

## Fund Manager Commentary

As of June 30, 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

Investor uncertainty persisted into the second quarter of 2025, following the tariff-induced volatility that dominated headlines in April. The abrupt announcement of reciprocal tariffs on April 2—referred to as Liberation Day, triggered sharp market reactions. Although a policy reprieve announced a week later helped stabilize markets, the outlook for consumer spending, business investment, and hiring remained clouded by policy ambiguity. Despite these headwinds, underlying economic fundamentals were resilient. Retail sales continued to advance, though distorted by pre-tariff stockpiling. The labor market remained balanced, with job creation and real wage growth continuing. However, a rising personal savings rate signaled caution among consumers. In housing, affordability challenges persisted due to elevated home prices and mortgage rates. By quarter end, markets had largely recovered. Credit spreads, which had widened sharply in early April, narrowed materially as risk appetite improved. The yield curve steepened modestly, while the 10-year U.S. Treasury yield held steady. A combination of easing inflation expectations and a shift in investor tone drove a cautiously optimistic environment heading into the second half of the year.

### Portfolio Review

The Touchstone Strategic Income Opportunities Exchange-Traded Fund (NAV) outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended June 30, 2025.

Sector allocation was the largest contributor to relative outperformance, driven by the decision to increase exposure to high yield corporates in April amid widening spreads and compelling relative value. Overweight allocations to investment

grade corporates, emerging market debt, and non-credit sectors also contributed, as risk markets recovered following the April dislocation.

Interest rate positioning added to returns. The Fund tactically adjusted its duration exposure during the quarter to respond to volatility in rate expectations. The average duration was 5.4 years, with the Fund ending the quarter at 4.8 years, capitalizing on a modest steepening in the yield curve.

Security selection modestly detracted, particularly within securitized products. Non-agency commercial mortgage-backed securities were the primary source of underperformance in this segment, as the sector remained bifurcated in terms of credit and price dispersion.

The most notable portfolio change during the quarter was the increase in high yield exposure in April, responding to spread widening amid heightened uncertainty. Other sector allocations remained relatively stable, reflecting a continued focus on fundamental bottom-up issuer selection. Interest rate exposure was actively managed in line with market shifts, and the Fund ended the period with a duration near the midpoint of its historical range.

Within investment grade credit, the Fund maintained a focus on positions lower in the capital structure of high quality financials, selectively adding exposure where relative value was favorable—especially in the front and intermediate parts of the curve.

The Fund's allocation to securitized products remained steady. The Fund continues to emphasize non-agency holdings, with overweight risk in asset-backed securities, collateralized loan obligations, and commercial mortgage-backed securities.

(continued)

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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>.**



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Emerging markets debt exposure was held toward the low end of the Fund's historical range. Allocations remain focused on below-investment grade issuers with strong idiosyncratic credit stories, with Latin America representing the largest regional weighting.

The Fund's increased high yield allocation is broadly diversified across sectors and remains biased toward higher-quality issuers, with the flexibility to add more risk should valuations improve further.

### Outlook and Conclusion

The Fund is currently positioned with a modest overweight to risk, representing 40% of the total risk budget. While valuations in fixed income have become modestly cheaper compared to earlier in the year, they remain expensive versus long-term historical averages. As a result, the Fund remains tactically positioned to participate in ongoing market strength while preserving the ability to opportunistically increase exposure should broader risk-off conditions emerge.

The current duration target remains within a 4.75 to 5.25-year range, allowing the team to continue adjusting positioning in response to shifting macroeconomic data and elevated interest rate volatility.

The Fund is well equipped to navigate a complex environment defined by persistent macroeconomic uncertainty and slowing global growth. A modest overweight to credit sectors positions the strategy to benefit from spread carry in the absence of economic deterioration. Should growth conditions weaken materially, the Fund has flexibility to add risk exposure at more attractive valuations. Emphasis on bottom-up credit selection and tactical duration management provides the Fund with multiple levers to generate returns in both constructive and volatile markets.



## 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		\$201.8 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

	2Q25	YTD	1 Year	Inception
ETF NAV	2.68%	5.30%	8.96%	6.62%
ETF Market Price	2.67%	5.33%	9.15%	6.74%
Benchmark	1.21%	4.02%	6.08%	2.25%

Benchmark - Bloomberg U.S. Aggregate Bond Index

## Yield

	Touchstone Strategic Income ETF
30-Day SEC Yield	5.00%
30-Day Unsubsidized SEC Yield	4.67%

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.

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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](https://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 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 a Nationally Recognized Statistical Rating Organization (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 Adviser engages a sub-adviser to make investment decisions for the Fund's portfolio; it may be unable to identify and retain a sub-adviser who achieves superior investment returns relative to other similar sub-advisers. 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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