Touchstone Sands Capital International Growth Equity Fund

Sub-Advised by: Sands Capital Management, LLC

International Equity – Large-Cap Core 3Q/2024

Fund Manager Commentary

As of September 30, 2024

Fund Highlights

- The Fund seeks long-term growth of capital, investing primarily in equity securities of 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

International equities (as measured by the MSCI ACWI Ex-U.S.) climbed substantially higher in the third quarter marking the fourth consecutive quarter of gains for the asset class.

Within Europe, despite elevated volatility, equities reached all-time highs as China announced broad-based stimulus measures that lifted China-exposed sectors such as European luxury goods, autos, and automotive parts. The U.S. Federal Reserve's (Fed's) 50bps jumbo cut created tailwinds for equities and European central banks also continued to ease their monetary policy. Investor outlooks remain tempered for the region amid sluggish growth, disinflation, and continued political uncertainties. In particular, combative trade policies seem to have remerged as the EU announced plans to impose tariffs on Chinese electric vehicles, despite fears of retaliation from Germany and Spain.

Asian equities also marched higher during the quarter with Chinese and Southeast Asia outperforming. A declining Chinese macroeconomic environment, over the last few months, seemed to find some relief in September following the announcement of a substantial stimulus program, aimed at getting the country to meet its nearly 5% annual growth target. Chinese equities (as measured by the MSCI China Index) rallied over 23% just in September. Outside of China, Japanese equities were also remarkably strong with the Nikkei 225 rising over 8% with a strengthening Yen on the back of an expected rate cut for the region. Unwinding of long dollar/short yen trades in late July, caused Japanese market volatility to reach multi-decade highs in early August in combination with political elections and caused uncertainty on the path of monetary policy.

From a regional perspective, Western Europe was the top contributor to results and Eastern Europe was the top detractor. From a sector perspective, Financials was the top contributor and Information Technology was the top detractor.

Portfolio Review

The Touchstone Sands Capital International Growth Fund (Class A Shares, Load Waived) outperformed the MSCI ACWI Ex-U.S. Index for the quarter ended September 30, 2024.

Security selection primarily drove results with currency, sector and regional allocation creating slight headwinds.

From a regional perspective, Western Europe was the largest relative contributor, and Emerging Asia was the top detractor. From a sector perspective, Consumer Discretionary was the top contributor to relative results and Information Technology was the top relative detractor.

The top individual absolute contributors for the quarter were MercadoLibre (Consumer Discretionary sector; Argentina), Sea (Communication Services sector; Singapore), and Adyen (Financials sector; Netherlands).

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+

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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.***

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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 Fund. 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.

Sea reported solid second-quarter 2024 results. Ecommerce GMV grew 29% year-over-year—four percentage points faster than consensus expected—and full-year GMV guidance was revised from high double-digit growth to mid-20% growth. This guidance implies 19% GMV growth in the second half while delivering profitability. The second quarter marked the one-year anniversary of Shopee's livestreaming initiative and two-year anniversary of its Shopee guidance withdrawal and profitability pivot, both of which resulted in negative stock reactions. In hindsight, both appeared to be the right calls operationally. We believe that Sea is now on the path to becoming a less operationally volatile business, with steady topline growth and gradual margin improvement. We wouldn't be surprised to see dividend issuance in the next 12 to 18 months.

We expect the business to deliver 18% annualized revenue growth over the next five years and to generate $6 billion in earnings by 2029, versus our expectation of $0.6 billion in 2024. We don't ascribe any value to Shopee Brazil, which began generating a positive contribution margin this quarter, three years from its initial launch. Consecutive quarters of profitable growth at Shopee should lend credibility to management's 2% to 3% margin guidance and shift investors' preferred valuation metric toward profit-oriented multiples (e.g., P/E). A stable and profitable Shopee could also help unlock the value of Sea's digital financial services franchise, which we believe is still underappreciated.

Adyen shares traded higher as the business continues to execute rapid growth with impressive profitability. In our view, its competitive moat is as strong as ever, supported by a management team that has grown the business' addressable market many times over. We continue to see a long growth runway ahead for the business. Business results for the first half of 2024 underscored Adyen's strength. The business drove strong payment volume growth and market share gains. Both online and point-of-sale volumes grew over 40% year-over-year, with core European and North American markets growing the fastest despite their already large size. Additionally, Adyen continues to vertically integrate in more markets, with key licenses recently gained in India and Mexico. Importantly, Adyen's diversity of both use cases and profile of new merchant wins underscore Adyen's capabilities and addressable market, a key differentiator compared to Stripe and Braintree, which remain digitally concentrated. The business also reported stabilizing take rates, which calmed competition fears from earlier-period results and supported our thesis that take rates are not directly indicative of increased competition but instead are indicative of pricing dynamics due to volume mix. Looking ahead, we expect earnings to compound nearly 30% annually over the next five years.

