

Fund Manager Commentary

As of 03-31-2026

Fund Highlights

Invests primarily in common stocks of U.S. companies that have above average potential for revenue or earnings growth

Emphasizes investments in large and mid capitalization growth companies

Identifies leading companies with dramatic wealth creation potential focusing on key investment criteria

The Fund will typically own between 25 and 35 companies

Market Recap

U.S. large cap growth equities, as measured by the Russell 1000 Growth Index, declined during the first quarter of 2026, extending the sell-off that began in late 2025. The quarter was initially defined by significant dispersion driven by rapid advances in artificial intelligence (AI), before late-quarter geopolitical developments, including escalating conflict with Iran, triggered a broader based risk-off move across equity markets.

AI remained the central force shaping market behavior. New developments, including tools released by Anthropic, heightened concerns about the durability of business models across knowledge-based industries. These concerns initially centered on software but expanded to areas such as legal services, insurance, and data providers as AI capabilities increasingly targeted core workflows. The scale of AI-related capital expenditures further amplified dispersion across markets. Consensus estimates for hyperscaler capital expenditures now exceed \$650 billion for 2026, representing growth of approximately 60 percent year over year. This level of investment is expected to consume a sizable portion of mega cap technology companies' cash flows, raising questions about the returns on incremental spending and contributing to relative weakness among the largest index constituents.

At the same time, capital rotated toward asset-heavy industries positioned to benefit from AI-related infrastructure demand while facing less disruption risk. Businesses providing products or services that alleviate bottlenecks in data center development were among the best performers, with strong returns across power infrastructure, memory, and networking providers. Traditionally defensive sectors such as Consumer Staples and Utilities also outperformed, as investors sought exposure to businesses with low risk of obsolescence amid rising uncertainty around AI's broader impact.

The macroeconomic backdrop initially supported this rotation. Early in the quarter, economic data surprised to the upside across manufacturing, employment, and consumer spending, and earnings growth accelerated for smaller capitalization

businesses. However, late-quarter geopolitical developments, including conflict involving Iran and disruptions in the Strait of Hormuz, created uncertainty regarding the trajectory of energy supply, inflation, and monetary policy. The potential knock-on effects of a prolonged period of higher energy prices and disruptions to the critical inputs across several supply chains led markets to transition from a period marked by historic levels of dispersion in the first two months of the year to a broader based sell-off in March.

Weakness in equity markets contrasted with strong corporate fundamentals. Earnings for the Russell 1000 Growth Index advanced 24.5 percent in the first quarter. The price-to-earnings multiple for growth equities has now compressed 18 percent since the drawdown began in October. Russell 1000 Growth Index constituents are now down an average of 31 percent from their 52-week highs, with 67 percent of the index declining more than 20 percent.

Portfolio Review

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

Select Growth underperformed the Russell 1000 Growth Index, as concerns about AI-driven disruption weighed on both sector allocation and stock selection.

The ETF's emphasis on higher-growth, asset-light, and service-oriented businesses created a headwind during the rotation toward more capital-intensive industries perceived to have lower risk of disruption. Underweights to more cyclical and defensive areas, including consumer staples and energy, modestly detracted from relative results amid the broader market rotation. Stock selection further weighed on performance, driven primarily by weakness across the ETF's internet holdings. Share price declines reflected a combination of near-term margin pressure, which we view as largely transitory, and multiple compression as investors accounted for the disruptive potential of AI.



We believe our internet holdings remain well positioned despite these concerns. In our view, these businesses benefit from durable competitive advantages, including physical infrastructure, network effects, and direct access to consumer and merchant demand. Their services are often low cost and deeply embedded in customer workflows, which supports continued relevance. We expect these characteristics to enable these businesses to benefit from AI as a tool to enhance efficiency and growth, rather than face meaningful disruption.

Holdings tied to the build-out of AI infrastructure helped offset some of the weakness. Strong performance from semiconductor fabrication and energy infrastructure businesses reflected their role in addressing key physical constraints required to support expanding AI demand.

