Touchstone Mid Cap Fund

Sub-Advised by: The London Company

U.S. Equity – Mid-Cap Core

4Q/2025

Fund Manager Commentary

As of December 31, 2025

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. equities finished higher for a third consecutive quarter, led by a shift towards a more accommodative monetary policy, resilient consumer spending, and better-than-expected earnings results. Clarity in trade policy also helped ease uncertainties. The 10-year Treasury yield increased to 4.2% amid sticky inflation and delayed expectations of further U.S. Federal Reserve (Fed) cuts.

Economic data during the quarter were mixed but generally better than expected, reflecting an economy that remained resilient. Real GDP accelerated to a 4.3% annualized pace in the third quarter, providing a strong starting point for the fourth quarter, supported by solid consumer spending and business investment. However, estimates are showing a moderation in growth expectations going forward, alongside modest labor market softening and sticky inflation. Affordability pressures and labor market concerns weighed on consumer sentiment. Despite these headwinds and a government shutdown, earnings results remained supportive, reinforcing a constructive fundamental backdrop even as economic momentum began to cool.

Near-term data continues to be delayed by the government shutdown, but the most recent data showed signs of progress being made on the inflation side. Inflation surprised to the downside in November, with core CPI cooling more than expected. The most recent Core PCE, the Fed's preferred gauge (which excludes food and energy), has not been updated since September. All that said, inflation remains above the Fed's target.

The labor market data showed unemployment increased and has continued to soften. Labor demand has fallen more than supply, which has been a main driver for the unemployment rate ticking higher, not necessarily due to layoffs. On a positive note, productivity also increased significantly. Unemployment rates were 4.6%. The weakening unemployment numbers continue to be a bigger risk to the overall economy.

Regarding monetary policy, the Fed maintained its restrictive monetary policy but lowered the federal funds rate by 25 basis points to 3.5-3.75% in December due to the rising downside risk of higher unemployment. The three rate cuts this year were all framed as a risk management move to bring policy closer to neutral. The Fed is trying to execute a careful balancing act with the decision to cut rates despite still-elevated and potentially persistent inflation. Fed projections now show only one 2026 cut, which may be close to the neutral rate. Additional easing is possible depending on economic data throughout the year.

Health Care and Materials were the top-performing sectors, while Real Estate and Communication Services were the worst.

Portfolio Review

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

Both stock selection and sector exposure were tailwinds to relative performance. Underweight Utilities and overweight Materials helped performance. Underweight Information Technology and overweight Consumer Staples detracted from performance.

Turning to stock selection, the best performing stocks based on relative performance vs. the benchmark during the quarter

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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.***

included Dollar Tree Inc. (Consumer Staples sector), AerCap Holdings NV (Industrials sector), and Churchill Downs Inc. (Consumer Discretionary sector):

Dollar Tree was a top performer after completing the divestiture of the Family Dollar business, removing a long-standing drag on growth, margins, and returns. The stock's re-rating appropriately reflects higher quality fundamentals and a cleaner story for stand-alone Dollar Tree. We see significant optionality for value creation as the company executes its multi-price strategy and launches a long-awaited store renovation program with attractive expected returns.

AerCap shares performed well all year after reporting solid quarterly results. We believe the company is sitting in the enviable position of owning the largest portfolio of aircraft in a seller's market. The insurance recoveries during the year were a nice windfall, which was used to repurchase shares. The company should be able to continue growing book value per share via large purchase leasebacks or merger and acquisition, given its historically low leverage.

After underperforming earlier in the year, Churchill Downs outperformed on strong results led by growth from its Historical Racing Machine facilities and increasing optimism regarding 2026. We continue to like Churchill Downs for its highly cash-generative assets, track record of good capital allocation, and opportunities to reinvest in the business at attractive returns. Additionally, we note that Churchill Downs leaned into share repurchases in response to stock price weakness this year, supporting our view on capital allocation.

The more challenged positions based on relative performance during the quarter included Pool Corp (Consumer Discretionary sector), NewMarket Corp. (Materials sector), and Lamb Weston Holdings Inc. (Consumer Staples sector)

Pool Corp traded lower after a largely uneventful earnings update with staple guidance, but investors are cautious around discretionary home improvement spending, which weighed on shares. With new pool construction stabilizing, building materials returning to growth, and pricing remaining a tailwind, we believe the business is operating near trough margins and is well positioned to benefit as end-market conditions normalize.

NewMarket was a weaker performer as a softer global environment (mostly China's slowdown) pressured Petroleum Additives volumes and margins. The Specialty Materials business had lumpy demand, which weighed on results. Lower oil prices reduced operating leverage. Despite near-term pressure, we continue to view NewMarket as a strong business with disciplined capital allocation, balance sheet flexibility, and strong cash flow generation.

Lamb Weston was a weaker name after reporting ongoing pricing pressure and industry headwinds, including softer quick service restaurant traffic. Management has executed on controllable operational issues, but lingering issues have made a recovery more challenging. While these seem to be short-term headwinds, the long-term industry drivers remain attractive. We remain attracted to Lamb Weston's flexible balance sheet, leading market share, and capital allocation strategy.

We initiated a position in Cooper Companies Inc. (Health Care sector) and sold the smaller position in Crown Castle (Real Estate sector).

