Fund Manager Commentary

As of December 31, 2025

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 capped off a strong year with a fourth quarter rally across both developed and emerging markets. In developed markets, MSCI World Index gained 3.1% in fourth quarter. International markets bested the U.S. markets with the MSCI EAFE posting a 4.9% return compared to the S&P 500's 2.7%. In the latest quarter, currency movements proved to be a tailwind for the international markets though still a solid positive for the year. For the year, MSCI EAFE returned an impressive 31.2% beating the S&P 500's 17.9% by a wide margin – note the weak U.S. dollar added a little over 10points to the MSCI EAFE's return. Emerging Markets were up 4.7% in the quarter adding to full year gains of 33.6%, topping developed markets globally.

Economic indicators across the Eurozone, UK and Asia were mixed but provided a stabilizing picture as the initial shock and uncertainty from U.S. administration trade policies faded throughout the year. Eurozone was generally stable while UK saw a slight deterioration in GDP and unemployment. While the EU kept policy rates unchanged, the UK eased rates 25 basis points (bps) to 3.75% on cooling inflation. Though we expect that policy rates will remain in an easing cycle in both regions. In Asia, Japan reported a better economic picture with GDP growth and stable unemployment. The policy rate was tightened by 25bps to 0.75% as the Bank of Japan continues to normalize rates. Despite differing policy rate moves, we observed yield curve steepening across most developed markets. China was a mixed bag with GDP ticking up and unemployment stable while industrial production slipped. In equity markets, Europe led Asian markets. MSCI Japan returned 3.2% and MSCI China fell -7.3%. MSCI Europe reported a strong 6.2% return.

From a sector perspective, Financials continue to lead with a 7.6% return in the quarter and contributing about 40% of the return for the index. Within Financials, it was Banks again that led the charge with a 10.9% return and a 70% gain for the year. The next largest contributor was Health Care, 9.7%, as the out-of-favor sector bounced on better than feared outcome on the U.S. administration MFN drug pricing policies. While 6 out of the 11 sectors underperformed in the quarter, Communication Services stood out as the lone negative sector with a 7.3% loss with a number of stocks hit on mounting AI disruption concerns. Turning to market factors, the Value, Yield, Size, Beta and Momentum factors were positive contributors during quarter. The Quality factor faced headwinds, while the Growth factor had mixed results.

Portfolio Review

The Touchstone International Equity ETF (NAV) underperformed its benchmark, the MSCI EAFE Index, for the period ended December 31, 2025.

Sector exposure was a detractor as under-weights especially Financials, an outperforming sector, and over-weights to Communication Services in particular, an underperforming sector, hurt performance. The Fund's individual stocks further contributed to underperformance as our positioning in higher quality companies was a severe drag across most sectors which was a similar trend throughout this year.

International markets remained on an upward trend through the end of the year. Unfortunately for the Fund's portfolio, benchmark performance has been driven by lower-quality parts of the market. The Bank industry, for example, was the biggest contributor to benchmark performance. This creates a difficult environment for our quality-oriented portfolio.

(continued)

Among the largest contributors to Fund performance were Roche Holding AG (Switzerland, Health Care sector), InterContinental Hotels Group plc (United Kingdom, Consumer Discretionary sector), and Assa Abloy AB (Sweden, Industrials sector).

The global pharmaceutical company Roche was top contributor with a 27% gain during the quarter. Roche benefited from macro and micro developments. On the macro front, the U.S. administration's MFN pricing policy was less punitive than feared. On the micro front, positive developments in Roche's development pipeline especially on potential blockbusters Fenebrutinib and Giredestrant defied market skepticism.

InterContinental Hotel Group (IHG was a top contributor a 16% return in the quarter. Management reported strong performance and reiterated full year guidance shaking off fears of a slowing consumer. IHG's franchise-fee model is attractive providing high ROIC, low capital intensity and downside protection.

Assa Abloy, the Sweden-based global locks and closures business, was a top contributor. The company reported growth and earnings in line with our expectations despite weak residential activity in the US, affirming our thesis in the defensive nature of the business. The stock continues to offer an attractive risk/reward.

Among the largest detractors from Fund performance were RELX (United Kingdom, Industrials sector), BAE Systemes (United Kingdom, Industrials sector), and Nintendo (Japan, Communication Services sector).

