Touchstone Sands Capital Emerging Markets Growth Fund

Sub-Advised by: Sands Capital Management, LLC

Emerging Markets – Large-Cap Growth 3Q/2025

Fund Manager Commentary

As of September 30, 2025

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

Emerging market equities, as measured by the MSCI Emerging Markets Index (MSCI EM), rose again in 2025's third quarter. The MSCI EM outperformed the MSCI World and S&P 500 indices for the third consecutive quarter. Notably, emerging markets delivered strong results despite a strengthening U.S. dollar—a typical headwind for the asset class. Emerging markets remain on track for their best year since 2017, both in absolute terms and relative to developed markets.

While gains were broad-based across sectors and countries, leadership was highly concentrated. All sectors traded higher, and 21 of 24 index constituent countries advanced. However, China, Taiwan, and Korea accounted for more than 90 percent of the index's rise. Sector leadership followed a similar pattern, with Information Technology, Consumer Discretionary, and Communication Services contributing the bulk of the gains.

Much of the outperformance in these markets reflects growing demand for artificial intelligence (AI) infrastructure. In China, optimism also stemmed from signs of improved U.S. relations and domestic efforts to curb "involutionary" competition—a policy push to reduce deflationary pricing and improve industrial margins.

India was the largest index detractor for the quarter and remains the second worst-performing emerging market year-to-date, ahead of only Indonesia. Policymakers have taken steps to boost consumer spending through interest rate cuts, lower reserve requirements, and tax relief. However, these efforts have been overshadowed by renewed U.S. tariff pressure and a growing investor narrative that casts India as an AI "loser" relative to China. This view reflects concerns about potential disruption to India's knowledge process outsourcing industry and the perception that China is further ahead in developing core AI technologies.

Portfolio Review

The Touchstone Sands Capital Emerging Markets Growth Fund (Class A Shares, Load-Waived) underperformed its benchmark, the MSCI Emerging Markets Index, for the quarter ended September 30, 2025.

Most of the underperformance is attributable to July, which was the worst relative month since 2022. Multiple expansion was the dominant driver of the index's return in the quarter, accounting for more than 70 percent of the gain. By contrast, the Fund also saw a modest valuation uplift, but its absolute return was more evenly split between earnings growth and multiple expansion. We attribute the Fund's underperformance to three primary factors: reversals among strong performers in 2025's first half, country positioning, and

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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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strength in select unowned businesses. More than half of the relative shortfall came from companies that had been strong performers earlier in the year. In fact, the two largest absolute detractors in the quarter were also among the biggest first-half contributors. We view these reversals as largely disconnected from fundamentals.

Country positioning also detracted. Our overweight to India, which underperformed the MSCI EM, weighed on results, while our underweight to China was another headwind. Importantly, security selection within India offset the allocation effect, and we continue to narrow our China underweight.

Not owning Alibaba Group Holding Ltd. (China, Consumer Discretionary sector) accounted for about a quarter of the underperformance. We exited the position in early 2025, taking what we viewed as a valuation-driven opportunity to step away from a business that remained reliant on a maturing ecommerce core. Since then, sentiment shifted as AliCloud became viewed as a key beneficiary of China's AI buildout. Leadership changes and new AI commitments, along with a partnership with China Unicom, led shares higher. As the index's third-largest weight, that re-rating created a significant headwind.

Positively, strong security selection in India and contributions from several companies with large active weights contributed to relative results. Overall, from a country perspective, Taiwan and Singapore contributed most to relative results, while China and Argentina were the top detractors. Industrials and Utilities were the top sector relative contributors, while Consumer Discretionary and Consumer Staples detracted most.

Among the top individual absolute contributors were Taiwan Semiconductor Manufacturing Co. Ltd. (Taiwan, Information Technology sector), Tencent Holdings Ltd. (China, Communication Services sector), Contemporary Amperex Technology Co. Ltd. (China, Industrials sector), Sea Ltd. (Singapore, Communication Services sector), and Nu Holdings Ltd. (Brazil, Financials sector).

