

## Fund Manager Commentary

As of June 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

Equity markets, as measured by the MSCI ACWI, rose on dovish Federal Reserve (Fed) comments and earnings results, despite election volatility. The Fed maintained policy rates steady at 5.25-5.50% with Chairman Powell suggesting that the next policy move was unlikely to be a hike. Minneapolis Fed Kashkari stated that he would look for "Many more months of positive inflation data, I think, to give me confidence that it's appropriate to dial back." The U.S. looks to maintain its near term restrictive monetary position given improved 2024 real GDP growth expectations and inflation remaining above the "target" levels. U.S. Consumer Price Index (CPI) data remained above 3% and Producer Price Index (PPI) held steady. The unemployment rate increased 20 basis points (bps) but remains relatively consistent though inflationary pressures, reduced job mobility, and the unwind of pandemic-related excess savings have weighed on household spending in the U.S.

Earnings results for the first quarter of 2024 trickled in with a positive bias, especially for companies tied to artificial intelligence (AI), while consumer companies exhibited weaker trends. Upward stock movements were concentrated on companies with exposure to AI, Cloud, and GLP-1. Given the robust returns of this cohort, the 10 largest holdings in MSCI ACWI or S&P 500 Index are saturated with "technology" stocks representing 20% of MSCI ACWI and 38% of S&P 500. Excitement encompassing AI continues to soar, but monetizable productivity enhancements for enterprise customers have yet to materialize in a significant manner.

China equity markets experienced positive momentum mid-April to mid-May as the central government announced policy measures to instill confidence in the ailing property market. It will take some

time for these policies to translate into positive sales trends. We also observed improving manufacturing trends in China with various companies citing improving industrial production and order trends, but the market is not yet convinced of a sustained upcycle. China equity markets faded from May highs but finished the quarter up 6.9%.

Election outcomes had significant impacts on its respective stock markets in June. The Morena Party's Claudia Scheinbaum won the presidential election in Mexico, resulting in a swift stock market reaction and depreciation of the Mexican peso. In India, despite Prime Minister Narendra Modi winning a third term, the Bharatiya Janata Party's failure to gain a majority initially caused market uncertainty, which later stabilized due to Modi's pragmatic pro-business policies. European Parliament elections witnessed a notable shift towards the right, with the Rassemblement National (RN) party securing 31% of the votes in France, cornering President Macron into announcing a snap election. Pre-election polls and first-round results indicated a strong lead for the RN, causing a dip in the French stock markets. Additionally, after the first U.S. presidential debate, Biden's re-election odds fell sharply. U.S. equity markets were relatively muted the following day but experienced some rotation out of renewable stocks.

### Portfolio Review

The Touchstone Non-US ESG Equity Fund (Class A Shares, Load-Waived) outperformed its Index, the MSCI All Country World Ex USA Index, for the quarter ended June 30, 2024.

The Fund outperformed the Index during the period mainly driven by strong overall stock selection. Industrials was the top contributing sector due to outperformance from several holdings led by Hitachi (Japan). Positive selection within Health Care also

*(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](https://TouchstoneInvestments.com/mutual-funds).**



helped relative performance. Hitachi performed well after earnings releases showcased further margin expansion. Margins across operations improved year-over-year. The Green Energy unit, inclusive of Hitachi Energy, demonstrated notable improvement, driven by solid electrification revenues and the progression of lower quality backlog through the system. This unit is on track for substantial growth in the forthcoming years as it works off a growing backlog. After a series of acquisitions, the company is positioned to take advantage of secular trends towards Information Technology (IT) consulting, cloud transition, power grids, rail, and specialty equipment. Additionally, the company has been unwinding equity stakes in affiliated Hitachi entities which should bolster its balance sheet and enhance governance. Taiwan Semiconductor (IT, Taiwan) was the top contributing stock as investors continue to express optimism over AI. The company sounded positive during earnings results as they have tailwinds from unit growth as well as higher prices.

Financials was the top detracting sector because of weakness in several names, particularly Adyen. Adyen (Netherlands), the top detracting holding, underperformed due to a miss on revenues in its first quarter of 2024 business update despite a strong quarter of processed volumes growth. IT detracted as well given negative allocation effects and weak performance from Tokyo Electron (Japan). Tokyo Electron underperformed its peers during the period after significantly outperforming in the prior two quarters as multiples converged. We do not believe there is a material difference in the outlook; a rebound in equipment spending should benefit the group into 2025.

There were no new initiations nor eliminations to the Fund's portfolio during the period.

### Outlook and Conclusion

The Eurozone's 2024 real GDP growth expectations remain muted at +0.7% following +0.4% growth in 2023. Inflation trends in the Eurozone are faring better at 2.6% and the European Central Bank reduced interest rates by 25 basis points (bps). In an effort to revitalize European economies, stimulative actions from central banks have been slowly unfolding. The Riksbank (Sweden) cut rates by 25 bps to 3.75% in early May and is likely to reduce interest rates further in the second half of the year as long as inflation rates remain calm. Market expectations are for the Bank of England to possibly follow suit in August following elections on July 4.

We continue to observe moderating consumer spending behavior in the U.S., which reflects the evaporation of excess COVID-19 saving and moderating job mobility. The U.S. Bureau of Labor Statistics continues to show 8 million job openings, but we anticipate a downward path in the coming quarters as companies slow hiring to recalibrate business demand. Given this macro environment, we believe that maintaining a quality bias is preferable.



## Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				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%
<b>Total Fund Assets</b>	<b>\$659.2 Million</b>				

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

	2Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	2.44%	7.98%	16.29%	3.80%	8.64%	7.85%	8.06%
C Shares	2.21%	7.51%	15.33%	2.94%	7.74%	7.16%	7.67%
Y Shares	2.49%	8.07%	16.57%	4.05%	8.91%	8.12%	8.26%
Inst Shares	2.52%	8.10%	16.61%	4.03%	8.91%	8.14%	8.27%
Benchmark	0.96%	5.69%	11.62%	0.46%	5.55%	3.84%	—
Including Max Sales Charge							
A Shares	-2.67%	2.57%	10.46%	2.04%	7.53%	7.22%	7.82%
C Shares	1.21%	6.51%	14.33%	2.94%	7.74%	7.16%	7.67%

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.

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**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)		(% of Portfolio)
1 Hitachi, Ltd.	5.0	6 Sony Group Corp.	3.6
2 Taiwan Semiconductor Mfg. Co. Ltd.	4.7	7 Shell Plc	3.6
3 ICICI Bank Ltd.	4.3	8 Air Liquide SA	3.5
4 Schneider Electric SE	4.0	9 Swedbank AB	3.5
5 AerCap Holdings NV	3.6	10 Lloyds Banking Group PLC	3.5

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](https://www.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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Touchstone is 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.

