# Fund Manager Commentary

*As of December 31, 2025*

## 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

U.S. equities were higher for a third straight quarter to end the year. Despite the government shutdown and a spike in job cuts, underlying growth remained resilient amid the Federal Reserve (Fed) completing a third rate cut in December and corporate profits exceeding expectations. The best performing benchmark sectors were Health Care, Communication Services, and Financials. The worst performing sectors for the benchmark were Real Estate, Utilities, and Consumer Staples.

## Portfolio Review

The Touchstone Large Cap Focused Fund (Class A Shares, Load Waived) outperformed its benchmark, the Russell 1000 Index, for the quarter ended December 31, 2025.

Within the Touchstone Large Cap Focused Fund, among the sectors where holdings outperformed the most relative to the benchmark were Real Estate, Materials, and Consumer Discretionary. Sectors that lagged the most relative to the benchmark included Health Care, Information Technology, and Industrials. Stock selection contributed to performance for the period, particularly within the Consumer Discretionary and Financials sectors. Sector allocation also contributed primarily due to the overweight in Communication Services and the zero weight in Utilities.

Three holdings that contributed the most to performance included Alphabet Inc. (Communication Services sector), Applied Materials Inc. (Information Technology sector), and Markel Group Inc. (Financials sector).

Alphabet outperformed in the quarter as the market has gained confidence in the competitiveness of the company's artificial intelligence (AI) products and services. The company's Gemini 3 AI models launched in the quarter and surpassed rivals such as OpenAI's GPT models on popular benchmarks. Additionally, remedies recommended by the judge in the antitrust lawsuit brought against the company by the DOJ significantly lowered the odds of some dire outcomes feared by the market. Applied Materials' stock outperformed as shortages in supply of semiconductor chips, including memory, are raising the market's expectations of a material increase in orders for the firm's equipment. Markel's stock outperformed in the fourth quarter, driven by a combination of factors. Most importantly, the company reported third quarter underwriting results that were better than expectations. Additionally, the 2025 storm season passed without a significant U.S. loss for insurers. Given this and the stock's underperformance during calendar third quarter, we view fourth quarter stock performance as somewhat of a "catch up" though underwriting improvements continue to make slower albeit steady progress.

The holdings that detracted the most from performance included Oracle Corp. (Information Technology sector), Meta Platforms Inc. (Communication Services sector), and Microsoft Corp. (Information Technology sector).

Oracle's stock underperformed as concerns arose about the company's financial capacity to deliver on its large AI backlog. Admittedly, low external visibility into the nuances of large customer and supplier contracts caused the stock to be volatile. However, we view Oracle as a well-run company and expect management to remain financially disciplined. At Meta, management significantly raised investments in the pursuit of AI capabilities, causing the stock to sell off as cash flows come under pressure. Microsoft's stock has been weak as investors grapple with the competitiveness of OpenAI's GPT models given Microsoft's reliance on OpenAI's technologies for its AI capabilities.

*(continued)*

Investments made in international companies, which comprised 2.7% of assets at the end of the period, outperformed the benchmark.

RTX Corp. (Industrials sector) was removed from the portfolio during the course of the quarter.

As the quarter came to a close, the Fund had an overweight in the Communication Services, Information Technology, Financials, and Health Care sectors, and an underweight in the Consumer Discretionary, Industrials, Materials, Energy, Real Estate and Consumer Staples sectors. The Fund held no positions in the Utilities sector. Cash holdings ended the quarter at less than one percent.

## Outlook and Conclusion

With an additional 50 basis points of Fed rate cuts easing financial conditions, and market fundamentals remaining healthy, the S&P 500 reached new highs again in fourth quarter, posting a 2.7% gain for the quarter.

The U.S. economy has remained resilient in recent quarters. The primary drivers of growth have been resilient personal consumption, supported by higher income households, alongside continued massive investment in AI infrastructure. Following stronger-than-expected 4.3% GDP growth in third quarter, the economy is projected to see a modest slowdown in fourth quarter, largely due to a temporary drag from the U.S. government shutdown, with growth normalizing in first quarter 2026. Investors are also looking to tax policy as a potential tailwind, as accelerated depreciation should boost capital expenditures and individual tax cuts should support consumer spending.

Earnings beats and positive revisions supported the market in the quarter, with S&P 500 earnings increasing 13.5% year over year in third quarter vs the 7.9% expected at the end of September. A continued pickup in merger & acquisition activity was also a positive for market sentiment.

