

## Fund Manager Commentary

As of March 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 entered correction territory in the first quarter after notching two robust years of strong gains. Macro risks returned to the forefront of investors' minds as tariff and austerity uncertainties compounded stubbornly weak economic growth and a return of the inflation specter. Broader market weakness was driven by negative earnings revisions, declining consumer and business confidence, and no change in monetary policy from the U.S. Federal Reserve (Fed). For the quarter, the broader market, as measured by the Russell 3000® Index, declined 4.7%. A faltering artificial intelligence growth narrative allowed for a broadening of market leadership. Value styles led Growth, and Large Caps outperformed Small Caps. Turning to market factors, Value and Yield factors posted the strongest returns. Most of the Quality factors outperformed as well. Growth, Volatility, and Momentum factors had a negative impact.

### 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, 2025.

Sector exposure was a headwind to relative performance, partially offset by positive stock selection. The Fund came up short of our 75-80% downside capture expectations. The Fund was plagued by sector headwinds, and our structural underexposure to high-momentum names, which had rallied sharply through year-end before pulling back in March, created a further headwind. A few

idiosyncratic detractors emerged, but we do not see a unifying theme or breakdown. Rather, the quarter was a reflection of a market trying to sort out what matters most in a higher-volatility regime.

Our underweight position in Information Technology (a weaker performing sector) and an overweight position in Consumer Staples (a better performing sector) helped relative performance. While our zero exposure to both Utilities and Energy (two better performing sectors) hurt relative performance.

Three of the biggest contributors to performance over the quarter were Otis Worldwide Corp. (Industrials sector), Crown Castle Corp. (Real Estate sector), and AerCap Holdings N.V. (Industrials sector).

Despite tough fourth quarter earnings, Otis Worldwide shares rallied in the first quarter due to its low exposure to tariffs/global trade war risks. Our conviction in the stock reflects the company's strong execution in the China market despite macro headwinds and the oligopolistic nature of the elevator and escalator industry.

Crown Castle Corp. was a top performer this quarter after announcing the results for the fiber and small cell transaction. Crown Castle will now be a U.S.-focused tower company. The tower business is expected to grow approximately 5% over the long term and tower margins have room for improvement. We like Crown Castle's stable revenue stream, long-term tailwinds on growth in data consumption, and its ability to return cash to shareholders through its dividend policy.

AerCap Holdings shares performed well this quarter after reporting solid fourth quarter results. We believe the company is sitting in

(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](https://TouchstoneInvestments.com/mutual-funds).**



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the enviable position of owning the largest portfolio of aircraft in a seller's market. The company should be able to continue growing book value per share by selling off certain assets and buying back stock.

Three of the biggest detractors to the Fund's performance in the quarter were Skyworks Solutions Inc. (Information Technology sector), Moelis & Co. (Financials sector), and Bruker Corp. (Health Care sector).

Skyworks Solutions, Inc. shares underperformed after it announced it would be losing sole control of an iPhone 17 component to a rival, cutting Apple revenue by approximately 13%, though Apple still drives about 70% of its sales. We still like Skyworks for its tech strength, strong balance sheet, and capital allocation strategy.

Moelis & Co. shares were weak, reflecting uncertainty in the market, impacting the merger and acquisition environment. We continue to like Moelis' debt-free balance sheet, strong shareholder focus, and willingness to reinvest in the business.

Bruker Corp. shares lagged this quarter due to uncertainties over National Institutes of Health funding and tariffs. The CEO stepped up and bought more shares amid the weakness. We remain optimistic about Bruker for its vital role in life sciences research, a global economic priority, supported by its robust competitive stance, innovative products, strategic capital allocation, and capable leadership.

We initiated a position in Ally Financial Inc. (Financials sector), the largest digital-only bank in the U.S., best known for its strong position in auto lending. It focuses on prime borrowers, making its loan book higher quality than many competitors. With a new leadership team in place, Ally is streamlining operations, cutting costs, and focusing on its most profitable areas. While current earnings are lower than normal, we believe the credit performance of Ally's auto loan book should improve reflecting higher net interest margin and cost controls. As conditions normalize, Ally could resume stock buybacks and deliver meaningful earnings growth. We see this as a compelling opportunity to invest in a quality business at a discount, with clear catalysts that could drive solid returns over the next few years.

