Touchstone Climate Transition ETF

Sub-Advised by: Lombard Odier Investment Managers

HEAT

Global – Large Cap Core | Actively Managed, Fully Transparent ETF | 3Q/2025

Fund Manager Commentary

As of September 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 equity markets advanced during the third quarter despite a complex and evolving macroeconomic backdrop, though performance varied across regions. Markets were buoyed by improving investor sentiment and a dovish pivot from the Federal Reserve (Fed), while September underscored persistent uncertainty as investors navigated conflicting policy signals and a shifting trade environment.

In the United States, the Fed remained the dominant focus. Chair Powell's decision to lower the federal funds rate by 25 basis points—building on the accommodative tone set at Jackson Hole—reinforced the Fed's commitment to cushioning downside risks amid signs of a softening labor market. However, Fed officials offered increasingly inconsistent commentary, reflecting a lack of consensus about the path forward. Despite the noise, markets continued to expect additional rate cuts, as labor and consumer data pointed to slowing momentum. Upward revisions to second-quarter GDP confirmed earlier distortions from inventory swings, while household spending—though revised higher—remained narrowly concentrated and increasingly supported by credit and savings drawdowns, raising questions about its sustainability.

Meanwhile, President Trump escalated trade tensions by imposing targeted tariffs, including a 100% levy on branded pharmaceuticals, which stoked inflation concerns in politically sensitive sectors. Rising Treasury yields driven by stronger-than-expected growth added temporary pressure to equity valuations late in the quarter.

European equities approached record highs, with the STOXX 600 Index advancing. Investor optimism was fueled by Germany's € 500 billion infrastructure plan and record share buybacks. However, late-quarter U.S. tariffs on pharmaceuticals, autos, and luxury goods reignited transatlantic trade tensions. September also highlighted macroeconomic uncertainty in the region, as investors weighed slowing growth against evidence of contained inflation. The European Central Bank is widely viewed as having ended its tightening cycle, with inflation expectations anchored and little appetite for fresh policy moves. Other regional central banks signaled a similar stance: the Swiss National Bank held steady, while the Bank of England, Riksbank, and Norges Bank delivered what were viewed as final cuts, paired with hawkish commentary. Political and fiscal challenges persisted, as France's new prime minister confronted budget strains and credit downgrades, and the U.K. faced elevated gilt yields amid skepticism over fiscal plans. Second-quarter earnings growth was modest—up about 5% year over year—led by banks and energy, while defensive sectors lagged.

Japanese equities climbed to historic highs, with the Nikkei 225 surpassing its 1989 bubble-era peak. Gains were supported by ongoing corporate governance reforms, a weak yen that boosted exporters, easing U.S.–China tensions, and expectations for fiscal stimulus. However, stubborn inflation continued to pressure household spending, increasing the likelihood of a Bank of Japan rate hike before year-end. Political uncertainty resurfaced following Prime Minister Ishiba's resignation after an upper-house election loss, raising the risk of further leadership turnover.

Equities within Asia ex-Japan advanced. Taiwan and South Korea led on strong AI-driven demand across semiconductor and technology sectors. However, investor enthusiasm moderated toward quarter-end as markets questioned the durability of the AI trade following news of NVIDIA's financing arrangement with OpenAI—seen by some as reminiscent of late-1990s vendor-financed growth models. Greater China posted solid gains despite continued property market weakness and mixed macro data, as investors responded positively to efforts to develop domestic chip capacity and signs of improving international relations. ASEAN markets saw moderate advances. India, by contrast,

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underperformed as U.S. trade measures—including a tariff hike to 50% and higher H-1B visa fees—pressured IT services exports and cross-border capital flows. Central banks across the region responded with rate cuts to cushion external shocks.

Portfolio Review

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

The Fund's outperformance was driven primarily by stock selection, and slightly positive allocation.

The strongest contributors to performance included Contemporary Amperex Technology (China, Industrials sector), a leading Chinese battery manufacturer. Its lithium-ion solutions are central to the electrification of transport and grid storage. Another leading contributor was nVent Electric (UK, Industrials sector), a leading global provider of electrical connection and protection solutions. Antofagasta (Chile, Materials sector), a Chile-focused copper producer also contributed during the quarter. Copper is a foundational metal for electrification and renewable build-out.

On the negative side, the largest detractors were Shimano (Japan, Consumer Discretionary sector), ON Holding AG (Switzerland, Consumer Discretionary sector), and Kerry Group (Ireland, Consumer Staples sector). Shimano is a Japanese manufacturer of bicycle components. hile cycling is a low-carbon transport mode, the company faced headwinds from inventory destocking. ON Holding AG, a Swiss performance footwear brand, faced broad-based concerns on weakness for consumer markets despite strong delivery. Kerry Group, an Irish food ingredients company, experienced weakness in the US market but longer-term trend around reformulation remains intact. The portfolio's lack of exposure to Apple also detracted modestly from relative performance.

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 US is starting to take shape as well as a potential recovery in Europe and China. This would favor a broadening of the equity market performance into 2025, after having been concentrated in a narrow set of stocks since 2023.

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	**$13.1 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

	3Q25	YTD	1 Year	Inception
ETF NAV	10.00%	20.79%	12.88%	9.59%
ETF Market Price	10.00%	20.45%	13.16%	9.62%
Benchmark	7.27%	17.43%	17.25%	20.60%

Benchmark - MSCI World Index

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.*** *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. 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	NVIDIA Corp.	3.2	6	Contemporary Amperex Technology Co. Ltd.	2.2
2	Dreyfus Gov Cash	2.4	7	Cadence Design Systems Inc.	2.1
3	Samsung Electronics Co. Ltd.	2.3	8	NextEra Energy, Inc.	2.1
4	ASML Holdings NV	2.3	9	Amazon.com Inc.	2.1
5	Steel Dynamics Inc.	2.3	10	Baidu Inc.	2.1

Source: BNY Mellon Asset Servicing

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 Advisor engages a sub-advisor to make investment decisions for the Fund's portfolio; it may be unable to identify and retain a sub-advisor 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 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.

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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