Touchstone Sands Capital International Growth Equity Fund

Sub-Advised by: Sands Capital Management, LLC

International Equity – Large-Cap Core

As of 03/31/2024

Fund Manager Commentary

As of March 31, 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.) continued their climb higher in the first quarter 2024 as global economic data came in better than expected.

Inflation readings again were center stage in Europe. Economic data in both the U.K. and the Eurozone were optimistic and drove investors to believe that recession fears may be overblown. Notably, German business sentiment improved, and the U.K. unexpectedly returned to growth in January driven by retail and wholesale activity. As disinflation continued, central banks across the region have begun to signal easier monetary policy. This news, coupled with European equities continuing to trade at a discount compared to U.S. equities, has led to a rotation into European markets driving the Stoxx® Europe 600 Index to record highs.

Within Asia, the news that the Bank of Japan had raised rates, ending its negative interest rate policy, drove Japanese equities higher. This was the first time the Bank had raised rates since 2007 and marked the end of the era of deflation in the country. Investors continue to closely monitor the region as wages increase and possible economic growth follow. While the economic environment in China continues to remain variable, there were also potential signs of stabilization as both industrial production and retail sales for December were better than expected.

From a regional perspective, Western Europe was the top contributor to results and Latin America was the top detractor. From a sector perspective, Information Technology was the top contributor and Consumer Staples was the top detractor.

Portfolio Review

The Touchstone Sands Capital International Growth Equity Fund (Class A Shares Load Waived) outperformed the MSCI ACWI ex-U.S. Index for the quarter ended March 31, 2024.

Regional security selection and sector allocation primarily drove results with additional tailwinds from currency. Regional allocation and security selection within sectors were headwinds. From a regional perspective, Western Europe was the largest relative contributor, and the U.S./Canada was the top detractor. From a sector perspective, Communication Services was the top contributor to relative results and Industrials were the top relative detractor.

Three of the top individual absolute contributors for the quarter were ASML Holding (Information Technology sector; Netherlands), Taiwan Semiconductor (Information Technology sector; Taiwan), and CTS Eventim (Communication Services sector; Germany).

ASML Holding's fourth-quarter 2023 results signaled the potential beginning of an upcycle for semiconductor capital expenditures.

The company reported its largest bookings number ever, driven by record memory intake. Book-to-bill, a leading indicator of demand trends that measures the ratio of orders received to orders filled, rebounded from 0.5 times in 2023's third quarter to 1.6 times. ASML reported a record $4.3 billion in memory-related bookings, driven by high bandwidth memory demand for artificial intelligence (AI) purposes and rising manufacturing complexity for the latest dynamic random-access memory iteration.

ASML ended the quarter as the Fund's largest holding. The business continues to operate a chokepoint in one of the world's largest secular trends, in our view. We anticipate high double-digit

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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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annualized earnings growth over the next five years. We could see significant upside to our estimates, driven by both logic and memory demand, if large language models are integrated closer to their end users. Several companies highlighted the need for more local computing power in personal computers and smartphones, which could result in a generative AI upgrade cycle within consumer electronics. This would require significantly more chips, and in turn, equipment to manufacture those chips.

Taiwan Semiconductor's (TSMC) strong fourth-quarter 2023 results signaled a rebound in the semiconductor market – led by leading edge chips – and that the business remains a primary beneficiary from AI demand.

Both revenue growth and first-quarter 2024 guidance exceeded consensus expectations. Management soft-guided for 2024 growth to be in the low-to-mid 20% range, versus the 20% growth expected entering the quarter. The business is seeing a strong rebound in semiconductor industry growth, citing healthier inventory levels. Easier year-over-year comparisons should also boost growth. Leading-edge demand remains strong, with TSMC expecting revenue for its 3-nanometer chip to more than triple in 2024.

We expect AI-related revenue to grow 50% annually, ultimately accounting for 15% to 19% of all revenue by 2027. TSMC energy efficiency and dependable technology roadmaps have helped it establish relationships with most – if not all – of the current AI innovators. Chip-on-wafer-on-substrate packaging capacity, a bottleneck in the AI chip manufacturing process, will increase twofold in 2024, which should enable more production capability.

We believe that TSMC will maintain its technology leadership and continue to reap the benefits of growing demand for high-performance computing. Intel, its primary competitor, claims that the next-generation node it is releasing in 2025 will be superior to TSMC's. Even if Intel is able to achieve tech parity, we believe that TSMC's execution track record and focus on fabrication will enable TSMC to maintain its market-share leadership within leading-edge chip manufacturing.

