Touchstone Sands Capital International Growth Equity Fund

Sub-Advised by: Sands Capital Management, LLC

Fund Manager Commentary

As of June 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.) rose again in the second quarter following a volatile period of economic data and geopolitical events globally.

Within Europe, the second quarter started upbeat. Economic indicators across the region saw signs of recovery, and equity markets rose to fresh highs as central banks began suggesting monetary policy easing plans ahead of those in the U.S. Come June, the picture was much different. Geopolitical uncertainty was front and center with the rise of far-right support in France with snap parliamentary elections. Additionally, the U.K. prime minister called for early general elections, and E.U.-Chinese relations became strained again as the block imposed tariffs on electric cars. All these events, in combination with still ebbing and flowing inflationary pressures created uncertainty for markets. Bond yields across the region read like polygraph reports.

Within Asia, there were brighter spots. While Japanese equities fell during the period after skyrocketing in the previous quarter, Chinese equities rebounded. In April the Hang Seng Index entered a technical bull market rising 20% above its January low as sentiment began to shift on Chinese equities. Foreign investors, chasing value deals on equities in the region, have driven equity market inflows, helped by Chinese domestic policy providing further inflows. Additionally, investors are diversifying away from APAC and Indian markets which have outperformed within Asian markets and are now under pressure from a stronger dollar. This dynamic, in addition to ongoing monetary policy changes in Japan, explained the weakness in Japanese equities.

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

Portfolio Review

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

Security selection and sector allocation within regions primarily drove results. Sector allocation and currency were slight tailwinds.

From a regional perspective, Latin America was the largest relative contributor, and Western Europe was the top detractor. From a sector perspective, the Communication Services sector was the top contributor to relative results, and the Health Care sector was the top relative detractor.

Three of the top individual absolute contributors for the quarter were Sea Ltd (Communication Services sector; Singapore), Recruit (Industrials sector; Japan), and MercadoLibre (Consumer Discretionary sector; Argentina).

Sea shares benefited from growing expectations that the competitive landscape for ecommerce in Southeast Asia is stabilizing. This follows a period of depressed sentiment toward the business after management's decision in mid-2023 to embark on a new investment cycle to fend off competition from TikTok. Recent evidence indicates the competitive threat from TikTok is easing. Alternative data indicates stagnating total time spent on TikTok and slowing growth in gross merchandise value (GMV) despite peak advertising spend. Meanwhile, TikTok's 2024 GMV

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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.***

target implied only modest growth expectations in Southeast Asia (excluding Indonesia) compared to more ambitious growth targets in the United States.

While TikTok remains a formidable competitor, we believe the market is underappreciating Sea's Shopee unit's competitive moats created by lower service costs and price competitiveness. Shopee's sizable and expanding owned-logistics infrastructure has the potential to fortify a new moat of superior service quality and cost leadership, in our view, helping Shopee defend – if not extend – market leadership. Looking ahead, management expects Shopee to return to profitability in 2024, and we expect Shopee to deliver EBIT margins (as a percentage of GMV) of 2% within the next five years. For comparison, this is higher than Amazon's 2023 ecommerce EBIT margin, which was 1.7%.

Shares of Recruit rallied following the release of its fiscal year 2024 fourth quarter results, which included the announcement of several actions to enhance productivity and efficiency. The most significant change was layoffs at Recruit's Indeed business, which the company emphasized were to streamline decision-making rather than to reduce costs. Recruit views its fiscal year 2024 as a reset year in which it will focus on collaboration and efficiency to support growth and profitability. We acknowledge that changes in staff and tone are significant, especially for a Japanese company, but we believe these changes are evidence that the company realizes that it can do more to really change the human resources (HR) industry.

Specifically, Recruit is focusing on increasing revenue per job post and monetization of harder-to-fill jobs. Currently, some jobs remain posted for free for two to three years. While these changes are not a guarantee that Recruit can deliver, we believe the business is well positioned to benefit now as labor market conditions continue to normalize. Normalizing conditions have led to better business results and the release of earnings guidance for the first time in a year. Postings on Indeed are 14% higher than pre-COVID-19 levels, and its HR Technology segment grew revenue quarter-over-quarter for the first time since early 2022. Looking ahead, our conviction in Recruit remains high, and we expect the business to deliver approximately 20% earnings growth over the next five years.