The top individual absolute contributors to results were Carpenter Technology Corp. (Industrials sector), Quanta Services, Inc. (Industrials sector), Netflix, Inc. (Communication Services sector), Cloudflare, Inc. (Information Technology sector), and Intercontinental Exchange, Inc. (Financials sector).

Carpenter Technology is a leading supplier of specialty nickel alloys for the aerospace industry. Shares rose amid broader strength in industrials and a clearer pricing outlook. Fourth-quarter results were strong, with earnings per share increasing 41 percent year over year, supported by a 23 percent increase in aerospace orders, reinforcing our investment thesis. Pricing momentum and a more constructive supply backdrop were key drivers. Carpenter announced three new contracts with pricing increases of more than 30 percent, signaling customer acceptance of higher prices. A competitor also added less nickel capacity than expected, which should help sustain near-term pricing power. We believe tightening capacity and improving demand across aerospace, defense, gas turbines, and space support a favorable pricing environment, positioning Carpenter to benefit from a multiyear period of stronger pricing and demand.

Quanta Services is the largest U.S. provider of skilled labor and equipment for power and communications infrastructure. The business advanced following the release of fourth-quarter results and alongside a broader rally in companies addressing the physical bottlenecks of AI. Fourth-quarter earnings exceeded expectations, and guidance pointed to broad-based organic growth in 2026 across its core utility, renewables, and data center segments, with strong visibility through 2030. In our view, these results reinforce our thesis that Quanta is well positioned to benefit from the buildout of electric power infrastructure needed to support rising AI-driven demand. Our confidence is further supported by our belief that demand for higher-voltage transmission lines is underappreciated, which should support Quanta's ability to sustain above-average growth given its leadership in providing the technical services required for this infrastructure expansion.

Netflix shares rose after the company walked away from a proposed acquisition of Warner Bros. Discovery. While we viewed the deal positively, the uncertainty had weighed on sentiment,

and Netflix will receive a \$2.8 billion break fee. We believe the company is now better positioned to exceed guidance and resume share repurchases. The stock also trades below 30 times forward earnings, a level rarely seen over the past 15 years. Fourth quarter 2025 results included several positives. Management tacitly endorsed a leaked long-term forecast of reaching a \$1 trillion valuation by 2030. Advertising revenue exceeded expectations, and net subscriber additions surpassed 23 million in 2025. We see upside potential to 2026 growth guidance of 12 percent to 14 percent, driven by management's typical conservatism, consensus underestimation of United States and Canada revenue, and strength in advertising revenue. The top individual absolute detractors were Microsoft Corp. (Information Technology sector), AppLovin Corp. (Information Technology sector), Shopify Inc. (Information Technology sector), DoorDash Inc. (Consumer Discretionary sector), and Carvana Co. (Consumer Discretionary sector).

Microsoft reported revenue and operating income above consensus expectations, but shares declined as Azure growth met, rather than exceeded, investor expectations. Azure grew 38 percent year over year on a constant currency basis, consistent with recent quarters, and guidance did not signal near-term reacceleration. Capacity constraints, rather than demand, continue to limit Azure growth. Microsoft is prioritizing compute for internal AI workloads, including Copilot, which reduces near-term availability for external customers. This reflects strong underlying AI demand and reinforces Microsoft's positioning, even as it constrains reported growth. We see potential for acceleration as capacity expands. Additionally, Microsoft's leadership in agentic AI development represents incremental upside that we believe is not yet reflected in expectations. AppLovin is one of the leading providers of advertising solutions for mobile game developers. Shares declined alongside broad-based weakness in gaming and ecommerce stocks, amplified by the release of Google's generative gaming platform, Project Genie, and concerns that Meta Platforms may emerge as a more aggressive competitor. Fourth-quarter results remained strong, with revenue growing 66 percent year over year and advertising EBITDA margins reaching 84 percent. These results highlight continued momentum in AppLovin's core advertising business. Our view on the risks is mixed. We see generative gaming as a potential accelerant that could expand content supply and benefit AppLovin's distribution platform, while acknowledging that competition from Meta Platforms represents a credible longer-term risk. We weigh these dynamics against what we view as an attractive valuation, supported by our expectation that AppLovin will double ecommerce gross advertising spending to over \$2.5 billion in 2026.

