

Fund Manager Commentary

As of March 31, 2020

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

U.S. equities fell sharply in the first quarter, as the coronavirus pandemic swept the globe. The equity market volatility was unprecedented, with the CBOE Volatility Index hitting a high, surpassing levels seen in the Great Financial Crisis. This was the worst quarter for the index since 2008, ending the longest U.S. bull market in history. Many countries adopted “social distancing” measures to slow the virus’s spread, which in turn stoked fears of recession. All sectors posted double-digit declines, led by the Energy sector, as oil prices fell to multi-decade lows and the Financials sector suffered as well as the U.S. Federal Reserve Board (Fed) cut the reserve rate to zero. The Health Care and Information Technology sectors were the most resilient.

Portfolio Review

The Touchstone Sands Capital Institutional Growth Fund outperformed its benchmark, the Russell 1000® Growth Index, for the quarter ended March 31, 2020 although returns for both were negative.

Among the contributors to relative performance during the first quarter were Netflix Inc., Amazon.com Inc., ServiceNow Inc., Atlassian Corporation PLC and Microsoft Corp. Among the detractors to relative investment results during the first quarter were Match Group Inc., Visa Inc., Align Technology Inc., Facebook Inc., and Uber Technologies Inc.

Fund sector exposures are largely a byproduct of our bottom-up investment process. General positioning remained directionally unchanged.

We believe powerful secular trends will continue beyond the outbreak, and these shifts will change how people bank, communicate, and shop. In some cases, the outbreak may even cause these trends to accelerate. Many of the businesses in the Fund benefit from one or more of the following secular trends:

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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.**



Retail Revolution: Ecommerce

Ecommerce is the fastest-growing segment of retail sales, but still accounts for less than 15 percent of total global retail sales. Omnichannel retailing allows brands to provide customers a seamless experience by integrating online and offline storefronts. Consumers are more empowered than ever before with ubiquitous information and nearly unlimited selection, driving increased demand for more tangible value from what and how they buy. Potential portfolio beneficiaries include Alibaba Group Holding Inc., Amazon.com Inc., Monster Beverage Corp., and Visa Inc.

Union of Healthcare and Technology

Advances in health care and technology are enabling companies to run clinical trials and bring drugs and devices to market more efficiently than ever before. Innovative treatments are being developed for patients with diseases that were previously incurable. Medical devices are becoming increasingly sophisticated and are displacing old standards of care. Potential portfolio beneficiaries include Align Technology Inc., Edwards Lifesciences Corp., Illumina Inc., and Zoetis Inc.

Software-as-a-Service (SaaS)

SaaS businesses provide a compelling value proposition given their fast deployment ability, scalability, lower ownership costs, and easy and frequent updates. Companies are increasingly adopting and standardizing operations on specialized third-party software rather than building capabilities in house. Many businesses are running on antiquated technology and processes that need to be updated to more efficient, modern software. Potential portfolio beneficiaries include Adobe Inc., Intuit Inc., Microsoft Corp., and ServiceNow Inc.

Data-Driven Decision Making

We believe companies with large, proprietary pools of data—and tools that use this data to create targeted content—have sizable monetization opportunities. Advertising has been using data to target customers for years. Other large markets, such as business-to-business selling, remain more nascent opportunities. Companies are beginning to use predictive analytics to generate insights from their own pools of data. Potential portfolio beneficiaries include Alphabet Inc., CoStar Group Inc., Facebook Inc., and Netflix Inc.

Letter from the Investment Team

Just three months ago, we wrote about entering the new decade with optimism about the future. Since then, COVID-19 has spread globally at a stunning speed, with a tragic toll on human life and a severe impact on the global economy and markets. Our way of life is very different these days. We empathize with the challenges you may face professionally and personally.

Though the market environment is tough right now, we believe it offers a prime opportunity for our philosophy and approach to make a real difference. We entered the crisis with investments concentrated in a small set of leading businesses that we view as the best long-term wealth-creation opportunities. The selection of these businesses has been years in the making, involving extensive research to build our knowledge of each business, assess its risks and opportunities, and understand the skill and motivations of the management team and the firm's culture. This strong foundational work means that when we enter a challenging market environment, the Fund is already pre-positioned for that crisis by owning leaders with significant competitive advantages and financial strength. Our six criteria are as much about risk mitigation as return generation, which enables us to navigate this difficult environment with high conviction in the Fund's businesses and confidence in our ability to fulfill our mission.

