Fund Manager Commentary

As of September 30, 2024

Fund Highlights

- Seeks to identify leading growth businesses that meet the following criteria:
  - Sustainable, above-average earnings growth
  - Leadership position in a promising business space
  - Significant competitive advantages / distinctive business franchise
  - Clear mission and value-added focus
  - Financial strength
  - Rational valuation relative to the market and business prospects
- Concentrated, conviction-weighted portfolio typically holds 30-50 companies within global emerging markets
- Country and sector exposures are primarily a byproduct of individual stock selection

Market Recap

Emerging market equities (as measured by the MSCI Emerging Markets Index), (MSCI EM) rose for a fourth straight quarter and topped developed market equities (as measured by the MSCI World Index) for the second consecutive quarter.

In September the U.S. Federal Reserve Board (Fed) cut its benchmark federal funds rate by 50 basis points, the first reduction since 2020. At the August Jackson Hole Economic Symposium, Fed Chair Powell proclaimed that, "the time has come for policy to adjust," with the Fed's focus shifting from containing inflation to preserving the labor market. This policy shift helped usher a leadership rotation within global equities, with small caps outperforming large caps, ex-U.S. outperforming the U.S., and emerging markets outperforming developed markets.

China accounted for more than half of the index's rise. In late September a package of policies aimed at stimulating demand and boosting market sentiment led the MSCI China Index to post its best quarterly gain since 2009.

The strength was broad-based despite China's large contribution, with 19 of the MSCI EM's 24 constituent countries trading higher. India and South Africa were other notable contributors, while Korea and Turkey were the largest detractors.

From a sector perspective, Consumer Discretionary and Financials contributed most to the index's rise. Information Technology was the top detractor, dragged down by the semiconductors & semiconductor equipment industry group. Concerns about generative artificial intelligence (AI) overspending and new U.S. export controls on semiconductor manufacturing equipment led the group to give back some of its strong year to date gains.

Portfolio Review

The Touchstone Sands Capital Emerging Markets Growth Fund (Class A Shares, Load Waived) underperformed its benchmark, the MSCI Emerging Markets Index, for the quarter ended September 30, 2024.

Overall, from a country perspective, Korea and Argentina were the top relative contributors, while the U.S. and Netherlands were the top detractors. From a sector perspective, Industrials and Consumer Discretionary contributed most to relative results, while Financials and Real Estate were the top relative detractors.

(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.***

The top individual absolute contributors were MercadoLibre Inc. (Consumer Discretionary sector; Argentina), Sea Ltd. (Communication Services sector; Singapore), AIA Group Ltd. (Financials sector; Hong Kong, China), Tencent Holdings Ltd. (Communication Services sector; China), and Anta Sports Products Ltd. (Consumer Discretionary sector; China).

MercadoLibre's business showed strong execution in the most recently reported quarter, with accelerating gross merchandise volume (GMV) growth in Brazil, increasing advertising penetration, and robust credit initiation. Brazil's GMV growth, up 36% year-over-year, outpaced consensus expectations, driven by faster delivery speed (driving order frequency), fintech adoption, and gains from offline commerce. Despite new competition from Temu, MercadoLibre reported 30% year-over-year growth in Mexico.

Advertising revenue grew by 51% year-over-year, accounting for 2% of GMV, with promising progress in new ad formats like video ads and off-platform ads through its Disney+ partnership. Credit originations rose for the fourth consecutive quarter to 78% year-over-year, and the credit book expanded over 50% to reach $4.9 billion. The company plans to apply for a full banking license in Mexico, aiming to become the country's largest digital bank.

MercadoLibre is a strong fit with our criteria and merits a large weight in the portfolio. The business grew its market share in Brazil from 29% to 41% over the past two years, and we expect its share to approach 50% over the next five years. Meanwhile, Brazil remains early in ecommerce adoption at merely 13% penetration. We expect MercadoLibre to grow its ecommerce operating margin from 2% to 7% over the next five years, driven by a combination of ads, operating leverage, reduced shipping subsidies, and fulfillment monetization.

