Touchstone Sands Capital International Growth Fund

Sub-Advised by: Sands Capital Management, LLC

International Equity – Large-Cap Growth 4Q/2022

Fund Manager Commentary

As of December 31, 2022

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 25-40 issuers
- Country and sector exposures are primarily a byproduct of individual stock selection

Market Recap

International equities, as measured by the MSCI All Country World ex-U.S. Index (MSCI ACWI ex-U.S.), rose 14.3% in the fourth quarter. That ended a three-quarter losing streak, and represented their strongest quarterly gain since 2020's fourth quarter.

Gains were broad-based, with 43 of the 47 MSCI ACWI ex-U.S. constituent countries trading higher; 34 countries posted double-digit gains. The index's largest country contributors were Japan, the U.K., and France, while Saudi Arabia, Qatar, and Indonesia were the largest, albeit modest, detractors. All sectors were strong across the board. The largest contributors to the MSCI ACWI ex-U.S. were Financials and Industrials, while Real Estate and Utilities contributed the least.

While the gains were broad-based, notably, international value equities (MSCI ACWI ex-U.S. Value Index) outperformed global growth equities (MSCI ACWI ex-U.S. Growth Index) by over nine percentage points during the quarter.

The fourth quarter capped off the worst year for international equities since 2008, with the index falling 16%, reversing three straight years of gains. While the market selloff was broad-based, it was deeper for growth-oriented stocks. In 2022, the MSCI ACWI ex-U.S. Growth Index underperformed the MSCI ACWI ex-U.S. Value Index by the widest margin since 2000.

Portfolio Review

The Touchstone Sands Capital International Growth Fund (Class Y Shares) underperformed the MSCI ACWI ex-U.S. for the quarter ended December 31, 2022.

The Fund underperformed in the quarter, attributable to allocation, security selection, and currency effects. Notably, international growth equities significantly underperformed international value equities, which was also a headwind to the strategy's results.

Overall, from a regional perspective, Mid-East & Africa and Western Europe contributed most to relative results while Developed Asia and the U.S./Canada were the top detractors. From a sector perspective, Consumer Discretionary and Consumer Staples were the top relative contributors, while Information Technology and Health Care detracted the most.

The top absolute individual contributors to investment results were ASML Holding N.V., Zalando SE, Entain plc, Genmab A/S, and Shopify Inc.

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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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ASML Holding shares rose in the fourth quarter, boosted by positive earnings results and strength amid semiconductor stocks more broadly.

For 2022's third quarter, ASML reported another quarterly order record of € 8.9 billion. Overall revenue grew 10% year-over-year, but revenue continues to be deferred due to on-site testing. For context, ASML reported € 2.2 billion in deferred revenue for the first three quarters, versus € 14.8 billion in realized revenue. Wage inflation has begun to impact the business, with operating margins down 300 basis points year-over-year, but ASML has plans to reprice its backlog, which should protect margins and benefit growth rates in 2023.

In the near term, orders could be postponed if the economic environment continues to deteriorate. That said, we believe it's the best positioned semiconductor equipment business to grow through this cycle, and that the keys to our long-term investment case (extreme ultraviolet light lithography adoption, pricing growth, leading-edge wafer demand, and margin expansion) remain intact.

Genmab reported strong Darzalex sales growth, 77% year-over-year, for 2022's third quarter, reflecting strong uptake on its way to achieving what we expect to be $13 billion to $15 billion in peak sales. Genmab's other partnered blockbuster drugs Tepezza and Kesimpta are also performing well. Given its portfolio of high-impact commercial drugs, antibody tech platforms, and multiple pipeline opportunities, we believe Genmab is well positioned to deliver long-term growth in both cancer and non-cancer categories.

In the near term, Genmab is poised to launch Epcoritamab, its first 50/50 partnered drug which has blockbuster potential across multiple hematologic indications. The earlier pipeline also continues to advance, providing meaningful optionality for Darzalex line extensions and potential new growth drivers. Overall, Genmab continues to execute on multiple fronts, providing secular growth uncorrelated to the business cycle in a tough macro environment.

Shopify shares benefited from improving operating metrics amid depressed investor sentiment toward the business, in our view. Third quarter business results indicated progress across several key metrics. Merchant services take rate improved meaningfully, benefiting from increasing payments penetration and continued adoption of the company's growing portfolio of other merchant services. Additionally, adjusted operating margins came in several percentage points better than consensus expectations, reflecting moderating advertising spending and headcount growth. Finally, momentum remained strong with Shopify Plus as it added several more well-known brands.