The top absolute individual detractors were ASML Holding (Information Technology sector, Netherlands), VAT Group (Industrials sector, Switzerland), and Dino Polska (Consumer Staples sector, Poland).

ASML Holding and VAT Group declined as shares of the businesses 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. These headlines were particularly acute for ASML where 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 chips 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. Over our five-year investment horizon, we expect demand for ASML's lithography tools to increase as they facilitate chip production to support a generative artificial intelligence (AI) upgrade cycle across consumer electronics and rising chip layers counts for DRAM and logic chips.

Dino Polska shares fell following weak second quarter earnings results which indicated compressing margins in the near term. Food and labor inflation has whipped over the last year in Poland. Originally, food price inflation created tailwinds for Dino's quarterly earnings. However, today, those short-term tailwinds have abated as disinflation has taken hold and a moderate price war has taken shape. These factors combined with higher operating expenses due to high labor inflation drove the downward pressure on Dino Polska shares. Despite the difficult operating environment, our outlook for 2025 remains positive. Dino Polska has driven gross margin expansion by over 30bps year-over-year in spite of the price war. We attribute this to Dino's leading supply chain and economies of scale. Because of these strengths, we continue to believe, over the long term, Dino Polska will ultimately be unphased by the price war. The company continues to report strong consumer demand and is sticking to its store growth plans in the coming fiscal years. Looking ahead, our conviction remains high in both Dino Polska and the macroeconomic backdrop for Poland as the country experiences structural improvements that include a more stable currency, accelerating growth driven by surging productivity, and improving governance.

During the quarter we purchased Ajinomoto (Consumer Staples, Japan) and Pandora (Consumer Discretionary, Denmark). We sold Sartorius and Lasertec.

Ajinomoto is a global leader in amino acids and Japan's largest seasonings firm. The business leverages its expertise in amino acids

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to diversify its business across sectors including food, pharmaceuticals, and semiconductors. The company's growth is driven by secular shifts such as the increasing health needs of aging populations, a rapidly growing middle class, and the rising complexity of computing architectures. We expect Ajinomoto's food and seasonings business to deliver stable mid-single-digit sales growth while its monopolistic Ajinomoto Build-Up Film (ABF) business, which is critical for advanced semiconductors, drives high-teens earnings growth for Ajinomoto. We believe the semiconductor industry is undergoing a secular shift that will require sustainably greater amounts of ABF for applications related to high compute power and AI that will drive double-digit ABF revenue growth through the end of the decade. We also view Ajinomoto's healthcare segment as attractive, commanding nearly 40% of the medical-use amino acids market. We believe the business is well positioned for growth because the market for nucleic acid and gene-therapy contract drug manufacturing is expected to quadruple by the end of the decade.

Pandora is the world's largest jewelry manufacturer by volume. The company has material advantages relative to other jewelry brands, in our view, which stem from its scale and vertical integration. Pandora directly sources, designs, manufactures, and sells most of its products. The company's vertical integration leads to high gross margins and a highly scalable operating model, as new products can be manufactured at existing facilities and sold through the current store footprint with minimal added costs. Manufacturing capacity isn't a constraint; the company is currently expanding capacity by 50% for what amounts to less than 5% of its annual revenue. Jewelry is one of the most fragmented consumer categories but is consolidating around large companies with scale advantages. Meanwhile, the industry continues to grow faster than other consumer categories due to secular trends such as upward mobility and increasing female purchasing power. New leadership, installed in 2019, has set the business on what we view as a new course, with a renewed focus on building the brand, enhancing its marketing, integrating data into decision-making, and implementing better systems and processes.

We exited Sartorius (Health Care; France), a leading provider of single-use bioprocess technology (SUT). The exit reduces the portfolio's exposure to the challenged life sciences tools sector, which has contended with headwinds from customer destocking, a weak Chinese market, biotech funding challenges, and the hangover from the spike in COVID-19 vaccine production. We continue to have high conviction in the secular underpinnings of SUT adoption and Sartorius' market position. That said, we have little visibility into the sector's recovery and believe that Sartorius' business is more sensitive to industry forces than we initially expected.

