Fund Manager Commentary

As of March 31, 2022

Fund Highlights

- Utilizes a bottom-up security selection process that screens potential investments against a proprietary quantitative model for return on capital, earnings to value ratio, free cash flow and return on equity
- Looks at a company's corporate governance structure and management incentives to try to ascertain whether or not management's interests are aligned with shareholder interests
- Seeks to identify the sources of a company's competitive advantage as well as what levers management has at its disposal to increase shareholder value
- Seeks to purchase generally profitable, financially stable mid-cap companies that consistently generate high returns on unleveraged operating capital, are run by shareholder-oriented management, and are trading at a discount to their private market value

Market Recap

U.S. stocks posted negative returns during the first quarter of 2022 reflecting rising inflationary fears and concerns on how the U.S. Federal Reserve Board (Fed) will respond to those fears, a resurgence of COVID-19 with the Omicron wave, and the war in Ukraine. Volatility spiked in January over fears about the Omicron COVID-19 variant, in February as Russia invaded Ukraine, and stayed high in March when the Fed announced the first increase in the Fed Funds rate since 2018.

Domestic economic data released during the quarter were generally positive, led by improving retail sales, solid housing starts, and rising income. A strong labor market resulting in both job growth and higher wages, along with savings accumulated during the pandemic (still over $2T) helped drive overall consumption. However, it is clear that some of the data are beginning to show decelerating growth as high inflation is limiting purchasing power.

Turning to the housing market, existing home sales were lackluster, likely impacted by rising prices and higher mortgage rates. Inventory of new homes remains low, which may continue to impact prices. We believe housing sales may continue to be negatively impacted by rising mortgage rates as well as high prices, partially offset by a solid labor market and favorable demographics aiding demand.

With regard to inflation, both the CPI and PCE readings of inflation remained above normal levels with overall inflation rising almost 8.0% year over year (y/y) and core prices increasing 6.4% y/y in the latest readings. Prices were higher across most categories, but overall inflation was driven by higher prices for energy, food, and shelter. The war in Ukraine may continue to push commodity prices higher in the near term. One positive note in the inflation data was some easing in prices for new and used vehicles.

The survey data continued to point toward economic expansion. The ISM Manufacturing Index declined vs. February, but still registered a 57.1 in the latest month, while the ISM Services Index ended at 58.3. Any reading over 50 suggests expansion.

The labor market continued to improve as the U.S. economy added 1.7 million new jobs during the quarter. The U3 unemployment rate fell to 3.6%, a post pandemic low. The labor force participation rate moved slightly higher to 62.4%. We think the economy will continue to add new jobs in the months ahead, and the participation rate may improve as higher wages could entice people back to the job market. Average hourly earnings improved 5.6% y/y.

With regard to monetary policy, the Fed increased the Fed Funds rate to 0.25-0.5% in March and plans to begin tapering its balance sheet in May. The most significant news from the Fed came late in the quarter when its summary of economic projections showed a reduction in expected GDP growth in 2022 (from 4% to 2.8%) and an increase in the Fed's expectations for the Funds rate by year end (from 0.9% to 1.9%). The dot plots now assume roughly 200 basis points in rate increases for the year. Obviously, this can change and the outlook on rates is data dependent. With unemployment low (suggesting a tight labor market) and inflation high, we think the Fed will likely need to be aggressive with monetary policy.

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During the first quarter, the large cap indices held up better than the broader market. Value dramatically outperformed Growth across the market cap spectrum. Cyclical names outperformed Defensive stocks among large cap and mid cap stocks.

Portfolio Review

The Touchstone Mid Cap Fund (Class A Shares Load-Waived) underperformed its benchmark, the Russell MidCap® Index, for the quarter ended March 31, 2022.

During the quarter, both sector allocation and stock selection were modest headwinds. At the sector level, an underweight position in the Energy and Utilities sectors detracted from relative performance and was only partially offset by overweight positions in Consumer Staples and Materials.

In terms of stock selection, among the top performing positions in the quarter were Cincinnati Financial Corp. (Financials sector), Alleghany Corp. (Financials sector), Dollar Tree Inc. (Consumer Discretionary sector), M&T Bank Corp. (Financials sector), and Citrix Systems Inc. (Information Technology sector). Cincinnati Financial, along with other insurance companies, received a significant boost from pricing gains as insurers were able to price ahead of inflation. Separately, higher interest rates can lead to greater income from its bond investments, which are typically held to maturity. Moreover, Cincinnati Financial reported another solid quarter, which included significant reserve releases and pricing gains.

