Fund Manager Commentary

As of December 31, 2023

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 rallied during the fourth quarter with the major indices posting double-digit returns. Moderating inflation, some weakening in the labor market, and slowing economic growth raised the odds of a soft landing. This led to lower long-term yields and rising expectations for interest rate cuts from the U.S. Federal Reserve Board (Fed) later in the year.

While stocks traded higher across the market cap spectrum, shares of smaller companies posted the strongest gains.

In terms of factor analysis, companies exposed to higher volatility and growth factors posted the best results, while quality and momentum factors presented headwinds. Value and yield factors had a mixed impact. Stocks posted broad based gains in the fourth quarter, but shares of the Magnificent Seven, a group of seven high-performing U.S. stocks, still modestly outperformed.

U.S. economic activity continued to expand at a solid pace during the fourth quarter. Consumer spending remained the key driver of growth, reflecting rising wages and low unemployment. Housing and auto sales improved as longer-term interest rates declined late in the quarter. Looking ahead, while real GDP growth will likely decelerate from third quarter levels (4.9% annualized), we expect annualized real GDP growth in the 1.5% - 2.0% range over the next few quarters.

Inflation remains a bit higher than the Fed's goal of roughly 2%, but continues to move in the right direction. Broad inflation measures (total and core CPI and PCE) reflect annual increases in the 3.0% - 3.5% range. The last bit of improvement 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.

While elevated interest rates remain a headwind to the housing market, a recent downturn in rates led to improving housing sales late in the year. 30-year mortgage rates are around 7% today, following a decline of over 100 basis points (bps) in recent weeks. Both housing starts and existing home sales improved. While existing homes sales improved versus the prior month, they remain at low levels reflecting the lack of inventory. Inventory of existing homes may not change in the near term as many homeowners locked in lower interest rates in recent years and are not inclined to refinance a new home at a higher rate.

The labor market remains strong and the U.S. economy added roughly 500,000 net new jobs during the fourth quarter. While unemployment remains low relative to history, there are signs of improvement in some of the supply/demand imbalances in the labor market. For example, the labor force participation rate has improved by roughly 100 bps since December 2020, with much of the improvement in the prime working age group (25-54). Meanwhile, both the quits rate and the wage premium for job switchers have declined back to pre-pandemic ranges. The unemployment rate held relatively steady at 3.7% during the quarter, while the labor force participation rate fell slightly to 62.5%. Average hourly earnings rose 4.1% versus the prior year in the latest month.

Survey results from the broader ISM data have sent a consistent message of strength in services and weakness in manufacturing. In the most recent reports, the ISM manufacturing index improved a bit to 47.4, but remained below 50, reflecting the impact of higher

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interest rates on demand for goods. Meanwhile, the ISM services index declined during the month to 50.6, but remained above 50, posting its twelfth consecutive month in expansion territory. 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 bps. As inflation readings moderated over time, the Fed reduced the level of rate increases from 75 bps to 25 bps. Separately, the Fed began reducing the size of its balance sheet via Quantitative Tightening (QT) in June of 2022, which continues today.

The Fed continued its tighter monetary policy in 2023 and raised the federal funds rate another four times (25 bps each time) early in the year. However, since July, 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. Recently, Federal Open Market Committee (FOMC) members raised their expectations for future U.S. GDP growth to the 1.5% - 2.0% range over the next few years, implying no near term recession. With slowing inflation, signs of better balance in the labor market, and normalized GDP growth expectations, the Fed will likely start to lower rates at some point in 2024 in an attempt to find the neutral rate over time. The most recent dot plots from FOMC members imply roughly 75 bps of rate cuts in 2024. Investors continue to expect a faster pace of rate cuts than members of the FOMC currently suggest. The difference in the pace of rate reductions could lead to volatility in equity prices.

Portfolio Review

The Touchstone Mid Cap Fund (Class A Shares Load-Waived) underperformed its benchmark, the Russell MidCap® Index, for the quarter ended December 31, 2023.

Relative performance exceeded our expectations of 85% - 90% upside capture reflecting the lack of exposure to the Energy and Utilities sectors and positive stock selection.