We exited Lasertec (Information Technology; Japan) to lower the portfolio's absolute exposure to semiconductors and to reduce any tail risk stemming from recent accounting and governance accusations. Lasertec is a leading provider of photomask inspection tools used in the semiconductor fabrication process. Photomasks are plates containing chip patterns used with lithography machines to print circuit patterns on wafers. Lasertec is the creator and monopoly provider of actinic mask inspection tools, which use 13.5nm extreme ultraviolet (EUV) light. EUV lithography is required for manufacturing leading-edge semiconductors. We continue to maintain significant exposure to the semiconductor value chain and AI enabling technology but sought to trim some of this exposure amid strong investment results over the past few years. Lasertec continues to meet our criteria, but its valuation became stretched relative to its fundamental prospects, in our view, given the market's perception of the business as an AI beneficiary. A June 2024 Scorpion Capital report accusing Lasertec of fraud introduced additional vulnerabilities to the valuation. We don't believe the allegations about Lasertec's accounting practices, customer service, technology shortcomings, and competitive threats have merit. However, they could result in a persistent overhang on the stock and present additional risk if governance issues are truly present.

Outlook and Conclusion

Investment results for the Fund have been challenging, and we acknowledge our clients' frustration. That said, we believe the long-term prospects for the Fund are bright, especially now.

As long-term investors, what really matters over our time horizon is earnings growth. History has shown that over long periods of time fluctuations in valuations contributed essentially nothing to investment results and that earnings growth drives the vast majority of wealth creation. With this in mind, International growth has delivered over 35% earnings growth since the end of 2021 compared to the low-single-digit growth of the MSCI ACWI Ex-US. Furthermore, growth has not come at a cost of quality. Our portfolio of businesses exhibits higher free cash flow margins and return on invested capital than the benchmark. Simply put, significant valuation compression has driven the entirety of the performance differential, which has historically proven to be an unsustainable driver of long-term returns.

Valuations can't fall forever, and as inflation cools globally, these headwinds have the possibility to turn into tailwinds. Taken all together, we believe International Growth's sustainable earnings growth and abating valuation headwinds create a compelling outlook.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				Total	Net
A Shares	12/03/07	**TPYAX**	89155H579	1.79%	1.17%
C Shares	12/03/07	**TPYCX**	89155H561	3.62%	1.95%
Y Shares	08/12/08	**TPYYX**	89155H553	1.46%	0.90%
INST Shares	08/23/19	**TPYIX**	89155T532	1.27%	0.86%
R6 Shares	08/31/23	**TPYRX**	89155T425	1.56%	0.78%
Total Fund Assets	**$109.3 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, 1.95% for Class C Shares, 0.90% for Class Y Shares, 0.86% for Class INST Shares and 0.78% for Class R6 Shares. These expense limitations will remain in effect until at least 01/29/25.

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	9.54%	12.81%	34.43%	4.44%	8.58%	6.22%	5.13%
C Shares	9.47%	12.12%	33.48%	3.67%	7.80%	5.60%	4.76%
Y Shares	9.77%	13.04%	34.82%	4.77%	8.92%	6.51%	5.39%
INST Shares	9.63%	13.03%	34.81%	4.76%	8.94%	6.52%	5.39%
R6 Shares	9.63%	13.03%	34.83%	4.76%	8.94%	6.52%	5.39%
Benchmark	8.06%	14.21%	25.35%	4.14%	7.59%	5.22%	17.45%
Including Max Sales Charge							
A Shares	4.01%	7.21%	27.71%	2.67%	7.46%	5.59%	4.76%
C Shares	8.47%	11.12%	32.48%	3.67%	7.80%	5.60%	4.76%

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

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 Y, INST and R6 Shares combines the performance of an older class of shares (Class A Shares) from the Fund's inception, 12/03/07, with the performance since the inception date of each share class.

Top 10 Equity Holdings of Fund

		(% of Portfolio)
1	Mercadolibre Inc.	6.2
2	ASML Holding NV	5.0
3	Taiwan Semiconductor Mfg. Co. Ltd.	4.8
4	Keyence Corp.	4.6
5	CTS Eventim AG & Co. KGaA	4.4
6	Recruit Holdings Co. Ltd.	4.3
7	Adyen NV	4.2
8	Sea Ltd.	4.2
9	Addtech AB	3.9
10	Constellation Software Inc.	3.9

Source: BNY Mellon Asset Servicing

A Word About Risk

The Fund invests in equities which are subject to market volatility and loss. 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 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. Financial institutions could suffer losses if interest rates rise or economic conditions deteriorate. 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 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'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. 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.

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