Fund Manager Commentary

As of September 30, 2019

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

Much of the weakness in Emerging Markets was attributable to China. Beyond negative trade war-related sentiment and softening economic data in China, Argentina teetered on the brink of default and its president unexpectedly lost in primary elections, Indian growth decelerated (dragged down by tighter liquidity and the short-term impact of recent structural reforms weighing on India's large informal economy), and Hong Kong protests rattled investors. From a sector perspective, Information technology was the sole contributor, bolstered by semiconductor businesses. Financials and Materials detracted most from the benchmark's return.

Portfolio Review

The Touchstone Sands Capital Emerging Markets Growth Fund (Class Y shares) outperformed its benchmark, the MSCI Emerging Markets Index, for the quarter ended September 30, 2019.

Security selection and currency effects bolstered relative results for the quarter. China was the strategy's top country contributor — led by Consumer Discretionary and Information Technology businesses. Cambodia was the second-largest country contributor, attributable to NagaCorp. Taiwan was the largest country detractor — due to unfavorable allocation and currency effects — followed by Russia. From a sector perspective, Consumer Discretionary and Financials were the top contributors, while Communication Services and Utilities (a zero percent weight) were modest detractors.

Among the top individual contributors to relative performance were Anta Sports Products Ltd., NagaCorp Ltd. and Sunny Optical Technology Group.

> Anta Sports Products reported robust first-half 2019 results, with revenue and profits both beating expectations. Strong revenue momentum supported by Anta and FILA brands, with favorable mix driving gross-margin improvement. NagaCorp's first-half 2019 results saw strong gross gaming revenue growth, bolstered by the VIP segment. Cambodian tourism remained healthy, with international arrivals growing 11 percent year-over-year to 2.9 million visitors year-to-date through May. NagaCorp also disclosed its full Naga3 property financing plans, removing an overhang on the stock. Sunny Optical Technology posted solid first-half 2019 results. Despite a challenging external environment (foreign currency pressure, Huawei sanctions, and weak smartphone shipments), Sunny continues to benefit from sustained camera upgrades across smartphone, vehicle, and other emerging applications.

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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.***

Among the top detractors from relative performance were Ctrip.com International Ltd., MercadoLibre Inc., Yandex NV, and Tencent Holdings Ltd.

Ctrip declined due to lower-than-expected third-quarter revenue guidance, attributable to political headwinds in Hong Kong and Taiwan. Importantly, we believe these headwinds should abate in the coming quarters, and Ctrip continued to gain market share from competitors.

Second-quarter results were otherwise in-line with our expectations. Argentine markets fell and dragged MercadoLibre shares price with them. This obfuscated otherwise strong fundamental results, with accelerating ecommerce gross-merchandise volumes and traction in the business's payments segment. Yandex stock sold off following a proposed bill to limit foreign investors' voting stakes in "strategic information resources," such as Yandex. We believe this is unlikely to pass in current form, and the threshold will probably be higher to accommodate businesses like Yandex given their existing shareholder bases. Otherwise, Yandex continues to meet expectations, with solid growth in core search and faster growth from newer business verticals (including Taxi, music, and newsfeed). Tencent's mixed second-quarter 2019 results, in our view, obscure the business's solid fundamentals. Monetization of WeChat Moments, the key to our investment case, is still very early; gaming revenue growth is poised to reaccelerate following last year's regulatory challenges; and new areas, such as cloud and fintech, are growing rapidly, and are likely to become more meaningful profit drivers over time. Tencent continues to account for over 50 percent of all time spent on the mobile internet in China.

Purchases and Sales

During the quarter, we initiated a position in Prosus NV, a Naspers spin-off, and purchased Vincom Retail Inc.

Spun off of Naspers Limited in the third quarter, Prosus is the Europe-listed entity that holds Naspers' high-growth internet businesses. Naspers' most attractive internet asset, in our view, is its stake in Tencent Holdings Ltd., the Chinese internet platform business. Tencent engages over a billion monthly users across each of its Weixin/WeChat, QQ instant messaging, and Qzone social-networking apps, and maintains leading businesses across a number of areas, including entertainment, information, and payments. Ultimately, we believe much of the Chinese technology market will consolidate around Tencent, with the company extracting a large portion of the value created in many key verticals. Beyond Tencent, Prosus also holds Naspers' fast-growing online classifieds, food delivery, epayments, travel, and social media businesses.

