

Fund Manager Commentary

As of 06-30-2026

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

Economic growth remained resilient through the first half of 2026, supported by AI driven capital investment and solid consumer spending, with U.S. GDP expected to remain near 2% over the coming quarters. Although Middle East tensions temporarily pushed oil prices higher, easing geopolitical risks helped stabilize energy markets by quarter-end. Inflation is expected to remain above 3%, prompting new Federal Reserve Chair Kevin Warsh to maintain a restrictive policy stance and emphasize price stability while reducing forward guidance, increasing uncertainty around the future path of interest rates.

Despite persistent inflation, the labor market remained healthy, with unemployment declining to 4.2% and payroll growth improving, though wage gains continued to lag inflation for many households. Equity markets rallied sharply, with the S&P 500 gaining more than 15% and the Russell 2000 advancing over 21%, while tighter credit spreads reflected strong investor risk appetite. In fixed income, expectations for higher policy rates pushed two-year Treasury yields meaningfully higher, while longer-term yields rose more modestly.

Portfolio Review

The Touchstone Strategic Income Opportunities ETF (NAV) outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended June 30, 2026. Sector allocation was the primary driver of relative outperformance during the quarter, led by overweight positions in high yield corporates and emerging market debt as credit spreads tightened. Security selection also added value, particularly within investment grade corporates and securitized assets. Strong issuer selection in utilities, banks, and technology supported investment grade results, while overweight exposure to non-agency commercial mortgage backed securities (CMBS), and asset backed securities (ABS) benefited securitized performance.

Interest rate positioning also contributed modestly to relative performance. The Fund maintained a duration shorter than the benchmark while tactically adjusting duration as rates moved higher during the quarter, allowing duration management to add value. This benefit was partially offset by yield curve positioning, which modestly detracted as the Fund maintained a steeper-curve bias for much of the period before ending the quarter largely neutral.

The Fund's portfolio positioning changed little during the quarter, maintaining sector allocations while emphasizing bottom-up security selection. Average duration was 5.5 years (range: 5.0–5.9 years) versus 5.9 years for the benchmark and ended the quarter at 5.7 years. The Fund also maintained exposure to Treasury Inflation-Protected Securities (TIPS) to reflect evolving inflation expectations.



Outlook and Conclusion

The Fund maintains a modest overweight risk posture, reflecting a 30% risk budget, as current credit valuations remain expensive relative to historical levels despite a stable macroeconomic backdrop. Fund positioning was largely unchanged during the quarter, with investment grade credit emphasizing high-quality financials, utilities, and selective relative value opportunities, while securitized exposure continues to favor non-agency ABS, CMBS and residential mortgage backed securities. High yield and emerging market debt allocations remain toward the lower end of their historical ranges, reflecting tight spreads and a preference to preserve capacity to add risk should valuations become more attractive.

The Fund continues to manage duration tactically, ending the quarter at 5.7 years after averaging 5.5 years, with a bias toward the upper end of its target range. Elevated uncertainty surrounding trade policy, geopolitics, inflation, and monetary policy is expected to keep interest rate volatility high, which may create opportunities for active duration management. In this environment, the Fund is positioned to benefit from modestly higher credit exposure than the benchmark while maintaining flexibility to increase risk during periods of market weakness, with bottom-up security selection remaining a key driver of excess return across market environments.



Fund Facts

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio	
				Total	Net
SIO	07/21/22	89157W202	NYSE Arca	0.82%	0.50%

Total Fund Assets \$267.4 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 0.49%. 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	1.50%	1.60%	5.51%	7.50%	—	6.33%
ETF Market Price	1.50%	1.40%	5.22%	7.39%	—	6.35%
Benchmark	0.67%	0.62%	3.79%	4.16%	—	2.64%

Benchmark - Bloomberg U.S. Aggregate Bond Index

Yields

	Touchstone Strategic Income ETF
30-Day SEC Yield	5.39%
30-Day Unsubsidized SEC Yield	5.11%

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.

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/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. 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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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.

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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