Shopify is an ecommerce software platform that enables merchants to build, manage, and scale their businesses. Shares declined alongside software stocks amid investor concerns about AI-related disruption. While AI is reshaping the software landscape, we believe Shopify is better positioned than



most horizontal vendors. As a vertical application tailored to ecommerce, it is less likely to be displaced by agentic workflows. Instead, generative tools such as ChatGPT may act as incremental demand channels. Shopify has already enabled an integration with ChatGPT and created a universal protocol for AI shopping alongside Google, which applies third-party payment fees to transactions originating there, consistent with its platform model. Strong operating momentum supports this view. Shopify has delivered three consecutive quarters of roughly 30 percent year-over-year gross merchandise volume growth, with 2025 marking its fastest calendar year growth since 2021. This growth reflects ecommerce expansion, share gains, and product innovation, reinforcing the durability of its business model in an evolving AI landscape.

In the first quarter, our investment activity was centered on evolving our exposure to AI infrastructure toward the physical beneficiaries of the AI buildout. These actions sought to increase exposure to businesses providing essential products or services in areas we view as key bottlenecks required to scale AI.

Our conviction in these actions is grounded in the durability of the AI infrastructure build-out, and more specifically, our belief that memory is emerging as the key bottleneck to scaling AI systems. As model capabilities improve, the number of AI agents is expanding rapidly, particularly in areas like coding, and we expect this usage to extend across a broad range of knowledge work over time. We see memory as the primary constraint on scaling agentic capabilities, given the need for large, high-fidelity context windows to enable reliability in enterprise-grade applications that we expect to span across areas of knowledge work. Underpinned by these dynamics, we expect an exponential increase in demand, coupled with constrained supply growth, will drive both higher memory pricing and increased volumes.

Outlook and Conclusion

Select Growth remains focused on navigating the technology paradigm shift enabled by AI while maintaining balance across the portfolio. The ETF is diversified among companies that provide essential infrastructure for AI, those positioned to use AI to strengthen existing businesses or create new products and services, and those with distinct, idiosyncratic growth drivers largely unaffected by near-term AI trends. Our focus is on evolving these exposures as our outlook for the scale and durability of AI-related capital investment, and the technology's capabilities, continue to develop.

With this in mind, we see three major themes:

DEMAND AGGREGATORS

A select group of consumer internet businesses have built scaled platforms that aggregate supply across gaming, social media, streaming entertainment, and local delivery. Their low marginal costs enable strong operating leverage, supporting margin expansion and reinvestment through complementary services. We believe these businesses are well-positioned to benefit from AI, which can deepen user engagement through more precise

personalization. We expect this to accelerate content creation, enhance its relevance, and improve advertising performance, reinforcing growth and competitive advantage over time.

Portfolio beneficiaries include Meta Platforms, Inc., Netflix, and Spotify Technology S.A..

AI ENABLERS

A technology paradigm shift has emerged, enabled by generative AI. Demand for computing power and cloud infrastructure is accelerating in the arms race across industries to harness AI to create new use cases, drive efficiencies, and defend market share. The complexity of these enabling technologies to have created significant competitive advantages for selecting businesses with the resources to drive innovative. We expect these businesses to benefit from their position at key chokepoints in a long-duration growth opportunity fueled by an explosion in AI use cases that sustains demand for computing power.

Portfolio beneficiaries include Amazon.com Inc., Microsoft, and NVIDIA Corp.

EVOLVING FROM AGILITY TO INTELLIGENCE

Cloud-based software has moved beyond replacing legacy systems to become the backbone of digital operations. Today's leaders, spanning monitoring and security, commerce and engagement, and connected operations, are building intelligent, integrated platforms that compound value through ecosystem depth and data network effects.

The rapid adoption of AI is introducing both disruption and acceleration. While some models may face pressure from commoditization, well-positioned platforms with proprietary data, strong customer relationships, and embedded workflows are using AI to deepen utility, expand markets, and reinforce their competitive advantage.

