Touchstone Mid Cap Fund

Sub-Advised by: The London Company

U.S. Equity – Mid-Cap Core

As of 03/31/2024

Fund Manager Commentary

As of March 31, 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 mid-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. stocks posted solid gains in the first quarter of 2024 as stable economic growth, decelerating inflation, and some weakening in the labor market suggest a greater chance of a soft landing. If these trends continue, the U.S. Federal Reserve (Fed) may be able to start reducing the federal funds rate from restrictive territory to neutral later this year.

The breadth of the market widened out a bit, but the larger growth names still performed the best. Returns for equities were strongest for large caps, and Growth outperformed Value across the capitalization spectrum.

The U.S. economy continues to post solid results led by stability in consumer spending. The latest GDPNow estimate assumes roughly 2.8% real growth in the first quarter, which is still arguably higher than the long-term potential of the economy (which we believe is closer to 1.5%-2%).

Inflation remains a bit higher than the Fed's goal of roughly 2%. In the latest month, core Consumer Price Index rose 3.8% year-over-year (y/y), while the Fed's preferred measure of inflation, core Personal Consumption Expenditures, rose a more modest 2.5% y/y. Inflation has been moving in the right direction over the last year, but is proving to be more persistent. The last bit of progress needed to reach the Fed's inflation goal will probably have to come from restrictive monetary policy restraining the growth of aggregate demand, along with better balance in the labor market.

The housing market has been relatively weak, but existing home sales rose by 9.5% in February as consumers have taken advantage of lower mortgage rates. Housing starts and permits also rose in the latest readings. Inventory of existing homes remains low and may not change in the near term, as many homeowners locked in lower interest rates in prior years and are not inclined to refinance a new home at a higher rate. Existing home prices have increased reflecting the limited inventory for sale. The market for new home sales is much looser than the existing home market.

The March jobs report showed stronger than expected job growth and in addition, the two prior months were revised higher. The Household survey showed that the unemployment rate declined a bit to 3.8% as expected, while the labor force participation rate ticked up slightly to 62.7%. Average hourly earnings rose 4.1% y/y. Immigration is easing some constraints on the labor supply, so it is possible that job growth could remain robust for some time. While this is positive for the economy, it may further delay the rate cuts that the market is expecting.

The Institute for Supply Management Manufacturing Index increased for the first time in 18 months in March to 50.3, above the 48.5 level that consensus was expecting. The Services Index was weaker than expected at 51.4 versus expectations of 52.7, suggesting that the services side of the economy is still robust, but slowing. For both surveys, a reading below 50 suggests economic contraction while any score over 50 suggests expansion.

With regard to monetary policy, a strong labor market combined with higher than desired inflation resulted in a shift toward tighter monetary policy from the Fed in early 2022. Throughout 2022, the Fed raised the federal funds rate 425 basis points (bps). As inflation readings moderated over time, the Fed reduced the level of rate increases from 75bps to 25bps. Separately, the Fed began reducing the size of its balance sheet via Quantitative Tightening in June of 2022, which continues today.

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The Fed continued its tighter monetary policy in 2023 and raised the federal funds rate another four times (25bps each time) early that year. However, since July 2023, there have been no changes to the federal funds rate, which has remained at 5.25% - 5.5%. Looking ahead, we believe the Fed will proceed with caution, attempting to balance the risk of easing policy too early against the risk of maintaining rates in a restrictive position for too long. With slowing inflation, signs of better balance in the labor market, and normalized GDP growth expectations, the Fed will probably start to lower rates later this year in an attempt to find the neutral rate over time. The most recent dot plots from Federal Open Market Committee members imply roughly 75bps of rate cuts in 2024. In recent weeks, investors have decreased their expectations of rate cuts to be more in line with what the Fed suggests.

Portfolio Review

The Touchstone Mid Cap Fund (Class A Shares Load Waived) outperformed its benchmark, the Russell Midcap® Index, for the quarter ended March 31, 2024.

The best performing sectors for the benchmark were Industrials and Energy while Communication Services and Real Estate were the weakest sectors for the market. During the quarter, both stock selection and sector allocation added to relative performance. At the sector level, underweight positions in both Real Estate and Communication Services benefitted relative performance, partially offset by the negative impact of an underweight position in both Energy and Financials.

