

Fund Manager Commentary

As of December 31, 2020

Fund Highlights

- Utilizes a classic value-driven fundamental investment process
- Seeks to identify companies believed to be selling at a discount to their intrinsic value
- Employs five valuation screens that seek to identify attractively priced securities
- Conducts in-depth research and analysis on the securities that pass the valuation screens in an effort to identify leading companies selling at attractive valuations
- Examines financial statements and assesses the company's management team, competitive strategy and its current market position

Market Recap

The fourth quarter capped off a volatile year with optimism around COVID-19 vaccines and decreasing political uncertainty around Brexit and the U.S. election cycle. In a reversal of trend, investors sought out value stocks, especially those with cyclical tailwinds similar to the post-election rally in 2016, rather than growth in anticipation of a recovery in economic activity in 2021.

The style factors that worked best within the benchmark paint a picture consistent with a low-quality rally. When looking at ROE, a proxy for quality, the lowest quality quintile performed. Companies without earnings substantially outperformed as did smaller market capitalizations. The slowest sales growth and the highest beta¹ quintiles also showed strong outperformance. Yield and leverage factors had mixed impacts.

Broadly speaking the more cyclical sectors of the benchmark fared best while defensive sectors lagged. The Energy, Financials, Information Technology, and Materials sectors all materially outperformed the benchmark. The Utilities, Consumer Staples, Health Care, and Real Estate sectors all underperformed.

Portfolio Review

The Touchstone Mid Cap Value Fund (Class A Shares Load-Waived) outperformed its benchmark, the Russell Midcap® Value Index, for the quarter ended December 31, 2020.

The Fund's outperformance relative to the benchmark was driven by strong stock selection. Its outperformance was led by the Industrials, Financials, Materials, and Information Technology sectors. Performance was weakest in the Consumer Discretionary, Energy, and Health Care sectors. Allocation was a headwind or had a neutral impact across sectors.

The strongest sector for relative performance was Industrials; strong stock selection across numerous industries was a driver. AerCap Holdings NV was the largest contributor. The aircraft leasing company had lagged prior to the vaccine approval in November and showed outperformance following the announcement.

A trio of bank stocks—Pinnacle Financial Partners Inc., Sterling Bancorp, and Signature Bank—fueled the outperformance in the Financials sector. Each bank has exposure to regions where COVID-19 has disrupted the local economy, most notably Nashville and New York City. The vaccine announcement in early November drove outperformance in each company.

The Information Technology sector also contributed to performance. MACOM Technology Solutions Holdings Inc. (semiconductor solutions) and PTC Inc. (design software supporting CAD and IoT) drove the strong stock selection. MACOM is well positioned with products for the 5G, datacenter and satellite end markets. Software company, PTC, guided to better-than-expected results at its investor day and made a smart acquisition in the product lifecycle management vertical.

The Fund's largest detracting sector was Consumer Discretionary and Fund holdings underperformed by failing to keep up with the benchmark. Outdoor apparel brand, Columbia Sportswear Co. stock was flat as the company managed through a warm start to winter and a depleted wholesale order book. Many of its wholesale customers cut fall receipts during the height of the pandemic last spring. Discount retailer, Dollar General Corp. was unable to keep pace as investors look toward difficult sales comparisons in 2021.

Digital Realty Trust Inc. was a large underperformer in the Real Estate sector, partially offsetting the benefit from the underweight to the space. The data center REIT had performed strongly all year

(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.**



on its defensive nature as a pandemic beneficiary. The stock retraced earlier gains upon the announcement of a vaccine in early November.

The Health Care sector was a modest underperformer in the quarter, primarily due to its relative overweight to the benchmark. Managed care provider, Centene Corp., was a large detractor in the sector. The stock lagged despite solid execution and the potential for a Democratic sweep. We have added to the holding and like its positioning going forward.

The Fund's largest relative overweights are to the Consumer Staples, Health Care, and Utilities sectors while it is notably underweight to the Industrials, Communication Services, and Real Estate sectors. Positions were initiated in several sectors with purchases of American International Group Inc. (Financials sector; insurance), AutoZone Inc. (Consumer Discretionary sector; auto parts retail), Parsley Energy Inc. (Energy sector; E&P), and Valero Energy Corp. (Energy sector; refining). The Fund exited its positions in Allstate Corp. (Financials sector; insurance), Diamondback Energy Inc. (Energy sector; E&P), The Kroger Company (Consumer Staples sector; grocery), and Synopsys Inc. (Information Technology sector; chip design software). In each of these cases, we found better risk/reward opportunities in other holdings.

Outlook and Conclusion

Like everyone else, we are glad to turn the page on 2020. The vaccine approval and rollout provide hope for a return to normal sometime in 2021. The drama of the election season has largely passed, with Democratic control of the presidency and in Congress, due to the Vice President's tiebreaking vote in the Senate. There will be policy shifts given the change in power, but we believe there will be more legislative compromise than witnessed in the past four years. President-elect Biden has made clear his desire for more direct stimulus, though the amount and recipients are still open to debate. We believe any tax increases or defense cuts will likely be marginal given their controversial nature and split in the Senate. Renewable energy, infrastructure spending, changes to healthcare, and congressional focus on big tech are also likely on the agenda.

