Fund Manager Commentary

As of September 30, 2024

Fund Highlights

- Utilizes a bottom-up security selection process that screens potential investments against a proprietary quantitative model for return on capital, earnings to value ratio, free cash flow and return on equity
- Looks at a company's corporate governance structure and management incentives to try to ascertain whether or not management's interests are aligned with shareholder interests
- Seeks to identify the sources of a company's competitive advantage as well as what levers management has at its disposal to increase shareholder value
- Seeks to purchase generally profitable, financially stable large-cap companies that consistently generate high returns on unleveraged operating capital, are run by shareholder-oriented management, and are trading at a discount to their private market value

Market Recap

U.S. equities traded higher during the quarter ended September 30, 2024, with most of the major indices posting mid-single digit gains. The broader market, measured by the Russell 3000 Index, rose with small cap companies leading the way. The U.S. Federal Reserve (Fed) shifted to less restrictive monetary policy during the quarter and rate sensitive sectors rallied. There was a noticeable shift in market dynamics with leadership broadening to a wider range of sectors.

Yield and most of the Value factors posted the strongest returns while most of the Growth, Volatility, and Momentum factors presented headwinds. Quality factors had a mixed impact.

Economic data released during the quarter reflected stable growth. Consumer spending remained solid, driven by low unemployment, rising wages, and the wealth effect. However, the household savings rate continued to decline, and there was a noticeable increase in delinquency rates for credit cards and auto loans. While the latest estimate from GDPNow assumes some deceleration in the third quarter, the data still suggests solid growth with expectations of 2.5% real GDP growth (annualized).

Inflation continued to moderate during the quarter with both Consumer Price Index (CPI) and Personal Consumption Expenditure (PCE) results just above the Fed's long-term goal of roughly 2%. In September, total and core CPI posted year-over-year (y/y) gains of 2.9% and 3.2%, respectively. The three-month annualized rate of change was 2.1%. The Fed's preferred measure of inflation, core PCE, rose 2.7% y/y.

The U.S. housing market remained sluggish with declining existing home sales, but some improvement in homebuilding activity. Low levels of existing home inventory limited sales, while declining mortgage rates (30-year rate is now roughly 6%) boosted demand. Prices for existing homes rose 3.1% y/y in September, a deceleration vs. prior months.

The labor market remained strong, with some cracks beginning to form. The U.S. economy added over 500k net new jobs during the quarter, a deceleration from prior quarters, but still a respectable result. The U3 unemployment rate remained steady at 4.1% to end the quarter. The labor force participation rate also held steady, at 62.7%. Growth in average hourly wages rose 4.0% vs. the prior year. Importantly, while the labor market remains relatively strong, there are signs of weakening due to restrictive monetary policy over the last couple of years.

Results from the two main Institute for Supply Management (ISM) indexes paint a mixed picture. The ISM Manufacturing Index remained at 47.2 in September, suggesting contraction. The Manufacturing Index has been below 50 for 22 of the last 23 months. Meanwhile, the Services Index rose to 54.9, indicating expansion for the 49th time in 52 months. For both surveys, a reading below 50 suggests economic contraction while any score over 50 suggests expansion.

With regard to monetary policy, following two years of tightening from the Fed, policy shifted to a less restrictive stance during September. The combination of decelerating inflation (getting close to the Fed's 2% target), some weakening in the labor market (rising unemployment, slower wage growth, lower quits rate), along with stable economic growth (roughly 2% annualized real GDP growth), enabled the Fed to reduce the fed funds rate by 50 basis points (bps) to a range of 4.75 - 5.00%, in search of the neutral rate. While the neutral rate is not observable, we believe

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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.***

something in the 3.00 - 3.50% range is a reasonable estimate. We note that the Fed is very data dependent and expectations for changes in the funds rate can shift quickly. Currently, the futures market is pricing in a fed funds rate of close to 4.0% by the end of 2024 and 3.0% by the end of 2025.

Portfolio Review

The Touchstone Large Cap Fund (Class A Shares, Load Waived) outperformed its benchmark, the Russell 1000® Index, for the quarter ended September 30, 2024.

