Touchstone International Equity ETF

Sub-Advised by: The London Company

TLCI

International - Large Cap Core | Actively Managed, Fully Transparent ETF | 1Q/2026

Fund Manager Commentary

As of 03-31-2026

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 faced a volatile opening to 2026 as the momentum from last year's rally was challenged by geopolitical shocks and shifting interest rate expectations. The MSCI ACWI Index declined for the quarter, reflecting a broad retreat in risk appetite. In the U.S., the S&P 500 fell, struggling under the weight of a sharp March correction after a modest start to the year. Conversely, International Developed and Emerging Markets entered the period with significantly stronger momentum through February, which allowed them to maintain relative outperformance for the full quarter despite experiencing a much sharper sell-off than U.S. markets during the March volatility. The MSCI EAFE Index finished with a modest decline, even as currency movements transitioned from a 2025 tailwind to a headwind as the U.S. dollar strengthened on flight-to-safety flows. Emerging Markets proved the most resilient, finishing the quarter nearly flat, bolstered by strength in commodity-exporting regions. Economic indicators across the Eurozone, UK, and Asia were increasingly overshadowed by the energy shock triggered by conflict in the Middle East. The Eurozone remained generally stable despite rising headline inflation, while the UK saw a deterioration in GDP growth and a rise in unemployment. While the EU kept policy rates unchanged, the Bank of England paused its easing cycle, maintaining rates at 3.75% as cooling inflation trends were abruptly reversed by soaring fuel costs. In Asia, Japan continued to report a strengthening economic picture with robust GDP growth. The Bank of Japan paused rate hikes noting the Middle East conflict but emphasized a continued path of normalization. Despite these differing central bank actions, we observed a general steepening of yield curves across most developed markets as long-term inflation expectations rose. China remained a mixed bag, with steadying unemployment but continued weakness in industrial production and a property sector that has yet to fully find its floor.

From a sector perspective within the MSCI EAFE, performance was highly bifurcated. Energy led the pack with an exceptional return for the quarter, driven by the surge in global crude prices, followed by Utilities and Materials both benefiting from rising commodity prices. On the negative side, Consumer Discretionary was the worst-performing sector, falling as rising energy costs and inflationary pressures dampened global consumer sentiment. Financials turned into a detractor this quarter, falling as global stability concerns weighed on bank valuations. While Information Technology was only down modestly, leadership within the sector remained fragmented; notably, software companies continued to drag on performance due to mounting concerns over AI-driven industry disruption. Turning to market factors, Value, Yield and Size factors were positive contributors during the quarter. The Volatility factor was a headwind, while Growth, Quality and Momentum factors had mixed results.

Portfolio Review

The Touchstone International Equity ETF (NAV) underperformed its benchmark, the MSCI EAFE Index, for the period ended March 31, 2026.

From a sector perspective, overweight exposure to Information Technology, Industrials, and Materials contributed positively, as did underweights to Financials, Health Care, and Real Estate. Conversely, underweights to Energy and Utilities detracted from performance, as did an overweight to Communication Services. Negative stock selection further contributed to underperformance as our positioning in higher quality companies was an acute drag across most sectors, which was a similar trend from last year.

While the ETF outperformed during the March selloff, it was not enough to offset the underperformance for the quarter. The benchmark index performance continues to be driven by lower quality factors as noted above, which continues to be a difficult environment for our quality-oriented portfolio. While we fell short of our downside capture expectations during the quarter, we have strong conviction it will exhibit strong downside capture over the long-term.

Among the largest contributors to performance were BAE Systems plc (United Kingdom, Industrials sector), Taiwan Semiconductor Manufacturing Company (Taiwan, Information Technology sector), and Air Products and Chemicals, Inc. (United States, Materials sector).

BAE Systems shares returned 26% during the quarter after a 17% pullback in the fourth quarter of 2025. While underlying performance remains robust, market sentiment shifts from quarter-to-quarter with developments around Ukraine-Russia and now the Middle East. In the short term we continued to expect volatility around these developments but over the longer-term we believe defense spending growth is well supported across NATO member countries over the coming decade with BAE well positioned to benefit.

Taiwan Semiconductor Company continued to benefit from attractive demand fundamentals in the first quarter and raised its revenue outlook after consistently exceeding sales expectations in prior quarters. The company's dominant competitive position and favorable exposure to structural growth remain attractive.

Air Products' stock benefitted from rising helium prices tied to the Iran conflict. Helium represents a low-teens percentage of APD's earnings and has weighed on results in recent years due to a weak pricing environment. The current pricing tailwind should provide some near-term relief. Our long-term thesis continues to track against improved execution under new management.