Taiwan Semiconductor (TSMC) is the world's largest producer of leading-edge logic chips by market share. Shares rose following strong quarterly results, raised full-year guidance, and positive signals from the global AI infrastructure buildout. The company continues to benefit from strong AI-related demand and is expanding CoWoS capacity to narrow the gap between supply and demand. Despite currency headwinds and elevated investment in overseas fabs, gross margins have remained resilient, supported by yield improvements and disciplined pricing. Looking ahead to 2026, we believe TSMC is well positioned to exceed the 16 percent revenue growth expected by consensus. Key drivers include capacity expansion, the launch of a new iPhone with enhanced AI capabilities, and increased outsourcing from Intel. Longer term, we model 20 percent annualized earnings growth through 2029. While AI remains the primary growth engine, we also expect smartphones, PCs, servers, and automotive chips to grow at low-to-mid-teens rates, driven by pricing and rising silicon content.

Tencent is a leading Chinese internet platform business. Tencent continues to execute well, delivering strong results despite high expectations. AI is expanding its growth runway and reinforcing competitive advantages across business lines. In gaming, AI is improving user experience through more responsive in-game bots and accelerating design workflows. In advertising, AI is enabling more targeted placements, higher click-through rates, and more closed-loop transactions. We believe Tencent is among the best-positioned AI leaders in China, given its scale, proprietary data, and deep integration across the WeChat ecosystem. Tencent also appears insulated from competitive pressures facing other large Chinese internet firms, particularly in quick commerce. While we retain high conviction in the long-term opportunity, we recognize that the market shares this optimism, which is reflected in the current valuation.

Contemporary Amperex (CATL) is the world's largest electric vehicle (EV) battery manufacturer by market share. Shares rose on positive developments across energy storage demand, solid-state battery ramp-up, and commercial vehicle adoption. CATL remains the most advanced battery maker globally, with industry-leading cost efficiency, disciplined research and development, robust supply chain execution, and consistent free cash flow generation. We believe the business is expanding beyond EVs to serve a broader range of applications – including commercial vehicles, eVTOLs, robotics, and potentially marine and aerospace – positioning it as a long-duration compounder. In the third quarter, CATL stood out as one of China's few globally competitive businesses not facing irrational domestic competition. While recent share price strength has led to a notable re-rating, potential catalysts remain. These include easing U.S.-China tensions that could reduce tariffs on Chinese battery exports and the company's possible removal from the U.S. Department of Defense's list of "Chinese Military Companies."

Among the top individual absolute detractors were MercadoLibre Inc. (Argentina, Consumer Discretionary sector), Dino Polska SA (Poland, Consumer Discretionary sector), Globant SA (Argentina, Information Technology sector), HDFC Bank Ltd. (India, Financials sector), and Bank Central Asia (Indonesia, Financials sector).

MercadoLibre operates the largest ecommerce and fintech ecosystem in Latin America by market share. Shares declined as investors took profits following a strong first half, driven by concerns over rising competition in Brazil. The company announced new shipping policies that lower the free-shipping threshold for buyers and reduce fees for sellers. While these changes may pressure near-term margins, we view them as a strategic move to expand into lower-income segments by leveraging MercadoLibre's logistics infrastructure. Importantly, these actions were not reactive. They followed consistent growth and, in our view, could strengthen consumer engagement and accelerate growth. Early data supports this: gross merchandise volume slightly accelerated in June and July. We continue to believe both MercadoLibre and its largest competitor, Shopee, can gain share from weaker incumbents. Ecommerce penetration in Brazil remains in the mid-teens, leaving the opportunity still at an early stage. We retain conviction in MercadoLibre's long-term ability to drive profitable growth across the region.

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Dino Polska is a leading supermarket chain in Poland. The company reported mixed results for 2025's second quarter. Like-for-like sales re-accelerated, and total revenue grew 19 percent year-over-year. However, operating costs rose even faster, leading management to revise full-year guidance lower. The increase in expenses was driven by higher spending on marketing, employee benefits, and store operations. Margin pressure may persist near term due to ongoing food price disinflation and wage inflation in Poland. If expense intensity moderates and like-for-like growth outpaces inflation without heavy promotional activity, we would expect shares to recover. We continue to see long-term opportunity as Dino expands its store footprint and formalizes Poland's fragmented food retail sector. The company now operates more than 2,800 stores and increased its total sales area by over 13 percent year-over-year. It also opened its 11th distribution center, which should support product availability and growth potential.

