

Fund Manager Commentary

As of 03-31-2026

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. equities were lower in the first quarter, ending the three-quarter streak of gains that major indices saw to finish out 2025. AI disruption fears were a key headwind during the period, especially in the software space, while escalating geopolitical tensions in the Middle East caused downward pressure on markets later in the quarter.

A key theme in the quarter was investors working to better understand the potential impact of AI across sectors. While AI-driven investment has supported growth in recent periods, concerns around returns on capital, competitive disruption, and longer-term winners and losers weighed heavily on software stocks, among others.

Macro conditions shifted notably as the quarter progressed, driven by escalating geopolitical tensions. The outbreak of U.S.-Iran hostilities, most notably disruptions to energy shipments through the Strait of Hormuz, drove concerns around supply shocks, inflation, and global growth. The resulting spike in oil prices contributed to renewed inflation concerns and a repricing of Federal Reserve (Fed) policy expectations, with markets moving away from anticipated rate cuts toward a more prolonged pause. Energy was the standout performer amid the surge in crude prices, while Materials sector and defensive sectors such as Utilities and Consumer Staples also outperformed. Conversely, Consumer Discretionary, Information Technology, and Financials, faced meaningful pressure. Beneath the surface, dispersion increased significantly, highlighting a market increasingly driven by idiosyncratic and thematic factors rather than broad-based momentum.

Portfolio Review

The Touchstone US Large Cap Focused ETF (NAV) underperformed its benchmark, the S&P 500 Index, for the quarter ended March 31, 2026.

Within the Touchstone US Large Cap Focused ETF, the sectors where ETF holdings outperformed the most relative to the benchmark were Health Care, Energy, and Consumer Discretionary. Sectors that lagged the most relative to the benchmark include Real Estate, Consumer Staples, and Industrials. Stock selection detracted from performance for the period. Sector allocation also detracted during the quarter primarily due to the underweight in Energy and the zero weight in Utilities.

Three of the holdings that contributed most to performance were Exxon Mobil Corp. (Energy sector), Applied Materials, Inc. (Information Technology sector), and Johnson & Johnson (Health Care sector).

Exxon Mobil outperformed during the quarter, driven by higher commodity prices as concerns about supply disruptions supported positive earnings revisions. In the near term, geopolitical tensions involving Iran have been constructive for Exxon, benefiting its upstream, refining, and downstream chemicals segments through elevated pricing and margin expansion. Applied Materials' stock outperformed in the quarter as robust demand for AI semiconductors is driving strong growth in orders for the firm's equipment to manufacture chips. Pharmaceutical stocks were broadly strong in first quarter, as investors sought defensive exposure. Johnson & Johnson had another solid quarter in fourth quarter especially in its Pharmaceuticals business, where strength across multiple products is allowing the company to grow through the patent expiration of its blockbuster immunology drug, Stelara. Three of the holdings that detracted the most from performance included Microsoft Corp., Oracle Corp., and Workday, Inc. (all Information Technology sector).

Microsoft's stock underperformed in the quarter as revenue growth is being depressed due to management's decision to allocate incremental AI capacity to internal research & development and products such as Copilot rather than to paying third-party customers via Azure. While management's

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allocation decision undoubtedly pressures near-term revenue growth, we view it as the right long-term decision for the business and consider the stock undervalued at current levels. Oracle's stock underperformed due to concerns about the company's financial capacity to deliver on its large AI backlog. Admittedly, low external visibility into the nuances of large contracts with customers and suppliers can cause the stock to be volatile. However, we view Oracle as a well-run company and expect management to remain financially disciplined. Workday's stock underperformed as the market is concerned about the impact of AI technologies on the company's business. In our opinion, Workday's HR and Financial Management software products are very sticky as evidenced by 97% retention rates, making it likely that customers would prefer to adopt relevant AI capabilities incorporated by Workday into their products rather than attempting to switch to a different vendor. Workday's management team is highly focused on adding AI-driven capabilities to their products and as long as they execute well, we think Workday will maintain its market position and continue to grow.

Broadcom Inc. (Information Technology sector) was added to the portfolio during the quarter, Starbucks Corp. (Consumer Discretionary sector) and PayPal Holdings, Inc. (Financials sector) were removed from the Fund's portfolio during the quarter.

Shares of Waters Corp (Health Care sector) and Versant Media Group Inc. (Communication Services sector) were received as a result of corporate actions during the quarter (Becton Dickinson and Comcast spin offs, respectively). Versant Media was removed from the portfolio during the quarter and a small position in Waters Corp has been retained.

As the quarter came to a close, the portfolio had an overweight in Communication Services, Financials, and Health Care sectors, and an underweight in the Consumer Discretionary, Industrials, Materials, Information Technology, Consumer Staples, Energy, and Real Estate sectors. The Fund's portfolio held no positions in the Utilities sector. Cash holdings ended the quarter at roughly 3%.

Outlook and Conclusion

We continue to monitor employment, housing, manufacturing, and market breadth data, among others, to continually reassess our views. Consistent with the last few years, we maintain a high-quality portfolio with a focus on higher return on investment businesses with pricing power. One hundred percent of the portfolio (excluding cash) remains invested in companies we see as having moderate or high barriers to entry. 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	1.18%	0.56%

Total Fund Assets \$52.0 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 0.55%. 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	-7.10%	-7.10%	12.61%	15.21%	—	13.69%
ETF Market Price	-8.32%	-8.32%	12.51%	15.19%	—	13.67%
Benchmark	-4.33%	-4.33%	17.80%	18.32%	—	15.75%

Benchmark - S&P 500® Index

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 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/us-large-cap-focused-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.

Top 10 Holdings

	(% of Portfolio)		(% of Portfolio)		
1	Alphabet Inc Class C	8.4	6	Amazon.com Inc	5.5
2	Microsoft Corp	7.8	7	Dreyfus Government Cash Mgmt Instl	3.3
3	Apple Inc	7.5	8	Bank of America Corp	3.1
4	NVIDIA Corp	7.1	9	Exxon Mobil Corp	3.0
5	Meta Platforms Inc Class A	5.7	10	Philip Morris International Inc	2.5

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 nondiversified, 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 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. 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](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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