Touchstone Ultra Short Income ETF

Sub-Advised by: Fort Washington Investment Advisors Inc

TUSI

Income - Ultrashort Bond | Actively Managed, Fully Transparent ETF | 3Q/2026

Fund Manager Commentary

As of 09-30-2026

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 resilient during the third quarter, supported by investment in AI and data center infrastructure and fiscal measures under the One Big Beautiful Bill Act. The labor market also remained resilient, while aggregate consumer spending held up despite continued weakness in consumer confidence. Persistent inflation, reflecting a combination of growth, tariffs and energy prices, reinforced expectations for interest rates to remain higher for longer.

The Federal Reserve raised its policy rate in September, a move that had been fully priced into markets. Treasury yields moved higher across the front end of the curve, producing further steepening and creating a headwind for fixed-rate securities.

Credit spreads were generally stable throughout much of the quarter, although some softness emerged toward quarter-end as Treasury rate volatility increased. Spreads in securitized credit remained tight relative to history, and corporate spreads were particularly compressed. In this environment, carry remained the principal source of return for ultra short duration assets, while rate sensitivity and security selection contributed to dispersion across sectors.

Portfolio Review

The Touchstone Ultra Short Income ETF (NAV) underperformed 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 September 30, 2026.

Carry was the primary driver of the ETF's return. Treasury yields moved materially higher across the front end of the curve, reducing the price contribution from fixed-rate securities. Spreads were generally firm for much of the quarter but softened slightly toward quarter-end.

Collateralized loan obligations (CLO) were among the strongest-performing sectors, as floating-rate coupons provided carry without the same price sensitivity to higher Treasury yields. Commercial mortgage-backed securities (CMBS), asset-backed securities (ABS) and corporate bonds also generated positive absolute returns, with carry helping offset the effect of higher rates. Residential mortgage-backed securities (RMBS) were among the weaker-performing sectors, reflecting their longer duration exposure and the adverse impact of rising rates. Relative attribution was positive from securitized sectors overall. Yield-curve effects contributed to relative performance, while Treasury positioning detracted relative to the primary benchmark.

Positioning changes during the quarter were modest despite strong inflows. The ETF increased exposure to ABS, CLOs and RMBS, while reducing exposure to CMBS and corporate bonds. Liquidity remained meaningful at quarter-end. These changes largely reflected the investment of new assets and ongoing relative-value decisions rather than a broad strategic shift.

ABS purchases were concentrated in subprime auto, whole business and consumer loan securitizations in the shorter part of the curve. CLO purchases were largely focused on maintaining a baseline level of exposure, while we added selectively to CMBS where compensation for risk remained sufficient. RMBS exposure also increased through opportunities offering adequate compensation for convexity risk, although suitable supply remained limited. Corporate bond purchases remained light given relatively tight valuations. We continued to favor selective opportunities within securitized credit over incremental exposure to tightly priced corporate credit.

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The ETF ended the quarter with an effective duration of 0.77 years and a spread duration of 0.87 years. In a quarter characterized by higher front-end Treasury yields, this duration exposure detracted from performance relative to the 3-month Treasury bill benchmark. Floating-rate exposure, particularly within CLOs, was less sensitive to the adverse price effect of rising Treasury yields and remained a source of carry. The ETF's mix of floating-rate securities and short-duration fixed-rate assets helped balance income generation against the impact of changes in the front-end yield curve.

Outlook and Conclusion

Our base case remains for resilient economic growth and a higher-for-longer rate environment, supported by investment in AI and data center infrastructure, fiscal policy and a resilient labor market. Inflation remains a key risk, as strong demand, tariffs and energy prices may keep price pressures elevated. Further rate volatility represents a risk to short-duration fixed income returns and could contribute to spread weakness.

Credit fundamentals across the ETF's major sectors remain broadly supportive, although valuations remain relatively tight. Consumer spending remains resilient in aggregate despite declining confidence, while certain lower-income borrowers continue to face pressure. Housing fundamentals remain generally firm and mortgage delinquencies low, notwithstanding pockets of weakness and pressure from elevated mortgage rates. CMBS remains the most challenged securitized sector, with the ongoing resolution of troubled properties creating a distinction between stronger assets and those facing structural or financing difficulties.

CLO structures include structural features that may mitigate a degree of underlying credit stress, although refinancing needs among software businesses with deteriorating valuations warrant monitoring. Corporate fundamentals remain broadly sound, but substantial AI-related capital expenditure financing requirements could influence the credit landscape. We continue to prioritize quality, liquidity and security-level relative value. We expect to maintain duration near a neutral level and selectively add to CMBS and RMBS when pricing provides sufficient compensation for risk. ABS continues to serve as a core higher-quality exposure.

We believe carry may remain the ETF's primary source of return over the next 6 to 12 months. Higher and more volatile Treasury yields could create greater dispersion across ultra short duration strategies, while intermittent spread volatility may provide opportunities to reinvest at more favorable levels. The ETF's construction is expected to continue emphasizing income, liquidity and a higher-quality bias.

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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 $753.4 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 0.25%. These expense limitations will remain in effect until at least 04/29/27.

Annualized Total Returns

	3Q26	YTD	1 Year	3 Year	5 Year	Inception
ETF NAV	0.85%	2.77%	4.02%	5.43%	—	5.21%
ETF Market Price	0.98%	2.79%	3.98%	5.44%	—	5.24%
Benchmark	0.89%	2.65%	3.65%	4.49%	—	4.41%
Benchmark 2	0.62%	1.84%	2.85%	4.18%	—	3.76%

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	4.52%
30-Day Unsubsidized SEC Yield	4.43%

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.touchstoneinvestments.com/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 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 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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