Concerns over AI-driven disruption continued to hurt sentiment on the information services sector in the quarter. While RELX reported strong performance, the shares declined 14% in the quarter and a top detractor. We believe the disruption narrative underestimates RELX's distinct and proprietary data generated through a contributory consortium model and overlooks RELX's niche dominance in attractive, growing verticals including publishing and exhibitions.

BAE shares declined 17% during the quarter but still remains our top contributor for the year. While underlying performance remains robust, market sentiment shifted on defense companies with developments in the Ukraine-Russia war. In the short-term we would expect volatility around developments in the Ukraine but we believe defense spending across NATO member countries will be robust over the coming decade with BAE well positioned to benefit.

Nintendo stock fell ~20% in the quarter but remains in the green for 2025. Stock volatility at the beginning of a console cycle is normal as data and estimates evolve. In 4Q, rising memory chip prices was an acute concern for investors. We are encouraged that Nintendo's hardware is not a loss-leader, unlike other console makers, and we expect its highly profitable software business to drive record profits for Switch 2 over the cycle.

During the quarter, we sold NXP Semiconductor (Netherlands, Information Technology sector). NXP manufactures semiconductors for autos, industrial and telecom equipment. While valuation is reasonable, we sold our position to reinvest in better opportunities. We purchased AENA (Spain, Industrials sector). AENA is an airport infrastructure company operating the Spanish airports, its primary asset. AENA operates under a "dual till" regulatory model where the landing fees are regulated while all other operations, like concessions, retail, parking, VIP lounges, etc., are unregulated. ~70% of AENA's value is driven by the high-return unregulated business which we believe is underappreciated by the market. As AENA prepares to enter into the next regulatory period, investor sentiment soured on potential capex increases providing an opportunity to purchase the shares. We believe the capex will provide attractive returns in the business and an underleveraged balance sheets provides confidence in the continuation of attractive shareholder distributions. Also, we bought Magnum Ice Cream Co (Netherlands, Consumer Staples sector). Magnum was spun-off from Unilever during the quarter. Magnum is the largest ice cream company globally trading at an attractive valuation with opportunity for margin improvement under focused leadership. After receiving the spin off shares, we added to our position.

Outlook and Conclusion

From an economic perspective, we expect modest economic growth across the developed international markets with balanced risks from sticky inflation, unemployment and trade flare-ups. In terms of policy rates, we continue to expect an accommodative posture from Europe and UK central banks while Japan looks to continue normalizing rates into 2026 – similar trend from 2025. We expect continued focus on domestic policies around defense spending and infrastructure which should be supportive to domestic growth.

In terms of equities, international markets added to stellar full year returns supported by earnings growth, multiple expansion and US dollar weakness. While the strong return, international markets are still valued at a sizeable discount to the U.S. We believe this will continue to be supportive of fund flows into international markets providing a positive outlook into 2026. Returns for the year in the MSCI EAFE were driven by the low-quality businesses (note the 70%+ return in Banks) while the Quality factor was significantly out of favor. We do not believe this trend can last forever and if it were to reverse we are well positioned in attractively valued quality businesses that can outperform the market cycle while providing solid downside protection.

Fund Facts

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio Total	Net
TLCI	03/03/25	89157W871	NYSE Arca	1.00%	0.37%
Total Fund Assets	**$103.0 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 0.37%. These expense limitations will remain in effect until at least 04/29/26.

Total Returns

	4Q25	Inception
ETF NAV	-0.55%	4.98%
ETF Market Price	-0.92%	4.94%
Benchmark	4.86%	20.13%

Benchmark – MSCI EAFE 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/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. 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	BAE Systems PLC	5.1
2	SAP SE	4.7
3	CRH PLC	4.6
4	Safran SA	4.5
5	Nintendo Co. Ltd.	4.5
6	Compass Group PLC	4.5
7	Roche Holdings AG	4.1
8	Taiwan Semiconductor Manufacturing Co. Ltd.	4.1
9	ASML Holdings NV	4.0
10	Allianz SE	3.9

Source: BNY Mellon Asset Servicing

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 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.

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 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. 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 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.

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

Touchstone Investments®
DISTINCTIVELY ACTIVE®

800.638.8194 • TouchstoneInvestments.com