Fund Manager Commentary

As of March 31, 2025

Fund Highlights

- Invests primarily in issuers having a market capitalization above $5 billion at time of purchase
- Distinctive approach is centered on linking valuations with barriers to entry
- Seeks to invest in businesses that are trading below what is believed to be its estimate of the companies' intrinsic value
- Focuses on businesses that are believed to have a sustainable competitive advantage or a high barrier to entry in place
- Concentrated, high conviction portfolio generally holds 25-45 companies

Market Recap

U.S. equites moved lower in the first quarter. Despite strong performance to start the year, growth fears and uncertainty surrounding tariffs introduced significant volatility in the back half of the first quarter. The best performing benchmark sectors were Energy, Health Care, and Consumer Staples. The worst performing sectors for the benchmark were Consumer Discretionary, Information Technology, and Communication Services.

Portfolio Review

The Touchstone US Large Cap Focused ETF (NAV) outperformed its benchmark the S&P 500 Index during the quarter.

Within the Touchstone US Large Cap Focused ETF, the sectors where Fund's portfolio holdings outperformed the most relative to the benchmark were Consumer Staples, Consumer Discretionary, and Health Care. Among the sectors that lagged the most relative to the benchmark include Materials, Real Estate, and Industrials. Stock selection contributed to performance for the period. Sector allocation contributed during the quarter primarily due to the underweight in Consumer Discretionary and the overweight to Health Care.

Three of the holdings that contributed the most to performance were Philip Morris International Inc. (Consumer Staples sector), HCA Healthcare Inc. (Health Care sector), and Nvidia Corp. (Information Technology sector).

Philip Morris outperformed in the first quarter, driven by stronger-than-expected fourth quarter results and fiscal year 2025 guidance that exceeded consensus expectations. Performance was supported by robust growth in its smoke-free portfolio, along with modest gains in combustible cigarette sales and profits. The company continues to see significant growth potential in its multi-category smoke-free business, with products like Zyn (nicotine pouches) expanding overall nicotine consumption occasions. HCA Healthcare shares outperformed during the quarter. Commentary out of Washington suggested less appetite for structural changes to Medicaid than were implied by the initial House framework for budget reconciliation. We still see risks to hospital earnings from legislative actions, primarily via potential non-extension of enhanced subsidies for the health insurance exchanges, and potential reductions in state-directed payments in Medicaid. We currently see these risks as reasonably well-discounted in the shares. Nvidia shares underperformed during the quarter and the strategy benefited from an underweight position. The release of the Chinese DeepSeek artificial intelligence (AI) model in January sparked concerns that a substantial reduction in the cost of AI (as claimed by DeepSeek's creators) would translate to reduced demand for Nvidia's chips, resulting in Nvidia's stock underperforming in the quarter. In our view, the cost of AI has been coming down materially over time, and we view DeepSeek as essentially another step along the existing AI cost reduction curve. In fact, we think reduction in the cost of AI will lead to greater and faster adoption of AI services as the lower cost translates to more compelling return on investment for such services. Therefore, we expect continued strong growth in demand for Nvidia's chips over time.

Among the holdings that detracted the most from performance included Salesforce Inc. (Information Technology sector), Alphabet Inc. (Communication Services sector), and Oracle Corp. (Information Technology sector).

All three detractors were part of a broader theme in the first quarter of technology company shares pulling back after leading the market for some time. Salesforce underperformed during the quarter as the company reported fiscal 2026 guidance that was

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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/us-large-cap-focused-etf.***

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slightly below investor expectations. Alphabet's shares have underperformed as the market remains concerned about the potential for Google Search to lose market share to AI services such as ChatGPT. In our opinion, Google Search maintains a distribution advantage over would-be-rivals and also has a cost advantage as a result of its vertically integrated service that runs on Google's proprietary semiconductor chips. Google's lowest-cost position, combined with AI capabilities at least on par with competitors such as OpenAI, leads to a structural low-cost competitive advantage for Google even if Google's distribution moat were to diminish as a result of regulatory action. We expect Google to deliver competitive AI services that retain customers and drive revenue and profit growth. Oracle shares underperformed during the quarter as the company reported quarterly results that were slightly below expectations.

Uber Technologies, Inc. (Industrials sector) was added to the Fund's portfolio and Southwest Airlines Co. (Industrials sector) was sold from the portfolio during the quarter.

As the quarter came to a close, the Fund's portfolio had an overweight in the Communication Services, Health Care, and Financials sectors, and an underweight in the Consumer Discretionary, Information Technology, Consumer Staples, Industrials, Energy, and Real Estate sectors. The weight in the Materials sector was roughly in line with that of the benchmark. The portfolio held no positions in the Utilities sector. Cash holdings ended the quarter at 3.7%.

Outlook and Conclusion

Following a couple years of strong performance, the U.S. equity market experienced volatility in the first quarter primarily driven by policy uncertainty introduced by the new administration. The large cap technology stocks that had led the market for some time, changed course in the first quarter amidst concerns over technology spending and a potential broader economic slowdown. Despite pockets of strength elsewhere in the equity market, the reversal in large cap technology stocks resulted in a correction for the broader index during March. The S&P 500 Index ended the first quarter with a -4.3% return.

In recent years markets have primarily focused on inflation and the path of rates. In the first quarter, investor attention shifted to policy uncertainty and the impact on economic growth. The new administration's frenetic pace of trade and regulatory policy initiatives left investors and corporations with significant uncertainty. The market has been left wondering whether this policy agenda may stimulate some combination of lower growth and higher inflation. We acknowledge this risk and have been watching employment, housing, manufacturing, and market breadth data among others to continually re-underwrite our view. Consistent with our approach over the past few years, we have maintained a high-quality portfolio with a focus on higher return on capital businesses with pricing power. One hundred percent of the Fund's portfolio excluding cash remains invested in companies that have moderate to high barriers to entry in our view. We believe disciplined execution of our process will benefit the portfolio through periods of volatility and over the long term.

Fund Facts

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio Total	Net
LCF	07/27/22	89157W400	Cboe BZX	1.29%	0.56%
Total Fund Assets	**$43.8 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 0.55%. These expense limitations will remain in effect until at least 04/29/26.

Total Returns

	1Q25	YTD	1 Year	Inception
ETF NAV	-3.47%	-3.47%	7.37%	14.10%
ETF Market Price	-3.79%	-3.79%	7.47%	14.11%
Benchmark	-4.27%	-4.27%	8.25%	14.99%

Benchmark - S&P 500® 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.

Top 10 Holdings of Fund

		(% of Portfolio)
1	Microsoft Corp.	8.1
2	Apple, Inc.	7.4
3	Meta Platforms, Inc.	6.4
4	Amazon.com Inc.	5.2
5	Alphabet Inc. Class C	5.2
6	NVIDIA Corp.	4.0
7	Dreyfus Gov Cash	3.7
8	Bank of America Corp	2.8
9	Visa Inc.	2.8
10	UnitedHealth Group Inc.	2.7

Source: BNY Mellon Asset Servicing

The S&P 500® Index is a group of 500 widely held stocks and is commonly regarded to be representative of the large capitalization stock universe.

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.

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 mid-cap companies which may be subject to more erratic market movements than stocks of larger, more established companies. 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.

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 Adviser engages a sub-adviser to make investment decisions for the Fund's portfolio; it may be unable to identify and retain a sub-adviser who achieves superior investment returns relative to other similar sub-advisers. 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. Current and future portfolio holdings are subject to change. 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.

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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