

Fund Manager Commentary

As of June 30, 2024

Fund Highlights

- Concentrated, high conviction portfolio
- Distinctive approach is centered on linking valuations with barriers to entry
- Seeks to invest in businesses that are trading below what is believed to be its estimate of the companies' intrinsic value
- Focuses on businesses that are believed to have a sustainable competitive advantage or a high barrier to entry in place
- Strategy provides the opportunity to invest in companies of all market capitalizations

Market Recap

U.S. equities had a slow start to the second quarter but finished strong through May and June. Soft landing narratives continued amidst favorable inflation readings late in the quarter. The best performing benchmark sectors were Information Technology, Communication Services, and Utilities. The worst performing sectors for the benchmark were Materials, Industrials, and Energy.

Portfolio Review

The Touchstone Focused Fund (Class A Shares, Load Waived) underperformed its benchmark, the Russell 3000® Index, for the quarter ended June 30, 2024.

Within the Fund, the sectors where holdings outperformed the most relative to the benchmark were Materials, Real Estate, and Financials. Sectors that lagged the most relative to the benchmark include Consumer Staples, Industrials, and Health Care. Stock selection detracted from performance for the period while sector allocation contributed primarily due to an overweight in Communication Services and an underweight in Industrials.

Three of the holdings that contributed the most to performance were Alphabet (Communication Services sector), Taiwan Semiconductor (Information Technology sector), and Apple (Information Technology sector).

Alphabet outperformed due to strong quarterly results across Search and YouTube drove outperformance in Alphabet's stock in the quarter. Although it is still early, artificial intelligence (AI) Search appears to be additive to Search volumes so far. Profits exceeded expectations as a result of cost cutting actions. We continue to expect that Alphabet will successfully leverage advancements in AI technology to retain its market position in Search and Cloud.

Taiwan Semiconductor (TSMC) delivered solid results and management guided for strong growth driven by sales of chips that enable AI. Additionally, the market now expects TSMC to raise prices on leading edge chips, which should help alleviate gross margin pressure and improve profitability.

Apple saw outperformance during the quarter as it announced a slew of new AI functionality coming to iPhones. These new AI capabilities are expected to accelerate the iPhone replacement cycle, thereby driving strong growth in sales for Apple.

Three of the holdings that detracted the most from performance included Nvidia (Information Technology sector), Salesforce (Information Technology sector), and Coca-Cola FEMSA (Consumer Staples sector).

Nvidia detracted from performance due to our underweight in the name. The stock outperformed due to expectations of continued strong sales growth over the next year.

Salesforce is seeing elongating sales cycles and smaller deal sizes as customers remain cautious in spending. These dynamics resulted in reported weak quarterly performance and lower than expected guidance for the next quarter. Although the stock declined as a result of these factors, we think growth will return to higher levels and see the shares as undervalued.

Coca-Cola FEMSA underperformed primarily due to results from the recent political elections in Mexico in early June. Signs that Claudia Sheinbaum will take office with a strong majority in Congress has sent the Mexican peso/equities lower, as the market fears the incoming leader may have the legislative support to pass anti-market reforms. Prior to the election, the peso was one of the top performing major currencies this year against the dollar. Additionally, Coca-Cola FEMSA has also been challenged by fears of a scenario in which Trump is elected given his tough position on Mexico.

(continued)

Fort Washington is a member of Western & Southern Financial Group

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 a market cap perspective, the Fund ended the period with a small allocation to smaller cap stocks (companies with a market cap below \$2 billion). The index weight for this segment is 1.9%. The Fund had an underweight in mid cap businesses, which now comprise 4.6% of assets, compared to an index weight of 7.2%. Lastly, the Fund is overweight in larger cap businesses (companies with a market cap above \$10 billion). The weight in that segment is currently 91.7%, which is higher than the index weight of 90.9%. This allocation decision had a positive impact to performance during the quarter. Cash holdings ended the quarter at 3.3%

Investments made in international companies, which comprised 3.7% of assets in the Fund at the end of the period, underperformed the benchmark.

During the quarter, the Fund added Nvidia (Information Technology sector) to the portfolio, while Cencora (Health Care sector) and Cracker Barrel (Consumer Discretionary sector) were sold from the portfolio.

Nvidia is a high barrier business and we bought it in the franchise value layer. Nvidia dominates the market for Graphical Processing Units (GPUs). Originally intended for use in playing video games, GPUs are now widely used for professional visualization and AI applications. As the market share leader in GPUs, these newer markets provide Nvidia with massive secular tailwinds that should enable the company to grow revenues at high rates over the next decade. Nvidia market share in accelerators for training AI applications is estimated at about 95%. The company is also estimated to have about 80% share of dedicated GPUs for gaming on PCs. The high market shares give Nvidia economies of scale in product development. Additionally, the company's CUDA software, which is used to program Nvidia's chips, create switching costs for existing applications. We expect Nvidia to maintain its dominant share in semiconductors used for AI applications, and we see upside in the stock as demand for such applications should grow at high rates over time. However, recent large imbalances in supply and demand for Nvidia's GPUs create the likelihood of over-ordering by customers, with a possible correction in order patterns in the future. Therefore, we limited our initial position size, despite attractive upside in the stock.

