Touchstone Mid Cap Growth Fund

Sub-Advised by: Westfield Capital Management Company, L.P.

U.S. Equity – Mid-Cap Growth 1Q/2023

Fund Manager Commentary

As of March 31, 2023

Fund Highlights

- Believes that mid cap companies that exhibit faster earnings growth offer the best opportunity for superior real rates of return given the conviction that stock prices follow earnings growth
- Seeks reasonably priced stocks of companies with high forecasted earnings potential through in-depth, fundamental research and first-hand knowledge of company operations derived through on-site visits and meetings with company management teams, as well as suppliers, users and competitors
- Emphasizes excellent company management, disciplined capital allocation, strong returns on invested capital, solid financial controls, unit volume growth, cash flow sufficient to fund growth and unique market position or pricing power

Market Recap

Equities finished the quarter higher despite multiple double-digit percentage swings in the indexes throughout the period. After stocks surged in January on the hopes of more dovish U.S. Federal Reserve (Fed) policy and a soft-landing coming to pass, indexes reversed course in February as data showed persistent inflation and hawkish Fed commentary. Then, almost 12 months into the tightening cycle, cracks emerged in the banking system, which ultimately led to the collapse of Silicon Valley Bank. Investors flocked to perceived safe-haven segments of the market, most notably into mega-cap Technology, among others. Despite trading in tandem for much of the quarter, large caps diverged rather dramatically in March, outperforming small caps by a wide margin.

For the quarter, the three sectors with the best total return in the benchmark index were Communication Services, Information Technology, and Consumer Discretionary. The three worst performing sectors were Energy, Utilities, and Real Estate.

Portfolio Review

The Touchstone Mid Cap Growth Fund (Class A Shares Load Waived) underperformed its benchmark, the Russell Midcap® Growth Index, for the quarter ended March 31, 2023.

Common factors did not have a material impact on performance during the quarter. Growth was the best performing factor during the quarter and the portfolio had a tailwind from being overweight growth, but this was offset from the headwind we had from being overweight value. Additionally, the Fund faced stock specific weakness during the quarter, which was primarily driven by investments within Communication Services and Industrials sectors. Relative weakness in Communication Services and Industrials outweighed relative strength in Information Technology and Consumer Discretionary.

The Communication Services sector was among the largest detractors from relative results. The relative underperformance was primarily due to the portfolio's underweight exposure to the sector and not owning the higher growth names within Entertainment and Media that do not meet our disciplined valuation criteria.

The Industrials sector also detracted from relative results over the quarter. CoStar Group, a commercial real estate information and analytics provider, was the top detracting name within the sector over the quarter after investor skepticism around the investment required to build out their residential business weighed on the stock price. While initially costly, with the bulk of that investment in 2023, it represents an enormous opportunity and we expect margin recovery alongside topline growth starting in 2024. Additionally, their other business segments continue to demonstrate strength and consistency despite challenging market conditions, and we continue to view the company as a leader in the space.

Investments within the Health Care sector also detracted from relative results. Ascendis Pharma A/S, a biotech company with an innovative technology platform with multiple late-stage assets, also detracted from relative performance over the period. Despite pre-announcing that their 4Q Skytrofa revenues met consensus expectations, the company disclosed ophthalmology as the next vertical for their TransCon technology, which disappointed investors who were anticipating a metabolic or endocrine vertical in nature. Additionally, poor investor sentiment within the biotech space over the quarter weighed on the stock.

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The Information Technology sector was the top relative contributor over the period. Palo Alto Networks Inc., a provider of network security solutions to enterprises, service providers, and government entities, was the top contributing name within the segment over the first quarter. Shares advanced after the company reported better-than-expected fourth quarter results and full year 2023 forward guidance. Additionally, Palo Alto also benefitted from the broader investor rotation back towards higher growth areas, and we continue to prefer the company rather than its peers given its attractive combination of sustainable growth, best-in-class margins, and reasonable valuation. Small-to-medium sized business CRM software provider HubSpot, Inc. was another top contributor during the quarter. HubSpot outperformed after the company reported better than expected quarterly results and guided above consensus expectations. We continue to have conviction in HubSpot given our belief that the company is a best-in-class CRM platform for the mid-market, with sustainable long-term growth, margin expansion, and a strong leadership team.

Investments within Consumer Discretionary sector also contributed to relative results. Fast-Casual Mexican restaurant chain, Chipotle Mexican Grill, Inc., was among the largest contributor to relative results. Chipotle benefitted from improving traffic trends and improved optimism around restaurant margin improvement potential. Additionally, the company's new unit growth has been increasing which helped to boost shares.

