

Fund Manager Commentary

As of June 30, 2024

Fund Highlights

- Believes that mid cap companies that exhibit faster earnings growth offer the best opportunity for superior real rates of return given the conviction that stock prices follow earnings growth
- Seeks reasonably priced stocks of companies with high forecasted earnings potential through in-depth, fundamental research and first-hand knowledge of company operations derived through on-site visits and meetings with company management teams, as well as suppliers, users and competitors
- Emphasizes excellent company management, disciplined capital allocation, strong returns on invested capital, solid financial controls, unit volume growth, cash flow sufficient to fund growth and unique market position or pricing power

Market Recap

The second quarter of 2024 continued the trends from early 2023, with sustained strong interest in big technology and artificial intelligence (AI) related investments. Despite a broader economic slowdown, both the S&P 500 and Nasdaq reached new record highs, primarily driven by substantial gains in the ‘Magnificent 7’ stocks. In contrast, the S&P 500’s equal-weight index, which reflects the performance of the broader equity market, showed more subdued returns. The broader market’s performance more closely mirrored economic indicators, which displayed softening trends such as weaker non-residential construction figures, decelerating home sales, and a softening employment landscape. This quarter further underscored the sharp contrast between the significant gains in large cap technology stocks and the broader struggles of smaller caps and cyclical sectors.

For the quarter, the three sectors with the best total return in the benchmark were Utilities, Communication Services, and Energy. The three worst performing sectors were Consumer Staples, Materials, and Health Care.

Portfolio Review

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

The Fund benefitted from a factor tailwind during the quarter. However, this was offset by stock specific weakness which is discussed below. The factor tailwind was primarily due to the Fund’s overweight exposure to size and momentum relative to the benchmark.

Relative weakness in Information Technology and Health Care outweighed relative strength in Consumer Staples and Consumer Discretionary.

Information Technology was the top relative detractor over the period. Our software exposure was the biggest drag on performance during the quarter. Growth software multiples were elevated above long-term averages heading into 2024, driven by hopes for a cyclical recovery in cloud consumption, interest rate cuts, and potential monetization of generative AI. However, we witnessed a difficult first quarter’s earnings season due to a slowdown in the economy, longer sales cycles with more scrutiny on large deals, weaker small and midsize business demand being impacted by higher cost of capital/lack of rate cuts, and AI crowd-out or cannibalization. Despite the short-term drawdown, we continue to maintain exposure to the group, with a focus on companies that we believe have achievable estimates, reasonable free cash flow-based valuations, and unique secular/budget drivers. We are maintaining exposure to vendors that can be long-term AI beneficiaries and avoiding perceived AI losers where blowup risk is magnified. Enterprise software solution & service provider, NICE Ltd., was the top detractor within the space over the quarter. The company reported a solid quarter, but a forward guide underwhelmed and weighed on the stock price and investor sentiment. Additionally, the company announced that its long-time CEO, who has been at the company for 25 years, would be stepping down, taking investors by surprise. Following these developments, we exited our position as this news reflected a dramatic shift in the company narrative and thesis. MongoDB, Inc., a general purpose database platform, also underperformed after the company lowered financial

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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.**



guidance due to disappointing seasonal database consumption patterns. However, we believe the selloff was over-done and that the company's long-term market position remains intact moving forward.

Health Care also detracted from relative returns over the quarter. The underperformance was in large part driven by relative weakness from high conviction holdings in biotechnology. Biotech as a group had a strong start to 2024, led by merger and acquisition activity and GLP-1 relief, but this trend reversed in second quarter which is not all that unusual given the inherent volatility within the sector. However, we believe that this segment offers some of the most attractive growth and innovation stories in the market and have high conviction in our holdings across the sector going forward. Within the segment, Ascendis Pharma, an innovative biotech company focused on improving the delivery of complex molecules, detracted from relative returns over the quarter, solely due to the Prescription Drug User Fee Act extension received for their TransCon PTH asset from the FDA. Following the Complete Response Letter from last April and accepted resubmission in the fall of 2023, there were high expectations for approval from the agency in May 2024. Delays related to staffing issues at the FDA have been well documented, and after discussing the development with company management, we are comfortable that this extension was more a result of the FDA looking to buy more time than any issue with the submission or company. We maintain our exposure to the stock and remain convicted of its future potential.

Consumer Staples was the top relative contributor over the period. The relative outperformance was driven by our lack of exposure to underperforming names within the sector. We continue to have a structural underweight to this segment of the market, as we feel there are more compelling investment opportunities with more attractive growth profiles in other sectors.

