

## Fund Manager Commentary

As of December 31, 2025

### Fund Highlights

- U.S. large capitalization companies
- Historically paid consistent, growing dividends
- 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

### Market Recap

The U.S. Federal Reserve built on its September rate cut by delivering two additional 25 basis point reductions at its final meetings of the year, moving policy closer to neutral amid signs of a softening labor market. At the same time, divisions within the Federal Open Market Committee have become more pronounced, with concerns about labor-market downside risks balanced against the possibility of renewed inflation pressures. While recent data suggests inflation has plateaued, goods prices remain a potential source of upside risk, reflecting ongoing tariff pressures and uncertainty surrounding a pending Supreme Court ruling on their legality.

Following stronger-than-expected GDP growth of 4.3% in the third quarter, economic activity is expected to moderate in the fourth quarter, largely reflecting the temporary drag from the U.S. government shutdown. Growth is anticipated to normalize in early 2026 as these effects fade. Beyond weighing on activity, the shutdown has complicated interpretation of economic data due to delayed and incomplete releases. Looking ahead, tax policy could provide a tailwind, with accelerated depreciation supporting capital spending and individual tax cuts bolstering consumer demand. However, job growth has slowed meaningfully and could begin to weigh on consumption should unemployment continue to rise.

As rate cuts eased financial conditions and underlying fundamentals remained supportive, the S&P 500 reached new highs during the quarter, finishing the year with a 17.9% gain and marking a third consecutive year of double-digit returns.

### Portfolio Review

The Touchstone Dividend Equity Fund (Class A Shares, Load Waived) underperformed its benchmark, the Russell 1000 Value Index, for the quarter ended December 31, 2025.

Security selection detracted from relative performance during the period, while sector allocation contributed positively to relative performance. The dividend orientation of the strategy was a negative for the quarter as above average dividend paying stocks underperformed below average dividend paying stocks.

Selection within Information Technology (IT) and Communication Services sectors were the primary drivers of negative selection, while selection within Financials, Health Care, and Industrials sectors added modestly. Allocation effects were positive overall, aided by positioning in IT and Financials, partially offset by an overweight to Cash and an underweight to Materials.

The largest individual contributors to performance during the quarter included Eli Lilly & Co. (Health Care sector), Southwest Airlines Co. (Industrials sector), Las Vegas Sands Corp. (Consumer Discretionary sector), and Dollar General Corp. (Consumer Staples sector).

Eli Lilly rose sharply during the quarter as demand remained strong across its diabetes and obesity franchises, and investors responded positively to continued confidence in the company's growth trajectory. Ongoing pipeline progress and expectations for sustained GLP-1 demand supported the stock's strong performance.

Southwest Airlines rose as airline sentiment improved, supported by resilient travel demand and progress on operational execution. Investors also responded to management's focus on cost discipline and capacity planning as the industry worked through supply and scheduling constraints.

Las Vegas Sands rose as trends in Macau and broader Asian travel remained constructive, supporting improving volumes and cash flow. The company's strong asset base and balance sheet flexibility continued to be viewed favorably as visitation trends normalized.

(continued)

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 [TouchstoneInvestments.com/mutual-funds](https://TouchstoneInvestments.com/mutual-funds).**



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Dollar General rose as investors gained confidence in the company's execution and earnings outlook. Improving traffic trends, margin initiatives, and disciplined expense management supported sentiment toward the shares.

The largest detractors from relative performance included Oracle Corp. (IT sector), Microsoft Corp. (IT sector), Alphabet Inc. (Communication Services sector), Alexandria Real Estate Equities Inc. (Real Estate sector), and Home Depot Inc. (Consumer Discretionary sector).

Oracle declined meaningfully during the quarter as investors expressed concerns around the company's AI initiatives and the near-term returns on incremental cloud infrastructure investment. While Oracle continues to position OCI to support AI training and inference workloads, questions around competitive differentiation, execution, and the pace of monetization weighed on sentiment. These concerns, combined with valuation considerations following prior strength, pressured the shares.

Microsoft declined modestly during the quarter as markets weighed cloud demand trends against elevated investment spending for AI-related capacity. Investor positioning and broader rotation within mega-cap technology also contributed to near-term volatility in the shares.

Alphabet Inc. rose strongly as advertising trends remained resilient and investor confidence improved around the company's cost discipline. Ongoing progress in cloud profitability and AI product initiatives also supported sentiment during the period.

Alexandria Real Estate Equities declined as the life sciences real estate space remained pressured by elevated interest rates and cautious tenant leasing activity. Concerns around capital markets conditions and the pace of demand recovery continued to weigh on investor sentiment.

Home Depot declined as higher interest rates and a slower housing backdrop continued to pressure large-ticket discretionary spending. Investors remained focused on the pace of home improvement demand normalization as housing activity stayed muted.

The Fund added one new name during the quarter: AvalonBay Communities Inc. (Real Estate sector). The Fund sold two names during the quarter: DuPont de Nemours Inc. (Materials sector) and VF Corp. (Consumer Discretionary sector).

AvalonBay represents a high-quality multifamily real estate investment trust with a portfolio concentrated in supply-constrained coastal markets, where zoning restrictions, high land costs, and long entitlement timelines create durable barriers to entry. The company's conservative balance sheet, disciplined capital allocation, and long record of stable and growing dividends support reliable cash flows, making it an attractive defensive holding with the potential for steady long-term compounding in our view.

