Fund Manager Commentary

As of September 30, 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.), fell 9.9% in the third quarter. That is the third consecutive quarterly decline, setting a pace for the second-worst calendar year since the index's inception in 2001. 82% of index constituents fell during the quarter, and the median constituent is now 33% lower than its 52-week high.

China, Japan, and the United Kingdom together accounted for nearly 45% of the index's decline. While those three countries accounted for the bulk of the decline, 40 of the index's 46 country constituents traded lower, with 19 falling by more than 10%. All sector constituents fell, with Financials and Consumer Discretionary detracting most from the MSCI ACWI ex-U.S.' return. Finally, the U.S. dollar's rise continued which added additional pressure to ex-U.S. equity prices. The U.S. Dollar Index posted its best quarterly gain since 2015, as U.S. Federal Reserve Board (Fed) Chair Powell signaled his commitment to reducing inflation via tighter monetary policy. The index is on pace for its highest calendar-year return in its 35-year history.

The few bright spots included India and select commodity-producing countries, including Brazil and Indonesia. These were the three largest country contributors.

Portfolio Review

The Touchstone Sands Capital International Growth Fund (Class Y Shares) outperformed the MSCI ACWI ex-U.S. for the quarter ended September 30, 2022.

The Fund's outperformance in the third quarter was largely driven by positive currency effect, which accounted for 80% of the relative return. The third quarter was also a more favorable environment for international growth stocks, as the MSCI ACWI ex-U.S. Growth Index modestly outperformed the MSCI ACWI ex-U.S. Value Index. Regional allocation and selection and sector selection were also tailwinds, while sector allocation modestly detracted from results.

Overall, from a regional perspective, Developed Asia contributed most to relative results while the U.S./Canada was the top detractor. From a sector perspective, Information Technology and Financials were the top relative contributors, while Energy (a zero percent weight) and Consumer Staples detracted the most.

Among the top absolute individual contributors to investment results were Bajaj Finance Ltd., Nihon M&A Center Holdings Inc., Atlassian Corp. PLC, HDFC Bank Ltd. and Welcia Holdings Co. Ltd.

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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.***

The MSCI India Index outperformed the MSCI ACWI ex-U.S. by over 16 percentage points in the third quarter, which we attribute to factors such as softer commodity prices (India is a large energy importer) and more attractive economic growth prospects relative to other large emerging market countries. This outperformance benefited shares of Bajaj Finance and HDFC Bank, which are the Fund's largest Indian holdings. Both businesses reported solid results during the quarter, as lending activity picked up amid economic normalization in India.

Atlassian reported strong quarterly results, highlighted by 36% year-over-year revenue growth ($3 billion annual run-rate), which bested consensus expectations. Subscription revenue grew 55% driven by strong demand for both the cloud and data center products. Notably, cloud migrations accounted for less than 10% of the growth in the quarter, indicating that the bulk of the growth stemmed from net new demand for Atlassian products.

Management noted that it's seen very little impact from the macro environment thus far. This was a major concern for investors, given Atlassian's higher percentage of small/medium-sized enterprises and European companies relative to many software peers. We pressed the CEO further on the macro environment during our post-earnings callback, and he noted that management has historically viewed downturns opportunistically as a way to gain market share and pick up top talent while smaller competitors struggle. Additionally, Atlassian's products remain relatively inexpensive for most companies, as cheaper substitutes don't really exist, and Jira software is likely one of the last things a business would turn off ("Jira is in many cases more important than email"). These anecdotes are supported by the company's reported metrics staying within their recent ranges, such as new customer growth, net retention, and logo churn. Management reiterated guidance for more than 50% cloud growth in each of the next two years.

We remain confident that this business can grow total revenue at over 30% annually over the next five years via continued strength in the core DevOps market, significant pricing power, and improved cross-selling with the ITSM and work management products, which are large/fast-growing end markets.

The top absolute individual detractors were Wuxi Biologics (Cayman) Inc., Taiwan Semiconductor Manufacturing Co. Ltd., Tencent Holdings Ltd., Entain PLC and ASML Holding N.V.

