Fund Manager Commentary

As of December 31, 2025

Fund Highlights

- Invests primarily in common stocks of U.S. companies that have above average potential for revenue or earnings growth
- Emphasizes investments in large and mid cap growth companies - the Fund generally does not invest in companies that have less than $2 billion at the time of purchase
- Identifies leading companies with dramatic wealth creation potential focusing on key investment criteria
- Typically owns between 25 and 35 companies

Market Recap

U.S. large cap growth equities posted modest gains in the fourth quarter of 2025, closing out a volatile period marked by intensifying scrutiny of artificial intelligence (AI) spending and shifting expectations for monetary policy. The quarter reflected a sharp reversal within many of the year's top-performing segments, as enthusiasm around AI and speculative growth themes gave way to a more cautious, bifurcated market environment.

Markets entered the quarter on solid footing, with October capping off a seven-month winning streak for growth equities. The month extended trends that had defined the rally since February, including narrow leadership centered on AI infrastructure providers and lower-quality, high-volatility businesses tied to more speculative innovation themes. Sentiment was buoyed by rising AI capital expenditure commitments from the Magnificent Seven, NVIDIA's announcement of a $500 billion AI infrastructure backlog, and a series of high-profile product launches and partnerships across the ecosystem. However, conditions shifted abruptly in early November. Investor focus turned toward the scale, sustainability, and funding sources behind multiyear AI investment plans. Concerns resurfaced around the growing capital intensity of AI infrastructure, circularity in deal structures, and rising dependence on debt markets to finance expansion. At the same time, more hawkish commentary from Federal Reserve officials tempered expectations for imminent rate cuts, tightening financial conditions and weighing on high-beta, long-duration equities.

The AI trade came under further pressure following the release of Alphabet's Gemini 3 model, which delivered best-in-class performance using the company's proprietary Tensor Processing Units (TPUs). The model's launch raised questions about whether Alphabet's vertically integrated approach could shift the competitive dynamics of AI development, potentially undermining OpenAI's ability to sustain its aggressive growth trajectory. As a result, companies with high exposure to OpenAI saw their shares decline, reflecting growing investor unease around concentrated risks in the AI ecosystem.

These headwinds culminated in a broad risk-off move through mid-November, with pronounced weakness in non-profitable technology, AI infrastructure, and other high-momentum trades. Still, markets staged a recovery in December as a weakening labor market and a four-year low in the Consumer Price Index provided the backdrop for the Federal Reserve's (Fed) third rate cut of the year. In a further shift, the Fed announced the resumption of asset purchases, signaling a more accommodative stance in response to tightening liquidity. Despite the volatility, corporate fundamentals remained supportive. Third-quarter earnings broadly exceeded expectations, with S&P 500 profits rising 13.1 percent year over year—well ahead of the 7.9 percent forecast at the quarter's outset. Revenue growth reached a three-year high of 8.3 percent, and an above-average share of companies guided above consensus.

Portfolio Review

The Touchstone Sands Capital US Select Growth ETF (NAV) underperformed its benchmark, the Russell 1000® Growth Index, for the quarter ended December 31, 2025.

Security selection weighed on relative performance across all seven sectors in the Fund's portfolio, with the largest impact from Health Care, Information Technology (IT), and Communication Services. Outside of the Health Care sector, results were primarily affected by weakness in consumer internet holdings and underweights to mega-cap businesses that outperformed during the quarter.

Select Growth's results stood in contrast to the broader market, which saw a sharp reversal in high-momentum segments. Underperformance was concentrated in October and November

(continued)

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-us-select-growth-etf.***

Touchstone Investments®
DISTINCTIVELY ACTIVE®

and largely stemmed from positioning within the Magnificent Seven, as well as cautious forward guidance from internet businesses that faced heightened scrutiny over increased capital spending. Despite this, many of those same consumer internet holdings—leaders in streaming, gaming, food delivery, and social media—delivered strong third-quarter results, with accelerating user growth, engagement, and gross merchandise value. Announcements of higher investment spending weighed on share prices but, in our view, reflect strategic reinvestment from a position of strength to support future earnings growth.

