Fund Manager Commentary

As of December 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

In the fourth quarter, growth equities (as measured by the Russell 1000® Growth Index) recovered from a late summer correction to finish 2023 with the largest calendar year gain in the history of the index. Reflecting the strength of the year-end rally, lower quality, and smaller capitalization equities led the advance in equity markets.

Once again, the primary catalyst for equity markets was shifting expectations for the path of monetary policy. The equity market rally began in November as moderating growth in payrolls, falling energy prices, and a multi-year low in Core Personal Consumption Expenditures (the U.S. Federal Reserve's preferred inflation measure) led markets to price in the end of the rate hiking cycle and rate cuts by May 2024. Consistent with changing expectations for monetary policy, the 10-year U.S. Treasury yield declined 85 basis points. The combination of falling treasury yields, a weaker dollar, and tightening credit spreads led to a dramatic easing of financial conditions (as measured by the Goldman Sachs U.S. Financial Conditions Index).

A growing tolerance for risk was evident across domestic equities. This sentiment was reflected in improving breadth and in particular, strong returns from the laggards of the year, primarily smaller capitalization, lower quality, and early-stage growth stocks. Despite this rotation, in 2023 the six largest market capitalization businesses in the Russell 1000 Growth Index finished the year up 76% relative to a 23% advance for the other businesses in the index.

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 December 31, 2023.

Security selection was the primary contributor to results relative to the Russell 1000 Growth Index. Selection aided relative performance in six of the portfolio's seven sectors with the effect most pronounced in the Information Technology, Health Care, and Financials sectors. The Fund's modest deviations from the index's sector weights limited the impact of sector allocation.

The top individual absolute contributors were ServiceNow Inc., Microsoft Corp. (both Information Technology sector), Block Inc. (Financials sector), DexCom Inc. (Health Care sector), and Amazon.com Inc. (Consumer Discretionary sector).

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ServiceNow shares advanced after third quarter business results revealed several metrics that exceeded consensus estimates with broad-based strength across products, end-markets, and geographies.

ServiceNow demonstrated impressive growth at scale in a challenging macro environment with contracted backlog growing 24% year-over-year in constant currency and an adjusted operating margin of 30%. New customer growth accelerated even with spend per customer going up and of the top twenty new deals, 14 included more than four products. Importantly, the artificial intelligence enabled Pro+ product, which officially launched on September 29, signed four customers in the final days of the quarter, with a 30% pricing premium relative to the Pro product.

We view recent results as evidence that over our five-year horizon ServiceNow is on track to sustain above-average earnings growth through delivering a broad suite of workflow automation products to enterprises. Over our five-year horizon, we expect the business to produce roughly 20% top-line growth with adjusted operating margins expanding from 30% to 35% and see potential upside through continued traction of its Pro+ product.

Microsoft's earnings results, released in October, further increased our conviction in the business. Notably, AI continues to create powerful tailwinds for nearly every facet of the business.

Strength in the quarter was broad-based across segments, with encouraging developments on multiple fronts. Highlights included Microsoft's Azure cloud revenue growing 28% year-over-year driven by increased AI service adoption and resilient Microsoft 365 growth at nearly 20%. Additionally, despite Microsoft's heavy investments in AI, the business reported operating margins of nearly 50%—it's highest over the last decade. We believe this reflects the business' focus on balancing operational discipline and innovation in the face of a more challenging macroeconomic environment.

Microsoft's Copilot offering presents an exciting growth opportunity that should drive benefits across Microsoft's business. We expect Copilots to become generally available in November requiring Microsoft's 365 bundle, creating a significant uplift for the segment's growth as well as a flywheel for additional spend on Azure and Windows. With 70% of Fortune 100® companies already trialing the service, we believe there will be strong enterprise appetite. Looking ahead, we expect Microsoft to deliver nearly 20% annualized earnings growth over the next five years through its synergistic offerings boosted by AI in Azure, Microsoft 365, and Windows.

Block shares advanced following third quarter business results that revealed several positive developments, in our view. Block grew adjusted EBITDA 46% year-over-year and gave initial 2024 EBITDA guidance 30% above consensus estimates. The business will now resume quarterly and annual guidance for the first time since the pandemic, indicating improved business visibility. Management also made a concrete commitment to achieving "at least" mid-teens topline growth and mid-20s margins by 2026.

