

Fund Manager Commentary

As of June 30, 2023

Fund Highlights

- Invests in stocks of companies that span the capitalization spectrum and draws on the collective experience of the investment team
- Has the ability to shift assets to the most attractive segments of the market based on fundamental research and current market and economic conditions
- Believes that 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 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

During the second quarter, market capitalization weighted broad market indices such as the S&P 500 and NASDAQ surged, driven predominantly by robust gains from a select group of mega cap tech stocks aptly named the ‘Magnificent 7.’ Although earnings from the first quarter of 2023 came in better than expected, the strong gains were attributable almost entirely to multiple expansion resulting from increased expectations of a soft landing, falling inflation readings, and hype surrounding the emergence and impact of broadly accessible generative AI applications. Despite these gains, concerns loomed regarding a policy mistake from an overly aggressive U.S. Federal Reserve Board and the delayed impact of broad-based and rapid global monetary tightening. However, offsetting some of these concerns were bullish narratives supported by a tight labor market, resilient consumer spending, and improvements in the housing market despite higher interest rates. Large cap, profitable growth stocks were the clear winners for the quarter as they drove indexes higher while the average stock largely traded sideways during the period.

For the quarter, among the sectors with the best total return in the index were Information Technology, Consumer Discretionary, and Communication Services. Among the worst performing sectors were Utilities, Energy, and Consumer Staples.

Portfolio Review

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

Size was the best performing factor during the quarter and the Fund had a headwind from being underweight size. Additionally, the Fund faced stock specific weakness during the quarter, which primarily drove investments within Information Technology and Health Care.

Information Technology was among the top detracting sectors from relative results over the quarter. Enterprise identity management platform provider Okta Inc. was among the top detracting stocks within the segment over the quarter. The stock relatively underperformed after the company provided below consensus backlog guidance, citing sequentially weaker macro trends and business headwinds. Despite the short-term stock performance dislocation, we continue to believe Okta provides a compelling risk/reward opportunity for such a high-quality business.

Investments within the Health Care sector also weighed on relative results. Ascendis Pharma A/S, an innovative technology platform with multiple late-stage assets, was among the top detractors within the segment from relative returns during the quarter. Ascendis underperformed after the company announced in early April that the FDA had identified deficiencies in their filing package for TransCon PTH. After an initial rebound, Ascendis received a Complete Response Letter from the FDA but the language of the letter showed that the issues were not efficacy or safety related and would not take years/further studies to resolve. The stock responded very well on the back of that revelation. We have very high confidence in this being a quick resubmission and review, with potential approval in the middle of the fall.

(continued)

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.**



The Industrials sector was the largest positive contributor over the period. Builders FirstSource Inc., a manufacturer and distributor of building products to professional homebuilders in the U.S., was among the top contributing stocks within the space over the period. The company benefitted from a rebound in investor housing sentiment as well as a larger acceptance across homebuyers that housing costs, driven in large part by mortgage rates, are likely to remain higher for longer. The already tight supply in home inventory as well as the larger proportion of homeowners looking to renovate their homes rather than move provide multiple tailwinds for Builders FirstSource's business, which we believe is likely to persist.

The Consumer Staples sector also added to relative results over the period. The relative outperformance was driven by our underweight positioning to the sector. We continue to have a structural underweight to this segment of the market, as we feel there are more compelling investment opportunities with more attractive growth profiles in other sectors. We believe inflationary costs could pressure consumer staple profitability and we are seeing increasing signs of consumer pushback against the aggressive price increases food and beverage companies have taken.

The Fund's largest sector change was in Communication Services where we added to our existing position in Meta Platforms Inc. in advance of the Russell rebalance as we wanted to maintain a similar active weight.

We also added exposure to the Industrials sector during the quarter. Within the sector, we added exposure to Building Products with the purchase of, and a subsequent add to, Builders FirstSource, and reduced exposure to Machinery with the sale of ITT Inc. as a source of funds. Our positioning within the sector is balanced with exposure to traditional quality cyclicals and more secular growth cyclicals within building products and commercial aerospace. We are trying to avoid expensive industrial stocks and focus on more quality GARP names.

Outlook and Conclusion

Looking ahead, concerns about the current market include historical precedents where yield curve inversions and collapsing money growth have typically preceded recessions by 12 to 18 months - and although rallies can occur after inversions, they have historically been overshadowed by the subsequent recession and drawdown that follows. Additionally, tightening bank-lending standards, rising unemployment claims, and other leading economic indicators suggest caution is warranted. However, on the bullish side, inflation appears to have peaked and is declining, market strength is broadening with potential for a major catch-up trade in small caps and cyclicals, overall employment is robust, housing is strong, and household wealth is favorable. Cash levels are also near all-time highs, which has previously occurred near market bottoms rather than tops. Given the crosscurrents, we continue to feel a focus on high quality, durable businesses with valuation support and robust cash flows is paramount while also balancing attractive secular growth opportunities.

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 rising interest

rates and rising 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 which are 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 (As of 06/30/23)

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio*	
				Total	Net
A Shares	09/29/95	TGVFX	89154X708	1.37%	1.26%
C Shares	08/02/99	TGVCX	89154X807	2.86%	2.01%
Y Shares	02/02/09	TGVYX	89154X559	1.15%	1.01%
INST Shares	02/02/09	TGVVX	89154X542	1.06%	0.91%
Total Fund Assets	\$140.2 Million				

*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 1.24% for Class A Shares, 1.99% for Class C Shares, 0.99% for Class Y Shares and 0.89% 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	11.39%	27.85%	24.83%	11.71%	13.58%	13.34%	9.92%
C Shares	11.19%	27.41%	23.95%	10.88%	12.73%	12.66%	9.60%
Y Shares	11.48%	28.01%	25.17%	11.99%	13.87%	13.64%	10.06%
INST Shares	11.49%	28.05%	25.29%	12.11%	13.98%	13.74%	10.13%
Benchmark ¹	12.47%	28.05%	26.60%	13.24%	14.39%	15.26%	9.66%
Including Max Sales Charge							
A Shares	5.82%	21.47%	18.58%	9.82%	12.24%	12.67%	9.68%
C Shares	10.19%	26.41%	22.95%	10.88%	12.73%	12.66%	9.60%

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

¹Benchmark - Russell 3000[®] Growth Index¹

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://www.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 C, Y, and INST Shares combines the performance of an older class of shares (A Shares) from the Fund's inception, 09/29/95, 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 Apple, Inc.	9.0	6 UnitedHealth Group Inc.	3.5
2 Alphabet Inc.	7.6	7 Visa Inc.	3.1
3 Microsoft Corp.	7.3	8 Eli Lilly & Co.	3.1
4 Amazon.com Inc.	5.9	9 TransDigm Group Inc.	2.9
5 NVIDIA Corp.	4.1	10 Meta Platforms, Inc.	2.8

Source: BNY Mellon Asset Servicing

¹The Russell 3000[®] Growth Index measures the performance of those Russell 3000 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.

The Frank Russell Company (FRC) is the source and owner of the data contained or reflected in this material and all trademarks and copyrights related thereto. The material may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a Touchstone Investments presentation of the data, and FRC is not responsible for the formatting or configuration of this material or for any inaccuracy in the presentation thereof.

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 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 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. 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 a particular industry and/or market sector which may increase the Fund's volatility and magnify its effects on total return. 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.

Touchstone Funds are distributed by Touchstone Securities, Inc.*

*A registered broker-dealer and member FINRA and SIPC

Touchstone is a member of Western & Southern Financial Group

Not FDIC Insured | No Bank Guarantee | May Lose Value

