Touchstone Non-US ESG Equity Fund

Sub-Advised by: Rockefeller & Co. LLC

Fund Manager Commentary

As of September 30, 2024

Fund Highlights

- The Fund seeks long-term growth of capital, investing primarily in equity securities of U.S. and non-U.S. companies of any size, but generally focuses on larger, more established companies
- Applies bottom-up security analysis that includes fundamental, sector-based research in seeking to identify businesses that have high or improving returns on capital, barriers to competition and compelling valuations
- Selects investments based on an evaluation of a company's sustainability practices which considers and analyzes the potential Environmental, Social and Governance (ESG) impacts and risks of a company, how well the company manages these impacts and risks, and ascertains the company's willingness and ability to take a leadership position in implementing best practices

Market Recap

Positive momentum persisted for equity markets with the MSCI ACWI Ex-U.S. rising in the third quarter. Three defining moments during the quarter included the Bank of Japan's policy decision, the Federal Reserve's (Fed) 50bps rate cut, and China's stimulus in September. Bank of Japan (BOJ) hiked interest rates to 0.25% from 0.10% on July 30, inducing a marked ~6.5% appreciation of the Japanese yen relative to the U.S. Dollar. The rate hike, combined with weaker U.S. economic data in July, resulted in an unwinding of the yen carry trade which negatively impacted global equity markets. The MSCI Japan Index fell to kick off the month but gradually recovered as the yen stabilized. Due to the severe reaction to this decision, we may see a measured approach by the BOJ who will likely seek to maintain the current policy position in the wake of market volatility. Key U.S. economic data in August reflected continued moderation in inflation and rising slack in the labor market as unemployment rose to 4.3% (+20bps month-over-month, Bureau of Labor Statistics (BLS)). Weaker than expected employment survey data was further amplified by the BLS August report that revised past survey data with census information. The BLS reduced the previously reported 2.9 million jobs growth lower by 818,000 jobs for the 12-month period, April 2023 – March 2024. Equities slid on these data points due to further concern over a slowdown.

The market regained footing following the Fed's aggressive easing stance in September, cutting 50bps while delivering a clear message that the economy was on strong footing. Fed Chair Jerome Powell conveyed in the press that labor slack is forming though the labor marketing remains on strong footing, inflation is moderating towards the 2% target, and growth is expected to remain positive, with a path towards a soft landing in sight. Prospects of a looser monetary policy and indications of further actions to support employment levels in the U.S. were viewed favorably by global markets. While the macro-environment remains uncertain when measured by consumer confidence, declining short-term rates could provide breathing room for indebted enterprises and households over time. Global inflation has retreated to manageable levels while manufacturing levels remained muted. Central banks in Europe and the U.S. appear to be seeking an accommodative interest rate policy to stimulate, or maintain stability, in their respective economies.

China equities performed well late in the quarter, rising over 20% in September as Chinese policymakers announced stimulus measures that were viewed favorably by the market. While many of these policies such as reduction of mortgage rates and down payment for housing have been circulated during the spring months, it appears the government may be finally implementing policies to improve consumer confidence by supporting the property market through balance sheet expansion. A revitalized Chinese consumer base may be a positive global economic driver into 2025.

Portfolio Review

The Touchstone Non-US ESG Equity Fund (Class A Shares, Load Waived) underperformed its benchmark, the MSCI ACWI Ex-U.S. Index, for the quarter ended September 30, 2024.

Industrials were the largest detracting sector, with weakness in Rentokil weighing on relative performance. Rentokil shares fell following an adversely received, unscheduled trading update. The company revised its North American sales and operating margin forecasts downward, indicating slower growth following its Terminix acquisition in late 2022. Rentokil is increasing investment to accelerate growth, resulting in lowered profitability.

(continued)

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 TouchstoneInvestments.com/mutual-funds.***

While we acknowledge the increased uncertainty of the successful integration of Terminix, we do not believe the potential long-term opportunity is materially changed. Rentokil remains a key player in the attractive pest control market and the highly discounted valuation appears to offer potential upside.

