Touchstone Dividend Select ETF

DVND

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

U.S. Equity – Large Cap Value | Actively Managed, Fully Transparent ETF | 3Q/2025

Fund Manager Commentary

As of September 30, 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

Stocks advanced during the third quarter, with the S&P 500 Index adding 8.1%, bringing year to date gains to 14.8%. Mega-cap tech continued to lead as artificial intelligence (AI) sentiment remained strong, though the Russell 2000 Index (small-cap) also hit a new record high.

The major event of the quarter was the U.S. Federal Reserve (Fed) resuming the easing it began a year ago. While not an economic cure-all, easier monetary policy improves sentiment toward risk assets and provides relief to smaller corporate borrowers and certain forms of consumer lending.

The U.S. consumer remains resilient. Spending data for August came in better than expected, and retailers continue to point to durable demand. The market is watching closely for tariff pass-through to consumer prices, though the impact so far has been relatively modest. What remains to be seen is whether companies are testing demand elasticity with only small increases for now, and whether resilient activity to date will embolden larger price hikes in the months ahead. The latter could prove inflationary, potentially slowing the Fed's path to lower rates or weighing on economic activity.

Labor market indicators have been mixed and continue to reflect softer conditions. Jobs grew by just 22,000 in August, below expectations, with negative revisions compounding the weakness. The unemployment rate, however, remained low at 4.3%, supported by slower labor supply growth due to reduced immigration. Job openings increased during the month, a possible signal of improving corporate confidence as tariff effects become clearer.

Meanwhile, the AI trade remains well-supported with a wave of newly announced investments adding confidence in the durability of AI infrastructure spending. The S&P 500 Index is increasingly levered to this broader trade, with the bulk of the top 10 names—together representing 40% of the index—tied directly to AI.

While the current government shutdown creates some noise and disruptions to economic data releases, investors generally look through these standoffs as temporary. With consumer activity holding up, inflation yet to show meaningful tariff headwinds, the Fed easing, and AI CAPEX remaining robust, it is not surprising that the market continues to make new highs. From here, however, with valuations full and the margin of safety thin, we remain cautiously optimistic.

Portfolio Review

The Touchstone Dividend Select ETF (NAV) outperformed its benchmark, the Russell 1000 Value Index, for the quarter ended September 30, 2025.

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

Selection within Information Technology (IT), Health Care, and Financials was the primary driver of positive relative returns, while selection within Communication Services and Materials detracted modestly. Allocation effects were broad, generally driven by overweight positioning in IT and Consumer Staples.

The largest individual contributors to relative performance during the quarter were overweight positions in Broadcom Inc., Oracle Corp., Apple Inc., KLA Corp. (all IT sector), and Las Vegas Sands Corp. (Consumer Discretionary sector).

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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.***

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Broadcom delivered another strong quarter, benefitting from ongoing strength in its semiconductor business and continued momentum from AI infrastructure demand. The company's integration of VMware has proceeded smoothly, contributing to incremental software revenue growth and improved margin expansion. Investor enthusiasm remains elevated as Broadcom continues to demonstrate disciplined capital allocation and an expanding role in custom AI chips for hyperscale data centers.

Oracle outperformed as its Oracle Cloud Infrastructure business reported strong double-digit growth, driven by expanding demand for AI training and inference workloads. The company continues to win share in the cloud market by leveraging its performance advantages and integrated software solutions. Management raised full-year guidance and reiterated confidence in sustaining high-margin growth, reinforcing investor optimism about Oracle's position as a credible AI infrastructure alternative.

KLA was another positive contributor, supported by strong demand for semiconductor process control equipment tied to leading-edge manufacturing. The company continues to benefit from robust investment in AI-related chip production capacity and its leadership in metrology and inspection technologies. Solid earnings execution and disciplined capital management further bolstered investor sentiment.

Among the Fund's largest detractors from performance were overweight exposures to American Tower Corp. (Real Estate sector), Texas Instruments Inc. (IT sector), Constellation Brands Inc. (Consumer Staples sector), and Intel Corp. (IT sector).

American Tower Corp. underperformed during the quarter amid continued investor concerns about elevated interest rates and slowing growth in tower leasing activity. While fundamentals remain stable, the market has rotated toward higher-yielding alternatives, putting pressure on long-duration assets such as real estate investment trusts. We continue to view American Tower as a high-quality franchise with a global asset base and long-term secular growth potential tied to mobile data consumption.

