

Fund Manager Commentary

As of June 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) rose in the second quarter of 2024, outperforming the MSCI World Index by the widest margin since 2022. Taiwan accounted for over half of the Index's rise in the second quarter, largely attributable to the country's semiconductor industry, as first-quarter earnings reports highlighted continued strong demand for artificial intelligence (AI) capabilities and with emerging use cases. China and India were also notable contributors to the Index's return. Conversely, Brazil, Mexico, and Saudi Arabia detracted most from the Index's return for the quarter. From a sector perspective, Information Technology and Communication Services contributed most to the Index's rise, while Consumer Staples and Materials were the top detractors.

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 June 30, 2024.

While the Fund's Indian holdings produced positive returns in aggregate and contributed to the Fund's absolute results, they lagged the Index's Indian holdings. The Indian Industrials sector, where the Fund has zero percent weight, was the country's top performing sector for the quarter. Other cyclical sectors also performed well. Brazil was also a key detractor, driven by both the portfolio's overweight and by security selection within the country. The country was one of the worst Emerging Markets performers, as concerns about inflation and a higher-for-longer interest rate environment pressured stocks. The impact from India and Brazil was partially offset by the Fund's security selection within Taiwan and from its overweight to Singapore, which were among the largest relative contributors.

Three of the top individual absolute contributors were Taiwan Semiconductor Manufacturing Co. Ltd. (Information Technology sector; Taiwan), Sea Ltd. (Consumer Discretionary sector; Singapore), and MercadoLibre Inc. (Consumer Discretionary sector; Argentina).

Taiwan Semiconductor, the sole maker of NVIDIA's AI graphics processing units, rose after NVIDIA reported strong first-quarter results. NVIDIA's reported results and forward guidance exceeded consensus expectations, and importantly, eased fears about a potential air pocket in demand due to its upcoming product cycle transition. Management expects demand to outstrip supply into 2025. NVIDIA's results support Taiwan Semiconductor's own upbeat report in April, where the business topped consensus expectations for both the first quarter and for second quarter guidance. The business expects the revenue contribution from AI to more than double in 2024 to a low-teens percentage of total revenue, and ultimately reach more than 20% of total revenue by 2028. We continue to view

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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.**



Taiwan Semiconductor as an essential part of the semiconductor value chain. While we expect the business to be a primary beneficiary of AI proliferation, we also see it benefitting from growing compute demand and manufacturing complexity more broadly. The business ended the quarter as the Fund's largest holding.

Sea's shares rallied after the business reported strong profitability at its ecommerce (Shopee) and gaming (Garena) units, which helped ease the key investor concern about ecommerce competition. Shopee Asia turned profitable in 2024's first quarter, despite ongoing livestreaming investment. Shopee curtailed incentives and sales and marketing spend, yet still produced 36% year-over-year growth. All Shopee's key competitors, including TikTok, raised platform fees this year, suggesting that competitive intensity is waning. Garena's flagship game "Free Fire" reported double-digit growth in the first quarter, and the game is expected to relaunch in India in the coming months. Gaming growth is not the thesis driver for our investment case, but we expect the unit's recovery to help underpin consolidated revenue growth for Sea in the high-teens percent range over the next five years. This contrasts with 2023, where gaming revenue fell 44%, leading to tepid topline growth of only 5% for the entire business. Later in the quarter we visited Indonesia and came away with higher conviction in Shopee's competitive moat. Our meetings demonstrated that Shopee is extending its logistics leadership and catching up with TikTok on live selling. Over our five-year investment horizon, we believe Shopee Asia could comfortably reach a 2% to 3% EBITDA margin by passing along incentives to sellers and creators. Despite the strong recovery in shares year-to-date, we continue to view Sea's valuation as attractive relative to its strengthening business fundamentals.

MercadoLibre reported solid first-quarter 2024 results in early May, easing some of the concerns from the prior quarter's report. Gross merchandise volume (GMV) growth beat our expectations at 20% year-over-year in USD terms, largely due to better-than-feared growth in Argentina. The underlying metrics we are closely watching were healthy: Brazil and Mexico both grew GMV 30% year-over-year, 52% of GMV was fulfilled by MercadoLibre, and loyalty program Meli+'s penetration continued to grow. Advertising penetration reached 1.9% of GMV, up from 1.4% a year ago and 1.6% in the prior quarter. Last quarter ad penetration fell quarter-over-quarter, so we are encouraged to see growth resume. Operating margins also topped expectations, with ex-Argentina margins doubling from 11.7% from 5.7%. Strong operating leverage in Brazil and Mexico offset margin compression in Argentina, despite continued investment in fulfillment capabilities. MercadoLibre remains one of our highest-conviction businesses and ended the quarter as the Fund's second-largest holding.

Three of the top individual absolute detractors were XP Inc. (Financials sector; Brazil), Localiza Rent a Car SA (Industrials sector; Brazil), and Titan Co. Ltd. (Consumer Discretionary sector; India).