Positioning in the Magnificent Seven, the primary headwind in the third quarter, continued to detract from relative performance in the fourth, though to a lesser degree. Performance dispersion within this group remained elevated, driven by rapid advances from key AI model developers and persistent market skepticism about the returns required to sustain infrastructure spending. This contributed to ongoing mean reversion among mega caps—a defining feature of the AI era that has produced sharp near-term volatility, but a generally positive medium-term trend. Underperformance within the Magnificent Seven was primarily due to relative strength in Alphabet Inc. and Apple Inc. Alphabet shares rose on accelerating paid clicks supported by AI functionality, further boosted by strong performance from its Gemini 3 model, which runs on its vertically integrated TPU-based architecture. Apple, despite slower AI progress, benefited from evidence of a potential iPhone upgrade cycle and a more measured approach to AI investment, appealing to investors during periods where investors are more cautious about the return potential of AI spending. The Fund's underweight to both companies detracted from relative results. These dynamics reflect a broader bifurcation within the market and the portfolio in 2025. Absolute performance was concentrated in consumer internet and AI infrastructure. In contrast, application software holdings lagged, pressured by concerns that AI may compress long-term value. Diversifying exposures in Health Care and Financials also underperformed, underscoring the market's preference for businesses with clearer AI-driven growth and, in some cases, business-specific challenges.

The top individual absolute contributors to the Fund's results included Alphabet (Communication Services sector), Shopify Inc. (IT sector), and Carvana Co. (Consumer Discretionary sector).

Alphabet is a global internet company whose principal businesses are Google and YouTube—two of the most-visited websites in the world. Shares advanced as the company is now increasingly viewed as a credible AI leader and rival to OpenAI, reversing earlier perceptions. In the third quarter, Search and paid clicks both accelerated, with paid clicks growing at their fastest pace in two years, supported by AI Overviews and AI Mode. Google Cloud reached a $60 billion annual run rate, while YouTube ad revenue rose 14 percent. Alphabet also released Gemini 3, its latest AI model, which topped industry benchmarks and runs on Google's proprietary TPU chips, offering a potential cost advantage in delivering AI.

Shopify is the leading global ecommerce platform enabling the next generation of retail. In the third quarter, gross merchandise value (GMV) rose 28 percent year over year—its strongest growth in four years and twelfth consecutive quarter of stable or accelerating performance. Growth was broad-based across geographies, verticals, and merchant sizes, highlighted by a meaningful acceleration in GMV per merchant and merchant services growth, driven by payments adoption. New client wins with brands such as Welch's and FanDuel underscore momentum up-market. Strong share price performance also likely reflects Shopify increasingly being viewed as an AI-beneficiary, set to benefit from its launch of AI-enabled merchant services and product discovery, supported by partnerships with OpenAI and improving advertising performance at Meta Platforms.

Carvana is the world's largest ecommerce used car retailer by revenue. Shares advanced after third-quarter results sustained exceptional growth and eased concerns about the lending business. Revenue rose 55 percent year over year, supported by 44 percent unit growth—marking the fourth consecutive quarter of more than 40 percent growth in an otherwise soft used car market. Certain developments in the broader subprime auto lending space weighed on shares in the months ahead of earnings, but these demonstrated to be idiosyncratic—for Carvana, Q3 results were incrementally positive for lending, with sequential loan margin growth and solid performance in recent vintages. Looking ahead, we remain confident in Carvana's ability to sustain strong unit growth, supported by the large addressable market, substantial vehicle inventory, and continued improvements in delivery speed.

Among the top individual absolute detractors were Roblox Corp. and Netflix Inc. (both Communication Services sector).

Roblox is a leading gaming development and distribution platform. Shares declined in the fourth quarter after management projected a notable increase in expenses and capital expenditures in 2026 and issued a cautious growth outlook, citing potential engagement risks from new age-based communication controls. This update amplified existing concerns that growth may normalize in the coming quarters, following an extraordinary 91 percent year-over-year engagement increase in the third quarter, driven by several hit game launches. While we continue to monitor engagement trends, we believe expectations have now reset to more appropriately conservative levels. Our research suggests that expanding engagement and monetization reflects Roblox's evolution into a platform business, rather than a dependence on individual game successes.

