

Fund Manager Commentary

As of June 30, 2023

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

An examination of style factors within our asset class portrays a headwind for the strategy. Within the benchmark, high volatility was the dominant factor with the two highest quintiles. Stocks with no yield strongly outperformed those that pay a dividend. Within price-to-equity (PE) quintiles, the lowest PE quintile and non-earners outperformed. The highest return-on-equity (ROE) quintile outperformed during the quarter, closely followed by the two lowest quintiles.

Within the benchmark, Information Technology, Industrials and Health Care materially outperformed the overall return for the Russell 2000 Value Index. The largest underperformers were Consumer Staples, Utilities, and Financials.

Portfolio Review

The Touchstone Small Cap Value Fund (Class A Shares Load-Waived) underperformed its benchmark, the Russell 2000® Value Index, for the quarter ended June 30, 2023.

We tend to favor higher quality stocks with defensive attributes, which may lag when the market moves rapidly higher, so the portfolio's underperformance in a volatility-driven market was unsurprising. Four of eleven sectors had positive attribution in the Fund, led by Industrials and Energy. Among the largest detractors by sector included Health Care and Consumer Discretionary.

We benefitted from our overweight to Industrials and good stock selection in the sector. Circor International announced a decision to put the business up for sale, attracting multiple competing bids. EnPro Industries outperformed as investors have begun to anticipate a turn in the semiconductor cycle, an end market in

which the company has invested significant capital. Azek Co has benefitted from the end of channel destocking in the dealer segment and higher installation demand than originally planned.

The Financials sector modestly outperformed, driven by our underweight to the sector. Insurer Primerica has no exposure to credit/yield curve issues, driving its outperformance in the quarter. The sector's largest two largest detractors, Independent Bank Corp and First Interstate BancSystem both reduced guidance for the full year as deposit competition has increased and their net interest margins have compressed.

The Materials sector underperformed the benchmark as the China re-opening euphoria of the first quarter gave way to the reality of continued choppy demand patterns. Livent Corp outperformed as lithium prices continued to rebound and the company announced a merger of equals with Allkem Limited. Ingevity Corp underperformed as weak Chinese auto production and rising raw material costs drove a reduction in earnings guidance. Silgan Holdings missed earnings expectations as customer destocking and cost headwinds from plastic resins impacted results.

The Fund's Real Estate holdings modestly underperformed in the period. National Storage Affiliates was the largest individual detractor. The storage real estate investment trust missed results on higher-than-expected operating expenses, but maintained their full year guidance expectations as recent acquisitions are helping to keep numbers in line.

The Fund underperformed in the Health Care sector as weak selection and strong results in biotechnology were headwinds. Biotechnology companies typically do not fit within our investment process due to their risk/reward profile and typically binary outcomes. Encompass Health, outperformed as demand continues to improve and the pressure from increased nursing

(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.**



wages abates. Integra LifeSciences was the Fund's largest individual detractor. The company issued a product recall and stopped production at a facility focusing on wound/surgical skin repair products.

At the onset of the third quarter, our largest relative overweight positions are in the Industrials and Consumer Staples sectors. We are notably underweight in Financials, Real Estate, and Energy. These exposures are driven by the opportunity set we see in each sector, though the annual Russell Index rebalance contributed to some changes at the margin. During the quarter, we initiated a position in QidelOrtho and exited our position in Premier Inc.

Outlook and Conclusion

To date, 2023 has continued to offer the same volatility and murky outlook typical of the last few years. The market has shrugged off the rate-driven bank crisis of the first quarter, focused excitement over AI, and the re/nearshoring of the manufacturing base. The fight against inflation may be entering its final stages with future interest rate increases expected to be minimal in comparison to the last 18 months. What the lagged effect of such a rapid increase will be is still in question but the market is considering the risks manageable. As the pressure from inflation mounts, there have been clear signs of stress among consumers. High-income consumers have exhibited choppy spending patterns while the low-income consumer is clearly stretched. Excess savings from the pandemic continue to decline and the reduction in government benefits and restart of student loan payments are likely to exacerbate the situation. The Chinese and European economies continue to muddle along. The normalization of the global supply chain has driven a few quarters of order weakness as companies destock COVID-related levels of inventory. The coming wave of debt refinancing in the office real estate market has some investors worried about knock-on effects through the financial system.