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

Turning to stock selection, the best performing stocks based on relative performance versus the benchmark during the quarter were Armstrong World Industries Inc. (Industrials sector), Entegris Inc. (Information Technology sector), Dollar Tree Inc. (Consumer Staples sector), BellRing Brands Inc. (Consumer Staples sector), and Moelis and Company (Financials sector).

Armstrong World Industries outperformed during the fourth quarter after demonstrating earnings stability amidst a challenging demand backdrop, as well as strong progress on key growth initiatives. Armstrong World Industries' unique competitive advantages, diverse end market mix, and a favorable industry structure should support outperformance going forward. Additionally, Armstrong World Industries' strong balance sheet provides ample downside risk mitigation.

Entegris shares rallied during the quarter as visibility in the semiconductor market improved and demand for its value added product suite remains strong. Entegris is benefiting from the higher amount of materials needed for miniaturization and is winning business as its products deliver faster time to yield. Management has been delivering on its debt reductions strategy. We remain attracted to the industry's high barriers to entry, limited competitors, and high switching costs.

Dollar Tree shares outperformed in the fourth quarter as the business demonstrated share gains, progress on the rollout of multi-price assortment, and bold capital allocation with a large stock buy-back during the third quarter. We believe the investments the company has made over the last year will continue to support higher returns going forward. 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.

We inherited BellRing following its spin-off from Post Holdings. Since the spin, the stock has doubled. The outperformance has been driven by a mixture of 1) unrealized value coming to the surface as a standalone company, 2) strong category tailwinds in ready-to-drink protein shakes and ready-to-mix protein powders, and 3) potential benefits to BellRing's categories from future adoption of GLP-1 drugs. Capital expenditures for BellRing are essentially zero, which makes growth highly cash generative. BellRing is diligently putting cash towards debt reduction and share repurchases.

Investors warmed up to Moelis during the quarter, as it seems that the drought in merger and acquisition activity may be nearing its end. The company went on to report earnings that were significantly better than expected, due to strong restructuring engagements brought on by the volatile macroeconomic backdrop. We continue to like Moelis' debt-free balance sheet, strong shareholder focus, and willingness to reinvest in the business.

The more challenged positions based on relative performance during the quarter were Hasbro Inc. (Consumer Discretionary sector), Old Dominion Freight Line Inc. (Industrials sector), Steris plc (Health Care sector), Allison Transmission Holdings (Industrials sector), and AptarGroup Inc. (Health Care sector).

Shares of Hasbro underperformed in the quarter due to concerns of another weak holiday season. Hasbro has been taking costs out of the business by eliminating roughly one-third of its headcount this year. However, results for the third quarter were disappointing with revenues continuing to decline in consumer and entertainment, causing none of the cost saving efforts to flow through to the bottom line. Management lowered guidance based on the results. The company completed the sale of eOne in December 2023 and will use the proceeds to de-lever the balance sheet, which should help protect the dividend. We believe reduced corporate complexity and improving fundamentals are both near-term catalysts for the stock.

Shares of Old Dominion underperformed in the quarter reflecting a weak freight market. The company's earnings report was positive

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though, as declining volumes were somewhat offset by higher yields. The company did not chase share gains following the recent bankruptcy of Yellow Corp. This should be seen as a positive though, as Old Dominion has always chosen to focus on freight and revenue quality. The company remains the best operator in the LTL (Less than Truckload) freight industry.

Steris underperformed in the quarter reflecting cautious investor sentiment concerning normalization of the company's healthcare capital equipment backlog, as well as continued softness in the dental business. Fiscal second quarter results (reported in November) were solid relative to expectations, and guidance was maintained, but there were enough concerns to keep the stock in-check and relatively flat in an up market. Big picture, we continue to view Steris as a solid compounder, and the near-term concerns do not alter our view on competitive positioning, longer-term growth, or ability to operate efficiently and control costs.

Shares of Allison Transmission Holdings lagged the broader market during the quarter after the company experienced weakness in its global off-highway markets. We like the company's wide competitive moat and long-term growth strategy, despite the overhang of electrification in commercial vehicles.

