Touchstone Sands Capital Select Growth Fund

Sub-Advised by: Sands Capital Management, LLC

U.S. Equity – Large-Cap Growth 1Q/2023

Fund Manager Commentary

As of March 31, 2023

Fund Highlights

- Identifies leading companies with dramatic wealth creation potential, focusing on six key investment criteria:
  - Sustainable, above-average earnings growth
  - Leadership position in a promising business space
  - Significant competitive advantages
  - Clear mission and value-added focus
  - Financial strength
  - Rational stock market valuation
- Emphasizes investments in large-cap companies
- Typically holds 25-35 companies

Market Recap

Growth equities (as measured by the Russell 1000® Growth Index) advanced despite tightening financial conditions and growing signs of distress in the banking system. Ultimately, growth equities outperformed value equities by the second widest quarterly margin in the past 20 years as investors demanded businesses with secular growth amid emerging signs of financial stress.

The bulk of equity market gains occurred in January. Financial conditions eased in response to cooling inflation and strong economic data that drove speculation the U.S. Federal Reserve Board (Fed) would end its rate hiking cycle without the U.S. economy entering a recession. This backdrop, combined with depressed investor positioning, sparked a rally in equities led by the laggards of 2022, predominantly lower quality, high volatility, and heavily shorted businesses.

Over the remainder of the quarter, equities withstood a more challenging environment. Beginning in February, persistent inflationary pressures led to expectations the Fed would extend its cycle of monetary tightening. However, the emerging banking crisis in mid-March introduced growing uncertainty around the direction of monetary policy.

Equity market leadership shifted with changing expectations for monetary policy. Dispersion grew in the latter half of the quarter as businesses perceived as higher quality and recession resilient outperformed lower quality franchises, resulting in a rotation from smaller capitalization, cyclical businesses to mega-cap growth equities. Illustrating the strong returns from the largest index weights, the S&P 500 Index outperformed the S&P 500 Equal Weight Index by 4.6% in March - the second largest monthly spread in the past 20 years.

Sector returns mirrored the market's flight to quality. Eight of eleven GICS sectors ended the quarter with positive returns. The strongest performance came from the Communication Services and Information Technology sectors – the laggards of 2022 – which advanced over 20%. These sectors benefitted from signs of a bottom forming in the semiconductor cycle, enthusiasm following the cost-cutting initiatives of many businesses, and the rotation to mega-cap growth franchises. Meanwhile, the Health Care, Energy, and Utilities sectors declined.

Portfolio Review

The Touchstone Sands Capital Select Growth Fund (Class A Shares Load Waived) outperformed its benchmark, the Russell 1000® Growth Index, for the quarter ended March 31, 2023.

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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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Security selection was the primary driver of outperformance. Selection contributed to relative results the most from the Consumer Discretionary and Health Care sectors. The strategy's underweight to the largest benchmark holdings in the Information Technology sector detracted from results. Within the Information Technology sector, speculation that the downtrend in cloud spending would worsen weighed on several positions. The impact from sector allocation was also additive led by underweight allocations within Consumer Staples, Energy and Financials sectors and overweighting Communication Services and Information Technology sectors.

The top individual absolute contributors were NVIDIA Corp. (Information Technology), Amazon.com Inc. (Consumer Discretionary), Shopify Inc. (Information Technology), ServiceNow Inc. (Information Technology), and Align Technology Inc. (Health Care).

NVIDIA shares benefitted from improving sentiment towards the semiconductor industry, driven by the emergence of generative artificial intelligence and signs of a bottoming across key end markets. Fourth quarter business results were consistent with initial signs of improvement in the semiconductor industry. Despite a 21% year-over-year decline in revenues, results and guidance were better-than-expected, with management expecting sequential growth across all segments. We believe the cyclical downturn for NVIDIA conflicts with an increasingly positive long-term outlook. In our view, NVIDIA will benefit from the exponential growth of generative artificial intelligence, driven by improving model accuracy and inference speeds that enable new use cases. We believe this dynamic, coupled with the demand to support growth in other data center workloads and gaming, should provide a long runway for NVIDIA in seeking to produce sustainable above-average earnings growth.