Netflix is the world's largest producer and distributor of streaming video content by subscriber count. Its stock has come under pressure amid investor skepticism over its proposed acquisition of Warner Bros Discovery's studio and streaming assets. The deal would be Netflix's largest to date and is expected to be funded through a mix of cash and debt. A competing bid from Paramount has added to the uncertainty. We believe the acquisition would strengthen Netflix's business and is likely to withstand antitrust review. We have long viewed studio ownership as a strategic fit for Netflix. Combining valuable intellectual property with the company's global distribution platform could boost overall viewership and improve pricing power. Our research suggests that the combination of leading IP and distribution leads to higher engagement. While antitrust remains a risk, we believe Netflix has a credible case based on the evolving definition of the video market, as streaming and linear content continue to converge.

(continued)

Our investment activity in the fourth quarter focused on addressing underperforming areas of the portfolio and better aligning holdings with our most recent research insights. These changes reflected shifts in conviction and uncovered growth drivers that we believe remain underappreciated by the market.

Collectively, these actions increased our exposure to AI model and infrastructure providers while reducing our exposure to application software. We aimed to realign our AI-related investments with the evolving competitive landscape and gain exposure to businesses positioned at key choke points in the AI data center build-out. These changes reflect our conviction in the durability of AI infrastructure spending, which we detail in our outlook.

Proceeds were also used to increase positions in select internet businesses that underperformed during the quarter. In many cases, near-term share price pressure reflected the start of new investment cycles, which we view as prudent over our longer-term investment horizon. With earnings growth expectations intact and valuation support improved, we see a favorable risk-reward tradeoff in adding to these positions.

The businesses we exited during the quarter were ServiceNow, Atlassian (both IT sector), Arthur J. Gallagher, Venture Global (Financials sector), and Dexcom (Health Care sector). These exits funded purchases in Carpenter Technology Corp. and Quanta Services Inc. (both Industrials sector).

ServiceNow and Atlassian lagged growth equities and weighed on investment results in 2025. Both businesses faced persistent macro pressure on software broadly, driven by investor concerns that AI could lower barriers to entry, displace legacy platforms, or limit seat-based pricing growth through efficiency gains. Despite this, each business has delivered solid operating results and launched new AI functionality that contradicts the prevailing market view that they are likely to be disrupted. While we believe these fears are overstated, they are unlikely to be resolved in the near term and will likely continue to pressure sentiment. As a result, we exited both positions in favor of businesses with less perceived exposure to AI-related disruption.

We exited our position in Arthur J. Gallagher to fund our purchase of Carpenter Technology. We first invested in Arthur J. Gallagher in April 2025, viewing it as a high-quality compounder that complemented the portfolio given the limited economic sensitivity and inflation-hedging characteristics of its insurance brokerage business. While the company continues to meet our investment criteria, a cyclical downturn in pricing has weighed on its near-term performance. We see a more compelling opportunity in Carpenter Technology over our five-year horizon, as a duration growth business that also enhances portfolio diversification and helps mitigate risk.

We exited its position in Venture Global to reallocate capital to higher-conviction businesses that we believe are better positioned to benefit from the rise of AI. We initiated the position at the company's initial public offering in January. Since then, the stock has faced sustained pressure, driven by poor communication from management, a mishandled IPO process, and ongoing legal overhangs that have obscured progress in scaling its liquefied natural gas operations. We continue to see a long-term opportunity for Venture Global to leverage its low-cost, modular infrastructure amid rising global demand for U.S. gas exports. However, we have greater confidence in the execution potential of other businesses in the portfolio and believe this reallocation strengthens the portfolio's exposure to key innovation-driven growth themes.

We exited our position in Dexcom in November. Dexcom grew operating income by over 300 percent from 2019 to 2024 as it benefited from continuous glucose monitor (CGM) adoption. However, this growth was swamped by more than 80 percent multiple contraction, resulting in a negative stock outcome since our 2020 purchase. Dexcom contended with several issues over the course of our ownership, from GLP-1 fears to execution missteps. Most recently, the stock sold off on concerns about product reliability, the timing of Medicare coverage for type-2 non-insulin CGM usage, and signs of decelerating growth for CGMs more broadly. Shares are trading at their all-time low forward multiple, reflecting these concerns. However, at this stage we prefer to re-allocate client capital into a higher-conviction opportunities.

