

Fund Manager Commentary

As of March 31, 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, excluding China—as represented by the MSCI Emerging Markets ex China Index declined during the time from the Fund's February 2025 inception date to the end of the first quarter, but still outperformed developed market equities, as measured by the MSCI World Index. Taiwan and South Korea were the largest country-level detractors from index performance during the quarter. From a sector perspective, Financials and Materials contributed most positively to returns, while Information Technology was the primary detractor, accounting for nearly the entirety of the index's decline.

Portfolio Review

The Touchstone Sands Capital Emerging Markets ex-China Growth ETF (NAV) underperformed its benchmark, the MSCI Emerging Markets ex-China Index, for the period since the February 2025 inception until March 31, 2025.

From a country perspective, India and Taiwan were the Fund's top relative contributors, while China and Argentina were the top detractors.

From a sector standpoint, stock selection within the Health Care and Industrials sectors contributed most to relative results. The Fund's stock selection within the Consumer Discretionary sector was the top detractor.

Among the top individual contributors included Bajaj Finance Ltd. (India; Financials) and Sea Ltd. (Singapore; Communication Services).

Bajaj Finance is a leading Indian nonbank financial services company. The business reported strong quarterly results, with loan growth exceeding its long-term target of 25%, despite management's decision to reduce disbursements across several products amid India's ongoing asset quality cycle. Most notably, Bajaj's asset quality showed signs of stabilization as delinquencies

declined. We expect this to reduce credit costs, elevated in recent quarters, and support improved profitability. During the quarter, Bajaj also announced the formal transition of Managing Director from Rajeev Jain to Anup Saha. Mr. Jain will remain Vice Chair of Bajaj Finance, which we expect to help ease concerns about a disruptive leadership change.

Sea is an internet business in Southeast Asia that operates leading platforms for video games, ecommerce, and digital financial services. The business reported its fifth consecutive beat-and-raise quarter, with Shopee (ecommerce) growing gross merchandise volume 24% year-over-year while delivering positive EBITDA margin. 2025 guidance points to inflections across all three business units, ecommerce, digital financial services, and gaming, each expected to generate ~\$1 billion in EBITDA. We raised our long-term estimates, including Shopee margin and valuation assumptions, and now expect combined EBITDA to triple by 2029. Improved investor communication has, in our view, helped dampen volatility around earnings announcements while attracting long-term institutional investors. Looking ahead, we believe the company is more in control of its destiny and entering a phase of meaningful earnings acceleration, and we have higher confidence in our long-term earnings estimates.

Among the top individual detractors included Taiwan Semiconductor (Taiwan; Information Technology), Globant SA (Argentina; Information Technology), and ASPEED Technology Inc. (Taiwan; Information Technology).

Taiwan Semiconductor (TSMC) is the world's largest producer of leading-edge logic chips by market share. Shares declined as part of the broader correction in artificial intelligence (AI)-related infrastructure stocks. Despite near-term volatility, we continue to view TSMC as a key beneficiary of AI chip demand. Revenue from AI accelerators more than tripled in 2024, accounting for 15% of total revenue. Management expects this figure to double again in 2025 and grow at a mid-40% annual rate over the next five years.

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



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While the rise of models like DeepSeek has raised concerns about demand, we believe greater AI accessibility will drive increased need for advanced semiconductor manufacturing.

Globant is a leading provider of digital business services to global corporations. Its shares experienced their largest single-day decline since going public in 2014 after the company issued slower-than-expected growth guidance for 2025. The primary driver was management's forecast of a demand slowdown in Latin America (excluding Argentina), where several large clients in Brazil and Mexico are delaying spending due to tariff uncertainty related to U.S. trade policy. Looking beyond near-term uncertainty, we were encouraged by growing traction in AI services. In 2024, Globant reported \$350 million in AI-related revenue, up 110% from 2023 and accounting for 14% of total revenue.

ASPEED Technology is the world's largest designer of baseboard management controller chips by market share. Shares declined alongside the broader correction in AI-related infrastructure stocks. We initiated a position in the company this quarter, reflecting our favorable view of its role in the semiconductor value chain and its competitive advantages, which we outline below.

Outlook and Conclusion

The higher-than-anticipated tariffs announced on by the U.S. on imported goods, alongside China's retaliatory increase on U.S. exports, represent a clear headwind for global economic growth, equity valuations, and the broader business environment. We believe these actions increase the risk of further retaliatory trade measures and raise the likelihood of a U.S. and global recession. Given the greater potential for what we call "non-linear outcomes," we remain cautious. While our criteria lead us to businesses that tend to be more resilient to global macro cycles, the broader industries in which they operate are not immune to the effects of a potential global recession or prolonged trade conflict. Even if fundamentals remain intact, macro pressures could affect supply chains, customer behavior, and near-term profitability.

Importantly, the Fund is positioned for economic and market uncertainty. It is more diversified across end markets, sectors, countries, and growth stages, with greater earnings visibility and stability. Key portfolio metrics—including profitability, balance sheet resilience, and valuation—have also improved without sacrificing long-term growth potential. In times of uncertainty, competitive moats and financial strength matter more than ever, in our view, and the market leaders that just navigated extreme supply chain uncertainty during the pandemic may be best positioned to navigate whatever comes next.



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		\$7.1 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

	Inception
ETF NAV	-4.88%
ETF Market Price	-4.68%
Benchmark	-3.44%

Benchmark - MSCI Emerging Markets ex China 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.	12.8	6 Dreyfus Gov Cash	4.2
2 MercadoLibre Inc.	6.7	7 Reliance Industries Ltd.	3.9
3 Bajaj Finance Ltd.	6.1	8 Nu Holdings Ltd.	3.7
4 Sea Ltd.	6.0	9 Apollo Hospitals Enterprise Ltd.	3.5
5 HDFC Band Ltd.	5.3	10 Dino Polska SA	3.1

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 ex China Index captures large and mid cap representation of 23 of the 24 emerging markets countries excluding China.

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. This report is not approved or produced by MSCI.

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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