Touchstone Securitized Income ETF

Sub-Advised by: Fort Washington Investment Advisors Inc

TSEC

Income - Securitized Bond - Diversified | Actively Managed, Fully Transparent ETF | 2Q/2026

Fund Manager Commentary

As of 06-30-2026

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

Economic growth remained stable through the first half of 2026 and is expected to remain near trend over the coming quarters. Growth has been supported by rising capital expenditures, due in large part to the AI buildout, as well as consumer spending that benefited from accommodative fiscal policy. However, consumer tailwinds were partially offset by higher oil prices as tensions in the Middle East disrupted energy markets and traffic through the Strait of Hormuz. As the quarter progressed, signs of de-escalation between the U.S. and Iran helped oil prices decline from their highs.

While inflation expectations ended the quarter higher, concerns around a renewed inflation shock eased as Middle East tensions moderated. Nevertheless, inflation is still expected to remain above the Federal Reserve's (Fed) target for the remainder of the year. Kevin Warsh, the new Chair of the Federal Open Market Committee (FOMC), emphasized this point in his June press conference. Although rates were held unchanged, the FOMC removed its easing preference from the statement, and Chair Warsh reinforced the Fed's focus on price stability. He also appeared to step back from traditional forward guidance, which could create additional uncertainty around policy communication.

Against this backdrop, the labor market has remained relatively stable. The unemployment rate declined in June, while payroll growth has improved since last year's weakness. A resilient labor market should continue to support wages, but wage growth is not fully keeping pace with inflation. This increases pressure on lower-income households, particularly those that are not benefiting as directly from strong equity markets.

Portfolio Review

The Touchstone Securitized Income ETF (NAV) outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended June 30, 2026.

The Fed held interest rates steady during the quarter but adopted a more hawkish tone as inflation remained elevated and economic growth proved resilient. The yield curve moved higher, led by the two-year Treasury, creating a headwind for short-duration fixed income. Despite greater exposure to the two-year portion of the curve than the benchmark, the ETF's shorter overall duration helped mitigate the impact. Carry, spread tightening, and the ETF's yield advantage were the primary drivers of outperformance.

Private-label securitized sectors generated strong results, with collateralized loan obligations (CLO), asset backed securities (ABS), and commercial mortgage backed securities (CMBS) outperforming comparable-duration Treasuries as spreads tightened, while non-agency residential mortgage backed securities (RMBS) also produced positive excess returns despite lagging other securitized sectors. Portfolio adjustments were modest, with increased CMBS exposure, reduced allocations to CLOs and RMBS, stable ABS and agency MBS exposures, and a modest increase in cash. New investments focused on high-quality CMBS, subprime auto ABS, and whole business ABS, where relative value, carry, and structural protections remained attractive.

The ETF reduced A- and BBB-rated CLO exposure due to tight valuations and concerns over AI-related risks in the software sector, while maintaining meaningful floating-rate exposure to benefit from elevated short-term interest rates. The Fund's portfolio retained its high-quality bias with an average credit rating of A- and remained positioned near the midpoint of its two- to four-year duration target range, emphasizing disciplined risk management and attractive income generation.

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Outlook and Conclusion

The Fund continues to maintain a high-quality bias, supported by generally favorable fundamentals across ABS, CMBS, RMBS, and CLOs. While lower-income consumers remain pressured by inflation and elevated mortgage rates continue to constrain housing activity, we see the most attractive opportunities in select CMBS, high-quality RMBS, and ABS offering strong structural protection. Key risks include weaker commercial real estate assets, tight CLO valuations, consumer-sensitive ABS collateral, and the potential for renewed rate volatility if inflation remains elevated.

The ETF is expected to derive a significant portion of its return through carry and income, supported by elevated short-term rates, meaningful floating-rate exposure, and a yield advantage over the Bloomberg U.S. Aggregate Bond Index. Although securitized valuations remain rich, solid fundamentals and market sentiment should continue to support performance. We remain disciplined on valuation, maintain a balanced duration posture near the midpoint of its target range, and emphasizes high-quality sectors offering attractive risk-adjusted return potential while preserving downside resilience.

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 $159.3 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

	2Q26	YTD	1 Year	3 Year	5 Year	Inception
ETF NAV	1.56%	1.80%	5.40%	—	—	7.48%
ETF Market Price	1.80%	2.05%	6.26%	—	—	7.64%
Benchmark	0.67%	0.62%	3.79%	—	—	4.11%

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.*

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.

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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