# Touchstone Dividend Select ETF

**DVND**

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

U.S. Equity – Large Cap Value | Actively Managed, Fully Transparent ETF | 4Q/2025

## Fund Manager Commentary

*As of December 31, 2025*

### Fund Highlights

- Dividend-focused strategy invests primarily in U.S. large capitalization companies that:
  - Historically paid consistent, growing dividends
  - Have sustainable competitive advantages, which have the potential to support reliable, growing dividends with reasonable valuations
- Seeks to invest in businesses that trade at reasonable valuations compared to their 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 Select ETF (NAV) 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 and Industrials sectors added modestly. Allocation effects were positive overall, aided by positioning in IT, Real Estate, and Financials sectors, partially offset by an overweight to Cash and an underweight to the Communication Services sector.

The largest individual contributors to relative performance during the quarter included Las Vegas Sands Corp. (Consumer Discretionary sector), Dollar General Corp. (Consumer Staples sector), Caterpillar Inc. (Industrials sector), and KLA Corp. (IT sector).

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.

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.

Caterpillar outperformed during the quarter as investors increasingly focused on the company's growing exposure to power generation demand tied to AI data center buildouts, including backup and "prime power" generator solutions. As data center developers work to ensure uptime and, in some cases, bridge long lead times for grid connections, demand for large-scale generator capacity has remained a notable tailwind for Caterpillar's Energy &

*(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/dividend-select-etf.***

Transportation business. This incremental AI-related power demand, combined with solid execution and cash flow visibility, supported improving sentiment toward the shares.

KLA outperformed during the quarter, supported by resilient demand for semiconductor process control equipment tied to leading-edge manufacturing. The company continues to benefit from investment in AI-related compute capacity, where metrology and inspection remain critical to improving yields and throughput. Solid earnings execution and disciplined capital allocation reinforced confidence in KLA's ability to generate strong free cash flow across cycles.

The largest detractors from performance included Oracle Corp. (IT sector), Microsoft Corp. (IT sector), and Alexandria Real Estate Equities Inc. (Real Estate 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 Oracle Cloud Infrastructure 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.

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.

The Fund added two new names during the quarter: Linde plc and Sherwin-Williams Co. (both Materials sector). The Fund sold two names during the quarter: DuPont de Nemours Inc. and Air Products & Chemicals Inc. (both Materials sector).

Linde was added to the Fund during the period as a high-quality industrial gas leader with durable cash flows and a wide economic moat. The company benefits from long-term, take-or-pay contracts that provide customers with a secure supply of critical inputs while offering Linde predictable volumes and pricing. Its advantaged industry structure—where local markets typically support only a small number of profitable suppliers—creates strong barriers to entry that are reinforced by contractual switching costs. Linde's disciplined approach to capital allocation, particularly in energy transition opportunities such as hydrogen, has allowed it to participate in secular growth themes without investing ahead of demand. Supported by a strong balance sheet, consistent dividend growth, and a risk-conscious management team, Linde represents an attractive addition with steady earnings visibility and long-term upside potential in our view.

Sherwin-Williams was added to the Fund in August 2025 as an attractively valued, high-quality compounder within the Materials sector. The company is a global leader in paints and coatings, with durable earnings supported by its wide moat, strong brand, and expansive 4,800-store distribution network that creates customer proximity and switching-cost advantages. Shares had underperformed on concerns about higher-for-longer interest rates and their impact on construction activity, but Sherwin's growing exposure to industrial coatings and its dominant 55% share of sales to professional contractors provide resilience across cycles. Management under new CEO Heidi Petz continues to focus on expanding the store base to drive market share gains as peers retreat. With steady fundamentals, a conservative balance sheet, and a 46-year record of dividend increases, Sherwin-Williams offers reasonable upside potential, with long-term growth supported by pricing power, market share capture, and disciplined capital allocation in our view.

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 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

| Symbol | Inception Date | CUSIP | Exchange | Annual Fund Operating Expense Ratio Total | Net |
|---|---|---|---|---|---|
| **DVND** | 08/02/22 | 89157W103 | NYSE Arca | 1.17% | 0.50% |
| **Total Fund Assets** | **$37.8 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 "AFFE," and other expenses, if any) to 0.49%. These expense limitations will remain in effect until at least 04/29/26.*

## Total Returns

| | 4Q25 | YTD | 1 Year | 3 Year | Inception |
|---|---|---|---|---|---|
| ETF NAV | 1.27% | 16.27% | 16.27% | 13.94% | 12.78% |
| ETF Market Price | 1.39% | 16.37% | 16.37% | 13.97% | 12.81% |
| Benchmark | 3.81% | 15.91% | 15.91% | 13.90% | 12.28% |

*Benchmark - Russell 1000® Value Index*

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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.*

## Top 10 Holdings of Fund

| | | (% of Portfolio) |
|---|---|---|
| 1 | Dreyfus Gov Cash | 4.6 |
| 2 | Microsoft Corp. | 4.3 |
| 3 | Broadcom Inc. | 3.1 |
| 4 | Johnson & Johnson | 2.6 |
| 5 | Apple Inc. | 2.6 |
| 6 | Bank of America Corp. | 2.3 |
| 7 | Wells Fargo & Co. | 2.2 |
| 8 | Exxon Mobile Corp. | 2.2 |
| 9 | Medtronic PLC | 2.1 |
| 10 | International Business Machines Corp. | 2.0 |

*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.*



## 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.**

**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 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. The Fund invests in value stocks which may not appreciate in value as anticipated or may experience a decline in value. Current and future portfolio holdings are subject to change.**

**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.**