Fund Manager Commentary

As of December 31, 2020

Fund Highlights

- Employs a process that is focused on long-only, bottom-up value management
- Uses traditional methods of stock selection - research and analysis - to identify securities believed to be undervalued, and searches for companies that have price-to-earnings and price-to-book ratios below the market and that have above-average dividend yields
- Process seeks to identify the reasons for a temporary undervaluation of a company’s shares and believes that value can be added through individual stock selection
- Fundamentals of companies are analyzed one at a time rather than on broader market themes
- Utilizes risk management techniques in an effort to keep the Fund’s portfolio from becoming overexposed to particular market segments

Market Recap

U.S. stocks generated solid returns in the fourth quarter driven by optimism over COVID-19 vaccine news and expectations of a reopening of economies. Value equities outperformed their core and growth counterparts.

Sector performance, as measured by the Russell 1000® Value Index, was positive across all sectors during the quarter. Defensive sectors (Consumer Staples, Utilities and Health Care) were among the market laggards during the quarter. The Energy, Financials and Industrials were among the largest contributors.

Portfolio Review

The Touchstone Value Fund (Class A Shares Load-Waived) outperformed its benchmark, the Russell 1000® Value Index, for the quarter ended December 31, 2020.

Overall, on a sector basis versus the benchmark, the Fund’s underweight and stock selection within the Consumer Staples, Health Care and Utilities sectors added to the Fund’s relative performance. Additionally, the Fund’s overweight and stock selection within the Financials and Energy sectors was also additive. Conversely, the Fund’s stock selection within Consumer Discretionary and Industrials sectors detracted from relative performance.

The Fund’s lone Consumer Staples sector holding, Coca-Cola European Partners PLC (CCEP) was a strong contributor to relative performance. CCEP is the largest Cola-Cola bottler by revenues and is the exclusive Coca-Cola bottler for the U.K., France, Germany, Spain, Portugal, Belgium, Netherlands, Luxembourg, Norway, Sweden and Iceland. It gained in the quarter as CCEP announced a nonbinding offer for Coca-Cola Amatil (CCL). CCL is the Australian bottler with most of the profits coming from Australia and New Zealand with a much smaller attribution from emerging markets like Indonesia and Papua New Guinea. CCEP sees a lot of operational turnaround potential. We believe the long-term earnings power is improved through potential synergies and cost savings, thereby increasing the stock’s long-term potential growth.

Within the Health Care sector, the Fund’s avoidance of several underperforming industries, such as Pharmaceuticals (Pharma) was additive to relative performance. We continue to view Pharma as a struggling industry due to a difficult business model with very limited periods of profitability for their primary assets (new drugs coming to market) and the high cost of replacing drugs through expensive research and development (R&D), with looming patent cliffs. While the Fund has owned Pharma stocks in the past, the current environment is not favorable for the industry. Within the healthcare universe, we believe the Managed Care business model is much more durable and profitable than generally perceived by the market. The Fund continues to hold stocks like Anthem, Inc. and UnitedHealth Group Inc., which performed well in the quarter and added to relative performance, as they traded at discounts to the sector and the broad market while paying meaningful and growing dividends. CVS Health Corp. (CVS), a hybrid company made up of the CVS pharmacy, a pharmacy benefit management segment, and a managed care segment (formerly Aetna), also performed well during the quarter and added to performance. CVS remains one of the best valued stocks in the sector, while paying a well-above average dividend yield.

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.
Among the Fund’s Financials sector holdings, American International Group, Inc. and Chubb Ltd. were both contributors to performance. Performance was primarily driven by favorable industry pricing conditions in commercial insurance during the quarter. These price gains are coming on top of price increases last year. As a result, both companies should experience strong margin, earnings per share (EPS), and return on equity (ROE) expansion in future quarters, leading to continued stock outperformance. Given the sizeable industry losses over the past few years from increased natural catastrophes, COVID-19, increased tort activity, and lower interest rates, we expect the favorable pricing environment to last at least through 2022. Also within Financials sector, favorable COVID-19 vaccine updates helped the Fund’s U.S. banks holdings, such as U.S. Bancorp (USB) and Goldman Sachs Group, Inc. outperform in the fourth quarter. Increased visibility related to the economic recovery has improved investor sentiment on the group. From a fundamental perspective, U.S. banks also have several tailwinds. After significantly building reserves in 1H20 due to the new Current Expected Credit Loss (CECL) accounting standard, banks look over-reserved and well prepared to weather future loan losses. In addition, the U.S. Federal Reserve Board (Fed) gave the largest banks the green light to resume repurchasing stock in the first quarter of 2021, which was earlier than investors expected. Although loan growth remains weak, increased consumer and business confidence should help loan demand accelerate throughout 2021.

Qualcomm Inc. was the Fund’s strongest contributor within its Information Technology sector positions. Qualcomm is the market leader in mobile processors and chipsets and has a very profitable technology licensing business. In the fourth quarter, the stock outperformed as Qualcomm reported solid September quarter results and provided an outlook for the December quarter that was well above expectations. All major handset original equipment manufacturer (OEM’s) are now locked into long-term, worldwide deals and the regulatory environment is benign for the first time in years. In addition, the rollout of 5G should drive better chipset pricing and an opportunity to gain share, and ancillary businesses outside of smartphone processors and modems are growing rapidly from a small base. Qualcomm remains attractively valued relative to its normalized earnings power.

