

### Market Recap:

2021 started with optimism around the reopening of the economy and strong GDP growth which drove outperformance for more cyclical sectors, value stocks, and small cap stocks. Over the summer, the spread of the Delta variant and new COVID-19 mandates in some states caused a reversion toward the larger cap, more defensive stay-at-home type plays that led the market in 2020. In the second half of the year, focus turned to supply chain shortages, higher inflation, anticipation of higher interest rates from the Federal Reserve, and ultimately the spread of the Omicron variant. Despite the headwinds, the market surged higher and finished the year with a 28.7% return. Impressive on the heels of 31.5% and 18.4% gains in 2019 and 2020, respectively. Growth and value stocks performed similarly while small cap and international stocks posted double digit returns but underperformed large stocks. Emerging markets struggled as the Chinese government continued to increase regulation and the real estate market there continues to struggle. Our portfolios consist of several different asset classes, including small cap and international stocks. The makeup of our models and the performance of the funds that we currently employ are on the next couple of pages.

### 2021 Market Highlights:

- Stocks: S&P 500® Index had 70 days that closed with all-time highs (most since 1995); Russell 2000® Index (small cap stocks) gained 14.8% but finished the year nearly 10% below its previous highs
- Largest companies dominated again: Apple Inc. (AAPL), Microsoft Corp (MSFT), Tesla Inc. (TSLA), Alphabet Inc. (GOOGL), NVIDIA Corp (NVDA) and Meta Platforms Inc. (FB) made up 23.8% of the S&P 500 and had an average return of 59.4% in 2021; those 6 stocks accounted for approximately half of the market's return
- Stealth bear markets in speculative areas: there were bear markets (more than 20% declines) in high growth stocks, China, SPACs, meme stocks like AMC Entertainment Holdings Inc. (AMC) and Gamestop Corp (GME) that had been all the rage, and most cryptocurrencies
- Pandemic: slowly moving to endemic state; combination of vaccination and natural immunity lowering odds of severe outcomes; Omicron variant appears less virulent than previous strains
- Economy: V-shaped recovery, unemployment rate plummeting to 3.8%, strongest real GDP growth since early 1983; likely to slow amid Fed tightening and less stimulus than we are accustomed to
- Central Banks: Fed still easy but taper has begun and 3 hikes are now expected in 2022; many central banks have already started normalizing policy with more to come
- Treasury Bonds: yields slowly rising in anticipation of Federal Reserve action, but much less than the rise in inflation
- Junk Bonds: as of 12/31 yields are near all-time lows set in 2007; for now signals confidence in the economy but rising yields can often signal trouble in the economy
- Commodities: strong gains with the exception of gold/silver; cryptocurrencies may have replaced metals as a store of value for now but bitcoin had 3 corrections of more than 30% in 2021; bitcoin still beat most major asset classes
- Inflation: highest since early 1980s; not proving to be transitory; prompted Federal Reserve to talk about accelerating rate hikes and quantitative tightening

Asset Category	2021
U.S. Large Cap Stocks	28.71
U.S. Growth Stocks	27.60
Commodities	27.11
U.S. Value Stocks	25.16
U.S. Mid Cap Stocks	22.58
U.S. Small Cap Stocks	14.82
Developed International Stock	11.26
Small Cap Growth Stocks	2.83
U.S. Aggregate Bonds	-1.54
Emerging Market Stocks	-2.54
Gold Bullion	-3.50

Source: Morningstar Direct. Please see Important Disclosures on page 4 for index definitions.

### The Outcome of Inflation will be Important in 2022

Will it be transitory or long-lasting? Our base case is somewhere in between as we expect fears of 1970's style inflation to be overblown but that we may experience higher than normal inflation after an initial spike. The well-publicized supply chain shortages could remain for some time, but are likely to subside over time as demand wains, more supply comes on line, and people find other alternatives to expensive products. Additionally, we believe that over the longer term, inflation will have to compete with deflationary forces that include an aging population, ever increasing automation, and less government stimulus that will ultimately shorten the duration of any inflationary pressures. To use history as a guide, we looked at 2 periods that include the 8 year period between 1972 and 1979 (persistently high inflation) and the 8 calendar years since 1980 in which inflation spiked but ultimately proved benign (more temporary bouts of inflation). The table to the right summarizes asset class returns during those periods.

