

## Fund Manager Commentary

As of 03-31-2026

### 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, declined modestly in the first quarter. Strong gains in January and February were reversed in March with the onset of the Iran war, as the index fell 13 percent during the month, its steepest monthly decline since 2020. Despite the absolute decline, emerging markets outperformed developed markets, with the MSCI Emerging Markets Index exceeding the MSCI World Index for the fifth consecutive quarter and the seventh out of the past eight quarters.

The first quarter was another notably narrow market environment for emerging market equities. More than 60 percent of index constituents declined, with the median company falling over 4 percent. Meanwhile, index performance was again driven by the contribution from a select group of semiconductor businesses, which largely offset the long tail of index detractors.

South Korea and Taiwan were the standout contributors to the index's return, while India and China were the largest detractors. Country performance varied widely, ranging from a more than 21 percent gain in Colombia to a decline of more than 20 percent in Indonesia. Sector performance showed similar divergence, with information technology and energy each rising more than 11 percent, while communication services and consumer discretionary declined by more than 11 percent.

### 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 March 31, 2026.

Touchstone Sands Capital Emerging Markets ex-China Growth ETF underperformed the MSCI Emerging Markets Index in the first quarter amid a narrowly driven market. While the ETF benefited from its exposure to AI infrastructure, which led the index, this contribution was overwhelmed by its India exposure and security selection within Brazil.

The ETF's multiple declined from 19x to 14x in the first quarter. Relative to the MSCI Emerging Markets Index's forward earnings multiple of 11x, this represents the narrowest valuation premium for the Fund's portfolio since the inception of the Fund's underlying Emerging Markets ex China strategy. At the same time, near-term earnings estimates for portfolio businesses increased on a weighted-average basis, suggesting improving fundamentals despite weaker market sentiment.

Overall, Taiwan and South Korea were the top-contributing countries to the Fund's relative results, while India and Singapore were the top detractors. From a sector perspective, Information Technology and Communication Services were the top relative contributors, while Financials and Consumer Discretionary were the top detractors.

The top individual absolute contributors included Taiwan Semiconductor Manufacturing Company Ltd. (Taiwan, Information Technology sector), Samsung Electronics Co., Ltd. (South Korea, Information Technology sector), SK hynix Inc. (South Korea, Information Technology sector), ASML Holding N.V. (Netherlands, Information Technology sector), and Delta Electronics plc (Taiwan, Information Technology sector).

Taiwan Semiconductor Manufacturing Company Ltd.'s (TSMC)'s latest results highlighted accelerating AI demand and reinforced the company's position as a primary beneficiary of that trend. The update included two new data points that strengthened our outlook for AI accelerator demand. First, TSMC Chairman C.C. Wei said he personally spoke with the company's largest hyperscaler AI customers and concluded that their requests for additional capacity were supported by end demand. Given TSMC's historically conservative posture, we view this as a meaningful signal. Second, the company reinforced that confidence with a materially higher capital expenditure plan of \$54 billion for 2026, well above consensus estimates of \$47.8 billion, to support expected AI-driven demand. TSMC also reported results and issued guidance that exceeded our expectations and those of



consensus. Management now expects AI-related revenue to grow at a 55 percent annualized rate through 2029, up from 45 percent previously, driven by both higher volumes and improved pricing. While peers continue to invest, we believe TSMC's yields, scale, and surrounding ecosystem continue to differentiate it for high-performance GPUs and leading CPUs. Planned expansions in Arizona, including additional advanced fabs and a U.S.-based advanced packaging facility, should also ease prior capacity concerns.