The Fed built on its September rate cut by delivering two additional 25-basis-point reductions at the final meetings of the year, with a weakening employment picture prompting the FOMC to move policy closer to neutral. December commentary was received as more balanced (less hawkish) than expected. Trade developments, recently a source of uncertainty, were positive on balance, with the U.S. and China agreeing to extend their trade truce for a year.

Potential concerns include a softening labor market, consumer cautiousness and affordability issues (largely impacting the lower end of the income spectrum thus far), housing market weakness, and lingering concerns over trade/tariffs and international relations. Concerns about future Fed independence remain in the background as well.

We continue to monitor employment, housing, manufacturing, and market breadth data, among others, to continually reassess our views. Consistent with the last few years, we maintain a high-quality Fund portfolio with a focus on higher return on investment businesses with pricing power. One hundred percent of the portfolio (excluding cash) remains invested in companies we see as having moderate or high barriers to entry. We believe disciplined execution of our process will benefit the portfolio through periods of volatility and over the long term.

## Fund Facts

| Class | Inception Date | Symbol | CUSIP | Annual Fund Operating Expense Ratio Total | Net |
|---|---|---|---|---|---|
| A Shares | 01/12/34 | **SENCX** | 89154Q299 | 0.98% | 0.98% |
| C Shares | 05/04/98 | **SCSCX** | 89154Q281 | 1.80% | 1.80% |
| Y Shares | 05/04/07 | **SICWX** | 89154Q265 | 0.77% | 0.73% |
| INST Shares | 12/23/14 | **SCRLX** | 89154Q273 | 0.71% | 0.70% |
| R6 Shares | 10/28/21 | **TSRLX** | 89154M884 | 0.69% | 0.66% |
| **Total Fund Assets** | **$3.7 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 1.00% 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 10/29/26.*

*Share class availability differs by firm.*

## Annualized Total Returns

| | 4Q25 | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Inception |
|---|---|---|---|---|---|---|---|
| Excluding Max Sales Charge | | | | | | | |
| A Shares | 3.05% | 17.56% | 17.56% | 20.91% | 12.80% | 14.65% | 11.09% |
| C Shares | 2.83% | 16.60% | 16.60% | 19.93% | 11.89% | 13.91% | 10.30% |
| Y Shares | 3.11% | 17.85% | 17.85% | 21.22% | 13.10% | 14.95% | 11.15% |
| INST Shares | 3.13% | 17.90% | 17.90% | 21.27% | 13.13% | 15.01% | 11.13% |
| R6 Shares | 3.13% | 17.95% | 17.95% | 21.32% | 13.11% | 14.81% | 11.10% |
| Benchmark | 2.41% | 17.37% | 17.37% | 22.74% | 13.59% | 14.59% | — |
| Including Max Sales Charge | | | | | | | |
| A Shares | -2.11% | 11.67% | 11.67% | 18.86% | 11.65% | 14.06% | 11.02% |
| C Shares | 1.83% | 15.60% | 15.60% | 19.93% | 11.89% | 13.91% | 10.30% |

*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 1000® Index*

*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.*** *From time to time, the investment advisor 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, INST and R6 Shares combines the performance of an older class of shares (A Shares) fromthe Fund's inception, 01/12/34, with the performance since the inception date of each share class.***

## Top 10 Equity Holdings of Fund

| | | (% of Portfolio) |
|---|---|---|
| 1 | Microsoft Corp. | 9.9 |
| 2 | Alphabet Inc. | 9.1 |
| 3 | Apple, Inc. | 7.2 |
| 4 | Meta Platforms, Inc. | 6.6 |
| 5 | NVIDIA Corp. | 6.4 |
| 6 | Amazon.com Inc. | 6.0 |
| 7 | Bank of America Corp. | 3.0 |
| 8 | Visa Inc. | 2.7 |
| 9 | Philip Morris International Inc. | 2.5 |
| 10 | Taiwan Semiconductor Mfg. Co. Ltd. | 2.3 |

*Source: BNY Mellon Asset Servicing*

*The Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000® Index.*

*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 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.**

**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 aprospectus or a summary prospectus, contact your financial professional or download and/or request one atTouchstoneInvestments.com/resources or call Touchstone at 800.638.8194. Please read the prospectus and/or summary prospectus carefully before investing.**

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