**Persistent Inflation:** large stocks were able to muster mid-single digit gains despite having 3 down years during those 8 years. Stocks declined in years that inflation spiked (1973, 1974, 1977) but did well when it began to ease (1975, 1979). Overall, small cap stocks, gold, and commodities did well and bonds lost a bit of principal as the result of higher interest rates (both Fed Funds rate and the 10 year Treasury yield).

**"Transitory" periods:** inflation rose by an average of about 1.8% then slowed in the following year. On average, the 10-year Treasury bond yield began to move during the year that inflation spiked (as it did in 2021) but the Federal Reserve did not raise rates until the following year (likely in 2022). Most risk assets outperformed bonds. Small stocks lagged in the year inflation spiked but outperformed as inflation slowed in year 2 (could this be the setup for 2022?). Gold, commodities and REITs posted strong returns.

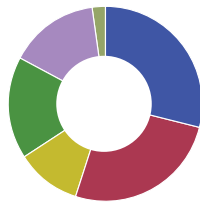
	Transitory Period (1979-2020)		Persistent Period (1972-1979)
	Years of Rising Inflation	Following Year	All Years
<b>Inflation and Interest Rate Data</b>			
U.S. Inflation Rate	3.5%	3.7%	8.1%
Rise in inflation from prior year	1.8%	0.5%	-
Change in Fed Funds rate	-0.4%	1.2%	1.2%
Change in 10year Treasury Rate	0.4%	0.6%	0.5%
<b>Asset Class Returns</b>			
Large Cap Stocks	10.0%	8.6%	5.1%
Small Cap Stocks	7.8%	15.2%	15.1%
International Developed Markets	10.0%	5.7%	9.3%
REITs	2.8%	14.6%	4.8%
Gold Price	12.2%	19.9%	13.2%
Broad Commodities	20.9%	11.0%	22.1%
Implied Principal Gain/Loss on bonds	-0.4%	2.4%	-1.9%

Source: Morningstar; years with rising inflation defined as those when inflation increased more than 1% from prior year; all returns are annualized

### Conclusion

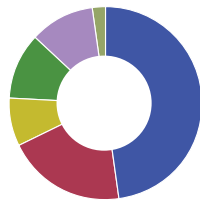
We are dealing with fighting forces as the economy transitions. On one hand, many stocks remain reasonably valued in the context of interest rates and profit growth, and there remain few alternatives for abundant cash stockpiles. On the other hand, it would be foolish not to acknowledge that the powerful tailwinds of the COVID recovery, monetary stimulus, and fiscal stimulus created the perfect storm for stocks and may be fading as we move into 2022. We think equities can produce attractive returns even in an inflationary environment. However, we continue to expect more moderate returns in the coming years than the outsized results we've witnessed in recent years. The S&P 500 is up over fivefold since the financial crisis, generating returns well above historical norms with the help of extremely supportive Federal Reserve policies. Hence, it seems logical to expect some reversion to the mean, especially with policy getting a little less supportive on the margin. Given the dominance of US large cap stocks over the past few years, diversification into areas like small cap and international stocks could produce better returns going forward.

**Aggressive Growth Portfolio**



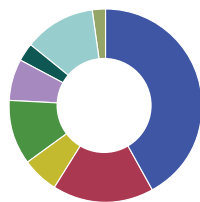
Asset Class	% Fund	Fund
U.S. Large Cap	8%	Federated Kaufmann Large Cap Instl
	7%	Hartford Core Equity
	7%	Diamond Hill Large Cap
	7%	FMI Large Cap
U.S. Mid Cap	26%	Vanguard Mid Cap Index
U.S. Small Cap	11%	Fuller & Thaler Behavioral Small Cap Equity
International	7%	MFS International Diversification I
	10%	Harding Loevner Intl Small Coms Instl
Emerging Markets	8%	Touchstone Emerging Markets
	7%	Vanguard Emerging Markets
Cash	2%	Money Market

