Touchstone US Large Cap Focused ETF

LCF

Sub-Advised by: Fort Washington Investment Advisors, Inc.

U.S. Equity – Large-Cap Core | Actively Managed, Fully Transparent ETF | As of 03/31/2024

Fund Manager Commentary

As of March 31, 2024

Fund Highlights

- Invests primarily in issues 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 moved higher in the first quarter as economic data remained strong despite the significant rate hike cycle over the last couple years. The best performing benchmark sectors were Communication Services, Energy, and Information Technology. The worst performing sectors for the benchmark were Real Estate, Utilities, and Consumer Discretionary.

Portfolio Review

The Touchstone US Large Cap Focused ETF underperformed its benchmark, the S&P 500® Index, for the quarter ended March 31, 2024.

Within the Touchstone US Large Cap Focused ETF, the sectors where fund holdings outperformed the most relative to the benchmark were Consumer Discretionary, Communication Services, and Real Estate. Sectors that lagged the most relative to the benchmark include Information Technology, Consumer Staples, and Industrials. Stock selection detracted from performance for the period. Sector allocation contributed during the quarter primarily due to an overweight in Communication Services and an underweight in Real Estate.

Three of the largest contributors to performance were Meta (Communication Services), HCA Healthcare (Health Care), and Berkshire Hathaway (Financials). Meta's stock did well due to continued strong performance of the business. Revenue growth is being driven by strong consumer engagement with Meta's services. Reels continues to grow at high rates driving incremental engagement and monetization opportunities across Instagram and Facebook. Management's 2024 outlook suggests continued discipline in operating expenses, leading to higher expectations for operating margins. HCA Healthcare outperformed as fourth quarter earnings beat expectations on both revenues and EBITDA, and management raised 2024 guidance. Labor expense, a key focus area over the last several quarters, was well controlled. Various surveys through first quarter suggested continued robust activity at U.S. hospitals. Berkshire Hathaway stock benefitted from both its significant equity exposure and a better than expected fourth quarter report. The latter included higher than expected revenues, significantly higher profitability at its GEICO auto insurance subsidiary, improved margins in manufacturing, and a resumption in positive year over year BNSF rail volume growth.

The holdings that detracted the most from performance included Boeing (Industrials), BioMarin (Health Care), and UnitedHealth Group (Health Care). Boeing underperformed in the first quarter due to an in-air incident involving a recently delivered Boeing 737 MAX-9 aircraft. Further review of the incident revealed manufacturing quality issues within its Renton facility, which ultimately led to the company slowing down production and the regulators at the FAA having a more substantial say in Boeing's operations. Within the quarter, the company also announced leadership changes, with CEO Dave Calhoun retiring at the end of the year, the board chairman choosing not to stand for election in May, and the company replacing the leader of Commercial Aerospace with the Chief Operating Officer. We anticipate all of these changes will weigh on cash flow for this year, but given the company's growing multi-year backlog, we believe this shifts the timing of cash flows from this year to a future period. The barriers to entry protecting Boeing remain in place, allowing the company to address its operational challenges. BioMarin's fourth quarter results were about as expected. Given Roctavian's disappointing early launch, BioMarin's new CEO has stopped commenting on leading indicators, and will let sales progress speak for itself. We understand the hold-ups to be primarily logistical, but see upside in the shares even if lack of demand proves to be the real issue. Voxzogo, which has exceeded launch expectations, is expected to be capacity-constrained until about mid-year. The new CEO is

(continued)

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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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conducting a thorough review of the development pipeline, with commentary anticipated at an analyst meeting later in the year. For UnitedHealth Group, Medicare Advantage (MA) continues to present near-term challenges, as medical utilization rose through 2023, while proposed 2025 rate increases from the federal government fell below current cost trends. United and its competitors will have the opportunity to adjust their plan designs/benefits for 2025; however, given the magnitude of combined headwinds, it may take more than one year to get back to target margins in MA.

During the quarter, the fund added Becton Dickinson to the portfolio. As the quarter came to a close, the strategy had an overweight in the Communication Services, Health Care, and Financials sectors, and an underweight in the Information Technology, Consumer Staples, Consumer Discretionary, Real Estate, Energy, and Industrials sectors. The weight in the Materials sector was roughly in line with that of the benchmark. The Fund held no positions in the Utilities sector.

Outlook and Conclusion

The strong recent performance detailed above reflects investor optimism that the Federal Reserve will be able to control inflation without inducing a recession. In our view, the debate on soft landing versus hard landing will continue until we have landed. History includes many periods where talk of a soft landing occurs just before recession strikes. Therefore, we keep an open mind and watch employment, housing, manufacturing, and market breadth data among others to continually re-underwrite our view. Consistent with our approach over the past couple of 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 portfolio excluding cash remains invested in companies that have moderate to high barriers to entry in our view. We believe this high-quality posture will benefit the portfolio going forward as we continue to study the Federal Reserve's effort to tame inflation.

Fund Facts

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio: Total	Annual Fund Operating Expense Ratio: Net
LCF	07/27/22	89157W400	Cboe BZX	1.24%	0.70%
Total Fund Assets	**$35.3 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 "AFFE," and other expenses, if any) to 0.69%. These expense limitations will remain in effect until at least 04/29/25.

Total Returns

	1Q24	YTD	1 Year	Inception
ETF NAV	8.60%	8.60%	26.48%	18.31%
ETF Market Price	8.54%	8.54%	26.41%	18.27%
Benchmark	10.56%	10.56%	29.88%	19.20%

Benchmark - 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.

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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.

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.

Top 10 Holdings of Fund

		(% of Portfolio)
1	Microsoft Corp.	9.4
2	Apple, Inc.	6.1
3	Meta Platforms, Inc.	5.7
4	Alphabet Inc. Class C	5.4
5	Dreyfus Gov Cash	5.2

		(% of Portfolio)
6	Amazon.com Inc.	5.2
7	Berkshire Hathaway Inc. Class B	4.5
8	UnitedHealth Group Inc.	2.7
9	Salesforce Inc.	2.6
10	Goldman Sachs Group Inc.	2.4

Source: BNY Mellon Asset Servicing

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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