Touchstone International Equity ETF

Sub-Advised by: The London Company

TLCI

International - Large Cap Core | Actively Managed, Fully Transparent ETF | 2Q/2026

Fund Manager Commentary

As of 06-30-2026

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 rebounded sharply in the second quarter, reversing the risk-off tone that defined the start of the year. Following the March drawdown, markets snapped back quickly in April and ground higher through quarter end, propelled by a de-escalation of the conflict in the Middle East, a resurgent AI and semiconductor trade, and resilient corporate earnings. The MSCI EAFE Index posted a strong gain, trailing the U.S. as market leadership rotated back toward the higher-beta, technology-heavy segments where the U.S. market is more concentrated. Currency was a modest headwind, as continued U.S. dollar strength detracted from EAFE returns in dollar terms. Emerging Markets were the standout, though performance within the region was uneven as China declined.

The most notable macro development abroad was a decisive hawkish shift among developed-market central banks, echoing the change in tone from the Federal Reserve (Fed). The European Central Bank (ECB) raised rates in June, its first hike since 2023, as Eurozone inflation climbed against a backdrop of barely positive growth. The Bank of Japan followed days later, raising its policy rate to the highest level in over 30 years, while the Bank of England held rates steady with two dissents in favor of a hike. Although a mid-June ceasefire in the Middle East drove oil prices sharply lower and eased the immediate inflation impulse, policymakers made clear they are unwilling to look through the shock, and yield curves across developed markets reflected this shift toward tightening.

Sector performance within the MSCI EAFE was again highly bifurcated, with leadership nearly the mirror image of the first quarter. Information Technology surged as the global AI and semiconductor trade reasserted itself, followed by Financials and Industrials. Energy was the worst performer as crude prices retreated on the ceasefire, a sharp reversal of the sector's strong gain in the first quarter, while Communication Services also declined and more defensive areas, including Utilities, Real Estate, and Health Care, posted more modest gains. Turning to market factors, Size, Volatility, and Momentum were positive contributors as investors favored higher-beta, more speculative names. Value was a headwind, while Yield, Growth, and 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, 2026.

From a sector perspective, overweight exposure to Information Technology, the best performing sector, and underweights to Energy and Utilities, the two weakest sectors, contributed positively to relative performance. Stock selection detracted, most notably in Financials, Information Technology, and Industrials, which more than offset positive selection in Consumer Discretionary, Consumer Staples, and Health Care. Index performance continued to be driven by lower-quality, higher-beta factors during the quarter, the same trend that has challenged our quality-oriented approach over the past year. Against that backdrop, the Fund modestly trailed the market during a quarter of strong returns, but by less than might typically be expected in this type of speculative rally. We were encouraged that our positioning in higher-quality businesses kept pace in a speculative rally rather than lagging meaningfully as it did earlier in the year.

Among the largest contributors to performance were Taiwan Semiconductor Manufacturing Company Ltd. (Information Technology sector, Taiwan), ICON plc (Health Care sector, Ireland), and InterContinental Hotels Group plc (Consumer Discretionary sector, United Kingdom).

Taiwan Semiconductor Manufacturing Company continued to benefit from attractive demand fundamentals as AI-driven investment accelerated. The company maintained its upgraded revenue outlook after consistently exceeding sales expectations

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in prior quarters. Its dominant competitive position and favorable exposure to structural growth remain attractive.

ICON plc rallied during the quarter, recovering sharply from first quarter weakness following the completion of the internal investigation into its revenue recognition policies. Earnings updates demonstrated commercial momentum and strong competitive positioning in a stabilizing demand environment. Valuation remains compelling.

InterContinental Hotels Group (IHG) shares advanced during the quarter as de-escalation in the Middle East eased macro concerns that had weighed on travel-related stocks earlier in the year. Underlying travel demand remains resilient, supporting healthy revenue per available room trends and continued net unit growth. We remain attracted to IHG's asset-light, fee-based model, strong free cash flow generation, and consistent return of capital to shareholders.

The largest detractors from performance were Nintendo Co. Ltd. (Communication Services sector, Japan), BAE Systems plc (Industrials sector, United Kingdom), and Willis Towers Watson plc (Financials sector, United Kingdom).

Nintendo's stock has been pressured this year by rising memory chip costs, a key input for its hardware. In response, the company will raise the price of the Switch 2 console in September, raising fears that price elasticity could weigh on the installed base after a very strong first year for the console. We believe hardware demand will be less elastic than the market anticipates, and that cycle profits will be predominantly driven by associated software sales, box office receipts, and other monetization efforts in the years to come. Cash on the balance sheet provides downside protection.

BAE Systems shares declined during the quarter, giving back a portion of the first quarter's gain as the ceasefire in the Middle East weighed on sentiment across the defense sector. Sentiment around defense names shifts quarter-to-quarter with geopolitical developments, and we expect that volatility to continue. Our long-term thesis is unchanged: defense spending growth remains well supported across NATO member countries over the coming decade, with BAE well positioned to benefit.

Willis Towers Watson (WTW) declined during the quarter after bracketing its Risk & Broking segment growth outlook toward the lower end of its prior range. Negative sentiment centered on AI-driven disintermediation also weighed on the sector. We continue to see evidence of improving growth, margins, and free cash flow generation, and believe AI represents more of a margin expansion opportunity than a competitive threat for WTW. Valuation remains attractive and supports downside protection.

During the quarter, the Fund exited Burford Capital after an unfavorable legal ruling materially changed our investment thesis and redeployed the proceeds into higher-conviction opportunities. The Fund also increased positions in RELX plc and Willis Towers Watson, where we believe attractive valuations offer favorable long-term risk/reward.

Outlook and Conclusion

While the macroeconomic backdrop remains shaped by evolving monetary policy and geopolitical developments, our investment approach remains focused on identifying high-quality international businesses with durable competitive advantages trading at attractive valuations. We believe tightening financial conditions and renewed market volatility should favor companies with pricing power, resilient cash flows, and strong balance sheets. Although market leadership may continue to shift in the near term, we remain confident that our disciplined, bottom-up process is well positioned to provide downside resilience and attractive long-term risk-adjusted returns.

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 $110.9 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

	2Q26	YTD	1 Year	3 Year	5 Year	Inception
ETF NAV	10.11%	3.04%	1.64%	—	—	6.11%
ETF Market Price	9.21%	3.25%	1.42%	—	—	6.24%
Benchmark	10.82%	9.44%	20.23%	—	—	22.94%

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.*
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Top 10 Holdings

		(% of Portfolio)
1	Taiwan Semiconductor Manufacturing Co Ltd ADR	6.3
2	Safran SA	5.0
3	InterContinental Hotels Group PLC	4.5
4	ASML Holding NV	4.4
5	Compass Group PLC	4.4

		(% of Portfolio)
6	Icon PLC	4.3
7	Universal Music Group NV	4.1
8	Roche Holding AG Ordinary Shares new	4.0
9	Allianz SE	3.9
10	Philip Morris International Inc	3.9

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.

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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