We still like Crown Castle given the attractive underlying fundamentals of the industry and healthy dividend yield. The separation of the fiber/small-cell businesses has improved investor clarity around the core pure-play tower asset, though slower carrier capital expenditure spending is likely to keep near-term expectations muted. While DISH-related issues may create some earnings noise, it does not fundamentally alter the durability of the business. The sale reflects our focus on allocating capital to higher-conviction opportunities. We would be open to re-initiating a position should a clearer catalyst emerge.

Cooper Companies is a global medical device company that primarily designs and manufactures contact lenses through its CooperVision division and women's healthcare products, including fertility and obstetrics devices, through CooperSurgical. The vision business is a durable, high-quality franchise where Cooper has a strong share in an oligopolistic contact lens market (top 4 players have 95% of the market). The vision business benefits from a broad portfolio, high switching costs, and leading positions in higher-growth specialty lenses. Its private label lens business plus entrenchment with customers has led to above-market organic growth. At the same time, margins remain well below peers due to a multi-year investment cycle and some industry slowdown. Cooper Companies has clear operating leverage and cost optimization opportunities as capital expenditures moderates and capacity utilization improves. Recent share price underperformance has been driven by short-term cyclical pressures, management execution missteps, and investor frustration with capital allocation, rather than deterioration in the underlying business. The recent involvement of activists meaningfully improves the setup for an operational improvement and potential separation of the surgical business. Valuation is attractive and insiders recently purchased shares in the open market.

Outlook and Conclusion

Despite tariff pressures and a softening labor market, economic growth remained resilient through much of the year, supported by solid consumer spending, productivity, and continued AI-driven investment. Rising productivity increased earnings and fueled broad-based volatility and small-cap equity gains. Elevated valuations now reflect optimistic assumptions around sustained earnings growth and productivity gains. Macro risks have grown more pronounced, including a softening labor market, mounting affordability pressures on consumers, and global policy uncertainty, suggesting markets may be more vulnerable to disappointment as growth slows and policy support becomes less certain.

We expect more modest returns amid elevated valuations, concentrated leadership, and rising macro uncertainty, which increases the risk of volatility and drawdowns. Although we are not forecasting a recession, late-cycle dynamics are becoming more apparent with the uneven economic data. Defensive portfolios like ours remain prudent protection against risks that could still materialize.

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In terms of monetary policy, the Fed appears likely to hold interest rates steady at its next meeting, with the markets pricing in one additional rate cut later in 2026. Softer job market data has driven this shift, as policymakers aim to prevent further labor market deterioration while inflation remains above target. As policy moves toward neutral, it is important to note that monetary changes take time to impact the economy.

In terms of the equity market, valuations based on near term earnings and expectations are elevated. This has reduced the margin for error, as seen with recent earnings, generating limited upside for beats and outsized downside for misses. We believe that modest returns with unpredictable downdrafts appear likely for U.S. equities over the next decade. We see the most compelling opportunities in high-quality companies with durable fundamentals, particularly those that generate strong free cash flow, maintain conservative balance sheets, and return capital to shareholders.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	05/14/07	**TMAPX**	89155H629	1.18%	1.18%
C Shares	05/14/07	**TMCJX**	89155H611	1.93%	1.93%
Y Shares	01/02/03	**TMCPX**	89155H793	0.92%	0.92%
Z Shares	04/24/06	**TMCTX**	89155H785	1.24%	1.23%
INST Shares	01/27/12	**TMPIX**	89155T649	0.87%	0.87%
R6 Shares	02/22/21	**TMPRX**	89155T490	0.82%	0.81%
Total Fund Assets	**$5.1 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 01/29/27.

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	2.83%	4.58%	4.58%	12.87%	6.82%	10.99%	10.49%
C Shares	2.64%	3.79%	3.79%	12.05%	6.05%	10.34%	10.09%
Y Shares	2.89%	4.85%	4.85%	13.18%	7.11%	11.28%	10.74%
Z Shares	2.83%	4.55%	4.55%	12.84%	6.80%	10.98%	10.45%
INST Shares	2.92%	4.90%	4.90%	13.24%	7.18%	11.36%	10.79%
R6 Shares	2.94%	4.97%	4.97%	13.31%	7.24%	11.35%	10.77%
Benchmark	0.16%	10.60%	10.60%	14.36%	8.67%	11.01%	11.12%
Including Max Sales Charge							
A Shares	-2.31%	-0.65%	-0.65%	10.96%	5.73%	10.33%	10.20%
C Shares	1.64%	2.79%	2.79%	12.05%	6.05%	10.34%	10.09%

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

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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.

Top 10 Equity Holdings of Fund

		(% of Portfolio)
1	AerCap Holdings NV	5.8
2	Dollar Tree, Inc.	5.8
3	Somnigroup International Inc.	4.9
4	Armstrong World Industries Inc.	4.9
5	Churchill Downs Inc.	4.6
6	Allison Transmission Holdings Inc.	3.8
7	M&T Bank Corp	3.6
8	Ally Financial Inc.	3.6
9	Entegris Inc.	3.5
10	STERIS PLC	3.5

Source: BNY Mellon Asset Servicing

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. The Fund's service providers are susceptible to cyber security risks that could result in losses to a Fund and its shareholders. Cyber security incidents could affect issuers in which a Fund invests, thereby causing the Fund's investments to lose value. 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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A member of Western & Southern Financial Group

Not FDIC Insured | No Bank Guarantee | May Lose Value

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