Fund Manager Commentary

As of June 30, 2023

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

The second quarter of 2023 saw equity markets continue their march higher, fueled by several shorter-term factors including additional injections of liquidity by the U.S. Federal Reserve (Fed) in response to the regional bank crisis, debt ceiling debate, and investor fears of missing out. Uncertainty remained high; climbing a "Wall of Worry" and fears of recession persisted. Said differently, everyone was bearish, yet everything moved higher this year. Notably, broad market gains were driven by an incredibly narrow handful of companies. Just seven mostly expensive, mega-cap growth stocks – Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla, dubbed the "Magnificent 7" – delivered most of the gains while cheaper, dividend paying stocks with traditional value characteristics rose, but far less.

The Russell 1000® Value Index gained 4.1% in the quarter and 5.2% year-to-date for a nice start to the year. However, this was far outpaced by the S&P 500® Index, up 8.7% in the second quarter and 16.9% in the first half. The NASDAQ, was up 14.3% in the second quarter and 32.9% in the first half, both of which benefitted from a concentration in the Magnificent 7. Secular growth themes reemerged as tailwinds in the quarter boosted by the euphoria building for Artificial Intelligence (AI) and largely benefitted the same mega-cap winners of years past. Investors continue to question the sustainability of the current rally, given the narrowness of markets.

Shunning of dividends pressured Utilities and volatile commodity prices weighed on both Energy and Materials sectors during the quarter. With the banking situation from earlier this year well contained, investors have turned their attention back toward the outlook for rates and inflation. Market expectations have flipped from rate cuts later this year to additional hikes by the Fed, despite some inflation moderation that may be emerging. The normalization of supply chains and rebalancing of labor markets, along with lower cost inputs, are starting to filter through in macroeconomic data releases. The most recent May releases of the Consumer Price Index and Producer Price Index came in cooler than expected and below expectations. However, projections from the Fed remain for inflation to be nearly double its 2% target at year-end, leading to the likelihood of additional rate hikes. In contrast to the slowing data, labor markets remain strong and consumer spending has returned to its pre-COVID trend. Strength in wages and jobs continue to help buoy the consumer, even as the looming restart of student loan repayments may dampen near-term spending levels.

The Fed continues to be stuck in a precarious position of trying to balance its dual mandate of maximum employment and price stability while orchestrating a "soft landing" or "no landing." This uncertainty continues to be a headwind as investors continue to gravitate towards a few mega-cap and growth stocks, at the expense of more value-oriented areas.

Market breadth, measured by the number of stocks that are outperforming the S&P 500, is the narrowest in history for the first six months of a calendar year. Led by the Magnificent 7 mentioned earlier, only 29% of stocks in the S&P 500 are outperforming – a level last seen in the Tech Bubble in the late 1990s. Generally, narrow markets arise as investors crowd into one area – whether a sector, industry, or just thematic group – because of potential future growth at the expense of other potential investment opportunities. This tends to favor growth over value,

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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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not unexpectedly. Rising valuations have reached extremes with the Magnificent 7 trading at a forward price-to-earnings (P/E) multiple of 40 times today versus the rest of the market at a more reasonable 20 times.

The latest speculation revolves around AI. The early winners have already seen surges in their share price and valuation multiples, many of which were the largest companies from the prior growth cycle and already trading at highly elevated levels. As more clarity emerges, a broader set of beneficiaries will emerge. Already, suppliers of servers and other necessary hardware and software have seen their share prices react, but from much lower, and very likely more sustainable, valuation starting points. Less encumbered by the law of large numbers, this should further broaden the potential rally beyond just the handful of stocks leading today.

The last few months have been challenging for active and value managers. However, we are not discouraged and instead continue to expect these events to strengthen the case for the continuation and extension of the value rally underway. Narrow markets and growth rallies are not uncommon amid typical value cycles, which have averaged seven years historically.

Portfolio Review

The Touchstone Value Fund (Class A shares Load-Waived) outperformed its benchmark, Russell 1000 Value Index, for the quarter ended June 30, 2023.

Stock selection within the Information Technology and Industrials sectors, mixed with an under-allocation to Utilities added to portfolio relative outperformance. Stock selection within Financials and Consumer Staples, in addition to an under-allocation to Communication Services, detracted from relative performance. Below is a discussion on key drivers of performance for the second quarter.

Vertiv Holdings Co. Class A (Industrials sector) contributed positively to relative performance during the quarter due to the bullish sentiment surrounding AI stocks. As a leading supplier of equipment and technology to data centers, the company stands to benefit from increased spending on digital infrastructure for expansion and upgrades. Company management continues to execute its strategy to improve margins, reversing the cost headwinds from the prior year, delivering on operational improvements, and greater free cash flow conversion. Backed by sustainable growth in their end markets, Vertiv continues to trade at an attractive valuation as they build a profitable backlog and remain well positioned for future earnings growth.

