Touchstone Securitized Income ETF

Sub-Advised by: Fort Washington Investment Advisors Inc

TSEC

Income - Securitized Bond - Diversified | Actively Managed, Fully Transparent ETF | 1Q/2026

Fund Manager Commentary

As of 03-31-2026

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
- Portfolio invests at least 50% in investment grade debt securities and may invest up to 15% in securities that are non-rated

Market Recap

The first quarter of 2026 began with a resilient but increasingly complex economic backdrop. Early data pointed to a Goldilocks environment, with solid consumer spending, improving business confidence, and easing financial conditions supporting growth, while inflation hovered in the high 2% range and the Federal Reserve (Fed) remained on hold. However, as the quarter progressed, inflation proved stickier than expected, driven by tariffs, services, and margins, while labor market signals softened and consumer sentiment weakened. At the same time, markets contended with structural shifts, including AI-driven disruption and rising fiscal pressures, even as credit markets remained relatively firm with tight spreads and still-accommodative conditions.

Geopolitical risks became the dominant driver late in the quarter, as escalating conflict involving the U.S., Israel, and Iran triggered a sharp rise in energy prices and renewed inflation concerns. This led to heightened volatility across asset classes, with Treasury yields fluctuating but ultimately moving higher, and risk assets entering a consolidation phase amid uncertainty around AI monetization, private credit stress, and the durability of Fed support. Markets increasingly questioned the timing and extent of future rate cuts as inflation expectations rose, and fiscal expansion added pressure to long-term yields.

These dynamics intensified, with inflation re-accelerating, sentiment deteriorating, and policymakers signaling a higher-for-longer stance despite moderating growth. Financial markets remained volatile but largely range-bound: equities saw increased dispersion and sector rotation, credit markets showed pockets of stress, and the 10 year Treasury yield rose sharply to finish near the upper end of its range. Overall, the quarter marked a shift from a disinflationary outlook to one increasingly shaped by stagflation risks and policy uncertainty.

Portfolio Review

The Touchstone Securitized Income ETF (NAV) outperformed its primary benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index, for the quarter ended March 31, 2026.

From a macro perspective, the quarter began with a supportive backdrop for spread products, as stable growth and easing financial conditions helped maintain tight credit spreads. However, as AI advancements weighed on the software sector and inflation concerns re-emerged, particularly driven by energy prices and geopolitical developments, rates and spreads moved higher and volatility increased, creating a more challenging environment for duration and credit-sensitive assets. Credit curves steepened with BBB and lower rated assets widening 40 basis points (bps) to 100bps while high quality assets saw minimal widening or, in some cases, tightening. This shift resulted in a greater dispersion of returns across securitized sectors.

Carry and duration positioning were the primary drivers of outperformance relative to the benchmark for the quarter with the portfolio's duration ~3.5 years shorter than the index (2.5 years for the ETF vs. the Bloomberg Aggregate index at 6.0 years). The shorter duration positioning produced a performance tailwind vs. the benchmark. While the ETF had approximately +220bps of yield advantage, most of that was offset by spread widening in the securitized sector, net of this negative price move, the yield advantage added to performance vs the Aggregate index.

The ETF's top performing sectors were commercial mortgage backed securities (CMBS) Single Asset Single borrower (SASB), residential mortgage-backed securities (RMBS) Re-Performing and RMBS Prime Jumbo. The CMBS SASB sector benefitted from its short duration and high carry positioning while the RMBS sector benefitted from a high-quality bias. The ETF's bottom performing sectors were collateralized loan obligations (CLO), Subprime Auto asset backed securities and Whole

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Business Securitization. All three bottom performing sectors saw substantive spread widening, the Subprime Auto sector saw spreads widening by 20bps while Whole Business and CLO widened about 50bps.

ETF assets increased 12% during the quarter and marginal inflows were invested in sectors with the most compelling valuations including CMBS and RMBS. Late in the quarter, ETF management also purchased a position in the 10 year Treasury note and a position in a deeply discounted agency mortgage-backed passthrough security.

The substantial rise in rates late in the quarter provided an opportunity for duration extension but given the relative tightness of credit spreads it made more sense to take that duration risk in high quality, highly liquid securities such as Treasuries and agency mortgage-backed securities. Cash was drawn down from 8% to 4% during the quarter.

CLO exposure has continued to decline due to full valuation and relatively longer spread durations. As the curve steepens, the 3-month SOFR base rate on CLO's becomes less compelling. We are likely to continue to organically fade CLO, by letting securities run off the books as opposed to actively selling.

Outlook and Conclusion

The U.S. economic outlook remains constructive but more complex, with above-trend growth supported by resilient consumer spending and strong balance sheets, even as sentiment weakens and cyclical sectors show softness. Inflation is likely to remain sticky due to services, tariffs, and potential energy shocks, keeping the Federal Reserve cautious and reinforcing a higher-for-longer rate environment. As a result, expectations for policy easing have moderated, with markets increasingly pricing a slower and more limited path to rate cuts.

Within securitized credit, fundamentals remain broadly stable, though certain areas tied to lower-income consumers and more levered business models warrant close monitoring. Commercial real estate fundamentals continue to gradually improve, particularly in higher-quality assets, though the sector remains uneven across property types. Consumer credit performance has generally held up, supported by a still-resilient labor market, which is reflected in constructive delinquency trends in both residential mortgage-backed securities and most consumer asset backed securities subsectors away from subprime.

With valuations on rich side, the ETF is positioned with a historically high-quality bias, lower overall spread and a short spread duration. The option adjusted duration was lengthened by about a half year to 3 years late in first quarter to take advantage of the higher rate environment. If rates continue to rise, we will look to increase duration further. Volatility is likely to remain high with AI and policy uncertainty ever present. We will increase the risk positioning on spread weakness.

The ETF has a defensive profile with significant exposure to longer duration Treasury and agency MBS along and high quality, AAA-rated, non-agency MBS which should perform well in a risk-off environment. This is counterbalanced with exposure to higher risk, shorter spread duration securities across the asset-backed securities, CLO and CMBS sectors which should continue to generate strong income for the ETF. This asset composition should perform well in a risk-off environment relative to other high income securitized strategies, tread water in a neutral credit environment, and could underperform in a risk-on market.

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Fund Facts

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio Total	Annual Fund Operating Expense Ratio Net
TSEC	07/17/23	89157W707	NYSE Arca	0.69%	0.40%

Total Fund Assets $137.6 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 0.39%. 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	0.24%	0.24%	5.75%	—	—	7.58%
ETF Market Price	0.25%	0.25%	5.74%	—	—	7.67%
Benchmark	-0.05%	-0.05%	4.35%	—	—	4.24%

Benchmark - Bloomberg U.S. Aggregate Bond Index

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 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/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. 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.*

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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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.

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 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.

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