Touchstone US Large Cap Focused ETF





U.S. Equity – Large-Cap Core

Actively Managed, Fully Transparent ETF

2Q/2024

Fund Manager Commentary

As of June 30, 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 had a slow start to the second quarter but finished strong through May and June. Soft landing narratives continued amidst favorable inflation readings late in the quarter. The best performing benchmark sectors were Information Technology, Communication Services, and Utilities. The worst performing sectors for the benchmark were Materials, Industrials, and Energy.

Portfolio Review

The Touchstone US Large Cap Focused ETF (NAV) underperformed its benchmark, the S&P 500° Index, for the quarter ended June 30, 2024.

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

Three of the holdings that contributed the most to performance were Alphabet (Communication Services sector), Oracle (Information Technology sector), and Texas Instruments (Information Technology sector).

Alphabet outperformed due to strong quarterly results across Search and YouTube drove outperformance in Alphabet's stock in the quarter. Although it is still early, artificial intelligence (AI) Search appears to be additive to Search volumes so far. Profits exceeded expectations as a result of cost cutting actions. We

continue to expect that Alphabet will successfully leverage advancements in AI technology to retain its market position in Search and Cloud.

Oracle outperformed as quarterly results released during the period showed its pricing strategy in infrastructure as a service is unlocking more growth than investors initially expected.

Texas Instruments outperformed primarily due to forward guidance released during the period that suggested a more favorable forecast for the auto semiconductor market.

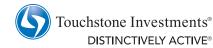
Three of the holdings that detracted the most from performance included Nvidia (Information Technology sector), Monster Beverage Corp (Consumer Staples sector), and Salesforce (Information Technology sector).

Nvidia detracted from performance due to our underweight in the name. The stock outperformed due to expectations of continued strong sales growth over the next year.

Monster Beverage's (MNST) underperformance in the second quarter was driven by recent Monster and overall energy drink category sales weakness within U.S. scanner data tracked channels. Sales growth in U.S. convenience stores, accounting for ~63% of Monster's U.S. sales is largely attributable to reduced consumer spending by lower-income consumers, to which MNST over-indexes and in part resulting from recently rising gas prices in certain parts of the U.S. Even though MNST's pricing has not been significant relative to other categories in Consumer Staples, it was an important driver of revenue growth in its portfolio beginning in the summer of '22 carrying into September '23. This tailwind slowing was the start of the normalization of growth rates within MNST's U.S. portfolio. MNST anticipates implementing a ~5% U.S. price increase on the Monster brand family towards the end of this year.

(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.



Salesforce is seeing elongating sales cycles and smaller deal sizes as customers remain cautious in spending. These dynamics resulted in reported weak quarterly performance and lower than expected guidance for the next quarter. Although the stock declined as a result of these factors, we think growth will return to higher levels and see the shares as undervalued.

During the quarter, the Fund added Nvidia to the portfolio, while Hilton Worldwide (Consumer Discretionary sector) was sold from the portfolio.

Nvidia is a high barrier business and we bought it in the franchise value layer. Nvidia dominates the market for Graphical Processing Units (GPUs). Originally intended for use in playing video games, GPUs are now widely used for professional visualization and AI applications. As the market share leader in GPUs, these newer markets provide Nvidia with massive secular tailwinds that should enable the company to grow revenues at high rates over the next decade. Nvidia market share in accelerators for training AI applications is estimated at about 95%. The company is also estimated to have about 80% share of dedicated GPUs for gaming on PCs. The high market shares give Nvidia economies of scale in product development. Additionally, the company's CUDA software, which is used to program Nvidia's chips, create switching costs for existing applications. We expect Nvidia to maintain its dominant share in semiconductors used for AI applications, and we see upside in the stock as demand for such applications should grow at high rates over time. However, recent large imbalances in supply and demand for Nvidia's GPUs create the likelihood of over-ordering by customers, with a possible correction in order patterns in the future. Therefore, we limited our initial position size, despite attractive upside in the stock.

We sold Hilton based on expensive valuation, with very little upside reflecting increasing returns on capital for the next 20 years with no down cycle.

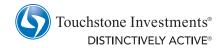
As the quarter ended, the strategy had an overweight in Communication Services, Financials, and Health Care sectors, and an underweight in the Information Technology, Consumer Discretionary, Consumer Staples, Real Estate, Energy, and Industrials sectors. The weight in the Materials sector was roughly in line with that of the index. The strategy held no positions in the Utilities sector. Cash holdings ended the quarter at 4.7%.

Outlook and Conclusion

The U.S. equity market logged a significant rally in the second quarter, resulting in a strong gain for the first half of 2024. Despite a slow start to the second quarter with rate cuts in question amidst higher-than-expected inflation readings, the outlook improved in May and June. Economic growth remains robust with consumer spending supported by strength in the labor market. With the disinflation trend and economic growth continuing in the second quarter, the S&P 500 Index reached 31 all-time highs during the period.

The market 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. Periods like the first half of 2024, where momentum is the dominant factor, are often challenging on a relative basis for the value-oriented Fund. We believe disciplined execution of our process will benefit the portfolio and investors over the long term.





Fund Facts

Annual Fund Operating Expense Ratio

Symbol	Inception Date	CUSIP	Exchange	Total	Net
LCF	07/27/22	89157W400	Cboe BZX	1.24%	0.70%
Total Fund A	Assets \$36.2 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

	2Q24	YTD	1 Year	Inception
ETF NAV	2.50%	11.31%	18.33%	17.26%
ETF Market Price	2.50%	11.25%	18.10%	17.22%
Benchmark	4.28%	15.29%	24.56%	19.09%

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.	9.7
2	Apple, Inc.	7.3
3	Alphabet Inc. Class C	6.3
4	Meta Platforms, Inc.	5.8
5	Amazon.com Inc.	5.4
Soi	urce: BNY Mellon Asset Servicing	

		(% of Portfolio)
6	Dreyfus Gov Cash	4.7
7	Berkshire Hathaway Inc. Class B	3.9
8	UnitedHealth Group Inc.	2.7
9	NVIDIA Corp.	2.6
10	Goldman Sachs Group Inc.	2.6

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

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