the company's discretionary consulting business within its Health, Wealth & Career segment. We believe these fears are overblown as the recurring nature of much of Willis Towers Watson's business positions the company to weather temporary, macro-driven challenges. The company has gained share and is on track to improve margins and free cash flow generation. Valuation is attractive and the balance sheet remains strong.

With the new CEO at the helm, management took the opportunity to air out Air Products and Chemical's remaining dirty laundry during the most recent earnings report. New management is on a path of de-risking these projects and returning Air Products to a higher structural level of profitability. We were encouraged to hear that free cash flow losses are expected to end after this year and a more astute capital allocation policy is being implemented. The strength and stability of the core industrial gas business remains unchanged.

Coloplast, a leading medical device company, has struggled with company-specific issues and wider industry level headwinds. During second quarter, the company's CEO stepped down and was replaced on an interim basis by the Chairman who was the previous CEO. Coloplast has the enviable position as a leader in continence, urology, ostomy, voice and respiratory care and wound care. These are critical product areas with structural demand growth and Coloplast, for the most part, is the market leader. The company missed growth and margin targets as its Kerecis acquisition divided management attention. Under newly focused leadership, we believe Coloplast will get back on track and at the current price represents an attractive opportunity.

We sold British American Tobacco plc (Consumer Staples sector) as its progress on its reduced-risk portfolio has underwhelmed and we decided to allocate the capital to opportunities where we had greater conviction.

We sold AerCap Holdings (Ireland, Industrials sector) as it reached our estimate of fair value, and we decided to allocate the capital to other opportunities.

Taiwan Semiconductor Manufacturing Co., Ltd. and ASML Holding NV (Netherlands, Information Technology sector) were added to during the quarter as our long-term conviction for both hasn't changed so we took advantage of the share price weakness to add to our position.

We purchased Intercontinental Hotels Group (U.K., Consumer Discretionary sector) during the quarter. Intercontinental is a leading asset-light hotel franchisor with leading brands like Holiday Inn, Crown Plaza and InterContinental. As a franchisor, Intercontinental is able to grow with little incremental invested capital allowing for management to return all its free cash flow to shareholders while still growing profits by double-digits annually. Management has proven to be astute and shareholder friendly. The balance sheet is under-leveraged providing downside protection. Lastly, the valuation is attractive as the market has gotten more concerned about an economic downturn hurting travel. We view the business as an attractive long-term investment.

Outlook and Conclusion

From an economic perspective, we continue to expect trade negotiations to dominate headlines as they did in the first half of the year. In addition, current trends in monetary policy to continue with Europe and U.K. central banks to be in an accommodative posture while Japan is more likely to normalize rates higher if inflation proves sticky. Pro-growth fiscal policies in Europe and U.K. should be helpful to certain industries like construction, infrastructure and defense. The current backdrop around trade is uncertain and we're prepared for volatility around upcoming trade negotiation deadlines. We don't rely on predicting or timing these macroeconomic outcomes. Longer-term, we operate with the expectation of modest economic growth with our focus at the individual company level.

In terms of equities, international markets have been boosted by the weak U.S. dollar during the first half of the year and it's difficult to predict future currency movements. We note that international markets are still valued at a discount to the U.S., despite the year to date market moves. We believe this will continue to be supportive of fund flows into international markets. With heightened risk, we believe it's especially important to focus on quality factors and downside risk mitigation. The Fund is comprised of high-quality businesses run by good management teams with conservative balance sheets at attractive valuations that can survive and thrive through different market environments.

Fund Facts

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio: Total	Annual Fund Operating Expense Ratio: Net
TLCI	03/03/25	89157W871	NYSE Arca	1.00%	0.37%
Total Fund 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 0.37%. These expense limitations will remain in effect until at least 04/29/26.

Total Returns

	2Q25	Inception
ETF NAV	10.19%	6.44%
ETF Market Price	9.56%	6.84%
Benchmark	11.78%	9.35%

Benchmark – MSCI EAFE 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.

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	Nintendo Co. Ltd.	6.1
2	SAP SE	5.7
3	BAE Systems PLC	5.6
4	Compass Group PLC	4.8
5	RELX PLC	4.4
6	Safran SA	4.2
7	Philip Morris International	4.0
8	London Stock Exchange Group	3.6
9	Allianz SE	3.5
10	Universal Music Group NV	3.4

Source: BNY Mellon Asset Servicing

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance excluding the U.S. and Canada.

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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 foreign securities 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. 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.

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. Banks and financial services companies could suffer losses if interest rates rise or economic conditions deteriorate.

The Fund may focus its investments in specific sectors and therefore is subject to the risk that adverse circumstances will have greater impact on the fund than on the fund that does not do so. 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 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.

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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