**Growth Portfolio**



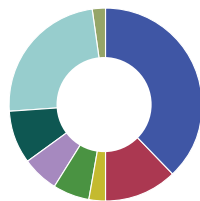
U.S. Large Cap	12%	Federated Kaufmann Large Cap Instl
	12%	Hartford Core Equity
	12%	Diamond Hill Large Cap
	12%	FMI Large Cap
U.S. Mid Cap	20%	Vanguard Mid Cap Index
U.S. Small Cap	8%	Fuller & Thaler Behavioral Small Cap Equity
International	5%	MFS International Diversification I
	6%	Harding Loevner Intl Small Coms Instl
Emerging Markets	6%	Touchstone Emerging Markets
	5%	Vanguard Emerging Markets
Cash	2%	Money Market

**Moderate Growth Portfolio**



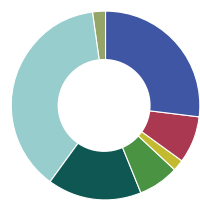
U.S. Large Cap	11%	Federated Kaufmann Large Cap Instl
	12%	Hartford Core Equity
	11%	Diamond Hill Large Cap
	8%	FMI Large Cap
U.S. Mid Cap	17%	Vanguard Mid Cap Index
U.S. Small Cap	6%	Fuller & Thaler Behavioral Small Cap Equity
International	8%	MFS International Diversification I
	3%	Harding Loevner Intl Small Coms Instl
Emerging Markets	3%	Touchstone Emerging Markets
	4%	Vanguard Emerging Markets
Intermediate Gov't/Credit	3%	Vanguard Intermediate Term
Short Term Bond	6%	Vanguard Short Term
	6%	Lord Abbett Short Duration Income
Cash	2%	Money Market

**Growth & Income Portfolio**



U.S. Large Cap	9%	American Funds AMCAP
	9%	Hartford Core Equity
	8%	Diamond Hill Large Cap
U.S. Mid Cap	12%	Vanguard Equity-Income Adm
	12%	Vanguard Mid Cap Index
U.S. Small Cap	3%	Fuller & Thaler Behavioral Small Cap Equity
International	6%	MFS International Diversification I
	3%	Touchstone Emerging Markets
Emerging Markets	3%	Vanguard Emerging Markets
	9%	Vanguard Intermediate Term
Intermediate Gov't/Credit	12%	Vanguard Short Term
	12%	Lord Abbett Short Duration Income
Cash	2%	Money Market

**Conservative Income Portfolio**



U.S. Large Cap	6%	American Funds AMCAP
	6%	Hartford Core Equity
	6%	Diamond Hill Large Cap
	9%	Vanguard Equity-Income Adm
U.S. Mid Cap	8%	Vanguard Mid Cap Index
U.S. Small Cap	2%	Fuller & Thaler Behavioral Small Cap Equity
International	7%	MFS Intl Diversification I
	16%	Vanguard Intermediate Term
Short Term Bond	19%	Vanguard Short Term
	19%	Lord Abbett Short Duration Income
Cash	2%	Money Market