XP's business results and valuation have been pressured by the higher-for-longer interest rate environment in Brazil. Higher rates result in fewer inflows and assets under management in higher margin equity products for the online broker. The most recent stock decline reflects the downward medium-term earnings revisions as rate cuts have been delayed and moderated, as well as short-term investors exiting the stock as the prospect of an imminent growth recovery became less likely. We cannot predict Brazil's Selic rate and the pace at which lower interest rates will translate into business and stock performance for XP. We continue to have a high degree of conviction in the long-term outlook for XP, but we have been disappointed by the pace of recovery in the core business during this period of high rates. Management has done a good job, in our view, of executing on the levers within their control, however this business is currently dependent on lower real interest rates to reaccelerate growth and the Banco Central do Brasil's actions will be heavily informed by those of the U.S. Federal Reserve. This means that the stock lacks a near-term catalyst which we can have high conviction in, and we expect results to remain volatile in the coming months until greater clarity is available on the path forward for interest rates. Looking past the interest rate dynamics, our long-term conviction remains anchored on the following: 1) continued market share gains (core to our thesis), 2) diversification into compelling new business lines (e.g., retail, and corporate banking), and 3) efforts to move down-market (i.e., expansion beyond its core mass affluent client base). Meanwhile, the business ended the quarter at what we view as an attractive 11x next 12 months' earnings.

Localiza's reported results have been impacted over the past few years by: 1) operating distortions driven by its merger with Unidas, 2) abnormal depreciation charges from the cars acquired during the pandemic at higher-than-normal prices, and 3) interest rate dynamics. Importantly, we see signs that indicate the business is turning a corner and is poised for margin inflection going forward. The merger-related distortions should resolve in time. Localiza had to meet regulatory requirements, close branches, integrate systems, and train new staff, all in a short time frame. This has all largely been accomplished. The outsized depreciation charges are beginning to fall as that cohort of cars has become an increasingly smaller share of the overall fleet. Depreciation as a percentage of revenue fell 220 basis points year-over-year in 2024's first quarter. Finally, Localiza had to purchase its cohort of abnormally high-priced cars at a time when interest rates were also unusually high. These costs are poised to subside when rates fall, given that most of the debt is variable. These headwinds overshadowed the fact that Localiza has become a more dominant car rental franchise in Brazil post the recent merger with Unidas. This position, at an estimated 45% market share, has resulted in greater pricing power. The combination of leadership-enabled pricing power, lower depreciation charges, and lower financing costs creates a powerful tailwind for margins and earnings growth over the medium to long term.

Titan shares fell after the business reported weaker-than-expected profitability due to the sharp rise in gold prices. Top-line results were strong, with jewelry sales growth of 21% year-over-year and Tanishq same-store-sales growth of 14%. The business also reported double-digit growth from new buyers, signaling market-share gains. Offsetting this strength was the 180 basis point year-over-year decline in gross margins, as Titan absorbed the higher gold prices to prioritize growth. Management expects muted gross margin improvement over

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the next few quarters. Looking past the near term, our research continues to indicate to us that Titan's value proposition (brand trust, inventory breadth, localized store mix, digital presence) will enable the business to nearly double its market share by 2030, largely at the expense of its informal competition.

In the second quarter we completed our purchases of Americana Restaurants International plc (Consumer Discretionary sector; United Arab Emirates) and Avenue Supermarts Ltd. (Consumer Staples; India).

Americana Restaurants is the Middle East's largest quick-service restaurant (QSR) operator. Through its brands - which include KFC, Hardees, Pizza Hut, Krispy Kreme, and TGI Fridays - Americana has approximately 70% QSR market share in the Middle East. We expect the business to be a primary beneficiary of the region's economic and social changes, including rising real incomes and shifting consumer preferences. Americana's scale, multibrand strength, investments in technology, owned delivery network, and 60-year operating history insulate it, in our view, from competition while also underpinning strong growth and scale-based margin expansion. Management has a clear policy of returning excess capital to shareholders, and new brand acquisition and geographic expansion could extend the magnitude and duration of growth.

Avenue Supermarts, which operates under the DMart brand, is India's leading discount retailer by market share. We view the Indian retail market as an attractive growth industry. It is large and fast-growing but highly fragmented and mostly informal. This provides ample opportunity for DMart to consolidate its leadership position. DMart's founder was inspired by Walmart's operating model, so DMart offers everyday low prices, owns and manages its own real estate, prioritizes efficiency, and maintains discipline around seeking to generate profitable growth. This model has resulted in high unit economics, scale advantages, and balance sheet strength, resulting in industry-leading profit margins and returns on capital. DMart is one of the market-leading retailers in India and one of only two businesses, along with Reliance Retail (operated by Reliance Industries Ltd. (Energy sector; India), a Fund holding), that has been able to scale in India's notoriously challenging retail food industry. The business was previously owned in the Fund from 2017 to 2018. We sold the business after determining that its valuation had become too expensive relative to our growth expectations. We believe we were wrong to exit the business, which produced annualized revenue and net income growth in the mid-20% range over the past five years, underpinned by new store growth and strong execution by its focused and talented management team. DMart continues to trade at a premium, which we view as justified by its growth prospects and margin profile. We will seek to mitigate valuation risk through position sizing.

