Fund Manager Commentary

As of March 31, 2023

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 (EM) equities, as measured by the MSCI Emerging Markets Index (MSCI EM), rose modestly in 2023's first quarter. This was the second consecutive quarterly gain for the index, the longest such streak since mid-2021.

EM growth equities modestly outperformed EM value equities, which was a theme seen globally. Notably, the MSCI EM Growth Index topped the MSCI EM Value Index for the first quarter since 2020, breaking a nine-quarter losing streak.

Performance was mixed across countries and sectors. Taiwan, China, and Korea were the largest contributors to the MSCI EM's rise, while India was a standout detractor, followed by Brazil and the United Arab Emirates. From a sector perspective, the growth-oriented Information Technology and Communication Services sectors were the top index contributors, while Utilities and Health Care detracted most.

Portfolio Review

The Touchstone Sands Capital Emerging Markets Growth Fund (Class A Shares Load-Waived) outperformed its benchmark, the MSCI Emerging Markets Index, for the quarter ended March 31, 2023.

The Fund has now outperformed in two of the last three quarters. During the recent quarter, country allocation, security selection, and currency effect all contributed to relative results, while sector allocation was a modest detractor.

From a country perspective, Argentina, Singapore, and the U.S. contributed most to relative results, while India, China, and Taiwan were the top detractors. From a sector perspective, Consumer Discretionary and Communication Services were the top contributors, while Financials and Health Care detracted most from relative results.

The top individual absolute contributors to investment results were MercadoLibre Inc., Sea Ltd., Taiwan Semiconductor Manufacturing Co. Ltd., Tencent Holdings Ltd., and Lam Research Corp.

MercadoLibre shares rebounded in the first quarter following its worst calendar-year investment results since 2008. In the fourth quarter of last year, we conducted a research trip in Brazil to evaluate the ecommerce landscape, meeting with ecommerce platforms, local sellers, consumers, and logistics providers. We came away from the trip with higher conviction in MercadoLibre's growth and profitability trajectory. Over the past few quarters, MercadoLibre has gained significant ecommerce market share in Brazil. We attribute this to

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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.***

company initiatives to improve consumer experiences, including logistics, first-party inventory, and the user interface. The company has several other tools at its disposal to help drive its market-share leadership, in our view, including expanded logistics capabilities (including last-mile delivery/returns), enhanced seller analytics tools, and advertising. Additionally, we expect MercadoLibre to capture market share following the collapse of ecommerce competitor Americanas SA, which filed for bankruptcy in January following the report of accounting inconsistencies. Beyond the overall growth trajectory, our research suggests that advertising and logistics will drive higher monetization at scale, potentially resulting in ecommerce margins of 6% to 7% of gross merchandise volume (GMV) over the next five years, up from 1% to 2% today. Its fourth-quarter 2022 results, reported in February, validated our positive view. Margin leverage – our main insight – was visible in the 11 percentage point increase in operating margins. Importantly, the improved profitability did not come at the expense of growth, as overall GMV expanded 35% year-over-year on a constant-currency basis. MercadoLibre is one of our highest-conviction businesses, and ended the quarter as the Fund's largest weight.

Sea shares continued to benefit from strong quarterly results, highlighted by its first-ever profitable quarter at the group level. Importantly, this profitability did not come at the expense of growth, as revenue for its gaming, ecommerce, and digital financial services verticals all exceeded our expectations. Adjusted earnings before interest, taxes, depreciation and amortization was $495 million, versus consensus expectations of a $350 million loss. Shopee (Sea's ecommerce arm) turned profitable two quarters earlier than we expected, and four quarters earlier than the company's prior guidance. Its digital financial services arm also generated a profit during the quarter, which was faster than we expected. Despite cutting sales and marketing spending by over 50% year-over-year, Shopee was still able to generate year-over-year GMV growth of 8% on a foreign currency neutral basis. The announcement, in our view, addressed key investor concerns that, 1) Sea is capable of turning a profit, and 2) any profits would come at the expense of growth. We think these results should help management win back some of the credibility it lost last year, as its cost-cutting initiatives have borne fruit—and far faster than most investors expected. Looking ahead, we expect ecommerce to remain the key value driver for Sea. Within the ecommerce segment, Shopee Asia is the crux of our investment case, accounting for almost 70% of our terminal value for the entire business.