Broadcom Incorporated (Information Technology sector) positively contributed to performance after reporting a modestly better second quarter in a difficult environment, given management's commentary on AI. Demand from AI is expected by management to represent 25% of total demand next year in their semiconductor segment, up from 15% this year. Clearly a positive in the near-term, this may also boost their long-term growth rate in semiconductors above mid-single digits. They also made progress with several anti-trust approvals to close their acquisition of VMWare, still expected in their current fiscal year ending in October. Shares remain attractively valued with an above-market dividend yield of 2.1%.

Oracle Corporation (Information Technology sector) provides market enterprise technology solutions and positively contributed to the portfolio as the technology sector benefitted from the market's expectations surrounding AI. The company posted another quarter of solid revenue growth, particularly in cloud services, which represents a positive mix-shift for the company. Oracle's consistent execution in the choppy software segment, mixed with additional color from management that generative AI contracts represent over $2 Billion in forward commitments, helped buoy the stock price. Given their strong outlook, the company also increased the dividend 25% year-over-year.

Aramark Corporation (Consumer Discretionary sector) outperformed in the second quarter as its business continues to accelerate. Organic revenue and Earnings Per Share grew 19% and 38% year-over-year, respectively, and management increased full year guidance. Revenue and margins, which have been expanding but at a moderate pace, should accelerate further in late 2023 and 2024. As newly won business during the last two years becomes more seasoned, the combination of cost inflation receding and better pricing will become more evident in results. Valuation continues to underappreciate this potential and remains attractive.

Lithia Motors, Inc. (Consumer Discretionary sector) outperformed in the second quarter. It is becoming increasingly clear to investors that our view of the company's current earnings are durable, rather than substantially inflated, as many have argued. That growing recognition, alongside increased optimism about the economy in general, is driving the beginnings of a re-rating in Lithia's stock. We continue to see the shares as deeply undervalued and earnings should grow materially in 2024. Lithia currently trades at a forward P/E of 9 times.

Aptiv plc (Consumer Discretionary sector) detracted from performance after margins fell short of estimates in their most recent quarterly release. However, full year guidance was reiterated, and the stock stands to benefit as auto manufacturers' production normalizes and increasingly demand their solutions for electrical systems and autonomous vehicles. Aptiv provides integrated power management solutions, which as a whole use less power, adding to electric vehicle efficiency, and improving their range, a key selling point to the end consumer. Valuation remains attractive as cyclical headwinds abate and electric vehicle production increases.

Phillips 66 (Energy sector), a fully integrated energy downstream company, detracted from performance during a busy quarter closing the public unit acquisition of DCP Midstream and announcing several final investment decisions on its new petrochemical projects. Despite reporting first quarter results that were better than expected, the stock struggled during the second quarter, as investors feared that a U.S. economic downturn could affect the company's refining and chemicals businesses. The company should benefit from the integration of DCP Midstream and recoveries in both the refining and petrochemical industries. Currently, the stock trades at a 7 times forward P/E multiple and pays a 4.4% dividend yield.

Dollar General Corporation (Consumer Staples sector) underperformed in the second quarter after reported sales and earnings were below expectations. A softer economic environment acutely affected lower-income consumers, a sizable portion of Dollar General's customers. Additionally, these same consumers

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experienced reductions in SNAP benefits and lower tax refunds when compared to last year. This combination of factors weighed on both sales and earnings in the latest quarter. Many retailers, including Dollar General, have also seen increased pressure from shrink (i.e., theft or loss), which has negative consequences for gross margin. These headwinds appear transitory, similar to other periods, and with the decline in shares, the company trades at 16 times forward price to earnings with a long runway for growth.

U.S. Bancorp (Financials sector) underperformed in the second quarter following the SVB Financial and Signature Bank fallout in the first quarter. Based in Minneapolis, MN, U.S. Bancorp is the fifth largest bank in the U.S. with $675 Billion in assets focusing on commercial and retail customers in the Midwest and West. Despite concerns about the company's regulatory status and capital, the bank remains well capitalized. Expected cost savings from the Union Bank transaction, coupled with revenue synergies, make U.S. Bancorp one of the most capital-generative banks in the regional bank space. As a result, we expect the company to well exceed target capital ratios by 2024 year-end. Trading at 8 times forward P/E, 1.1 times book value, and a 5.5% dividend yield, the company is trading at a significant discount to its franchise value.

Northern Trust Corporation (Financials sector) underperformed in sympathy with the broad investor expectation that banks will see material deposit outflows. While top-line results matched expectations, earnings guidance came in slightly below estimates for the full year. Custody revenue is expected to decline, offset by growth in servicing and wealth management segments. Overall, the diverse businesses lines and historical organic growth, mixed with less credit sensitivity than other financials, provide us confidence that Northern Trust is an attractive and strong business, trading below the market at 12 times forward P/E multiple with a 4% dividend yield.