Consumer Discretionary also contributed to relative results during the quarter. Fast-casual Mexican restaurant provider, Chipotle, was a top contributor within the sector over the quarter after reporting a strong quarter with sales and profit topping consensus expectations. Chipotle continues to expand its margins while growing new units high single-digits year-over-year, as investors favor the name and support the long-term trend in share price higher. Additionally, the company also raised their full year guidance for same store sales to mid/high single-digits from mid-single-digits, providing an additional boost to sentiment. We continue to like their strong value proposition to customers and persistent execution.

The Fund's largest sector change was in Information Technology where we increased exposure during the quarter, primarily within the Software, Information Technology Services, and Semiconductors industry groups. In general, we have been adding exposure to companies where we have gotten incremental confidence in the growth outlook, direct beneficiaries of generative AI adoption, and plays on a cyclical recovery within Semiconductors. On the flip side, we have been reducing exposure to positions where our thesis has already played out, the shorter-term growth picture has become less attractive, or idiosyncratic concerns have emerged.

Outlook and Conclusion

For now, large cap technology stocks continue to drive the equity market's performance, overshadowing broader market challenges. Despite resilient corporate earnings and promising disinflation, concerns linger about an economic slowdown and consumer health. The Federal Reserve's cautious stance on rate cuts, along with mixed economic signals, indicates a complex path ahead. We remain vigilant, balancing optimism about AI and technology growth with the mixed economic realities and the challenges of investing in transformational technology. Our focus is on balancing growth with resilience, ensuring our portfolios are well-equipped to navigate the opportunities and risks in this evolving landscape.

We believe that companies with strong underlying earnings growth that trade at reasonable valuations will be favored at the expense of high multiple momentum growth stocks. If the market environment plays out like we think it will, with elevated interest rates and inflation, earnings multiples are likely to compress with the most pronounced impact being felt by those companies with the longest duration assets most heavily influenced by discount rates. In addition, falling correlations are increasing the importance and impact of good stock picking. With persistent inflation likely for the foreseeable future, our focus will remain on high-quality operators with pricing power which are positioned advantageously for uncertain input costs and continued supply chain disruptions. We believe having a balanced portfolio of secular and cyclical growth will lead to more consistent results over time and market environments.



Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				Total	Net
A Shares	10/03/94	TEGAX	89154X880	1.24%	1.24%
C Shares	10/03/94	TOECX	89154X872	2.07%	2.07%
Y Shares	02/02/09	TEGYX	89154X534	1.01%	1.01%
INST Shares	04/01/11	TEGIX	89154X526	0.95%	0.87%
R6 Shares	02/10/20	TFGRX	89154X112	0.90%	0.78%
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 1.39% for Class A Shares, 2.14% for Class C Shares, 1.14% for Class Y Shares, 0.86% for Class INST Shares and 0.77% for Class R6 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	-7.55%	1.73%	9.42%	-0.19%	8.83%	10.08%	11.51%
C Shares	-7.76%	1.33%	8.52%	-1.02%	7.94%	9.39%	11.14%
Y Shares	-7.51%	1.84%	9.69%	0.04%	9.08%	10.35%	11.66%
INST Shares	-7.47%	1.89%	9.84%	0.18%	9.21%	10.45%	11.68%
R6 Shares	-7.47%	1.94%	9.93%	0.27%	9.29%	10.49%	11.70%
Benchmark	-3.21%	5.98%	15.05%	-0.08%	9.93%	10.51%	10.25%
Including Max Sales Charge							
A Shares	-12.17%	-3.37%	3.96%	-1.88%	7.72%	9.43%	11.29%
C Shares	-8.69%	0.33%	7.52%	-1.02%	7.94%	9.39%	11.14%

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® Growth Index

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The performance presented for Class Y, INST and R6 Shares combines the performance of an older class of shares (Class A Shares) from the Fund's inception, 10/03/94, with the performance since the inception date of each share class.

Top 10 Equity Holdings of Fund

	(% of Portfolio)		(% of Portfolio)		
1	TransDigm Group Inc.	3.9	6	Ascendis Pharma A/S	2.8
2	Fair Isaac Corp	3.3	7	Dexcom, Inc.	2.7
3	Axon Enterprise Inc.	3.2	8	Constellation Brands, Inc.	2.4
4	Ross Stores, Inc.	3.2	9	Copart, Inc.	2.4
5	Vertiv Holdings Co.	2.9	10	HubSpot Inc.	2.4

Source: BNY Mellon Asset Servicing

The Russell Midcap® Growth Index measures the performance of those Russell Midcap 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 mid-cap companies which may be subject to more erratic market movements than stocks of larger, more established companies. 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 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 invests in foreign securities 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 may experience higher portfolio turnover which may lead to increased fund expenses, lower investment returns and higher short-term capital gains taxable to shareholders. 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. 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](https://www.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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