We concluded the first quarter with value-added investment results. Despite strong relative results, we recognize the market drawdown has been significant, and that you may be especially concerned with managing volatility. As each day presents new information about the unfolding crisis, we are acutely focused on identifying the real risks that may impair a business's capacity to sustain above-average revenue and earnings growth over the long term. These existential risks—rather than day-to-day volatility driven by trading dynamics—are what matter to us as business owners. This means we are closely tracking our Fund businesses and the ecosystems in which they operate, communicating with management teams, and ensuring their balance sheets can withstand an extended period of disruption. We'll continue to do this to validate that we own some of the best businesses—great franchises that can both survive the current crisis and thrive on the other side of it.

Leadership, sustainable competitive advantage, and financial strength are common attributes of our portfolio businesses, as guided by our six investment criteria. Because such businesses typically command a stock price premium, we've observed their shares tended to underperform the cheaper stocks of inferior businesses in previous risk-off markets. Yet, ironically, during those crises, the competitive gap between our leading businesses and the secondary industry players often widened. In many cases, our businesses emerged from the crises stronger, achieving even more dominant market positions, generating higher margins and return on equity and, subsequently, rewarding investors.

In the current crisis, the competitive advantages of the Fund's businesses may be more obvious to market participants than in the past. These advantages are especially apparent in areas such as grocery ecommerce, video communication, streaming media services, and mission-critical enterprise software and infrastructure technologies. We believe this explains why the stock prices of many have performed better than the market benchmarks thus far. Looking forward, if our investment cases play out as we expect, many of our businesses will

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benefit from an acceleration of secular trends that may not be fully appreciated by the market. As many of our businesses are positioned to capitalize on this acceleration, so, too, are investors with the domain knowledge and long-term vision to look ahead to the growth opportunities of tomorrow. We believe our integrated global research platform helps us do just that.

Predicting future businesses outcomes is challenging work. Though we don't claim to get it right with every business or with some incredible precision, we believe we have succeeded at tilting the odds in our favor by generating differentiated insights and constructing a concentrated, conviction-weighted portfolio. Behind it all is our highly collaborative, team-based research platform. During times of stress, we believe its value becomes even more obvious.

We have purposefully built and nurtured a cohesive group of professionals committed to engaging in Socratic exploration. Our analysts and portfolio managers aren't siloed, or myopically focused on a single sector or portfolio. Instead, they share information, ask probing questions, bring a diversity of perspectives, and challenge each other to see the world clearly and think creatively. We've intentionally cultivated a culture that values, promotes, and rewards teamwork. We believe doing so allows us to develop the clearest possible picture of the businesses we own and those we consider owning.

Our research platform enables us to identify innovation and attractive opportunities around the world and at all points of a company's life. By sharing these insights across an integrated investment team, we are confident that each of our strategies is better equipped to benefit from the cumulative understanding of long-term growth drivers. For example, our private markets research often informs our thinking about the evolving industry dynamics affecting our public businesses, and vice versa. Likewise, our extensive fieldwork in emerging markets may influence our views on next-stage growth in the U.S. and other developed markets.

This collaborative approach enables us to continue our research and investment activity uninterrupted, despite global travel restrictions. By leveraging our integrated research platform, our portfolio management teams have the capability to efficiently access insights across geographies, growth stages, and business spaces. In addition to the platform and its collective domain knowledge, we've spent years developing strong relationships across each relevant ecosystem: relationships with customers, competitors, employees, management teams, partners, suppliers, and regulatory bodies. These relationships are a key advantage, in our view, and especially useful in today's environment. We are confident that we have both the know-how and capabilities to execute our mission anywhere—be it on the road or while sheltering in place.

We continued to strengthen our capabilities, people, and processes. Despite our remote operation, we've been able to make additional enhancements to our data warehouse, upgrade our internal technology help desk, and even hire and onboard several new staff members.

Today, we believe our ability to identify value-creating businesses is greater than at any other time in our history.

Current Observations

Relative investment results have remained strong in the Fund, which we believe reflects the underlying durability and quality of the franchises in which we invest. To us, these results serve as a testament to the power of Sands Capital's investment criteria to simultaneously serve as a wealth-creation tool as well as an effective risk-mitigation tool. This dual nature of our criteria illustrates the "with prudence" part of our mission.

In the Fund's portfolio, we're focusing specifically on three key areas: 1) changes to the competitive environment, 2) demand destruction vs. demand delay, and 3) catalyst for secular change.

1) Changes in competitive environment: Short-term industry pressures could strengthen our businesses' competitive positions. For example, Align Technologies Inc. will likely sell fewer aligners as dentist offices close, and Floor and Décor will see less foot traffic as people socially distance. However, we believe it's unlikely that the long-term demand drivers for these businesses will disappear, and, importantly, their financial strength will enable them to better weather the storm than their smaller and less robustly funded competitors.