Carpenter Technology is a leading supplier of specialty nickel alloys for the aerospace industry. These high-tolerance, heat-resistant metals are essential for manufacturing high-performance components in the hot sections of aircraft engines and gas turbines. The industry functions as a de facto duopoly, supported by high barriers to entry, including deep technical expertise, strict certification requirements, and long-dated returns on capital for new capacity. After years of maintaining peak-cycle capacity for airframers—much of it underutilized—nickel alloy producers have taken a more measured approach to expansion. Combined with new demand from gas turbines, defense, and space applications, this has shifted pricing power back toward metal suppliers. In our view, pricing must rise meaningfully to incentivize new capacity, given the capital intensity and time required to build it. As Boeing and Airbus resume production growth, we expect supply-demand tightness to persist, supporting a strong pricing environment for incumbents.

Quanta Services is the largest U.S. provider of skilled labor and equipment for energy and communications infrastructure. With more than 58,000 employees, it supports electric grid modernization, renewable energy, pipeline services, and datacenter-related power projects. About 45 percent of its revenue comes from long-term Master Service Agreements, offering recurring demand across cycles. We believe Quanta's leadership position is growing more valuable as utility investment accelerates. Grid aging, electrification, renewable integration, and AI-related demand are driving a multidecade upgrade cycle. Quanta's national scale, vertical integration, and execution capabilities give it a competitive edge that smaller contractors cannot match. Its customers, mainly regulated utilities, tend to have stable, long-term spending plans, providing greater visibility. We see Quanta as a core enabler of the North American energy transition and well positioned to benefit from secular investment in resilient, low-carbon infrastructure.

Outlook and Conclusion

We remain focused on navigating the technology paradigm shift enabled by artificial intelligence while maintaining balance across the Fund's portfolio. The portfolio is diversified among companies that provide essential infrastructure for AI, those positioned to use AI to strengthen existing businesses or create new products and

(continued)

Touchstone Investments®
DISTINCTIVELY ACTIVE®

services, and those with distinct, idiosyncratic growth drivers largely unaffected by near-term AI trends. Our focus is on evolving these exposures as our outlook for the scale and durability of AI-related capital investment—and the technology's capabilities—continues to develop.

With this in mind, we see three major themes that span the portfolio:

DEMAND AGGREGATORS - A select group of consumer internet businesses have built scaled platforms that aggregate supply across gaming, social media, streaming entertainment, and local delivery. Their low marginal costs enable strong operating leverage, supporting margin expansion and reinvestment through complementary services. We believe these businesses are well-positioned to benefit from AI, which can deepen user engagement through more precise personalization. We expect this to accelerate content creation, enhance its relevance, and improve advertising performance, reinforcing growth and competitive advantage over time.

ARTIFICIAL INTELLIGENCE ENABLERS - A technology paradigm shift has emerged, enabled by generative AI. Demand for computing power and cloud infrastructure is accelerating in the arms race across industries to harness AI to create new use cases, drive efficiencies, and defend market share. Portfolio beneficiaries include Meta Platforms, Roblox, and Spotify. The complexity of these enabling technologies have created significant competitive advantages for select businesses with the resources to drive innovative. We expect these businesses to benefit from their position at key chokepoints in a long-duration growth opportunity fueled by an explosion in AI use cases that sustains demand for computing power. Portfolio beneficiaries include Amazon, Broadcom, Microsoft, and NVIDIA.

EVOLVING FROM AGILITY TO INTELLIGENCE - Cloud-based software has moved beyond replacing legacy systems to become the backbone of digital operations. Today's leaders—spanning monitoring and security, commerce and engagement, and connected operations—are building intelligent, integrated platforms that compound value through ecosystem depth and data network effects. The rapid adoption of AI is introducing both disruption and acceleration. While some models may face pressure from commoditization, well-positioned platforms with proprietary data, strong customer relationships, and embedded workflows are using AI to deepen utility, expand markets, and reinforce their competitive advantage.

Portfolio beneficiaries include Axon Enterprise Inc., Cloudflare Inc., Datadog Inc., and Samsara Inc.

2025 presented a volatile backdrop for both absolute and relative investment results.

