

Fund Manager Commentary

As of June 30, 2025

Fund Highlights

- Invests in stocks from companies in emerging and frontier markets excluding China and Hong Kong
- Looks for businesses with strong growth potential in revenue or earnings
- Concentrated, conviction weighted portfolio typically holds 25 to 45 companies chosen through in-depth, company by company research

Market Recap

Emerging market ex China equities delivered strong returns in the second quarter. Gains were broad, but leadership was narrow. Over 80% of companies in the asset class rose, as did 22 of 23 country constituents. Taiwan Semiconductor alone contributed roughly one-quarter of the MSCI EMXC's total gain. Taiwan, South Korea, and India together accounted for more than 75% of the index's rise. At the sector level, all 11 sectors moved higher, led by Information Technology and Financials.

The U.S. dollar index fell for a second straight quarter and is now down more than 10% year to date. It declined in three of the past four quarters.

Portfolio Review

The Touchstone Sands Capital Emerging Markets ex-China Growth ETF (NAV) outperformed its benchmark, the MSCI Emerging Markets Index, for the quarter ended June 30, 2025.

Emerging Markets ex China outperformed the MSCI EMXC in 2025's second quarter. Security selection was the primary driver, particularly within Taiwan and India and in the Consumer Discretionary sector.

Overall, from a country perspective, Taiwan and Saudi Arabia were the Fund's top relative contributors, while South Korea and Kazakhstan were the top detractors. From a sector standpoint, Consumer Discretionary and Materials contributed most to relative results. Financials and Industrials were the top detractors.

The top individual absolute contributors were Taiwan Semiconductor Mfg. Co. Ltd. (Taiwan, Information Technology sector), MercadoLibre Inc. (Argentina, Consumer Discretionary sector), Nu Holdings Ltd. (Brazil, Financials sector), Sea Ltd. (Singapore, Communication Services sector), and ASPEED Technology Inc. (Taiwan, Information Technology).

Taiwan Semiconductor (TSMC), the world's largest producer of leading-edge logic chips, reported strong quarterly results, supported by ongoing demand for artificial intelligence (AI)-related semiconductors. Management reiterated its 2025 revenue growth target in the mid-20 percent range, with second-quarter guidance coming in above consensus. The company plans to double capacity for chip-on-wafer-on-substrate (CoWoS) packaging this year, noting that demand continues to exceed supply and capacity remains fully booked. TSMC also reaffirmed its long-term goal to grow AI-related revenue at a mid-40% compound annual rate through 2029, reflecting its critical position in the semiconductor value chain and sustained momentum in AI infrastructure buildout.

MercadoLibre is the leading ecommerce and fintech ecosystem in Latin America by market share. The business delivered another strong quarter, surpassing consensus estimates for revenue and operating income. The outperformance was driven in part by Argentina, where contribution margins are higher than in Brazil and Mexico. Despite its scale, MercadoLibre still represents less than 5% of the region's total retail market. To capture more of this opportunity, the company is investing across key strategic pillars, including marketplace, logistics, loyalty, and wallet. While these investments may pressure near-term profitability—especially in the absence of formal guidance—we expect them to reinforce MercadoLibre's competitive advantages and support long-term growth across its ecosystem.

Nu Holdings operates Nubank, a digital financial services platform serving more than 100 million customers across Latin America. First-quarter 2025 results, along with recent conversations with management, reinforced our view that Nubank is one of the strongest emerging market franchises we cover. While the quarter included several positive developments, we were particularly encouraged by the re-acceleration in PIX financing origination—a key driver of both growth and net interest margin—as well as Nubank's progress toward breakeven in Mexico. Looking ahead,

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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/sands-capital-emerging-markets-ex-china-growth-etf>.**



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we expect Nu's earnings to quadruple by 2030. Despite strong second-quarter investment performance, the stock continues to trade at under 20 times forward consensus earnings estimates.