Lam Research shares rose along with semiconductors more broadly. Reported business results and guidance were expectedly weak, given the cyclical downturn in memory chips and wafer fabrication equipment. We believe that Lam is better positioned than it has been historically to weather such down-cycles, given that, 1) 50% of its equipment revenues are now derived from logic chips, which tends to be more resilient than memory, and that 2) services now account for 33% of total revenues, and should add some resilience given Lam's steadily growing installed base. Our long-term outlook remains bright, as we expect Lam to benefit from the secular trends of growing compute demand and increasing semiconductor capital intensity to meet that demand. Lam is uniquely positioned for share gains, in our view, as many new compute use cases will increasingly use etch-intensive 3D architectures.

The top individual absolute detractors to investment results were Bajaj Finance Ltd., XP Inc., Hangzhou Tigermed Consulting Co. Ltd., Wuxi Biologics (Cayman) Inc. and Jubilant Foodworks Ltd.

Bajaj Finance shares traded lower over the past few months as investors feared slowing growth, rising competition in the consumer durables segment, and increased reliance on new lending segments where the company is less established. Beyond the company-specific concerns, Indian shares more broadly trailed the MSCI EM in the first quarter. We have a more positive view, with recent results suggesting that the company is maintaining elevated growth across segments without sacrificing asset quality. Results for the most recently reported quarter saw revenues and earnings expand by 24% and 40% year-over-year, respectively. Bajaj grew its loan book by 27% – with all lending segments contributing – and net interest margins were flat quarter-over-quarter as the company passed along higher funding costs. Margins benefited from incremental operating leverage, though provisioning expense rose slightly, due to management's prudent approach to new loans disbursed during India's festive season. We continue to see a long runway for growth. Bajaj accounts for less than 2% of total credit in India today, and even if it delivers on its growth targets, would only account for 3% share by fiscal 2027. We maintain high conviction that Bajaj will be able to sustain annual earnings growth in excess of 25% over the next five or more years. We could see upside to these estimates from additional operating leverage and fee generation from the company's digital initiatives.

XP remains a highly compelling long-term growth story, in our view, as its investment platform continues to accumulate market share at the expense of the incumbent banks while it layers on additional cross-sell opportunities. However, in the near term, this secular growth opportunity has been overwhelmed by the macro headwinds in Brazil. For XP's earnings growth to reaccelerate and for its valuation multiple to recover, we believe Brazil's inflation and interest rate environment needs to improve. This is outside the company's control. We do not know when improvement will occur, but we maintain high conviction in XP's potential to materially reaccelerate growth once it does. Said another way, we remain confident in the attractive potential of XP over the next five years, but the path to reach that potential currently relies on macro factors that are too complex to anticipate. Amid the challenging macro backdrop, management has focused on what it can control, including costs and staff-retention initiatives. These measures should result in an improved profitability profile while sustaining the business' core competitive advantages relative to incumbent banks.

Tigermed's stock sold off following the release of its full-year 2022 results in March. Recurring net income was slightly lower than expectations and fourth-quarter bookings were also light. This report exacerbated pressure on the stock driven by top-down factors, including the fading China reopening trade and soft biotech funding. We think the reported numbers were noisy, given significant COVID-related disruptions in the second and fourth quarters, and are encouraged to see a significant pickup in year-to-date bookings. Importantly, despite the COVID disruptions, Tigermed still grew ex-COVID revenue 36% year-over-year, with ex-COVID contracts up

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25%. COVID-related work accounted for 17% of revenues in 2022 and is expected to fall significantly in 2023, but we believe the ex-COVID business should grow faster this year, attributable to fewer operational disruptions, more overseas trials, and share gains. We expect the business to deliver topline growth of 25% or more with relatively stable margins over the next five years.

In the first quarter we purchased Contemporary Aperex Technology Co. Ltd., Samsung SDI Co Ltd. and WEG SA. We sold Kakao Pay Corp., NIO Inc. and PagSeguro Digital Ltd.

Contemporary Aperex is the world's largest manufacturer of electric vehicle (EV) batteries by market share. We expect global battery demand to grow fivefold by 2030 due to EV proliferation and for the company to be a key beneficiary. It has approximately 35% share of the global lithium-ion battery market and 50% in China, the world's largest EV market. The business enjoys many scale-based advantages that are hard to disrupt, in our view, including high-quality products, a significant R&D budget, supplier bargaining power, consumer brand recognition, and the support of leading car manufacturers. Beyond EVs, energy storage systems are another opportunity for the business because demand for storage rises with the growing installation of solar and wind power plants. We estimate that Contemporary Aperex is also the global market share leader in energy storage.

