

## Fund Manager Commentary

As of December 31, 2023

### Fund Highlights

- Invests in stocks of companies that span the capitalization spectrum and draws on the collective experience of the investment team
- Has the ability to shift assets to the most attractive segments of the market based on fundamental research and current market and economic conditions
- Believes that 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 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

U.S. equities rallied sharply to end the year, with major indices recording double-digit gains in the fourth quarter. Markets turned sharply higher in October on the heels of a dovish policy pivot by the Federal Reserve with many market participants proclaiming the end of the current rate hiking cycle. The dramatic easing of financial conditions driven by falling inflation and falling interest rates propelled the market upwards as expectations for a successful soft landing gained traction. Importantly, the quarter saw a broadening in market leadership, moving beyond the dominance of the 'Magnificent Seven' tech giants, with standout performances in small-cap equities and sectors like regional banks, credit cards, and homebuilders.

For the quarter, the three sectors with the best total return in the index were Real Estate, Information Technology, and Materials. The three worst performing sectors were Energy, Health Care, and Consumer Staples.

### Portfolio Review

The Touchstone Growth Opportunities Fund (Class A Shares Load Waived) outperformed its benchmark, the Russell 3000® Growth Index, for the quarter ended December 31, 2023.

Relative strength in Health Care and Consumer Discretionary sectors outweighed relative weakness in Financials and Information Technology. The Fund's residual cash was also a drag on relative performance. Common factors were a modest headwind during the

period, primarily due to the Fund's underweight exposure to size, which was partially offset by the Fund's overweight exposure to volatility and underweight exposure to momentum.

The Health Care sector was the largest contributor to relative returns over the period. Ascendis Pharma, an innovative biotech company focused on improving the delivery of complex molecules, was the top contributing stock within the sector over the quarter. Favorable updates and regulatory clarity in the U.S. for their key product Transcon PTH, along with approval in the European Union, improved investor sentiment in the name. Additionally, the growth rate for their pediatric growth hormone treatment, Skytrofa, is accelerating, which when coupled with a global PTH launch in 2024, could propel the company to first time profitability. Highlights from their pipeline were also viewed favorably by investors, which included an announcement of a once-monthly GLP-1 therapy treatment, which we believe could lead to a near-term deal with a larger obesity player, further lifting sentiment and the shares. DexCom, Inc., a leading player in the rapidly growing continuous glucose monitoring diabetes market, also contributed to relative returns. Sentiment turned sharply higher in fourth quarter as investors became more comfortable with the notion of GLP-1 drugs coexisting with MedTech. We continue to believe that DexCom is one of the fastest growing MedTech companies, with a strong track record of new product launches, which should continue to drive growth.

The Consumer Discretionary sector also contributed to relative results during the quarter. Tesla, Inc., the largest global electric vehicle manufacturer, was a positive relative contributor due to our

*(continued)*

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://TouchstoneInvestments.com/mutual-funds).**



relative underweight positioning. The stock underperformed the broader market during the quarter after the company missed third quarter earnings and gave disappointing guidance. We continue to see risk to 2024 consensus estimates for Tesla and remain underweight given the current valuation. Also contributing to quarterly results was fast-casual dining chain, Chipotle Mexican Grill, Inc., after the company released a strong earnings report showing improving margins. We believe that an improving labor environment, recent price increases, and easing inflation pressures should provide an easier path higher for Chipotle.

The Financials sector was the top detracting sector to relative results over the quarter. Insurance brokerage and risk management service provider, Arthur J. Gallagher & Co., was the top detracting name within the space over the period. The company lagged the broader market amidst a risk-on environment despite a lack of negative fundamental news. Investor preferences swiftly shifted following the pivot from the Federal Reserve with low-volatility companies, such as Arthur J. Gallagher and other insurance brokers, being sold for more offensive, higher-volatility alternatives such as banks and consumer finance companies within the sector. Despite the short-term drawdown, we continue to favor the name and impressive organic growth rates and reliable consistency.

The Information Technology sector also detracted from relative returns over the quarter. Threat management and network security solution provider, Fortinet, was the top detracting name within the sector over the quarter. The company missed quarterly result expectations and materially lowered its forward guidance, driving investors to punish the stock price accordingly. Fortinet had a few quarters of surprising misses during the year as their main firewall offering showed signs of slowing, and with our diligence checks not aligning with their results, coupled with shrinking conviction in our thesis, we exited the stock during the quarter.

