Touchstone Securitized Income ETF



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

Income – Short Term Bond

Actively Managed, Fully Transparent ETF

1Q/2025

Fund Manager Commentary

As of March 31, 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

Uncertainty was the dominant theme in markets during the first quarter, driven largely by shifting policies under the new administration. Evolving trade policies and escalating tensions with key trading partners created an added layer of complexity for businesses, impacting corporate planning and investment decisions. At the same time, consumer sentiment showed signs of softening, with investors reassessing the potential impact of new policies on spending behavior.

This growing lack of clarity combined with rising inflation concerns have created uncertainty around the trajectory of U.S. economic growth, prompting economists to revise their 2025 GDP forecasts. However, it is worth emphasizing that much of the deterioration so far has been reflected in soft data, surveys, sentiment indicators, and business confidence, rather than hard economic metrics like GDP or employment.

Looking ahead, key factors to watch include potential shifts in fiscal policy, the Federal Reserve's (Fed) response to evolving macroeconomic conditions, and the extent to which business and consumer sentiment translate into actual spending and business activity. Continued uncertainty, or tariffs escalating into larger trade wars, would likely manifest in weaker hard data. That said, a dovish Fed reaction or a pivot on trade policy could help restore some confidence and support domestic growth.

Increased policy uncertainty and renewed growth fears led to a risk off tone for financial markets as interest rates declined and risk assets underperformed. Equities were volatile as the S&P 500 rallied early in the year but briefly entered correction territory after the mid-February highs and ended the quarter down 4.3%. Credit spreads also moved wider but remain tight relative to historical levels. Amid this risk off tone, Treasury yields moved lower with the 10-year Treasury ending the quarter down 0.36% at 4.21% compared to 4.57% at the start of the year.

The quarter started on sound footing with a strong economy and investors expecting deregulation and pro-growth tax policies to provide a tailwind for financial markets, both rates and spreads declined into mid-late February. However, tariffs began to roll out in early February, initially levied on Mexico and Canada, then postponed, followed by an initial 10% tariff on China and markets became uneasy. Rates ended the quarter with a strong bull flattening move materializing across the curve, 6-month Treasuries were largely unchanged while the 5-year Treasury note declined 43 basis points. Spreads on high-quality securitized bonds widened 10-20 basis points (bps) while spreads on lower rated bonds were mixed with some bonds 20-40bps wider and some bonds 100bps tighter.

Portfolio Review

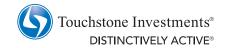
The Touchstone Securitized Income ETF (NAV) underperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended March 31, 2025.

Rates were the primary driver of performance relative to the benchmark for the quarter with the Fund's duration 3.3 years shorter than the benchmark (2.8 years vs. the Bloomberg Aggregate at 6.1 years). The shorter duration positioning resulted in a performance drag.

The ETF's top performing sectors were Commercial Mortgage Backed Securities (CMBS) Agency Interest Only securities and Structured Settlement securities. Both sectors are longer duration in the 5-to-7-year range and benefitted from the 40+bps rally in the belly of the curve. The two lowest performing sectors were Collateralized Loan Obligations (CLO) and Single-Asset Single-Borrower (SASB). Both sectors are floating rate and did not benefit from the lower rate environment. The Whole Business and Prime Jumbo Residential Mortgage Backed Securities (RMBS) sectors posted index-like returns.

(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.



Credit spreads had a relatively modest impact on returns at the aggregate portfolio level with spreads about 5bps wider on the quarter. However, there were differences at the sector level with ABS, CLO and RMBS generally 5 to 15bps wider and CMBS generally unchanged.

Fund sector changes were relatively modest with CLO exposure increasing 4% and CMBS increasing 2%. These increases were funded primarily from cash.

After tactically reducing CLOs exposure late in 2024, the frontend of the Treasury curve inverted again in the first quarter as the market contemplated the inflationary effects of tariffs and a "higher-for-longer" rate outlook. In this environment, CLOs began to look compelling and there was a plethora of secondary bonds with very short spread-durations trading at relatively wide spreads. We increased CLO exposure from 19% to 23% during the quarter, marginal purchases carried a 4.8-year spread duration and were priced at +185bps over 3-month SOFR.

CMBS presented some of the most compelling value during the quarter and several opportunistic purchases were made averaging 1.1 year spread duration and +373 spread over Treasuries.

Outlook and Conclusion

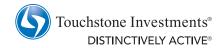
The economy is in a state of flux driven by highly uncertain fiscal and economic policies. What had been above trend growth and moderating inflation has given way to eroding confidence on the part of the consumer and businesses and a host of weaker "soft" data statistics. Early signs suggest the consumer is bracing for higher inflation and unemployment, a possible stagflation environment.

The ETF has had a quality bias (A average rating) given the historically tight spreads in the second half of 2024 and early 2025. However, uncertainty drove spreads wider late in the first quarter and many sectors are now trading closer to historically fair values. The widening has been "orderly" with credit curves indicative of higher volatility and uncertainty, but not recession (the market is not adequately compensating investors to move down in credit). We believe it is too early to increase risk materially and are inclined to optimize positioning while maintaining a quality bias. High quality non-agency RMBS and CMBS (conduit AAA – AA and select SASB) continue to screen as cheap.

Volatility is likely to remain high and risk premiums are likely to move higher until there is more clarity regarding the U.S. economic outlook. Portfolio credit risk will be maintained on the lower end of the spectrum and interest rate risk will remain on the long side of neutral in the 2.6-year range.

The expectation is that businesses and the consumer will likely pause and there will be an inflation adjustment that markets have to digest, this could take most of 2025. A recession is possible, but a soft patch is more likely. The consumer (except for the lower income cohort) and businesses are on generally sound footing, low to moderate leverage and lower debt service coverage ratios. A confidence-led recession is very possible, but likely to be shallow. The current administration will be sensitive to the legacy of igniting a lasting U.S. and/or global recession.

Regarding rates, the Fed will be reluctant to cut the fed funds rate until the inflation picture becomes clearer, but there seems to be an underlying bias toward reducing rates and maintaining a sound job market. Given this backdrop, volatility will likely remain high with a severe downside scenario having low probability. Being opportunistic and marginally adding risk when spreads are on the cheaper end of the valuation spectrum should reward patient investors. A high quality, high carry short duration strategy should perform well through the cycle, but there may be a few bumps along the way.





Fund Facts

Annual Fund Operating Expense Ratio

Symbol	Inception Date	CUSIP	Exchange	Total	Net
TSEC	07/17/23	89157W707	NYSE Arca	0.73%	0.41%
Total Fund A	ssets \$113.5 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 0.39%. These expense limitations will remain in effect until at least 04/29/26.

Total Returns

	1Q25	YTD	1 Year	Inception
ETF NAV	1.87%	1.87%	7.00%	8.65%
ETF Market Price	1.86%	1.86%	6.90%	8.80%
Benchmark	2.78%	2.78%	4.88%	4.18%

Benchmark - Bloomberg U.S. Aggregate Bond Index

Yield

	louchstone Securitized Income ETF
30-Day SEC Yield	4.73%
30-Day Unsubsidized SEC Yield	4.45%

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 adviser 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 a Nationally Recognized Statistical Rating Organization (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 Adviser engages a sub-adviser to make investment decisions for the Fund's portfolio; it may be unable to identify and retain a sub-adviser who achieves superior investment returns relative to other similar sub-advisers. 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 Touchstonelnvestments.com/resources or call Touchstone at 833.368.7383. Please read the prospectus and/or summary prospectus carefully before investing.

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