Vincom Retail is Vietnam's largest shopping center developer and operator. We believe Vincom, with over 60 percent share in Hanoi and Ho Chi Minh City, is uniquely positioned to benefit as the country's fast-growing middle class increasingly shifts toward modern retail formats. Malls are viewed as lifestyle destinations in Asia, often becoming a centerpiece of social life in congested and polluted cities. We believe these entertainment and social features should favor malls over other modern shopping formats, such as department stores. Furthermore, we don't believe that ecommerce will undercut the mall opportunity, given Vietnam's consumer preferences, relatively low mobile internet penetration, and logistical challenges. Beyond Vincom's scale, first-mover advantage, and secular drivers, the business benefits from its relationship with parent Vingroup, enabling preferred access to land bank acquisition. This favorable partnership can enable high free cash flow and net operating margins. Given its market leadership and land bank access, Vincom is effectively the gatekeeper for any retailer looking to scale in Vietnam's underpenetrated retail environment.

During the quarter, we sold Eicher Motors Ltd. and Hansoh Pharmaceutical Group Co. Ltd.

We sold Eicher Motors, the manufacturer of the iconic Royal Enfield motorcycle brand in India. The business and stock have been pressured by the slowing Indian macro environment, and we have little visibility into when results will improve. Among the Fund's Indian businesses, we believe Eicher was one of the most exposed to the business cycle, as motorcycles are big-ticket discretionary purchases. Furthermore, the majority of Eicher's customers are from India's informal economy, which has been squeezed in recent years by demonetization (2016), the Goods and Services Tax (2017), and the non-bank financial company liquidity crisis (2018). Our research indicated that Eicher's Royal Enfield brand power remains intact, and that the business will ultimately recover. However, the timing of this recovery is increasingly unclear, and we believe that Eicher is less capable of "making its own weather" than the Fund's other Indian businesses.

We sold Hansoh Pharmaceutical in the third quarter due to valuation concerns. Hansoh's stock price surged following its June 2019 initial public offering. While the company has reported positive clinical and business results over this period, our long-term estimates are largely unchanged. This has resulted in an elevated valuation, so we no longer view Hansoh's risk/reward as attractive. We will continue to monitor the business, as Hansoh remains one of the top pharmaceutical companies in China, in our view, and one of the few leaders amid the industry's broader shift away from generics and toward more innovative, novel drug development.

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Secular Trends

The majority of businesses in the portfolio benefit from one or more of the following secular trends:

Rise of Internet Penetration

Rising internet connectivity and mobile device penetration are spurring broad-based economic activity in emerging markets. Commercial opportunities — including ecommerce, online travel, and ride sharing — are being enabled by new cloud, logistics, and enterprise solutions. The internet is changing how people consume information, leading to opportunities for advertisers and digital media providers. Portfolio beneficiaries include Alibaba Group Holding Ltd., MercadoLibre Inc., Tencent Holdings and Yandex NV.

Formalization of Retail

The shift from fragmented industries to consolidated operators offers powerful opportunities in many emerging economies. Informal "mom and pop" vendors lack the product selection, quality, and shopping experience offered by formal competitors. Formal retailers with compelling brands and/or store formats have the opportunity to take share and consolidate the market, particularly as consumer incomes rise and demand increases for better quality and greater selection. Portfolio beneficiaries include Anta Sports Products, Asian Paints Ltd., CP All PCL, and Jubilant Foodworks Ltd.

Hard & Soft Infrastructure

Substantial infrastructure investment and development are required to enhance productivity and stimulate demand. We see several countries beginning to enact pro-growth policies that should help sustain future domestic growth. Opportunities exist in both hard infrastructure — such as new roads and airports, and in soft infrastructure, which includes education and health care. Portfolio beneficiaries include Apollo Hospitals Enterprise Ltd., Grupo Aeroportuario del Sureste, Larsen & Toubro Ltd., and New Oriental Education & Tech Group.

Financial Penetration

Approximately a third of the world's adult population remains unbanked, and nearly all of them live in emerging markets. New technologies are enabling access to basic financial products and services. Businesses serving the needs of the growing middle class should benefit from increasing demand for consumer financing. Portfolio beneficiaries include AIA Ltd., Bajaj Finance Ltd., Housing Development Finance Corp. Ltd., and HDFC Bank Ltd.

Outlook and Conclusion

We continue to believe that headlines obscure important secular shifts that are changing how people bank, communicate, and shop. We expect these powerful secular forces and shifting consumer behavior to support leading businesses that are positioned at the intersection of innovation and commercialization. These businesses, in our view, will be capable of generating above-average earnings growth across economic cycles.