China was a standout detractor in the third quarter, and each of the portfolio's top three individual detractors were domiciled either in or around the country. The MSCI China Index sold off by over 20% in the third quarter, after rising 22% from mid-May to late June. The reversal can be attributed to several factors, including continued economic pressure (stemming from persistent COVID-19 outbreaks and property sector woes) and intensifying geopolitical tensions. U.S. Speaker Pelosi's historic visit to Taiwan in August rattled investors, and President Biden's executive order to launch a National Biotechnology and Biomanufacturing Initiative signaled his continued intent to distance the United States from China in technologically sensitive areas.

Shares of Wuxi fell in September, following President Biden's executive order aimed, in part, at reducing U.S. reliance on China's biopharmaceutical supply chains. While this news represents a headline risk that weighs on sentiment, we expect minimal impact on Wuxi's competitive position or long-term earnings power. The executive order does not exclude foreign companies from doing business with U.S. clients and only modestly increases investment in U.S. biomanufacturing capacity (the five-year investment is less than one year of Wuxi's capital expenditure). Despite the rising geopolitical tensions, Wuxi continues to see robust demand from its U.S. clients given its ability to deliver high efficiency, speed, and quality services at attractive prices.

We find Wuxi's current valuation compelling for a business positioned to grow revenue and earnings at 40% annually for the next several years. Its project pipeline growth remains strong, with no visible impact to demand and solid margins despite supply chain and inflationary pressures. To address this demand, Wuxi is investing aggressively in facility expansion, with overall manufacturing capacity expected to triple by 2026. We expect sustained strong growth in coming years, as Wuxi advances its internal pipeline and increasingly transfers late-stage molecules from customers given what we view as its world-class technology and execution track record.

Weakness among semiconductor shares weighed on Taiwan Semiconductor's stock during the quarter, exacerbating the pressure from geopolitics. This overshadowed otherwise strong earnings, with both results and guidance besting expectations. The company reported its highest-ever gross margin, demonstrating to us its resilience in an inflationary environment, and reiterated its long-term annual revenue growth target of 15 to 20%.

In addition to the market headwinds, Tencent's results were expectedly weak, with the business reporting its first-ever quarterly revenue decline (-3%, year-over-year). Advertising (-18%) and fintech (up 2%) revenue were both affected by the recent COVID-19 outbreaks and lockdowns. Cloud revenue decreased slightly year-over-year due to the discontinuation of unprofitable projects, and online gaming fell one percent year-over-year given the lack of new titles. Some of these headwinds are transitory, in our view, and we expect revenue to accelerate into 2023. Operating margins expanded two percentage points quarter-over-quarter to 18%, but remain four percentage points lower on a year-over-year basis.

The Fund's portfolio positioning remained largely unchanged during the quarter, which is a reflection of our conviction in the portfolio we own. This is in part demonstrated by the portfolio's year-to-date turnover, which was 5% at the end of the third quarter. This is well below the long-term annual average of 15 to 20%.

The Fund exited Zur Rose Group AG in the third quarter. We initiated our position in Zur Rose at a 2% weight, and that weight shrunk to approximately 50 basis points as the market reacted poorly to the delay of Germany's e-pharmacy rollout.

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The businesses and stock are currently in a holding period, in our view, waiting on the catalysts of: 1) progress toward a nationwide e-pharmacy rollout in Germany, and 2) refinancing of the debt due in July 2023. Positive news on either front could lead to a material stock re-rating, especially from what we view as a depressed current valuation.

That said, we have little visibility into either catalyst and therefore lack the conviction to add to what had become the portfolio's smallest weight. We decided the better use of capital would be to reallocate the funds to existing businesses.

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 third quarter:

Western Europe was the strategy's largest absolute weight and Developed Asia was the largest overweight. Western Europe was also the strategy's largest underweight, and the strategy had no exposure to Eastern Europe and the Middle East & Africa.

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

Outlook and Conclusion

Volatility remains high. Rather than trying to guess the market's next move in the near-term, we remain focused on corporate fundamentals, which history demonstrates to be the primary driver of long-term returns.

We've stress tested and re-evaluated our investment cases given the turbulent economic and market environment, and are confident that the businesses we own remain well positioned to deliver above-average growth over the next five years.

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

Mobile Internet

Rising internet connectivity and mobile device penetration are spurring broad-based economic activity in emerging markets. Commercial opportunities—including ecommerce, mobile gaming, on-demand video, ride-sharing, and social media—are being enabled by new cloud, logistics, and enterprise solutions. The internet is changing how people consume information, leading to opportunities for advertisers and digital media providers. Potential portfolio beneficiaries include Entain, MercadoLibre Inc., Shopify Inc. and Tencent.