AIA, Tencent, and Anta Sports Products rallied with Chinese/Hong Kong stocks more broadly. AIA reported another clean beat on first-half 2024 earnings with improving trends across key growth metrics as well as cash generation capability. The company continued to gain share across four main growth regions (Hong Kong, China, Southeast Asia, and India) while delivering meaningful margin expansion in China and Hong Kong.

Despite strong operational results—with no change, in our view, to its pre-COVID track record in terms of growth, margin, and return on invested capital potential—the business traded at an all-time low prior to the recent market rally. China's overall attractiveness as a capital and/or insurance market has deteriorated, but we argue there remains abundant high quality growth runway for AIA China and AIA's 40% exposure in Southeast Asia and India that should not be overlooked. It's also important to note that AIA has been and should continue to be on the right side of government, considering its function as the commercial provider of households' safety net and a meaningful buyer of government bonds. AIA bailed out the Thai government during the 1990s and was at one point buying 40% of China's 50-year government bonds.

In the first half of 2024, Anta reported 14% year-over-year revenue growth, with earnings expanding by 30% (63% including the revaluation gain from subsidiary Amer Sports). All of Anta's core brands delivered margin expansion for the period, and net profit margin rose to an all-time high of 18.2%, despite concerns about deflation and oversupply.

Anta's multi-brand strategy has enabled the business to navigate China's challenging consumption backdrop better than its competitors, in our view. Consumer retail sales were weak in the first half of 2024, but niche segments such as outdoors, running, and yoga produced above-market growth, benefiting Anta brands such as Descente, Kolon, Arc'teryx and Solomon. Notably, Anta maintained its guidance for 10% to 15% growth, in contrast with domestic competitors such as Li Ning and Xtep, which lowered guidance, and Topsports, which issued a profit warning.

Tencent reported favorable developments in its most recently reported quarter across all three pillars of our investment case: gaming leadership, sustaining growth in high-margin revenue services and rationalizing lower-margin businesses, and increasing focus on shareholder returns. Gaming revenues and bookings reaccelerated, driven by the blockbuster launch of Dungeon & Fighter Mobile and solid performance in existing titles. Overall gross profit margins grew nearly 600 basis points year-over-year, with significant improvement from advertising technology, wealth management, and mini games. Finally, year to date Tencent has bought back approximately 2% of its market cap and is on track to hit its target of HK$100 billion in 2024. Tencent's strong free cashflow generation and shift from an active investment mode to a more self-sustaining one should continue to drive a recovery in cash returns on capital, while freeing up capital for substantial shareholder returns going forward.

The top individual absolute detractors were Lam Research Corp. (Information Technology sector; U.S.), ASML Holding NV (Information Technology sector; Netherlands), and Kaspi (Financials sector; Kazakhstan).

Lam Research shares traded lower in 2024's third quarter, along with semiconductor shares more broadly. Semiconductors & semiconductor equipment was the largest industry group detractor from the MSCI All Country World Index's results in the third quarter.

The main driver of Lam's underperformance, in our view, was weakness in dynamic random access memory (DRAM) and NAND flash memory prices, which fell due to muted PC and smartphone demand, and investor fears that the upcycle in NAND may be delayed beyond 2025.

(continued)

We continue to view Lam Research as a strong fit with our criteria but believe it merits a smaller strategic weight in the portfolio than in the past. Even after the stock's decline in the third quarter, its 12-month forward P/E is more than double its 2022 low. We believe the current valuation reflects lofty expectations for AI-driven DRAM demand and NAND capital expenditures. While both DRAM and NAND stand to benefit from AI use cases, we believe this is likely to be overwhelmed by a muted recovery in consumer categories and potential deterioration in China semiconductor capital expenditure. This dynamic could disappoint the market in the near term.

We maintain conviction in Lam's long-term earnings power given its leadership position in etch and deposition wafer fabrication equipment and the longer-term demand and technology trends. DRAM and NAND growth can inflect with improvements and scaling in AI (e.g., more memory use in inferencing, new packaging technology to improve input and output between memory and logic chips) and etch and deposition will become more important with new gate-all-around transistor architecture. We also expect the business to be a primary beneficiary of the next PC and smartphone replacement cycle, though we have little visibility into the cycle's timing.