Samsung SDI is a leading producer of nickel-based lithium-ion batteries. Samsung SDI's batteries are a key technology that supports the global transition from fossil fuels toward renewable energy sources. The batteries are used widely across EVs, consumer electronics, power devices, and energy storage systems. While the EV battery space is rapidly evolving, we expect nickel-based battery technology to be preferred by premium EVs. This is largely due to greater energy density, which enables longer driving ranges. We view Samsung SDI as a key beneficiary of EV proliferation, particularly in Europe and the U.S. The U.S. Inflation Reduction Act of 2022 incentivized EV battery production but restricted participation by Chinese companies, resulting in what we view as a massive opportunity for the few non-Chinese EV battery makers of scale. In addition to global EV adoption and battery technology leadership, the other keys to our investment case include margin expansion (via scale efficiencies and product mix improvements) and customer diversification beyond its core car manufacturing partners.

WEG is one of the world's largest manufacturers of electric equipment. The Brazil-based business' vision is to provide complete and efficient solutions for the entire electrification value chain, from power generation to consumption. The business is highly diversified, with over half of its revenue derived outside Brazil. Its product base spans industrial equipment, green energy, commercial motors, and paints/varnishes. Demand for WEG's products is underpinned by several secular trends – including energy efficiency, electric mobility, and industry automation – and its diversification across geographies and end markets should continue to enable durable growth. Vertical integration is a key competitive advantage, in our view, driving cost advantages and quality control. Its brand reputation and maintenance network are also key selling points. Historically, 50% of WEG's sales came from products that did not exist five years earlier, and we expect continued innovation across a diversified product and customer base will continue to drive sustainable, above-average growth over the next decade.

We exited Kakao Pay after losing conviction in the attractiveness of the business' opportunity set and, ultimately, its ability to sustain above-average growth over our investment horizon. Our core thesis was that Kakao Pay's integration with the Kakao Talk messenger service would enable it to establish a leadership position within payments. We expected Kakao Pay to then leverage that leadership position to build a profitable digital financial services business. Kakao Pay delivered on the first part of our thesis, in our view, but a change in the regulatory environment hindered the second. Shortly after the business went public, South Korean regulators acted to restrict retail credit growth. This impaired Kakao Pay's ability to scale its loan facilitation program, which we viewed as a key driver of long-term profitability. To execute on the second part of our thesis now, Kakao Pay will likely need to rely more on its MTS investment platform, which we have less conviction in relative to the lending platform.

We sold NIO due to concerns about its fit with our fourth (clear mission and value-added focus) and fifth (financial strength) criteria. NIO, in our view, offers a great product but is a subpar business. Its lineup of electric vehicles has high brand affinity and appears positioned to gain share within the luxury Chinese automobile market. That said, we believe that management expanded too aggressively into new verticals and geographies, which delayed the company's progress toward achieving profitability and stressed its balance sheet amid a deteriorating macro environment. In addition, the company faced more supply chain challenges than its peers during the pandemic. Given the business' small weight in the portfolio and our lower conviction in its fit with the criteria, we exited.

We view PagSeguro Digital as a weaker fit with our criteria relative to other Latin American digital financial services businesses. Our research suggests that the business is close to saturating its core market, which is merchant acquiring for small and midsized businesses. Meanwhile, its "next acts," which include upmarket expansion and digital banking services, are taking longer than we expected to develop. Given the business' small weight in the portfolio (less than 1% as of December 31, 2022) and lack of conviction, we decided to exit.

Overall portfolio positioning was largely unchanged. The largest absolute country exposures were to India and China. The largest overweight was to India and the largest underweight was to China. The portfolio had holdings across 12 countries, versus 24 for the index.

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From a sector perspective, Financials and Consumer Discretionary were the largest absolute exposures, together accounting for approximately 50% of the portfolio. Consumer Discretionary was also the largest overweight at 22% versus 14% for the index. Information Technology was the largest underweight at 10% versus 19% for the index and the portfolio had no exposure to Materials or Utilities.

Outlook and Conclusion

We continue to believe that selectivity and a focus on long-term business fundamentals will be key for EM equity investors.

Over the past decade, the MSCI EM has lagged the returns of developed-market indices. This has occurred even despite faster economic growth among the MSCI EM's largest country constituents. This underperformance, coupled with a seeming lack of diversification benefit amid periods of broader equity market stress, has caused some to question the benefit of EM equity exposure.