CTS Eventim shares rallied following strong fourth quarter results where the business reported a 22% increase in revenue and 40% increase in EBITDA year-over-year. Additionally, management commentary for 2024's outlook was healthy. Revenue is expected to grow 5% to15% and profitability will remain strong with multiple years of double-digit EBITDA growth ahead. Eventim's international acquisitions also point to further growth opportunities ahead. In the fourth quarter, Eventim acquired ticketing companies in Chile and Peru in a joint venture with Sony Music. Eventim's expansion into South America was particularly encouraging as we identified the region as an attractive growth opportunity in our original investment case.

We also see an expanding foothold in the U.S. While the country only accounted for 7% of revenues in 2023, Eventim wants to grow this by four-fold over time. With Eventim now ticketing the 2028 Summer Olympics in Los Angeles, we believe this could elevate the business' reputation in the market.

Looking ahead, our conviction in Eventim remains high and we expect the business to deliver mid-teens annualized earnings growth over the next five years.

Three of the top absolute individual detractors were Atlassian (Information Technology sector; Australia), HDFC Bank (Financials sector; India), and Dino Polska (Consumer Staple sector; Poland).

Atlassian shares retreated following its earnings announcement for the quarter ending December 31, 2023. In our view, the market's fixation on cloud revenue (as opposed to subscription revenue) is creating short-term volatility, while overall results were encouraging and broadly in-line with expectations.

Subscription revenue (cloud and data center combined) exceeded consensus expectations, growing 31% year-over-year with an increased focus on efficiencies leading to 400 basis points expansion in operating margin. However, shares were pressured by cloud revenue falling in the mid-point of guidance and a reduction in the high-end of guidance for 2024 cloud revenue.

In our view, the market reaction was nearsighted. As long-term shareholders, we should be indifferent to whether server revenue migrates to cloud or data center in the short-term. Over the next three years and beyond, we believe data center customers will continue to migrate to the cloud at a two to four times uplift in pricing on average. In our view, this could provide $1.5 to $4 billion in incremental revenue over our five-year horizon.

In the coming quarters, we see several tailwinds for the business emerging, including a slowdown in layoffs and eventual resumed headcount growth across the customer base, improving conversions from the free tier, continued pricing power enabled partly by AI capabilities, and more cloud migrations driving further revenue uplift from existing customers. Combining these dynamics with slowing growth in operating expenses, we're confident that over the next five years the business can achieve our 25% to 30% long-term free cash flow growth estimate with margins that we expect to approach 35%.

HDFC Bank shares traded lower after the business reported quarterly results. The business was adversely affected by an unusually tight liquidity environment, complicating the path toward gradual normalization of loan growth and margins following the 2023 merger with Housing Development Finance. Despite near-term headwinds, the HDFC Bank remains among our highest-conviction emerging market financials businesses.

The key metric we're watching is deposit mobilization, which has historically been a key strength for HDFC Bank given its transaction banking platform. Mobilizing deposits will be more difficult in the future, in our view, as the business must significantly raise deposits to replace the borrowings it inherited from Housing Development Finance and to normalize its credit-to-deposit ratio. While regulators don't require a specific level of credit to deposits, a lower ratio indicates a healthier, more sustainable, and more profitable banking franchise.

The task is not insurmountable for HDFC Bank, in our view, given its status as India's largest private-sector bank. It's the market-leading provider of salary accounts for private sector employees, credit cards, and merchant acquiring.

Our longer-term outlook remains intact, and our investment case is predicated on maintaining its position as India's market-leading private-sector bank with a diversified financial services franchise,

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operating in a favorable macro environment and attractive business space that should consolidate around the market leaders, and continuing to be managed by a capable team across management layers and product verticals.

Dino Polska shares fell after the business reported fourth-quarter 2023 results, which we view as a mix of short-term negatives but long-term positives.

In terms of the short term, falling food inflation has led to a price war among Dino's major competitors to drive traffic. This is fundamentally a short-term issue, in our view, and is reflected in the stock's consensus estimates and valuation.

What matters more for our investment case is that management is reaccelerating store growth – which was muted last year due to supply chain issues – and is investing in four new distribution centers. Dino Polska opened 66 new stores in the fourth quarter, a 12% year-over-year increase in total store count.

