

Fund Manager Commentary

As of 03-31-2026

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

The first quarter of 2026 began with a resilient but increasingly complex economic backdrop. Early data pointed to a Goldilocks environment, with solid consumer spending, improving business confidence, and easing financial conditions supporting growth, while inflation hovered in the high 2% range and the Federal Reserve remained on hold. However, as the quarter progressed, inflation proved stickier than expected driven by tariffs, services, and margins, while labor market signals softened and consumer sentiment weakened. At the same time, markets contended with structural shifts, including AI-driven disruption and rising fiscal pressures, even as credit markets remained relatively firm with tight spreads and still-accommodative conditions.

Geopolitical risks became the dominant driver late in the quarter, as escalating conflict involving the U.S., Israel, and Iran triggered a sharp rise in energy prices and renewed inflation concerns. This led to heightened volatility across asset classes, with Treasury yields fluctuating but ultimately moving higher, and risk assets entering a consolidation phase amid uncertainty around AI monetization, private credit stress, and the durability of Fed support. Markets increasingly questioned the timing and extent of future rate cuts as inflation expectations rose and fiscal expansion added pressure to long-term yields.

By early April, these dynamics intensified, with inflation reaccelerating, sentiment deteriorating, and policymakers signaling a higher-for-longer stance despite moderating growth. Financial markets remained volatile but largely range bound equities saw increased dispersion and sector rotation, credit markets showed pockets of stress, and the 10 year Treasury yield rose sharply to finish near the upper end of its range. Overall, the quarter marked a shift from a disinflationary outlook to one increasingly shaped by stagflation risks and policy uncertainty.

Portfolio Review

The Touchstone Ultra Short Duration Fixed Income ETF (NAV) outperformed its benchmark, the ICE BofA 3-Month Treasury Bill Index and outperformed its secondary benchmark, the ICE BofA 1-Year U.S. Treasury Note Index, for the quarter ended March 31, 2026.

The yield component of return was the primary driver of performance for the quarter with movements in rates and spreads causing negative price performance of approximately 20 basis points (bps). Each broad sector outperformed the T-Bill index for the quarter.

The ETF's major sectors, commercial mortgage backed securities (CMBS), collateralized loan obligations (CLO), asset backed securities (ABS), residential mortgage backed securities (RMBS), and Corporates, had positive returns during the quarter. The top two performing subsectors in CMBS and CLO benefitted from spread tightening while ABS and RMBS had the longest duration positions, creating a bit of a headwind.

The top contributors were Commercial Real Estate CLOs, CMBS Conduit, and Reverse MBS, which benefited from spread tightening and favorable duration profiles. The bottom contributors were Consumer Loan ABS, Reperforming RMBS, and Corporates, where modest spread widening and some sector-specific weakness weighed on performance, particularly within wireless, aerospace & defense, and midstream.

The ETF's positioning changes tend to be evolutionary as monthly paydowns are reinvested in the most opportunistic securities and sub-sectors. Spreads in the securitized sectors tightened notably in 2025 and beginning in fourth quarter marginal cash flows were reinvested primarily in the corporate bond sector, which represented compelling value in an overall tight spread market. Sector changes in first quarter were nominal as we invested opportunistically across sectors. However, to increase duration there was a focus on longer duration ABS which was added during the quarter. The continued focus on value in corporates

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the past two quarters makes it the highest exposure of any sector, Securitized credit exposure is now about 60% of ETF assets, near recent historical lows.

CLO exposure continued to decline as a more positively sloped front-end of the Treasury curve made fixed rate bonds more compelling (and higher interest rates have increased the appeal of adding duration/fixed rate bonds). When Treasury rates rose over 50bps late in the quarter, a ~1% position in the 2-year Treasury note was added to the ETF to help extend duration into the 0.6 to 0.65 year range. This Treasury position will be slowly divested as volatility comes down and we source more alpha-oriented opportunities. CMBS exposure declined due to paydowns intra-quarter.

Overall, the ETF is biased toward higher quality and increased liquidity. Spreads appear tight, especially considering recent volatility and the uncertain outlook. Both spreads and spread duration are at the lower end of recent ranges while interest rate risk is in line with peers.

The ETF's duration was 0.63 years at the end of first quarter vs. 0.58 years at year end 2025. We believe this duration position is in line with, or slightly long, relative to peers. The 1-year and 2-year Treasury notes rose 18bps and 42bps, respectively in March, a material move in the front-end of the curve. The ETF's duration may be extended modestly into the 0.65 to 0.7-year range which we consider a longer-term neutral duration profile. The steeper curve (3 months to 5 years) and higher rates are likely to entice other ultra short duration investors to extend duration.

Given that 90% of the ETF's duration exposure was in the 0.5-year and 2-year key rate duration buckets, 50% and 40%, respectively, duration positioning was fairly neutral and likely had a modest impact on returns relative to peers. Rate movement in the very

front end of the curve was minimal with 3-month and 6-month Treasury bills increasing 2bps and 7bps respectively. The more balanced duration positioning between the 0.5 year key rate duration bucket and the longer key rate duration buckets likely produced a modest drag on performance but is estimated to be in line with the Morningstar peer group.

Outlook and Conclusion

The U.S. economic outlook remains constructive but more complex, with above-trend growth supported by resilient consumer spending and strong balance sheets, even as sentiment weakens and cyclical sectors show softness. Inflation is likely to remain sticky due to services, tariffs, and potential energy shocks, keeping the Federal Reserve cautious and reinforcing a higher-for-longer rate environment. As a result, expectations for policy easing have moderated, with markets increasingly pricing a slower and more limited path to rate cuts.

This environment favors short-duration strategies, which offer attractive yields with limited interest rate risk. Front-end rates remain supported by Fed policy, while longer-term yields face upward pressure from deficits, supply, and inflation uncertainty, contributing to volatility and a steeper curve. Credit fundamentals are stable but increasingly dispersed, making selectivity critical amid tight spreads and potential downside risks. Strong inflows into ultra-short strategies are expected to continue, supported by a positively sloped curve and improving reinvestment opportunities. With disciplined positioning focused on quality and liquidity, the strategy is well positioned to capture income and perform effectively over intermediate investment horizons despite ongoing geopolitical and market uncertainty.



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 \$409.8 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 and other expenses, if any) to 0.25%. These expense limitations will remain in effect until at least 04/29/27.

Annualized Total Returns

	1Q26	YTD	1 Year	3 Year	5 Year	Inception
ETF NAV	0.89%	0.89%	4.75%	5.86%	—	5.42%
ETF Market Price	0.92%	0.92%	4.77%	5.89%	—	5.44%
Benchmark	0.85%	0.85%	4.00%	4.74%	—	4.52%
Benchmark 2	0.59%	0.59%	3.67%	4.32%	—	3.94%

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	4.27%
30-Day Unsubsidized SEC Yield	4.16%

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.**

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://www.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 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.



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