Growth equities experienced a sharp intra-year rebound, advancing 43 percent from the post–Liberation Day trough. Gains were led by lower-quality segments and the enablers of AI. This followed a 24 percent drawdown and was ultimately unwound in November as many of the year's strongest performers declined. In the end, growth equities finished the year roughly in line with earnings growth. Much of this volatility stemmed from the market's ongoing tension between excitement over AI's transformative potential and concerns about bubble-like excesses emerging alongside large increases in infrastructure spending. With many of the largest index constituents at the center of this debate, rapid sentiment shifts between perceived "AI winners" and "AI losers" amplified the risk of errors of omission.

We do not position the portfolio to capitalize on short-term sentiment shifts. Instead, our focus remains on identifying a select group of businesses we believe are best positioned to benefit over multi-year periods. That said, the pace of innovation demands an open-minded approach—one that continuously re-tests assumptions and adapts to new use cases and technological developments. We have maintained, but evolved, our exposure to AI enablers based on the view that infrastructure build-out will continue. Demand for compute continues to outpace supply, with visibility for AI-related spending extending into 2027. Scaling laws remain intact, driving exponential increases in compute requirements for both training and inference as models evolve into reasoning agents with rising token usage.

At the same time, we are closely monitoring the growing reliance on debt to finance this expansion. We estimate that infrastructure capital expenditures could exceed $700 billion by 2027—a level that will likely require increased funding from debt markets, as spending outpaces free cash flow for many businesses. In our view, this dynamic, along with widening differences in financial strength among AI cloud providers, reinforces the importance of selectivity. Our exposure to AI enablers is complemented by investments in diversifying compounders and leaders in verticals with strong multi-year secular growth potential. While these businesses are not direct enablers of AI, many are positioned to incorporate AI to improve products, unlock efficiencies, or launch new services. These holdings provide balance to a market increasingly concentrated in a narrow set of AI beneficiaries—roughly 60 percent of the Russell 1000 Growth Index is now directly tied to AI. In our view, the market's narrow focus on AI infrastructure in 2025 may extend the opportunity for long-term value creation as adoption shifts from enablers to users. Given the breadth of opportunity, the accelerating pace of innovation, and a portfolio trading at historically attractive relative valuations, we believe Select Growth is well positioned as we enter 2026.

Touchstone Sands Capital US Select Growth ETF

TSEL

Fund Facts

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio Total	Net
TSEL	01/02/25	89157W806	Nasdaq	1.02%	0.67%
Total Fund Assets	**$109.1 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 0.67%. These expense limitations will remain in effect until at least 04/29/26.

Total Returns

	4Q25	YTD	1 Year	Inception
ETF NAV	-6.00%	13.32%	13.32%	13.32%
ETF Market Price	-5.96%	13.52%	13.52%	13.52%
Benchmark	1.12%	18.56%	18.56%	18.76%

Benchmark - Russell 1000® Growth 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/sands-capital-us-select-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. 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.

Top 10 Holdings of Fund

		(% of Portfolio)
1	NVIDIA Corp.	16.1
2	Microsoft Corp.	7.9
3	Amazon.com Inc.	7.1
4	Meta Platforms Inc.	6.6
5	Broadcom Inc.	6.0
6	Shopify Inc.	5.8
7	Applovin Corp.	4.6
8	Alphabet Inc.	4.6
9	Carvana Co.	4.3
10	Nu Holdings Ltd.	3.6

Source: BNY Mellon Asset Servicing

The Russell 1000® Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

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.

The Frank Russell Company (FRC) is the source and owner of the data contained or reflected in this material and all trademarks and copyrights related thereto. The material may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a Touchstone Investments presentation of the data, and FRC is not responsible for the formatting or configuration of this material or for any inaccuracy in the presentation thereof.

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 dividend-paying companies. There is no guarantee that the companies in which the Fund invests will declare dividends in the future or that dividends, if declared, will remain at current levels or increase over time. Securities that pay dividends may be sensitive to changes in interest rates, and as interest rates rise or fall, the prices of such securities may fall.

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. 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. Financial institutions could suffer losses if interest rates rise or economic conditions deteriorate. 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. The Fund invests in value stocks which may not appreciate in value as anticipated or may experience a decline in 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 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

ETF-28-TSEL-2512