The Fund exited its position in VF Corp. during the quarter amid elevated uncertainty surrounding the company's operating recovery and long-term earnings trajectory. While management has taken steps to stabilize the business through cost actions and balance sheet repair, visibility into sustainable revenue growth across its core brands remains limited, particularly as consumer demand has softened and promotional intensity remains high. Ongoing

execution risk, coupled with questions around brand momentum and margin recovery, reduced confidence in the timing and durability of a turnaround. Given these uncertainties and the availability of higher-conviction opportunities elsewhere in the portfolio, the position was sold.

The Fund exited its position in DuPont following the spin-off of Qnity, as the transaction introduced a period of transition and reduced near-term visibility into the company's earnings profile. Given this transitional uncertainty and more attractive opportunities elsewhere in the portfolio, the position was sold.

There were no material sector changes during the quarter. IT remains the largest sector overweight, while Financials, Energy, and Industrials are the largest underweights.

## Outlook and Conclusion

As the new year begins, the investment landscape remains characterized by lingering uncertainty, though optimism for 2026 has been building. Despite headwinds from trade policy and ongoing geopolitical tensions, the U.S. economy has demonstrated notable resilience in recent quarters. Economic growth has been driven primarily by strong personal consumption—supported by higher-income households and the ongoing “wealth effect”—alongside continued investment in AI infrastructure. Investors expect both forces to remain important contributors to growth in 2026.

While market volatility remains a feature of the current environment, we continue to emphasize companies with durable competitive advantages, consistent dividend growth, and strong balance sheets. The Fund remains positioned toward high-quality businesses with sustainable cash flow profiles and management teams that have demonstrated capital discipline across cycles. We believe this focus will support the Fund's long-term objective of delivering attractive risk-adjusted returns and dividend growth for shareholders.

We remain constructive on U.S. equities but acknowledge near-term headwinds exist and aggregate market valuations do not fully compensate for such. Following the material outperformance of growth-oriented stocks, dividend strategies are a compelling option as earnings begin to converge while the valuation discount remains at historically attractive levels. Dividend strategies have the potential to provide both capital appreciation and a growing stream of income while also providing downside protection through lower volatility during times of distress.



## Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				Total	Net
A Shares	06/08/98	TQCAX	89155T482	1.01%	0.99%
C Shares	06/08/98	TQCCX	89155T474	1.78%	1.69%
Y Shares	05/15/13	TQCYX	89155T466	0.76%	0.76%
INST Shares	07/19/21	TQCIX	89155T458	0.88%	0.65%
R6 Shares	08/02/21	TQCRX	89155T441	0.78%	0.65%
<b>Total Fund Assets</b>		<b>\$2.4 Billion</b>			

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 0.99% for Class A Shares, 1.69% for Class C Shares, 0.77% for Class Y Shares, 0.65% for Class INST Shares and 0.64% for Class R6 Shares. These expense limitations will remain in effect until at least 01/29/27.

Share class availability differs by firm.

## Annualized Total Returns

	4Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	2.49%	16.34%	16.34%	13.24%	10.33%	8.52%	7.45%
C Shares	2.28%	15.52%	15.52%	12.43%	9.57%	7.80%	6.75%
Y Shares	2.51%	16.59%	16.59%	13.49%	10.59%	8.76%	8.79%
INST Shares	2.59%	16.72%	16.72%	13.60%	—	—	9.70%
R6 Shares	2.54%	16.71%	16.71%	13.61%	—	—	9.36%
Benchmark	3.81%	15.91%	15.91%	13.90%	11.33%	10.53%	—
Including Max Sales Charge							
A Shares	-2.61%	10.51%	10.51%	11.32%	9.03%	7.88%	7.22%
C Shares	1.31%	14.52%	14.52%	12.43%	9.57%	7.80%	6.75%

Max 5.00% sales charge for Class A Shares and 1% Contingent Deferred Sales Charge for Class C Shares held less than 1 year.

Benchmark - Russell 1000® Value Index

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## Top 10 Equity Holdings of Fund

	(% of Portfolio)		(% of Portfolio)
1 Microsoft Corp.	4.1	6 Bank of America Corp.	1.8
2 Broadcom Inc.	2.7	7 Wells Fargo & Co.	1.7
3 Johnson & Johnson	2.3	8 Exxon Mobil Corp.	1.7
4 Apple, Inc.	2.1	9 Medtronic PLC	1.6
5 Alphabet Inc.	1.9	10 Cisco Systems Inc.	1.5

Source: BNY Mellon Asset Servicing

The Russell 1000® Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

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.

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## 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 dividend-paying companies. There is no guarantee that the companies in which the Fund invests will declare dividends in the future or that dividends, if declared, will remain at current levels or increase over time. Securities that pay dividends may be sensitive to changes in interest rates, and as interest rates rise or fall, the prices of such securities may fall. 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. Banks and financial services companies could suffer losses if interest rates rise or economic conditions deteriorate. The Fund invests in value stocks which may not appreciate in value as anticipated or may experience a decline in value. 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.

Please consider the investment objectives, risks, charges and expenses of the Fund 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://TouchstoneInvestments.com/resources) or call Touchstone at 800.638.8194. Please read the prospectus and/or summary prospectus carefully before investing.

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