

Fund Manager Commentary

As of 03-31-2026

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

U.S. equities fell sharply toward the end of the first quarter as the Iran conflict dominated headlines and market sentiment, triggering a broad selloff across asset classes. Unlike prior months, weakness was broad-based, with the equal-weight S&P 500 lagging the cap-weighted index, signaling that selling pressure extended beyond mega-cap leadership.

The quarter's defining feature was the energy shock. Escalation in Iran and resulting supply concerns, particularly around the Strait of Hormuz, drove a sharp rise in oil prices, with crude posting its strongest monthly gain since 2020. Even so, prices remained below worst-case levels, as a prolonged disruption could have pushed oil much higher. Energy stocks led the market, along with select commodity-linked areas, while most cyclical and growth sectors lagged. Mega-cap technology also declined, with software and semiconductors under pressure as investors weighed long-term AI optimism against near-term uncertainty.

While confidence in a quicker end to the conflict has increased, that view remains fragile. Meanwhile, the economic effects are likely to linger. Iran still has the ability to disrupt the Strait of Hormuz, and restoring production and infrastructure could keep commodity prices elevated versus pre-conflict levels.

Macro conditions added to the pressure. Treasury yields rose sharply, reflecting both inflation concerns tied to energy prices and reduced expectations for near-term Federal Reserve (Fed) easing. The Fed maintained a cautious stance, while economic data softened modestly, with weaker payrolls, a slight rise in unemployment, and early stagflationary signals in survey data. Still, markets showed some resilience. Equities held up relatively well for much of the quarter given the size of the geopolitical shock and related volatility in oil and rates. That resilience was reinforced late in the period, as reports of a possible diplomatic

resolution sparked a sharp rally into quarter-end, including a nearly 3% gain for the S&P 500 on the final day of March.

Portfolio Review

The Touchstone Dividend Select ETF (NAV) underperformed its benchmark, the Russell 1000[®] Value Index, for the quarter ended March 31, 2026.

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

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

The largest individual contributors to relative performance during the quarter were overweight positions in KLA Corp. (IT sector) Chevron Corp. (Energy sector), and Lockheed Martin Corp. (Industrials sector), and underweight positions in Amazon.com Inc. (Consumer Discretionary sector), and Alphabet Inc. (Communication Services sector).

Amazon.com declined during the quarter as investors reassessed expectations for consumer spending and the pace of margin expansion following strong prior performance. Cautious commentary around demand trends and competitive intensity weighed on sentiment.

KLA Corp. rose during the quarter, supported by resilient demand for semiconductor process control equipment tied to leading-edge manufacturing. Continued investment in AI-related compute capacity and strong execution supported the shares.

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Among the largest detractors from relative performance were overweight exposures to Microsoft Corp., Broadcom Inc., Oracle Corp., Qualcomm Inc. (all IT sector), and Las Vegas Sands Corp. (Consumer Discretionary sector).

Microsoft declined meaningfully during the quarter as investors grew more cautious on mega-cap technology amid a risk-off market backdrop. Markets weighed the pace of cloud demand against elevated AI-related investment spending, pressuring sentiment toward the shares.

Broadcom declined during the quarter as investors reassessed the near-term pace of AI infrastructure spending following strong prior performance. Valuation concerns and broader weakness in semiconductors weighed on the shares.

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, pressured the shares.

Qualcomm declined during the quarter as investors remained cautious on handset demand trends and the pace of a broader device upgrade cycle. Rising component costs, including a surge in memory prices, added pressure for handset OEMs, and competitive dynamics and ongoing inventory adjustments across the supply chain also weighed on sentiment.

Alphabet was added to the Fund during the quarter as a high-quality franchise with durable competitive advantages and attractive long-term growth prospects. The company maintains dominant positions in digital advertising and search, supported by its scale, data advantages, and entrenched user ecosystem. At the same time, Alphabet is well positioned to benefit from the ongoing growth in AI, with meaningful investments across its cloud platform and core products enhancing both innovation and monetization opportunities. Despite these strengths, shares offered a compelling entry point relative to the company's earnings power and cash flow generation. With a strong balance sheet, disciplined capital allocation, and multiple avenues for

growth, Alphabet represents a compelling addition to the portfolio.

The Fund exited its position in Dollar General Corp. (Consumer Staples sector) during the quarter as operating challenges and increased uncertainty around the company's near-term outlook weighed on conviction. The business has faced mounting pressure from a more constrained consumer, rising shrink, and higher operating costs, which have negatively impacted margins and execution. While management is taking steps to stabilize performance, visibility into a sustained recovery remains limited given ongoing competitive pressures and a challenging demand environment. In light of these uncertainties and more attractive opportunities elsewhere following a period of strength for the stock, 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

Looking ahead, the Iran conflict remains the key variable. A prolonged disruption could drive oil much higher; an outcome not fully reflected in current pricing. A faster resolution and reopening of the Strait would likely support a recovery in risk assets, even if oil markets take longer to normalize. While uncertainty remains high, U.S. incentives to bring the conflict to a close support our base case of a shorter duration.

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 the past few years, 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	1.15%	0.50%

Total Fund Assets \$38.9 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 0.49%. These expense limitations will remain in effect until at least 04/29/2027.

Annualized Total Returns

	1Q26	YTD	1 Year	3 Year	5 Year	Inception
ETF NAV	1.10%	1.10%	15.17%	13.68%	—	12.21%
ETF Market Price	-1.56%	-1.56%	11.46%	12.97%	—	11.62%
Benchmark	2.10%	2.10%	15.87%	14.31%	—	12.05%

Benchmark - Russell 1000[®] Value Index

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 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.westernsouthern.com/touchstone/etfs/dividend-select-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.

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Top 10 Holdings

	(% of Portfolio)		(% of Portfolio)		
1	Dreyfus Government Cash Mgmt Instl	4.6	6	Chevron Corp	2.5
2	Microsoft Corp	3.3	7	Apple Inc	2.4
3	Exxon Mobil Corp	3.0	8	Analog Devices Inc	2.1
4	Broadcom Inc	2.7	9	Verizon Communications Inc	2.0
5	Johnson & Johnson	2.6	10	Cisco Systems Inc	2.0

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 subadvisors. 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](https://www.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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