

Fund Manager Commentary

As of September 30, 2020

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

The global economy mounted a V-shaped rebound coming off of government-imposed COVID-19 lockdowns. The Manufacturing Purchasing Managers Index (PMI) across most regions rose above the breakeven 50 level, and China's export engine once again generated positive year-on-year growth. As a result, some of the economically sensitive sectors including Consumer Discretionary, Industrials and Materials led the market. Big Tech stocks, the darlings of the market, were also among market leaders. However, they experienced a sharp correction in September, triggered by the unwinding of some highly unusual derivative bets by Japanese conglomerate SoftBank Group Corp. (Communication Services sector). The broader equity indices also ceded some ground in September as rapidly rising new daily COVID-19 cases threatened to derail the nascent economic recovery. Investors were also concerned that time was running out for Congress to reach a deal on the much-needed Phase 4 stimulus bill. Some worried that the heated battle over the nomination of a Supreme Court Justice to replace the late Justice Ginsburg might distract Washington D.C. from economic issues and aid to states and local municipalities.

During the quarter, growth stocks' multi-year outperformance over value stocks persisted. On a geographic basis, the U.S. market outperformed the rest of the developed world, but emerging markets outperformed both U.S. and non-U.S. developed markets during the quarter.

Portfolio Review

The Touchstone International ESG Equity Fund (Class A Shares Load-Waived) outperformed its benchmark, the MSCI All Country World Ex-U.S. Index, for the quarter ended September 30, 2020.

The Fund's outperformance was driven by stock selection. Stock selection in the Industrials, Information Technology and Financials sectors was the largest contributor to relative performance while stock selection in the Health Care and Consumer Discretionary sectors detracted.

Among the contributors to the Fund's relative performance during the quarter were Taiwan Semiconductor Manufacturing Co. Ltd (Information Technology sector) and Deutsche Post AG (Industrials sector). Taiwan Semiconductor was the largest contributing holding to relative performance, as the company reported better than expected results, driven by strength in 5G expansion. Deutsche Post reported strong results, as the company benefited from heightened e-commerce trends.

Among detractors, GlaxoSmithKline PLC (Health Care sector), underperformed due to investors' concerns of pricing pressure following the U.S. elections. KDDI Corp. (Communication Services sector) was the largest detracting stock, as Japan's new Prime Minister Suga amplified his rhetoric about the need to lower pricing among wireless carriers. We do not see this as a new incremental threat as he has already been vocal on this issue during his time in cabinet. Consumer Discretionary was the largest detracting sector, as Panasonic Corp. underperformed following weaker than expected earnings due to its exposure to auto components, airplane video systems, and appliance manufacturing outages in Southeast Asia that negatively impacted production. In addition, Tesla Inc's (Consumer Discretionary sector) Battery Day created volatility for all its suppliers, including Panasonic. Regardless, we believe that in the long run, Panasonic will be necessary to meet Tesla's ambitious volume targets.

The Fund initiated multiple new positions during the quarter, including Roche Holding AG (Health Care sector), SCOR SE (Financials sector) and Tele2 AB (Communication Services sector).

(continued)

[◇] Effective August 23, 2019, the Fund changed its name, principal investment strategies and sub-advisor. Consequently, prior period performance may have been different if the Fund had not been managed by the prior sub-advisor using that sub-advisor's equity income strategy.

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](https://www.touchstoneinvestments.com/mutual-funds).**



Roche, a Swiss biopharmaceuticals company, is emerging as more diversified in terms of its business lines, with a more sustainable revenue trajectory as the company becomes less reliant upon their oncology franchise. We see Roche with an attractive diagnostics business strong early stage pipeline, broadening revenues away from their legacy business lines. Roche offers comprehensive ESG reporting and boasts strong human capital management programs. The company also offers increased transparency on their drug pricing practices, including price increases as compared to medical inflation. We believe this transparency will serve them well given increased political scrutiny in the U.S.

SCOR, a France-based reinsurance company, appears to have been overly punished by the market due to fears over mortality exposures stemming from the COVID-19 pandemic and the lack of a dividend payment this year. We believe the company should benefit as mortality rates stabilize and as pricing strengthens in the P&C business improving profitability gains and the resumption of dividends. SCOR excels in many environmental-related areas, including climate physical risk by incorporating future predictions into its underwriting, environmental product innovation, and maintaining sustainable investments in its investment portfolio.

