Fund Manager Commentary

As of December 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, as measured by the MSCI Emerging Markets Index, ended 2025 with their fourth consecutive quarterly gain. While most countries and sectors posted positive returns, the index's rise was narrowly driven. Just three companies—TSMC, Samsung, and SK hynix—accounted for nearly 90 percent of the index's gain. Consequentially, Korea and Taiwan effectively accounted for all of the index's return, and Information Technology (IT) dominated sector-level performance. China and Saudi Arabia were the largest detractors, each declining more than 7 percent during the quarter. Consumer discretionary was the weakest-performing sector.

The fourth quarter capped the strongest year for emerging markets equities since 2017, both in absolute terms and relative to developed markets. The index benefited from a rare combination of historically strong earnings growth (21 percent versus a 15-year average of merely 1 percent) and multiple expansion. Most countries advanced, though China, Korea, and Taiwan together contributed nearly 75 percent of the index's return. Saudi Arabia and Indonesia were the largest, though relatively modest, detractors. All sectors ended the year in positive territory, with Information Technology accounting for one-third of the index's gain—largely driven by semiconductor stocks tied to accelerating AI demand.

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 December 31, 2025.

While the Fund's portfolio country positioning was additive to relative results versus the MSCI EM Index during the quarter, this was primarily a byproduct of the portfolio excluding China by design. This tailwind from not owning China was partially offset by our allocation to off-benchmark countries Singapore and Argentina. The portfolio's allocation to Korea and Taiwan was positive for absolute performance but detracted from relative results due to security selection within these strong performing markets over the quarter.

Security selection within sectors detracted from the portfolio's relative results. Positive contributions from both our allocation to and security selection within the Fund's largest absolute weight, Information Technology, were offset elsewhere - primarily by security selection within the financials and consumer discretionary sectors, the strategy's second and third largest absolute sector weights.

The top individual absolute contributors included SK Hynix Inc., Samsung Electronics Co. Ltd., and Taiwan Semiconductor Manufacturing Co. Ltd. (TSMC) (all Information Technology sector).

SK hynix and Samsung Electronics rallied in the fourth quarter amid early signs of a strengthening memory chip cycle fueled by growing AI demand. The memory industry has consolidated into an oligopoly, dominated by three companies, including SK hynix and Samsung. Both firms have reported that they are effectively sold out of memory inventory for 2026, with limited capacity available in 2027. High-bandwidth memory (HBM), which is essential for powering AI servers and graphics processing units, remains a key driver of this demand. SK hynix leads the market in HBM design. Samsung designs and manufactures both HBM and conventional memory chips and holds the largest market share in conventional memory. The recent surge in AI use cases has expanded memory demand beyond HBM to include dynamic random access memory (DRAM) and enterprise solid-state drives (eSSDs), particularly for AI inference workloads.

Samsung confirmed it is selectively adding conventional memory capacity to support AI-related customers. This marks a meaningful shift in how memory is architected and deployed, as AI workloads

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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.***

become a more central use case. This shift is also contributing to broader demand across memory categories, straining current supply and pushing prices higher across product lines.

Taiwan Semiconductor is the world's largest producer of leading-edge logic chips by market share. The company reported strong results for the most recent quarter. It continues to execute well on advanced-node yield improvements and capacity expansions to meet accelerating AI compute demand. TSMC remains a key beneficiary of this trend. New AI-related partnerships announced over the past several months support a growing multi-year revenue pipeline. Taiwanese media also reported potential price increases for 5nm and more advanced nodes next year, which could provide a meaningful revenue tailwind in 2026. TSMC is also ramping its overseas capacity, fast-tracking its Arizona facility to produce N2, and possibly A16, nodes to serve growing AI demand. We view the company as one of the strongest fits with our investment criteria, supported by its leadership in advanced manufacturing, deep customer relationships, and growing role in enabling next-generation technologies. TSMC remains a large holding across Sands Capital Fund portfolios.

The top individual absolute detractors included Sea, Coupang, and MercadoLibre (all Consumer Discretionary sector).

Sea Ltd is a Southeast Asian internet platform with businesses in gaming, ecommerce, and fintech. After seven consecutive quarters of exceeding consensus expectations and raising forward guidance, management shifted its focus to investing in logistics and user engagement. These investments are expected to weigh on margins in the near term, and the stock declined in response. We believe the market is overreacting to spending that should ultimately strengthen Sea's competitive position and long-term earnings power. Despite the increased investment, we still expect Shopee, Sea's ecommerce segment, to grow EBITDA by more than 30 percent in 2026. Looking ahead, we believe Sea's overall revenue and EBITDA can double and triple, respectively, by 2030. In our view, this growth potential, combined with the company's lowest forward earnings multiple since 2023, creates an attractive risk-reward profile.