Amid these market dynamics, we continue to hold fast and invest according to our process. Fundamentally, we are looking for quality stocks, trading at a discount, with good risk/reward. We look for companies with strong management teams, high barriers to entry, solid balance sheets, and we continue to rigorously examine downside scenarios for our positions.

We continue to find attractively valued investment opportunities with favorable risk/reward profiles. While we do not believe in making short-term projections, we believe these investments will outperform the market longer term.



Fund Facts (As of 06/30/23)

| Class | Inception Date | Symbol | CUSIP | Annual Fund Operating Expense Ratio* | |
|--------------------------|------------------------|--------|-----------|--------------------------------------|-------|
| | | | | Total | Net |
| A Shares | 03/01/11 | TVOAX | 89155T821 | 1.57% | 1.38% |
| C Shares | 03/01/11 | TVOCX | 89155T813 | 4.21% | 2.13% |
| Y Shares | 03/01/11 | TVOYX | 89155T789 | 1.27% | 1.13% |
| INST Shares | 03/01/11 | TVOIX | 89155T797 | 1.26% | 0.98% |
| Total Fund Assets | \$126.3 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 1.38% for Class A Shares, 2.13% for Class C Shares, 1.13% for Class Y Shares and 0.98% for Class INST Shares. These expense limitations will remain in effect until at least 01/29/24. Share class availability differs by firm.

Annualized Total Returns** (As of 06/30/23)

| | 2Q23 | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Inception |
|----------------------------|--------|--------|--------|--------|--------|---------|-----------|
| Excluding Max Sales Charge | | | | | | | |
| A Shares | 2.27% | 2.40% | 9.28% | 17.27% | 5.13% | 6.42% | 8.20% |
| C Shares | 2.10% | 2.03% | 8.48% | 16.41% | 4.35% | 5.79% | 7.56% |
| Y Shares | 2.32% | 2.54% | 9.56% | 17.58% | 5.40% | 6.69% | 8.36% |
| INST Shares | 2.35% | 2.60% | 9.75% | 17.78% | 5.57% | 6.86% | 8.45% |
| Benchmark ¹ | 3.18% | 2.50% | 6.01% | 15.43% | 3.54% | 7.29% | 7.66% |
| Including Max Sales Charge | | | | | | | |
| A Shares | -2.84% | -2.73% | 3.83% | 15.28% | 3.89% | 5.79% | 7.90% |
| C Shares | 1.10% | 1.03% | 7.48% | 16.41% | 4.35% | 5.79% | 7.56% |

Max 5.00% sales charge for Class A Shares and 1% Contingent Deferred Sales Charge for Class C Shares held less than 1 year.

¹Benchmark - Russell 2000[®] Value Index¹

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**The performance presented for Class A, C, Y and INST Shares combines the performance of a predecessor class of shares (Z Shares). Class Z Shares inception date was 03/04/02. Class Z Shares were merged into Class A Shares on 06/10/11.

Top 10 Equity Holdings of Fund (As of 06/30/23)

| | (% of Portfolio) | | (% of Portfolio) | | |
|---|-----------------------------------|-----|------------------|-------------------------------|-----|
| 1 | Huron Consulting Group Inc. | 2.6 | 6 | Portland General Electric Co. | 1.9 |
| 2 | Murphy USA Inc. | 2.2 | 7 | Encompass Health Corp. | 1.9 |
| 3 | Prestige Consumer Healthcare Inc. | 2.1 | 8 | EMCOR Group, Inc. | 1.8 |
| 4 | Primerica, Inc. | 2.0 | 9 | Livent Corp. | 1.8 |
| 5 | Clean Harbors, Inc. | 2.0 | 10 | Wintrust Financial Corp. | 1.8 |

Source: BNY Mellon Asset Servicing

¹The Russell 2000[®] Value Index measures the performance of those Russell 2000 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 small-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 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'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 or ETFs. 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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