In lieu of recent results, the business remains under scrutiny due to several near-term business and industry-specific concerns. At the micro level, Shopify has suffered from skepticism surrounding the long-term benefits of its investments in the Shopify Fulfillment Network and competitive threats from Amazon. Meanwhile, broader concerns about the resilience of consumer spending and direct to consumer ecommerce have also weighed on shares of the business.

In our view, these concerns are largely discounted in the share price of Shopify and overlook several encouraging business developments. These include abating headwinds from Apple's advertising privacy policy changes, the potential for margin improvements from increasing cost controls, continued strength in the Shopify Plus tier, traction in new merchant services, and an eventual normalization back toward trend levels of merchant net additions.

The top absolute individual detractors were Atlassian Corp., Bajaj Finance Ltd., Tencent Holdings Ltd., Sea Ltd., and MonotaRO Co. Ltd.

Atlassian shares fell after the business reported quarterly results in early November. While the results themselves were in-line with our expectations, we believe the revised guidance which calls for slower cloud revenue growth, drove the market's negative reaction. Full-year cloud revenue guidance was lowered from 50% to 40-45% growth.

The heart of the issue, in our view, was poor communication and expectation setting by management. The company failed to acknowledge any potential macro issues last quarter and lifted guidance while most software peers proactively cut guidance. Macro was cited for this quarter's revision, as hiring freezes and cuts in the tech sector, combined with cost rationalization, slowed the pace of new software license adoption.

The guidance cut and stock sell-off haven't changed our view of the business and our long-term investment case. Notably, we don't believe the revenue slowdown is attributable to competition, and gross retention rates haven't fallen, which means that customers aren't leaving the platform. The pace of cloud migration hasn't slowed and user acquisition at Atlassian's free tier has been consistent. In addition, despite the lowered revenue growth guidance, margin guidance remained intact at mid-teens operating margins. Atlassian now trades at what we view as a compelling valuation based on fiscal 2024 and 2025 free cash flow estimates, especially relative to fast-growing peers.

Bajaj Finance shares traded lower despite reporting good business results. The business added 2.6 million customers during the quarter, with management once again raising its guidance for annual net adds, from 8 million to 9 million to 10 million to 11 million for the current fiscal year. The loan book rose 31% year-over-year with strong growth across the board. Deposits grew 37% year-over-year and now represent 22% of total funding, with management confident that it can reach its target of 25% over the next several years. Net interest margin has remained steady for the past five quarters and fee income continues to perform well, leading to total topline growth of 31% year-over-year. Finally, as they were last quarter, provisions were the real standout, with gross NPLs at just 1.2%.

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The last few sets of quarterly results from Bajaj have reinforced our conviction in the business and have demonstrated tangible progress to us across several objectives, including: 1) building Bajaj into a top-three diversified consumer finance business in India, 2) transforming the business into a digital ecosystem (mobile app plus web platform), and 3) delivering sustainable top and bottom-line growth of 25% to 30% across credit and macro cycles.

MonotaRO also reported strong results, though management's conservative near-term outlook may have concerned investors. Revenue and operating income grew 20% and 12% year-over-year, respectively. Gross margins expanded and operating margins only showed modest contraction, despite inflation and newly incurred costs from system upgrades. Management didn't raise its full-year guidance despite reaching its target in the first half, due to near-term macro uncertainty. This didn't surprise us, given their conservative track record.

Overall, we continue to like MonotaRO because it introduces high-growth potential to the portfolio without being a biotech or software business. The maintenance, repair, and operations industry remains well-positioned to move online in Japan, in our view, and MonotaRO is the industry leader in terms of inventory items and market share.

The Fund purchased CTS Eventim AG & Co. KGaA, Dino Polska S.A., Liberty Formula One Group, and WEG S.A. and sold PagSeguro Digital Ltd., Tencent, and Wuxi Biologics (Cayman) Inc.