MercadoLibre reported solid first quarter 2024 results in early May, easing some of the concerns from the prior quarter's report. 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 closely watch were healthy: Brazil and Mexico both grew GMV 30% year-over-year, MercadoLibre fulfilled 52% of GMV, and the 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.

Three of the top absolute individual detractors were Adyen (Financials sector; Netherlands), Stevanato Group (Health Care sector; Italy), and IMCD (Industrials sector; Netherlands).

Adyen shares were weaker during the period as investors questioned the competitive environment and possibly pricing pressure following lower than expected take-rates during the quarter. Our research suggests that take rate volatility is noise rather than a long-term trend. Importantly, payment volumes were strong growing over 45% year-over-year which we believe is the strongest fundamental indicator of Adyen's health. Large merchants and domestic North American volumes generate below-average take rates. Both were outsized contributors to volume growth during the quarter and combined with growing Cash App volumes (due to a newly formed partnership with Block), compressed take rates during the period. Mix-driven take rate compression would be a concern if payment volumes were fixed but when coupled with outsized volume growth, as exhibited in the quarter, it is a positive, in our view. Adyen optimizes its contracts for revenue dollars and is generally indifferent to whether those come from volume or pricing. While we will continue to monitor the competitive environment, our conviction in Adyen remains high. Competitors have largely retreated over the last several quarters abandoning loss-leading strategies while Adyen continues to announce major partnerships and accelerate market share gains.

Several dynamics have pressured shares of Stevanato. Recently, the bioprocess industry has experienced unprecedented overlapping headwinds. Rapid demand declines for COVID-19 vaccines, lower levels of biotech funding, and a volatile Chinese macroeconomic environment have created business-level volatility for healthcare companies. Destocking activities from Stevanato's customer base have been center stage as customers digest pandemic-era overstocking. This has driven volatility in revenue growth and management guidance in the short term. Importantly, however, our research indicates that these headwinds are transitory and not structural changes. Moreover, management continues to report new business contract negotiations for 2025 to 2027, providing another level of demand visibility. Looking ahead, we continue to believe Stevanato is the leader in ready-to-use injectable packaging, an industry with ample growth supported by expanding adoption of new drug classes such as GLP-1s. We remain patient as industry bullwhip dynamics play out.

Shares of IMCD fell following weak first quarter earnings results in which the business reported a 21% decline in organic EBITA. Digging deeper, gross margins were strong, in our view, holding above 25% despite dilutive merger and acquisition activity. What pressured EBITA were technology infrastructure investments as the business builds out its artificial intelligence (AI) capabilities and labor cost inflation. Results took the market by surprise, as there had been signs of a potential trough in inventory clearing that should have yielded restocking activity in the chemical space, boosting results. We think the small-sized customer base and where IMCD operates within supply chains is leading to a delay, with restocking activity on the horizon.

Our conviction remains high in IMCD and the specialty chemical space more generally. We expect IMCD to deliver annualized earnings growth of over 15% over the next five years.

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During the quarter we purchased Dollarama (Consumer Discretionary sector; Canada) and SMC Corporation (Industrials sector; Japan). We sold Atlassian (Information Technology sector; United States) and M3 (Information Technology sector; Japan).

Dollarama is Canada's largest small-box discount retailer by revenue. The company sells general merchandise, consumables, and seasonal/novelty items at prices ranging from $1 to $5. Discount retailing is a resilient growth niche, in our view, given its relative insulation from the economic cycle and from ecommerce disruption. We view Canada's market backdrop as especially appealing, given the lack of competition from large U.S.-based retailers, favorable population growth dynamics, and less income disparity than in the United States, making discount retail formats relevant to more of the population. Within this attractive space, Dollarama features many of what we view as the ideal attributes of other discount models we admire globally, including logistics capabilities, scale buying, low fixed price points, direct sourcing, private label, no-frills store formats, and a "treasure hunt" buyer experience. We expect these attributes to enable Dollarama to grow its share of overall Canadian retail spending while continuing to generate industry-leading margins.

