Fund Manager Commentary

As of December 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

The Federal Reserve (Fed) built on its September rate cut by delivering two additional 25basis point reductions at the final meetings of the year. A weakening employment picture prompted the FOMC to move policy closer to neutral. However, division among members have grown, with concerns over downside risks to the labor market at odds with views that the economy could still experience upside inflation surprises. While recent reports show inflation plateauing, goods prices appear the most likely source of higher-than-expected inflation, given ongoing tariff pressures and a pending Supreme Court ruling on their legality.

Following stronger-than-expected 4.3% GDP growth in third quarter, the economy is projected to see a modest slowdown in fourth quarter. However, this is largely due to the temporary drag from the U.S. government shutdown, with growth normalizing in first quarter 2026. Beyond weighing on activity, the shutdown has complicated the interpretation of economic data as a result of missing inputs and delayed releases. Nevertheless, as the effects dissipate, tax policy remains a potential tailwind, as accelerated depreciation should boost capital expenditures and individual tax cuts should support consumer spending. That said, job creation has slowed meaningfully and could begin to pressure consumption should unemployment rise further.

As rate cuts eased financial conditions and market fundamentals remained healthy, the S&P 500 continued to reach new highs over the quarter. Closing the year with an annual return of 17.9%, this marks a third consecutive year of double-digit gains for the S&P. Credit spreads were largely range bound during the quarter and remain near historically tight levels. Expectations for additional rate cuts in 2026, alongside benign long-term inflation expectations, contributed to a steepening yield curve over the quarter, despite the 10-year Treasury ending largely unchanged at 4.17%.

Spreads were stable to slightly tighter for almost all asset classes during the fourth quarter. Certain commercial mortgage backed securities (CMBS) and subprime consumer assets are trading wider for idiosyncratic issues, but spreads more broadly remained firm or tighter for the quarter.

Portfolio Review

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

The Fund's performance largely reflected the meaningful carry in the portfolio with benefit from both rates and spreads. Markets rewarded exposure to spread as rates shifted lower in the front end and spreads were tighter. Within the ETF, CMBS provided the strongest fourth quarter returns as spreads tightened with strong demand for credit bonds across the curve. Asset backed securities (ABS) also provided strong returns during fourth quarter, driven largely by tighter Whole Business spreads. Collateralized loan obligations (CLO) and residential mortgage backed securities (RMBS) provided the weakest return for the quarter as heavy floating rate exposure in CLOs and not a lot of movement in longer rates given higher duration in RMBS.

The higher carry and credit positioning in the portfolio was positive for the outperformance of the ETF relative to Bloomberg Agg for the quarter. Securitized credit spreads also tightened more for the quarter relative to other fixed income asset classes.

There were some changes to the overall portfolio composition this past quarter. The largest changes were reduction of CLOs from 21% to 14% given tight valuations and floating rate assets. Cash also increased from 2% to 8% as there was a larger contribution right before the end of the quarter, which given the holiday weeks, made it difficult to invest. CMBS increased by 3% given relative value versus other sectors. ABS increased by 3% as well given

(continued)

Fort Washington is a member of Western & Southern Financial Group

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.***

Touchstone Investments®
DISTINCTIVELY ACTIVE®

continued value in subprime ABS and Whole Business Securitizations (WBS). RMBS decreased by 2%. Duration positioning shortened to 2.55 years.

Outlook and Conclusion

As we enter the new year, the investment outlook remains shaped by lingering uncertainty but improving optimism as the U.S. economy continues to demonstrate resilience. Economic growth has been supported by strong consumer spending—primarily driven by higher-income households and the ongoing wealth effect—alongside robust investment across the artificial intelligence infrastructure ecosystem, both of which are expected to remain important catalysts into 2026. While headwinds persist from trade policy and geopolitical tensions, easing financial conditions from Fed rate cuts and forthcoming tax policy changes should help offset these pressures. Although job growth has been uneven and lower-income consumers remain under strain, unemployment remains low and aggregate consumer data is solid, supporting expectations for continued, albeit uneven, economic expansion.

The ETF remains higher-quality, even with the increased exposure to BB Subprime and CMBS credit bonds. We continue to see strong fundamentals across all the individual sectors, although certain areas affected by lower income consumers bear close monitoring. In spite of overall tight spreads, we continue to identify individual bonds that look attractive from a risk return perspective. CMBS still has some issues to work through, although we continue to see an improvement in the commercial real estate market overall. With the recent Fed cuts and more expected in 2026, we are biased to reduce floating rate exposure especially in CLOs and higher quality CMBS.

While valuations overall remain tight, portfolio management continues to find pockets of attractive value in fixed rate securities—particularly within RMBS, CMBS, and ABS. Uncertainty remains, but there is positive momentum heading into 2026. We believe the Fund's portfolio offers an attractive level of income as well as being positioned for recovery in the commercial real estate market. Longer duration exposure in the non-agency RMBS sector can offer attractive total return potential as well. Fund management believes this profile will continue to generate performance versus the peer group.

Touchstone Investments®
DISTINCTIVELY ACTIVE®

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	0.73%	0.41%
Total Fund Assets	$122.7 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

	4Q25	YTD	1 Year	Inception
ETF NAV	1.72%	7.49%	7.49%	8.27%
ETF Market Price	1.80%	7.44%	7.44%	8.36%
Benchmark	1.10%	7.30%	7.30%	4.70%

Benchmark - Bloomberg U.S. Aggregate Bond Index

Yield

	Touchstone Securitized Income ETF
30-Day SEC Yield	6.57%
30-Day Unsubsidized SEC Yield	6.29%

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.

Not FDIC Insured | No Bank Guarantee | May Lose Value

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.

Touchstone ETFs are distributed by
Foreside Fund Services, LLC
A registered broker-dealer and member FINRA

Touchstone is a member of Western & Southern Financial Group

Touchstone Investments®
DISTINCTIVELY ACTIVE®

800.638.8194 • TouchstoneInvestments.com