The market itself is best described as exuberant. Indexes are at all-time highs, as are valuations. The market is pricing in a relatively positive scenario despite questions around the economy and trajectory of earnings in 2021. When accounting for those exiting the workforce, unemployment is still over 10 percent. The U.S. Federal Reserve Board (Fed) continues its accommodative monetary policy in the hopes of generating inflation. There will likely be pockets of inflation over the next few quarters. We have to ask ourselves, will the numbers be true inflation or just easy comparisons and the start/stop effect of supply chains during a pandemic? COVID-19 infections have skyrocketed, vaccine distribution and administration is behind schedule, and stricter shutdown measures are increasingly probable. Will this inflation slow the market, or will household savings continue their move into retail brokerage accounts, lifting the market further?

Despite the style headwinds and ongoing economic uncertainty, we hold fast and invest according to our process. Fundamentally, we are looking for quality stocks, trading at a discount, with good

risk/reward potential. We do not chase performance. We look for companies with strong management teams, high barriers to entry, solid balance sheets, and we continue to rigorously examine downside scenarios for the Fund's positions. The Fund utilizes a classic value-driven philosophy based on the belief that leading businesses selling at a discount to fair value have the potential to generate excess returns. The Fund's strategy focuses on stocks that are temporarily out of favor in the market, specifically companies with higher returns on capital, free cash flow and strong balance sheets. Emphasis is placed on those companies having the cash flow characteristics as well as the balance sheet strength necessary to buffer the company from any prolonged weakness. While the companies we select often dominate a particular industry niche and generally have significant barriers to entry, we believe they are able to perpetuate a higher return on capital over time. The Fund's overall investment process utilizes fundamental bottom-up security selection, while risk-control measures ensure security and sector diversification.

As of December 31, 2020, AerCap Holdings NV made up 1.15%, Pinnacle Financial Partners Inc. made up 1.43%, Sterling Bancorp made up 1.23%, Signature Bank made up 1.77%, MACOM Technology Solutions Holdings Inc. made up 1.34%, PTC Inc. made up 1.97%, Columbia Sportswear Co. made up 1.12%, Dollar General Corp. made up 0.94%, Digital Realty Trust Inc. made up 1.03%, Centene Corp. made up 1.78%, American International Group Inc. made up 1.28%, AutoZone Inc. made up 1.14%, Parsley Energy Inc. made up 0.68%, Valero Energy Corp. made up 0.97%, Allstate Corp. made up 0.00% of the Touchstone Mid Cap Value Fund. Current and future portfolio holdings are subject to change.

¹ Beta is a measure of the volatility of a portfolio relative to its benchmark.



Fund Facts (As of 12/31/20)

| Class | Inception Date | Symbol | CUSIP | Annual Fund Operating Expense Ratio* | |
|--------------------------|------------------------|--------|-----------|--------------------------------------|-------|
| | | | | Total | Net |
| A Shares | 09/30/09 | TCVAX | 89155H413 | 1.60% | 1.23% |
| C Shares | 09/30/09 | TMFCX | 89155H397 | 2.58% | 1.98% |
| Y Shares | 09/30/09 | TCVYX | 89155H371 | 1.23% | 0.98% |
| INST Shares | 09/30/09 | TCVIX | 89155H389 | 0.99% | 0.85% |
| Total Fund Assets | \$800.8 Million | | | | |

*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 1.22% for Class A Shares, 1.97% for Class C Shares, 0.97% for Class Y Shares and 0.84% for Class INST Shares. These expense limitations will remain in effect until at least 01/29/22.

Share class availability differs by firm.

Annualized Total Returns (As of 12/31/20)

| Class | 4Q20 | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Inception |
|----------------------------|--------|-------|--------|--------|--------|---------|-----------|
| Excluding Max Sales Charge | | | | | | | |
| A Shares | 21.07% | 5.29% | 5.29% | 4.10% | 9.11% | 9.17% | 10.95% |
| C Shares | 20.84% | 4.55% | 4.55% | 3.34% | 8.31% | 8.52% | 10.37% |
| Y Shares | 21.11% | 5.55% | 5.55% | 4.36% | 9.38% | 9.44% | 11.24% |
| INST Shares | 21.21% | 5.71% | 5.71% | 4.51% | 9.53% | 9.60% | 11.40% |
| Benchmark [^] | 20.43% | 4.96% | 4.96% | 5.37% | 9.73% | 10.49% | 11.94% |
| Including Max Sales Charge | | | | | | | |
| A Shares | 15.01% | 0.05% | 0.05% | 2.07% | 7.82% | 8.52% | 10.37% |
| C Shares | 19.84% | 3.55% | 3.55% | 3.34% | 8.31% | 8.52% | 10.37% |

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[®] Value Index¹

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¹The Russell Midcap[®] Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower 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.

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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 Fund invests in value stocks which may not appreciate in value as anticipated or may experience a decline in value. The Fund's investments in other investment companies will be subject to substantially the same risks as those associated with the direct ownership of the securities comprising the portfolios of such investment companies, and the value of the Fund's investment will fluctuate in response to the performance of such portfolios. In addition, if the Fund acquires shares of investment companies, shareholders of the Fund will bear their proportionate share of the fees and expenses of the Fund and, indirectly, the fees and expenses of the investment companies. Events affecting the financial markets, such as a health crisis, 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. Current and future portfolio holdings are subject to risk. The Advisor engages a sub-advisor to make investment decisions for the Fund's portfolio; it may be unable to identify and retain a sub-advisor who achieves superior investment returns relative to other similar sub-advisors.

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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