These developments, in our view, are early indications of an improving profit outlook. Looking forward, we are encouraged by Block's commitment to cost discipline, new product launches, and improved outbound sales capacity. We expect these factors to result in inflecting profitability and contribute to Block's ability to sustain above-average growth.

The top individual absolute detractors were Align Technology Inc. (Health Care sector), Match Group Inc., Sea Ltd. (both Communication Services sector), Airbnb Inc. (Consumer Discretionary sector), and Okta Inc. (Information Technology sector).

Match Group shares declined following third quarter business results that revealed continued weakness in key metrics. While total revenue increased by 9% year-over-year due to pricing optimizations, total payers continued to contract reflecting weak new user growth. Match's delay in launching an updated user interface and other new features are likely partially to blame for declining interest in Tinder, the company's flagship dating brand.

Looking forward, we continue to assess the ability for Match to execute on product enhancements to accelerate growth and the potential that dating apps may be facing challenges from user fatigue. While we remain encouraged by the business' accelerating pace of experimentation, our research is focused on evaluating the cause of product delays and a timeline for product releases.

Sea shares were volatile in 2023 as evidence of improving profitability was overshadowed by fears of increasing competitive pressures. In early in 2023, Sea rapidly pivoted to profitability (with Shopee's Asia EBITDA going from -$300 million in second quarter 2022 to +$200 million in second quarter 2023), benefitting from reduced subsidies, rationalized competition, and a growing and underpenetrated ecommerce market in Southeast Asia.

However, more recently, emerging competitive pressures weighed on shares of the business. In response to a growing competitive threat from TikTok, in mid-2023 Sea reversed course and ramped its investment, primarily to spend on free shipping and subsidies. More recently, TikTok entered into a strategic partnership with GoTo's Tokopedia, Indonesia's second-largest ecommerce platform. This may force Sea to invest more capital for longer to compete, given TikTok/Tokopedia's combined high market share and superior financial position.

We continue to evaluate Sea's ability to produce above-average earnings growth in an environment of increasing competitive intensity. We remain encouraged by the significant growth opportunity for ecommerce in Southeast Asia, Sea' favorable standing with consumers, and the infrastructure Sea has developed to support its growth. However, these factors are contending with the likelihood that the cost for Sea to maintain its competitive position may increase and delay its ability to reach sustainable profitability.

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Align Technology shares declined after the business reported third-quarter results. While revenue growth reached its strongest year-over-year rate in six quarters (8%), it still fell short of management's guidance, and fourth-quarter guidance disappointed investors at merely 2% to 4% growth year-over-year.

In our view, the softer revenue growth reflects an increasingly challenging environment for consumer spending, rather than a competitive issue. Orthodontic patient visits fell 9% year-over-year in September, and we observed similarly sudden pullbacks in larger-ticket Consumer Discretionary purchases in other industries, amid weaker consumer sentiment.

We maintain our conviction in Align's ability to capitalize on its secular growth opportunity. Throughout the volatile operating environment over the past several years, Align has strengthened its competitive position (its primary competitor filed for bankruptcy), innovated its product offerings (palatal expanders for teens launching next year), and maintained its financial profile and profitability. The opportunity to replace braces within the teen segment remains the largest growth driver, in our view. Align's penetration is roughly 9%—up from 3% in 2017—and this segment is larger and less cyclical than the adult segment.

Meanwhile, the business' valuation remains attractive. The business traded at 29 times forward earnings at the end of December on what we view as suppressed GAAP earnings; we estimate it traded at a 21 times multiple using normalized historical earnings. This compares favorably with our annualized earnings growth expectation of approximately 25% over the next five years.

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

The Information Technology sector represents nearly half of the portfolio – the largest absolute sector weight and a modest benchmark-relative overweight. Year-to-date, the Fund's exposure to the sector has risen nearly 14% points, primarily due to an increasing exposure to semiconductors and cloud infrastructure.

The Fund's portfolio holds 12% to 16% weights in the Communication Services, Consumer Discretionary, Financials, and Health Care sectors and has no exposure in the Consumer Staples, Energy, Materials, and Utilities sectors.