Tokyo Electron (Information Technology (IT) sector), the Japanese electronics and semiconductor manufacturer, was the largest detracting stock. Shares traded lower due to concerns over semiconductor equipment spending on customer challenges and industry concerns over incremental export restrictions to China. Intel cut its capex plan for 2025, but the reduction was attributed more to the timing of a lagging edge facility that was pushed out by two years. Equipment funding could be secured from alternative sources. Regarding export restrictions, there could be some targeted additions to the entity list, but we believe a larger restriction on mature technology is not likely to occur.

On the positive side, Health Care was the top contributing sector for the quarter, helped by positive performance across our holdings. AIA Group LTD, the American-Hong Kong-based multinational insurance and finance corporation, was the most significant contributor to relative performance. Shares traded higher after the insurer posted a strong first half, 2024 earnings print ahead of estimates. The company reported robust business growth across most regions, which was supported by margin and embedded value expansion. Towards the end of the quarter, AIA benefitted from China's equity market rally after policymakers announced they will implement further economic stimulus. Looking ahead, we continue to believe the insurer has favorable fundamentals and could benefit from both regional expansion and sustained demand for its suite of insurance products.

The Fund initiated several positions during the quarter, including Samsung Electronics (IT sector), Shin-Etsu (Materials sector), and Lonza (Health Care sector). Samsung Electronics, based in South Korea, is a leading manufacturer of semiconductors, IT components, and consumer electronics. The majority of the company's earnings are derived from semiconductors and handsets. Concerns over a prolonged qualification process at Nvidia could present an opportunity at 1x price to book, which is typically a level associated with distress. We expect the company may increase participation in the artificial intelligence High Bandwidth Memory ramp as they maintain roughly 40% of total capacity, which could be a tailwind to earnings.

Tokyo-based Shin-Etsu manufactures and distributes chemicals mainly for construction and semiconductor manufacturing end-markets, which has generated peer-leading profit margins in the process. The company's two main divisions, Infrastructure Materials and Electronics Materials, have benefitted from increased demand for PVC and semiconductor wafer production, respectively. This diversification aims to reduce the company's risk, as these segments are not closely correlated. We anticipate that the recent semiconductor destocking cycle could end soon, and the post-pandemic housing normalization has tempered expectations for PVC fundamentals. Additionally, new regulatory and administrative laws in Japan aimed at enhancing corporate governance could align with Shin-Etsu's efforts to improve shareholder relations.

Lonza is a Switzerland-based Contract Development and Manufacturing Organization (CDMO) supporting the BioPharma industry with outsized exposure to Biologics drugs, medications that come from living organisms. The company's sales growth may accelerate, driven by its acquisition of Roche's underutilized biologics manufacturing facility in Vacaville and the anticipated results from its substantial growth capex investments over the past several years. We believe there may be additional potential upside if the proposed Biosecure Act, which would push companies to diversify away from Chinese CDMOs, is enacted.

The Fund exited Samsung SDI (IT sector) due to the further deterioration in the electric vehicle market. Competitive customer positioning has also been more challenged by Chinese competition. Sociedad Quimica Y Minera (Materials sector) was sold due to deteriorating fundamental weakness for global lithium demand amid a combination of weaker-than-expected electric vehicle penetration and excess lithium battery supply.

Outlook and Conclusion

MSCI ACWI Ex-U.S. valuation is currently 14x forward earnings, in line with the 10-year average and in contrast to the premium valuations of the MSCI USA and MSCI ACWI. Notable policy shifts in China look to be stabilizing sentiment with regard to the domestic property market and consumer confidence. If this momentum continues, it may positively influence global GDP growth forecasts in 2025. We may see some market volatility in the lead up to the U.S. election in November. While the outcome of the U.S. presidential race is uncertain, we remain focused on investing in what we perceive to be quality businesses in lieu of shifting the Fund in favor of specific election outcomes.

Fund Facts

				Annual Fund Operating Expense Ratio	
Class	**Inception Date**	**Symbol**	**CUSIP**	**Total**	**Net**
A Shares	12/19/97	**TEQAX**	89154X302	1.16%	1.16%
C Shares	10/04/03	**TEQCX**	89154X401	2.51%	1.92%
Y Shares	11/10/04	**TIQIX**	89154X633	0.94%	0.90%
Inst Shares	05/04/15	**TROCX**	89154Q513	0.92%	0.87%
Total Fund Assets	**$703.9 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 1.17% for Class A Shares, 1.92% for Class C Shares, 0.90% for Class Y Shares and 0.87% for Class Inst Shares. These expense limitations will remain in effect until at least 07/29/25.