Aptar shares were weak this quarter as growth in its active material pharmaceutical business slowed, along with sluggish results in its closure business. The pharmaceutical business continues to be the main driver for growth, and its recovery has exceeded expectations. Aptar has continued to deliver on its cost savings initiatives, and operating leverage has improved. Capacity investment projects are expected to slow in the coming years and Aptar's free cash flow is expected to grow at a healthy annual rate. We remain attracted to its leading position in the pharmaceutical business, and the stickiness of the contracts.

We reduced Copart Inc. (Industrials sector) on strength (up over 60% year to date). The market capitalization of the company is approaching $50 billion, which is at the high end of the mid cap portfolio. We reduced the position in Lennox International Inc. (Industrial sector) on strength (up over 70% year to date). We remain confident in the long-term outlook.

We added to the position in Pool Corp. (Consumer Discretionary sector) reflecting our confidence in the long-term stability of the business. The stock has lagged the broader market over the last two years.

We initiated a position in Keysight Technologies Inc. (Information Technology sector). It is the top vendor of test and measurement solutions for electronics/communications. It sells more than 7,000 products that capture, process, and transmit signals, enabling engineers to develop and test electronic systems. This is a "picks and shovels" business and Keysight is using its scale advantage to widen its #1 market position. Its moat is built on decades of research and development, and relationships that continue to create a natural barrier to entry. The business is highly profitable with a growing software/services business and is benefiting from long-term secular growth divers of greater connectivity and increasing network speed. Keysight generates high returns on invested capital and strong operating leverage. It has a clean balance sheet and returns cash to shareholders through its buyback program.

Outlook and Conclusion

U.S. stocks rallied during the fourth quarter reflecting solid economic data and easing financial conditions. For the year, the major U.S. equity indices posted strong returns led by shares of larger companies. A handful of stocks drove the large cap core and growth indices for most of the year, but the market started to broaden out during the fourth quarter.

Looking ahead, decelerating inflation, some weakening in the labor market, along with solid consumer spending suggest that the Fed could begin to reduce short-term interest rates in 2024. We recognize the challenges in navigating a soft landing, but believe that the odds of a near term recession have declined.

Predicting the future direction of the economy is always challenging. Potential positives include low unemployment, rising wages, and lower inflation. Potential negatives include tighter bank lending standards, the impact of tighter 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% - 3% range driven by growth in the labor force and improving productivity.

In terms of the equity market, valuations based on near term earnings are somewhat 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 lower leverage ratios, at reasonable valuations relative to the broader market.

We believe the quality of the Mid Cap portfolio positions it well for the next few years, even if the market trades modestly higher. The Touchstone Mid Cap portfolio 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 *(As of 12/31/23)*

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	**$5.2 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 *(As of 12/31/23)*

	4Q23	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	12.57%	27.10%	27.10%	7.12%	13.41%	9.95%	10.89%
C Shares	12.36%	26.20%	26.20%	6.36%	12.59%	9.30%	10.45%
Y Shares	12.64%	27.46%	27.46%	7.42%	13.72%	10.23%	11.14%
Z Shares	12.56%	27.11%	27.11%	7.12%	13.41%	9.95%	10.85%
INST Shares	12.67%	27.54%	27.54%	7.50%	13.81%	10.32%	11.18%
R6 Shares	12.68%	27.64%	27.64%	7.56%	13.81%	10.28%	11.16%
Benchmark	12.82%	17.23%	17.23%	5.92%	12.68%	9.42%	10.95%
Including Max Sales Charge							
A Shares	6.94%	20.75%	20.75%	5.30%	12.26%	9.30%	10.58%
C Shares	11.36%	25.20%	25.20%	6.36%	12.59%	9.30%	10.45%

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 *(As of 12/31/23)*

		(% of Portfolio)
1	Entegris Inc.	5.1
2	Vulcan Materials Co.	4.5
3	AerCap Holdings NV	4.5
4	Old Dominion Freight Line Inc.	4.0
5	Lamb Weston Holdings Inc.	3.8
6	Pool Corp.	3.8
7	Copart, Inc.	3.7
8	Skyworks Solutions, Inc.	3.6
9	Otis Worldwide Corp.	3.5
10	STERIS PLC	3.5

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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