

## Fund Manager Commentary

As of March 31, 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

In a quarter that defied the cautious whispers of many investors' year-end outlooks, the resilience and vigor of the U.S. equity markets were once again on full display. The first quarter of 2024 unfurled as a period of substantial stock gains with indices such as the S&P 500 surging to its best start since 2019 and achieving new all-time highs. The strong returns underscored the market's bullish sentiment which was propelled by the combination of robust earnings growth from Artificial Intelligence (AI) themed market leaders and dovish commentary from the Federal Reserve. Under the surface of the strong rally was a broadening market advance which did include more speculative-pockets of AI-related optimism, but, importantly, also witnessed strength in energy, industrials, and financials.

For the quarter, the three sectors with the best total return in the benchmark were Utilities, Financials, and Consumer Discretionary. The three worst performing sectors were Information Technology, Energy, and Health Care.

### Portfolio Review

The Touchstone Mid Cap Growth Fund (Class A Shares, Load Waived) outperformed its benchmark, the Russell Midcap® Growth Index, for the quarter ended March 31, 2024.

Relative strength in Industrials and Information Technology outweighed relative weakness in Financials and Consumer Discretionary.

Industrials was the top relative contributor over the period. Key player in the critical digital infrastructure and continuity solutions provider, Vertiv Holdings, stood out as a top relative contributor within the sector over the quarter. Despite a slight miss on sales and an EBITDA beat that did not fully meet consensus

expectations for the quarter, the stock saw continued appreciation throughout the quarter. This upward trajectory was bolstered by management's commentary on accelerating demand and strong organic growth. Further fueling investor enthusiasm, discussions from other companies highlighting the surge in AI and data center demand, in our view, have positively influenced Vertiv's share performance; the company's focus on being a pure-play entity in the burgeoning data center capital expenditure demand sphere positions it well for future earnings growth. We maintain a favorable outlook on Vertiv for its strategic alignment with key growth trends in data center infrastructure, emphasizing its promising position in the market. TransDigm Group Incorporated, a manufacturer of engineered aircraft components, also added to relative results after reporting a strong earnings report where the company reported better than anticipated sales and margins. Additionally, the company raised their full year guidance for 2024, which we believe still provides room for upside revisions.

Information Technology also contributed to relative results during the quarter. Pure-play enterprise software company, NICE Ltd. a provider of enterprise software solutions, was a top contributor within the sector. Shares traded higher after reporting strong fourth quarter earnings results and issuing guidance ahead of consensus. These results aided in showing investors that the company can benefit from, rather than be displaced by, generative AI. We continue to believe that NICE remains attractively valued for its growth and margin profile and that it remains a compelling investment candidate.

Financials was the top detracting sector over the quarter. The relative underperformance was primarily due to the Fund's lack of ownership of a few benchmark names that outperformed following better than expected earnings results. MSCI Inc., an analytics and

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investment decision tools provider, was the top detracting stock within the segment. While there was no negative news during the quarter, shares of MSCI lagged the overall market which weighed on relative results.

Consumer Discretionary also detracted from relative returns over the quarter. Lululemon Athletica, a premier athletic apparel company known for its high-quality activewear, was a top detracting name within the sector over the quarter after encountering a challenging outlook amidst elevated expectations for fourth quarter 2023 and 2024. The stock experienced a sell-off when management's initial guidance for the new fiscal year fell short of consensus forecasts. Despite demonstrating remarkable international growth, particularly with strong performance in China, this success was unable to fully counter a slowdown in growth within the U.S. market that began late in fourth quarter and persisted into early first quarter. The softer domestic demand has sparked a bearish narrative for the stock, exacerbated by growing concerns about competitive pressures from rivals like Alo and Vuori. Nevertheless, we are optimistic that upcoming product innovations could positively impact domestic market expectations. Although apprehensions about competitive threats hang over sentiment in the name, we view the current risk/reward proposition for Lululemon as favorable. Developer of technologies and electrical systems for motor vehicles, Aptiv plc, also detracted from relative results due to market-wide concerns about a slowdown in electric vehicle (EV) sales. However, we believe that the company is well positioned to continue growing even if a slowdown in electrification and EV emerges, and that it remains a compelling investment candidate.

The Fund's largest sector change was in Information Technology where we reduced exposure with two sales during the quarter. However, the Fund continues to have a large absolute exposure to the sector, and we still believe that Information Technology has a great secular backdrop and that the innovation in the sector should be rewarded. During the quarter, we sold Microchip Technology Incorporated, a manufacturer of microcontroller, mixed-signal, analog, and Flash-IP integrated circuits, and rotated the capital into NXP Semiconductors which we believe has a better risk/reward. We also sold our position in Marvell Technology, Inc., a semiconductor designer and manufacturer, as our near-term thesis had played out and we felt it was no longer the best use of capital. We rotated the capital into other holdings which we believe have more attractive risk/rewards.

### Outlook and Conclusion

The first quarter's strong rally raises the bar for earnings and growth expectations needed to continue the advance. Amidst the cheer of broadening equity participation lies a nuanced tale of economic indicators and policy developments that suggest a path laden with both opportunities and challenges. The market's rally, despite a recalibration of expectations around the Federal Reserve's monetary policy, underscores a fundamental confidence in the resilience of the US economy, buoyed by strong GDP growth and labor market dynamics. Yet, the shadows cast by persistent core services inflation, uncertain AI implementation outcomes, and regulatory scrutiny remind us of the complex landscape that investors must traverse. Moving forward, the dual imperatives of

seizing growth opportunities while managing risks associated with persistent inflation will likely define the strategic contours of our investment decisions for the foreseeable future.

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 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	1.26%	1.26%
C Shares	10/03/94	TOECX	89154X872	2.10%	2.10%
Y Shares	02/02/09	TEGYX	89154X534	1.03%	1.03%
INST Shares	04/01/11	TEGIX	89154X526	0.96%	0.88%
R6 Shares	02/10/20	TFGRX	89154X112	0.91%	0.79%
<b>Total Fund Assets</b>	<b>\$1.4 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 1.39% 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 07/29/24.

Share class availability differs by firm.

**Annualized Total Returns**

	1Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	10.04%	10.04%	26.77%	5.67%	11.76%	11.30%	11.91%
C Shares	9.85%	9.85%	25.73%	4.80%	10.83%	10.61%	11.53%
Y Shares	10.11%	10.11%	27.09%	5.92%	12.02%	11.58%	12.06%
INST Shares	10.11%	10.11%	27.26%	6.06%	12.15%	11.67%	12.08%
R6 Shares	10.16%	10.16%	27.37%	6.16%	12.22%	11.71%	12.10%
Benchmark	9.50%	9.50%	26.28%	4.62%	11.82%	11.35%	10.46%
Including Max Sales Charge							
A Shares	4.53%	4.53%	20.44%	3.89%	10.62%	10.64%	11.69%
C Shares	8.85%	8.85%	24.73%	4.80%	10.83%	10.61%	11.53%

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.	3.8	6	Ross Stores, Inc.	2.6
2	Copart, Inc.	3.1	7	Vertiv Holdings Co.	2.5
3	Dexcom, Inc.	2.9	8	Constellation Brands, Inc.	2.4
4	Ascendis Pharma A/S	2.8	9	HubSpot Inc.	2.3
5	Builders FirstSource, Inc.	2.7	10	Fair Isaac Corp	2.3

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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