

Fund Manager Commentary

As of 09-30-2026

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 advanced during the third quarter of 2026, although market breadth remained uneven. Geopolitical developments, elevated Treasury yields, and the Federal Reserve's September rate increase were important considerations for investors. Market leadership remained concentrated, and higher interest rates increased the importance of balance-sheet strength, internally generated cash flow, and returns on capital.

AI remained a significant driver of investment and business growth, but performance across AI-related stocks was mixed as investors weighed security concerns, elevated expectations, and the ability of significant capital spending to generate sustainable returns.

Portfolio Review

The Touchstone US Large Cap Focused ETF (NAV) outperformed its benchmark, the S&P 500 Index, for the quarter ended September 30, 2026.

Stock selection was the primary driver of relative performance, while sector allocation also contributed positively. Information Technology, Consumer Discretionary, and Communication Services were the largest positive sector contributors to relative performance, while Energy and Financials were the largest detractors. From an allocation perspective, the ETF benefited from having no exposure to Utilities and from its underweight in Industrials.

Among the top contributors to relative performance were Microsoft Corp. (Information Technology sector), Meta Platforms, Inc. (Communication Services sector), and Salesforce, Inc. (Information Technology sector). Microsoft outperformed as the company delivered stronger-than-expected Azure revenue growth and significant expansion in paid Copilot seats, supported

by increasing adoption of AI workloads and applications. Meta Platforms outperformed following the launch of Muse, its consumer AI agent, whose positive early reception provided evidence that the company may be able to translate its AI investments into products and new monetization opportunities. Salesforce outperformed as robust bookings, low customer attrition, and strong growth in products such as Slack demonstrated healthy demand, including for the company's expanding AI capabilities.

Among the top detractors from relative performance were Applied Materials, Inc. (Information Technology sector), QXO, Inc. (Industrials sector), and Boeing Co. (Industrials sector). Applied Materials declined despite strong quarterly operating performance as investor expectations had increased following the shares' substantial first-half advance. The investment team believes robust demand for AI-related semiconductors should support long-term growth in orders for semiconductor manufacturing and packaging equipment. QXO underperformed due to a weaker-than-expected roofing market, reflecting unusually low storm activity, softer new-home construction, and subdued repair-and-remodel demand. Boeing underperformed as management indicated that stabilizing 737 MAX production was taking longer than expected, while a software issue affecting certification of the 737 MAX 10 and labor negotiations created additional uncertainty during the quarter.

During the quarter, we initiated a position in Stryker Corp. (Health Care sector), a medical technology company that we believe has barriers to entry arising from surgeon preference, operating-room workflow integration, and scale in distribution and research and development. The purchase reflected what we view as a meaningful discount to future value creation. We exited BioMarin Pharmaceutical Inc. (Health Care sector), a developer of treatments for patients with rare genetic diseases.

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Outlook and Conclusion

We remain constructive on the fundamental backdrop for U.S. equities but believe the environment has become more demanding. Large cap earnings revisions remain positive overall, although growth remains concentrated among a relatively small group of very large companies, making the breadth and durability of earnings growth an important consideration. Higher interest rates also raise the hurdle for incremental capital investment and may create greater differentiation between companies that generate substantial cash internally and those that rely more heavily on external financing.

AI remains an important investment theme. While much of the initial opportunity centered on semiconductors, networking, data centers, and other infrastructure, we expect greater

scrutiny of utilization and monetization as spending expands, particularly the ability to convert AI adoption into revenue growth, sustainable margins, free cash flow, and returns on incremental capital. Data security, governance, implementation costs, and returns on substantial AI spending remain meaningful risks. We remain selective across the AI ecosystem, including semiconductor infrastructure, cloud platforms, and software applications distributed to large existing customer bases.

Our process remains focused on businesses with strong returns on capital, durable barriers to entry, sustainable cash generation, and balance sheets appropriate for their business models, while maintaining discipline around the price paid for future value creation. We do not attempt to forecast short-term market returns but believe greater earnings dispersion, higher interest rates, and increased scrutiny of investment returns may create opportunities for a concentrated, bottom-up investment approach.



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 \$69.8 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 and other expenses, if any) to 0.55%. These expense limitations will remain in effect until at least 04/29/27.

Annualized Total Returns

	3Q26	YTD	1 Year	3 Year	5 Year	Inception
ETF NAV	6.18%	8.42%	11.33%	19.12%	—	16.17%
ETF Market Price	6.21%	7.22%	11.36%	19.21%	—	16.22%
Benchmark	2.30%	12.75%	15.74%	22.89%	—	18.30%

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.touchstoneinvestments.com/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 Microsoft Corp	9.4	6 Amazon.com Inc	5.6
2 Alphabet Inc Class C	8.6	7 Bank of America Corp	2.9
3 Apple Inc	8.2	8 BNY Dreyfus Govt Cash Mgmt Instl	2.7
4 NVIDIA Corp	7.9	9 Applied Materials Inc	2.6
5 Meta Platforms Inc Class A	6.7	10 ExxonMobil Holdings Corp	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/resources](https://www.TouchstoneInvestments.com/resources) or call Touchstone at 833.688.7383. Please read the prospectus and/or summary prospectus carefully before investing.

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