Touchstone Sands Capital Emerging Markets ex-China Growth ETF

TEMX

Sub-Advised by: Sands Capital Management, LLC

Emerging Markets - Large Cap Growth | Actively Managed, Fully Transparent ETF | 3Q/2026

Fund Manager Commentary

As of 09-30-2026

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 were modestly lower during the third quarter of 2026, as measured by the MSCI Emerging Markets Index. Despite the modest decline, there was meaningful dispersion and volatility beneath the surface. The quarter also experienced a leadership reversal, with value stocks outperforming growth stocks by the widest margin since the first quarter of 2022. Emerging market equities also underperformed U.S. equities for the first quarter since 2024.

Notable macroeconomic developments included a sharp rise in interest rates across developed markets and a 30% increase in Brent crude oil prices. Semiconductor stocks experienced a significant selloff in July amid increasing concerns about AI progress, competition, and safety. There was meaningful dispersion among AI infrastructure businesses, with strength in Taiwan but weakness in China and South Korea.

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 September 30, 2026.

The ETF underperformed amid a weak quarter for emerging market growth equities more broadly. The ETF's portfolio benefited from its consumer and ecommerce platforms and Taiwan-based AI infrastructure businesses. However, AI and semiconductor-related holdings in South Korea detracted, along with the portfolio's underweight to traditional value-oriented market segments. Mexico and Kazakhstan were the largest country contributors to relative performance, while South Korea and the ETF's lack of exposure to China were the largest detractors. Consumer Staples and Consumer Discretionary were the largest sector contributors to relative performance, while Financials and Industrials were the largest detractors.

Among the top contributors to absolute performance were COSMAX Inc. (South Korea, Consumer Staples sector), MediaTek Inc. (Taiwan, Information Technology sector), Kaspi.kz JSC (Kazakhstan, Financials sector), eMemory Technology Inc. (Taiwan, Information Technology sector), and BBB Foods Inc. (Mexico, Consumer Staples sector). MediaTek benefited from several developments that supported higher earnings expectations, including investments by NVIDIA and Alphabet and an expanded role in custom AI chip design. Kaspi benefited as the market began to recognize an improving outlook in Kazakhstan and progress in its Turkey business, while its new AI shopping assistant, Kasper, experienced encouraging early adoption. eMemory Technology benefited from increasing adoption of its NeoPUF security technology as AI server security requirements expanded across compute, storage, connectivity, and system management.

Among the top detractors from absolute performance were SK hynix Inc. (South Korea, Information Technology sector), SK Square Co., Ltd. (South Korea, Industrials sector), Samsung Electronics Co., Ltd. (South Korea, Information Technology sector), HDFC Bank Ltd. (India, Financials sector), and Coupang, Inc. (South Korea, Consumer Discretionary sector). SK hynix and SK Square declined sharply in July amid a reversal in semiconductor and other high-momentum stocks. SK hynix was also pressured after second-quarter revenue and earnings were modestly below consensus expectations, although the investment team believes the results largely reflected product mix and timing. HDFC Bank declined as lower net interest margins weighed on earnings growth and raised questions about the company's ability to deliver growth and margin expansion simultaneously.

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During the quarter, the ETF continued to expand its exposure to AI infrastructure, reflecting our constructive outlook for demand across compute, memory, power, networking, packaging, printed circuit board materials, and components. We initiated positions in ASPEED Technology Inc. (Taiwan, Information Technology sector), Doosan Enerbility Co., Ltd. (South Korea, Industrials sector), Elite Material Co., Ltd. (Taiwan, Information Technology sector), and Samsung Electro-Mechanics Co., Ltd. (South Korea, Information Technology sector). We exited COSMAX Inc. (South Korea, Consumer Staples sector), Dino Polska S.A. (Poland, Consumer Staples sector), Sumber Alfaria Trijaya Tbk PT (Indonesia, Consumer Staples sector), and Walmart de México SAB de CV (Mexico, Consumer Staples sector).

Outlook and Conclusion

We believe market behavior has become increasingly influenced by short-term flows, factors, and narratives, contributing to greater volatility and more frequent differences between share prices and underlying business values. The AI investment environment has also become more complex as investors assess technological, corporate, and geopolitical developments and debate whether current capital spending is sustainable and how quickly it may translate into returns. We continue to identify signs of AI monetization among portfolio companies, including businesses that have relatively small benchmark weights or are excluded from the benchmark.

We remain focused on evaluating businesses individually and adjusting portfolio positioning as investment opportunities evolve. At quarter-end, portfolio businesses traded at approximately 10x forward earnings, in line with the MSCI Emerging Markets Index and representing the lowest relative valuation for the ETF's strategy since inception.

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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 $13.1 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 and other expenses, if any) to 0.79%. These expense limitations will remain in effect until at least 04/29/27.

Annualized Total Returns

	3Q26	YTD	1 Year	3 Year	5 Year	Inception
ETF NAV	-2.23%	26.60%	31.79%	—	—	29.86%
ETF Market Price	-1.53%	29.77%	32.12%	—	—	30.72%
Benchmark	-0.37%	23.38%	29.22%	—	—	31.99%

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.touchstoneinvestments.com/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)
1	Samsung Electronics Co Ltd	13.1
2	Taiwan Semiconductor Manufacturing Co Ltd	10.8
3	SK hynix Inc	4.9
4	Columbia EM Core ex-China ETF	4.8
5	BNY Dreyfus Govt Cash Mgmt Instl	4.4
6	Delta Electronics Inc	4.1
7	Taiwan Semiconductor Manufacturing Co Ltd ADR	3.9
8	SK Square	3.5
9	Bajaj Finance Ltd	3.3
10	Kaspi.kz JSC ADS	3.0

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 or call Touchstone at 833.368.7383. Please read the prospectus and/or summary prospectus carefully before investing.

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