

## Fund Manager Commentary

As of March 31, 2023

### 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 recorded positive returns in the first quarter as rates pulled back, inflation readings came in lower than expected, and the labor market and consumer spending remained healthy. Among the best performing benchmark sectors were Information Technology, Communication Services, and Consumer Discretionary. The worst performing sectors for the benchmark were Energy, Financials, Health Care, and Utilities. These sectors produced negative returns during the quarter while all other sectors were positive.

### Portfolio Review

The Touchstone Large Cap Focused Fund (Class A Share Load-Waived) outperformed its benchmark for the quarter ended March 31, 2023.

Within the Fund's portfolio, the sectors where stock selection outperformed the most relative to the benchmark were Communication Services, Consumer Discretionary, and Energy. Sectors that lagged the most relative to the benchmark include Real Estate, Information Technology, and Health Care. Stock selection was a positive contributor to performance for the quarter. Sector allocation was also a positive contributor primarily due to an overweight in Communication Services and no weight in Utilities.

Among the holdings that contributed to performance were Meta Platforms Inc. (Communication Services sector), Salesforce Inc. (Information Technology sector), and Airbnb Inc. (Consumer Discretionary sector). Meta shares outperformed based on quarterly results that exceeded expectations during the period, the announcement of more share buyback authorization, and the pullback in interest rates during the quarter. Salesforce shares outperformed after the company reported significant upside to revenue and profitability during its fiscal fourth quarter and issued

favorable margin guidance and buyback authorization. Airbnb was a top contributor during the period primarily due to higher fourth quarter profitability on a combination of constructive demand and cost efficiency.

The holdings that detracted the most from performance included UnitedHealth Group Inc. (Health Care sector), Johnson & Johnson (Health Care sector), and Bank of America Corp. (Financials sector). UnitedHealth Group's underperformance in the quarter was largely due to nervousness around Medicare Advantage rate updates for 2024. However, final rates published early in the second quarter included a three year phase-in of one of the key drivers, which made the 2024 rate cut more manageable. Johnson & Johnson shares underperformed as headlines about the company's talc-related claims put litigation risk top of mind for investors during the first quarter. Subsequent to the end of the quarter, Johnson & Johnson announced a potential settlement of all talc claims. While some risk remains, if successful this should remove an overhang from the shares. Bank of America shares underperformed primarily due to investor concern about higher expenses and lower net interest margin with a potential rate peak in the near term. During the quarter, the fund added Stanley Black & Decker Inc. (Industrials sector) to the Fund's portfolio.

As the quarter ended, the Fund had an overweight in the Information Technology, Communication Services and Health Care sectors and an underweight in the Consumer Staples, Consumer Discretionary, Financials, Real Estate and Materials sectors. The weight in the Energy and Industrials sectors were roughly in line with that of the index. 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

During the first quarter, the U.S. equity market continued to rebound from the 2022 downturn. Despite lingering recession risk and two large bank failures during the quarter, the equity market rallied as interest rates pulled back and inflation climbed less than expected. Investors are now debating whether this is a sustainable market transition or simply another bear market rally. In our view, much of last year's tightening 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. U.S. Federal Reserve Board (Fed) expectations changed significantly over the first quarter, but the inflation data complicates near term decision making for the Fed. Therefore, the path for a soft landing remains narrow and we continue to see indications of the slowdown we thought was likely in the back half of 2022 and into 2023 mainly due to the lag effects of higher interest rates and higher prices. The labor market and consumer spending have been resilient due to elevated pandemic savings. But with sustained tight financial conditions, we see additional downside risk to growth.

Based on our outlook, we have been gradually de-risking the portfolio. Last year, for example, we sold one of the two recently failed banks (Signature Bank) due to our concerns about its performance in a de-risking market resulting from higher interest rates. In addition, we have moved the portfolios into higher return on capital and higher barrier to entry businesses with pricing power, increased our defensive exposure, and increased our cash position. We believe this conservative risk posture will benefit the portfolio going forward.

As of March 31, 2023, Meta Platforms Inc. made up 3.05%, Salesforce Inc. made up 2.39%, Airbnb Inc. made up 1.03%, UnitedHealth Group Inc. made up 3.16%, Johnson & Johnson made up 2.98%, Bank of America Corp. made up 2.09% and Stanley Black & Decker Inc. made up 0.55% of the Touchstone Large Cap Focused Fund. Current and future portfolio holdings are subject to change.



**Fund Facts** (As of 03/31/23)

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio*	
				Total	Net
A Shares	01/12/34	SENCX	89154Q299	0.99%	0.99%
C Shares	05/04/98	SCSCX	89154Q281	1.80%	1.80%
Y Shares	05/04/07	SICWX	89154Q265	0.78%	0.73%
INST Shares	12/23/14	SCRLX	89154Q273	0.73%	0.70%
R6 Shares	10/28/21	TSRLX	89154M884	3.02%	0.66%
<b>Total Fund Assets</b>	<b>\$2.7 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 1.00% 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 10/29/23.

Share class availability differs by firm.

**Annualized Total Returns\*\*** (As of 03/31/23)

	1Q23	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	8.20%	8.20%	-7.01%	18.96%	11.91%	12.14%	10.83%
C Shares	7.97%	7.97%	-7.77%	18.01%	11.01%	11.43%	10.03%
Y Shares	8.27%	8.27%	-6.75%	19.29%	12.20%	12.44%	10.90%
INST Shares	8.28%	8.28%	-6.72%	19.33%	12.24%	12.44%	10.87%
R6 Shares	8.30%	8.30%	-6.69%	19.15%	12.01%	12.19%	10.84%
Benchmark <sup>^</sup>	7.50%	7.50%	-7.73%	18.60%	11.19%	12.24%	—
Including Max Sales Charge							
A Shares	2.79%	2.79%	-11.68%	16.95%	10.59%	11.57%	10.77%
C Shares	6.97%	6.97%	-8.68%	18.01%	11.01%	11.43%	10.03%

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 - S&P 500<sup>®</sup> Index<sup>1</sup>

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, INST and R6 Shares combines the performance of an older class of shares (A Shares) from the Fund's inception, 01/12/34, with the performance since the inception date of each share class.

<sup>1</sup>The S&P 500<sup>®</sup> Index is a group of 500 widely held stocks and is commonly regarded to be representative of the large capitalization stock universe.

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 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.

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