We added to the position in Entegris Inc. (Information Technology sector) following weakness in the shares. Entegris has been a strong long-term compounder and is a market leader in the production of consumables used in the chip manufacturing process. It has been weak recently due to a combination of investors taking some gains in the name and a slowdown in wafer starts last calendar year. We maintain high conviction in Entegris and believe the company is well positioned for greater capital expenditure spending on semiconductor equipment in the years ahead. Entegris has strong return on invested capital and consistent margin expansion. Any increase in node transitions leading to greater wafer starts (80% of Entegris sales are unit driven) and/or any improvement in the auto/industrial verticals should drive growth in the future.

We trimmed our Amphenol Corp. (Information Technology sector) position on strength due to valuation. We remain confident in the outlook for the business but elected to pair back the position due to elevated valuation.

We trimmed our CBRE Group, Inc. (Real Estate sector) position after a solid performance from the stock in 2024. We maintain a positive view of the company but wanted to maintain the position size close to 3% of the Fund's portfolio.

We sold the BellRing Brands, Inc. (Consumer Staples sector) position following strength in the shares in 2023 & 2024. The stock was a spin off from Post Holdings, but at over 21x enterprise value to EBITDA, we felt it was prudent to sell.

## Outlook and Conclusion

There is elevated uncertainty as we start the second quarter with a high likelihood of greater tariffs being announced in the weeks ahead. Consumer confidence has declined recently due to the risks of additional tariffs, but the broader economic data still supports growth in the near term, but growth is decelerating. While we are not predicting a recession, the odds of a recession have increased. In terms of monetary policy, the Fed appears to be on a steady course for two or three rate cuts later in the year. The effect of tariffs on both inflation and the broader economy could change those plans though.

Despite the recent correction, the market concentration and valuations remain elevated. History shows that transitions following peak market concentration (e.g., the Nifty Fifty or the Tech Bubble) tend to play out over multiple years—not quarters. The cap-weighted indices may continue to face pressure as investors reassess stretched valuations and excessive positioning. We believe that equity returns in the near term may be modest, with shareholder yield (dividends, share repurchase, debt reduction) comprising a significant percentage of the total return from equities. Defensive portfolios such as ours should be favored areas for investors if recession concerns remain or materialize. Importantly, Quality factors have historically posted their best relative returns during periods of decelerating growth and through recessions. Quality factors typically lag in the early days of a recovery and keep pace during the mid-cycle years. We may be late in the economic cycle now. If that is correct, it bodes well for the relative performance of Quality factors over the next few years and for our Funds' portfolios.



## Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				Total	Net
A Shares	05/14/07	TMAPX	89155H629	1.17%	1.17%
C Shares	05/14/07	TM CJX	89155H611	1.91%	1.91%
Y Shares	01/02/03	TMCPX	89155H793	0.90%	0.90%
Z Shares	04/24/06	TMCTX	89155H785	1.24%	1.21%
INST Shares	01/27/12	TMPIX	89155T649	0.85%	0.85%
R6 Shares	02/22/21	TMPRX	89155T490	0.80%	0.79%

**Total Fund Assets \$5.4 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 01/29/26.

Share class availability differs by firm.

## Annualized Total Returns

	1Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-4.58%	-4.58%	-5.66%	6.31%	12.93%	8.95%	10.40%
C Shares	-4.77%	-4.77%	-6.36%	5.53%	12.12%	8.31%	9.99%
Y Shares	-4.53%	-4.53%	-5.42%	6.60%	13.23%	9.23%	10.66%
Z Shares	-4.58%	-4.58%	-5.70%	6.29%	12.91%	8.94%	10.37%
INST Shares	-4.51%	-4.51%	-5.36%	6.66%	13.31%	9.31%	10.70%
R6 Shares	-4.50%	-4.50%	-5.31%	6.73%	13.35%	9.28%	10.68%
Benchmark	-3.40%	-3.40%	2.59%	4.62%	16.28%	8.82%	10.84%
Including Max Sales Charge							
A Shares	-9.35%	-9.35%	-10.39%	4.51%	11.77%	8.30%	10.11%
C Shares	-5.72%	-5.72%	-7.27%	5.53%	12.12%	8.31%	9.99%

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)		(% of Portfolio)
1 Armstrong World Industries Inc.	4.7	6 Fidelity National Information	3.7
2 AerCap Holdings NV	4.6	7 Post Holdings Inc.	3.7
3 Allison Transmission Holdings Inc.	4.1	8 Lennox International, Inc.	3.6
4 Entegris Inc.	4.0	9 Somnigroup International Inc.	3.6
5 Otis Worldwide Corp.	3.9	10 M&T Bank Corp	3.6

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.

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## 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 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. 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](https://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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