Portfolio beneficiaries include Axon Enterprise Inc., Cloudflare, Inc., Datadog Inc., and Samsara Inc.

The first quarter of 2026 marked a meaningful inflection in the evolution of AI, as the emergence of agentic AI tools broadened the scope of potential disruption across industries. While AI has been a dominant theme for several years, this latest phase has intensified investors' focus on both its transformative potential and its unintended consequences. Beneath the surface, market behavior reflected this shift, with historically wide dispersion within and across sectors.

Since October 2025, this uncertainty has manifested in a pronounced drawdown in growth equities, driven by a sharp increase in risk aversion. Investors have grown more skeptical of the scale and returns associated with rising AI infrastructure investment, particularly among mega-cap technology companies.

At the same time, concerns around AI-driven disruption have prompted a rotation away from higher-growth, asset-light businesses toward more cyclical, asset-heavy companies perceived to have lower risk of obsolescence.

In our view, the breadth of this sell-off has grown increasingly indiscriminate. While we agree that AI is likely to reshape competitive leadership across many industries, we do not believe all growth businesses face equal risk. The market's current



posture, in many cases, fails to distinguish between companies that are genuinely vulnerable to disruption and those whose competitive advantages may be reinforced.

In an AI-first world, we expect certain competitive moats to become increasingly important. These include network effects, control of critical physical or digital infrastructure, high switching costs embedded in user workflows, and ownership of proprietary data. Businesses with these characteristics, in our view, are more likely to harness AI as an accelerant to growth rather than be displaced by it. In some cases, the rise of agentic AI may even reinforce scale advantages, particularly where access to data and infrastructure is a key differentiator.

Our approach is to assess this uncertainty pragmatically and on a case-by-case basis. Where the risk to long-term earnings durability is both elevated and difficult to underwrite, such as in certain areas of application software, we have reduced exposure. In other areas, including infrastructure software, hardware-enabled vertical solutions, and select internet businesses, we have maintained conviction where we believe competitive positioning remains strong.

It is periods such as these that we believe amplify the importance of a fundamental approach that's anchored on the long-term. Heightened macroeconomic or technological uncertainty can lead investors to shorten their time horizon and reduce risk, often exaggerating the divergences between price and our assessment of intrinsic value. We are observing this dynamic today, with valuation relationships across sectors reflecting a level of risk aversion comparable to prior dislocations, such as the onset of COVID-19 or the rate shock of 2021–2022. It is in these periods, when our long-term orientation is most out of step with consensus, that we see the greatest potential. With valuations compressed across many secular growth businesses, Select Growth's growth-adjusted valuation premium relative to the index is near its lowest level since 2009, a time of significantly compressed valuations for innovative growth businesses following the Global Financial crisis, creating an attractive setup for a portfolio we expect to deliver earnings growth above the index.



Fund Facts

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio	
				Total	Net
TSEL	12/31/24	89157W806	Nasdaq	0.96%	0.67%

Total Fund Assets \$110.0 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 0.67%. These expense limitations will remain in effect until at least 04/29/27.

Annualized Total Returns

	1Q26	YTD	1 Year	3 Year	5 Year	Inception
ETF NAV	-12.79%	-12.79%	10.85%	—	—	-0.93%
ETF Market Price	-12.83%	-12.83%	10.76%	—	—	-0.89%
Benchmark	-9.78%	-9.78%	18.81%	—	—	5.72%

Benchmark - Russell 1000® Growth Index

The Russell 1000 Growth Index measure the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted 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/sands-capital-us-select-growth-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	NVIDIA Corp	16.6	6	Spotify Technology SA	5.1
2	Amazon.com Inc	7.3	7	Shopify Inc Registered Shs -A- Subord Vtg	4.9
3	Dreyfus Government Cash Mgmt Instl	6.7	8	Alphabet Inc Class A	4.8
4	Meta Platforms Inc Class A	6.6	9	Broadcom Inc	4.5
5	Microsoft Corp	6.3	10	Carvana Co Class A	3.7

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. 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](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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