Shopify shares benefitted from January's rally in high growth, high valuation businesses and stabilizing business fundamentals, in our view. Shares of the business overcame management guidance that indicated expectations for weaker-than-anticipated gross merchandise value (GMV) expansion in 2023 to finish as one of the strategy's best performers in the quarter. The advance coincided with encouraging business trends, in our view. Fourth quarter results revealed 13% year-over-year expansion in GMV, exceeding total U.S. ecommerce growth of 6%, and accelerating by 200 basis points relative to the prior quarter. Paired with take rate expansion as adoption grew across a broad range of Shopify's merchant solutions, revenue growth advanced 26% year-over-year. Guidance reset investor expectations for Shopify's growth rate to conservative levels, in our view. From our estimates, management's guidance for 2023's first quarter implies GMV growth in the high single-digit percentage range, a meaningful deceleration from recent levels of growth. These conservative expectations conflict with our long-term expectations for the business. By our estimates, Shopify should be able to maintain a long runway of over 25% annual revenue growth as it outpaces the broader ecommerce market through share gains, international expansion, point-of-sale adoption, and an expanding merchant take rate. Coupled with Shopify's strong competitive position and our expectations for margin expansion, we believe the business remains a strong fit within our criteria.

Align shares benefitted from better-than-feared business results, in our view, and are now 91% above their November 2022 trough, as of quarter-end. In the fourth quarter, global consumer sentiment started to modestly improve after hitting a multi-decade low earlier in 2022. As a result, consumers that had pulled back spending on discretionary purchases like Invisalign started slowly coming back. Fourth quarter business results were highlighted by signs of stabilizing demand. Align demonstrated its first quarter of sequential volume growth since early 2021, beating expectations for a modest decline. While case volumes improved globally, the improvement outside the U.S. was even better than expected, despite weakness in China due to COVID disruptions. These results helped drive the stock above its 10-year low valuation point that it hit in late 2022. Over the long-term, we remain convicted that Align is well positioned to benefit from a multi-decade opportunity to displace traditional braces, which still represents over 70% of the global orthodontic market. In our view, clear aligners provide a superior consumer experience and value proposition for orthodontists, relative to braces. We expect Align to maintain its dominant position as the only company with a comprehensive digital ecosystem and deep pipeline that will continue to differentiate the Invisalign product. Select Growth holds shares of Align at a middle-bucket weight, reflecting a more balanced risk-reward as the business is in the early stage of the recovery process. While the near-term outlook is largely dependent on the trajectory of consumer confidence, we expect volume growth to normalize over the intermediate term and for Align to get back to growing at an attractive rate.

The top individual absolute detractors were CoStar Group Inc. (Industrials), Datadog Inc. (Information Technology), Warner Music Group Corp. (Communications Services), Entegris Inc. (Information Technology), and Match Group Inc. (Communications Services).

Shares of CoStar Group fell following fourth quarter results where the company announced additional 2023 investments in its residential business. This brought planned residential investments to approximately $450 million and lowers expected corporate margins to 20% from 2022's 30%. While this will likely lower earnings guidance for 2023, we believe CoStar is investing aggressively in organic growth to potentially benefit from the present vulnerability of the industry's incumbents. Fourth quarter results were strong across metrics with its core business, the CoStar suite, growing revenues 15% year-over-year. The company also reported a strong rebound in its multifamily offering, Apartments.com, with bookings up 177% year-over-year. Moreover, CoStar continues to see growing traction from its residential investments. The company's Homes.com platform ended the year with over a million agents, growing over 30% year-over-year, and CoStar reported that residential traffic is reaching targeted levels earlier than expected. We continue to believe that CoStar is well-positioned to maintain impressive growth and disrupt the commercial and residential real estate industry.