CTS Eventim is the largest event ticketing business in Europe, by market share. We see the business as a monopolistic marketplace connecting fragmented buyers and sellers within a secularly growing consumer category (live entertainment), seeded with some first-party inventory (internal concert promotion). Eventim's share is as high as 80% in its core central European markets, sustained by what we view as a competitive advantage built on two-sided network effects. Promoters list their event tickets with Eventim to access consumer demand density, and in turn, supply density reinforces its strong consumer position. Live entertainment remains a secular growth category, in our view, driven by both volume and pricing. Demand for live events has demonstrated its durability post-pandemic, and ticket prices continue to rise as promoters look to make up for lost pandemic revenue and to pass on inflation. In addition to benefiting directly from category growth, Eventim's unit economics should further improve with the ongoing shift to online and mobile tickets.

Dino Polska is a leading Polish supermarket chain. We expect Dino to benefit from the continued consolidation and formalization of Poland's retail food industry. The business is the third-largest food retailer in Poland by market share, and sets itself apart by its rural store footprint, vertical integration, and focus on fresh and locally sourced food. Dino's vertically integrated business model has enabled the business to scale to 2,000 stores across rural Poland while maintaining a consistent customer experience and product quality. For example, our research indicates that Dino's locally sourced, fresh meat counter is a key traffic driver and is recognized nationally for its quality and value. The company owns its stores' land and operates its own construction company, which helps avoid delays and quality issues. Land ownership also eliminates rental costs, resulting in higher store operating margins than peers. Over our investment horizon, we expect Dino to nearly double its store count, with scale gains gradually improving its overall profitability.

Formula One holds the exclusive commercial rights to the FIA Formula One World Championship, a premier international auto racing league. In our view, the business is essentially a licensing stream on the Formula One brand, and is the most direct way to invest in the secular growth of sports rights. Formula One is an extremely durable asset, in our view, with a 70-year track record and more than 400 million fans globally. The business is asset light and highly cash generative, with host cities paying for rights and all infrastructure and operational expenses. Liberty Media Corp. acquired the business in 2017 and is in the process of making several operational changes. We view Formula One as an undermonetized asset today, and our investment case hinges on three key improvement opportunities: 1) expanding media rights and fan base monetization to be in line with other sports leagues, 2) growing sponsorship relationships and opportunities, and 3) enhancing the fan experience through rule changes to make races more competitive.

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 of Brazil, and a product base that 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, and its brand reputation and maintenance network are also key selling points. Historically, 50% of WEG's sales came from products that didn't 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 sold PagSeguro Digital, a leading electronic-payments processor in Brazil for small businesses, to fund our initiation of WEG. The business remains well positioned in the near term, in our view. Rational competitive behavior has allowed the industry to raise prices with little customer churn, and payment volumes are expected to steadily rise as consumers resume discretionary spending. Additionally, PagSeguro's upmarket expansion appears to be delivering growth and operating leverage. Looking to next year, potentially lower interest rates in Brazil could catalyze profitability if management doesn't proactively lower prices. We're less optimistic about the long term, however. Our research indicates that the business is close to saturating its core market of small businesses, that it's struggling to build a consumer franchise with PagBank, and that upmarket success is limited, given less attractive economics and competitive advantages. We believe that the swap for WEG provides a more attractive growth opportunity while maintaining the portfolio's overall Brazil exposure.

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Our October sale of Tencent was part of the continued reduction of the portfolio's China weight. The Fund's China weight was 2% at the end of December, down from its peak of nearly 14% in late 2020. Tencent continues to meet our criteria, with what we view as several unmonetized and undermonetized opportunities. That said, China continues to face geopolitical and regulatory uncertainty, which could affect Tencent's ability to fully monetize these growth opportunities. Given the portfolio's broad opportunity set, we opted to seek criteria-meeting businesses with fewer potential growth impediments.

Our regional and sector exposures are largely a byproduct of our bottom-up investment process, and below was the portfolio positioning at the end of the fourth quarter:

Western Europe was the Fund's largest absolute weight and Latin America was the largest overweight. Emerging Asia was the Fund's largest underweight, and the strategy had no exposure to the Middle East & Africa.

From a sector perspective, Information Technology was the Fund's largest absolute and relative weight. Financials was the largest underweight, and the Fund had a zero percent weighting to Energy, Real Estate, and Utilities.

Outlook and Conclusion

We seek to outperform over rolling periods of three or more years. We've observed that earnings tend to drive stock prices over the long term, and over time, that a small percentage of companies account for most of the value created in the market. Therefore, we seek to identify the few businesses that we believe can sustain above-average growth over long periods of time.