As the quarter ended, the Fund had an overweight in the Communication Services, Financials, and Health Care sectors and an underweight in the Industrials, Information Technology, Energy, Real Estate, Consumer Discretionary, and Consumer Staples sectors. The weight in the Materials sector was roughly in line with that of the index. The Fund held no positions in the Utilities sector.

Outlook and Conclusion

The U.S. equity market logged a significant rally in the second quarter, resulting in a strong gain for the first half of 2024. Despite a slow start to the second quarter with rate cuts in question amidst higher-than-expected inflation readings, the outlook improved in May and June. Economic growth remains robust with consumer spending supported by strength in the labor market.

The market performance reflects investor optimism that the Federal Reserve will be able to control inflation without inducing a

recession. In our view, the debate on soft landing versus hard landing will continue until we have landed. History includes many periods where talk of a soft landing occurs just before recession strikes. Therefore, we keep an open mind and watch employment, housing, manufacturing, and market breadth data among others to continually re-underwrite our view. Consistent with our approach over the past couple of years, we have maintained a high-quality portfolio with a focus on higher return on capital businesses with pricing power. One hundred percent of the portfolio excluding cash remains invested in companies that have moderate to high barriers to entry in our view. Periods like the first half of 2024, where momentum is the dominant factor, are often challenging on a relative basis for the value-oriented Fund. We believe disciplined execution of our process will benefit the Fund and investors over the long term.



Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				Total	Net
A Shares	09/30/03	TFOAX	89154X245	1.19%	1.19%
C Shares	04/12/12	TFFCX	89154X237	2.03%	1.91%
Y Shares	02/12/99	TFFYX	89154X229	0.89%	0.89%
INST Shares	12/20/06	TFFIX	89154X211	0.96%	0.85%
Total Fund Assets	\$1.3 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 1.20% for Class A Shares, 1.89% for Class C Shares, 0.95% for Class Y Shares and 0.83% for Class INST Shares. These expense limitations will remain in effect until at least 07/29/25. Share class availability differs by firm.

Annualized Total Returns

	2Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	2.28%	9.74%	14.90%	6.30%	14.12%	10.49%	10.36%
C Shares	2.08%	9.31%	14.02%	5.48%	13.25%	9.83%	9.75%
Y Shares	2.35%	9.90%	15.25%	6.61%	14.47%	10.82%	10.65%
INST Shares	2.37%	9.91%	15.29%	6.65%	14.52%	10.89%	10.74%
Benchmark	3.22%	13.56%	23.13%	8.05%	14.14%	12.15%	8.20%
Including Max Sales Charge							
A Shares	-2.84%	4.25%	9.15%	4.49%	12.96%	9.84%	10.10%
C Shares	1.08%	8.31%	13.02%	5.48%	13.25%	9.83%	9.75%

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 3000® 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](https://www.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, and INST Shares combines the performance of an older class of shares (Y Shares) from the Fund's inception, 02/12/99, with the performance since the inception date of each share class.

Top 10 Equity Holdings of Fund

	(% of Portfolio)		(% of Portfolio)		
1	Microsoft Corp.	9.9	6	Berkshire Hathaway Inc. Class B	3.7
2	Apple, Inc.	7.4	7	UnitedHealth Group Inc.	2.8
3	Alphabet Inc.	6.4	8	Goldman Sachs Group Inc.	2.7
4	Meta Platforms, Inc.	5.9	9	Bank of America Corp.	2.5
5	Amazon.com Inc.	5.0	10	Salesforce Inc.	2.4

Source: BNY Mellon Asset Servicing

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](https://www.touchstoneinvestments.com/resources) or call Touchstone at 800.638.8194. Please read the prospectus and/or summary prospectus carefully before investing.

Not FDIC Insured | No Bank Guarantee | May Lose Value

The Russell 3000® Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

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.

The Frank Russell Company (FRC) is the source and owner of the data contained or reflected in this material and all trademarks and copyrights related thereto. The material may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a Touchstone Investments presentation of the data, and FRC is not responsible for the formatting or configuration of this material or for any inaccuracy in the presentation thereof.

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 stocks of small- and mid-cap companies, which may be subject to more erratic market movements than stocks of larger, more established companies. 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 securities, including 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 Fund invests in emerging markets securities which are more likely to experience turmoil or rapid changes in market or economic conditions than developed countries. The Fund may focus its investments in a particular industry and/or market sector which may increase the Fund's volatility and magnify its effects on total return. The Adviser engages a sub-adviser to make investment decisions for the Fund's portfolio; it may be unable to identify and retain a sub-adviser who achieves superior investment returns relative to other similar sub-advisers. Events in the U.S. and global financial markets, including actions taken to stimulate or stabilize economic growth may at times result in unusually high market volatility, which could negatively impact Fund performance and cause it to experience illiquidity, shareholder redemptions, or other potentially adverse effects. 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. Current and future portfolio holdings are subject to change.

Touchstone Funds are distributed by

Touchstone Securities, Inc.

A registered broker-dealer and member FINRA and SIPC

Touchstone is a member of Western & Southern Financial Group



Touchstone Investments®
DISTINCTIVELY ACTIVE®