Samsung and SK hynix benefited during the quarter from a continued mismatch between supply and demand for memory chips, supporting significant pricing increases. The memory market is experiencing strong pricing and demand dynamics, with a meaningful near-term supply and demand imbalance driven by AI-related demand. DRAM average selling prices rose about 40 percent quarter over quarter, while NAND increased in the mid-20 percent range. AI demand drove strength across high bandwidth memory (HBM), enterprise solid-state drives, and server DRAM. Emerging AI use cases, including agentic workflows, could require 1 to 2 zettabytes of fast memory, or roughly nine to 18 times current annual DRAM shipments, highlighting the potential scale of incremental demand. At the same time, HBM remains a relatively small portion of total DRAM supply today, and more traditional end markets such as PCs and smartphones are still recovering. Supply growth remains slow and capital intensive, with industry bit growth for NAND and DRAM tracking below prior cycles. HBM draws capacity away from other memory types, limiting the industry's ability to expand supply. In our view, these dynamics support continued tightness in the near term.

Samsung and SK hynix are well positioned to benefit from these trends, with leadership in next-generation memory and growing exposure to AI-driven demand. Samsung's HBM4 has completed NVIDIA qualification, strengthening its role as a second source. SK hynix continues to lead in HBM and reported accelerating next-generation production. The business also confirmed its HBM4 is in mass production and noted it has turned away some 2026 demand due to capacity constraints. Both businesses are investing to expand supply while maintaining technology leadership, particularly in advanced packaging and memory performance. These positioning advantages should support their ability to capture incremental demand tied to AI infrastructure, even as broader memory markets continue to evolve.

The top individual absolute detractors included HDFC Bank Ltd. (India, Financials sector), Sea Ltd. (Singapore, Consumer Discretionary sector), Bajaj Finance Ltd. (India, Financials sector), Bharti Airtel Ltd. (India, Communication Services sector), and Dino Polska SA (Poland, Consumer Staples sector).

HDFC Bank is India's largest private-sector bank by market share. Shares declined amid broader weakness in Indian equities, driven in part by the global energy shock. Leadership uncertainty also weighed on sentiment. The resignation of the independent chair in March, attributed to a difference in ideologies, appears linked to internal disagreements following the merger. While no

misconduct was alleged, the episode brought existing boardroom tensions into public view. Regulatory support and leadership continuity are stabilizing factors. Keki Mistry's appointment as interim chair signals credibility and experience, while the Reserve Bank of India has stated it sees no material governance concerns. The regulator approved the transition quickly, and current leadership has reaffirmed its commitment to remain in place. Operational momentum remains intact despite the distraction. Early signs of earnings reacceleration are emerging as merger-related distortions fade following the 2023 combination with mortgage lender Housing Development Finance. We expect HDFC Bank to grow faster than the broader Indian banking system in 2026, while its valuation is near levels last seen in March 2020 and March 2009.

Sea is an internet business in Southeast Asia that operates leading platforms in video games (Garena), ecommerce (Shopee), and digital financial services (Monee). Shares have come under pressure in recent months due to earnings revisions tied to incremental investment in the ecosystem, competition concerns with TikTok, and perceived AI disintermediation risk. We believe Shopee's ongoing investments reflect a proactive effort to strengthen competitive advantages. These initiatives, costing roughly 70 basis points of gross merchandise value, focus on logistics, fulfillment, and loyalty programs. Compared with the reactive investment cycle in late 2023, this approach is more offensive, with clear visibility into return on investment and outcomes, and has a smaller financial impact. We believe TikTok's threat is overblown and that competitive intensity remains stable, as evidenced by both platforms' continued commission rate hikes throughout 2025. Our latest consumer survey also indicates Shopee continues to capture incremental wallet share and mindshare across Southeast Asia and Taiwan. At the same time, structural factors, including low ecommerce penetration in core markets, strong infrastructure, and concentrated market dynamics, should limit AI disintermediation risk and support Shopee's long-term position.

Bajaj Finance is a leading Indian nonbank financial services company. Shares declined alongside Indian equities and following quarterly results affected by several one-off factors, including new provisioning standards and a labor code-related charge. Elevated provisions weighed on reported earnings, but we view this as a proactive step to strengthen the balance sheet rather than a signal of underlying credit stress. Looking through these items, core performance remained solid across growth, margins, and asset quality. The company's AI investments have now shifted from development to deployment, and we believe the long-term profitability opportunity remains underappreciated. Over the next five years, the business could scale meaningfully while operating with fewer branches and lower levels of nonperforming loans. AI-enabled customer interfaces should reduce reliance on physical infrastructure, while agentic AI embedded in risk management could improve credit outcomes and efficiency.



