

Touchstone Dividend Equity Fund

Sub-Advised by: Fort Washington Investment Advisors, Inc.

U.S. Equity – Large-Cap Value

1Q/2025

Fund Manager Commentary

As of March 31, 2025

Fund Highlights

- U.S. large capitalization companies
- Historically paid consistent, growing dividends
- Distinctive approach is centered on linking valuations with barriers to entry
- Seeks to invest in businesses that are trading below what is believed to be its estimate of the companies' intrinsic value
- Focuses on businesses that are believed to have a sustainable competitive advantage or a high barrier to entry in place

Market Recap

Uncertainty was the dominant theme in markets during the first quarter, driven largely by shifting policies under the new administration. Evolving trade policies and escalating tensions with key trading partners created an added layer of complexity for businesses, impacting corporate planning and investment decisions. At the same time, consumer sentiment showed signs of softening, with investors reassessing the potential impact of new policies on spending behavior.

This growing lack of clarity combined with rising inflation concerns have created uncertainty around the trajectory of U.S. economic growth, prompting economists to revise their 2025 GDP forecasts. However, it is worth emphasizing that much of the deterioration so far has been reflected in soft data—surveys, sentiment indicators, and business confidence—rather than hard economic metrics like GDP or employment.

Increased policy uncertainty and renewed growth fears led to a risk off tone for financial markets as interest rates declined and risk assets underperformed. Equities were volatile as the S&P 500 briefly entered correction territory from mid-February highs and ended the quarter down 4.3%.

Portfolio Review

The Touchstone Dividend Equity Fund (Class A Shares, Load Waived) underperformed its benchmark, the Russell 1000 Value Index for the quarter ended March 31, 2025.

Security selection was a positive contributor to relative performance during the period while sector allocation was negative. The dividend orientation of the Fund was positive for the quarter as dividend paying stocks outperformed non-dividend paying stocks.

Selection within the Industrials and Health Care sectors was the primary driver of positive security selection during the quarter. Selection within the Information Technology and Financials sectors was the largest detractor to security selection. An overweight to Information Technology was the primary detractor to sector allocation.

Among the largest individual contributors to relative performance were overweight positions in CVS Health Corp. (Health Care sector), Philip Morris International Inc. (Consumer Staples sector), American Tower Corp. (Real Estate sector), Medtronic plc (Health Care sector), and an underweight to Marvell Technology Inc. (Information Technology sector; not held in the Fund).

CVS reported quarterly results that were better than expected, sending its shares 15% higher for its best 1-day gain since 1999. The company also provided an upbeat outlook that exceeded investor expectations following several quarters of disappointing results, specifically within its Aetna business.

Philip Morris outperformed during the quarter, driven by stronger-than-expected fourth quarter results and fiscal year 2025 guidance that exceeded consensus expectations. Performance was supported by robust growth in its smoke-free portfolio, along with modest gains in combustible cigarette sales and profits. The company continues to see significant growth potential in its multi-category smoke-free business, with products like Zyn (nicotine pouches) expanding overall nicotine consumption occasions.

American Tower outperformed as interest rates moved lower during the quarter, supporting the stock given the high sensitivity of real estate investment trusts to interest rates.

Among the largest detractors from performance were overweight exposures to Broadcom Inc., Microsoft Corp., Apple Inc. (all

(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.**



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Information Technology sector), and Las Vegas Sands Corp. (Consumer Discretionary sector), and an underweight to Berkshire Hathaway Inc. (Financials sector; not held in the Fund).

Broadcom, Microsoft, and Apple all underperformed with a similar theme as Information Technology sector shares lagged the broader market during the quarter following several years of strong growth.

The Fund added two new names during the quarter: Alphabet Inc. (Communication Services sector) and Deere and Co. (Industrials sector). The Fund sold one name during the quarter: Interpublic Group of Companies Inc. (Communication Services sector).

Alphabet, the parent company of Google, develops and operates the dominant internet search engine worldwide. The company's search engine provides advertisers unparalleled access to potential customers seeking information regarding goods and services. Strong return on investment for advertisers using its services translates into high returns on capital for Google. The company initiated its first ever dividend in 2024 with meaningful growth capacity.

Deere is the world's leading manufacturer of agricultural equipment and a major producer of construction machinery. The company benefits from customer captivity and high switching costs with returns on capital well above its cost of capital. Despite an average yield of 1.4%, it has grown its dividend at an above average rate of 15% over the last 5 years.

Interpublic Group was eliminated from the Fund as the company is expected to be acquired by Omnicom Group Inc., a current Fund holding, in late 2025.

There were no material sector changes during the quarter. Information Technology remains the largest sector overweight, while Financials, Energy, and Industrials are among the largest underweights.

