Fund Manager Commentary

As of September 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 equities rose again in 2025's third quarter, as measured by the MSCI Emerging Markets Index. While gains were broad-based across sectors and countries, leadership was highly concentrated. The vast majority of constituent countries advanced, and most sectors traded higher. However, Taiwan and China accounted for nearly all of the index's rise. Sector leadership followed a similar pattern, with Information Technology (IT) and Consumer Discretionary sectors contributing the bulk of the gains. Much of the outperformance in these markets reflects growing demand for artificial intelligence (AI) infrastructure. India was the largest index detractor for the quarter. Policymakers have taken steps to boost consumer spending through interest rate cuts, lower reserve requirements, and tax relief. However, these efforts have been overshadowed by renewed U.S. tariff pressure and a growing investor narrative that casts India as an AI loser relative to China. This view reflects concerns about potential disruption to India's knowledge process outsourcing industry and the perception that China is further ahead in developing core AI technologies.

Portfolio Review

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

The underperformance was attributable to two primary factors: reversals among strong performers in 2025's first half and country positioning. Much of the relative shortfall came from companies that had been strong performers earlier in the year. We view these reversals as largely disconnected from fundamentals. Country positioning was also a key detractor, especially the Fund's overweight to Argentina, Indonesia, and India and underweight to China. Positively, the Fund benefited from strong security selection in India and Taiwan and contributions from several companies with large active weights.

From a sector perspective, Industrials and Financials were the top sector relative contributors, while Consumer Discretionary and Consumer Staples sectors detracted most. The top individual absolute contributors were Taiwan Semiconductor Manufacturing Co. Ltd. (Taiwan, IT sector), Sea Ltd. (Singapore, Communication Services sector), and Nu Holdings Ltd. (Brazil, Financials sector).

Taiwan Semiconductor (TSMC) is the world's largest producer of leading-edge logic chips by market share. Shares rose following strong quarterly results, raised full-year guidance, and positive signals from the global AI infrastructure buildout. The company continues to benefit from strong AI-related demand and is expanding CoWoS capacity to narrow the gap between supply and demand. Despite currency headwinds and elevated investment in overseas fabs, gross margins have remained resilient, supported by yield improvements and disciplined pricing. Key drivers include capacity expansion, the launch of a new iPhone with enhanced AI capabilities, and increased outsourcing from Intel. While AI remains the primary growth engine, we also expect smartphones, PCs, servers, and automotive chips to grow at low-to-mid-teens rates, driven by pricing and rising silicon content.

Sea is an internet business in Southeast Asia that operates leading platforms for video games, ecommerce, and digital financial services. Shares rebounded after the company reported strong second-quarter 2025 results. Ahead of the release, investor sentiment had weakened due to concerns about competitive pressure in Brazil and conservative margin commentary. Sea eased those concerns with a five percentage point gross merchandise volume (GMV) beat, in-line margins, and stronger Brazil growth. Management raised full-year gaming growth expectations to more than 30 percent and projected that first-half GMV growth

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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.***

momentum would extend into the third quarter. Brazil remains a key focus, especially given our ownership of MercadoLibre. We believe the market is large enough for both to grow, supported by low ecommerce penetration, fragmented competition, and limited threat from Chinese platforms. Sea's Brazil ecommerce business has been profitable since 2024, and we expect it to grow over 25 percent annually over the next five years. Despite Sea's business momentum, we view its current valuation as reasonable.

Nu Holdings operates Nubank, a digital financial services platform with more than 100 million customers in Latin America. Second-quarter 2025 results exceeded expectations and highlighted two key trends: credit reacceleration and momentum in Mexico. The credit portfolio grew 40 percent year-over-year, with strength across credit cards, unsecured loans, and secured loans. Notably, credit card growth reaccelerated, reversing the slowdown observed since 2023. Nu's business in Mexico continues to ramp up, with loan balances expanding 6 percent month-over-month in June, the fastest pace this year. A low loan-to-deposit ratio leaves room to optimize the balance sheet, while deposits grew 85 percent year-over-year but still represent less than 5 percent of the market.

The top individual absolute detractors were MercadoLibre Inc. (Argentina, Consumer Discretionary sector), Dino Polska SA (Poland, Consumer Discretionary sector), and Globant SA (Argentina, IT sector).