Outlook and Conclusion

After a busy start to the year, the second half appears as though it may be just as exciting. Monetary policy from the Fed typically affects the economy on a lag, roughly 15 months on average. Much of the Fed's efforts to raise rates and quantitatively tighten will just now begin to make an impact. Concurrently, the stimulus provided by the U.S. Treasury during the debt ceiling debate has reversed, removing another potential support to the market. Forecasters remain convinced that the economy will fall into a recession, though the timing remains nebulous. This "Wall of Worry" remains, though offset by a vibrant labor market and a resilient set of markets with a newfound infatuation with AI. Time will tell, but we remain watchful for further signs of deterioration in fundamentals or improvement and broadening of the market rally.

Revisiting an earlier topic, active managers in value and growth have different challenges in competing with their typical benchmarks. In general, active managers have tended to fare better during broader market rallies, particularly active value managers. Benchmarks used to gauge active value managers' performance are less exposed to the incredible concentration in mega-cap tech names. Growth managers will continue to be challenged by the enormous weight in just a few stocks; the Russell 1000® Growth, a popular large cap growth benchmark with 444 constituents, has more than 25% of the total index in just two names – Apple and Microsoft. This makes it very difficult for an active growth manager to be overweight, much less in line, and thus creates unintended underweight exposures given typical investment guidelines.

The effects are even notable in the performance difference of the S&P 500, wherein the largest market capitalization stocks have the largest weights, and the S&P 500 on an equal-weighted basis. On this measure, the first half of 2023 has seen roughly 10% outperformance by the cap-weighted S&P 500, up 16.9%, versus the equal-weighted benchmark, up 7.0%. This ranks as the second largest divergence in the last 30 years, falling between the dotcom Tech Bubble years of 1998 and 1999. Another parallel to the late 1990s bubble period, after which ensued a significant and long-lasting value rally.

We continue to advocate that investors should be cognizant of the risks inherent in the market today from the enormous concentration into just these few stocks. While those firms may be strong businesses, history tells us that such concentration typically unwinds and does so in a painful fashion for investors caught unaware. Expensive valuations, at which many of them currently trade, will revert and help reverse the challenging performance difference seen thus far this year where cheaper stocks have trailed their expensive peers. The same is true for dividend payers, for which over the long-term history of the markets, dividends have been an important source of total return for investors. Stock selection will continue to provide an additional lever to help smooth performance profiles and, hopefully, provide additional excess return opportunities. The time remains highly compelling as investment returns compress to find differentiated businesses with the unique combination of cheapness and change that can deliver outperformance. As we have over the last 40 plus years, our strict adherence to our value discipline has served us well in similar periods in history and we continue to see parallels in the market environment and our outlook today. Multiple decades of experience strengthen our resolve that our high active share portfolios are well positioned for the continuation of the secular value cycle underway.

Fund Facts *(As of 06/30/23)*

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio* Total	Net
A Shares	07/31/03	**TVLAX**	89154X468	1.13%	1.08%
C Shares	04/12/12	**TVLCX**	89154X450	2.08%	1.83%
Y Shares	09/10/98	**TVLYX**	89154X443	0.88%	0.83%
INST Shares	12/20/06	**TVLIX**	89154X435	0.83%	0.68%
R6 Shares	10/28/21	**TVLRX**	89154M876	8.11%	0.63%
Total Fund Assets	**$496.6 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 1.08% for Class A Shares, 1.83% for Class C Shares, 0.83% for Class Y Shares, 0.68% for Class INST Shares and 0.63% for Class R6 Shares. These expense limitations will remain in effect until at least 10/29/23.*

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	5.60%	2.72%	11.07%	15.76%	8.71%	9.17%	8.38%
C Shares	5.42%	2.40%	10.35%	14.90%	7.90%	8.52%	7.74%
Y Shares	5.74%	2.83%	11.39%	16.09%	9.00%	9.45%	8.66%
INST Shares	5.70%	2.93%	11.62%	16.23%	9.15%	9.61%	8.75%
R6 Shares	5.70%	2.95%	11.64%	16.21%	9.06%	9.49%	8.67%
Benchmark^	4.07%	5.12%	11.54%	14.30%	8.11%	9.22%	7.75%
Including Max Sales Charge							
A Shares	0.35%	-2.43%	5.53%	13.79%	7.42%	8.53%	8.12%
C Shares	4.42%	1.40%	9.35%	14.90%	7.90%	8.52%	7.74%

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[1]

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*****The performance presented for Class A, C, INST and R6 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.***

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

		(% of Portfolio)
1	Vertiv Holdings Co.	3.4
2	Comcast Corp.	3.4
3	Broadcom Inc.	3.3
4	Air Products & Chemicals, Inc.	3.3
5	Fidelity National Information	3.2
6	Wells Fargo & Co.	3.1
7	Merck & Co. Inc.	3.0
8	JB Hunt Transport Services Inc.	3.0
9	Philip Morris International Inc.	2.8
10	Elevance Health Inc.	2.8

Source: BNY Mellon Asset Servicing

[1]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 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 price 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. 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. Current and future portfolio holdings are subject to change. 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.

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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