ASML declined as shares of the business faced pressure from the broad-based decline in the semiconductor industry and a further deterioration in sentiment after rumors of new restrictions from U.S. regulators on exports for non-U.S. semiconductor capital equipment providers. The proposed regulations are rumored to restrict the business from servicing its installed base of deep ultraviolet lithography machines in China and the export of legacy lithography equipment (released prior to 2015) to China. The intention of the regulations is to prevent China from establishing leadership in key technologies that rely on the most recent chip advances.

Given that tools shipped to China are used to produce lagging edge semiconductor chips, it seems unlikely to be blocked, in our view. If export restrictions were levied on these tools, we'd expect demand would shift to another geography to absorb lost production from China. Moreover, we believe the recent drawdown in shares of the businesses compensates shareholders for these risks.

Kaspi's shares fell after Culper Research published accusations which we believe are misleading, inaccurate and outdated. They include Kaspi's involvement in inappropriate economic activity with Russian nationals, its major shareholders being criminals in the Kazakh oligarchy, and a history of self-dealing mergers and acquisitions favoring founders over minority shareholders. We view this report as a scare tactic targeting U.S. investors unfamiliar with Kaspi's operations. Short sellers often target foreign, recently public, and highly profitable companies like Kaspi, using fear to drive quick results.

The report overshadowed Kaspi's strong second-quarter 2024 results, demonstrating solid performance across its payment, marketplace, and lending segments. Ecommerce, accounting for a third of earnings, continued to drive growth. New initiatives such as travel booking, B2B payments, and vehicle ecommerce are scaling well and are positioned to become significant earnings contributors. These results reinforce our confidence in Kaspi's ability to further monetize and introduce new services.

In the third quarter we purchased Grab Holdings Ltd. (Industrials sector; Singapore), the leading on-demand platform in Southeast Asia. The "everyday everything app" commands over 70% market share in mobility and over 50% share in food delivery. Both figures are significantly higher than those of its closest competitors.

Our investments in other mobility and delivery platforms have demonstrated to us how market-share leaders greatly benefit from scale, which often results in lower customer acquisition costs, lower costs to serve, and higher driver productivity. These benefits can broaden the leader's competitive advantage and enable leaders to capture a disproportionate share of industry economics.

Grab's leadership position within an attractive business space is further bolstered by the secular drivers and favorable characteristics within its end market of Southeast Asia. These include favorable consumption trends, rising online services penetration, high urbanization, a sizable young population, and an increasing number of single-person households.

Our growth algorithm for Grab includes: 1) GMV growth driven by increasing online delivery penetration, market-share gains, new product launches, and subscription service adoption and 2) margin expansion driven by higher advertising penetration, reduced incentive spending, and operating leverage.

Overall portfolio positioning was largely unchanged. The largest absolute country exposures were to India and China, which together accounted for nearly half of the Fund's portfolio. The largest overweight was to India, and the largest underweight was to China. The portfolio had holdings across 14 countries, versus 24 for the benchmark.

From a sector perspective, Financials and Consumer Discretionary were the largest absolute exposures. Consumer Discretionary was the largest overweight versus the index. Materials was the largest underweight and the portfolio had no exposure to Real Estate or Utilities.

Outlook and Conclusion

We continue to believe that selectivity, and a focus on long-term business fundamentals, will be key for emerging market equity investors.

Over the past decade, the MSCI EM has lagged the returns of developed-market indices, including the Russell 1000 Index and the MSCI EAFE Index. This has occurred even despite faster economic growth among the MSCI EM's largest country constituents. This underperformance, coupled with a seeming lack of diversification benefit amid periods of broader equity market stress, has caused some to question the benefit of emerging markets equity exposure.