MercadoLibre operates the largest ecommerce and fintech ecosystem in Latin America by market share. Shares declined as investors took profits following a strong first half, driven by concerns over rising competition in Brazil. The company announced new shipping policies that lower the free-shipping threshold for buyers and reduce fees for sellers. While these changes may pressure near-term margins, we view them as a strategic move to expand into lower-income segments by leveraging MercadoLibre's logistics infrastructure. Importantly, these actions were not reactive. They followed consistent growth and, in our view, could strengthen consumer engagement and accelerate growth. Early data supports this: gross merchandise volume slightly accelerated in June and July. We continue to believe both MercadoLibre and its largest competitor, Shopee, can gain share from weaker incumbents. Ecommerce penetration in Brazil remains in the mid-teens, leaving the opportunity still at an early stage. We retain conviction in MercadoLibre's long-term ability to drive profitable growth across the region.

Dino Polska is a leading supermarket chain in Poland. The company reported mixed results for 2025's second quarter. Like-for-like sales re-accelerated, and total revenue grew 19 percent year-over-year. However, operating costs rose even faster, leading management to revise full-year guidance lower. The increase in expenses was driven by higher spending on marketing, employee benefits, and store operations. Margin pressure may persist near term due to ongoing food price disinflation and wage inflation in Poland. If expense intensity moderates and like-for-like growth outpaces inflation without heavy promotional activity, we would expect shares to recover. We continue to see long-term opportunity as Dino expands its store footprint and formalizes Poland's fragmented food retail sector. The company now operates more than 2,800 stores and increased its total sales area by over 13 percent year-over-year. It also opened its 11th distribution center, which should support product availability and growth potential.

Globant is a leading provider of digital business services to global corporations. Shares declined after the company posted its third consecutive earnings disappointment. While revenue met expectations and margins remained steady, management lowered full-year growth guidance by 1 percentage point, citing continued demand uncertainty. Despite near-term challenges, we see no structural issues with the business. Our research suggests Globant is well positioned to benefit from artificial intelligence trends. The company operates in the implementation layer, enabling partnerships—not competition—with leading AI providers such as OpenAI, Anthropic, AWS, and Google. These relationships expand channel access and reinforce Globant's strategic relevance. Early signals include strong customer adoption of AI Pods—Globant's AI-powered engineering platform—since its launch in June. Additionally, we have observed a shift in client spending from cost reduction to revenue-linked AI transformation programs, suggest more durable, high-value engagements that could drive long-term growth.

During the quarter we completed the purchases of Bharti Airtel Ltd. (India, Communication Services sector), COSMAX Inc. (South Korea, Consumer Discretionary sector), and Samsung Electronics Co. Ltd (South Korea, Information Technology). We exited Reliance Industries (India, Energy sector) and Tata Consultancy Services (India, IT sector).

We have maintained meaningful semiconductor exposure. This year, we identified additional criteria-meeting businesses along the AI infrastructure value chain, including baseboard management controllers, system-on-chip solutions, and high-bandwidth memory. These additions, some made in the third quarter, also helped narrow our underweights to South Korea and Taiwan.

Bharti Airtel is a leading telecom provider in India. Airtel and Reliance Jio together command approximately 75 percent share of industry subscribers. While not the largest by subscriber market share, Airtel has historically delivered stronger average revenue per user, profitability, and return on invested capital than both the industry and its main competitor. We believe Airtel is well positioned to benefit from the industry's long-term growth potential, supported by three factors: an expanding addressable market as telecom services become essential for most Indian adults; greater pricing power enabled by improvements in Airtel's ability to target customer segments more precisely; and ongoing premiumization as rising smartphone penetration drives higher data consumption. We expect these trends to reinforce customer loyalty and support stronger monetization over time. We also see free cash flow at an inflection point. Revenue growth is accelerating, capital expenditure intensity is falling, and operational efficiency programs such as its "War on Waste" are improving margins. With the nationwide 5G rollout complete and running at only one-third of capacity, we believe capital expenditures have likely peaked for the foreseeable future. We believe this combination of revenue growth, efficiency gains, and reduced investment needs will enable Airtel to expand margins, generate more free cash flow, and grow earnings over the next five years.

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COSMAX is the world's largest original design manufacturer (ODM) in cosmetics by revenue, producing over 1 billion products annually for more than 1,000 brands globally. The company serves a wide spectrum of clients, from multinational beauty conglomerates to emerging independent labels, with core strengths in color cosmetics and growing expertise in skincare. Several secular trends support COSMAX's long-term growth. The ongoing fragmentation of the beauty market and rise of smaller brands have increased reliance on ODMs to accelerate time to market. Simultaneously, global demand for Korean beauty products continues to grow, benefiting Korean manufacturers at the expense of traditional multinationals. South Korea now ranks as the third-largest cosmetics exporter and the second-largest filer of beauty patents globally, reinforcing its innovation edge. COSMAX stands out for its unmatched scale, research & development depth, and advanced manufacturing capabilities. These advantages position it well, in our view, to capture a disproportionate share of growth as the beauty industry evolves.