The Fund's largest sector change was in the Information Technology sector where we added exposure during the quarter. We have looked to take advantage of the market volatility and upgrade positioning into our highest conviction ideas. During the quarter, we sold three lower conviction names within Software and added five new names to the portfolio across Software, Information Technology Services and Electronic Equipment Industries. In general, we have been increasing exposure to growth-at-a-reasonable-price by adding exposure to companies with stable top lines, improving cash flow margins, and reasonable relative valuations. We continue to think that the Information Technology sector has a great secular backdrop and that innovation in the sector should be rewarded.

Additionally, we reduced exposure to the Real Estate sector during the quarter with the sale of Sun Communities, Inc. Across the firm, we have reduced exposure to the sector due to headwinds from the lending environment. Moving forward, we will continue to focus on the interest rate outlook and will be more selective than we have in the past. Our current exposure to the sector is limited to Essex Property Trust, Inc., a residential REIT that is well-positioned by being in markets with low projected deliveries of new apartments, expense growth tailwinds, a fortress-like balance sheet, and high-quality management, in our opinion.

Outlook and Conclusion

Amidst slowing growth and persistent volatility over the last 12 months, embracing quality has yielded strong results and we expect that backdrop to continue over the balance of the year as it did in the first quarter. Market headwinds remain and we expect turbulence to continue throughout 2023. We remain focused on what we can control: sticking to evaluating fundamentals with a bias towards quality growth. We favor cash flows and durable earnings over long-duration assets and leverage, all else equal. We are also looking across the market for opportunities where beaten down stocks with fantastic growth prospects now trade at compelling prices. We have positioned the Fund to both endure the volatility, but also participate in improving conditions should that occur. As always, our portfolio positioning will evolve alongside our market expectations as we move forward throughout the year.

We believe that companies with strong underlying earnings growth that trade at reasonable valuations will be favored at the expense of high multiple momentum growth stocks. If the market environment plays out like we think it will, with rising interest rates and rising inflation, earnings multiples are likely to compress with the most pronounced impact being felt by those companies with the longest duration assets most heavily influenced by discount rates. In addition, falling correlations are increasing the importance and impact of good stock picking. With persistent inflation likely for the near future, our focus will remain on high-quality operators with pricing power, which are, positioned advantageously for uncertain input costs and continued supply chain disruptions. We believe having a balanced portfolio of secular and cyclical growth will lead to results that are more consistent over time and market environments.

As of March 31, 2023 CoStar Group Inc. made up 1.61%, Ascendis Pharma A/S made up 2.48%, Palo Alto Networks Inc. made up 3.09%, HubSpot, Inc. made up 1.73%, Chipotle Mexican Grill made up 3.09%, Essex Property Trust, Inc. made up 0.96% and Silicon Valley Bank made up 0.00% of the Touchstone Mid Cap Growth Fund. Current and future portfolio holdings are subject to change.

Fund Facts *(As of 03/31/23)*

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio* Total	Net
A Shares	10/03/94	**TEGAX**	89154X880	1.21%	1.21%
C Shares	10/03/94	**TOECX**	89154X872	2.04%	2.04%
Y Shares	02/02/09	**TEGYX**	89154X534	0.99%	0.99%
INST Shares	04/01/11	**TEGIX**	89154X526	0.91%	0.88%
R6 Shares	02/10/20	**TFGRX**	89154X112	0.88%	0.79%
Total Fund Assets	**$1.1 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 1.39% for Class A Shares, 2.14% for Class C Shares, 1.14% for Class Y Shares, 0.86% for Class INST Shares and 0.77% for Class R6 Shares. These expense limitations will remain in effect until at least 07/29/23.*

Share class availability differs by firm.

Annualized Total Returns** *(As of 03/31/23)*

	1Q23	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	7.81%	7.81%	-13.36%	14.67%	9.18%	11.13%	11.42%
C Shares	7.61%	7.61%	-14.07%	13.72%	8.28%	10.45%	11.03%
Y Shares	7.87%	7.87%	-13.15%	14.93%	9.43%	11.41%	11.57%
INST Shares	7.91%	7.91%	-13.03%	15.06%	9.53%	11.50%	11.58%
R6 Shares	7.96%	7.96%	-12.93%	15.16%	9.59%	11.53%	11.59%
Benchmark^	9.14%	9.14%	-8.52%	15.20%	9.07%	11.17%	9.94%
Including Max Sales Charge							
A Shares	2.42%	2.42%	-17.69%	12.73%	7.89%	10.47%	11.19%
C Shares	6.61%	6.61%	-14.90%	13.72%	8.28%	10.45%	11.03%

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® Growth 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 adviser 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 Y, INST and R6 Shares combines the performance of an older class of shares (Class A Shares) from the Fund's inception, 10/03/94, with the performance since the inception date of each share class.***

[1]The Russell Midcap® Growth Index measures the performance of those Russell Midcap 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 mid-cap companies which may be subject to more erratic market movements than stocks of larger, more established companies. 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 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. The Fund invests in foreign securities 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 experience higher portfolio turnover which may lead to increased fund expenses, lower investment returns and higher short-term capital gains taxable to shareholders. 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. 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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