

## Fund Manager Commentary

As of December 31, 2020

### Fund Highlights

- Concentrated, high conviction portfolio
- 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
- Strategy provides the opportunity to invest in companies of all market capitalizations

### Market Recap

In the fourth quarter, the U.S. equity market continued to rally higher on positive vaccine news along with another round of government stimulus. The Russell 3000® Index (benchmark) sectors that led the market higher during the quarter were Energy, Financials, and Industrials. The Consumer Staples, Utilities and Real Estate were among the worst performing sectors in the benchmark.

### Portfolio Review

The Touchstone Focused Fund (Class A Shares Load-Waived) outperformed its benchmark, the Russell 3000® Index, for the quarter ended December 31, 2020.

The sectors where Fund holdings outperformed relative to the benchmark were Real Estate, Consumer Staples, Industrials, Health Care and Financials. Among the sectors that lagged relative to the benchmark, included Information Technology, Consumer Discretionary, and Energy. Stock selection was the primary driver for relative performance during the quarter. Sector allocation was the secondary driver of the positive relative performance during the quarter. The Fund's underweight positions to the Energy sector detracted from performance.

Among the holdings that contributed the most to performance were Jones Lang LaSalle Inc. (Real Estate sector), Signature Bank (Financials sector), and Goldman Sachs Group Inc. (Financials sector). Jones Lang LaSalle contributed as quarterly results surpassed expectations. Signature Bank added with other commercial banks as interest rates rose during the period. Goldman Sachs contributed primarily due to elevated capital markets activity.

Fund holdings that detracted the most from performance included Alibaba Group Holding Ltd. (Consumer Discretionary sector), Salesforce.com Inc. (Information Technology sector), and Facebook Inc. (Communication Services sector). Alibaba detracted due to complications with the Ant IPO and anti-trust scrutiny more broadly. Salesforce.com detracted due to investors' concern over its Slack acquisition. Facebook detracted primarily due to lingering regulatory concern.

From a market cap perspective, the Fund ended the period with no weight in smaller-cap stocks (companies with a market cap below \$2 billion), an underweight position relative to the benchmark. The Fund had a modest overweight in mid-cap businesses relative to the benchmark. Last, the Fund is modestly underweight in larger cap businesses (companies with a market cap above \$10 billion) relative to the benchmark. This allocation decision was a contributor to relative performance as mid-cap stock exposure outperformed large-cap stocks. Investments made in international companies, which comprised 4.7 percent of assets at the end of the quarter, underperformed the benchmark.

From a positioning perspective, the Fund added Hexcel Corp. and Allegiant Travel Co. (both Industrials sector) to the Fund's portfolio. The Fund exited FedEx Corp (Industrials sector). As the quarter concluded, the Fund had an overweight to the Communication Services and Consumer Discretionary sectors and an underweight to the Information Technology, Health Care, Consumer Staples, Materials, and Energy sectors. The weights in the Real Estate, Industrials and Financials sectors were roughly in line with the benchmark. The Fund held no positions in the Utilities sector.

*(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).**



## Outlook and Conclusion

U.S. equity markets ended the year at or near all-time highs as the market continued to price in a recovery from the pandemic taking hold sometime in 2021. Accommodative fiscal and monetary policy combined with vaccine deployment has provided optimism that GDP growth and profit growth will see meaningful improvement in the near future. Many investors are now considering how much of this is reflected in valuations and how to position portfolios as the impact of the pandemic wanes. We believe there are pockets of the market where valuations are stretched, but in aggregate, the market is marginally undervalued. We believe market breadth is healthy, inflation is tame, and the economy is likely to accelerate in 2021 due to higher savings driving pent up demand.