2) Demand destruction or delay: A key question we seek to answer is if economic activity has been permanently lost. In some cases, this is true—for instance, there's no way to make up for Uber rides not taken. However, this isn't true in all cases. For example, the medical device industry has been pressured as elective procedures have been delayed, and as hospital capital equipment purchasing has slowed. While this is a near-term headwind for several of our businesses, we don't think this changes anything for a business such as Illumina Inc. The need for genetic sequencing will continue to grow, in our view, and Illumina remains at the center of the genomics ecosystem as its key technology provider.

3) Catalyst for secular change: We are also looking past the crisis to determine how shifting behavioral patterns could accelerate secular change and lead to new growth markets. Online grocery is one example, where awareness has grown, the value proposition has become clearer, and habits have begun to form. In 2019, ecommerce accounted for merely two percent of all U.S. food and beverage sales, and this shift online would have taken years to gain meaningful traction for businesses such as Alibaba Group Holding Ltd. and Amazon.com Inc. However, COVID-driven social distancing has accelerated this move, with CivicSource reporting a threefold increase in U.S. adults who have increased their online grocery shopping. Other examples include increased usage of streaming video and game play globally (benefiting Activision Blizzard Inc., Netflix Inc., and Sea Ltd.), and wholesale industry disruption (Zillow Group Inc.).

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In terms of new opportunities, we're looking for dislocation between current price and long-term value. The markets are already short-term-oriented, and, in a crisis, that perspective can become even more pronounced. This, in our view, can create real opportunity for investors with a business-owner's mindset.

Our discipline positions us to be opportunistic—rather than reactive—during crises. During pullbacks, our experience has taught us to consolidate around our highest-conviction ideas, and to upgrade the portfolio with high-quality new opportunities. We believe we've done just that in the Fund.

During the quarter, we added to several top-10 weights and continued to increase Fund positions in more recently purchased businesses that we believe warrant larger exposure. We also took advantage of what we viewed as value dislocations to initiate positions in businesses which had long been on our buy list.

These additions were funded by trimming businesses that had either seen strong gains heading into the crisis—growing beyond their strategic weights—or by reducing select businesses that might be less resilient in a COVID-disrupted economy. We also sold Abiomed Inc. and Workday Inc. While these businesses remain strong in an absolute sense, they were simply lower on the Fund's stack rank.

Looking ahead

COVID-19 is a solvable problem. It will require time, behavior changes, and lots of adjustments. Things may change, and there may be a new normal, but it will be a new normal that will likely be pretty good for most. At Sands Capital, we will continue to focus on fulfilling our mission, working collaboratively to seek innovation and add value for our clients.

In closing, below is what we shared with clients in the depths of the Great Financial Crisis in 2008, which we believe rings true today:

History suggests that stock market recoveries occur well before economic recoveries. As we like to say at Sands Capital, you have to “be there,” not “getting there.” In other words, investors need to be positioned in the right companies before the market turns, not after. Having adhered assiduously to our investment philosophy and strategy, we believe our clients are already “there” and uniquely positioned to benefit from this recovery. We also think there is a case to be made that this recovery could be dramatic given the current compelling valuations.

The market at this moment is gripped by fear, panic, and severe risk aversion. This too shall pass. Looking forward, we believe that patience will be rewarded—and so too will the Fund's concentrated portfolio of high-quality growth businesses.

First Quarter 2020—Purchases and Sales Rationale

Purchases

Square is a provider of innovative financial products for small-to-medium businesses (SMBs) and individual consumers. Software is replacing bank branches as the predominant distribution point for financial services, and the market segments where Square focuses—SMBs and consumers—are two groups that we view as most amenable to automation and digitization. Square's SMB business pioneered the self-serve and software-enabled models for payment processing—enabling millions of SMBs to accept cards for the first time—and has since evolved into a suite of financial tools for SMB sellers to manage their operations. Square's consumer-oriented Cash App grew from a project that created the U.S.'s first instant and direct bank-to-bank transfer service. Today, it has grown into a full-service, multi-product consumer finance business. We believe its frictionless, low-cost offerings represent a strong value proposition for the 60 million U.S. adults currently unbanked or underbanked. We believe Square will sustain above-market volume growth via share gains and upmarket expansion, with margin expansion driven by sales & marketing and R&D efficiency.

Uber Technologies is the world's leading mobility technology platform. Based on gross bookings, Uber's ride-hailing business (Rides) is the leader in each of its markets, and its food delivery business (Eats) is a leader or fast follower in over 30 countries. The ride-hailing industry has grown explosively over the past decade, but we believe that many underestimate the durability of Rides' above-average growth potential. We believe both users and rides per user will continue to grow, driven by convenience and habit formation. The earnings potential of Rides is also underappreciated, in our view, and we believe Uber will expand its margins as incremental revenues grow. In addition to ride-hailing, Uber leverages its mobility technology to operate one of the world's leading food delivery business. This market remains highly competitive, but Uber benefits from scale and its ability to reinvest the profits from Rides into growing Eats. The company also operates several other smaller businesses—including Advanced Technology Group, Freight, and New Mobility—that we believe have the potential to become more material contributors over time.