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. Potential portfolio beneficiaries include CSL Ltd., Genmab A/S, Sartorius Stedim Biotech S.A. and Wuxi Biologics.

Financial Services Digital Revolution

The combination of modern technology and disruptive customer acquisition models are 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. Potential portfolio beneficiaries include Adyen N.V., AIA Group Ltd,, Bajaj Finance and HDFC Bank.

Industry Digital Transformation

Digital technologies are introducing new capabilities and disrupting the status quo in several industries, including education, industrial process and manufacturing, and automotive technology. IT and R&D spending continues to shift toward innovations that make processes more accurate, efficient, and safe. Potential portfolio beneficiaries include Aptiv PLC, Hexagon AB, Keyence Corp. and Recruit Holdings Co. Ltd.

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.

Letter from the Investment Team

Many investors, rattled by rising interest rates, higher inflation, and deepening signs of recession, have punished the stocks of enterprise software companies, pushing valuations to levels not seen since 2017. Despite this short-term pressure on stocks, we believe that the long-term wealth creation opportunity tied to select businesses within the enterprise software space remains strong, buoyed by a massive and immutable move toward cloud computing. In our view, many of our portfolio companies have the products, business models, and fundamentals that will allow them not only to survive but also to thrive as they create the services and systems that are transforming not just the enterprise, but also governments, the economy, and society at large.

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Price-to-sales multiples, the most commonly used valuation metric in the technology sector, have fallen across the software sector to an average of six times sales from an average of 16 times in late 2021. These multiples were last this low in late 2017 when rates were also rising.

The decline in valuations has been even more severe for the stocks of the fastest-growing software businesses, especially those that remain unprofitable, as they have been hyper-focused on investing in future growth. However, we believe many of these companies, which have opted to forgo profits in the short term to enhance their competitive advantage and build bigger businesses in the long term, may emerge as leaders of this transformation effort, grow exponentially and ultimately have the potential to create wealth for their shareholders.

An Unstoppable Force

A lot has changed in the past decade since Marc Andreesen first penned his famous Wall Street Journal essay entitled “Why Software is Eating the World.” But his core thesis still holds true. At some level every company is becoming a software company. Those that aren’t innovating as part of this trend are at risk of falling behind their peers. This dynamic tends to play out across industries as software-driven features increasingly become the key battleground for competitive differentiation.

Indeed, we have seen consumers gravitate toward the disrupters that are designing and refining the products and services that best meet their needs and constantly changing preferences. Legacy retail banks, like JPMorgan Chase & Co., are spending billions to improve the digital experience for their customers. Similarly, Deere & Co. is investing heavily in artificial intelligence and machine learning to develop its next generation of products. Even the U.S. government is prioritizing software investments to better serve employees and citizens.

Cloud computing has emerged as the ideal environment to build a modern technology stack that allows enterprises to nimbly address the ever-changing needs of their customers. As a result, we have seen migration to cloud infrastructure, which has become one of the most significant secular trends of the past decade.

Enterprises are currently estimated to allocate about 15% of their information technology (IT) budgets to cloud-based technologies. By the end of the decade, we expect cloud’s share to rise to about 45% as companies across all sectors of the economy race to invest in the cloud software that will enable them to unleash the power of their data, better serve customers, and operate more efficiently via increased resource utilization, greater workforce productivity, and new competitive advantages.

The mission-critical nature of cloud computing is one of the driving reasons why chief information officers consistently list cloud migration and digital transformation as two of their top priorities. It is also why we feel that IT budgets focused on digital transformation will be relatively resilient even in more difficult macroeconomic conditions. These are strategic decisions for most companies, meaning they are not investments most can afford to delay.