Turning to stock selection, the best performing stocks based on relative performance versus the benchmark during the quarter were Allison Transmission, Armstrong World Industries (both Industrials sector), Vulcan Materials (Materials sector), Entegris (Information Technology sector), and Fidelity Information Systems (Financials sector).

Allison Transmission reported excellent results in the quarter, including continued margin expansion. Additionally, guidance called for flat revenue next year, which suggests that demand remains resilient — commercial vehicles never experienced a pandemic-driven boom to begin with, as original equipment manufactures struggled with supply chain challenges. We think the valuation remains very attractive for this moated and highly cash-generative business.

Armstrong World Industries was up for the quarter after reporting strong quarterly results and solid guidance. The team is executing effectively on key growth initiatives, leveraging pricing power, and demonstrating earnings resiliency. Results were solid in both mineral fiber and architectural specialties. Free cash flow grew in 2023 and the company increased the dividend in October and opportunistically repurchased stock at lower prices. Since 2015, the company has repurchased a quarter of its shares. We remain attracted to the business because of its strong pricing power, the annuity-like nature of the remodel portion of the business and management's excellent capital allocation.

Vulcan Materials Company outperformed in the first quarter of 2024. The company has demonstrated strong unit profitability improvements over the last year, and these improvements should continue throughout 2024 as the company expects to raise prices at a double-digit percentage for the second consecutive year. Beyond 2024, Vulcan will benefit from the Infrastructure Investment and Jobs Act over the next several years as the largest aggregates business in the country. We believe Vulcan's ongoing investments in technology and market intelligence should continue to support the business's market leadership, pricing power, and best-in-class operations capabilities over the long-term. We continue to view Vulcan's pricing power through the cycle, exposure to publicly funded projects and strong balance sheet as sources of downside risk mitigation.

Entegris performed well this quarter as it reported stronger demand for its value-added product suite and is on track to achieve its leverage target. Management expects the semiconductor market will gradually improve throughout this year. Entegris is benefiting from the higher amount of materials needed for miniaturization and is winning business as its products deliver faster time to yield. We remain attracted to the industry's high barriers to entry, limited competitors, and high switching costs.

Fidelity Information Systems outperformed during the quarter as the new management team continues to execute its turnaround plan. The company sold its majority ownership stake in the Merchant Solutions business earlier this year, which has enabled greater financial flexibility and operational focus. Quarterly results demonstrated early progress on its growth and productivity initiatives, and guidance suggests further margin expansion and demand acceleration this year. Management remains committed to strengthening the balance sheet and returning capital to shareholders as they regain credibility with investors. We remain attracted to Fidelity Information Systems' durable business model as it maintains a leadership position across its core segments and provides mission critical services to its customers.

The more challenged positions based on relative performance during the quarter were Churchill Downs (Consumer Discretionary sector), Dollar Tree (Consumer Staples sector), Skyworks (Information Technology sector), Lamb Weston (Consumer Staples sector), and UniFirst (Industrials sector).

Churchill Downs underperformed during the quarter on no fundamental driver. With the exception of some softness in parts of the casino business, Churchill Downs is performing well and demonstrating exemplary capital allocation. Ticket sales for the 2024 Kentucky Derby are trending well; the historical racing machine business is performing well, and TwinSpires (online horse betting) has been solid. The negative for Churchill Downs is that leverage remains elevated following a meaningful 2022 acquisition. We view the deal as strategically sound, and we expect leverage to come down next year with robust cash generation and EBITDA growth.

Dollar Tree underperformed in the first quarter of 2024 as a difficult macroeconomic backdrop, a mix shift toward lower margin consumables over higher margin discretionary products, and broad-based shrink in the retail industry leading to results that fell short of expectations. Despite these challenges, the business has won share across both banners recently and the management team is prudently allocating capital toward optimizing both footprint and store productivity. We believe these investments and operational initiatives will support higher returns going forward.

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Further, we view valuation as attractive on a sum-of-the-parts basis and have conviction in the management team, which now consists of the best operators in the retail industry.

Skyworks is a substantial supplier to Apple, a customer which often constitutes 50%-70% of Skyworks' revenue. As such, sentiment regarding Apple devices is frequently expressed through both stocks. In this case, weakness in Apple to start the year regarding iPhone demand in China lingered in the stock of Skyworks. And despite Skyworks' positive earnings report that suggested the end of a capital spending cycle that will usher in a period of substantial free cash flow, the stock's post-earnings recovery was not enough to make up for the initial decline and it ended the quarter down.