This approach did not work in 2022. This year will go down in history as one of the worst for global assets, not just equities, and high-growth stocks led the decline. Investors indiscriminately sold long-duration assets, including high-growth stocks, as they sought to shorten their time horizons and focus on near-term certainty amid tightening financial conditions, potentially slowing global economic growth, and geopolitical tensions. Amid this uncertainty, this market rapidly shifted its mindset from "growth at any cost" to "show me the money" when assigning value to companies and their profitability profiles.

While our investment results have been poor this year, we're happy to report that our process and research remains sound. We underwrote and stress tested every investment case, and were comforted to find that in most situations, the fundamentals underpinning our businesses are either intact or stronger than they were pre-pandemic. We are confident that the portfolio of businesses we own today has better fundamental merit than it did at the onset of the pandemic, and importantly, is also more attractively valued.

For instance, as of December 31, the Fund's businesses produced weighted-average revenue and earnings growth of 21 and 28% annually, respectively, over the past three years. Looking ahead, we expect 28% annualized earnings growth over the next five years. In our view, mathematically speaking, this level of growth could withstand a P/E contraction of 50% and still deliver a low-teens annualized return over a five-year period.

In addition to being positioned to grow at above-market rates over the next five years, we also believe that our companies are better-positioned than the average MSCI ACWI ex-U.S. constituent to weather a global economic slowdown, which many investors now fear. This is attributable to our fifth investment criterion, which focuses on financial strength. Our businesses carry less debt, have higher gross margins, and in our view, ultimately deliver needs over wants: essential and value-adding products and services for businesses and consumers alike.

The Fund seeks to add value over rolling three- and five-year periods by "going where the growth is": seeking to identify those businesses that will sustain above-average growth by harnessing innovation and benefiting from secular change. We remain confident that the businesses we own today will help us achieve that goal.

Growth investing is about investing in human progress. This may sound exaggerated, but in actuality, we believe the best growth businesses benefit from important structural improvements. These include the hundreds of millions of people globally that are: 1) gaining access to financial services, often for the first time, 2) spending on new categories, often online, and 3) receiving needed medical attention.

Human history shows that progress is rarely linear, and the market has hit a roadblock. That said, we don't expect the Fed or other exogenous factors to derail the secular drivers that are underpinning so many of our businesses.

We don't know when the market will trough, but history suggests it will be before the economic cycle and headlines improve which indicates to us that long-term investors need to "be there, not be getting there," as our founder Frank Sands, Sr. used to say.

Letter from the Investment Team

It's been a very difficult year—one that has tested our approach like few others in our 30-year history. Thank you for standing with us through this time of adversity. Whenever we experience periods of poor investment results – particularly those as severe as during the last year – we must ask ourselves what we could have done differently to improve our outcomes and how we can seek to take advantage of the current price dislocations and opportunities to prosper in the future.

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We know that in periods of both strong and weak results, our performance is affected by factors within our control as well as those outside our control, which we must accept as long-term investors. We strive to critically evaluate our decisions and learn from the things that can enhance our process over the long term. Equally important, however, is being careful to not overreact to short-term outcomes by changing the core tenets of our investment philosophy that have served us over three decades.

We have reflected on the recent period, acknowledged our mistakes, and stand committed to collectively learn from our experiences. Today, more than ever, we are steadfast in our belief that what matters most over the long term is finding exceptional, high-quality businesses that offer the capacity to generate sustainable, above-average earnings over multiyear periods. Looking forward, we believe the companies we own are well positioned to grow, thrive, and deliver solid results for patient investors.

Uncovering the Lessons

As a long-term investor, our goal – as hard as it may be in the moment – is to own attractive businesses that meet our six criteria and to focus on long-term outcomes. While we firmly believe that this approach will yield strong outcomes over time, we also strive to improve the elements of our process that can better enable us to meet this mission. To do so, we believe it is important to identify the specific factors that led to the recent poor investment results. Then, we must evaluate the decisions we made – and actions we took as well as the influences beyond our control – in an attempt to separate lessons we could apply in the future from knee-jerk reactions or process changes that are more likely to destroy value over the long term.

Our over-arching mistake was underappreciating the degree to which valuations – particularly for the highest-growth companies – had inflated due to a mix of low interest rates, momentum investing, and the unsustainable revenues boosted by COVID-19-era demand. In hindsight, underappreciating overvaluation was the obvious mistake of many investors, but the pillars supporting these valuations were ones that could quickly be removed, leading to the degree of declines among some of the biggest initial beneficiaries.