Most of the current cohort of cloud software businesses we track did not exist as public companies during the last U.S. recession from 2008 to 2009; but a few did, and they illustrate how these companies can do well despite a more difficult macroeconomic environment. One of these companies is now among the largest software-as-a-service (SaaS) customer relationship management vendors with more than $26 billion in sales for fiscal year 2022. The company was much smaller during the Great Financial Crisis with slightly more than $1 billion in sales for fiscal year 2009. Its revenue came primarily from small- and medium-sized businesses, and it concentrated on a single product: sales force automation. Because its customer base was sensitive to macroeconomic conditions, the company experienced elevated customer turnover and a slowdown in new business activity through 2008 and 2009. Revenue growth decelerated from 53% in the quarter ended April 30, 2008, to 21% in the quarter ended October 30, 2009, before accelerating to 31% the following October. While growth slowed on a year-over-year basis, revenue never declined sequentially and quickly re-accelerated as the macroeconomic environment improved. We believe the company’s ability to maintain strong levels of revenue growth despite significant turnover in its customer base helps illustrate the business value it continued to deliver.

Not every software business has or will experience this same result, but we think this is a useful illustration for the often mission-critical nature of software. In contrast to this business during the last recession, many of the software vendors we invest in today have a larger enterprise focus, are multi-product platforms, and are benefiting from even stronger secular trends toward cloud computing, SaaS deployment models, and digital transformation. Cloud software has proven to be a deflationary force often enabling millions of dollars in costs savings by replacing legacy technologies, or even worse, manual processes. This makes it easier for IT leaders to justify these investments in the short term even in more difficult business environments, while they work to prove their value over the longer term.

Finding the Needles in the Haystack

Given the scale of this trend, many companies are competing to be at the leading edge of this transformation. As we attempt to find businesses that fit with our criteria in this crowded field, we look for companies operating in attractive sub-segments of the market with strong technological competitive advantages and high rates of adoption. Some of these sub-trends include enterprise automation efforts; new approaches to cybersecurity; the rise of DevOps, which combines software development and IT operations; the proliferation of vertical operating systems; the modernization of employee and customer interactions; and the transformation of data and analytics efforts.

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After initially screening for companies that fit within the attractive categories we have identified, we apply a general framework that builds on our six criteria for assessing the relative quality of software companies to determine whether we believe the business merits an investment. This framework leverages our collective years of investment experience in the sector, which has helped us gain pattern recognition skills to identify key traits that we believe give a software business a competitive advantage over the long term. Some of the areas we look at are opportunity size, competitive landscape, quality and scale of the ecosystem, ability to upsell the core product, and probability and materiality of a "second act." We believe this overlay is critical to analyzing the sustainability of growth as well as to understanding the unit economics and corresponding long-term margin structure.

The Architects

Snowflake Inc., the cloud-based data analytics company, stands at the vanguard of the larger trends toward digital transformation and cloud computing, while fitting squarely in the data/analytics subcategory we have identified. The company has become a favorite of business analysts and data scientists alike for its technologically differentiated approach to analyzing data in the cloud, which has revolutionized how business analytics is conducted.

This global cloud-native data platform raised the scale analytics can operate on from terabytes to petabytes, a thousandfold increase, and reduced task execution times from days to minutes, meaning that businesses no longer need to wait overnight for key insights, like changing customer behavior. The company made it easy to get started on the platform and has seen rapid adoption over the past several years. JetBlue Airways Corp., for instance, leveraged Snowflake's Data Cloud as a one-stop shop to build a better customer experience and promote competitive fares. Additionally, using Snowflake's data sharing capabilities, JetBlue has been able to pool data with air traffic control and weather centers to create real-time fuel-prediction models for its fleet that have enabled it to generate meaningful improvements in cost efficiencies. Snowflake is one of several cloud data warehouse providers, but it has differentiated itself with easy-to-adopt technology that allows companies to scale their analytics capabilities up and down as necessary. The company has amassed more than 6,800 customers, including 510 of the 2022 Forbes Global 2000 (G2K) as of July 31, 2022, who use the platform to power numerous aspects of their businesses.

Datadog Inc., like Snowflake, is working to derive greater value from data through a unique platform that in Datadog's words helps customers "turn chaos into insights." The company's core product offering allows businesses to monitor their essential infrastructure and application assets so that they are able to quickly identify and remediate issues when they arise.

Monitoring has become exponentially more difficult given the rise in the number of assets and applications that has accompanied the shift to cloud-native architectures. Applications have become a key differentiator for businesses, and they cannot risk losing customers because of a slow-loading checkout page or have employees unable to work because of critical systems failures.

Datadog allows companies of all sizes across numerous industries to ensure that issues like these don't impact their business results. For instance, the London Stock Exchange Group PLC has been able to use Datadog to monitor its website performance and make real-time adjustments to deal with changes in traffic volume.

