

Fund Manager Commentary

As of September 30, 2025

Fund Highlights

- Invests in securitized fixed income securities including residential mortgage backed securities, commercial mortgage-backed securities, asset backed securities and collateralized loan obligations
- Relative value focus emphasizing moderate to high opportunities within securitized products
- May include U.S. Treasury securities, U.S. government agency securities, securities of government-sponsored enterprises, municipal bonds, and cash equivalents including repurchase agreements, commercial paper and variable rate demand notes

Market Recap

The Federal Reserve (Fed) delivered its first rate cut of the year in September. Softening employment reports, including negative revisions, provided evidence of downside risk to the labor market which prompted the Fed to engage in a 25 basis point “risk management” cut. In addition, the Fed adjusted their expectations for the path of rates, forecasting two more cuts this year and one in 2026, despite slight increases in growth and inflation forecasts. This rate adjustment, and forward guidance, continues to ease financial conditions for the economy despite lingering uncertainty.

Trade policy continues to be a primary source of uncertainty for investors. While the White House has announced a handful of deals and frameworks for deals, there are still a lot of details that remain unknown, especially related to China. In addition to tariff mechanics, questions remain around the legality of certain tariffs that utilized International Emergency Economic Powers Act authority. The U.S. Trade Court ruled these tariffs illegal, but the White House appeal sent the case to the Supreme Court which agreed to hear oral arguments in early November.

While economic growth has slowed since last year, expectations for 2026 have started to improve. Full expensing for manufacturing structures, research & development, and equipment investment was made law by the Big Beautiful Bill in July which should boost capital expenditure over the coming quarters. Consumer spending remains largely resilient, driven by higher income cohorts. However, weaker jobs data, including revisions, shows that the economy is just marginally adding jobs, presenting an environment that could cause a rise in the unemployment rate. Despite lingering uncertainty around trade, geopolitics, and monetary policy, credit spreads tightened further and are at levels tight of historical averages. Due to increasing expectations for rate cuts, and benign long term inflation expectations, longer rates declined, and the 10-year Treasury ended the quarter at 4.15%.

Portfolio Review

The Touchstone Securitized Income ETF (NAV) underperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended September 30, 2025.

The ETF performance for the third quarter largely reflects the meaningful carry in the Fund with a slight benefit from both rates and spreads. Markets rewarded exposure to both duration and spread during third quarter, as rates shifted lower across the curve and spreads generally continued to grind tighter. Within the Fund’s portfolio, residential mortgage backed securities (RMBS) provided the strongest third quarter returns as spreads across the mortgage landscape benefited from lower volatility (with increasing certainty of a rate cut as mid-September approached) and speculation around increasing demand for mortgages due to the prospect of governmental housing affordability initiatives. Asset backed securities (ABS) also provided strong returns during the quarter, driven largely by the higher spread duration of the portfolio’s fixed rate Whole Business exposure. Commercial mortgage backed securities (CMBS) and collateralized loan obligations (CLO) provided the weakest returns for the quarter as heavy floating rate exposure within those sectors posed a headwind with rates shifting lower.

The same factors that drove strong returns in the Fund’s RMBS exposure also drove exceptional performance in the mortgage component of the benchmark. This, combined with lagging returns in the Fund’s floating rate exposure more than offset the Fund’s spread advantage over the benchmark, resulting in underperformance for the quarter.

Spreads were stable to slightly tighter for Fund assets during the quarter, generally providing a neutral landscape or slight tailwind for returns. The noteworthy exception was the spread of Subprime Auto ABS from the lender Tricolor, which filed for chapter 7 bankruptcy during September amidst allegations of fraud within

(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/securitized-income-etf>.**



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the company. Tricolor's outstanding Auto ABS traded down as low as 12 cents on the dollar, pressuring spreads wider for lower-rated (BBB and BB) tranches of other issuers, in sympathy. We took advantage of this by adding to its BB Subprime Auto position (non-Tricolor) at wider levels. (Tricolor is not a Fund holding.)

Sector changes were relatively modest during the quarter. CMBS exposure increased by 4 points to 26% of the portfolio, taking advantage of supply of very short, high-quality paper at attractive spreads. ABS exposure increased 1 point to 27%, but composition shifted. Cashflow from maturities in Whole Business ABS was reinvested in BB rated Subprime Auto ABS at attractive levels, diversifying the subsector mix within ABS. RMBS exposure was stable at 23% of the portfolio, while CLO exposure held steady. Cash positioning decreased from 8% to 2%.

While sector level spread indices reflect the tightest quartile historically, individual subsectors, issuers, and bonds still offer varying degrees of risk-adjusted return with more nuanced opportunities representing more attractive 40th to 60th percentile valuations on a historical basis.