Globant is a leading provider of digital business services to global corporations. Shares declined after the company posted its third consecutive earnings disappointment. While revenue met expectations and margins remained steady, management lowered full-year growth guidance by 1 percentage point, citing continued demand uncertainty. Despite near-term challenges, we see no structural issues with the business. Our research suggests Globant is well positioned to benefit from AI trends. The company operates in the implementation layer, enabling partnerships, not competition, with leading AI providers such as OpenAI, Anthropic, AWS, and Google. These relationships expand channel access and reinforce Globant's strategic relevance. Early signals include strong customer adoption of AI Pods – Globant's AI-powered engineering platform – since its launch in June. Additionally, we have observed a shift in client spending from cost reduction to revenue-linked AI transformation programs, suggesting more durable, high-value engagements that could drive long-term growth.

During the quarter we completed the purchases of Bharti Airtel Ltd. (India, Communication Services sector), COSMAX Inc. (South Korea, Consumer Staples sector), Samsung Electronics Co. Ltd. (South Korea, Information Technology sector), and SK hynix Inc. (South Korea, Information Technology sector). We exited Haidilao International Holding Ltd. (China, Consumer Discretionary sector) and Reliance Industries Ltd. (India, Energy sector).

We have long maintained meaningful semiconductor exposure. This year, we identified additional criteria-meeting businesses along the AI infrastructure value chain, including baseboard management controllers, system-on-chip solutions, and high-bandwidth memory. These additions, some made in the third quarter, also helped narrow our underweights to South Korea and Taiwan.

Bharti Airtel is a leading telecom provider in India. Airtel and Reliance Jio together command approximately 75 percent share of industry subscribers. While not the largest by subscriber market share, Airtel has historically delivered stronger average revenue per user, profitability, and return on invested capital than both the industry and its main competitor. We believe Airtel is well positioned to benefit from the industry's long-term growth potential, supported by three factors: an expanding addressable market as telecom services become essential for most Indian adults; greater pricing power enabled by improvements in Airtel's ability to target customer segments more precisely; and ongoing premiumization as rising smartphone penetration drives higher data consumption. We expect these trends to reinforce customer loyalty and support stronger monetization over time. We also see free cash flow at an inflection point. Revenue growth is accelerating, capital expenditure intensity is falling, and operational efficiency programs such as its "War on Waste" are improving margins. With the nationwide 5G rollout complete and running at only one-third of capacity, we believe capital expenditures have likely peaked for the foreseeable future. We believe this combination of revenue growth, efficiency gains, and reduced investment needs will enable Airtel to expand margins, generate more free cash flow, and grow earnings over the next five years.

COSMAX is the world's largest original design manufacturer (ODM) in cosmetics by revenue, producing over 1 billion products annually for more than 1,000 brands globally. The company serves a wide spectrum of clients, from multinational beauty conglomerates to emerging independent labels, with core strengths in color cosmetics and growing expertise in skincare. Several secular trends support COSMAX's long-term growth. The ongoing fragmentation of the beauty market and rise of smaller brands have increased reliance on ODMs to accelerate time to market. Simultaneously, global demand for Korean beauty products continues to grow, benefitting Korean manufacturers at the expense of traditional multinationals. South Korea now ranks as the third-largest cosmetics exporter and the second-largest filer of beauty patents globally, reinforcing its innovation edge. COSMAX stands out for its unmatched scale, research and development depth, and advanced manufacturing capabilities. These advantages position it well, in our view, to capture a disproportionate share of growth as the beauty industry evolves.

