# Touchstone Large Company Growth Fund

**Sub-Advised by: DSM Capital Partners LLC**

U.S. Equity – Large-Cap Growth 4Q/2023

## Fund Manager Commentary

*As of December 31, 2023*

### Fund Highlights

- Invests primarily in U.S. equity securities of large capitalization companies believed to offer the best opportunity for reliable growth at attractive stock valuations.
- Utilizes a bottom-up idea-driven growth style with a long-term investment horizon, coupled with a distinct valuation discipline
- Seeks to identify companies which are believed to exhibit certain quality characteristics, including:
  - Predictable growth
  - Solid fundamentals
  - Attractive profitability
  - Successful managements

### Market Recap

Since October 2023, we have stated that global markets can work higher as investors become more confident that U.S. and European Union inflation is on a sustained downward track, which would enable the U.S. Federal Reserve (Fed) and European Central Bank (ECB) to stop raising interest rates. At this time, it appears that both central banks will not need to hike rates further. Monetary policy in the U.S. and EU has been very tight on a historical basis. As we have previously stated, rapidly rising M2 will generate inflation, while shrinking M2 will lead to disinflation. As M2 has fallen, inflation in the Western world has declined to more normal levels. Lower inflation generates lower interest rates, which should support the economy as evidenced by the stabilization of housing prices in the U.S. as the 30-year mortgage rate has fallen from 8% to 7% since October 31, 2023. With inflation almost back to the central bank's 2% target, the Fed and ECB have room to cut rates, although when the cuts may commence is uncertain.

### Portfolio Review

The Touchstone Large Company Growth Fund (Class A Shares Load Waived) outperformed its benchmark, the Russell 1000® Growth Index, for the quarter ended December 31, 2023.

The Fund's outperformance in the fourth quarter versus the benchmark was primarily the result of our selections in Information Technology (IT) and Consumer Discretionary sectors. Our selections in the Industrials sector detracted from performance in the quarter.

The top five contributors to performance in the quarter were Microsoft, Arista Networks, Intuit, NVIDIA (IT sector), and Amazon.com (Communication Services sector). The five holdings that contributed the least to performance were Paycom Software, Automatic Data Processing (Industrials sector), PayPal Holdings, FleetCor Technologies (Financials sector), and Thermo Fisher Scientific (Health Care sector).

At the end of the quarter, the Fund's portfolio was invested in the Communication Services, Consumer Discretionary, Consumer Staples, Financials, Health Care, Industrials, Information Technology and Materials sectors.

### Outlook and Conclusion

Our forecast for 2024 global economic growth remains in the 2.5% range with both the U.S. and Europe muddling through with 1% to 2% GDP growth possible. That said, the U.S. has consistently outperformed recent forecasts while Europe's economy has consistently underperformed. On the other hand, with inflation falling, perhaps more rapidly than generally expected just a few months ago, both the Fed and the ECB likely have the flexibility to ease monetary policy, with each saying as much in recent reports.

At this point, a recession certainly remains possible on both sides of the Atlantic. However, with employment remaining strong and wages still solid, a "soft landing" or shallow recession appears to us more likely than an outright recession. With inflation almost back to the central bank's 2% target, the Fed and ECB have room to cut rates. Lower inflation generates lower interest rates, which should support the economy.

*(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 significance of reducing inflation to reduce interest rates extends across both economic growth and the issue of national debt. Government debt in both the U.S. and Europe is large and growing. Low inflation means lower interest expenses on government debt, while high inflation means budget-busting interest costs that governments cannot afford. For that reason, we believe central banks will remain focused on tightening money supply and lowering inflation.

Our long-held belief is that the market climbs a wall of worry, yet since 1928 the market has declined over 10% over calendar years just 14 times, while it has appreciated over 10% a total of 55 times, including in 2023. At this time last year, we stated that the market's valuation and history were on the side of buyers, as tight money supply (M2), would drive inflation down and the market up. In fact, that is what transpired, with the S&P 500 closing the year up 26.3%, which is the 36 time since 1928 that the market has appreciated more than 20%.