The best performing sectors for the Russell 1000 Index were Utilities and Real Estate while Energy and Information Technology were the weakest sectors for the market. Greater exposure to Value factors (vs. the core Index), as well as less exposure to Volatility and Momentum factors aided relative performance.

During the quarter, both sector allocation and stock selection were tailwinds to relative performance. At the sector level, an underweight position in Information Technology and an overweight position in Financials had a positive impact on relative performance, partially offset by the negative impact of an underweight position in both Utilities and Real Estate.

Turning to stock selection, the best performing stocks based on relative performance vs. the benchmark during the quarter were The Progressive Corp., BlackRock Inc., Fiserv Inc. (all Financials sector), Starbucks Corp. (Consumer Discretionary sector), and Air Products & Chemicals, Inc. (Materials sector).

Progressive was a top performer as the company continued to gain market share from competitors and improved its margins by effectively segmenting underwriting risks and implementing strategic pricing. Progressive has achieved its profitability target by lowering advertising costs and focusing on acquiring preferred customers. We remain confident in Progressive's ability to execute in all environments, competitive advantages, and capital allocation strategy.

Shares of BlackRock rallied during the latest quarter as organic growth improved sequentially. Our long-term view of BlackRock has not changed. In the near-term, strong equity market performance is supportive of assets under management and fee growth, and visibility on declining interest rates is a potential tailwind to the fixed income ETF business. We continue to view BlackRock as a long-term share gainer with a broad spectrum of solutions, and we appreciate the strong balance sheet and steady capital return. BlackRock has made significant steps this year to enhance the company's positioning in private markets, acquiring Global Infrastructure Partners and announcing a deal to acquire data provider Prequin.

Fiserv delivered another strong quarter with both Merchant and Financial Solutions segments outperforming, driven by solid execution of company initiatives. Their product offerings continue to resonate in the market and management is effectively leveraging a flexible go-to-market strategy by cross-selling core platforms and point solutions to increase customer share across both segments. Free cash flow generation remains strong with management prioritizing organic reinvestment and capital returns. We are confident in Fiserv's ability to generate sustainable earnings growth through its robust product portfolio and disciplined capital allocation.

Despite the business's current struggles, Starbucks shares responded positively this quarter to the news of a CEO change. Brian Niccol was named Chairman and CEO of Starbucks effective September 1. In addition to Niccol's impressive background, we believe that someone with deep quick service restaurant experience, which Laxman lacked, is an immediate improvement for the company. Starbucks still needs to navigate through a pressured Foodservice environment and self-inflicted operational issues, but we feel incrementally positive with Niccol at the helm.

We added to our Air Products stake twice this year and the stock subsequently outperformed during the second and third quarter. Air Products is yielding results in its base business comparable to that of its closest industrial gas peers, and margins have recovered back towards industry-leading levels. We believe the sale announcement in June between Air Products and TotalEnergies is a good first step towards alleviating investor concerns about the return profile for clean energy megaprojects. The announcement in July to sell the liquified natural gas business also suggests Air Products is squarely focused on its two main growth pillars: base industrial gas and clean energy megaprojects.

The more challenged positions based on relative performance during the quarter were Alphabet Inc. (Communication Services sector), The Charles Schwab Corp. (Financials sector), FedEx Corp. (Industrials sector), Chevron Corp. (Energy sector), and Nestle SA (Consumer Staples sector).

Alphabet underperformed the broader market this quarter despite strong results from its advertising and Cloud businesses. Much of the underperformance was due to antitrust scrutiny for its dominance in search and advertising. Expected outcomes, remedies, and timelines from these cases remain uncertain. The core and Cloud businesses delivered promising growth. Management has executed its expense control plans and margins have expanded through better product and process organization. Alphabet has a solid balance sheet, significant market share, and generates strong returns on invested capital.