Fund / Index Name	Fund / Index Performance at Net Asset Value**					Up Capture	Down Capture	Expense Ratio	
	YTD	1 Year	3 Years*	5 Years*	10 Years*			Gross	Net <sup>6</sup>
<b>Large Cap</b>									
American Funds AMCAP F3	24.08	24.08	24.17	18.19	16.22	98.26	95.22	0.34	0.34
Diamond Hill Large Cap I	25.75	25.75	21.90	14.51	14.32	97.77	102.66	0.67	0.67
Federated Hermes Kaufmann Large Cap <sup>1</sup>	13.81	13.81	26.43	20.11	18.01	-	-	0.92	0.84
FMI Large Cap Institutional	18.80	18.80	17.54	13.28	13.30	88.67	88.65	0.67	0.67
Hartford Core Equity Y <sup>2</sup>	24.51	24.51	25.43	18.85	17.33	98.62	94.90	0.48	0.46
Vanguard Equity-Income Adm	25.64	25.64	17.54	12.67	13.23	88.62	90.07	0.19	0.19
Benchmark 1: S&P 500 TR USD	28.71	28.71	26.07	18.47	16.55	100.00	100.00	-	-
<b>Mid Cap and Small Cap</b>									
Fuller & Thaler Behavioral Sm-Cp Eq Inst <sup>3</sup>	30.76	30.76	22.72	13.50	15.67	-	-	0.80	0.80
Vanguard Mid Cap Index Admiral	24.51	24.51	24.48	15.86	15.12	106.72	112.42	0.05	0.05
Benchmark 1: Russell 2500 TR USD	18.18	18.18	21.91	13.75	14.15	109.71	120.76	-	-
<b>International</b>									
MFS Intl Diversification I <sup>4</sup>	7.69	7.69	16.07	12.63	9.51	85.30	104.31	0.84	0.83
Benchmark 1: MSCI EAFE NR USD	11.26	11.26	13.54	9.55	8.03	83.87	115.12	-	-
<b>Emerging Markets</b>									
Touchstone Sands Cptl Emerg Mkts Gr Y <sup>5</sup>	-10.06	-10.06	20.37	15.90	-	-	-	1.27	1.27
Vanguard Emerging Mkts Stock Idx Adm	0.86	0.86	11.82	9.43	5.36	88.66	118.37	0.14	0.14
Benchmark 1: MSCI EM NR USD	-2.54	-2.54	10.94	9.87	5.49	87.49	115.81	-	-
<b>Intermediate Gov't/Credit</b>									
Vanguard Intern-Term Bond Index Adm	-2.36	-2.36	5.71	4.13	3.49	10.84	-12.76	0.07	0.07
Benchmark 1: BBgBarc US Govt/Credit Index	-1.44	-1.44	3.86	2.91	2.38	7.39	-9.82	-	-
<b>Short-Term Bond</b>									
Lord Abbett Short Duration Income	0.99	0.99	3.17	2.69	2.80	15.59	1.67	0.49	0.49
Vanguard Short-Term Investment-Grade Adm	-0.33	-0.33	3.55	2.74	2.52	11.07	-1.11	0.10	0.10
Benchmark 1: BBgBarc US Govt/Credit 1-3 Yr	-0.47	-0.47	2.28	1.85	1.39	4.48	-6.70	-	-

Performance shown is historical and is no guarantee of future results. Current performance may be lower or higher than the data quoted. To obtain performance data current to the most recent month end, please call (800) 846-6666. \*Returns greater than one year are annualized.

\*\*Mutual funds are offered in the FundAdvisor program at net asset value, but are subject to an annual investment advisory fee of up to 1.25%. The Davenport wrap fee includes investment advice and brokerage execution. In addition to the FundAdvisor fee, clients will bear a proportionate share of each mutual fund's management and administrative expenses, including advisory fees paid to the mutual fund's investment advisors. The performance shows the actual performance of the shares at net asset value, and does not represent individual account performance. Past performance is no guarantee of future results. Current performance may be lower or higher than the data quoted. To obtain performance data current to the most recent month-end, please visit the following web sites: [www.americanfunds.com](http://www.americanfunds.com), [www.touchstoneinvestments.com](http://www.touchstoneinvestments.com), [www.diamond-hill.com](http://www.diamond-hill.com), [www.dodgeandcox.com](http://www.dodgeandcox.com), [www.eatonvance.com](http://www.eatonvance.com), [www.fiduciarymgt.com](http://www.fiduciarymgt.com), [www.jhinvestments.com](http://www.jhinvestments.com), [www.mfs.com](http://www.mfs.com), [www.vanguard.com](http://www.vanguard.com). The investment and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost. Mutual Fund and Index returns are provided by Morningstar and Zephyr StyleADVISOR.