We have utilized the volatility in 2020 to gradually shift Fund positioning while keeping the general focus on higher return on capital businesses that we believe are mispriced. We have continued to methodically deploy or re-deploy capital since March 2020 in an effort to upgrade the Fund's portfolio. Since earlier in the year, we have been consistently reducing position sizes in holdings that we view as more expensive or names that are less compelling to free up capital for more attractive business models that have become buyable in our view. We have trimmed the more fully valued Information Technology sector-related holdings, while opportunistically adding mid cap exposure to the Fund's portfolio. We have marginally purchased more cyclical positions in what we believe are attractive business models that have been and will continue to be affected by COVID-19 in the near term. We believe these shifts combined with our continued emphasis on businesses with higher barriers to entry and strong balance sheets position the portfolio well going forward.

As of December 31, 2020, Jones Lang LaSalle Inc. made up 2.55%, Signature Bank made up 1.96%, Goldman Sachs Group Inc. made up 2.99%, Alibaba Group Holding Ltd. made up 1.49%, Salesforce.com Inc. made up 2.54%, Facebook Inc. made up 5.29%, Hexcel Corp. made up 1.41%, Allegiant Travel Co. made up 0.94%, Slack and FedEx Corp. made up 0.00% of the Touchstone Focused Fund. Current and future portfolio holdings are subject to change.



**Fund Facts** (As of 12/31/20)

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio*	
				Total	Net
A Shares	09/30/03	TFOAX	89154X245	1.19%	1.19%
C Shares	04/12/12	TFFCX	89154X237	1.98%	1.95%
Y Shares	02/12/99	TFFYX	89154X229	0.91%	0.91%
INST Shares	12/20/06	TFFIX	89154X211	0.92%	0.83%
<b>Total Fund Assets</b>	<b>\$1.1 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 1.20% for Class A Shares, 1.95% for Class C Shares, 0.95% for Class Y Shares and 0.83% for Class INST Shares. These expense limitations will remain in effect until at least 07/29/21.

Share class availability differs by firm.

**Annualized Total Returns\*\*** (As of 12/31/20)

Class	4Q20	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	14.72%	24.26%	24.26%	13.33%	13.10%	13.01%	10.36%
C Shares	14.51%	23.36%	23.36%	12.50%	12.26%	12.44%	9.65%
Y Shares	14.82%	24.69%	24.69%	13.68%	13.43%	13.32%	10.64%
INST Shares	14.82%	24.75%	24.75%	13.76%	13.52%	13.44%	10.74%
Benchmark <sup>^</sup>	14.68%	20.89%	20.89%	14.49%	15.43%	13.79%	7.72%
Including Max Sales Charge							
A Shares	8.97%	18.05%	18.05%	11.11%	11.76%	12.35%	10.06%
C Shares	13.51%	22.36%	22.36%	12.50%	12.26%	12.44%	9.65%

Max 5.00% sales charge for Class A Shares and 1% Contingent Deferred Sales Charge for Class C Shares held less than 1 year.

<sup>^</sup>Benchmark - Russell 3000<sup>®</sup> Index<sup>1</sup>

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\*\*The performance presented for Class A, C, and INST Shares combines the performance of an older class of shares (Y Shares) from the Fund's inception, 02/12/99, with the performance since the inception date of each share class.

<sup>1</sup>The Russell 3000<sup>®</sup> Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

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 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 a particular industry and/or market sector which may increase the Fund's volatility and magnify its effects on total return. 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 affecting the financial markets, such as a health crisis, 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. Current and future portfolio holdings are subject to risk. The Advisor engages a sub-advisor to make investment decisions for the Fund's portfolio; it may be unable to identify and retain a sub-advisor who achieves superior investment returns relative to other similar sub-advisors.

Touchstone Funds are distributed by Touchstone Securities, Inc.\*

\*A registered broker-dealer and member FINRA and SIPC

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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](http://TouchstoneInvestments.com/resources) or call Touchstone at 800.638.8194. Please read the prospectus and/or summary prospectus carefully before investing.

Not FDIC Insured | No Bank Guarantee | May Lose Value