The top individual absolute detractors were Globant SA (Argentina, Information Technology sector), Raia Drogasil SA (Brazil, Consumer Staples sector), Kaspi (Kazakhstan, Financials sector), Al Rajhi Bank (Saudi Arabi, Financials sector), and Phoenix Mills Ltd. (India, Real Estate sector). Globant is a leading provider of digital business services to global corporations. The stock declined after the company missed both its own and consensus expectations and lowered full-year revenue growth guidance from 11% to 14% down to just 2%. We believe the slowdown reflects broader macroeconomic pressure, especially among U.S. consumer-facing clients and key markets like Mexico and Brazil. Despite near-term challenges, we continue to view Globant as a long-term enabler of generative AI adoption. The stock ended the quarter at its lowest forward earnings multiple since going public. We believe a small strategic weight remains appropriate, balancing long-term potential with ongoing macro uncertainty.

Raia Drogasil is Brazil's largest pharmacy chain by market share. The business has faced several external pressures—pricing regulations, weaker demand for personal care and beauty products, labor shortages, and increased theft of high-end medications—that have weighed on same-store sales, earnings, and valuation. Despite these headwinds, which we view as transient and manageable, Raia continues to gain share nationwide. A softer competitive landscape, strong digital execution (with digital sales up 40% year-over-year), and a capable new CEO reinforce our conviction in the business. With less than 20% share in a fragmented market and rising long-term demand from Brazil's aging population, we believe Raia's structural growth opportunity remains intact.

Kaspi operates the largest payments, marketplace, and fintech ecosystem in Kazakhstan by market share. A weaker macroeconomic backdrop—driven by low oil prices, tenge depreciation, and rising inflation and interest rates—has led to a lower 2025 growth outlook and pressured the company's cost structure. Despite the near-term headwinds, Kaspi's core business lines remain strong, and early momentum in newer segments like travel and e-grocery reinforces our long-term thesis. We believe Kaspi can continue to generate value from its existing customer base to support attractive levels of growth despite the small size of its home market. We remain confident that the business can become materially larger over the next five years, and the current valuation provides a decent margin of safety.

In the second quarter we completed the purchase of MediaTek Inc. (Taiwan, Information Technology sector). We exited Avenue Supermarts (India, Consumer Staples sector) and Samsung SDI (Korea, Information Technology sector).

MediaTek is one of the world's largest fabless semiconductor designers and the largest in Asia. Its system-on-chip (SoC) solutions power billions of devices worldwide, including about one-third of all new smartphones.

Smartphone SoCs remain the company's largest and most critical revenue driver—and are central to our investment case. We expect both pricing and volumes to rise in the premium smartphone

segment (devices priced above \$500), driven by premiumization trends, 5G adoption, increasing AI functionality, and new form factors, such as foldable devices. Beyond smartphones, MediaTek is applying its design expertise and intellectual property portfolio to AI accelerators, automotive computing, and personal computers. Its project with Google for AI chips and its collaboration with NVIDIA—notably in PCs and automotive solutions—underscores its capabilities in high-performance chip design. We see limited geopolitical or tariff risk for MediaTek. The United States accounts for roughly 10% of MediaTek's revenue, and continued tension between China and the U.S. could benefit non-U.S. suppliers like MediaTek at the expense of Qualcomm, its biggest competitor.

We exited Avenue Supermarts, which operates DMart, a leading discount food retailer in India. The business no longer aligns with several of our investment criteria. We had purchased DMart based on the view that it could leverage its leadership position to consolidate India's large, fast-growing, and highly fragmented food retail market. Since then, the industry has entered a period of rapid structural change. DMart, once positioned as a disruptor, now appears increasingly at risk of being disrupted. The most significant shift has been the rise of quick commerce in large Indian cities. Our extensive research into this channel revealed strong unit economics, which supported our investment in Eternal during the first quarter of 2025. DMart now faces multiple headwinds. The company is pivoting to smaller cities, investing in its ecommerce capabilities, and addressing operational issues—all while contending with structural margin pressure. These challenges are compounded by a leadership change. CEO Neville Noronha, who led the business for 22 years, announced his departure earlier this year. While we view the incoming leadership favorably, the transition introduces execution risk. Despite these pressures, DMart continues to trade at a substantial premium to the broader Indian equity market, offering limited margin of safety. We balanced DMart's risk and reward potential through position sizing, holding DMart at a 1% strategic weight during our ownership period. This approach helped limit the impact on overall investment results.