We believe we have assembled a portfolio of market dominant and attractively valued companies including many, which, in our view, are poised to benefit from artificial intelligence (AI) and other digital drivers over the years to come. Additionally, we believe that lower inflation is supportive of lower interest rates and a market that moves steadily higher. In our view, the Fund's portfolio is rationally valued on both calendar 2024 and 2025 earnings. Furthermore, we believe the technology-related positions in the portfolio, with a projected growth rate of roughly 20% (based on our internal calculations), are attractively priced and that it is possible that the AI earnings upside in these companies is not fully reflected in their stock prices currently.

As the economy continues to grow, albeit slowly, and inflation continues to fall, the probability of a significant recession declines. Continued slow economic growth or a muddle through scenario has become more possible but is certainly not assured. We continue to expect that global markets will trend higher despite well-publicized macro and geopolitical risks. As we have said repeatedly over the years, bull markets climb a wall of worry and in our view the market's direction remains upward.

## Fund Facts *(As of 12/31/23)*

| Class | Inception Date | Symbol | CUSIP | Annual Fund Operating Expense Ratio Total | Net |
|---|---|---|---|---|---|
| A Shares | 08/15/16 | **TSAGX** | 89154Q414 | 1.57% | 1.08% |
| C Shares | 08/15/16 | **TCGLX** | 89154Q398 | 5.86% | 1.83% |
| Y Shares | 08/15/16 | **TLGYX** | 89154Q380 | 1.07% | 0.83% |
| INST Shares | 08/28/09 | **DSMLX** | 89154Q372 | 0.88% | 0.73% |
| **Total Fund Assets** | **$125.5 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 1.04% for Class A Shares, 1.79% for Class C Shares, 0.79% for Class Y Shares and 0.69% for Class INST Shares. These expense limitations will remain in effect until at least 10/29/24.*

*Share class availability differs by firm.*

## Annualized Total Returns *(As of 12/31/23)*

| | 4Q23 | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Inception |
|---|---|---|---|---|---|---|---|
| Excluding Max Sales Charge | | | | | | | |
| A Shares | 15.00% | 33.00% | 33.00% | 5.69% | 15.65% | 11.90% | 13.85% |
| C Shares | 14.75% | 32.01% | 32.01% | 4.89% | 14.78% | 11.06% | 13.00% |
| Y Shares | 15.05% | 33.34% | 33.34% | 5.95% | 15.93% | 12.18% | 14.10% |
| INST Shares | 15.09% | 33.47% | 33.47% | 6.06% | 16.05% | 12.27% | 14.17% |
| Benchmark | 14.16% | 42.68% | 42.68% | 8.86% | 19.50% | 14.86% | 15.83% |
| Including Max Sales Charge | | | | | | | |
| A Shares | 9.25% | 26.36% | 26.36% | 3.90% | 14.47% | 11.24% | 13.38% |
| C Shares | 13.75% | 31.01% | 31.01% | 4.89% | 14.78% | 11.06% | 13.00% |

*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® Growth Index*

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***The performance presented for Class A, C and Y Shares combines the performance of an older class of shares (INST Shares) from the Fund's inception, 08/28/09, with the performance since the inception date of each share class.***

## Top 10 Equity Holdings of Fund *(As of 12/31/23)*

| | | (% of Portfolio) |
|---|---|---|
| 1 | Microsoft Corp. | 12.9 |
| 2 | Amazon.com Inc. | 8.5 |
| 3 | NVIDIA Corp. | 8.1 |
| 4 | Alphabet Inc. | 7.8 |
| 5 | Adobe Inc. | 6.1 |

| | | (% of Portfolio) |
|---|---|---|
| 6 | Intuit, Inc. | 5.9 |
| 7 | Arista Networks Inc. | 4.8 |
| 8 | Accenture PLC | 4.7 |
| 9 | Visa Inc. | 4.6 |
| 10 | Autodesk, Inc. | 4.1 |

*Source: BNY Mellon Asset Servicing*

*The Russell 1000® Growth Index measures the performance of those Russell 1000 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.*



## 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 growth stocks which may be more volatile than investing in other stocks and may underperform when value investing is in favor. The Fund invests in convertible securities which are subject to the risks of both debt securities and equity securities. 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 and emerging markets 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 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 than a diversified fund 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 or call Touchstone at 800.638.8194. Please read the prospectus and/or summary prospectus carefully before investing.**

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