Outlook and Conclusion

Domestic growth equities produced historically strong returns in 2023. Sentiment towards equities improved from depressed levels entering the year, after business results exceeded expectations and excitement grew surrounding the emergence of generative AI. Performance tended to vary based on the outlook for monetary policy yet growing evidence that we have reached a definitive end to the rate hiking cycle accentuated the market rally into year-end, sparking broader participation across equity markets.

Reflecting improving sentiment, gains for growth equities were largely driven by multiple expansion. However, we are happy to report that earnings have accounted for the Fund's entire year-to-date advance, leading the portfolio's valuation to compress relative to the broader market.

As we enter 2024, we are encouraged by the potential for several industry specific and secular tailwinds to support the Fund. Within cloud infrastructure and software, we see the tailwinds of slowing efforts to optimize consumption, improving customer workforce trends, and new product cycles. Meanwhile, within semiconductors, we are encouraged that end markets, such as smartphones and PCs, have bottomed. While we are closely monitoring the macroeconomic environment and its impact on consumer and business spending, many of these sub sectors have been operating in recession like environments for the past 12-18 months.

Moreover, we expect the influence of AI to persist and affect a broader range of portfolio companies. In our view, AI will amplify the need for enterprises to appropriately warehouse data, accelerating the shift to the cloud. We also expect businesses to benefit from both the launch of AI-enabled products and from leveraging AI to drive internal efficiencies.

Combining this together, we think there are multiple pockets of potential accelerating business results against consensus estimates. If we are directionally correct through the year, this dynamic should be supportive of absolute and relative results.

Fund Facts *(As of 12/31/23)*

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio: Total	Net
A Shares	11/15/10	**TSNAX**	89155T847	1.20%	1.16%
C Shares	11/15/10	**TSNCX**	89155T839	2.05%	1.77%
Y Shares	08/27/04	**CFSIX**	89155H827	0.92%	0.92%
Z Shares	08/11/00	**PTSGX**	89155H819	1.25%	1.17%
Inst Shares	09/01/20	**CISGX**	89155T524	0.88%	0.81%
R6 Shares	09/01/20	**TSNRX**	89155T516	0.84%	0.75%
Total Fund Assets	**$2.6 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 01/29/25.

Share class availability differs by firm.

Annualized Total Returns *(As of 12/31/23)*

	4Q23	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	22.91%	51.66%	51.66%	-7.91%	11.81%	9.26%	6.40%
C Shares	22.77%	50.83%	50.83%	-8.52%	11.05%	8.60%	5.84%
Y Shares	23.02%	52.06%	52.06%	-7.68%	12.09%	9.54%	6.62%
Z Shares	22.89%	51.60%	51.60%	-7.96%	11.79%	9.25%	6.40%
Inst Shares	23.04%	52.16%	52.16%	-7.61%	12.08%	9.39%	6.46%
R6 Shares	22.92%	52.26%	52.26%	-7.57%	12.09%	9.40%	6.46%
Benchmark	14.16%	42.68%	42.68%	8.86%	19.50%	14.86%	6.97%
Including Max Sales Charge							
A Shares	16.73%	44.13%	44.13%	-9.48%	10.66%	8.61%	6.13%
C Shares	21.77%	49.83%	49.83%	-8.52%	11.05%	8.60%	5.84%

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

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.*

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.

Top 10 Equity Holdings of Fund *(As of 12/31/23)*

		(% of Portfolio)
1	Microsoft Corp.	8.1
2	Amazon.com Inc.	7.9
3	ServiceNow Inc.	7.1
4	Dexcom, Inc.	6.7
5	NVIDIA Corp.	5.5
6	Meta Platforms, Inc.	4.9
7	Snowflake Inc.	4.8
8	Block, Inc.	4.3
9	Visa Inc.	4.2
10	Datadog Inc.	3.8

Source: BNY Mellon Asset Servicing

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. The Fund's service providers are susceptible to cyber security risks that could result in losses to a Fund and its shareholders. Cyber security incidents could affect issuers in which a Fund invests, thereby causing the Fund's investments to lose value. 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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