Samsung Electronics is one of the world's largest diversified technology businesses. We believe Samsung is approaching an inflection point in its earnings trajectory. As one of the world's leading producers of memory chips, the company is well positioned to become a critical supplier of high-bandwidth memory for AI applications. We expect customer announcements from notable customers such as Tesla and Apple to eventually help Samsung's foundry business reach breakeven after years of losses. In mobile, Samsung's yearslong decline in global market share may slow and potentially reverse. In the premium market segment, the company has an opportunity to gain share from Apple, which faces its own AI challenges. In the mass market segment, Samsung has strengthened its position through its operating system ecosystem, while geopolitical considerations may discourage emerging-market consumers from purchasing Chinese devices. Additional drivers include edge AI use cases and adoption of new form factors such as foldable phones. Samsung's national importance further reinforces its long-term opportunity. As South Korea develops sovereign AI capabilities, Samsung is likely to be favored over foreign competitors to partner with local AI companies. Over time, we believe the company could evolve from being primarily a memory supplier to becoming a platform partner for startups building foundational models and a leading logic supplier for South Korea's sovereign AI ecosystem. We see growing evidence of positive momentum at Samsung that we believe the market underappreciates. This initiation also reduces the portfolio's underweight in South Korea.

We exited Reliance Industries to fund our purchase of Bharti Airtel. Both companies are leaders in India's duopolistic telecom sector, which we view as an attractive business space underpinned by the secular tailwinds of growing telecom infrastructure and user base, rising smartphone ownership, and broader digital penetration across the country. Amid this favorable industry backdrop, we are also seeing greater consolidation and more rational competition, especially on pricing, leading to higher monetization.

Airtel is a pure-play telecom operator, while Reliance is a conglomerate with other operations besides telecom, including sectors such as energy and petrochemicals, which we find less attractive due to lower secular growth dynamics and inherent cyclicality. Moreover, Airtel has demonstrated to be a more efficient operator and better capital allocator, and has consistently delivered higher profitability and returns on invested capital over the past several years. We believe this likely continues over the medium to long term. Finally, our research suggests that Airtel has a superior management team—as measured by strategy, focus, and execution—with better alignment of interests between promoters and minority shareholders.

We also exited Tata Consultancy Services (TCS) in the third quarter due to compounding concerns about the business's vulnerability to disruption from generative artificial intelligence (gen-AI) and new H-1B visa regulations. TCS is the largest India-based information technology services provider by market share. Our investment thesis was based on the expectation that TCS would be a key beneficiary of digital transformation, however, it has started to become clear, in our view, that gen-AI would disrupt the business's lower-end IT consulting business, which represents 40 percent of revenues. Additionally, the U.S. administration's new fee for entry into the United States for H-1B visa holders created an additional headwind to the TCS's revenue growth and continued to weigh on the stock's valuation. TCS was a small weight in the portfolio and its sale helped provide a source of funds for recently initiated businesses.

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 have now outperformed both, delivering double-digit returns in a volatile environment. They have reminded investors of their potential to offer idiosyncratic growth, which may contribute to portfolio diversification and offer differentiated sources of return.

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. Meanwhile, the portfolio ended the period trading at its lowest forward earnings premium to the benchmark in its history.

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 our Fund 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 since the ETF's 2022 inception 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

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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	$8.6 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

	3Q25	Inception
ETF NAV	2.67%	15.16%
ETF Market Price	3.48%	16.48%
Benchmark	10.64%	20.52%

Benchmark - MSCI Emerging Markets Index

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.*** *From time to time, the investment advisor 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)
1	Taiwan Semiconductor Mfg. Co. Ltd.	16.8
2	MercadoLibre Inc.	5.4
3	Bajaj Finance Ltd.	5.4
4	Sea Ltd.	5.0
5	Nu Holdings Ltd.	4.7
6	HDFC Band Ltd.	4.4
7	Dreyfus Gov Cash	4.0
8	Samsung Electronics Co. Ltd.	4.0
9	Coupang Inc.	3.5
10	Bharti Airtel Ltd.	2.8

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-advisor 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 Advisor engages a sub-advisor to make investment decisions for the Fund's portfolio; it may be unable to identify and retain a sub-advisor who achieves superior investment returns relative to other similar sub-advisors. 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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ETF-28-TEMX-2509