Shares of Charles Schwab underperformed the broader market as the company reported an optically bad quarter, though with little implications on company fundamentals. Cash sorting from consumers continued in the latest quarter and has persisted longer than we anticipated. We believe that an end to Charles Schwab's headwinds is near, especially as the Fed shifts to cutting rates, and consequently, we expect a strong rebound in earnings power within the next 18 months. Longer term, we believe the company is well positioned to continue capturing market share and driving sustainable earnings growth.

Due to a post-earnings swoon in late September, FedEx underperformed the market. The company has been successful in cutting costs over the past year, but weaker revenue has been a headwind in recent quarters. Both UPS and FedEx have experienced customers trading down to cheaper, less time sensitive shipping options. Separately, little news regarding the possible spin-off of FedEx Freight to shareholders limited any gains in the

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shares. We continue to own shares as we believe FedEx owns a network that is almost impossible to duplicate, and a source of competitive advantage.

Chevron shares underperformed during the quarter reflecting falling oil prices. The company's latest quarterly earnings were below expectations, and the uncertainty of the pending acquisition of Hess remains an overhang. Bigger picture, there is no change to our view on the defensive capital structure, competent management team, and attractive cash generation of the asset base.

Shares of Nestle underperformed during the quarter. Sentiment across the packaged food space is negative as it emerges from two years of unprecedented food price inflation (not seen since the 1970s). Additionally, the news of a CEO change in August triggered additional uncertainty around the stock. As Nestle transitions from a period of portfolio turnover to a period of nurturing and growing the current portfolio, we understand the rationale for a CEO change to play to different leadership strengths. We believe the stock can re-rate as volume-led growth returns, and the company continues to execute against profitability and operational goals.

In mid-July, we sold the remaining position in Cisco Systems (Information Technology sector), trimmed the existing position in O'Reilly Automotive (Consumer Discretionary sector) and initiated a position in Chubb Limited (Financials sector).

The Cisco sale reflects slowing growth prospects and risk of value destroying mergers & acquisitions (M&A). Valuation of the shares is attractive, and the company offers a 3.3% dividend yield at the current price, which makes it a more attractive holding for an income-oriented portfolio. We trimmed O'Reilly after a multi-year rally and some concerns around weakening consumer spending (roughly half of sales are do it yourself). We maintained a roughly 2% position and remain attracted to the fundamentals of the business.

We initiated a position in Chubb. Chubb engages in the provision of commercial and personal property and casualty insurance, personal accident and accident and health, reinsurance, and life insurance. The company is headquartered in Zurich, Switzerland.

We are attracted to the company's superior underwriting and expense management, consistent and best-in-class profitability, upside potential from growth in Asia, and the potential to benefit from higher interest rates in its investment portfolio. We believe that the stock could deliver 8-10% earnings per share/book value per share growth along a 1.4% dividend yield, resulting in a double-digit annual return. Core return on equity is in the low double digits and core return on tangible equity is roughly 20%.

The company maintains a portfolio of top-performing, multibillion-dollar businesses that have substantial scale and room for additional growth. The company also has a well-balanced mix of business by customer and product, with extensive distribution channels.

Importantly, the company has a culture of superior underwriting discipline, and expense control. Consequently, Chubb has demonstrated consistent loss and expense ratios, and less volatility vs. peers with an average combined ratio of 91.3% over the past 20 years.

While the company is headquartered outside the U.S., roughly two-thirds of its profits are generated in the U.S. Asian markets represent another 20% of earnings. Asian countries represent 40% of global GDP, but only 25% of the global insurance market. This combined with attractive demographics, should afford Chubb a large growth opportunity.

Risks include the inevitable reversion of the current hard market, potential M&A, the lack of international regulatory transparency, economic and social inflation, and a less attractive crop protection business in the mix today. Shares of Chubb may also underperform the broader market in a risk-on market environment.

In late September, we added 1% to the existing position in TC Connectivity plc (Information Technology sector). This brought the position size close to the 3% weighting that we often target for new positions. We also trimmed the existing positions of Altria Group Inc. (Consumer Staples sector) and Berkshire Hathaway Inc. (Financials sector). We trimmed both holdings on recent strength but maintain a favorable view on each company.