In our view, relative weakness in Datadog shares can be attributed to speculation that slowing cloud spending will impact the business. Recent business results from the major cloud hyperscalers indicated decelerating growth as enterprises are optimizing workflows to drive cost savings amid macro-economic headwinds. Subsequently, investors began to anticipate that businesses with direct exposure to cloud spending, such as Datadog with its consumption-based pricing model tied to customer growth in cloud infrastructure and applications,

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would fail to meet near-term expectations. In our view, these fears, while valid, are likely overstated. While we agree that Datadog's growth is driven by the same secular trends that are fueling cloud infrastructure spending, we believe the business' share gains and small take rate relative to overall spending should help mitigate a potential slowdown. In fact, while Datadog holds a 15% market share of the cloud observability market, it is capturing 45% to 55% of the incremental dollars flowing to the space. Importantly, we also believe these headwinds to cloud infrastructure spend are short-term in nature, meaning that customer cloud optimizations are likely to last for a few quarters rather than years. We remain convicted in Datadog's fit within our six criteria. In our view, the business' market leadership, pace of innovation, total addressable market, and combination of growth and profitability make it one of the most attractive long-term opportunities in software. Datadog provides exposure to cloud adoption, our highest-conviction secular theme, and holds a compelling valuation relative to our expectations for close to 40% annualized growth in free cash flow over the next five years. For these reasons, we took several investment actions in 2022 to build our position in Datadog.

Entegris shares suffered from the semiconductor industry downcycle, in our view. Fourth quarter business results revealed revenue fell modestly short of expectations and management guided to an 8% year-over-year decline in revenues for 2023. Our long-term conviction in Entegris is unchanged. In our view, the business is going through a well telegraphed downcycle that we expect to trough in mid-2023. Longer-term, we believe the business remains one of the leading providers of consumables that are a key piece of the production process of semiconductors and will benefit from the rising capital intensity of the industry resulting in the need for more chemicals and filters per wafer.

In the first quarter, we initiated two positions and adjusted business weightings to ensure alignment with our conviction and return expectations.

Microsoft Corp. and Entegris (Information Technology) were added to the portfolio. Both are duration growth businesses that will benefit from the secular growth trends of cloud adoption and the emergence of generative artificial intelligence, in our view.

Microsoft is a business we previously owned in Select Growth and have closely followed since. In our view, Microsoft is positioned to participate in the growth of artificial intelligence and cloud-based infrastructure and is on the right side of enterprise cost-cutting initiatives that may lead to a transition from single-vendor to bundled software solutions. Microsoft is a leading global software and cloud infrastructure business. Microsoft counts nearly every enterprise in the world as a customer, positioning the company well to sell next-generation cloud services into a massive global installed base. Over the last decade, the company has successfully pivoted from a mainly on-premise vendor to a leading provider of cloud services spanning infrastructure as a service (IaaS) to application software. We expect growth to be mainly driven by Microsoft's Azure cloud platform and the Office365 franchise. Azure is the second-largest IaaS and platform-as-a-service provider by revenue after Amazon Web Services Inc. and should continue to benefit from the shift of existing information technology workloads to the cloud and growth in net new workloads enabled by the cloud, including in areas like artificial intelligence. Office365 is perhaps the most widely adopted business application software globally but has the ability to continue delivering durable growth through the incorporation of additional functionality, allowing Microsoft to capture more value over time. Microsoft's involvement in various other business lines ranging from advertising to gaming adds to these key drivers.

Entegris is a leading provider of mission-critical materials, solutions, and tools for semiconductor manufacturing. Entegris holds significant market share across numerous consumable products used in the chip manufacturing process, and its primary products include chemicals (30% estimated market share), filters (60%), and containers for handling chemicals and finished chips (30%). Our research indicates that semiconductor chip volumes – and the complexity of manufacturing chips – are only going to increase, driven by new chip architectures and the need for more connectivity and compute power. We believe Entegris will be a key beneficiary of these trends, as wafer growth and each incremental manufacturing step require more chemicals, filters, and containers. Beyond the secular growth of semiconductor demand and complexity, Entegris has a history of accretive acquisitions, and we expect future tuck-ins to further bolster growth over our investment horizon.

