Touchstone Climate Transition ETF

HEAT

Sub-Advised by: Lombard Odier Investment Managers

Global – Large Cap Core | Actively Managed, Fully Transparent ETF | 4Q/2024

Fund Manager Commentary

As of December 31, 2024

Fund Highlights

- Invests primarily in issues having a market capitalization above $5 billion at time of purchase
- Distinctive approach is centered on linking valuations with barriers to entry
- Seeks to invest in businesses that are trading below what is believed to be its estimate of the companies' intrinsic value
- Focuses on businesses that are believed to have a sustainable competitive advantage or a high barrier to entry in place
- Concentrated, high conviction portfolio generally holds 25-45 companies

Market Recap

As the final quarter of 2024 began, the stock market bounced back from a late-summer dip and continued to reach new record highs. However, in late December, stocks experienced a brief setback when the Federal Reserve (Fed) indicated fewer rate cuts for 2025. By the end of the quarter, the equity market, represented by the MSCI World Index, posted a slight decrease. During this period, the Consumer Discretionary, Communication Services, and Information Technology sectors showed the strongest performance, while Materials and Health Care sectors lagged.

Portfolio Review

The Touchstone Climate Transition ETF (NAV) underperformed its benchmark, the MSCI World Index, for the 3-month period ended December 31, 2024.

The Fund experienced a decline while the performance of its benchmark was mostly flat with the environmental-focused portion of the portfolio suffering. Despite the overall decline, several securities delivered strong returns. Tesla (Consumer Discretionary sector, U.S.) delivered strong performance on hopes for deregulation aiding its Robotaxi efforts. The Fund faced challenges from Enphase (Information Technology sector, U.S.) and AES (Utilities sector, U.S.) in particular with returns of -39% and -35%, respectively on expectations of a tough environment for clean technology in light of the upcoming U.S. political regime change yet we believe the market has overreacted to this environment with the names owned actually beneficiaries of the expected focus on domestic production.

Throughout 2024, we worked to reduce the Fund portfolio's sensitivity to the unwinding trends observed in key clean technology markets targeted by the Fund. Simultaneously, we strategically increased allocations to businesses we identified as essential enablers ("picks-and-shovels" approach) of the artificial intelligence (AI) trade. From an AI perspective, we focused on key enablers such as Siemens, Schneider Electric, and semiconductor players, all of which are instrumental in supporting the rollout of power-intensive computing capacity. In the mobility segment, we actively increased our exposure to Tesla mid-year as well as maintaining our exposure to BYD Co.

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 is starting to take shape, potentially favoring a broadening of the equity market performance into2025, 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 saw a decline of over 20% for 2 years in a row. Despite these cyclical 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, we adhere 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	1.77%	0.69%
Total Fund Assets	$11.5 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 04/29/25.

Total Returns

	4Q24	YTD	1 Year	Inception
ETF NAV	-6.55%	2.48%	2.48%	2.00%
ETF Market Price	-6.05%	2.60%	2.60%	2.22%
Benchmark	-0.16%	18.67%	18.67%	19.12%

Benchmark - The 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 adviser 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)
1	Taiwan Semiconductor Mfg. Co. Ltd.	3.6
2	NVIDIA Corp.	3.1
3	Amazon.com Inc.	3.0
4	NextEra Energy, Inc.	2.8
5	Tesla Inc.	2.4
6	nVent Electric PLC	2.4
7	Aecom	2.3
8	Contemporary Amperex Technology Co. Ltd.	2.3
9	On Holdings AG	2.3
10	Copart Inc.	2.2

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 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.

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