We continue to find businesses that meet our criteria in EM. Below are some of the key considerations for investors, in our view:

- The index's results obscure the attractive investment results from a select group of businesses over the period.
- EM can have market structures that uniquely enable local monopolies to exist, while dissuading competition.
- EM equities can provide access to differentiated growth drivers, given differing levels of development relative to developed markets.
- Meaningful EM growth opportunities might not be captured in the MSCI EM.
- ESG improvement and engagement impact could be greater in EM than in developed markets.

Looking ahead, concerns about economic growth, geopolitics, and central bank activity are likely to weigh on investors' minds and keep volatility elevated. Amid this environment, we are encouraged by the financial strength of our portfolio. Emerging Markets Growth tends to invest in businesses with strong cash balances and unit economics and with less debt than the average index constituent. In the case of businesses choosing to depress near-term profits through reinvesting cash flows, we believe these decisions will result in opportunities for stronger long-term profitability that is broadly underestimated by the market consensus.

It's this financial strength that allows businesses to improve their competitive position. In recent years, low interest rates supported fierce competition across several industries as businesses without the underlying profitability to fund their growth often received ample external capital. In the higher rate environment, many sub-scale businesses are reducing spending due to slowing capital availability, benefitting industry leaders with the financial strength to self-fund growth initiatives.

As long-term investors, we realize the fundamental progress of our businesses is often overwhelmed in the near-term by macro-driven changes in investor sentiment. This dynamic was on display in 2020 through 2022 as businesses largely delivered results in-line with our pre-pandemic estimates to become fundamentally stronger, despite valuations that are often back to multi-year lows. For this reason we believe the risk-reward outlook for the portfolio is attractive and are encouraged by the underpinnings of secular growth that support this view.

As of March 31, 2023, MercadoLibre Inc. made up 8.27%, Sea Ltd. made up 5.62%, Taiwan Semiconductor Manufacturing Co. Ltd. made up 5.72%, Tencent Holdings Ltd. made up 4.45%, Lam Research Corp. made up 2.42%, Bajaj Finance Ltd. made up 4.38%, XP Inc. made up 1.57%, Hangzhou Tigermed Consulting Co. Ltd. made up 1.81%, Wuxi Biologics (Cayman) Inc. made up 1.24%, Jubilant Foodworks Ltd. made up 1.71%, Contemporary Aperex Technology Co. Ltd. made up 0.69%, Samsung SDI Co Ltd. made up 1.32%, WEG SA made up 0.79% and Kakao Pay Corp., NIO Inc., PagSeguro Digital Ltd. and Americanas SA each made up 0.00% of the Touchstone Sands Capital Emerging Markets Growth Fund. Current and future portfolio holdings are subject to change.

Fund Facts *(As of 03/31/23)*

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio* Total	Net
A Shares	11/16/18	**TSMGX**	89154Q141	1.60%	1.60%
C Shares	11/16/18	**TEGCX**	89154Q133	2.46%	2.35%
Y Shares	05/09/14	**TSEMX**	89154Q570	1.29%	1.29%
INST Shares	05/09/14	**TSEGX**	89154Q562	1.20%	1.20%
R6 Shares	04/26/21	**TSRMX**	89154M702	1.17%	1.17%
Total Fund Assets	**$2.3 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, 1.25% for Class INST Shares and 1.19% for Class R6 Shares. These expense limitations will remain in effect until at least 07/29/23.*

Share class availability differs by firm.

Annualized Total Returns** *(As of 03/31/23)*

	1Q23	YTD	1 Year	3 Year	5 Year	Inception
Excluding Max Sales Charge						
A Shares	6.35%	6.35%	-15.35%	5.82%	-0.09%	3.32%
C Shares	6.09%	6.09%	-16.07%	5.02%	-0.85%	2.55%
Y Shares	6.37%	6.37%	-15.13%	6.15%	0.19%	3.60%
INST Shares	6.42%	6.42%	-15.11%	6.22%	0.27%	3.68%
R6 Shares	6.41%	6.41%	-15.03%	6.23%	0.23%	3.63%
Benchmark^	3.96%	3.96%	-10.70%	7.83%	-0.91%	2.24%
Including Max Sales Charge						
A Shares	0.99%	0.99%	-19.56%	4.02%	-1.11%	2.73%
C Shares	5.09%	5.09%	-16.91%	5.02%	-0.85%	2.55%

^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.

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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 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. Banks and financial services companies could suffer losses if interest rates rise or economic conditions deteriorate. 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 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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