Share class availability differs by firm.

Annualized Total Returns

	3Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	6.40%	14.89%	29.63%	6.91%	10.37%	8.53%	8.23%
C Shares	6.24%	14.22%	28.63%	6.04%	9.47%	7.83%	7.85%
Y Shares	6.52%	15.11%	30.05%	7.18%	10.64%	8.80%	8.43%
Inst Shares	6.47%	15.10%	30.03%	7.15%	10.63%	8.82%	8.44%
Benchmark	8.06%	14.21%	25.35%	4.14%	7.59%	5.22%	—
Including Max Sales Charge							
A Shares	1.10%	9.13%	23.17%	5.10%	9.25%	7.89%	7.99%
C Shares	5.24%	13.22%	27.63%	6.04%	9.47%	7.83%	7.85%

Max 5.00% sales charge for Class A Shares and 1% Contingent Deferred Sales Charge for Class C Shares held less than 1 year.

Benchmark- MSCI All Country World Ex-U.S. Index

The MSCI All Country World Ex-U.S. Index is an unmanaged, capitalization-weighted index composed of companies representative of both developed and emerging markets excluding the United States.

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.

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 TouchstoneInvestments.com/mutual-funds.*** *From time to time, the investment adviser may waive some fees and/or reimburse expenses, which if not waived or reimbursed, will lower performance. Performance by share class will differ due to differences in class expenses. Returns assume reinvestment of all distributions. Returns are not annualized for periods less than one year.*

The performance presented for Class C and Y shares combines the performance since inception of an older class of shares (A shares) from the Fund's inception 12/19/97 with the performance since the inception date of each share class. The performance for Institutional Class shares combines the performance of Class A shares from 12/19/97 to 11/9/04 with the performance of Class Y shares since its inception 11/10/04 until the inception date of the Institutional Class shares.

Top 10 Equity Holdings of Fund

		(% of Portfolio)
1	Taiwan Semiconductor Mfg. Co. Ltd.	4.5
2	ICICI Bank Ltd.	4.2
3	Hitachi, Ltd.	4.0
4	Sony Group Corp.	3.8
5	Air Liquide SA	3.7
6	AerCap Holdings NV	3.4
7	Swedbank AB	3.4
8	Schneider Electric SE	3.3
9	London Stock Exchange Group Plc	3.2
10	RELX PLC	3.1

Source: BNY Mellon Asset Servicing

Please consider the investment objectives, risks, charges and expenses of the Fund 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 800.638.8194. Please read the prospectus and/or summary prospectus carefully before investing.

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A registered broker-dealer and member FINRA and SIPC

A Member of Western & Southern Financial Group

Not FDIC Insured | No Bank Guarantee | May Lose Value

A Word About Risk

The Fund invests in equities which are subject to market volatility and loss. The Fund invests in stocks of large-cap companies which may be unable to respond quickly to new competitive challenges. The Fund invests in stocks of small- and mid-cap companies, which may be subject to more erratic market movements than stocks of larger, more established companies. The Fund invests in preferred stocks which are relegated below bonds for payment should the issuer be liquidated. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing their price to decline. The Fund invests in foreign, emerging and frontier markets securities, and 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 risks associated with investing in foreign markets are magnified in emerging markets, and in frontier markets due to their smaller and less developed economies. The sub-adviser considers ESG factors that it deems relevant or additive along with other material factors. The ESG criteria may cause the Fund to forgo opportunities to buy certain securities and/or gain exposure to certain industries, sectors, regions and countries. The Fund may be required to sell a security when it could be disadvantageous to do so. 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. Banks and financial services companies could suffer losses if interest rates rise or economic conditions deteriorate. 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. The Fund invests in convertible securities which are subject to the risks of both debt securities and equity securities. The Fund's investments in other investment companies will be subject to substantially the same risks as those associated with the direct ownership of the securities comprising the portfolios of such investment companies, and the value of the Fund's investment will fluctuate in response to the performance of such portfolios. In addition, if the Fund acquires shares of investment companies, shareholders of the Fund will bear their proportionate share of the fees and expenses of the Fund and, indirectly, the fees and expenses of the investment companies or ETFs. Current and future portfolio holdings are subject to change.

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