We originally purchased Samsung SDI believing it could become a leading battery supplier for electric vehicles (EVs) and energy storage systems in the United States and Europe. We initiated the position alongside Contemporary Amperex Technology (CATL), which we expected to lead in China and other non-Western markets. Since then, U.S. EV adoption has stalled around 10% penetration, and Europe's pullback in incentives has slowed market growth. CATL has gained share in Europe by offering more affordable battery solutions, narrowing the technology gap in lithium-ion chemistries that Korean firms once dominated. As a result, automakers have increasingly shifted away from Samsung SDI and its Korean peers. We believe Samsung SDI now faces a more difficult path to recovery, given the risk of a global growth slowdown and the potential rollback of pro-EV regulations in the United States and Europe.

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Outlook and Conclusion

Entering this year, many investors questioned “why bother” with emerging market equities. The answer, at least so far, is “2025.”

After four consecutive years of underperformance versus developed markets—and seven years lagging U.S. equities—emerging markets are now outperforming both, delivering double-digit returns in a volatile environment. They’ve reminded investors of their potential to offer idiosyncratic growth, resulting in portfolio diversification and overall return enhancement. Importantly, this has not been just a “catch-up” trade. While multiple expansion has contributed, the rally has also been supported by a narrowing earnings growth gap with U.S. equities, a weaker U.S. dollar, and higher dividend yields. We continue to see several secular forces capable of underpinning strong earnings growth for select businesses, from financial penetration to industry formalization and consolidation. AI is accelerating a “winner-takes-most” dynamic, benefiting companies with scale, differentiated offerings, and the ability to productize innovation. These businesses are gaining pricing power, expanding margins, and deepening moats. Despite the auspicious start, we expect the remainder of 2025 to bring periods of volatility as markets respond to developments in AI, geopolitics, and the global economy. That said, we believe the Fund’s portfolio is well positioned to navigate this uncertainty. It is diversified across end markets, geographies, and growth stages, with improved earnings visibility and stability. Key portfolio metrics—including profitability, balance sheet resilience, and valuation—have also strengthened without compromising long-term growth potential. We remain committed to our high-conviction, long-term approach—one rooted in growth durability and executed with discipline. We believe this positions us well for both the challenges and opportunities ahead.



Fund Facts

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio	
				Total	Net
TEMX	02/24/25	89157W889	Cboe BZX	1.11%	0.79%
Total Fund Assets		\$8.4 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 0.79%. These expense limitations will remain in effect until at least 04/29/26.

Total Returns

	2Q25	Inception
ETF NAV	17.91%	12.16%
ETF Market Price	18.09%	12.56%
Benchmark	11.99%	8.93%

Benchmark - MSCI Emerging Markets 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)		(% of Portfolio)
1 Taiwan Semiconductor Mfg. Co. Ltd.	15.4	6 Dreyfus Gov Cash	4.2
2 MercadoLibre Inc.	6.1	7 Nu Holdings Ltd.	4.0
3 Sea Ltd.	5.5	8 Reliance Industries Ltd.	3.9
4 Bajaj Finance Ltd.	5.4	9 Coupang Inc.	3.5
5 HDFC Band Ltd.	4.9	10 Dino Polska SA	3.2

Source: BNY Mellon Asset Servicing

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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The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

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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 stocks of small- and mid-cap companies, which may be subject to more erratic market movements than stocks of larger, more established companies. 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 may invest in equity-related securities to gain exposure to issuers in certain emerging or frontier market countries. These securities entail both counterparty risk and liquidity risk.

The Fund invests in foreign, emerging and frontier markets securities, and 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 risks associated with investing in foreign markets are magnified in emerging markets, and in frontier markets due to their smaller and less developed economies. The Fund invests in growth stocks which may be more volatile than investing in other stocks and may underperform when value investing is in favor.

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. The sub-adviser considers ESG factors that it deems relevant or additive along with other material factors. The ESG criteria may cause the Fund to forgo opportunities to buy certain securities and/or gain exposure to certain industries, sectors, regions and countries. The Fund may be required to sell a security when it could be disadvantageous to do so.

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 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. The Fund is non-diversified, which means that it may invest a greater percentage of its assets in the securities of a limited number of issuers and may be subject to greater risks. 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. Current and future portfolio holdings are subject to change.



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