Notably, 89% of Dino's stores now use renewable energy sources (namely solar). This is impactful in both reducing costs (given volatile energy prices) and limiting Dino's environmental impact. Solar cell installations are playing an important role in levering margins, with 22% of total energy consumption generated by internally generated renewable energy, versus merely 6% before 2022.

We continue to view Dino as a beneficiary from the continued consolidation and formalization of Poland's retail food industry, and as of March 31, 2024, its forward earnings multiple was near its five-year low.

During the quarter we exited MonotaRO (Industrials sector; Japan) and purchased Titan and Flutter Entertainment (both Consumer Discretionary sector; India and U.K. respectively).

We decided to exit MonotaRO to fund other opportunities within the portfolio. In our view, the business has come up on its growth maturity curve. Moreover, the business' growth trajectory going forward is less clear as it digests the increase in sales and ecommerce adoption that occurred during the pandemic.

Titan is India's largest specialty-jewelry retailer, by store count and market share. The company sells jewelry, watches, and eyewear at branded stores catering to both high-end and mass-market consumers. India's jewelry market is massive – with the country accounting for roughly one-quarter of global gold demand – and remains highly fragmented. We expect organized players to increasingly take share from informal operators, given shifting consumer preferences and growing regulatory pressures. Titan will be a beneficiary, in our view, given its nationwide footprint of over 1,900 stores and its highly visible brand. In addition to Tanishq, India's leading jewelry brand, Titan also owns Sonata, India's best-selling watch brand. Weddings provide an additional growth opportunity for Titan, given the importance of traditional gold jewelry gifting, and the country's young and increasingly wealthy population.

Flutter Entertainment is the world's leading sports-betting and gaming business by revenue. The business operates a multichannel global portfolio of 15 brands in the sports and gaming industries. Our research indicates that iGaming – which includes online sports betting and casino games – is a secular growth industry capable of producing mid-teens annualized growth over the next five years. The U.S. is the largest growth opportunity, and we believe Flutter's U.S. operation, FanDuel, should primarily drive earnings growth as the industry grows and rationalizes. After four years of investment and expansion in the U.S., FanDuel finally became profitable in 2023. We believe this will act as an inflection point for the business' margins, with expanding contributions from the state operations where FanDuel began operating earliest. Importantly, we believe profitability is sustainable and that FanDuel will remain the market leader. High fixed and regulatory costs create significant hurdles for new entrants and Flutter's scale allows it to absorb costs, thus defending margins. We expect Flutter's scale, deep brand portfolio, and product innovation will cement its leadership as sports-betting legalization continues to expand within the U.S.

Outlook and Conclusion

Earnings have driven the bulk of the returns since the end of 2022, and we're optimistic about a continued earnings-driven recovery.

Many of our businesses have seen their fundamental prospects improve, from waning competitive intensity as higher rates forced rationalization, to operational choices resulting in higher profitability. We're 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 portfolio's earnings-led rise. 55% of the portfolio traded at a lower price-to-earnings multiple at the end of March than at the end of 2022.

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 ACWI ex-U.S. constituent. While a global recession didn't materialize in 2023, financial strength could become a competitive advantage if the economic environment worsens.

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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%	0.82%
Total Fund Assets	**$45.7 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 0.90% 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

	1Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	7.21%	7.21%	22.36%	3.22%	8.03%	6.44%	4.97%
C Shares	6.91%	6.91%	21.47%	2.41%	7.26%	5.81%	4.59%
Y Shares	7.21%	7.21%	22.81%	3.47%	8.35%	6.71%	5.22%
INST Shares	7.20%	7.20%	22.80%	3.49%	8.37%	6.72%	5.22%
R6 Shares	7.20%	7.20%	22.81%	3.50%	8.37%	6.72%	5.22%
Benchmark	4.69%	4.69%	13.26%	1.94%	5.97%	4.25%	7.66%
Including Max Sales Charge							
A Shares	1.89%	1.89%	16.19%	1.47%	6.93%	5.81%	4.59%
C Shares	5.91%	5.91%	20.47%	2.41%	7.26%	5.81%	4.59%

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)			(% of Portfolio)
1	ASML Holding NV	6.8	6	Taiwan Semiconductor Mfg. Co. Ltd.	4.0
2	Mercadolibre Inc.	4.9	7	CTS Eventim AG & Co. KGaA	4.0
3	Adyen NV	4.9	8	VAT Group AG	4.0
4	Keyence Corp.	4.8	9	Shopify Inc.	3.7
5	Lasertec Corp.	4.7	10	Constellation Software Inc.	3.5

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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