We continue to find businesses that meet our criteria in emerging markets. Below are some of the key considerations for investors, in our view:

(continued)

- The Index's results obscure the attractive investment results from a select group of businesses over the period.
- Emerging markets can have market structures that uniquely enable local monopolies to exist, while dissuading competition.
- Emerging market equities can provide access to differentiated growth drivers, given differing levels of development relative to developed markets.
- Meaningful emerging market growth opportunities might not be captured in the MSCI EM.
- ESG improvement and engagement impact could be greater in emerging markets than in developed markets.

Many investors entered 2024 questioning "why bother" with emerging market equities following a prolonged period of underperformance versus developed market equities. Fast forward to the end of 2024's third quarter, and the MSCI EM was up by over 16% in absolute terms, with two consecutive quarters of outperformance versus the MSCI World Index. We are optimistic that these results signal a new era for emerging markets, as headwinds from the past five years abate and as technology enables businesses to capitalize on structural growth drivers.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	11/16/18	**TSMGX**	89154Q141	1.57%	1.44%
C Shares	11/16/18	**TEGCX**	89154Q133	2.55%	2.14%
Y Shares	05/09/14	**TSEMX**	89154Q570	1.15%	1.15%
INST Shares	05/09/14	**TSEGX**	89154Q562	1.10%	1.05%
R6 Shares	04/26/21	**TSRMX**	89154M702	1.05%	1.01%
Total Fund Assets	**$2.3 Billion**				

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 1.43% for Class A Shares, 2.13% for Class C Shares, 1.21% for Class Y Shares, 1.04% for Class INST Shares and 1.00% for Class R6 Shares. These expense limitations will remain in effect until at least 09/30/25.

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	8.66%	13.94%	20.88%	-10.28%	4.39%	4.44%	4.53%
C Shares	8.46%	13.33%	19.98%	-10.93%	3.62%	3.66%	3.76%
Y Shares	8.75%	14.30%	21.36%	-9.99%	4.73%	4.73%	4.83%
INST Shares	8.76%	14.35%	21.36%	-9.93%	4.79%	4.82%	4.91%
R6 Shares	8.82%	14.41%	21.42%	-9.88%	4.80%	4.77%	4.87%
Benchmark	8.72%	16.86%	26.05%	0.40%	5.75%	4.02%	4.00%
Including Max Sales Charge							
A Shares	3.22%	8.28%	14.86%	-11.80%	3.33%	3.90%	4.01%
C Shares	7.46%	12.33%	18.98%	-10.93%	3.62%	3.66%	3.76%

Benchmark - MSCI Emerging Markets 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 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 A and C Shares combines the performance of an older class of shares (Y Shares) from the Fund's inception, 05/09/14, with the performance since the inception date of each share class.

Top 10 Equity Holdings of Fund

		(% of Portfolio)
1	Taiwan Semiconductor Mfg. Co. Ltd.	9.2
2	Mercadolibre Inc.	6.3
3	Bajaj Finance Ltd.	4.9
4	Nu Holdings Ltd.	4.8
5	Tencent Holdings Ltd.	4.5
6	HDFC Bank Ltd.	4.3
7	Britannia Industries Ltd.	4.1
8	Titan Co. Ltd.	3.6
9	Sea Ltd.	3.6
10	ANTA Sports Products Ltd.	3.4

Source: BNY Mellon Asset Servicing

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

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.

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 may invest in equity-related securities to gain exposure to issuers in certain emerging or frontier market countries. These securities entail both counterparty risk and liquidity risk. 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 Fund invests in growth stocks which may be more volatile than investing in other stocks and may underperform when value investing is in favor. 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. Banks and financial services companies could suffer losses if interest rates rise or economic conditions deteriorate. 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. The Fund is non-diversified, which means that it may invest a greater percentage of its assets in the securities of a limited number of issuers and may be subject to greater risks. The Fund may focus its investments in specific sectors and therefore is subject to the risk that adverse circumstances will have greater impact on the fund than on the fund that does not do so. Current and future portfolio holdings are subject to change.

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.

Touchstone Funds are distributed by
Touchstone Securities, Inc.
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

Touchstone Investments®
DISTINCTIVELY ACTIVE®

800.638.8194 • TouchstoneInvestments.com

TSF-28-TSEMX-2409