Without question, we raised these concerns internally and with many of you as stock prices climbed. However, we failed to appreciate how rapidly those valuations would compress as rising interest rates, accelerating inflation, recession fears, and geopolitical tensions collided. In short, we thought we would have more time to react and that companies would have more time to grow into the higher valuations. We were wrong.

As we think about what we could have done differently, there are a few general buckets that we have evaluated:

Exposure concentration: In the first year of the pandemic, many technology-driven businesses – enterprise and consumer – experienced rapid adoption and accelerating revenue growth as economic structures shifted to digital models. Many businesses used this growth to reinvest and capitalize on demand and to pursue larger long-term addressable markets. At the same time, valuations rose on the back of strong growth and increased optimism for the future. As a result, our portfolios became more heavily weighted toward businesses with low or no near-term earnings. As interest rates rose, markets' preferences rotated sharply toward companies with more predictable near-term earnings models and indiscriminately punished businesses with high-growth profiles, even though their business models were relatively uncorrelated with one another. We recognize that this concentration created a specific risk of which we should be mindful in the future, particularly when it develops over a relatively short period.

Demand-growth extrapolation: It is clear to us from hindsight that many businesses achieved unsustainably high earnings growth rates as a locked-down world rapidly increased its adoption of digital products. In many cases, demand was "pulled forward," but that growth has now moderated, whereas we had anticipated demand growth would persist from a structurally higher foundation. Companies also faced challenges providing guidance and making capital allocation decisions as they grappled with budgeting uncertainties created by the rapidly changing macroeconomic backdrop, evolving consumer preferences, and supply-chain disruptions. Many companies have now reset expectations lower—exacerbating valuation compression. Today, we believe that our expectations for the portfolio businesses are both achievable and underappreciated by current valuations. Nevertheless, we are mindful of the risk of extrapolating trends that accelerate – but perhaps only temporarily – during strong cyclical environments.

Macroeconomic backdrop: Perhaps our biggest oversight of the last 18 months was underestimating the speed and magnitude of interest rate increases as well as the severity of the impact they would have on equity valuations. Growth equities, in particular, fell from favor as investors shortened their time horizons and the market focused more on businesses' current predictability instead of long-term prospects. As high-growth investors, we will likely always be somewhat more exposed to the whims of short-term investors as economic sentiment changes. Attempting to predict macroeconomic pivots or time market preferences will never be a key component of our strategy. However, we recognize that in periods of extreme change, exogenous macroeconomic forces can overwhelm long-term fundamentals for a period, and we cannot underestimate the speed at which conditions can change for both businesses and stock prices.

In sum, we recognize that we could have taken more steps to systematically lower our exposure to our highest-growth companies whose valuations had become elevated due to short-term factors. We could have reallocated capital to businesses with more classic growth profiles. This may have blunted the pain but not avoided it.

In hindsight, this over-arching portfolio construction decision may look clear; however, in real time, we rarely make wholesale changes to our portfolio make-up. We don't believe that we could have averted this drawdown without fundamentally changing our investment mandate.

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In our view, the resulting valuations may present a significant opportunity for our portfolios over the coming years. Our style of active management should become even more important when industries rationalize as interest rates settle at a level necessary to balance employment and inflation. A higher, but reasonable, cost of capital and a more constrained capital environment typically instill more business discipline and can favor leading, innovative businesses, like those that we own. In such an environment, we believe there will be fewer survivors, because businesses will no longer be able to buy their way to growth with free capital. Some of the fast-growing businesses whose rise came on the back of abundant financing and lofty valuations are likely to fail, in our view, creating even greater opportunities for leading dynamic businesses, like ours, that have rapidly and appropriately adapted to the changing business environment and the global economy. Most have significantly improved their free cash flow while prudently pursuing their long-term growth targets. They continue to invest in product and service improvements, brand enhancements, and their workforces as they strive to rationalize their cost structures. In many cases, they are moving forward, gaining share, and widening their competitive moats as their competitors struggle.

As we consider the lessons this downturn has taught us, we recognize that the path to long-term potential is rarely straight or without challenges. We must carefully scrutinize companies' investments in future growth drivers, seek to ensure that their growth potential is sustainable, and determine that businesses are appropriately valued. With that said, we don't believe that the kind of demand volatility created by lockdowns will be a persistent challenge to our research-driven forecasting process.