During the first quarter the Fund completed the purchases of Adani Ports and Special Economic Zone Ltd. (India, Industrials sector), Amber Enterprises India Ltd. (India, Consumer Discretionary sector), Delta Electronics plc (Taiwan, Information Technology sector), eMemory Technology Inc. (Taiwan, Information Technology sector), and Samsung Biologics Co. Ltd. (South Korea, Health Care sector). It completed the sales of EPAM Systems (United States, Information Technology sector) and Globant (Argentina, Information Technology sector).

Adani Ports and Special Economic Zone is India's largest port operator, by cargo volume. Over the past decade, Adani Ports has expanded from a single port in western India to more than a dozen ports and terminals across the country's west, east, and southern coasts, more than doubling its market share to nearly one-third of India's cargo volume. The company stands to benefit from several of India's structural growth drivers, in our view, including rising consumption, manufacturing localization, and increasing energy demand. Looking ahead, Adani Ports is reinvesting free cash flow into three adjacencies to its core India ports business: logistics, marine services, and international ports. These adjacent businesses support the company's long-term strategy to evolve into an integrated transport utility and could enhance the durability and quality of its earnings over time. Collectively, this reinvestment strategy is designed to deepen customer relationships, extend Adani Ports' role across the logistics value chain, and improve the company's long-term margin profile.

Delta Electronics is a leading provider of power and thermal management technologies. The Taiwan-based business focuses on delivering innovative, clean, and energy-efficient solutions across data centers, infrastructure, and industrial applications. Our investment case centers on Delta's leadership in power electronics that convert high-voltage electricity into the precise, stable voltages required by AI computer chips, while also addressing the significant heat these systems generate. Delta has built deep expertise over decades as a core supplier to traditional data centers, developing a rare combination of performance, scale, reliability, and cost discipline. That specialization has positioned the business to lead as data center architectures shifted toward AI workloads, which require far higher power density and tighter tolerances than prior compute generations. Today, Delta holds leading share across most rack-scale power components that deliver electricity from the grid to the AI chip, including power supply units, liquid-to-air cooling distribution units, and energy buffering systems. As AI systems continue to demand more power per rack and greater thermal efficiency, Delta's integrated power and cooling capabilities position it as a key enabler of next-generation data center design.

eMemory Technology is a leading developer of a critical chip design technology, non-volatile memory. eMemory addresses a foundational requirement in modern semiconductors: permanently storing critical data and securely identifying each chip. This includes locking in calibration settings, configuration

data, and security credentials that devices rely on to operate reliably and securely. Non-volatile memory gives each chip a unique, non-replicable fingerprint, and the technology is used across nearly every chip category. eMemory's revenue is a mix of one-time licensing fees and recurring royalties, resulting in a structurally high margin profile. We are most excited about eMemory's opportunity with NeoFuse penetration and NeoPUF, its security technology based on physically unclonable functions (PUF). In 2021 eMemory announced a partnership with DARPA to develop the technology, and we are beginning to see an acceleration in PUF-license fees, which typically precedes mass production and royalty generation. eMemory was not historically viewed as a clear AI beneficiary given limited direct AI/server exposure. However, NeoFuse and NeoPUF adoption is helping eMemory gain exposure to AI-adjacent markets, beginning with baseboard management controllers and central processing units, with potential to extend into AI application-specific integrated circuits, graphics processing units, advanced driver assistance systems, and defense applications.

Samsung Biologics is a leading provider of outsourced development and manufacturing services for biologic drugs. The company delivers end-to-end solutions to global biopharmaceutical firms, supporting drug development from early-stage discovery through large-scale production. Demand for biologic drugs continues to rise as they demonstrate to be more effective across a growing number of disease areas. However, these medicines are complex to manufacture, challenging to scale, and expensive to produce in-house. As a result, biopharma companies increasingly rely on contract development and manufacturing organizations (CDMOs) to help mitigate risk, reduce costs, and accelerate timelines.

