

Fund Manager Commentary

As of December 31, 2023

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

The U.S. equity market rallied in the fourth quarter of 2023 as the Federal Reserve guided toward cuts in the coming year and treasury yields recorded a significant reversal. Following a modest loss in the third quarter that continued into October, U.S. equities saw nine consecutive weeks of positive returns. Performance was more broad-based during the quarter as earnings are expected to improve for 2024. During the quarter, the best performing benchmark sectors were Real Estate, Information Technology, and Financials. The worst performing sectors for the index were Energy, Consumer Staples, and Health Care.

Portfolio Review

The Touchstone US Large Cap Focused ETF (NAV) underperformed its benchmark, the S&P 500[®] Index, for the quarter ended December 31, 2023.

Within the Touchstone US Large Cap Focused ETF, the sectors where Fund holdings outperformed the most relative to the benchmark were Real Estate, Consumer Discretionary, and Industrials. Sectors that lagged the most relative to the benchmark include Energy, Financials, and Information Technology.

The three holdings that contributed the most to performance were Salesforce Inc. (Information Technology sector), Boeing Company (Industrials sector), and Workday Inc. (Information Technology sector). Salesforce's shares outperformed due to stronger than expected growth in new bookings coupled with continued improvement in operating margins. Management indicated continued improvement in margins going forward, including contributions from material increase in sales productivity. Boeing shares outperformed primarily due to investor optimism over resumption of aircraft delivery to Chinese customers during the quarter. Workday shares outperformed primarily due to third

quarter results that exceeded expectations on the top and bottom line on strength in subscription revenue and growing opportunity in its artificial intelligence and cloud segments. Additionally, investors responded favorably to management raising fiscal 2024 guidance during the period.

The holdings that detracted the most from performance included Exxon Mobil Corp. (Energy sector), Berkshire Hathaway Inc. (Financials sector), and Markel Group Inc. (Financials sector). Exxon shares underperformed in the quarter following an announcement by the company of its intentions to acquire Pioneer, a gas exploration and production company with assets predominantly in Texas. For several years, Exxon and the oil and gas industry committed to returning extra cash to investors via share repurchases and dividends. The \$60 billion acquisition of Pioneer seems in conflict with this objective. Oil prices declined through the quarter, lowering expected cash flows for current production. Despite solid operating results in aggregate, Berkshire Hathaway shares underperformed during the quarter due to some weakness in its consumer and housing related subsidiaries and its generally conservative nature in a significantly risk-on quarter. Markel experienced a fourth quarter stock price decrease following a disappointing third quarter earnings report. While this included negative effects to insurance losses from both seasonal and temporary issues that will likely dissipate over time, the company is also experiencing pricing pressure in professional liability. As one of its larger business lines, this pressure has a greater impact on Markel and differs from generally mid/high single digit price increases in most other areas of Property & Casualty insurance during recent annual renewals.

As the quarter ended, 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, Real Estate, Energy, and

(continued)

◊ Fort Washington is a member of Western & Southern Financial Group

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>.**



Industrials sectors. The weight in the Materials sector was roughly in line with that of the index. The Fund held no positions in the Utilities sector.

Outlook and Conclusion

Looking ahead, we continue to question whether a hard landing is still on the come. Soft landings are typically preceded by the easing of lending standards while the tightening of lending standards precedes hard landings. We continue to believe bank lending standards stay tight in the coming quarters. As a result, we see additional downside risk to growth and believe the path for a soft landing remains narrow mainly due to the lag effects of higher interest rates. 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 and higher barrier to entry businesses with pricing power. We continue to be alert for signals that would warrant a risk-on shift, but we believe, at this point, our high-quality posture will benefit the portfolio going forward.



Fund Facts (As of 12/31/23)

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio	
				Total	Net
LCF	07/27/22	89157W400	Cboe BZX	1.54%	0.69%
Total Fund Assets	\$31.7 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 04/29/24.

Total Returns (As of 12/31/23)

	4Q23	YTD	1 Year	Inception
ETF NAV	10.35%	26.17%	26.17%	14.96%
ETF Market Price	10.35%	26.22%	26.22%	14.96%
Benchmark	11.69%	26.29%	26.29%	14.57%

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 (As of 12/31/23)

	(% of Portfolio)		(% of Portfolio)		
1	Microsoft Corp.	9.4	6	Meta Platforms, Inc.	4.6
2	Apple, Inc.	7.4	7	Berkshire Hathaway Inc. Class B	4.4
3	Alphabet Inc. Class C	5.4	8	UnitedHealth Group Inc.	3.1
4	Dreyfus Gov Cash	5.1	9	Johnson & Johnson	2.6
5	Amazon.com Inc.	4.7	10	Salesforce Inc.	2.5

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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