Lamb Weston underperformed in the quarter after management lowered expectations for the next quarter due to the enterprise resource planning (ERP) rollout but increased full-year guidance. Investors also seem to be concerned that the industry could have too much capacity if volumes slow and impact realized prices. Margins are above pre-pandemic levels due to pricing, customer mix, and better production efficiencies. Despite the short-term noise, this is one of the more attractive staple names with a clean balance sheet and industry-leading growth. We remain attracted to Lamb Weston's market share, pricing power, and industry tailwinds.

UniFirst experienced a challenging first quarter 2024, with management reducing revenue guidance on account of increased customer price sensitivity thus increasing churn. The company is in a transitionary period, as they take steps to invest in the business for the long-term (new ERP, CRM, branding, and investing in the first aid business). We remain attracted to this stock for the favorable competitive dynamics (consolidating industry with local oligopolies and scale advantages), clean balance sheet, and good cash flow.

In February, we completed a round of trading. We sold the remaining position in Perrigo Co. (Health Care sector) and trimmed the existing positions in AerCap Holdings (Industrials sector), Old Dominion Freight (Industrials sector), Vulcan Materials (Materials sector), and BellRing Brands, Inc. (Consumer Staples sector). With the proceeds from the sale/trims, we initiated positions in Crown Castle (Real Estate sector) and Bruker Corporation (Health Care sector).

We sold Perrigo Co. after the company's turnaround plan under former CEO Murray Kessler fell short of our goals. The company continues to progress in its plans to be a global leader in private label self-care products, but following the retirement of Kessler, we decided to exit the position.

The four trimmed positions are stocks that have done well in recent years and the position size of each had crept higher. We trimmed roughly 1% from each. No change in our outlook for the companies.

The initiation of Crown Castle represents our positive outlook on the tower business and pressure from investors to make a strategic shift in the fiber/small cell business. The Towers business remains solid with long term client contracts that include price escalators. The small cell business has been challenging for years. While the company is generating positive returns in the small cell business, the level of returns has been weaker than expected. There is also more competition from wireless carriers in small cells and high capital spending needs. In the coming months, management may make a strategic shift and could sell the fiber assets to focus more on the stable tower business. We believe this could improve profitability and cash flow generation. The stock trades at a discount to its peers today.

We also initiated a position in the Bruker Corporation. Bruker is a manufacturer of advanced scientific instruments used in a variety of applications, though primarily in life sciences, empowering discovery research, translational research, preclinical research, etc. About 70% of revenue is derived from instruments, while the balance comes from recurring sources like software, services, and consumables. Bruker is also a highly global company, with significant manufacturing and R&D operations in the U.S. and in Europe; sales are also global, roughly divided equally among the Americas, EMEA, and APAC.

Bruker has positioned itself over time to benefit from a variety of long-term secular drivers. For example, some of its products are instrumental in the study of proteomics, the next frontier of life sciences after genomics failed to live up to its promise. As budgets shift towards these high-priority areas, Bruker stands to benefit. As a result, we believe the company can achieve better-than-industry growth of mid-to-high single digits over time. Bruker has maintained return on invested capital consistently above 20%.

Bruker's strong focus on innovation and science is the source of their moat, which allows them to command a healthy amount of pricing power, to achieve market leadership, and to expand the overall pie. The company can remain innovative because, the management team is very familiar with the science, Bruker closely collaborates with leading scientist and customers, Bruker's acquisition strategy focuses on buying innovative startups, and Bruker spends the second highest among peers for R&D as a percentage of revenue.

Bruker's management team has an excellent track record for delivering on their promises and creating shareholder value. Over time, the company has reduced its reliance on government/academic customers, diversified away from Europe, increased growth, and expanded margins meaningfully. The CEO owns a significant percentage of total shares, which has only increased over time as the company bought back shares.

We believe that Bruker's management team have been good allocators of capital over time and have not wasted shareholder capital on major projects/acquisitions. Bruker primarily focuses on bolt-on acquisitions of early stage or subscale companies at attractive prices that can be scaled under the Bruker umbrella. Excess capital is returned to shareholders via buybacks.

