Touchstone Ultra Short Income ETF

Sub-Advised by: Fort Washington Investment Advisors Inc

TUSI

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

Fund Manager Commentary

As of 06-30-2026

Fund Highlights

- Selects fixed income securities believed to be attractively priced relative to the market or to similar securities
- Conducts disciplined approach focused security selection and research
- Higher credit quality portfolio seeks to avoid higher risk strategies, such as non-dollar currencies invests primarily in investment grade debt securities
- As markets become more intricate, specialization becomes a necessity

Market Recap

Economic growth remained stable throughout 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 well 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 Ultra Short Duration Fixed Income ETF (NAV) outperformed its primary benchmark, the ICE BofA 3-Month U.S. Treasury Bill Index and outperformed its secondary benchmark, the ICE BofA 1-Year U.S. Treasury Note Index, for the quarter ended June 30, 2026.

Carry was the primary driver of the ETF's return during the quarter. Credit spreads generally ground tighter, which helped offset some of the pressure from higher rates. However, the increase in front-end rates detracted from performance, particularly for securities with more exposure to intermediate key-rate duration buckets. The ETF's short-duration profile and income generation helped limit the impact of the rate move.

Sector performance was relatively uniform, and asset allocation was not a major driver of relative results. All major sectors generated positive returns. Commercial mortgage-backed securities (CMBS) and collateralized loan obligations (CLO) benefited from wider starting spreads and continued demand for short-duration spread product, while residential mortgage-backed securities (RMBS) and asset-backed securities (ABS) also generated positive returns despite the headwind from higher rates.

Positioning changes were moderate during the quarter. ABS increased meaningfully, while CMBS and RMBS increased modestly. Corporate bond exposure declined meaningfully, and CLO exposure also declined. The ETF experienced strong inflows during the quarter, and we were able to invest those dollars in high-quality assets that we considered attractively valued without creating a material cash drag.

The largest area of purchase activity was ABS in the shorter part of the curve. Purchases were diversified across subprime auto ABS, equipment ABS, consumer ABS, timeshare ABS, and whole business ABS. Spready CMBS backed by stable properties was also a significant area of purchase activity. The ETF was able to add ABS, CLOs, CMBS, and RMBS at attractive spread levels. Corporate bond exposure declined due to weaker relative value, as spreads did not appear to offer sufficient compensation relative to securitized alternatives.

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The ETF maintained a strong quality bias. Overall risk positioning remained measured, with the ETF continuing to emphasize carry, liquidity, and high quality short-duration spread exposure.

Duration positioning increased modestly from the prior quarter and was close to our current neutral posture. The move higher in short and intermediate Treasury yields detracted from returns, particularly as the two-year Treasury rose. However, the ETF's limited overall duration helped contain the negative impact from higher rates.

Floating-rate securities and cash continued to benefit from elevated front-end base rates, although the ETF's floating-rate exposure was lower than in some prior periods. Given the modest steepening of the front end of the curve, we have been willing to add selectively to short fixed-rate securities where yield and spread compensation remain attractive, while maintaining exposure to floating-rate assets and liquidity.

The front end of the yield curve steepened during the quarter as the two-year Treasury rose more than the three-month Treasury Bill. This was a headwind for the ETF's fixed-rate holdings, especially securities with more exposure to the two-year part of the curve. The increase in rates reduced the benefit from spread tightening and reinforced the importance of carry as the primary source of return.

The curve environment remained supportive for ultra short duration strategies relative to cash, as yields available in short-duration credit continued to provide incremental income. However, the quarter also illustrated that additional duration can create volatility when rate expectations shift. The ETF's balanced exposure to short fixed-rate securities, floating-rate assets, and cash helped preserve income generation while limiting sensitivity to a more hawkish Fed and higher front-end rates.

Outlook and Conclusion

Short duration assets did not see material spread widening early in the quarter despite macro volatility related to tensions in the Middle East. Valuations have returned to historically tight levels in most securitized sectors, and corporate bond valuations are especially tight. We are still finding value in ABS in the 1- to 2-year part of the curve and in select opportunities in CMBS, RMBS and CLOs.

We expect carry to remain the primary driver of returns over the next 6 to 12 months. Despite tighter spreads, a modestly steeper curve has kept yields attractive and helped preserve the yield advantage of ultra short duration strategies relative to cash and money market funds. While the opportunity set is less broad than it was when spreads were wider, short-duration securitized credit continues to offer pockets of value. We expect to remain neutral duration given low conviction in the direction of interest rates. We believe the Fed is likely to remain on hold for the remainder of 2026.

We believe the ETF remains well positioned for investors with a 6- to 12-month investment horizon. Elevated front-end yields continue to provide meaningful income, while the ETF's short duration, high average credit quality and emphasis on liquidity should help manage volatility if rates or spreads move against the market. We expect to maintain a balanced posture, prioritizing carry and quality while remaining opportunistic in sectors where spreads compensate investors for the underlying risk.

Fund Facts

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio Total	Net
TUSI	08/04/22	89157W301	Cboe BZX	0.43%	0.25%

Total Fund Assets $573.7 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 and other expenses, if any) to 0.25%. 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	1.00%	1.90%	4.50%	5.67%	—	5.33%
ETF Market Price	0.86%	1.79%	4.40%	5.65%	—	5.32%
Benchmark	0.89%	1.74%	3.84%	4.64%	—	4.46%
Benchmark 2	0.61%	1.21%	3.37%	4.38%	—	3.84%

Benchmark - ICE BofA 3-Month U.S. Treasury Bill Index
Benchmark 2 - ICE BofA 1 Year Treasury Note Index

Yields

	Touchstone Ultra Short Income ETF
30-Day SEC Yield	4.40%
30-Day Unsubsidized SEC Yield	4.30%

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 ICE BofA 3-Month U.S. Treasury Bill Index is an unmanaged index of Treasury securities maturing in 90 days that assumes reinvestment of all income.ICE BofA 1 Year Treasury Note Index is an unmanaged index comprised of a single issue purchased at the beginning of the month and held for a full month. The issue selected at each month-end rebalancing is the outstanding 2 year Treasury Note Bill that matures closest to, but not beyond 1 year from the rebalancing date.
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/ultra-short-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 mortgagebacked 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 noninvestment 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 subadvisor 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 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. 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. 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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