Samsung Electronics is one of the world's largest diversified technology businesses. We believe Samsung is approaching an inflection point in its earnings trajectory. As one of the world's leading producers of memory chips, the company is well positioned to become a critical supplier of high-bandwidth memory for AI applications. We expect customer announcements from notable customers such as Tesla and Apple to eventually help Samsung's foundry business reach breakeven after years of losses. In mobile, Samsung's yearslong decline in global market share may slow and potentially reverse. In the premium market segment, the company has an opportunity to gain share from Apple, which faces its own AI challenges. In the mass market segment, Samsung has strengthened its position through its operating system ecosystem, while geopolitical considerations may discourage emerging-market consumers from purchasing Chinese devices. Additional drivers include edge AI use cases and adoption of new form factors such as foldable phones.

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Samsung's national importance further reinforces its long-term opportunity. As South Korea develops sovereign AI capabilities, Samsung is likely to be favored over foreign competitors to partner with local AI companies. Over time, we believe the company could evolve from being primarily a memory supplier to becoming a platform partner for startups building foundational models and a leading logic supplier for South Korea's sovereign AI ecosystem. We see growing evidence of positive momentum at Samsung that we believe the market underappreciates. This initiation also reduces the portfolio's underweight in South Korea.

SK hynix is the world's largest dedicated producer of memory chips. The business benefits from the increasing demand for computational power and data storage, driven by the rise of AI and high-performance computing. The memory chip industry has consolidated into an oligopoly led by three companies. While SK hynix is not the overall market-share leader, it is the only company with an exclusive focus on memory chips, and we believe it stands to benefit most from the growth of high-bandwidth memory (HBM). HBM is essential for AI servers and graphical processing units (GPUs). SK hynix is the world's leading HBM designer in terms of market share, and our research indicates that the business' chips outperform competitors in terms of yield, data speed, and heat dissipation. The company's partnership with the world's largest GPU designers, semiconductor fabricators, and equipment manufacturers further reinforces its leadership position. These relationships, along with SK hynix's technology advancements, position the company to capitalize on the increasing demand for high-performance memory solutions, in our view.

We exited Haidilao, as it no longer meets our first investment criterion: sustainable, above-average growth potential. Haidilao is a leading full-service restaurant chain in China, best known for its hot pot franchise. Store expansion in its core hot pot franchise has slowed, driven by price-sensitive consumers in a challenging macroeconomic environment. Although industry consolidation and margin expansion may support moderate earnings growth, we lack conviction that the core business can deliver above-average growth over the long term. As the hot pot franchise matures, newer restaurant formats have become more important to the investment case. These concepts have scaled more slowly than expected and, in our view, are unlikely to contribute meaningfully to earnings in the near term. While Haidilao's dividend yield and cash generation remain attractive, concerns about its long-term growth trajectory led us to reallocate capital toward higher-conviction opportunities.

We exited Reliance Industries to fund our purchase of Bharti Airtel. Both companies are leaders in India's duopolistic telecom sector, which we view as an attractive business space underpinned by the secular tailwinds of growing telecom infrastructure and user base, rising smartphone ownership, and broader digital penetration across the country. Amid this favorable industry backdrop, we are also seeing greater consolidation and more rational competition, especially on pricing, leading to higher monetization. Airtel is a pure-play telecom operator, while Reliance is a conglomerate with other operations besides telecom, including sectors such as energy and petrochemicals, which we find less attractive due to lower secular growth dynamics and inherent cyclicality. Moreover, Airtel has demonstrated to be a more efficient operator and better capital allocator and has consistently delivered higher profitability and returns on invested capital over the past several years. We believe this likely continues over the medium to long term. Finally, our research suggests that Airtel has a superior management team – as measured by strategy, focus, and execution – with better alignment of interests between promoters and minority shareholders.

Outlook and Conclusion

Entering this year, many investors questioned "why bother" with emerging market equities. The answer, at least so far, is "2025."

After four consecutive years of underperformance versus developed markets – and seven years lagging U.S. equities – emerging markets have now outperformed both, delivering double-digit returns in a volatile environment. They have reminded investors of their potential to offer idiosyncratic growth, which may contribute to portfolio diversification and offer differentiated sources of return.

