

## Fund Manager Commentary

As of June 30, 2025

### Fund Highlights

- Invests in equities believed to be developing solutions for net-zero emissions and companies that can benefit from positive changes in climate transition processes.
- Seeks companies that may benefit from climate transition impacts; solution providers; transition leaders and adaptation opportunities.
- Expands beyond solution providers inclusive of transition and adaptation companies accessing a wide opportunity set for potential outperformance.

### Market Recap

Global financial markets rebounded sharply in the second quarter 2025, overcoming volatility tied to the Trump administration's April 2nd tariff announcements and ongoing trade tensions. Many tariffs have been paused or scaled back to allow for negotiations. The Federal Reserve signaled likely rate cuts by year-end, noting earlier action was delayed by tariff and inflation uncertainty. Encouragingly, inflation declined from 3.0% in January to 2.4% in May. The labor market remained strong, with unemployment steady at 4.1% in June.

Internationally, developed markets (U.K., Japan, EU) posted sub-2% GDP growth in both the first and second quarters, while India and other emerging markets saw stronger gains. U.S. growth outpaced peers, but the U.S. Dollar Index dropped over 10% year-to-date amid a widening fiscal deficit.

Equity markets surged in the second quarter, with the U.S. equities up double-digits driven by a rebound in the Magnificent 7 technology stocks and renewed artificial intelligence (AI) enthusiasm. Growth outperformed Core and Value across all capitalizations. Mid cap growth led topping large cap growth due to favorable valuations and earnings potential. International equities also rallied, aided by a weaker dollar and broad strength in Europe—particularly Germany and the U.K. Emerging markets generated a strong gain, led by Taiwan, South Korea, and India, on improved sentiment and easing trade tensions.

### Portfolio Review

The Touchstone Climate Transition ETF (NAV) outperformed its benchmark, the MSCI World Index, for the quarter ended June 30, 2025.

The Fund's outperformance was driven by strong stock selection. The top contributors included Vertiv Holdings Co. (data center

infrastructure and energy efficiency solutions), which nearly doubled over the quarter; Taiwan Semiconductor Manufacturing Company (leading semiconductor foundry enabling energy efficient computing), and MasTec Inc. (infrastructure engineering and construction focused on power and telecoms). All these names highlight the markets ongoing focus on the need to efficiently power AI workstreams. On the downside, Enphase Energy Inc. (solar microinverters and energy storage) declined given a roll back on supportive policy in the U.S.; Thermo Fisher Scientific Inc. (scientific instruments and diagnostics) also suffered from weakness in the government research market and Copart, Inc. (vehicle auction platform enabling recycling) saw the market concerned regarding a potential new entrant which we feel overlooks Copart's compelling moat.

Over the quarter, the key development to highlight has been our broadening of exposure to the powering AI thematic with new names such as Vertiv purchased during the April weakness. Vertiv is a key player in the liquid cooling market a key driver of efficiency in data centers. Elsewhere we reallocated our materials exposure increasing our quality in our copper exposure with Antofagasta plc. From a renewables perspective we also moved from the rooftop market to utility scale where we see a more stable growth environment for the next few years with First Solar, Inc. our key exposure.

### Outlook and Conclusion

In 2024, as the inflation battle seemed over, countries began to move towards more accommodative monetary policies, with rate cuts across key economies, with the exception of Japan. The narrative of a soft landing in the U.S. is starting to take shape, as well as a potential recovery in Europe and China. This would favor

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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/climate-transition-etf>.**



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a broadening of the equity market performance into 2025 and beyond, after having been concentrated in a narrow set of stocks since 2020.

Many of our themes were left behind and encountered cyclical headwinds, such as clean-energy-related themes, which have seen a decline of over 20% for two years in a row. Despite these near-term headwinds, we believe that the structural trends we focus on are firmly established. Looking ahead into 2025, we identify several attractive opportunities that are unduly overlooked and could regain investors' attention.

Overall, our portfolio adheres to the principles of strong quality growth while maintaining disciplined valuation. With our dedicated sustainability research team encompassing system changes across sectors, we are confident that the Fund is well-positioned to capture investment opportunities arising from a society transitioning to net zero, becoming more nature-positive and socially equitable. This provides investors with a diverse range of growth opportunities.



Fund Facts

Symbol	Inception Date	CUSIP	Exchange	Annual Fund Operating Expense Ratio	
				Total	Net
HEAT	04/28/23	89157W509	Cboe BZX	2.13%	0.69%
Total Fund Assets		\$12.6 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 0.69%. These expense limitations will remain in effect until at least 04/29/26.

Total Returns

	2Q25	YTD	1 Year	Inception
ETF NAV	12.32%	9.81%	12.09%	6.01%
ETF Market Price	12.22%	9.50%	12.21%	6.04%
Benchmark	11.47%	9.47%	16.26%	19.33%

Benchmark - MSCI World Index

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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.

Top 10 Holdings of Fund

	(% of Portfolio)		(% of Portfolio)
1 Taiwan Semiconductor Mfg. Co. Ltd.	3.2	6 NextEra Energy, Inc.	2.2
2 NVIDIA Corp.	2.9	7 Samsung Electronics Co. Ltd.	2.1
3 Amazon.com Inc.	2.3	8 SSE PLC	2.1
4 Enel SpA	2.2	9 ASML Holdings NV	2.1
5 ASM International NV	2.2	10 First Solar Inc.	2.1

Source: BNY Mellon Asset Servicing

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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Not FDIC Insured | No Bank Guarantee | May Lose Value

The MSCI World Index is a broad global equity index that represents large and mid-cap equity performance across 23 developed market countries.

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.

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. This report is not approved or produced by MSCI.

A Word About Risk

There are risks associated with investing, including possible loss of principal. The Fund invests in equities which are subject to market volatility and loss. The Fund invests in foreign securities, including depositary receipts, such as American Depositary Receipts, Global Depositary Receipts, and European Depositary Receipts, 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's climate transition investment criteria may limit the available investments or may cause the Fund to forgo opportunities to buy certain securities, or forgo opportunities to gain exposure to certain industries, sectors, regions and countries, which may cause the Fund to underperform funds that invest in a broader array of investments. In addition, the Fund may be required to sell a security when it might otherwise be disadvantageous for it to do so.

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 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 may experience higher portfolio turnover which may lead to increased fund expenses, lower investment returns and higher short-term capital gains taxable to shareholders. Current and future portfolio holdings are subject to change.