Outlook and Conclusion

Looking ahead, consumer spending will remain key to the economic outlook. On the positive side, consumer balance sheets remain in reasonably good shape and unemployment is still low, while wages are rising. On the negative side, the labor market is cooling and will probably weaken further in the months ahead. A shift from more restrictive to neutral monetary policy could limit the damage.

Turning to monetary policy, the Fed reduced short-term interest rates in September, but the fed funds rate remains higher than the neutral rate, while the Fed is still reducing the size of its balance sheet. Therefore, monetary policy remains in restrictive territory. There is typically a lag (up to two years) between monetary policy changes and the impact on the economy. Therefore, the impact of restrictive policy may continue to affect the economy in the months ahead. While we believe that the odds of a near term recession are low, we note the difficulty in navigating a soft landing.

Going forward, the Fed will likely reduce rates another 50bps before the end of the year, and another 100bps in 2025. That should get us close to the neutral rate. If the Fed has to cut rates more dramatically, it probably means that something is wrong.

Importantly, Quality factors have historically posted their best relative returns during periods of decelerating growth (late cycle) and through recessions. Quality factors typically lag in the early days of a recovery and keep pace during the mid cycle years. We may be late in the economic cycle now. If that is correct, it bodes well for the relative performance of Quality factors over the next few years and for our portfolios in particular.

In terms of the equity market, valuations based on near term earnings are elevated in the context of moderate GDP growth. We believe that equity returns in the near term may be modest, with shareholder yield (dividends, share repurchase, debt reduction) comprising a significant percentage of the total return from equities.

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Longer term, we believe that quality attributes and solid company fundamentals will lead to strong risk adjusted returns. The companies in Touchstone Large Cap Fund generate sustainably high returns on capital, with low leverage ratios, at reasonable valuations relative to the broader market.

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Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	07/09/14	**TACLX**	89154Q554	1.39%	1.04%
C Shares	07/09/14	**TFCCX**	89154Q547	2.46%	1.79%
Y Shares	07/09/14	**TLCYX**	89154Q521	0.89%	0.79%
INST Shares	07/09/14	**TLCIX**	89154Q539	0.83%	0.69%
Total Fund Assets	**$296.9 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 1.03% for Class A Shares, 1.78% for Class C Shares, 0.78% for Class Y Shares and 0.68% for Class INST Shares. These expense limitations will remain in effect until at least 10/29/25.

Share class availability differs by firm.

Annualized Total Returns

	3Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	7.85%	13.97%	22.47%	7.16%	10.13%	8.95%	8.85%
C Shares	7.71%	13.30%	21.55%	6.38%	9.32%	8.31%	8.23%
Y Shares	7.96%	14.13%	22.75%	7.43%	10.41%	9.23%	9.12%
INST Shares	8.00%	14.30%	22.91%	7.55%	10.54%	9.35%	9.24%
Benchmark	6.08%	21.18%	35.68%	10.83%	15.64%	13.10%	12.81%
Including Max Sales Charge							
A Shares	2.47%	8.27%	16.34%	5.35%	9.00%	8.31%	8.23%
C Shares	6.71%	12.30%	20.55%	6.38%	9.32%	8.31%	8.23%

Benchmark - Russell 1000® Index

Max 5.00% sales charge for Class A Shares and 1% Contingent Deferred Sales Charge for Class C Shares held less than 1 year.

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Top 10 Equity Holdings of Fund

		(% of Portfolio)
1	Berkshire Hathaway Inc. Class B	7.2
2	Apple, Inc.	6.5
3	Alphabet Inc.	6.4
4	The Progressive Corp.	5.4
5	BlackRock Inc.	4.9
6	Air Products & Chemicals, Inc.	4.8
7	Norfolk Southern Corp.	4.2
8	Fiserv Inc.	4.1
9	Visa Inc.	3.8
10	Home Depot Inc.	3.8

Source: BNY Mellon Asset Servicing

Not FDIC Insured | No Bank Guarantee | May Lose Value

The Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000® Index.

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 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. 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. Current and future portfolio holdings are subject to change. 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.

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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