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 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. 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 - 5.0%, in search of the neutral rate. While the neutral rate is not observable, we believe

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something in the 3.00 - 3.5% range is a reasonable estimate. We note that the Fed is very data dependent and expectations for changes in the fed 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 Mid Cap Fund (Class A Shares, Load Waived) underperformed its benchmark, the Russell MidCap® Index, for the quarter ended September 30, 2024.

The best performing sectors for the Russell Midcap Index were Utilities and Real Estate while Energy, Information Technology, Consumer Staples, and Healthcare lagged the broader market. While the Fund underperformed its respective benchmark, we note that performance was in line with our target of 85 - 90% upside participation. The Fund often lags the broader market when stocks are compounding at double-digit annual rates.

During the quarter, both sector allocation and stock selection were modest headwinds to relative performance. At the sector level, an underweight position in Utilities and an overweight position in Consumer Staples had a negative impact on relative performance, partially offset by the positive impact of an underweight position in Energy and an overweight position in Industrials.

Turning to stock selection, the best performing stocks based on relative performance vs. the benchmark during the quarter were CBRE Group Inc. (Real Estate sector), Allison Transmission Holdings (Industrials sector), Pool Corp. (Consumer Discretionary sector), Moelis & Co. (Financials sector), and Crown Castle Inc. (Real Estate sector)

CBRE Group was a top performer during the quarter as its outsourcing business units continued to show strength, and transactional businesses improved. CBRE's outsourcing business margins continue to improve due to new customer wins and cost-saving actions. The company has a strong balance sheet and deploys capital in efficient ways to drive long-term value. We remain attracted to its flexible cost structure, industry-leading scale, and capital allocation strategy.

Allison Transmission Holdings reported strong results in recent quarters reflecting solid top-line growth, pricing power, and margin expansion. Segments generally performed well aside from North American off-market, which has significant energy exposure. We are also starting to see Allison's defensive end-market strategy paying off as the world readies for growing geopolitical tensions. We continue to like the company's wide moat and solid management team.

Shares of Pool Corp. outperformed despite a challenging demand environment for new pool construction. The company is performing well and taking market share, especially in the retail channel. Broadly, the company continues to invest in technology, capacity, and capabilities regardless of market conditions – this approach allowed them to come out of the last housing downturn in an exceptionally strong position, and we believe it will repeat this time around.

Moelis outperformed during the quarter as the pace of mergers and acquisitions (M&A), led by some very large deals, appears to be recovering in the midst of a more favorable rate backdrop. About 75 - 80% of the company's business is tied to M&A advisory, so swings in deal flow tend to have outsized impacts on Moelis. We own Moelis due to its capital-light business model that produces high returns, strong execution, flawless balance sheet, and shareholder focus.

Crown Castle was a top performer this quarter driven by a more positive outlook for both tower activity and better visibility on interest rates. Crown Castle is starting to execute its operational initiatives and small cell revenue could grow double digits over the next few years due to a substantial backlog and growing demand. Crown Castle is positioned well for future growth given its tower locations and U.S. focused portfolio. We like Crown Castle's stable revenue stream, long-term tailwinds on growth in data consumption, and its ability to return cash to shareholders through its dividend policy.

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

Entegris lagged the broader market during the quarter due to a more gradual recovery for trailing edge nodes, slower wafer starts, and delayed manufacturing capex spending. The near-term market conditions and different recovery rates throughout the industry have led to a more cautious outlook for the remainder of the year. That said, its solutions for advanced technology and incremental wafer content gains should propel a faster recovery next year. Entegris is one of the most diversified players in the semi-materials industry with its size and scale. We remain attracted to the industry's high barriers to entry, limited competitors, and high switching costs.

Dollar Tree continues to face pressures from industry-wide issues including weakness in the discretionary category and the ongoing battle with cost inflation. While dollar stores remain a defensible concept, they are not immune to a weakening consumer. In the company's second quarter report, Dollar Tree materially reduced earnings per share guidance for the year, which is the main reason for stock underperformance. We believe the stock trades at an attractive valuation today given the optionality present in the business. The Dollar Tree banner is only in early innings on its multi-price point conversion, and a potential sale of the Family Dollar business would structurally improve fundamentals and returns of company.

Lamb Weston underperformed this quarter due to the residual effect from its enterprise resource planning system rollout issues, market share losses, and limited visibility on a recovery in demand. The broad-based volume slowdown and higher fixed-cost nature of the business have muted margins. Management has taken action to fix what it can control by taking out costs, increasing productivity, and removing less efficient capacity. We remain attracted to Lamb Weston's market share, flexible balance sheet, and long-term industry tailwinds.

Skyworks stock tends to move with sentiment on Apple due to being a large supplier of radio frequency (RF) semiconductor

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solutions. With sales of the iPhone 16 weaker than analysts expected in the first few weeks of availability, sentiment on Skyworks also fell. We continue to own Skyworks regardless of sentiment due to its strong position in RF semiconductor design and production, strong balance sheet, and high margins and returns.

Despite solid operating results, shares of Churchill Downs underperformed in the quarter reflecting cautious sentiment on the lower and middle-income consumer. We remain confident in the management team, and we continue to believe the market underappreciates the growth potential of Churchill Downs and the attractive returns the company earns on capital deployed.

In early August, we sold the remaining position in CarMax (Consumer Discretionary sector). With the proceeds from the sale, we added to the existing positions in Dollar Tree and Tempur Sealy International Inc. (Consumer Discretionary sector). The CarMax sale reflects potential weakness in used car sales as the consumer spending environment may get more challenging and new car prices could fall.

We added to Dollar Tree as we expect management to either sell Family Dollar or begin to accelerate the pace of store closures. In either case, we believe the company is better off focusing on the higher return on invested capital Dollar Tree stores. We also added to Tempur Sealy as we remain positive on the long-term outlook. In the near term, the company may close the acquisition of Mattress Firm, which we believe will improve the growth profile of the company. If the deal is blocked, Tempur Sealy will likely increase its share repurchase authorization while focusing on the core business.

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.

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

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	**$6.1 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

	3Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	7.56%	10.40%	24.28%	8.46%	9.85%	10.69%	11.00%
C Shares	7.37%	9.81%	23.38%	7.69%	9.06%	10.03%	10.58%
Y Shares	7.65%	10.63%	24.61%	8.77%	10.15%	10.98%	11.25%
Z Shares	7.56%	10.38%	24.24%	8.46%	9.84%	10.68%	10.96%
INST Shares	7.66%	10.68%	24.70%	8.84%	10.23%	11.06%	11.30%
R6 Shares	7.69%	10.73%	24.76%	8.91%	10.25%	11.03%	11.28%
Benchmark	9.21%	14.63%	29.33%	5.75%	11.30%	10.19%	11.25%
Including Max Sales Charge							
A Shares	2.19%	4.89%	18.07%	6.62%	8.73%	10.04%	10.70%
C Shares	6.37%	8.81%	22.38%	7.69%	9.06%	10.03%	10.58%

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.	4.3
2	Armstrong World Industries Inc.	4.1
3	AerCap Holdings NV	4.0
4	Allison Transmission Holdings Inc.	3.9
5	Fidelity National Information	3.9
6	Otis Worldwide Corp.	3.7
7	Lennox International, Inc.	3.7
8	Churchill Downs Inc.	3.6
9	CBRE Group Inc.	3.5
10	STERIS PLC	3.4

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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