Touchstone Strategic Income ETF

SIO

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

Income – Multisector Bond | Actively Managed, Fully Transparent ETF | 4Q/2025

Fund Manager Commentary

As of December 31, 2025

Fund Highlights

- Primarily invests in income producing securities including corporate debt securities, mortgage related securities, asset-backed securities, government securities (both U.S. government securities and foreign sovereign debt), and preferred stocks
- Expanded opportunity set provides the flexibility to react to market dislocations
- Broadly diversified by sector, resulting in multiple sources of return potential and low correlation to traditional asset classes
- Duration management is used as a risk mitigation tool; seeks to avoid taking large duration positions due to the difficulty in predicting interest rates
- Active management and security selection are focused on building a high conviction portfolio

Market Recap

The U.S. Federal Reserve (Fed) built on its September rate cut by delivering two additional 25-basis-point reductions at the final meetings of the year. A weakening employment picture prompted the Federal Open-Market Committee (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%.

Portfolio Review

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

Sector allocation was the largest contributor to relative outperformance due primarily to the overweight allocation to emerging market debt and an underweight to Treasuries. Emerging markets debt outperformed as spreads tightened and risk assets outperformed Treasuries over the period.

Security selection had a positive impact on relative outperformance due to outperformance within high yield and investment grade corporates. Within high yield corporates, there were multiple sectors contributing to outperformance with the largest drivers being media and retailers. Within investment grade corporates, the primary driver of relative performance was an underweight to technology, which underperformed over the quarter.

The Fund did not materially adjust sector allocations over the quarter, rather focusing on finding issuers with compelling bottom-up narratives. However, the Fund continued to opportunistically reduce high yield corporate exposure during the quarter.

Interest rate management was a contributor to relative outperformance during the quarter as the Fund was managed with less duration than the benchmark and made tactical adjustments as rates fluctuated. The Fund averaged a duration of 5.1 years versus

(continued)

6.0 years for the benchmark, opportunistically adjusting exposure within its target range and adding real yield exposure through Treasury Inflation PS. Performance benefited from a steepening yield curve, as short rates declined amid Fed rate cuts while longer-term yields moved modestly higher, leaving the 10-year largely unchanged. Although curve positioning began and ended the quarter near neutral, tactical positioning toward a steeper curve and active duration management modestly enhanced relative results.

Outlook and Conclusion

As we enter the new year, the investment landscape remains uncertain, though optimism for 2026 continues to build. The U.S. economy has shown resilience despite trade and geopolitical headwinds, supported by strong personal consumption—particularly among higher-income households benefiting from the wealth effect—and sustained investment in AI infrastructure. These forces are expected to remain key drivers of growth into 2026, even as elevated uncertainty persists.

The Fund is positioned with a modest overweight to risk, representing approximately 30% of the risk budget, reflecting valuations that are tight relative to history and an outlook characterized by elevated uncertainty. Sector positioning emphasizes relative value and bottom-up opportunities while maintaining flexibility to add risk if conditions improve. Investment Grade Credit remains a core overweight, focused on higher-quality financials and utilities and favoring the front and intermediate portions of the curve, while Technology exposure is underweight due to anticipated issuance pressure. Securitized Products exposure remains overweight, with a preference for non-agency asset backed securities, residential mortgage backed securities, and commercial mortgage backed securities and reduced collateralized loan obligation exposure due to valuation concerns. Emerging Market Debt remains near the low end of its historical range, concentrated in selective below-investment-grade opportunities, while High Yield exposure was modestly reduced as spreads have become expensive, preserving capacity to add risk at more attractive levels.

From a rates perspective, duration was tactically managed within a 4.75–5.25 year range, averaging 5.1 years for the quarter, with a bias toward longer real yields and a largely neutral yield curve stance. While rate volatility has moderated, shifting expectations for future policy actions are expected to create ongoing opportunities for tactical adjustments. Overall, the Fund is well positioned to navigate an environment of moderate growth and elevated uncertainty, with a prudent credit overweight, disciplined security selection, and active duration management supporting performance across a range of potential economic environments.

Fund Facts

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio Total	Net
SIO	07/21/22	89157W202	NYSE Arca	0.88%	0.50%
Total Fund Assets	$228.9 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 0.49%. These expense limitations will remain in effect until at least 04/29/26.

Total Returns

	4Q25	YTD	1 Year	3 Year	Inception
ETF NAV	1.59%	9.34%	9.34%	7.85%	6.79%
ETF Market Price	1.58%	9.27%	9.27%	7.84%	6.86%
Benchmark	1.10%	7.30%	7.30%	4.66%	2.84%

Benchmark - Bloomberg U.S. Aggregate Bond Index

Yield

	Touchstone Strategic Income ETF
30-Day SEC Yield	4.96%
30-Day Unsubsidized SEC Yield	4.64%

*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/strategic-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.*

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.

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 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.

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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Touchstone is a member of Western & Southern Financial Group

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 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 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 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's service providers are susceptible to cyber security risks that could result in losses to a Fund and its shareholders. Cyber security incidents could affect issuers in which a Fund invests, thereby causing the Fund's investments to lose value. The Fund invests in equities which are subject to market volatility and loss. The Fund invests in preferred stocks which are relegated below bonds for payment should the issuer be liquidated. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing their price to decline. 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 emerging markets securities which are more likely to experience turmoil or rapid changes in market or economic conditions than developed countries. The Fund invests in sovereign debt securities which are issued by foreign governments whose respective economies could have an important effect on their ability or willingness to service their debt which could affect the value of the securities. The Fund invests in derivatives such as futures contracts. Derivatives can be highly volatile, illiquid and difficult to value, subject to counterparty and leverage risks and there is risk that changes in the value of a derivative held by the Fund will not correlate with the Fund's other investments. Gains or losses from speculative positions in a derivative may be much greater than the original cost and potential losses may be substantial. The Fund invests in mortgage dollar rolls which involve increased risk and volatility, as the securities the Fund is required to repurchase may be worth less than the securities that the Fund originally held. 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. Current and future portfolio holdings are subject to change.

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