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

The Information Technology sector represents 52% of the portfolio—the largest absolute sector weight. Exposure in the sector is spread across the software, IT services, and semiconductor industries. The portfolio holds roughly 14% weights in the Communication Services, Consumer Discretionary and Health Care sectors and nearly 7% in the Industrials sector. The Fund has no exposure in the Consumer Staples, Financials, Energy, Materials, Real Estate, and Utilities sectors.

Outlook and Conclusion

The weakness in equity markets conflicts with the fundamental progress exhibited by most of our businesses, in our view. We acknowledge the incremental slowdown in areas such as semiconductor, cloud computing, and advertising spend. However, we believe the secular trends that underlie growth in these areas is unchanged and that we own leading businesses that are harnessing digitalization and innovation to offer products and services that increase efficiencies, reduce costs, and produce better outcomes. In our view, recent business results confirm that our portfolio holdings are largely progressing towards achieving their earnings growth potential.

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Below are some examples of the secular drivers underpinning the growth of our portfolio businesses:

Emerging Internet Leaders

Digitalization of the economy continues, and the next generation of internet businesses is disrupting the status quo by reducing transactional frictions, increasing transparency, and eliminating inefficiencies. These companies are focusing on large verticals and building industry-specific solutions that result in a better customer experience while reinforcing their competitive moats. Portfolio beneficiaries include Airbnb Inc., CoStar Group Inc., Match Group Inc., and Uber Technologies Inc.

Financial Services Digitalization

The combination of modern technology and disruptive customer acquisition models is fundamentally rearchitecting how financial products are designed, manufactured, and distributed, with software displacing paper and bank branches in each stage of the process. New technologies are enabling broader access to basic financial products and adding innovative layers of intelligence and automation. We see value accruing to both companies creating a new generation of digitally native financial infrastructure as well as companies leveraging that infrastructure to build differentiated experiences for end users. Portfolio beneficiaries include Block Inc., Intuit Inc., Sea Ltd., and Visa Inc.

Life Sciences Innovation

Over the next decade, we view genes and genomics, minimally invasive technologies, consumerization of health care, the humanization of pets, and globalization of innovation as the most important secular trends in life sciences. We focus on investing in businesses that are changing the standard-of-care, providing best-in-class "picks and shovels" to biopharma and life science researchers, and meaningfully improving access and cost in healthcare delivery. Portfolio beneficiaries include Align Technology Inc., Dexcom Inc., Edwards Lifesciences Corp., and Sarepta Therapeutics Inc.

Shifting IT Spend from Maintenance to Agility

Information technology spending continues to shift toward innovations that make enterprises more agile and efficient. In the last decade, cloud-based software disrupted legacy, on-premise systems within well-defined market opportunities. The next generation of SaaS leaders is enabling new businesses and processes, serving as the enablers of an increasingly digital-first economy. These businesses are often typified by user-driven adoption, consumption-based licensing, and competitive advantages driven by network effects and ecosystem partners. Portfolio beneficiaries include Atlassian Corp., Cloudflare Inc., ServiceNow Inc., and Snowflake Inc.

We believe the dramatic move higher in rates has set off a process of rationalization in equity markets. Equity valuations felt the initial impact, falling from near all-time highs, back to near historic norms. More recently, signs of financial stress and deteriorating corporate profitability have emerged. In our view, these dynamics magnify the gap between fundamentally strong and weak businesses and advantage those businesses with financial strength and competitive advantage – two components of our investment criteria.