We also added Tele2, a Sweden-based telecommunications company that we believe trades at a reasonable valuation with an attractive dividend yield. While the underlying Swedish communications market has historically exhibited relative stability in terms of revenue trends, there is the potential for improvements in the wireless business. Tele2 is an ESG leader with stated commitment to sustainability, using 100 percent green energy in its operations in Sweden, its largest business segment.

Outlook and Conclusion

The epic equity rally from April through August was driven by positive catalysts including exceedingly loose monetary policy, massive fiscal spending, a V-shaped recovery, and progress in therapeutics and vaccines. By now, many of these catalysts are in the rearview mirror. The U.S. Federal Reserve Board (Fed) has fired most of its bullets and is urging more fiscal stimulus. Unfortunately, partisan politics has so far failed to deliver on the Phase 4 stimulus bill. Rising new daily COVID-19 cases could also slow the economic recovery. While corporate earnings for the third quarter may surprise on the upside, forward guidance might be cautious if the recovery loses momentum. We still expect good news on the vaccine front, but it will take time to get much of the population vaccinated to create herd immunity. We suspect the upcoming U.S. general election will be the main driver of performance in the fourth quarter, especially at the sector level with the candidates presenting starkly different policies and priorities. As we look further down the road, we believe value and non-U.S. stocks are likely to be the new market leaders as a more sustained cyclical recovery takes hold.

As of September 30, 2020, Taiwan Semiconductor Manufacturing Co. Ltd made up 5.03%, Deutsche Post AG made up 3.90%, GlaxoSmithKline PLC made up 3.58%, KDDI Corp. made up 2.47%, Panasonic Corp. made up 1.10%, Roche Holding AG made up 3.33%, SCOR SE made up 2.36%, Tele2 AB made up 2.33%, and SoftBank Group Corp. and Tesla Inc. each made up 0.00% of the Touchstone International ESG Equity Fund. Current and future portfolio holdings are subject to change.



Fund Facts (As of 09/30/20)

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio*	
				Total	Net
A Shares	12/03/07	TPYAX	89155H579	1.47%	1.17%
C Shares	12/03/07	TPYCX	89155H561	2.11%	1.95%
Y Shares	08/12/08	TPYYX	89155H553	1.04%	0.90%
INST Shares	08/23/19	TPYIX	89155T532	2643.52%	0.89%
Total Fund Assets	\$27.3 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 and 0.89% for Class INST Shares. These expense limitations will remain in effect until at least 01/30/21.

Share class availability differs by firm.

Annualized Total Returns** (As of 09/30/20)

Class	3Q20	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	9.41%	-1.46%	7.93%	4.44%	7.94%	8.67%	4.03%
C Shares	9.31%	-1.86%	7.35%	3.71%	7.17%	7.86%	3.27%
Y Shares	9.43%	-1.33%	8.32%	4.71%	8.22%	8.94%	4.27%
INST Shares	9.43%	-1.33%	8.33%	4.71%	8.22%	8.94%	4.27%
Benchmark [^]	6.25%	-5.44%	3.00%	1.16%	6.23%	4.00%	1.22%
Including Max Sales Charge							
A Shares	3.91%	-6.42%	2.50%	2.41%	6.68%	8.02%	3.55%
C Shares	8.31%	-2.84%	6.48%	3.71%	7.17%	7.86%	3.27%

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

[^]Benchmark - MSCI All Country World Ex-U.S. Index¹

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

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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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Touchstone is a member of Western & Southern Financial Group

Not FDIC Insured | No Bank Guarantee | May Lose Value

¹The 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. Investing in an index is not possible.

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 invests in convertible securities which are subject to the risks of both debt securities and equity securities. 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 further magnified in frontier markets due to their smaller economies. The Fund's environmental, social and corporate governance 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 investments in other investment companies will be subject to substantially the same risks as those associated with the direct ownership of the securities comprising the portfolios of such investment companies, and the value of the Fund's investment will fluctuate in response to the performance of such portfolios. In addition, if the Fund acquires shares of investment companies, shareholders of the Fund will bear their proportionate share of the fees and expenses of the Fund and, indirectly, the fees and expenses of the investment companies. Events affecting the financial markets, such as a health crisis, 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. Current and future portfolio holdings are subject to risk. The Advisor engages a sub-advisor to make investment decisions for the Fund's portfolio; it may be unable to identify and retain a sub-advisor who achieves superior investment returns relative to other similar sub-advisors.



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