Coupang Inc. is South Korea's largest ecommerce platform by market share. Shares declined in response to higher-than-expected investment in its Taiwan expansion, and the selloff was exacerbated by a data breach that affected nearly all of its 33 million customers. We believe the market reaction is overdone. Coupang's increased spending in Taiwan reflects conviction in the opportunity and a long-term commitment to the market. Its decision to build last-mile infrastructure is a key signal. While these investments may weigh on short-term results, they also enhance long-term value. Management has emphasized its intent to grow EBITDA even while expanding in Taiwan and has reiterated its disciplined approach to investment. On the data breach, we believe the potential penalties, customer impact, and regulatory consequences are manageable. Coupang ended December trading at 17 times enterprise value to EBITDA, based on 2026 consensus estimates. We view this as attractive relative to our expectation for over 50 percent EBITDA growth in 2026.

MercadoLibre Inc. is the largest ecommerce and fintech ecosystem in Latin America by market share. Its stock came under pressure amid rising competitive intensity in Brazil's ecommerce market. Our research and third-quarter results suggest its recent investments are strengthening the company's long-term moat, with signs of accelerating growth and improving unit economics. Importantly, MercadoLibre is building from a position of strength. Gross merchandise volume in Brazil was already growing 30 percent before it increased investment. Its playbook—more volume, higher density, better unit costs—remains intact. Lowering the free shipping threshold has boosted volume in lower-price segments, while a new premium loyalty tier helps defend the high end. Brazil remains an attractive ecommerce market, so it is not surprising to see Shopee, Amazon, and TikTok ramp efforts to gain scale. Still, we believe MercadoLibre is well positioned to win. Our recent surveys and the company's results show that it remains the platform of choice for both buyers and sellers. The investor debate over MercadoLibre's positioning has led to its lowest forward earnings multiple in nearly a decade.

During the quarter we exited Localiza (Industrials sector) and Bank Rakyat (Financials sector).

Localiza has improved its competitive position over time, more than doubling its operating fleet through the acquisition of its next-largest competitor. However, this operational progress has been outweighed by meaningful multiple compression. We no longer view the business as a strong fit with our investment criteria—particularly regarding the attractiveness of its business space. Localiza—along with the broader industry—has demonstrated to be highly sensitive to macroeconomic conditions. The dynamics of demand elasticity, car depreciation rates, and interest rate expectations have had an outsized impact on the business' operations, limiting management's ability to drive sustainable shareholder value through controllable levers.

When purchased Bank Rakyat, we expected its government-subsidized lending program (KUR) to shrink relative to its more profitable commercial microlending business (Kupedes). We also saw it as a complement to Bank Central Asia Tbk PT(BCA), another portfolio holding, given its differentiated lending profile and customer base. Since then, our conviction in the investment has declined. The loan mix has shifted back toward KUR, undermining profitability. We also expect subdued loan and earnings growth in the coming years due to a weaker macroeconomic backdrop and more conservative underwriting. Finally, we no longer view Bank Rakyat as a strong complement to BCA, as the valuation gap between the two banks has narrowed. We view BCA as better positioned to navigate Indonesia's macro and political cycle, while remaining well-placed to benefit from improvement.

Outlook and Conclusion

This year's rebound in emerging market equities has reminded investors of their idiosyncratic growth potential, which can 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

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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. Many of the technologies enabling this AI paradigm shift are based in emerging markets.

Our portfolio construction reflects balance as well as conviction. Compared with the pandemic-era bull market, today's portfolio represents higher overall quality and a more deliberate balance between innovation exposure and resilience. We believe this positioning will help us navigate what remains a dynamic geopolitical, market, and operating environment. Through deep, fundamental research, we aim to balance the twin risks of opportunity cost and value destruction, with the objective of adding value over a multiyear horizon. Sometimes balance is not rewarded, especially in a market that is more narrowly driven, like what we saw in 2025. We still believe this is the right approach for adding value for clients with prudence over time. Importantly, we believe the portfolio's valuation enhances its return potential.

Touchstone Sands Capital Emerging Markets ex-China Growth ETF

TEMX

Fund Facts

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio: Total	Annual Fund Operating Expense Ratio: Net
TEMX	02/24/25	89157W889	Cboe BZX	1.11%	0.79%
Total Fund Assets	**$8.9 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 "AFFE," and other expenses, if any) to 0.79%. These expense limitations will remain in effect until at least 04/29/26.

Total Returns

	4Q25	Inception
ETF NAV	4.07%	19.85%
ETF Market Price	2.99%	19.97%
Benchmark	4.73%	26.22%

Benchmark - MSCI Emerging Markets 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)
1	Taiwan Semiconductor Mfg. Co. Ltd.	8.9
2	Taiwan Semiconductor Mfg. Co. Ltd. ADR	8.5
3	Samsung Electronics Co. Ltd.	7.3
4	Dreyfus Gov Cash	5.3
5	Bajaj Finance Ltd.	5.1
6	Nu Holdings Ltd.	4.8
7	MercadoLibre Inc.	4.6
8	SK hynix Inc.	4.5
9	HDFC Bank Ltd.	4.4
10	Sea Ltd.	3.9

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.

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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