**You should consider each mutual fund's investment objectives, risks, charges and expenses carefully before investing. Each mutual fund's prospectus contains this and other important information, should be read carefully before investing or sending money, and can be obtained by contacting your Investment Executive, or by calling (800) 846-6666. The investment return and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost. Investing in securities carries risk including the possible loss of principal.**

## Important Disclosures:

In June 2020, the names of the FundAdvisor composites were made due to a rebranding of the program. Maximum Growth composite was changed to Aggressive Growth, the Conservative Growth to Moderate Growth, Balanced to Growth & Income and the Conservative Balanced to Conservative Income.

<sup>1</sup>The Adviser and certain of its affiliates on their own initiative have agreed to waive certain amounts of their respective fees and/or reimburse expenses. Effective January 1, 2021, total annual fund operating expenses (excluding acquired fund fees and expenses, dividends and other expenses related to short sales, interest expense, extraordinary expenses and proxy-related expenses paid by the Fund, if any) paid by the Fund's A, C, R, IS and R6 classes (after the voluntary waivers and/or reimbursements) will not exceed 1.08%, 1.86%, 1.47%, 0.83% and 0.77% (the "Fee Limit"), respectively, up to but not including the later of (the "Termination Date"): (a) January 1, 2022; or (b) the date of the Fund's next effective Prospectus. While the Adviser and its affiliates currently do not anticipate terminating or increasing these arrangements prior to the Termination Date, these arrangements may only be terminated or the Fee Limit increased prior to the Termination Date with the agreement of the Trustees. <sup>2</sup>Hartford Administrative Services Company ("HASCO"), the Fund's transfer agent, has contractually agreed to waive its transfer agency fee and/or reimburse transfer agency-related expenses to the extent necessary to limit the transfer agency fee for Class Y as follows: 0.08%. This contractual arrangement will remain in effect until February 28, 2022 unless the Board of Directors of The Hartford Mutual Funds, Inc. approves its earlier termination. <sup>3</sup>The Fund's investment adviser, Fuller & Thaler Asset Management, Inc. ("Fuller & Thaler" or the "Adviser") has contractually agreed to waive its management fee and/or reimburse Fund expenses so that total annual operating expenses do not exceed 1.30%, 1.80%, 1.25%, 0.99%, and 0.90% for A Shares, C Shares, Investor Shares, Institutional Shares and R6 Shares, respectively, of the Fund's average daily net assets through January 31, 2022. <sup>4</sup>Massachusetts Financial Services Company has agreed in writing to bear the fund's expenses, excluding management fees, distribution and service fees, interest, taxes, extraordinary expenses, brokerage and transaction costs, investment-related expenses, and fees and expenses associated with investments in investment companies and other similar investment vehicles, such that "Other Expenses" do not exceed 0.10% of the class' average daily net assets annually for each of Class A, Class B, Class C, Class I, Class R1, Class R2, Class R3, and Class R4 shares, and 0.00% of the class' average daily net assets annually for Class R6 shares. This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue until at least September 30, 2022. <sup>5</sup>Touchstone Advisors, Inc. (the "Advisor" or "Touchstone Advisors") and Touchstone Strategic Trust (the "Trust") have entered into a contractual expense limitation agreement whereby Touchstone Advisors will waive a portion of its fees or reimburse certain Fund expenses (excluding dividend and interest expenses relating to short sales; interest; taxes; brokerage commissions and other transaction costs; portfolio transaction and investment related expenses, including expenses associated with the Fund's liquidity providers; other expenditures which are capitalized in accordance with U.S. generally accepted accounting principles; the cost of "Acquired Fund Fees and Expenses," if any; and other extraordinary expenses not incurred in the ordinary course of business) in order to limit annual Fund operating expenses to 1.19% of average daily net assets for Class R6 shares. This contractual expense limitation is effective through April 29, 2022, but can be terminated by a vote of the Board of Trustees of the Trust (the "Board") if it deems the termination to be beneficial to the Fund's shareholders. The terms of the contractual expense limitation agreement provide that Touchstone Advisors is entitled to recoup, subject to approval by the Board, such amounts waived or reimbursed for a period of up to three years from the date on which the Advisor reduced its compensation or assumed expenses for the Fund. The Fund will make repayments to the Advisor only if such repayment does not cause the annual Fund operating expenses (after the repayment is taken into account) to exceed both (1) the expense cap in place when such amounts were waived or reimbursed and (2) the Fund's current expense limitation. <sup>6</sup>Investors pay the net expense ratio of the fund.