In the quarter, Alleghany announced that Berkshire Hathaway Inc. has agreed to acquire it for approximately a 33% premium to its last trading price. We believe the transaction makes sense and is at a fair price given some ongoing underwriting challenges in both reinsurance and CapSpecialty.

Dollar Tree outperformed this quarter given activist investor Mantle Ridge's successful efforts to reform management and governance. Mantle Ridge appointed Rick Dreiling as Executive Chairman. Rick previously led the turnaround at Dollar General, and will work with Dollar Tree executives over the next five years to reform Family Dollar and implement the $1.25 price point at Dollar Tree.

M&T Bank Corp. outperformed on the potential to benefit from rising rates and the prospect of increased capital returns. M&T Bank has been conservative with regard to putting capital at risk in a low rate environment and we believe is poised to benefit over the next couple of years from a better environment for net interest income. Subsequent to quarter-end, M&T Bank closed the acquisition of People's United Financial. M&T Bank is overcapitalized, and with the People's United deal closed, we believe M&T Bank will resume buybacks. We continue to like M&T Bank as a long-term holding due to prudent management and a track record of conservative underwriting.

Citrix outperformed during the quarter after receiving a $104 takeover bid by affiliates of Vista Equity Partners and Evergreen Coast Capital Corporation.

Among the more challenged positions based on relative performance during the quarter were CarMax Inc. (Consumer Discretionary sector), Black Knight Inc. (Information Technology sector), Armstrong World Industries Inc. (Industrials sector), Moelis & Co. (Financials sector), and AerCap Holdings NV (Industrials sector). After outperforming last year, CarMax was a bottom performer during the quarter due to concerns around the used car market, normalized Average Selling Prices, and increasing rates. CarMax reported record sales but experienced limited operating leverage as it passed savings to customers and focused on market share growth. The wholesale and financing businesses are performing strong. Management is focused on growing profitable market share in multiple channels by utilizing its omni platform and existing infrastructure. CarMax continued to disrupt the used car ecosystem and we maintain our conviction in the stock.

We believe the large, negative price movement for Black Knight was due to the company accelerating its purchase of the minority interest in Optimal Blue. The move suggested a conflict of interest on the part of Bill Foley, who holds considerable sway over both sides of the transaction. We still like the stickiness of Black Knight's revenues as well as its growth prospects.

We believe Armstrong's stock weakness stemmed from a perceived slower recovery in domestic industrial and construction activity. However, the company held an Analyst Day this quarter that outlined higher expectations of free cash flow growth over the long term. Armstrong's leading market position in the highly consolidated ceiling tiles business gives them a sticky and large installed base with pricing power.

Moelis was weak during the quarter as investors questioned the longevity of the mergers and acquisitions cycle given the strong year the industry had in 2021. The company continued to decline, even after reporting solid fourth quarter of 2021 results. Management at Moelis and other similar companies expressed positive outlooks for the industry based on low interest rates and high cash balances and strong cash flow by many acquisitive companies.

AerCap Holdings stock price took a beating when it became clear that Russia would not allow leased aircrafts to be returned to the lessors, effectively seizing those assets. Then, AerCap's quarter missed numbers due to complex merger accounting, yet management didn't elaborate or break out the impact thereof. We still like AerCap at this price, given its strong market position and outlook for book value per share growth.

Outlook and Conclusion

While we recognize that there are many risks to the near term outlook, we believe that there are reasons for optimism as well. Economic data is generally positive with solid corporate earnings, rising GDP, as well as low unemployment and higher wages for consumers. As we look ahead, improving labor force productivity could offset rising wage inflation and limit the effect on company earnings of any broader economic slowdown. Separately, as the effects of COVID-19 continue to fade, we could experience faster than expected improvements in supply chain issues across the global economy, which could lead to lower inflation.