In the past, a market-moving announcement might have caused the system to crash, but now with the insights provided by Datadog's platforms, the London Stock Exchange Group PLC can scale its website capacity in line with usage, creating a more seamless experience for its customers.

Cloudflare Inc. is enabling the modernization of enterprise networking and security with the shift to the cloud. Cloudflare's global network puts it in a credible position to offer a corporate "network as a service" to enterprise customers, securing and efficiently routing their traffic around the world. This network asset was built to accelerate and secure websites, but it can be extended to managing enterprise traffic, constituting a powerful next act which positions Cloudflare to capture enterprise spending on networking equipment, elements of network security, and even elements of telecommunication spending. The company should also benefit from developers writing applications that run on its edge computing platform, Workers, where latency or data residency requirements preclude running workloads in a more centralized cloud environment. Cloudflare is also helping customers operate more efficiently and solve difficult problems.

It's Not Always About the Profits

One of the benefits of being a concentrated investor with a long time horizon is our ability to dig deeply into businesses whose products and services are potentially misunderstood or underappreciated by the larger market and, as a result, get dumped with the broader market during selloffs. While investors have become increasingly skeptical of unprofitable businesses, we believe that if we only invested in companies with earnings, we could miss out on high-growth software and technology stocks that have the potential to add significant value to our portfolios over the next decade.

We believe it is better to be there than be getting there, meaning that we want to invest in businesses at the early stages of their growth and hold them for the long term. For instance, we expect Snowflake's free cash flow (FCF) margins to be at 17% this year as the company closes its fiscal 2023. That's up from -75% in its 2020 fiscal year.

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But Snowflake remains unprofitable. As a result, its valuations have come under intense investor scrutiny. Despite having surpassed earnings projections for the past several quarters, its market capitalization, at $50 billion as of October 13, 2022, has fallen about 60% since November 17, 2021.

Snowflake, like many other early-stage tech companies, including Datadog and Cloudflare, must make the choice to pursue profits or growth in the near term. Frank Slootman, Snowflake's chief executive, explained his planned path to profitability in his book Rise of the Data Cloud: "You focus on growth first and foremost, then efficiency, cash flow and unit economics." For many select technology companies, whose high gross margin profiles and strong underlying unit economics are suggestive of a highly efficient business, we believe profitability is a matter of when, not if.

The Path to Profitability

Despite the strong long-term potential for enterprise software to be transformative, the stocks in this sector remain under pressure. The average price of the 162 publicly traded software businesses that we track has fallen 57% from highs in late 2021. And, as referenced above, the declines have been even more extreme for companies that have yet to book profits on a generally accepted accounting principles (GAAP) basis because they have chosen to invest in sales, marketing, research and development efforts to drive a higher growth profile.

As long-term investors, we prefer to look at FCF margins over profits as defined by GAAP in this space. We believe there is a direct link between FCF and a company's theoretical stock price. We also believe that FCF better reflects the actual economic value created by a software business (e.g., it captures benefits, such as strong working capital, that are not represented in GAAP numbers and better reflects in-period new business bookings versus revenue, which is recognized ratably on a lag over time).

On an FCF basis, the average margin of our software holdings is forecast to be 17% in 2022. Many companies included in that average, such as Atlassian Corp., ServiceNow Inc., and Datadog, are expected to generate margins that are well in excess of 20%, while others, such as Cloudflare and Okta Inc., are expected to come in below 5% FCF margins for the year with these companies operating around breakeven.

Ultimately, we believe all these businesses will reach 25% or greater FCF margins over time, including those that will have below 5% margins this year. As these companies scale FCF margins, we expect their GAAP profitability to improve as well.

Another important consideration in modern software businesses is their use of subscription business models that typically have very high renewal rates. That means that once a customer signs up, they often stick around for a long time and can be upsold at a much lower cost on additional products. This trend, which companies measure by looking at their dollar-based net retention rate, makes it easier to justify a high upfront cost of acquiring an incremental customer. Ideally, the unit economics of acquiring customers tends to look better after each year especially if they are regularly adding new products and services.