The largest detractors from performance were Universal Music Group NV (Netherlands, Communication Services sector), ICON plc (Ireland, Health Care sector), and SAP SE (Germany, Information Technology sector).

Universal Music Group declined in the quarter on concerns over issues including AI-driven disruption, a potential insider owner sale, elevated investments, and the decision to forego an anticipated U.S. listing weakened sentiment. The business remains well-positioned to benefit from increasing monetization of its best-in-class music rights catalog. Valuation underpins attractive upside and ample downside protection.

ICON plc declined sharply in the quarter on the announcement of a delay to fourth quarter reporting due to an internal investigation into prior year revenue recognition. While disappointing, we were able to gain confidence that the issue is limited in scope and does not reflect weakening demand or a deteriorating competitive position.

SAP SE shares declined about 30% in the quarter making it the largest detractor in the portfolio in the quarter. SAP is a leading ERP company that has been executing well on an on-premises to cloud transition. While topline growth is robust and margins expanding, market fears around AI disruption overshadow. While we acknowledge that AI is a threat and uncertainty is high, SAP is in an enviable position as an entrenched, system-of-record that handles critical tasks in large, complex organizations. We believe this helps to protect on the downside. On the upside, SAP is developing agentic AI solutions to automate tasks to support increased pricing and customer wallet-share. At the current price, the market is pricing in a lot of the downside risk but not giving any credit for the upside potential.

During the quarter, the Fund trimmed positions in BAE Systems and ASML Holding NV (Netherlands, Information Technology sector) following periods of strong performance, redeploying capital into opportunities with more attractive risk/reward profiles.

The Fund added to positions in Universal Music Group, ICON plc (Ireland, Health Care sector), and Magnum Ice Cream Company (Netherlands, Consumer Staples sector), where valuations were viewed as attractive with favorable risk/reward characteristics.

Outlook and Conclusion

Looking ahead, we expect geopolitical developments in the Middle East to dominate headlines and sustain elevated market volatility. As the broader market grapples with the cascading implications of surging oil prices, sticky inflation, and uncertain central bank policies, our strategy remains unchanged. We continue to look past short-term noise, focusing on long-term fundamentals and assuming modest economic growth as we select companies from the bottom up.

Within equities, international markets demonstrated relative resilience in the first quarter, and we continue to find attractive opportunities abroad trading at reasonable valuations and significant discounts to the U.S. While our portfolio's recent performance lagged the MSCI EAFE, this divergence was largely driven by a market environment that rewarded lower-quality companies through speculative multiple expansion. We do not view this low-quality leadership as sustainable. While timing the exact reversal of this trend is impossible, our portfolio is well-positioned for the eventual return to fundamentals. We remain confident that our discipline of owning high-quality, durable businesses will deliver strong downside protection and superior risk-adjusted returns over a full market cycle.

Fund Facts

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio Total	Net
TLCI	03/03/25	89157W871	NYSE Arca	1.01%	0.37%

Total Fund Assets $98.3 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 and other expenses, if any) to 0.37%. These expense limitations will remain in effect until at least 04/29/2027.

Annualized Total Returns

	1Q26	YTD	1 Year	3 Year	5 Year	Inception
ETF NAV	-6.42%	-6.42%	1.70%	—	—	-1.63%
ETF Market Price	-5.45%	-5.45%	1.75%	—	—	-0.73%
Benchmark	-1.24%	-1.24%	21.27%	—	—	17.22%

Benchmark - MSCI EAFE Index

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.
The benchmark index mentioned is an unmanaged statistical composite of stock or bond market performance. Investing in an index is not possible. Index returns do not reflect any fees, expenses or sales charges.

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.*** *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. ETFs may trade at a premium or discount to their net asset value. Market price returns are based on the consolidated market price and do not represent the returns you would receive if you traded shares at other times.*
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.

Top 10 Holdings

		(% of Portfolio)
1	Taiwan Semiconductor Manufacturing Co Ltd ADR	4.9
2	Safran SA	4.6
3	Roche Holding AG Ordinary Shares new	4.2
4	Nintendo Co Ltd	4.2
5	Compass Group PLC	4.1

		(% of Portfolio)
6	Universal Music Group NV	4.1
7	CRH PLC	4.1
8	Philip Morris International Inc	3.9
9	InterContinental Hotels Group PLC	3.8
10	Allianz SE	3.8

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.

Touchstone ETFs are distributed by **Foreside Fund Services, LLC**

A registered broker-dealer and member FINRA

Touchstone is a member of Western & Southern Financial Group

Not FDIC Insured | No Bank Guarantee | May Lose Value

ETF-28-TLCI-2603

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 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. 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. 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.

Touchstone Investments®
DISTINCTIVELY ACTIVE®

800.638.8194 • TouchstoneInvestments.com