

## Fund Manager Commentary

As of December 31, 2023

### Fund Highlights

- Invests primarily in issues having a market capitalization above \$5 billion at time of purchase
- Distinctive approach is centered on linking valuations with barriers to entry
- Seeks to invest in businesses that are trading below what is believed to be its estimate of the companies' intrinsic value
- Focuses on businesses that are believed to have a sustainable competitive advantage or a high barrier to entry in place
- Concentrated, high conviction portfolio generally holds 25-45 companies

### Market Recap

The U.S. equity market rallied in the fourth quarter of 2023 as the U.S. Federal Reserve guided toward cuts in the coming year and treasury yields recorded a significant reversal. Following a modest loss in the third quarter that continued into October, U.S. equities saw nine consecutive weeks of positive returns. Performance was more broad-based during the quarter as earnings are expected to improve for 2024. During the quarter, the best performing benchmark sectors were Real Estate, Information Technology, and Financials. The worst performing sectors for the index were Energy, Consumer Staples, and Health Care.

### Portfolio Review

The Touchstone Large Cap Focused Fund (Class A Shares Load-Waived) underperformed its benchmark, the S&P 500® Index, for the quarter ended December 31, 2023.

The Fund's underperformance was driven by stock selection. Within the Fund, the sectors where holdings outperformed the most relative to the benchmark were Real Estate, Industrials, and Consumer Discretionary. Sectors that lagged the most relative to the benchmark include Energy, Financials, and Information Technology.

The three holdings that contributed the most to performance were Salesforce Inc. (Information Technology sector), The Boeing Co. (Industrials sector), and Workday Inc. (Information Technology sector). Salesforce's shares outperformed due to stronger than expected growth in new bookings coupled with continued improvement in operating margins. Management indicated continued improvement in margins going forward, including contributions from material increase in sales productivity. Boeing shares outperformed primarily due to investor optimism over resumption of aircraft delivery to Chinese customers during the

quarter. Workday shares outperformed primarily due to third quarter results that exceeded expectations on the top and bottom line on strength in subscription revenue and growing opportunity in its artificial intelligence and cloud segments. Additionally, investors responded favorably to management raising fiscal 2024 guidance during the period.

The holdings that detracted the most from performance included Exxon Mobil Corp. (Energy sector), Berkshire Hathaway Inc. (Financials sector), and Markel Group Inc. (Financials sector). Exxon shares underperformed in the quarter following an announcement by the company of its intentions to acquire Pioneer, a gas exploration and production company with assets predominantly in Texas. For several years, Exxon and the oil and gas industry committed to returning extra cash to investors via share repurchases and dividends. The \$60 billion acquisition of Pioneer seems in conflict with this objective. Oil prices declined through the quarter, lowering expected cash flows for current production. Despite solid operating results in aggregate, Berkshire Hathaway shares underperformed during the quarter due to some weakness in its consumer and housing related subsidiaries and its generally conservative nature in a significantly risk-on quarter. Markel experienced a fourth quarter stock price decrease following a disappointing third quarter earnings report. While this included negative affects to insurance losses from both seasonal and temporary issues that will likely dissipate over time, the company is also experiencing pricing pressure in professional liability. As one of its larger business lines, this pressure has a greater impact on Markel and differs from generally mid to high single digit price increases in most other areas of P&C insurance during recent annual renewals.

During the quarter, the Fund did not have any new additions or removals from the portfolio. As the quarter ended, the Fund had an overweight in the Communication Services, Health Care, and

*(continued)*

*Fort Washington is a member of Western & Southern Financial Group*

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).**



Financials sectors, and an underweight in the Information Technology, Consumer Discretionary, Consumer Staples, Real Estate, Energy, and Industrials sectors. The weight in the Materials sector was roughly in line with that of the index. The Fund held no positions in the Utilities sector.

### **Outlook and Conclusion**

Looking ahead, we continue to question whether a hard landing is still on the horizon. Soft landings are typically preceded by the easing of lending standards while the tightening of lending standards precedes hard landings. We continue to believe bank lending standards stay tight in the coming quarters. As a result, we see additional downside risk to growth and believe the path for a soft landing remains narrow mainly due to the lag effects of higher interest rates. Consistent with our approach over the past couple of years, we have maintained a high-quality portfolio with a focus on higher return on capital and higher barrier to entry businesses with pricing power. We continue to be alert for signals that would warrant a risk-on shift, but we believe, at this point, our high-quality posture will benefit the portfolio going forward.

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

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				Total	Net
A Shares	01/12/34	SENCX	89154Q299	1.03%	1.02%
C Shares	05/04/98	SCSCX	89154Q281	1.85%	1.81%
Y Shares	05/04/07	SICWX	89154Q265	0.82%	0.74%
INST Shares	12/23/14	SCRLX	89154Q273	0.76%	0.71%
R6 Shares	10/28/21	TSRLX	89154M884	1.20%	0.67%
<b>Total Fund Assets</b>	<b>\$3.1 Billion</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 1.00% for Class A Shares, 1.79% for Class C Shares, 0.72% for Class Y Shares, 0.69% for Class INST Shares and 0.65% for Class R6 Shares. These expense limitations will remain in effect until at least 10/29/24.

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	10.04%	25.00%	25.00%	8.90%	15.79%	11.90%	10.92%
C Shares	9.81%	24.01%	24.01%	8.03%	14.87%	11.18%	10.11%
Y Shares	10.12%	25.35%	25.35%	9.19%	16.11%	12.20%	10.98%
INST Shares	10.10%	25.37%	25.37%	9.22%	16.14%	12.22%	10.95%
R6 Shares	10.13%	25.45%	25.45%	9.16%	15.96%	11.98%	10.93%
Benchmark	11.69%	26.29%	26.29%	10.00%	15.69%	12.03%	—
Including Max Sales Charge							
A Shares	4.54%	18.75%	18.75%	7.05%	14.61%	11.32%	10.85%
C Shares	8.81%	23.01%	23.01%	8.03%	14.87%	11.18%	10.11%

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 - S&P 500® Index

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The performance presented for Class C, Y, INST and R6 Shares combines the performance of an older class of shares (A Shares) from the Fund's inception, 01/12/34, 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.	9.8	6	Meta Platforms, Inc.	4.7
2	Apple, Inc.	7.9	7	UnitedHealth Group Inc.	3.3
3	Alphabet Inc.	5.6	8	Johnson & Johnson	2.8
4	Amazon.com Inc.	5.0	9	Visa Inc.	2.6
5	Berkshire Hathaway Inc. Class B	4.7	10	Goldman Sachs Group Inc.	2.6

Source: BNY Mellon Asset Servicing

The S&P 500® Index is a group of 500 widely held stocks and is commonly regarded to be representative of the large capitalization stock universe.

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 large-cap companies which may be unable to respond quickly to new competitive challenges. The Fund invests in preferred stocks which are relegated below bonds for payment should the issuer be liquidated. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing their price to decline. The Fund invests in foreign securities, including depositary receipts, such as American Depositary Receipts, Global Depositary Receipts, and European Depositary Receipts, 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 invests in emerging markets securities which are more likely to experience turmoil or rapid changes in market or economic conditions than developed countries. 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. 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. 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. Current and future portfolio holdings are subject to change. 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.

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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