The Upside to the Downside

For instance, Okta, which provides cloud-based identity and access management software that allows enterprises to secure digital interactions, is currently operating with a FCF margin that is less than 5%. At its most recent investor day, it showed how its unit economics improved over time for new customers first added in 2018. In year one, its contribution margins (revenue less cost of sales and sales/marketing expenses) on this group of customers were -56% as the significant upfront expense to acquire a customer over what's often a six-month-plus sales cycle was mismatched with revenue recognition. Contribution margins increased dramatically after the first year, reaching 54% in year two, 65% in year three, and 72% in year four. This happens because the sales and marketing expenses required to acquire customers are front loaded, and in line with the company's ability to upsell those customers on additional services at a much lower cost than that of originally acquiring them.

Creating the Future Takes Time

At Sands Capital, we seek out the visionaries. Creating the future takes time. Imagining cutting-edge technologies and creating new markets is not a highly lucrative phase for any business. However, for businesses capable of getting this right, large flywheels can be created, unlocking the ultimate profits that investors want to see and that we believe will help us generate wealth for our clients.

As we head into the final quarter of 2022, many investors remain unnerved by the macroeconomic backdrop and the volatility created by geopolitical tensions. Indeed, exogenous factors and sentiment can have an outsized and often unpredictable influence on stock price movements. At Sands Capital, we prefer to look past these phases of market panic and focus on the long term. We are business owners, not stock traders, and invest as such, evaluating a businesses' potential long-term growth trajectory. Nothing that we have seen over the past year or the past quarter has changed our view of secular trends, like the shift to cloud computing, that will ultimately help define the companies of the future.

Many of our businesses are creating or benefiting from technological advances that enable better, faster, and less expensive access to commerce, financial services, healthcare, and that strengthen the enterprise of the future. We believe these select companies are well positioned to sustain above-average growth by harnessing innovation and benefiting from secular change. These are the businesses that can weather periods of economic decline, geopolitical tension, and global pandemic. They endure, and in doing so, create the future.

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As of September 30, 2022, Bajaj Finance Ltd. made up 3.98, Nihon M&A Center Holdings Inc. made up 2.93%, Atlassian Corp. PLC made up 4.61%, HDFC Bank Ltd. made up 4.27%, Welcia Holdings Co. Ltd. made up 1.98%, Wuxi Biologics (Cayman) Inc. made up 3.08%, Taiwan Semiconductor Manufacturing Co. Ltd. made up 5.27%, Tencent Holdings Ltd. made up 2.55%, Entain PLC made up 3.04%, ASML Holding N.V. made up 5.54%, MercadoLibre Inc. made up 3.77%, Shopify Inc. made up 3.04%, CSL Ltd. made up 3.57%, Genmab A/S made up 3.20%, Sartorius Stedim Biotech S.A. made up 3.33%, Adyen N.V. made up 4.29%, AIA Group Ltd. made up 2.72%, Aptiv PLC made up 2.65%, Hexagon AB made up 3.60%, Keyence Corp. made up 4.37%, Recruit Holdings Co. Ltd. made up 2.93% and JPMorgan Chase & Co., Deere & Co., Snowflake Inc., JetBlue Airways Corp., Datadog Inc., London Stock Exchange Group PLC, Cloudflare Inc., ServiceNow Inc., and Okta Inc. 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 09/30/22)

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	**$18.4 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 09/30/22)

	3Q22	YTD	1 Year	Inception
Excluding Max Sales Charge				
Y Shares	-8.73%	-47.95%	-52.20%	-33.12%
INST Shares	-8.72%	-47.90%	-52.15%	-33.04%
R6 Shares	-8.72%	-47.90%	-52.11%	-33.04%
Benchmark^	-9.91%	-26.50%	-25.17%	-22.17%

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

[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.

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 Advisor engages a sub-advisor to make investment decisions for the Fund's portfolio; it may be unable to identify and retain a sub-advisor who achieves superior investment returns relative to other similar sub-advisors. Events in the U.S. and global financial markets, including actions taken to stimulate or stabilize economic growth may at times result in unusually high market volatility, which could negatively impact Fund performance and cause it to experience illiquidity, shareholder redemptions, or other potentially adverse effects. 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-advisor considers ESG factors that it deems relevant or additive along with other material factors. The ESG criteria may cause the Fund to forgo opportunities to buy certain securities and/or gain exposure to certain industries, sectors, regions and countries. The Fund may be required to sell a security when it could be disadvantageous to do so. 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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