SMC Corporation is the global leader by market share in pneumatic motion control equipment, crucial for robotics and factory automation. As the global labor supply pool shrinks, particularly in China, where the working-age population is expected to decline by 200 million by 2050, we believe automation deployments will continue to grow. We expect this dynamic will drive outsized earnings growth for SMC. With well over 700,000 products, suiting a variety of applications, SMC has become a scaling partner of choice for factory automators. Its pneumatic motion control equipment is mission-critical to automation yet relatively inexpensive to overall automation project costs. SMC systems typically represent 5-15% of factory automation costs and are highly complex and specialized. This enables relatively inelastic pricing. While SMC derives nearly 80% of its sales from traditional automation, we expect the business to also benefit from emerging technologies such as collaborative robots and AI, expanding its addressable market over time.

Adhering to our ex-U.S. mandate, we decided to exit Atlassian. While founded in Australia, a significant portion of its business now occurs in the U.S. which has caused several classification systems, chiefly MSCI, to now denote Atlassian as an American business. Atlassian remains fit for our six criteria and continues to be held in several portfolios across the firm.

We exited M3 following newly disclosed operational and management issues after several quarters of mis-execution by management. Chief among these were the ongoing restructuring of several business units and management changes. These are significant and although they had been underway for some time, management only recently disclosed them to investors. In fact, in recent meetings with management, M3 stated that while the business was going through macroeconomically induced challenges, operationally everything was sound. Due to M3's company structure, operating as a unified group of many smaller businesses, outside investors have little visibility into what drives quarterly performance. As a result, having high conviction in management to execute and communicate is critical. Consequently, we have lost faith in management's ability to execute with a clear mission and value-added focus. We have redeployed the proceeds in higher conviction businesses.

Outlook and Conclusion

Investment results for the Fund have been challenging, and we acknowledge the frustration. We believe the long-term prospects for International Growth 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 fluctuations in valuations contributed essentially nothing to investment results and that earnings growth drives the vast majority of wealth creation. With this in mind, the MSCI ACWI ex-U.S. has experienced earnings contraction since the end of 2021 (the start of the historic downdraft in growth equities) while the Fund has continued to compound earnings growing. Furthermore, growth has not come at a cost of quality. The Fund's portfolio of businesses exhibits higher free cash flow margins and has more than double the return on invested capital than the Index. 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 can turn into tailwinds. Taken all together, we believe the Fund'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	**$100.8 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

	2Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-3.95%	2.99%	11.32%	0.30%	6.69%	5.12%	4.63%
C Shares	-4.20%	2.42%	10.30%	-0.51%	5.89%	4.50%	4.26%
Y Shares	-3.94%	2.98%	11.44%	0.54%	6.99%	5.39%	4.88%
INST Shares	-3.82%	3.10%	11.56%	0.57%	7.03%	5.41%	4.89%
R6 Shares	-3.82%	3.10%	11.58%	0.58%	7.04%	5.41%	4.89%
Benchmark	0.96%	5.69%	11.62%	0.46%	5.55%	3.84%	8.69%
Including Max Sales Charge							
A Shares	-8.71%	-2.13%	5.72%	-1.39%	5.59%	4.50%	4.26%
C Shares	-5.15%	1.42%	9.30%	-0.51%	5.89%	4.50%	4.26%

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	ASML Holding NV	6.8
2	Mercadolibre Inc.	5.5
3	Taiwan Semiconductor Mfg. Co. Ltd.	5.3
4	Keyence Corp.	4.6
5	Recruit Holdings Co. Ltd.	4.2
6	VAT Group AG	4.0
7	CTS Eventim AG & Co. KGaA	3.9
8	Constellation Software Inc.	3.8
9	Addtech AB	3.6
10	Adyen NV	3.5

Source: BNY Mellon Asset Servicing

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 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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