Outlook and Conclusion

Uncertainty around trade policy and slow progress on trade deals continue to weigh on growth forecasts and fuel short-term inflation concerns, though long-term expectations remain anchored. While service inflation is expected to stay stable, tariff-related volatility creates uncertainty for goods inflation, which is likely to be temporary. Slower growth, cooling inflation, and softer labor data support a case for policy easing, and the Fed acknowledged this shifting of risks in its remarks around the September rate cut. Despite recent signs of softening, the nominal unemployment rate remains low and household net worth remains strong, though high mortgage rates and elevated home prices are keeping housing activity subdued. Overall, the growth picture remains modestly healthy but with risk skewed to the downside.

The Fund has maintained a strong quality bias. While spreads have returned to tighter-than-average levels, we believe fundamentals across the Fund's broad sectors, ABS, CMBS, RMBS and CLO, remain supportive of valuations. Consumer fundamentals have weakened in the lower income cohorts due to the impact of inflation but remain sound overall, as evidenced by delinquency trends in both ABS and RMBS. CMBS remains the most challenged sector, but the market is working through problem assets (properties), and there is a clear delineation between winners and losers in the space. With risk/reward skewed to the downside, we will maintain a quality bias and stay within our 2–3-year duration operating range.

While valuations overall remain tight, we continue to find pockets of attractive value in fixed rate securities – particularly within RMBS, CMBS, and ABS. Uncertainty remains elevated regarding tariff policy/legality and its effects on growth and inflation, however, we believe the Fund offers an attractive level of income to provide cushion against potential price volatility going forward. Application of our risk framework also results in a high-quality portfolio with limited interest rate risk (duration of 2.6 years), to help limit potential price volatility heading into year-end. We believe this profile should continue to generate competitive performance versus the peer group going forward.



Fund Facts

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio	
				Total	Net
TSEC	07/17/23	89157W707	NYSE Arca	0.73%	0.41%
Total Fund Assets		\$112.7 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 0.39%. These expense limitations will remain in effect until at least 04/29/26.

Total Returns

	3Q25	YTD	1 Year	Inception
ETF NAV	1.78%	5.68%	5.85%	8.42%
ETF Market Price	2.28%	5.55%	5.04%	8.48%
Benchmark	2.03%	6.13%	2.88%	4.72%

Benchmark - Bloomberg U.S. Aggregate Bond Index

Yield

	Touchstone Securitized Income ETF
30-Day SEC Yield	6.11%
30-Day Unsubsidized SEC Yield	5.82%

Unsubsidized is calculated without expense waivers. **The 30-Day SEC Yield** is calculated by dividing the net investment income per share (as defined by industry regulations) earned by a fund over a 30-day period by the maximum public offering price. This number is then annualized. **The 30-Day SEC Yield** reflects the rate at which a fund is earning income on its current portfolio of securities and does not necessarily reflect income actually earned and distributed by a fund and, therefore, may not be correlated with a fund's past distributions actually paid to shareholders.

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/securitized-income-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. 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.

The Bloomberg U.S. Aggregate Bond Index is an unmanaged index comprised of U.S. investment grade, fixed rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and ten years.

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 fixed-income securities which can experience reduced liquidity during certain market events, lose their value as interest rates rise and are subject to credit risk which is the risk of deterioration in the financial condition of an issuer and/or general economic conditions that can cause the issuer to not make timely payments of principal and interest also causing the securities to decline in value and an investor can lose principal. When interest rates rise, the price of debt securities generally falls. Longer term securities are generally more volatile. The Fund invests in mortgage-backed securities and asset-backed securities which are subject to the risks of prepayment, defaults, changing interest rates and at times, the financial condition of the issuer. The Fund invests in investment grade debt securities which may be downgraded by an NRSRO to below investment grade status. The Fund invests in non-investment grade debt securities which are considered speculative with respect to the issuers' ability to make timely payments of interest and principal, may lack liquidity and has had more frequent and larger price changes than other debt securities. The Fund invests in U.S. government securities which are neither issued nor guaranteed by the U.S. Treasury and are not guaranteed against price movements due to changing interest rates.

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 invests in foreign securities which carry the associated risks of economic and political instability, market liquidity, currency volatility and accounting standards that differ from those of U.S. markets and may offer less protection to investors. The Fund invests in municipal securities which may be affected by uncertainties in the municipal market related to legislation or litigation involving the taxation of municipal securities or the rights of municipal security holders in the event of bankruptcy and may not be able to meet their obligations. The Fund may experience higher portfolio turnover which may lead to increased fund expenses, lower investment returns and higher short-term capital gains taxable to shareholders. The Fund invests in repurchase agreements which are considered loans by the Fund and may suffer a loss of principal and interest in the event of counterparty defaults. The Fund invests in Collateralized Loan Obligations (CLOs) that have risks that largely depend on the type of underlying collateral and risks may include illiquidity, limited active market, the possibility that distributions from collateral securities will be insufficient to make interest or other payments, the potential for a decline in the quality of the collateral, and can bear the risk of default by the loans. 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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