The recent bankruptcy of Silicon Valley Bank was the first notable sign of higher rates stressing the financial system. We believe this event emphasizes the importance of identifying businesses with limited influence from outsized factors, such as interest rates or commodity prices. For this reason, we invest in businesses we expect to produce above-average earnings growth by providing innovative products or services. These businesses tend to be less susceptible to changes in economic activity, compared to more cyclical, value oriented market segments, such as the banking industry. With strategists such as Goldman Sachs calling for low-to-mid single digit earnings growth in 2023 and 2024—with risks to the downside due to banking system stress—our holdings could benefit from their higher-growth profile bolstered by secular drivers.

Amid this environment, we are encouraged by the financial strength of our portfolio companies. The Fund 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 many of our 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 risk-reward outlook for the portfolio is attractive and are encouraged by the underpinnings of secular growth that support this view.

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As of March 31, 2023, NVIDIA Corp. made up 4.24%, Amazon.com Inc. made up 6.53% made up, Shopify Inc. made up 4.42%, ServiceNow Inc. made up 6.86%, Align Technology Inc. made up 2.80%, Datadog Inc. made up 2.14%, Warner Music Group Corp. made up 2.70%, Entegris Inc. made up 1.94%, Microsoft Corp. made up 3.01%, Airbnb Inc. made up 1.66%, CoStar Group Inc. made up 4.01%, Match Group Inc. made up 1.84%, Uber Technologies Inc. made up 2.67%, Block Inc. made up 4.83%, Intuit Inc. made up 3.03%, Sea Ltd. made up 3.05%, Visa Inc. made up 7.00%, Dexcom Inc. made up 6.24%, Edwards Lifesciences Corp. made up 1.55%, Sarepta Therapeutics Inc. made up 0.93%, Atlassian Corp. made up 3.73%, Cloudflare Inc. made up 3.07%, Snowflake Inc. made up 3.05%, Silicon Valley Bank and Goldman Sachs made up 0.00% of the Touchstone Sands Capital Select 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	11/15/10	**TSNAX**	89155T847	1.13%	1.13%
C Shares	11/15/10	**TSNCX**	89155T839	1.94%	1.78%
Y Shares	08/27/04	**CFSIX**	89155H827	0.88%	0.88%
Z Shares	08/11/00	**PTSGX**	89155H819	1.19%	1.18%
Inst Shares	09/01/20	**CISGX**	89155T524	0.83%	0.82%
R6 Shares	09/01/20	**TSNRX**	89155T516	0.79%	0.76%
Total Fund Assets	**$2.4 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 1.13% for Class A Shares, 1.74% for Class C Shares, 0.90% for Class Y Shares, 1.14% for Class Z Shares, 0.78% for Class Inst Shares and 0.72% for Class R6 Shares. These expense limitations will remain in effect until at least 01/29/24.*

Share class availability differs by firm.

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

	1Q23	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	17.70%	17.70%	-25.60%	4.31%	5.47%	9.47%	5.43%
C Shares	17.50%	17.50%	-26.01%	3.53%	4.70%	8.82%	4.85%
Y Shares	17.70%	17.70%	-25.38%	4.53%	5.73%	9.75%	5.65%
Z Shares	17.68%	17.68%	-25.58%	4.27%	5.44%	9.47%	5.43%
Inst Shares	17.77%	17.77%	-25.28%	4.60%	5.65%	9.58%	5.48%
R6 Shares	17.77%	17.77%	-25.28%	4.60%	5.65%	9.58%	5.48%
Benchmark^	14.37%	14.37%	-10.90%	18.58%	13.66%	14.59%	6.17%
Including Max Sales Charge							
A Shares	11.85%	11.85%	-29.32%	2.54%	4.23%	8.83%	5.16%
C Shares	16.50%	16.50%	-26.75%	3.53%	4.70%	8.82%	4.85%

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 - Russell 1000® Growth Index[1]

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*****The performance presented for Class A, C, Y, INST and R6 Shares combines the performance of an older class of shares (Z Shares) from the Fund's inception, 08/11/00, with the performance since the inception date of each share class.***

[1]The Russell 1000® Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

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 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. 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. 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 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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