We believe Samsung Biologics is structurally advantaged as the largest pure-play biologics CDMO globally, as measured by capacity. In our view, its scale, operational efficiency, and manufacturing expertise support faster production and lower costs, giving it an edge over competitors. As the pharmaceutical industry continues to shift toward outsourcing, we expect Samsung Biologics to benefit from expanding global demand and increasing biologics penetration. Its ability to deliver consistent quality and high-volume capacity positions it well to deepen customer relationships and capture a greater share of this growing market.

We exited Globant and EPAM, as we expect AI disruption concerns to persist among global IT services businesses. The sector is now being placed in AI "terminal value purgatory," reflecting perceived disruption risk. Despite signs of fundamental improvement and relatively attractive valuations, we believe the positions carried a significant opportunity cost given the potential for a continued sentiment overhang.

## Outlook and Conclusion

Short-term narratives are driving market behavior, but their economic impact will unfold over different time horizons. Recent



geopolitical developments, including the outbreak of conflict in the Middle East, have added to an already complex backdrop shaped by advances in AI and debate around the scale of technology investment. These events have contributed to a broad selloff in risk assets and a sharp increase in volatility. While each of these developments is important, their influence on long-term business fundamentals is uneven and often slower to materialize than market reactions suggest.

The speed of information flow and current market structure are amplifying these dynamics. Markets are increasingly reacting to new developments in real time, accelerating shifts in sentiment and increasing sensitivity to near-term risks. While advances in AI reinforce the potential for a productivity cycle, they also introduce uncertainty around competitive dynamics and terminal value. At the same time, the growing influence of shorter-term investors has amplified these reactions, often compressing complex developments into simplified narratives. This can obscure important differences across businesses, particularly as not all companies face the same risks or opportunities from AI, and business model distinctions remain critical.

In periods of uncertainty, we take comfort in the fact that we know what we own. Our business owner's approach requires us to develop a deep understanding of the select businesses we choose to invest in, with the objective of benefiting from their earnings growth over the many years that we seek to own them. This contrasts with portfolios that own a large number of businesses or rely primarily on quantitative models. Market volatility can be challenging, but we believe the best strategy for enduring periods of turmoil is to own high-quality businesses with durable competitive advantages and the potential to grow through a range of economic and operating environments. This approach may not be rewarded in the fast-moving, sentiment-driven market we are currently in. However, our objective is to outperform over rolling, multiyear periods. With that timeframe in mind, our expectation for 30 percent annualized earnings growth, coupled with the lowest absolute and relative valuation in the strategy's history, presents an attractive setup for the next five years.



Fund Facts

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio	
				Total	Net
TEMX	02/24/25	89157W889	Cboe BZX	2.72%	0.80%

Total Fund Assets \$9.3 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 0.79%. These expense limitations will remain in effect until at least 04/29/27.

Annualized Total Returns

	1Q26	YTD	1 Year	3 Year	5 Year	Inception
ETF NAV	-3.48%	-3.48%	21.62%	—	—	14.23%
ETF Market Price	1.31%	1.31%	25.59%	—	—	17.86%
Benchmark	-0.17%	-0.17%	29.55%	—	—	23.51%

Benchmark - MSCI Emerging Markets Index

The MSCI Emerging Markets Index is a free float adjusted market capitalization index that is designed to measure equity market performance of emerging markets. 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/sands-capital-emerging-markets-ex-china-growth-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)		(% of Portfolio)
1 Samsung Electronics Co Ltd	10.4	6 Nu Holdings Ltd Ordinary Shares Class A	4.2
2 Taiwan Semiconductor Manufacturing Co Ltd	10.1	7 Bajaj Finance Ltd	4.0
3 Taiwan Semiconductor Manufacturing Co Ltd ADR	5.0	8 MercadoLibre Inc	4.0
4 Dreyfus Government Cash Mgmt Instl	5.0	9 Delta Electronics Inc	3.7
5 SK Hynix Inc	4.5	10 HDFC Bank Ltd	3.1

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. 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 subadvisors. 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.

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](https://www.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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