We continue to believe that our criteria-driven approach enables us to navigate the complexities and nuances within Emerging Markets. Guided by our six criteria, we remain confident that the businesses we own will continue to deliver above-average earnings growth.

Letter from the Investment Team

India: Short-Term Pain, Long-Term Gain

India has been among the Fund's largest country overweight since inception, based on the thesis that the transformative increase in India's middle class — supported by pro-growth policies and the development of modern-state capacity — would create a powerful long-term consumption tailwind. In our view, this backdrop is among the most attractive in emerging markets for long-term, above-average earnings growth.

The Fund's Indian businesses have been a long-term value creator for the strategy, but recent developments have prompted us to retest our thesis. The MSCI India's flat return over the past two years belies what's been a volatile ride, as the market has contended with slowing growth, a major election, and a liquidity crunch. As recently as this quarter, markets fell before recovering following the news of a landmark corporate tax cut. We spent several weeks in India in the third quarter, meeting with consumers, executives, and policy-makers to get a better sense of what's happening on the ground, and the potential effects on the earnings power of our businesses.

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We conclude that, on balance, we continue to own the right businesses for the long term. We believe sentiment appears to be worse than economic reality. While there is more short-term pain associated with the government's structural-reform agenda than we initially realized, we continue to believe that our businesses are positioned for above-average earnings growth, bolstered by a supportive long-term macro environment. Notably, the past few years have demonstrated the importance of our process, and active ownership in emerging markets.

What's Going On

India's GDP growth has been decelerating since mid- 2018, with year-over-year growth hitting a five-year low in July 2019. Our research indicates that the slowdown is largely attributable to growing pains associated with the government's push toward economic modernization. However, other factors — including financial sector issues and seasonality — are also constricting growth.

Modinomics: The administration of Prime Minister Modi is trying to clean and improve the country's economic model for generations to come. It has aimed aggressive tactics at shrinking the informal economy and reducing corporate-level crony capitalism. However, we believe officials are beginning to acknowledge that some of these sweeping reforms have had unexpectedly severe effects on parts of the economy, especially within what we call the "gray" sector. This sector, which accounts for approximately 40 percent of the economy, largely operates between the informal and formal portions of India's system, often serving as a key element in corporate supply chains. Policy confusion within this segment is further pressuring growth. For example, a misunderstanding of the Goods and Services Tax has led to imprisonment fears for gray-market businesses, and some potential car buyers mistakenly believe that internal combustion engines will be banned with next year's new vehicle emission standards.

Credit Crunch: Beyond the government's efforts at modernization, we believe the financial sector's woes are also constraining growth, particularly within the gray economy. Non-bank financial companies once accounted for as much as one fourth of the country's lending activity, but are now largely frozen following the 2018 default of shadow bank Infrastructure Leasing & Financial Services. Public-sector banks have long had bad debt problems, and recent central-bank rate cuts have failed to spark lending, as these banks have instead worked to mend their balance sheets. This credit squeeze has challenged the gray economy, which heavily relies on public-sector banks and non-bank financial institutions for funding. This in turn has resulted in less demand for autos, homes, and other durable goods.

Seasonal Effects: Finally, seasonal effects — including the festival season's timing, monsoons, and pre-election spending dynamics — have been a headwind to growth, exacerbating the existing issues.

Our Take

Our extensive on-the-ground research leads us to believe that sentiment is worse than reality. However, we acknowledge that we underestimated the severity of some of the reforms on the gray economy. The impact of these reforms can be seen in the recent business and investment results from some of our companies that are more sensitive to discretionary spending — especially those that serve gray-market consumers.

We believe time will help with a number of India's issues, as the recent policy-related growing pains abate, the government more clearly communicates its efforts, liquidity improves, and seasons change.

Going forward, we believe that India will increasingly bifurcate into two economies: the formal, organized economy which will continue to grow its share of GDP, and the informal economy that will face ongoing pressure from the government to shrink or change its behavior. We believe formal-economy businesses that compete against informal operators will be positioned for above-average growth.