Outlook and Conclusion

Stocks extended declines in March as renewed economic uncertainty took hold, driven by the threats and implementation of tariffs on imported goods. Growth stocks - particularly the "Magnificent 7" - suffered outsized losses, with the S&P 500 falling 5.6% and the tech-heavy Nasdaq dropping 8.1%. From the market high in mid-February to the low in mid-March, the S&P 500 fell 10.1%, putting it into correction territory before gaining back 1.6% into month-end. Investor sentiment weakened further on concerns that tariffs will dampen demand and weigh on future growth. To date, the softer economic signals have come primarily from soft data - such as sentiment surveys - rather than hard data like employment or consumption figures. However, the balance could shift quickly.

The implications of the Trump administration's tariff policies remain uncertain in scale but clear in direction. Tariffs are likely to act as a drag on economic momentum, disrupting supply chains and curbing consumption where businesses pass through higher input costs to consumers. Country-based reciprocal tariffs announced April 2nd exceeded most forecasts and additional product-specific tariffs are still to come (semiconductors, pharmaceuticals, and potentially more). As a result of these new

and anticipated developments, we expect elevated market volatility and persistent pressure on consumer and business confidence as policy clarity remains elusive.

Tariffs continue to dominate investor focus, but concerns about the durability of artificial intelligence (AI) related demand are also front and center. While near-term enthusiasm remains high, markets are becoming somewhat skeptical about the long-term trajectory of AI infrastructure investment. On trade, the Administration appears committed to a long-term rebalancing of the U.S. role in global commerce. That path is unlikely to be quick or orderly. Volatility is likely to remain a feature of this evolving environment. Fortunately, the economy is entering this period from a position of relative strength, with many consumer spending indicators still showing resilience. As always, we will be closely monitoring incoming data—especially around consumption and business activity.

We remain constructive on U.S. equities but acknowledge near-term headwinds exist and aggregate market valuations do not fully compensate for such. Following the material outperformance of growth-oriented stocks, dividend strategies are a compelling option as earnings begin to converge while the valuation discount remains at historically attractive levels. Dividend strategies have the potential to provide both capital appreciation and a growing stream of income while also providing downside risk mitigation through lower volatility during times of distress.

Looking ahead, key factors to watch include potential shifts in fiscal policy, the U.S. Federal Reserve's (Fed) response to evolving macroeconomic conditions, and the extent to which business and consumer sentiment translates into actual spending and business activity. If uncertainty persists or tariffs escalate into larger trade wars, it will likely manifest in weaker hard data. A dovish Fed reaction or a pivot on trade policy could help restore some confidence and support domestic growth.



Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				Total	Net
A Shares	06/08/98	TQCAX	89155T482	1.01%	0.99%
C Shares	06/08/98	TQCCX	89155T474	1.78%	1.69%
Y Shares	05/15/13	TQCYX	89155T466	0.76%	0.76%
INST Shares	07/19/21	TQCIX	89155T458	1.12%	0.67%
R6 Shares	08/02/21	TQCRX	89155T441	0.92%	0.65%
Total Fund Assets		\$2.3 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 0.99% for Class A Shares, 1.69% for Class C Shares, 0.77% for Class Y Shares, 0.65% for Class INST Shares and 0.65% 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	1.35%	1.35%	6.36%	6.65%	12.90%	6.71%	7.12%
C Shares	1.17%	1.17%	5.60%	5.91%	12.12%	6.00%	6.42%
Y Shares	1.41%	1.41%	6.56%	6.90%	13.14%	6.94%	8.10%
INST Shares	1.39%	1.39%	6.61%	6.98%	—	—	7.61%
R6 Shares	1.44%	1.44%	6.74%	7.04%	—	—	7.20%
Benchmark	2.14%	2.14%	7.18%	6.64%	16.15%	8.79%	—
Including Max Sales Charge							
A Shares	-3.73%	-3.73%	1.05%	4.85%	11.57%	6.08%	6.88%
C Shares	0.17%	0.17%	4.60%	5.91%	12.12%	6.00%	6.42%

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 1000® Value Index

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Top 10 Equity Holdings of Fund

	(% of Portfolio)		(% of Portfolio)
1 Microsoft Corp.	3.6	6 Wells Fargo & Co.	1.8
2 Broadcom Inc.	2.2	7 Medtronic PLC	1.7
3 Apple, Inc.	2.1	8 Home Depot Inc.	1.7
4 Philip Morris International Inc.	2.0	9 UnitedHealth Group Inc.	1.6
5 Johnson & Johnson	1.9	10 Exxon Mobil Corp.	1.6

Source: BNY Mellon Asset Servicing

The Russell 1000® Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower expected 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.

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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 large-cap companies which may be unable to respond quickly to new competitive challenges. The Fund invests in dividend-paying companies. There is no guarantee that the companies in which the Fund invests will declare dividends in the future or that dividends, if declared, will remain at current levels or increase over time. Securities that pay dividends may be sensitive to changes in interest rates, and as interest rates rise or fall, the prices of such securities may fall. 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 value stocks which may not appreciate in value as anticipated or may experience a decline in value. 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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