Diversification and Asset Allocation does not ensure a profit or guarantee protection against a loss. It is important to note that short-term and trailing performance will fluctuate. We expect all of the funds at some point to experience underperformance versus their benchmarks and peer groups. However, we believe that our research process has helped us identify funds that are likely to perform well over the long term. Our decision to remove a fund is not based on short-term performance, but on in-depth analysis using our Monitoring Criteria. The mutual fund categories are determined by Davenport using a combination of Morningstar categories and a returns-based style analysis provided by Zephyr StyleADVISOR.

Any opinions expressed here are statements of judgment on this date and are subject to future change without notice. This information may contain forward looking predictions that are subject to certain risks and uncertainties which could cause actual results to differ materially from those currently anticipated or projected. The information contained herein has been compiled from sources believed to be reliable; however, there is no guarantee of its accuracy or completeness. There is no guarantee that a company will continue to pay a dividend. The investment return and principal value of an investment will fluctuate. Small and mid cap company stocks may be more volatile than stocks of larger, more established companies. The portfolios may invest in foreign securities which are subject to additional risks such as currency fluctuations, political instability, differing financial standards and the potential for illiquid markets.

**Bonds are subject to market and interest risk; values expect to decline as interest rates rise. Bonds may not be suitable for all investors and you should consider specific risks such as credit risk, default risk and volatility prior to investing.**

Index Definitions: U.S. Large Caps represented by the S&P 500 Index. U.S. Mid Caps represented by the Russell Midcap Index. U.S. Small Caps represented by the Russell 2000 Index. U.S. Growth Stocks represented by the Russell 1000 Growth Index. U.S. Value Stocks represented by the Russell 1000 Value Index. International Stocks represented by the MSCI EAFE Index. Int'l Small Stocks represented by the MSCI ACWI ex USA Small Index. Intermediate Term Bonds represented by the Bloomberg Barclays Intermediate Government/Credit Index. Bank Loans represented by the S&P/LSTA Leveraged Loan index definition Index. High Yield Bonds represented by the Bloomberg Barclays U.S. Corporate High Yield Index. Corporate Bonds are represented by the Bloomberg Barclays U.S. Corporate Bond Index. Government Bonds represented by the Bloomberg Barclays U.S. Government Index. Cash represented by the Federated Govt Obligations. Commodities are represented by the S&P GSCI Index. Emerging Market Stocks is represented by the MSCI Emerging Markets (MSCI EM) Index.

Performance shown is historical and is no guarantee of future results. Investing in securities carries risk including the possible loss of principal.

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**An index is not available for direct investment; therefore its performance does not reflect the expenses, fees and taxes generally paid with the active management of an actual portfolio.**

**Risk Considerations:** International funds invest primarily in equity securities of issuers outside the United States. International investments are subject to additional risks such as currency fluctuations, political instability, and the potential for illiquid markets. Funds that invest in foreign securities may involve greater risks, including political and economic uncertainties, as well as risk of currency fluctuations. Investments in emerging markets come with much greater risk due to political instability, domestic infrastructure problems, currency volatility and limited equity opportunities, as many large companies may still be "state-run" or private. Small and mid cap company stocks may be more volatile than stocks of larger, more established companies. Investments in bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, while their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. An issuer suffering an adverse change in its financial condition could see the credit quality of its securities deteriorate, leading to greater price volatility of the security. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

**Gross Expense Ratio** is the total annual operating expenses of a fund divided by its average net assets. **Net Expense Ratio** is the total annual operating expenses of a fund, less any fee waivers, divided by its average net assets. This is the expense ratio actually charged by the fund for the previous fiscal year. The **mean reversion**, or reversion to the mean, is a theory used in finance that suggests that asset price volatility and historical returns eventually will revert to the long-run mean or average level of the entire dataset.





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