Selectivity Matters

The current situation reinforces the importance of our six criteria, and how selectivity is paramount when investing in emerging markets. Understanding the local context and having extensive business-model experience is essential when investing in a market where we expect a growing divide between the winners and losers. Further, we believe periods of stress and indiscriminate selling can create powerful opportunities for patient, business focused investors. Often, stronger businesses become even more entrenched, taking share from weaker competitors during periods of soft consumption or credit availability. We believe this dynamic is occurring now, so we believe our businesses will emerge with even stronger competitive positions once local conditions normalize. For example, we believe Housing Development Finance Corp. Ltd. the country's leading mortgage-finance company, has more diversified funding sources than its peers, which has been a key differentiator and has contributed to its business resilience over this challenging period. Maruti Suzuki India Ltd. continued to grow its market share, and its early implementation of new emissions standards has enabled it to avoid significant write-downs, as companies are required to repurchase non-compliant vehicles. Finally, Titan Company Ltd., despite facing muted jewelry demand due to higher gold prices, saw double-digit growth from its ecommerce segment, as the company continued to benefit from its focus on salaried customers.

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Wrapping Up

In our second-quarter letter, we wrote about the importance of focusing on "real risk" — i.e., anything that erodes the earnings power of underlying businesses — rather than stock-price volatility, which merely reflects the short-termism of market participants. In this environment, we believe this difference is especially important.

India's market and economy may continue to face headwinds and make headlines, but we believe there's more than meets the eye. Risks remain — including inflation, a demographic wave that will require continued job growth, and successful reform implementation. But overall, we believe that the short-term pain the economy is enduring will lead to higher-quality, more sustainable growth for what could be the world's most populous nation by 2030. We continue to see India as one of the most promising emerging-market countries. We believe that we'll continue to find a rich opportunity set of businesses that meet our fundamental criteria.

As of September 30, 2019, Anta Sports Products Ltd. made up 3.69%, NagaCorp Ltd. made up 2.69%, Sunny Optical Technology Group made up 2.11%, Ctrip.com International Ltd. made up 2.51%, MercadoLibre Inc. made up 4.43%, Yandex NV made up 4.37%, Tencent Holdings Ltd. made up 6.14%, Prosus NV made up 1.15%, Vincom Retail Inc. made up 0.90%, Alibaba Group Holding Ltd. made up 9.15%, Asian Paints Ltd. made up 1.60%, CP All PCL made up 2.75%, Jubilant Foodworks Ltd. made up 2.50%. Apollo Hospitals Enterprise Ltd. made up 2.15%, Grupo Aeroportuario del Sureste made up 1.84%, Larsen & Toubro Ltd. made up 2.03%, New Oriental Education & Tech Group made up 2.84%, AIA Group Ltd. made up 2.59%, Bajaj Finance Ltd. made up 3.54%, Housing Development Finance Corp. Ltd. made up 2.89%, HDFC Bank Ltd. made up 3.73%, Maruti Suzuki India Ltd. made up 1.01%, Titan Company Ltd. made up 0.71%, Naspers Limited made up 2.38%, Eicher Motors Ltd. and Hansoh Pharmaceutical Group Co. Ltd. made up 0.00% of the Touchstone Sands Capital Emerging Markets Growth Fund. Current and future portfolio holdings are subject to change.

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Fund Facts *(As of 09/30/19)*

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio* Total	Net
A Shares	11/16/18	**TSMGX**	89154Q141	4.90%	1.61%
C Shares	11/16/18	**TEGCX**	89154Q133	57.89%	2.36%
Y Shares	05/09/14	**TSEMX**	89154Q570	1.36%	1.36%
INST Shares	05/09/14	**TSEGX**	89154Q562	1.28%	1.26%
Total Fund Assets	**$1.1 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 and 1.25% for Class INST Shares. These expense limitations will remain in effect until at least 11/16/20.*

Annualized Total Returns** *(As of 09/30/19)*

Class	3Q19	YTD	1 Year	3 Year	5 Year	Inception
Including Max Sales Charge						
A Shares	-6.51%	8.47%	2.99%	5.32%	3.41%	3.66%
C Shares	-2.74%	12.72%	6.66%	6.34%	3.71%	3.88%
Excluding Max Sales Charge						
A Shares	-1.60%	14.22%	8.44%	7.13%	4.48%	4.66%
C Shares	-1.76%	13.72%	7.66%	6.34%	3.71%	3.88%
Y Shares	-1.44%	14.49%	8.73%	7.40%	4.74%	4.92%
INST Shares	-1.44%	14.61%	8.86%	7.50%	4.84%	5.01%
Benchmark^	-4.25%	5.89%	-2.02%	5.97%	2.33%	2.40%

^Benchmark - MSCI Emerging Markets Index[1]

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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.***

[1]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.

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. The fixed dividend may be less attractive in a rising interest rate market. 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 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 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. 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.

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 advisor 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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