The Fund’s overweight to the Industrials sector, which outperformed the Russell 1000 Value Index, helped relative performance, but stock selection detracted from performance. The primary detractor, J.B. Hunt Transport Services, Inc., gained but lagged the Index sector return. J.B. Hunt is a leading intermodal and logistics player with disruptive freight brokerage technology. West Coast congestion and service issues weighed on Intermodal volumes and margins while the company’s dedicated business continued to shine. We believe transitory congestion issues will pass, which along with strong pricing trends, will allow intermodal margins to normalize. Moreover, we believe the company is poised for multi-year inflections in margins, returns and earnings as its fledgling 360 and Final Mile businesses get into the black.

**Outlook and Conclusion**

Any discussion of the market outlook for U.S. equities must begin by mentioning the Fed, interest rates, and the bond market. After a decade of pushing interest rates lower, and for longer, bond and equity investors have grown complacent, believing that markets can “have it all,” and they have taken on more risk than they may realize as the Fed has pushed investors out the risk spectrum in search of yields and return.

Within equity markets, near-zero interest rates clearly favor growth stocks, for which any cash flows and earnings payout may be well into the future (i.e., Tesla, Inc.). Meanwhile, the value investor waits for the traditional value cycle tailwinds such as higher interest rates, inflation, and better economic growth – all of which seem ever elusive. The more value managers and benchmarks struggle relative to growth, the louder the chorus and consensus grow in the belief that value investing may never again lead the market.

A sustained value cycle is typically accompanied by improving economic growth, which should logically follow the pandemic-induced contraction we witnessed in 2020, especially considering the record amounts of monetary stimulus by the world’s central banks. The old saying “don’t fight the Fed” is apt. Value stocks also benefit from expectations of higher inflation and interest rates.

The long-standing consensus view that both will remain “lower for longer” is now being called into question as deficit spending soars across the globe.

The valuation spread between richly-valued growth stocks and value stocks remains historically wide, even after a sharp rebound in value during the fourth quarter. Valuation spreads of this magnitude come along once in a generation, and are often their own catalyst for value outperformance, even in the absence of other catalysts, (i.e., higher interest rates, etc.).

We are executing the same disciplined value process that we have employed for over four decades. Valuation will matter and that means value investing is far from dead. We remain confident that our defensive style of investing is a good one by focusing on undervalued companies with strong fundamentals and a meaningful and growing dividend. We believe the Fund is well positioned going forward.

As of December 31, 2020, Coca-Cola European Partners PLC made up 2.29%, Anthem, Inc. made up 2.10%, UnitedHealth Group Inc. made up 2.47%, CVS Health Corp. made up 2.66%, American International Group, Inc. made up 3.36%, Chubb Ltd. made up 2.84%, U.S. Bancorp made up 2.81%, Goldman Sachs Group made up 2.74%, Qualcomm Inc. made up 1.95%, J.B. Hunt Transport Services, Inc. made up 2.54%, Coca-Cola Amatil and Tesla, Inc. made up 0.00% of the Touchstone Value Fund. Current and future portfolio holdings are subject to change.

Dividend paying investments may not experience the same price appreciation as non-dividend paying instruments, dividend-issuing companies may choose not to pay a dividend or the dividend may be less than what is anticipated.
### Annualized Total Returns** (As of 12/31/20)

<table>
<thead>
<tr>
<th>Class</th>
<th>4Q20</th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
<th>Inception</th>
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<tbody>
<tr>
<td><strong>Excluding Max Sales Charge</strong></td>
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</tr>
<tr>
<td>A Shares</td>
<td>19.05%</td>
<td>3.10%</td>
<td>3.10%</td>
<td>6.84%</td>
<td>9.46%</td>
<td>10.35%</td>
<td>8.31%</td>
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<tr>
<td>C Shares</td>
<td>18.87%</td>
<td>2.40%</td>
<td>2.40%</td>
<td>6.07%</td>
<td>8.64%</td>
<td>9.75%</td>
<td>7.59%</td>
</tr>
<tr>
<td>Y Shares</td>
<td>19.30%</td>
<td>3.48%</td>
<td>3.48%</td>
<td>7.15%</td>
<td>9.77%</td>
<td>10.64%</td>
<td>8.58%</td>
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<tr>
<td>INST Shares</td>
<td>19.14%</td>
<td>3.53%</td>
<td>3.53%</td>
<td>7.27%</td>
<td>9.89%</td>
<td>10.77%</td>
<td>8.67%</td>
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<tr>
<td><strong>Including Max Sales Charge</strong></td>
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</tr>
<tr>
<td>A Shares</td>
<td>13.07%</td>
<td>-2.04%</td>
<td>-2.04%</td>
<td>4.75%</td>
<td>8.17%</td>
<td>9.71%</td>
<td>8.02%</td>
</tr>
<tr>
<td>C Shares</td>
<td>17.87%</td>
<td>1.40%</td>
<td>1.40%</td>
<td>6.07%</td>
<td>8.64%</td>
<td>9.75%</td>
<td>7.59%</td>
</tr>
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Max 5.00% sales charge for Class A Shares and 1% Contingent Deferred Sales Charge for Class C Shares held less than 1 year.

**The performance presented for Class A, C, and INST Shares combines the performance of an older class of shares (Y Shares) from the Fund's inception, 09/10/98, with the performance since the inception date of each share class.

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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 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 invests in preferred stocks which are relegated below bonds for payment should the issuer be liquidated. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing their prices to decline. The Fund invests in foreign securities, including depositary receipts, such as American Depositary Receipts, Global Depositary Receipts, and European Depositary Receipts, 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 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. Banks and financial services companies could suffer losses if interest rates rise or economic conditions deteriorate. 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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