When all the dust settles, we will look back with hindsight, evaluate outcomes, and ask ourselves what else we could have done better. We will analyze which drivers of underperformance were likely in our control and what we can do about them in the future in a way that doesn't compromise the core tenets of our approach. In the meantime, we continue to underwrite and stress-test every investment case. To date, we have concluded that in the vast majority of cases, our businesses remain a strong fit with our criteria and that, in nearly every case, the businesses are much more attractively valued. As a result of this exercise, we stayed the course and did not see a spike in portfolio turnover, which reflects the conviction we have in the companies within our portfolios.

Getting back to basics is a great way for us to clarify our thinking on an investment case. When confronting a sudden change to an investment thesis, it can be very difficult to discern the short-term and long-term implications, let alone how markets will react. We must be careful not to interpret inappropriate signals or to let fear of being wrong derail our conviction in the long term. In our view, the conclusion should not be "take less risk" but rather to understand and appreciate risks and opportunities more completely.

What Matters Most

We are living in extreme times in which markets have shortened their focus and are unable to look past the inflation, rising interest rates, supply-chain disruptions, and geopolitical tensions that dominate the headlines. But as we look five to 10 years into the future, what matters most, in our view, are the immutable secular trends that will define the companies of the future. Significant innovation continues. In most cases, the businesses we own are leaders in their fields, solving the major problems of our time. They are enabling better, faster, and less expensive access to commerce, financial services, and healthcare. In short, they are delivering for their customers, and many are doing so profitably at an increasingly larger scale. Historically, these are the types of businesses that have created the most wealth for investors. And we believe they will continue to do so over the long term.

We believe earnings growth is the primary driver of stock returns over five-plus years. While valuation can be seen as a linear concept, earnings growth compounds and can create exponential value when you own the right businesses over time. Compounding can outweigh the sometimes large shifts in valuations. It's through our bottom-up research process that we seek to identify the businesses that we believe have the potential to sustain above-average earnings growth to achieve the compounding effects that will lead to wealth creation for our clients.

Investing in Our Future

Growth investing is dynamic, and to deliver on our mission, we believe we must thoughtfully evolve and innovate while steadfastly holding onto our values, philosophy, and culture. As in past downturns, we have continued to invest in our people, process, strategies, systems, and infrastructure in seeking to ensure that we will be able to address the potential opportunities and challenges of the future. This year, we added 18 professionals across the firm, enlarging our staff by 10%, to handle the increased growth and sophistication of our business that spans public and private markets and multiple geographies. As the world reopened, we increased our reach, opening offices in New York and London to be closer to our growing international client base, which now accounts for nearly 40 percent of total assets under management.

Our research team returned to the field in force in 2022, evaluating existing portfolio businesses and prospecting for new ones. Overall, the team conducted more than 230 company engagements across 24 countries. We have found that this on-the-ground research is invaluable in fostering our understanding of the unique aspects of economies, societies, and institutions as well as the market opportunities for individual businesses.

We have continued our more intentional approach to stewardship. As long-term owners, we have sought to constructively influence the governance, environmental, and social practices of our portfolio businesses in a way that has the potential to drive benefits for society and increase long-term value for shareholders. In 2022, we published Aligning for the Future, our inaugural stewardship report, which details our efforts to engage with our companies in a collaborative way that can foster their trust in our guidance.

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During prior periods of disruption and dislocation, we have seen some of the most innovative companies emerge, adapt, and create new markets. To take advantage of these trends in our venture and private growth strategies, we have been selectively deploying the capital that we raised. We made 10 new investments this year and continue to do work on earlier-stage businesses that are transforming the economy in areas ranging from artificial intelligence and cyber security to cancer research and gene therapy.

Turning the Page

We remain committed to our investment process. However, we are well aware that, going forward, we will need to take a more holistic view of the macroeconomics that can throw our businesses off their games and of the irrational manias and panics that have provoked and intensified crashes throughout history.

Indeed, the macroeconomic reset has been painful; however, the investing environment is healthier now than when interest rates were close to zero. Likewise, fresh outbreaks of coronavirus variants and supply-chain disruptions are problems that appear likely to fade from importance. Countries and companies have taken significant steps to understand, contain, and adapt to these idiosyncratic challenges. While these difficulties may fade from importance, others will undoubtedly arise. And, of course, we have yet to see the end of the Russia- Ukraine war, which is nearly a year old and has been a key contributor to the acceleration of inflation, especially in Europe.

