

## Fund Manager Commentary

As of December 31, 2024

### 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 traded higher during the quarter ended December 31, 2024, with most of the major indices posting positive gains. Economic data released during the quarter was mixed. The U.S. Federal Reserve (Fed) shifted to a slightly more hawkish stance in December, reflecting higher-than-desired inflation and better-than-expected GDP growth. The broader market, as measured by the Russell 3000® Index, rose 2.6%. Similar to earlier in the year, larger companies with strong growth profiles led the market. Yield and most of the Value factors posted headwinds, while Growth, Volatility, and Momentum factors generated positive returns.

### Portfolio Review

The Touchstone Mid Cap Fund (Class A Shares, Load Waived) underperformed its benchmark, the Russell Midcap® Index, for the quarter ended December 31, 2024.

Both stock selection and sector exposure were headwinds to relative performance. The Fund lagged our expectations of 85-90% upside capture. Factor exposure (lack of Growth and Momentum) presented headwinds to relative performance along with some sector headwinds. Our portfolios often lag during risk-on environments or when stocks compound at double-digit annual rates.

Three of the biggest contributors to performance over the quarter were Allison Transmission Holdings Inc. (Consumer Discretionary sector), Armstrong World Industries Inc. (Industrials sector), and Belling Brands Inc. (Consumer Staples sector).

Allison Transmission Holdings continues to fire on all cylinders as third quarter 2024 results were strong. Demand remains robust,

especially in their North American on-highway business. Strong infrastructure spending is also helping drive demand. Additionally, growing geopolitical tensions are fueling demand for Allison's defense business, which is now selling more to allied militaries. Allison also continues to price for value, which has been driving consistent margin expansion. Our conviction in the stock reflects its wide competitive moat and strong management team.

Armstrong World Industries shares outperformed as the company continues to exhibit strong sales and earnings growth amidst muted market conditions. Markets are beginning to stabilize and should return to low single digit growth, with the recovery led by new construction, renovation, and growth initiatives. Positive trends in transportation, education, health care, and data centers give us confidence that the company will continue to execute.

We inherited our Belling Brands position in 2022 as a spin-off from Post Holdings. Since the spin, the stock has generated a total return of 175%. We believe the outperformance reflects a mixture of unrealized value coming to the surface as a standalone company, strong category tailwinds in ready-to-drink protein shakes and ready-to-mix protein powders, and a premium given to Belling's categories due to potential future benefits from the adoption of GLP-1 drugs. Capital expenditure for Belling is essentially zero, which makes its 20% annual growth highly cash generative. Belling has diligently paid down debt since the spin and started to repurchase its own shares at a healthy clip.

Three of the biggest detractors to the Fund's performance in the quarter were Crown Castle Inc. (Real Estate sector), Entegris, Inc. (Information Technology sector), and Steris plc (Health Care sector).

*(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).**



Crown Castle was a bottom performer this quarter driven by the lower-than-expected rumored valuation for a potential sale of the fiber/small cell businesses and slower interest rate cuts in 2025. Crown Castle continues to report positive tower activity but canceled some low-return small cell projects, which was viewed as a negative this quarter. The new management team has taken action to improve the return profile of the business and margins have already shown improvements. Crown Castle is in a good position for future growth given its tower locations and U.S. focused portfolio. 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.

Entegris underperformed during the fourth quarter due to a more sluggish market recovery, particularly in mainstream and 3D NAND areas, as well as providing a cautious outlook. That said, its solutions for advanced technology and incremental wafer content gains should propel a faster recovery next year. Entegris is one of the most diversified players in the semi-materials industry with its size and scale. We remain attracted to the industry's high barriers to entry, limited competitors, and high switching costs.

Steris underperformed in the fourth quarter reflecting cautious health care sentiment, modestly lower growth for medical device sterilization, and the re-emergence of litigation concerns. After a noisy few years, we believe Steris is getting back onto a steady trajectory of mid-to-high single digit revenue growth and low double-digit earnings growth. Our view of Steris' competitive positioning in the medical sterilization business is unchanged, and we do not expect litigation to have a material impact on the value of the company.

We sold the remaining Hasbro, Inc. (Consumer Discretionary sector) position following a rally in the shares during 2024. We have lingering concerns about the long-term health of the business.

We increased our position in Ball Corporation (Consumer Discretionary sector), which reflects our confidence in the long-term thesis for the company.

We are adding on weakness to Bruker Corporation (Health Care sector), as we appreciated management's willingness to invest in the business during a downturn on drug spending. We believe recent investments will allow Bruker to become more diversified and aligned with recent trends in science. Bruker is also diversifying into more consumables and fewer big-ticket items, which may reduce volatility in results.

### Outlook and Conclusion

As we enter 2025, we believe the market faces an inflection point where sustaining momentum becomes increasingly difficult. Across the real economy, demand still seems sluggish and clear late-cycle signals persist. Revenue growth and corporate profits have leaned on inflationary pricing, but margins face growing headwinds as inflationary pricing fades, input costs rise, and demand softens. The Fed cut rates during 2024, but the yields on longer-dated treasuries actually rose as the year ended. Stubbornly high borrowing costs continue to plague rate-sensitive areas of the economy, like housing. Employment and inflation data may be volatile in 2025 and could affect changes in monetary policy and lead to greater volatility across equity markets.

Despite resilient economic data and limited signs of credit risk, we believe vigilance is warranted. Our cautious posture is grounded in valuation risks, market concentration, looming fiscal deficits, and fraying consumer health. We anticipate headwinds in fundamentals in the near term, with the possibility of recession-driven drawdowns ahead of the next economic expansion. While dividends remain below historical levels, our bias toward dividend growers has continued to reward us. While market speculation can make short-term forecasting difficult, we believe that the best predictors of long-term success are income, and fundamentals.



## 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	TMCJX	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 \$5.9 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

	4Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-2.01%	8.19%	8.19%	4.98%	8.35%	9.85%	10.76%
C Shares	-2.20%	7.40%	7.40%	4.23%	7.57%	9.20%	10.35%
Y Shares	-1.95%	8.47%	8.47%	5.27%	8.64%	10.13%	11.02%
Z Shares	-2.05%	8.13%	8.13%	4.96%	8.34%	9.84%	10.72%
INST Shares	-1.94%	8.54%	8.54%	5.33%	8.72%	10.21%	11.06%
R6 Shares	-1.93%	8.59%	8.59%	5.41%	8.75%	10.19%	11.04%
Benchmark	0.62%	15.34%	15.34%	3.79%	9.92%	9.63%	11.15%
Including Max Sales Charge							
A Shares	-6.91%	2.78%	2.78%	3.20%	7.24%	9.20%	10.47%
C Shares	-3.15%	6.40%	6.40%	4.23%	7.57%	9.20%	10.35%

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.	4.5	6	Lennox International, Inc.	3.8
2	Allison Transmission Holdings Inc.	4.4	7	CBRE Group Inc.	3.7
3	AerCap Holdings NV	4.1	8	Churchill Downs Inc.	3.7
4	Entegris Inc.	3.9	9	Moelis & Co.	3.6
5	Fidelity National Information	3.8	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://www.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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