Texas Instruments detracted as the company reported soft near-term demand across several end markets, particularly industrial and automotive. Although management remains disciplined in capital spending and dividend growth, investors reacted to the slower recovery trajectory. We continue to see Texas Instruments as a best-in-class analog semiconductor franchise with strong free cash flow generation and an attractive long-term outlook once cyclical pressures ease.

Constellation Brands underperformed on weaker-than-expected beer volume growth and cautious retailer commentary. Concerns about pricing sustainability and near-term consumer demand trends overshadowed the company's strong brand equity and cash flow generation. We continue to view Constellation as a high-quality consumer staple name with a resilient portfolio and long-term growth potential once near-term headwinds subside.

The Fund added two new names during the quarter: Deere & Company (Industrials sector) and Procter & Gamble Co. (Consumer Staples sector). The Fund sold two names during the quarter: Intel Corp. (IT sector) and Southwest Airlines Co. (Industrials sector).

Deere & Company was added to the portfolio during the quarter as an industry leader with durable competitive advantages and compelling long-term growth potential. The company benefits from its dominant market share in North and South America, supported by a wide moat stemming from its extensive dealer network and high switching costs. While near-term demand has softened as farmers delay equipment purchases amid lower farm incomes, we view this as cyclical and expect replacement demand to recover. Deere's continued investment in precision agriculture technology and its Operations Center software platform enhances customer loyalty and introduces recurring revenue opportunities. With a healthy balance sheet, strong cash generation, and a 42-year record of dividend increases, Deere represents an attractive addition with upside tied to the normalization of the agricultural cycle and sustained pricing and technology leadership.

Procter & Gamble was added to the portfolio during the quarter as a high-quality compounder with durable competitive advantages and a long record of consistent execution. The company maintains leading market share across nearly all of its core household and personal care categories, supported by strong brands, deep retailer relationships, and significant scale advantages. It continues to reinvest heavily in innovation and efficiency, leveraging AI and automation to lower costs, accelerate product development, and enhance marketing effectiveness. Its disciplined approach to capital allocation—prioritizing brand investment and consistent dividend growth—has helped sustain resilience across cycles. With a strong balance sheet, wide moat, and a focus on operational excellence under experienced leadership, Procter & Gamble offers steady earnings growth and reliable cash returns, making it a compelling addition to the portfolio.

The Fund exited its position in Intel during the quarter amid increasing uncertainty surrounding the company's long-term competitive position and execution. While Intel continues to make progress on its manufacturing roadmap and foundry ambitions, the pace of recovery in its core client and data center businesses remains uneven, and the broader strategic transition continues to face competitive and capital intensity challenges. Persistent questions around profitability, market share stability, and the ultimate returns on significant reinvestment efforts have clouded visibility into sustainable earnings growth. Given these uncertainties and more compelling opportunities elsewhere in the semiconductor space, the position was sold to reallocate capital toward higher-conviction names with clearer growth trajectories and stronger competitive advantages.

The Fund exited its position in Southwest Airlines as the company's cost advantage and profitability have eroded. Ongoing Boeing production delays, rising costs, and a less flexible point-to-point network have weighed on results, while management's revised cost-savings plan offers limited margin recovery potential. With better opportunities elsewhere, the position was sold

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

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Outlook and Conclusion

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's portfolio 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	Annual Fund Operating Expense Ratio Net
DVND	08/02/22	89157W103	NYSE Arca	1.17%	0.50%
Total Fund Assets	**$37.5 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

	3Q25	YTD	1 Year	3 Year	Inception
ETF NAV	5.71%	14.81%	11.37%	18.59%	13.42%
ETF Market Price	5.62%	14.77%	11.30%	18.58%	13.41%
Benchmark	5.33%	11.65%	9.44%	16.96%	11.99%

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	Microsoft Corp.	4.7
2	Dreyfus Gov Cash	3.9
3	Broadcom Inc.	3.4
4	Apple Inc.	2.4
5	Oracle Corp.	2.4
6	Johnson & Johnson	2.2
7	Bank of America Corp.	2.1
8	Goldman Sachs Group Inc.	2.1
9	Caterpillar Inc.	2.1
10	Home Depot Inc.	2.1

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.

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