As an investor, uncertainty is always unsettling and always present to a greater or lesser degree. One of the few certainties, however, is that extraordinary value creation tends to happen when innovation creates both societal and commercial benefits. Crises need not impair innovation. In fact, we believe that our investment criteria have led us to many companies that can not only survive this downturn but emerge stronger. Historically, these moments of great disconnect between business fundamentals and stock prices have been sources of opportunity for us. There's nothing about the current situation to suggest to us that this pattern won't persist. It is critical to remember that great businesses are built over years, not quarters. I am confident that we will strive to identify and own the next generation of wealth-creating businesses for our clients.

As of December 31, 2022, ASML Holding N.V. made up 6.59%, Zalando SE made up 2.52%, Entain plc made up 3.65%, Genmab A/S made up 3.80%, Shopify Inc. made up 3.54%, Atlassian Corp. made up 2.55%, Bajaj Finance Ltd. made up 3.19%, Sea Ltd. made up 1.83%, MonotaRO Co. Ltd. made up 2.28%, CTS Eventim AG & Co. KGaA made up 3.50%, Dino Polska S.A. made up 1.64%, Liberty Formula One Group made up 2.55%, WEG S.A. made up 1.62% and PagSeguro Digital Ltd., Tencent Holdings Ltd., Apple Inc., Wuxi Biologics (Cayman) Inc. and Liberty Media Corp. each made up 0.00% of the Touchstone Sands Capital International Growth Fund. Current and future portfolio holdings are subject to change.

Fund Facts *(As of 12/31/22)*

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio* Total	Net
Y Shares	03/08/21	**TCDYX**	89154Q125	2.57%	0.98%
INST Shares	03/08/21	**TCDIX**	89154M207	1.36%	0.88%
R6 Shares	03/08/21	**TCDRX**	89154M108	1.25%	0.82%
Total Fund Assets	**$19.6 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 0.98% for Class Y Shares, 0.88% for Class INST Shares and 0.82% for Class R6 Shares. These expense limitations will remain in effect until at least 04/29/23.*

Share class availability differs by firm.

Annualized Total Returns *(As of 12/31/22)*

	4Q22	YTD	1 Year	Inception
Excluding Max Sales Charge				
Y Shares	10.51%	-42.48%	-42.48%	-25.28%
INST Shares	10.67%	-42.34%	-42.34%	-25.14%
R6 Shares	10.67%	-42.34%	-42.34%	-25.14%
Benchmark^	14.28%	-16.00%	-16.00%	-11.05%

^Benchmark - MSCI ACWI Ex-U.S. Index[1]

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 adviser 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.*

[1]The MSCI All Country World Ex-U.S. Index is an unmanaged, capitalization-weighted index composed of companies representative of both developed and emerging markets excluding the United States.

The indexes mentioned are unmanaged statistical composites of stock market or bond market performance. Investing in an index is not possible. Unmanaged index returns do not reflect any fees, expenses or sales charges.

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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 preferred stocks which are relegated below bonds for payment should the issuer be liquidated. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing their price to decline. The Fund invests in foreign, emerging and frontier markets securities, and depositary receipts, such as American Depositary Receipts, Global Depositary Receipts, and European Depositary Receipts, which carry the associated risks of economic and political instability, market liquidity, currency volatility and accounting standards that differ from those of U.S. markets and may offer less protection to investors. The risks associated with investing in foreign markets are magnified in emerging markets, and in frontier markets due to their smaller and less developed economies. The Fund invests in growth stocks which may be more volatile than investing in other stocks and may underperform when value investing is in favor. The Adviser engages a sub-adviser to make investment decisions for the Fund's portfolio; it may be unable to identify and retain a sub-adviser who achieves superior investment returns relative to other similar sub-advisers. Events in the U.S. and global financial markets, including actions taken to stimulate or stabilize economic growth may at times result in unusually high market volatility, which could negatively impact Fund performance and cause it to experience illiquidity, shareholder redemptions, or other potentially adverse effects. Financial institutions could suffer losses if interest rates rise or economic conditions deteriorate. The Fund is non-diversified, which means that it may invest a greater percentage of its assets in the securities of a limited number of issuers and may be subject to greater risks. The sub-adviser considers ESG factors that it deems relevant or additive along with other material factors. The ESG criteria may cause the Fund to forgo opportunities to buy certain securities and/or gain exposure to certain industries, sectors, regions and countries. The Fund may be required to sell a security when it could be disadvantageous to do so. 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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