We exited Bandhan Bank Ltd. (Financials sector; India) and Jubilant Foodworks Ltd. (Consumer Discretionary sector; India). We exited Bandhan Bank due to concerns about its execution, and ultimately, its ability to sustain above-average growth. Our investment case for the business, which we purchased in 2019, was based on its market leading position within India's microfinance industry, its opportunity for industry consolidation, and its ability to serve hundreds of millions of micro entrepreneurs at the base of India's economic pyramid. Unfortunately, execution challenges resulted in disappointing business results and investment results throughout the course of our ownership. More recently, the announced retirement of Bandhan's founder and CEO drove more uncertainty about the business' trajectory and lowered our conviction in management's ability to improve operations within a reasonable time.

We sold Jubilant Foodworks to help fund our purchases of Americana Restaurants and Avenue Supermarts. We believe Jubilant's fit with our criteria is weaker than that of the new businesses, due to industry disruption driven by food delivery aggregators, management turnover, and Jubilant's lack of meaningful expansion into new food categories.

Overall Fund positioning was largely unchanged. The largest absolute country exposures were to India and China, which together accounted for approximately 43% of the portfolio. The largest overweight was to India (29% versus 19% for the MSCI Emerging Markets Index), and the largest underweight was to China (14% versus 25%). The portfolio had holdings across 14 countries, versus 24 for the index.

Outlook and Conclusion

Despite trailing the MSCI Emerging Markets Index year-to-date, earnings growth accounted for most of the Fund's absolute return. This contrasts with the Index, which was primarily driven by multiple expansion. Many of our businesses have seen their fundamental prospects improve since 2022's market low, from waning competitive intensity as higher rates forced rationalization, to operational choices resulting in higher profitability. We are optimistic that many of the pandemic's "bullwhip" dynamics that distorted typical supply and demand signals and drove doubt about many growth businesses' ability to profitably expand, are subsiding.

Meanwhile, valuations are generally attractive, given the Fund's earnings-led rise. At the end of June over 50% of the portfolio traded at a lower price-to-earnings multiple than at the end of 2023, despite positive investment results for the portfolio. We continue to seek businesses with high degrees of financial strength, including robust cash balances, strong unit economics, and less debt than the average MSCI Emerging Markets Index constituent. While a global recession did not materialize in 2023, financial strength could become a competitive advantage if the economic environment worsens.

We cannot predict when absolute returns will improve for the asset class. We can, however, envision the secular trends that should have beneficial effects. In our view, some of the most enduring investment opportunities can arise from companies that are well positioned at the intersection of underlying change and/or innovation.

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These secular changes include a large, growing middle class of consumers in India in particular, digital transformation and AI, reshoring of supply chains, retail formalization and increased banking penetration, electrification of and decarbonization of industries. They can underpin durable, above-average earnings growth potential for a select group of leading businesses that are strong fits with our six investment criteria. While earnings growth may or may not matter for stocks in the near term, it remains the primary determinant of long-term value creation.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				Total	Net
A Shares	11/16/18	TSMGX	89154Q141	1.71%	1.61%
C Shares	11/16/18	TEGEX	89154Q133	2.69%	2.36%
Y Shares	05/09/14	TSEMXX	89154Q570	1.29%	1.29%
INST Shares	05/09/14	TSEGXX	89154Q562	1.24%	1.24%
R6 Shares	04/26/21	TSRMXX	89154M702	1.19%	1.19%
Total Fund Assets	\$2.2 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 1.60% for Class A Shares, 2.35% for Class C Shares, 1.35% for Class Y Shares, 1.25% for Class INST Shares and 1.19% for Class R6 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	1.76%	4.87%	6.10%	-13.79%	2.34%	3.10%	3.79%
C Shares	1.60%	4.49%	5.28%	-14.43%	1.59%	2.34%	3.02%
Y Shares	1.88%	5.10%	6.48%	-13.52%	2.68%	3.40%	4.09%
INST Shares	1.87%	5.14%	6.51%	-13.46%	2.75%	3.48%	4.17%
R6 Shares	1.87%	5.14%	6.58%	-13.42%	2.75%	3.43%	4.12%
Benchmark	5.00%	7.49%	12.55%	-5.07%	3.10%	2.79%	3.24%
Including Max Sales Charge							
A Shares	-3.35%	-0.35%	0.77%	-15.26%	1.30%	2.57%	3.27%
C Shares	0.60%	3.49%	4.28%	-14.43%	1.59%	2.34%	3.02%

Benchmark - MSCI Emerging Markets Index

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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)		(% of Portfolio)
1 Taiwan Semiconductor Mfg. Co. Ltd.	10.1	6 Tencent Holdings Ltd.	4.0
2 Mercadolibre Inc.	6.0	7 Britannia Industries Ltd.	3.9
3 Nu Holdings Ltd.	5.4	8 ASML Holding NV	3.6
4 Bajaj Finance Ltd.	5.0	9 Titan Co. Ltd.	3.5
5 HDFC Bank Ltd.	4.7	10 Reliance Industries 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.

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

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](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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Not FDIC Insured | No Bank Guarantee | May Lose Value