Monetary policy will likely remain in focus in the months ahead. High inflation coupled with a tight labor market led to expectations for multiple increases in the Fed Funds rate in 2023 and beyond. The consensus expectation is a roughly 200 basis

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points increase in the Funds rate for the year, including the 25 basis points increase announced in March. The Fed is also planning to start reducing the size of its balance sheet in May. This less accommodative monetary policy will eventually flow through the economy, and will likely cause growth to decelerate. We recognize the difficulty in navigating a soft landing, so the odds of a recession over the next couple of years have increased. That is the message we take from the recent inversion in segments of the yield curve. We note it is a warning sign, but not a guarantee of a recession in the near term. Longer term, we remain bullish on the U.S. economy and expect real GDP growth in the 2-3% range driven by growth in the labor force and improving productivity.

In terms of the equity market, we note that multiple compression is likely in a world with rising interest rates and higher than normal inflation. We expect greater volatility in share prices and possibly more muted returns relative to the strong returns generated from 2009-2021.

We believe the Fund provides the opportunity to own a group of competitively advantaged businesses (judged by return on capital), with strong balance sheets (lower net debt/EBITDA), at valuations slightly less than the broader market. Finally, we believe in the quality of the Fund's holdings for the next few years and believe it is positioned well.

As of March 31, 2022, Cincinnati Financial Corp. made up 4.81%, Alleghany Corp. made up 3.58%, Dollar Tree Inc. made up 4.30%, M&T Bank Corp. made up 3.32%, Citrix Systems Inc. made up 2.42%, CarMax Inc. made up 3.08%, Black Knight Inc. made up 2.21%, Armstrong World Industries Inc. made up 3.25%, Moelis & Co. made up 2.57%, AerCap Holdings NV made up 2.67%, Berkshire Hathway Inc., People's United Financial, Vista Equity Partners and Evergreen Coast Capital Corporation, Optimal Blue, and Dollar General made up 0.00% of the Touchstone Mid Cap Fund. Current and future portfolio holdings are subject to change.

Fund Facts *(As of 03/31/22)*

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio* Total	Net
A Shares	05/14/07	**TMAPX**	89155H629	1.23%	1.22%
C Shares	05/14/07	**TMCJX**	89155H611	1.93%	1.93%
Y Shares	01/02/03	**TMCPX**	89155H793	0.93%	0.93%
Z Shares	04/24/06	**TMCTX**	89155H785	1.25%	1.22%
INST Shares	01/27/12	**TMPIX**	89155T649	0.84%	0.84%
R6 Shares	02/22/21	**TMPRX**	89155T490	0.82%	0.80%
Total Fund Assets	**$4.7 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 1.21% for Class A Shares, 1.96% for Class C Shares, 0.96% for Class Y Shares, 1.21% for Class Z Shares, 0.89% for Class INST Shares and 0.79% for Class R6 Shares. These expense limitations will remain in effect until at least 01/29/23.*

Share class availability differs by firm.

Annualized Total Returns** *(As of 03/31/22)*

Class	1Q22	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-8.11%	-8.11%	-0.18%	11.84%	12.45%	12.41%	11.06%
C Shares	-8.25%	-8.25%	-0.89%	11.03%	11.61%	11.73%	10.58%
Y Shares	-8.04%	-8.04%	0.08%	12.12%	12.73%	12.69%	11.30%
Z Shares	-8.11%	-8.11%	-0.22%	11.83%	12.44%	12.40%	11.01%
INST Shares	-8.04%	-8.04%	0.16%	12.23%	12.81%	12.78%	11.35%
R6 Shares	-8.01%	-8.01%	0.22%	12.18%	12.76%	12.71%	11.31%
Benchmark^	-5.68%	-5.68%	6.92%	14.89%	12.62%	12.85%	11.85%
Including Max Sales Charge							
A Shares	-12.71%	-12.71%	-5.16%	9.95%	11.12%	11.74%	10.72%
C Shares	-9.17%	-9.17%	-1.85%	11.03%	11.61%	11.73%	10.58%

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 Midcap® Index[1]

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 A, C, Z, INST and R6 Shares combines the performance of an older class of shares (Y Shares) from the Fund's inception, 01/02/03, with the performance since the inception date of each share class.***

[1]The Russell Midcap® Index measures the performance of the 800 smallest companies in the Russell 1000® 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 mid-cap companies which may be subject to more erratic market movements than stocks of larger, more established companies. 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. 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. A fund that focuses its investments in the securities of a particular market sector is subject to the risk that adverse circumstances will have a greater impact on the fund than a fund that does not focus its investments in a particular sector. 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 or call Touchstone at 800.638.8194. Please read the prospectus and/or summary prospectus carefully before investing.

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