Importantly, this has not been just a "catch-up" trade. While multiple expansion has contributed, the rally has also been supported by a narrowing earnings growth gap with U.S. equities, a weaker U.S. dollar, and higher dividend yields. We continue to see several secular forces capable of underpinning strong earnings growth for select businesses, from financial penetration to industry formalization and consolidation. AI is accelerating a "winner-takes-most" dynamic, benefitting companies with scale, differentiated offerings, and the ability to productize innovation. These businesses are gaining pricing power, expanding margins, and deepening moats. Meanwhile, the portfolio ended the period trading at its lowest forward earnings premium to the MSCI EM in its history.

Despite the auspicious start, we expect the remainder of 2025 to bring periods of volatility as markets respond to developments in AI, geopolitics, and the global economy. That said, we believe our portfolio is well positioned to navigate this uncertainty. It is diversified across end markets, geographies, and growth stages, with improved earnings visibility and stability. Key portfolio metrics including profitability, balance sheet resilience, and valuation have also strengthened without compromising long-term growth potential. We remain committed to our high-conviction, long-term approach—one rooted in growth durability and executed with discipline. We believe this positions us well for both the challenges and opportunities ahead.

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Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	11/16/18	**TSMGX**	89154Q141	1.60%	1.44%
C Shares	11/16/18	**TEGCX**	89154Q133	2.53%	2.14%
Y Shares	05/09/14	**TSEMX**	89154Q570	1.17%	1.17%
INST Shares	05/09/14	**TSEGX**	89154Q562	1.10%	1.05%
R6 Shares	04/26/21	**TSRMX**	89154M702	1.06%	1.01%
Total Fund Assets	**$2.1 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 1.43% for Class A Shares, 2.13% for Class C Shares, 1.21% for Class Y Shares, 1.04% for Class INST Shares and 1.00% for Class R6 Shares. These expense limitations will remain in effect until at least 07/29/26.

Share class availability differs by firm.

Annualized Total Returns

	3Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	4.59%	19.80%	7.59%	11.52%	-0.98%	6.89%	4.80%
C Shares	4.39%	19.26%	6.81%	10.71%	-1.71%	6.10%	4.02%
Y Shares	4.70%	20.11%	7.86%	11.89%	-0.67%	7.19%	5.09%
INST Shares	4.73%	20.18%	8.00%	11.95%	-0.59%	7.29%	5.18%
R6 Shares	4.66%	20.17%	7.98%	12.00%	-0.57%	7.25%	5.14%
Benchmark	10.64%	27.53%	17.32%	18.21%	7.02%	7.99%	5.10%
Including Max Sales Charge							
A Shares	-0.65%	13.82%	2.18%	9.63%	-1.99%	6.35%	4.32%
C Shares	3.39%	18.26%	5.81%	10.71%	-1.71%	6.10%	4.02%

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 Emerging Markets Index

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.*** *From time to time, the investment advisor may waive some fees and/or reimburse expenses, which if not waived or reimbursed, will lower performance. Performance by share class will differ due to differences in class expenses. Returns assume reinvestment of all distributions. Returns are not annualized for periods less than one year.*

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.

Top 10 Equity Holdings of Fund

		(% of Portfolio)
1	Taiwan Semiconductor Mfg. Co. Ltd.	13.2
2	Tencent Holdings Ltd.	6.4
3	Bajaj Finance Ltd.	5.1
4	Mercadolibre Inc.	4.8
5	Sea Ltd.	4.3

		(% of Portfolio)
6	HDFC Bank Ltd.	4.0
7	Nu Holdings Ltd.	3.8
8	AIA Group Ltd.	3.5
9	ANTA Sports Products Ltd.	3.3
10	Coupang Inc.	2.8

Source: BNY Mellon Asset Servicing

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.

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 may invest in equity-related securities to gain exposure to issuers in certain emerging or frontier market countries. These securities entail both counterparty risk and liquidity risk. 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 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. 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. Banks and financial services companies could suffer losses if interest rates rise or economic conditions deteriorate. The sub-advisor 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 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 Fund may focus its investments in specific sectors and therefore is subject to the risk that adverse circumstances will have greater impact on the fund than on the fund that does not do so. 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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