The Fund's largest sector change was in Industrials, where we added exposure with two new buys, and represents the Fund's largest overweight relative to the index. During the quarter, we purchased Sensata Technologies, which designs electronic connectors and sensors for Autos, Industrials, Aerospace & Defense, and Energy. We like Sensata for its cyclical exposure and the fact that it also has a content growth story, which could help it perform well regardless of the market environment. We also purchased ride-sharing app, Uber Technologies. Historically, Uber's unproven business model and lack of profitable growth, combined with aggressive competition, have kept investors on the sidelines. However, given management's focus on delivering profitable growth, a more rational competitive landscape, and a few regulatory wins, we believe that Uber is a compelling free-cash-flow growth story that offers an attractive risk/reward. Within Industrials, the majority of our exposure is in markets that are troughing or recovering while also maintaining exposure in markets that may be decelerating but have idiosyncratic reasons to own. The portfolio is balanced, with a tilt towards compounders and light cyclicals and away from commodities and heavy cyclicals, but we are ready to pivot accordingly.

## Outlook and Conclusion

Despite the sharp rally in equities to end the year, the outlook for 2024 remains uncertain. Broadening market participation, falling inflation, and a resilient consumer backdrop provide hope that a perfectly engineered soft landing may be underway. However, historical analogs of prior curve inversion cycles suggest that we may still be in a window where the lagged impacts of the rate hikes remain ahead of us, and betting odds of U.S. markets avoiding a slowdown may be overestimating the probability of success. Navigating the path ahead will require careful attention to evolving macro conditions and potential headwinds, with several crosscurrents leaving us less convicted on the direction of markets. In our opinion, a continued focus on high-quality, durable businesses with robust cash flows and valuation support seems prudent, while also remaining selective and disciplined with higher-growth opportunities as they arise.

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 near 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 results that are more consistent over time and market environments.



**Fund Facts** (As of 12/31/23)

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				Total	Net
A Shares	09/29/95	TGVFX	89154X708	1.37%	1.26%
C Shares	08/02/99	TGVGX	89154X807	2.86%	2.01%
Y Shares	02/02/09	TGVYX	89154X559	1.15%	1.01%
INST Shares	02/02/09	TGVVX	89154X542	1.06%	0.91%
<b>Total Fund Assets</b>	<b>\$132.8 Million</b>				

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 1.24% for Class A Shares, 1.99% for Class C Shares, 0.99% for Class Y Shares and 0.89% for Class INST Shares. These expense limitations will remain in effect until at least 07/29/24. Share class availability differs by firm.

**Annualized Total Returns** (As of 12/31/23)

	4Q23	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	14.52%	42.68%	42.68%	7.73%	18.68%	12.25%	10.16%
C Shares	14.31%	41.63%	41.63%	6.93%	17.78%	11.57%	9.85%
Y Shares	14.61%	43.04%	43.04%	8.01%	18.97%	12.53%	10.31%
INST Shares	14.62%	43.17%	43.17%	8.12%	19.09%	12.64%	10.37%
Benchmark	14.09%	41.21%	41.21%	8.08%	18.85%	14.33%	9.86%
Including Max Sales Charge							
A Shares	8.80%	35.57%	35.57%	5.91%	17.47%	11.58%	9.93%
C Shares	13.31%	40.63%	40.63%	6.93%	17.78%	11.57%	9.85%

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® Growth Index

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The performance presented for Class C, Y, and INST Shares combines the performance of an older class of shares (A Shares) from the Fund's inception, 09/29/95, with the performance since the inception date of each share class.

**Top 10 Equity Holdings of Fund** (As of 12/31/23)

	(% of Portfolio)		(% of Portfolio)		
1	Microsoft Corp.	8.8	6	Meta Platforms, Inc.	3.8
2	Alphabet Inc.	7.5	7	UnitedHealth Group Inc.	3.6
3	Apple, Inc.	7.3	8	Visa Inc.	3.5
4	Amazon.com Inc.	6.2	9	ServiceNow Inc.	2.8
5	NVIDIA Corp.	4.8	10	Costco Wholesale Corp.	2.8

Source: BNY Mellon Asset Servicing

The Russell 3000® Growth Index measures the performance of those Russell 3000 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 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 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 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 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 a particular industry and/or market sector which may increase the Fund's volatility and magnify its effects on total return. 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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