Zillow is a leading digital-services provider for the real-estate industry. We believe the company will leverage its brand, industry experience, and new Offers business to digitize the entirety of the home buying and selling process, move closer to the transaction, and take a greater share of each home purchase that it facilitates. With a solid base in its legacy business (serving home-buyer leads to real-estate agents), Zillow has launched a new business, Zillow Offers, which purchases homes directly from sellers. While this is seemingly a low-margin, capital-intensive business, the reality is that Offers enables Zillow to enter multiple high-margin business lines including mortgage origination, title and escrow services and, we believe, a seller-leads business to complement the existing buyer-leads business. Over the long term, we envision Zillow evolving from a site that provides home-value data to one where consumers can shop for agents, related services, and even buy and sell homes directly: a true digital real-estate marketplace, similar to other ecommerce platforms.

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Sales

The Fund sold Abiomed in March to make room for a new business. We continue to have confidence that Abiomed's Impella device can become more widely adopted over time for severe cardiac failure. However, with the recent setbacks, this will likely take longer than originally expected, and will be more reliant on new clinical data. Given the market dislocations caused by the coronavirus outbreak, we believe the business's opportunity cost is too high. We always viewed Abiomed as an emerging franchise with a wide cone of outcomes, and managed this risk in the Fund through a small portfolio weight.

The Fund sold Workday, a leading provider of enterprise software applications, largely due to portfolio construction considerations. In the first quarter, we opportunistically added to what we viewed as our best positioned businesses amid the coronavirus-induced market turbulence. To fund those higher-conviction ideas, we had to trim or sell a number of businesses, including Workday. This sale is also part of a general reduction of high-growth/high-valuation software over the last year. We continue to evolve our Fund composition with the growth landscape. That evolution includes reducing the Fund's software positioning and consolidating around what we view as the strongest companies. While Workday's business fundamentals have exceeded our expectations, it was the Fund's smallest software weight, which reflected our conviction relative to the Fund's other six software businesses. We still believe that the business has attractive long-term growth potential, but no longer fits the concentrated Fund's portfolio.

As of March 31, 2020, Netflix Inc. made up 9.15%, Amazon.com Inc. made up 8.92%, ServiceNow Inc. made up 6.45%, Atlassian Corporation PLC made up 2.01%, Microsoft Corp. made up 4.21%, Match Group Inc. made up 5.02%, Visa Inc. made up 7.80%, Align Technology Inc. made up 1.68%, Facebook Inc. made up 3.72%, Uber Technologies Inc. made up 1.69%, Alibaba Group Holding Ltd. made up 2.42%, Monster Beverage Corp. made up 2.27%, Edwards Lifesciences Corp. made up 2.23%, Illumina Inc. made up 2.85%, Zoetis Inc. made up 3.91%, Adobe Inc. made up 5.11%, Intuit Inc. made up 4.10%, Alphabet Inc. made up 4.38%, CoStar Group Inc. made up 4.03%, Floor & Décor Holdings Inc. made up 1.56%, Activision Blizzard Inc. made up 1.74%, Sea Ltd. made up 2.33%, Zillow Group Inc. made up 0.95%, Square Inc. made up 1.82%, Abiomed Inc. and Workday Inc. made up 0.00% of the Touchstone Sands Capital Institutional Growth Fund. Current and future portfolio holdings are subject to change.



Fund Facts (As of 03/31/20)

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio*	
				Total	Net
INST Shares	01/21/05	CISGX	89155J104	0.82%	0.82%
Total Fund Assets		\$1.5 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 0.80% for Class INST Shares. These expense limitations will remain in effect until at least 04/30/21.

Annualized Total Returns (As of 03/31/20)

Class	1Q20	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
INST Shares	-9.45%	-9.45%	-1.14%	14.83%	9.48%	14.08%	10.39%
Benchmark [^]	-14.10%	-14.10%	0.91%	11.32%	10.36%	12.97%	9.58%

[^]Benchmark - Russell 1000[®] Growth Index¹

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¹The 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 Fund may focus its investments in specific sectors and therefore be susceptible to positive or negative developments in the sector which may increase the Fund's volatility and magnify its effects on total return. 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. A health crisis may negatively affect the worldwide economy, as well as the economies of individual countries, individual companies and the market in general in significant and unforeseen ways, which could adversely affect the Fund's performance, the performance of the securities in which the Fund invests and may lead to losses on an investment in a Fund. Current and future portfolio holdings are subject to risk. 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.

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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