

## Fund Manager Commentary

As of June 30, 2023

### 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

U.S. equities continued higher in the second quarter, sustaining the rebound from the downturn seen in 2022. Inflation moderated, but fears of a hard landing remain amid tightening financial conditions and a backdrop that included another large bank failure. The best performing benchmark sectors were Information Technology, Consumer Discretionary, and Communication Services. The worst performing sectors for the index were Utilities, Energy, and Consumer Staples.

### Portfolio Review

The Touchstone Focused Fund (Class A Shares Load Waived) outperformed its benchmark, the Russell 3000® Index, for the quarter ended June 30, 2023.

The Touchstone Focused Fund's outperformance was due to stock selection while sector allocation detracted slightly primarily due to the larger than typical cash position and an underweight in Information Technology. Within the Fund, the sectors where holdings outperformed the most relative to the benchmark were Real Estate, Communication Services, and Industrials. Sectors that lagged the most relative to the benchmark include Consumer Discretionary, Materials, and Information Technology.

The three holdings that contributed the most to performance were Meta (Communication Services sector), Hubbell (Industrials sector), and Oracle (Information Technology sector). Meta's stock outperformed in the quarter as the company's applications saw strong user engagement. Specifically, growing user engagement with Reels is resulting in a meaningful increase in overall time spent on Instagram, which should result in increased monetization opportunities over time. Additionally, the focus on efficiency at the company should result in profits materially above prior expectations. Improved fundamentals drove significant

outperformance in the quarter. Hubbell shares outperformed due to quarterly results and top and bottom-line guidance that exceeded investor expectations. As America continues to shift from fossil-fuel based energy consumption to renewables and modes of transportation electrify, utilities need to increase capital spending to support the change, of which Hubbell is a primary beneficiary. Oracle outperformed primarily due to significant growth in its cloud infrastructure business, which helped the company deliver top and bottom line quarterly results that exceeded expectations.

The holdings that detracted the most from performance included Biomarin (Health Care sector), Cracker Barrel (Consumer Discretionary sector), and Bristol-Myers Squibb (Health Care sector). The FDA approved Roctavian, Biomarin's gene therapy treatment for Hemophilia A, on June 29. Despite achieving this long-awaited milestone, Biomarin shares closed at their year-to-date low reflecting some combination of disappointment regarding certain aspects of the detailed prescribing information and selling on the news. While there's some debate around the commercial opportunity for Roctavian, we still see around \$1 billion in peak annual sales as achievable yet the shares reflect little to no value for the drug. Cracker Barrel shares underperformed during the quarter as slower demand and growth investments caused margin guidance to be lower than expected. Bristol-Myers Squibb shares underperformed as pharmaceutical stocks generally underperformed in a market environment that favored growth stocks over value. There were no significant stock-specific developments for the company in the second quarter. The market continues to assess the potential for the company's portfolio of recently launched products to offset patent expiries of a few very large older products over the next several years. We view the headwinds from patent expirations and U.S. government drug pricing legislation as well understood and well discounted at the current price.

*(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).**



As the quarter came to a close, the Fund's portfolio had an overweight in the Communication Services, Health Care, and Financials sectors and an underweight in the Information Technology, Energy, Industrials, Materials, Consumer Discretionary, and Real Estate sectors. The weight in the Consumer Staples sector was roughly in line with that of the index. The Fund held no positions in the Utilities sector

### Outlook and Conclusion

During the first half of 2023, the U.S. equity market continued to rebound from the 2022 downturn. Despite lingering recession risk and another significant bank failure during the quarter, the equity market rallied as the U.S. economy demonstrated resilience while inflation moderated. With tight financial conditions and excess savings from government stimulus waning, the question of whether a hard landing is still on the horizon remains front and center. Weak market breadth and better performance moving sequentially higher in market cap segments also call into question the idea that this is a sustainable market transition into a new bull market. In our view, much of the Fed's tightening still has not been digested by the real economy. Soft landings are typically preceded by the easing of lending standards while hard landings are preceded by the tightening of lending standards. We believe bank lending standards will continue to tighten. Therefore, we see additional downside risk to growth and continue to believe the path for a soft landing remains narrow mainly due to the lag effects of higher interest rates and higher prices.

Based on our outlook, we have been gradually de-risking the Fund's portfolio for a while. We are carrying higher than typical cash positions in portfolios. Our activity over the past couple of years has focused on moving into higher return on capital and higher barrier to entry businesses with pricing power and increasing our defensive exposure. We continue to look for signals that would compel a risk-on shift but believe, at this point, our conservative risk posture will benefit the portfolio going forward.



**Fund Facts** (As of 06/30/23)

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio*	
				Total	Net
A Shares	09/30/03	TFOAX	89154X245	1.18%	1.18%
C Shares	04/12/12	TFFCX	89154X237	1.97%	1.97%
Y Shares	02/12/99	TFFYX	89154X229	0.89%	0.89%
INST Shares	12/20/06	TFFIX	89154X211	0.92%	0.85%

**Total Fund Assets \$1.1 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 1.20% 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 07/29/24. Share class availability differs by firm.

**Annualized Total Returns\*\*** (As of 06/30/23)

	2Q23	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	9.36%	19.13%	22.13%	16.23%	11.94%	11.68%	10.18%
C Shares	9.13%	18.66%	21.19%	15.34%	11.08%	11.02%	9.55%
Y Shares	9.45%	19.30%	22.50%	16.58%	12.27%	12.00%	10.47%
INST Shares	9.45%	19.33%	22.54%	16.62%	12.33%	12.09%	10.56%
Benchmark <sup>1</sup>	8.39%	16.17%	18.95%	13.89%	11.39%	12.34%	7.63%
Including Max Sales Charge							
A Shares	3.89%	13.19%	16.03%	14.26%	10.62%	11.02%	9.91%
C Shares	8.13%	17.66%	20.19%	15.34%	11.08%	11.02%	9.55%

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>1</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.

**Top 10 Equity Holdings of Fund** (As of 06/30/23)

	(% of Portfolio)		(% of Portfolio)
1 Microsoft Corp.	8.6	6 Amazon.com Inc.	3.8
2 Apple, Inc.	7.8	7 UnitedHealth Group Inc.	3.0
3 Alphabet Inc.	4.8	8 Johnson & Johnson	3.0
4 Berkshire Hathaway Inc. Class B	4.8	9 Oracle Corp.	2.6
5 Meta Platforms, Inc.	3.8	10 Coca-Cola Femsa SAB de CV	2.5

Source: BNY Mellon Asset Servicing

<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 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. Current and future portfolio holdings are subject to change.

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

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Touchstone is a member of Western & Southern Financial Group

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.

Not FDIC Insured | No Bank Guarantee | May Lose Value