Outlook and Conclusion

Looking ahead, moderating inflation, signs of softening in the labor market, along with solid consumer spending suggest that the Fed could begin to reduce short-term interest rates later in 2024. We do not expect significant rate cuts from the Federal Reserve in the near term, but we believe they will slowly reduce rates in an attempt to find the neutral interest rate (the rate that is neither

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accommodative nor restrictive). We recognize the challenges in navigating a soft landing but believe that the odds of a near term recession are low.

Predicting the future direction of the economy is always challenging. Potential positives include low unemployment, rising wages, and lower inflation. Potential negatives include the impact of restrictive monetary policy over the last two years as well as the drawdown of savings accumulated by consumers during the pandemic. While the odds of a recession in the near term have declined, risks remain. Longer term, we remain positive regarding the U.S. economy and expect real annualized GDP growth in the 2% range driven by growth in the labor force and improving productivity.

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.

Longer term, we continue to believe that quality attributes and solid company fundamentals will lead to strong risk adjusted returns. The companies in the Touchstone Mid Cap Fund generate much higher returns on capital, with strong balance sheets at reasonable valuations relative to the broader market.

We believe the quality of the portfolio positions it well for the next few years, even if the market trades modestly higher. The Mid Cap Fund may struggle to keep up in an environment of double-digit returns. In an environment of possibly lower expected returns and greater volatility, we believe the portfolio offers an attractive option for equity investors. Our goal remains to outperform the broader market over full market cycles with less volatility.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	05/14/07	**TMAPX**	89155H629	1.24%	1.23%
C Shares	05/14/07	**TMCJX**	89155H611	1.95%	1.95%
Y Shares	01/02/03	**TMCPX**	89155H793	0.95%	0.95%
Z Shares	04/24/06	**TMCTX**	89155H785	1.27%	1.23%
INST Shares	01/27/12	**TMPIX**	89155T649	0.89%	0.89%
R6 Shares	02/22/21	**TMPRX**	89155T490	0.84%	0.81%
Total Fund Assets	**$5.8 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 1.21% for Class A Shares, 1.96% for Class C Shares, 0.96% for Class Y Shares, 1.21% for Class Z Shares, 0.89% for Class INST Shares and 0.79% 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

	1Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	9.42%	9.42%	31.00%	8.32%	12.24%	10.90%	11.22%
C Shares	9.23%	9.23%	30.05%	7.55%	11.43%	10.25%	10.79%
Y Shares	9.50%	9.50%	31.35%	8.62%	12.54%	11.19%	11.48%
Z Shares	9.42%	9.42%	30.97%	8.31%	12.24%	10.90%	11.19%
INST Shares	9.52%	9.52%	31.43%	8.70%	12.63%	11.27%	11.52%
R6 Shares	9.52%	9.52%	31.53%	8.77%	12.63%	11.24%	11.50%
Benchmark	8.60%	8.60%	22.35%	6.07%	11.10%	9.95%	11.25%
Including Max Sales Charge							
A Shares	3.96%	3.96%	24.46%	6.49%	11.10%	10.25%	10.92%
C Shares	8.23%	8.23%	29.05%	7.55%	11.43%	10.25%	10.79%

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 Midcap® 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, Z, INST and R6 Shares combines the performance of an older class of shares (Y Shares) from the Fund's inception, 01/02/03, with the performance since the inception date of each share class.

Top 10 Equity Holdings of Fund

		(% of Portfolio)
1	Entegris Inc.	5.5
2	Armstrong World Industries Inc.	4.0
3	Vulcan Materials Co.	3.9
4	Copart, Inc.	3.9
5	AerCap Holdings NV	3.7
6	Otis Worldwide Corp.	3.6
7	Fidelity National Information	3.5
8	Pool Corp.	3.5
9	Lamb Weston Holdings Inc.	3.4
10	NewMarket Corp.	3.3

Source: BNY Mellon Asset Servicing

The Russell Midcap® Index measures the performance of the 800 smallest companies in the Russell 1000® 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.

A Word About Risk

The Fund invests in equities which are subject to market volatility and loss. The Fund invests in stocks of mid-cap companies which may be subject to more erratic market movements than stocks of larger, more established companies. 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. A fund that focuses its investments in the securities of a particular market sector is subject to the risk that adverse circumstances will have a greater impact on the fund than a fund that does not focus its investments in a particular sector. 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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