Touchstone Value Fund

Sub-Advised by: Barrow, Hanley, Mewhinney & Strauss, LLC

U.S. Equity – Large-Cap Value 1Q/2023

Fund Manager Commentary

As of March 31, 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 first quarter of 2023 saw considerable volatility as early gains gave way to concerns over the need for incremental monetary tightening, only to culminate with an old-fashioned run on a bank. Equities, however, largely posted positive gains in the quarter as weakness proved short-lived. The rally was led by expensive growth and technology stocks, while traditional value and cheaper areas including Financials and Cyclicals were much more challenged. In fact, when breaking out the performance by valuation and dividend yield within the Russell 1000 Value Index, the most expensive, non-dividend paying stocks far outpaced the returns of cheaper, dividend-paying peers in a reversal of what was seen all last year. Bonds also posted gains, including U.S. Treasuries, where a flight to safety and potential relief from rising interest rates helped propel them to their best quarter since the 2020 pandemic. Uncertainty remains high and numerous crosscurrents continue to challenge business outlooks, not the least of which is what the U.S. Federal Reserve (Fed) will do later this year.

While much has and will be written on Silicon Valley Bank's collapse, equities and markets appear to have calmed after a few short weeks as systemic concerns abated. Outside the U.S., the reverberations were felt hardest in Europe. The Swiss regulators orchestrated the takeover of Credit Suisse amid the turmoil – a casualty of systemic fears from the last crisis. Elsewhere, there appeared to be little lasting impact and emerging markets saw strength similar to China's effort to reopen continued during the quarter, providing additional support outside of the U.S. to those markets.

Inflation remains one of the biggest battlegrounds for investors. The most recent consumer price index prints for February and March were relatively in line with expectations. This did not dissuade the Fed from raising rates twice during the quarter, even as expectations for future hikes have shifted to cuts. Their efforts to maintain price stability continues to be challenged by the strength in employment and the housing market. Consumers continue to brace for higher prices in food and housing, even as energy prices have slowed, buoyed by strength in the labor market. This year, job openings have declined several million from their peak – the largest on record outside of a recession – while employment has increased by a similar amount bringing unemployment to a 53-year low of 3.4%. What remains unclear is whether these will help ease the tightness in the labor market and slow wage growth. Much like before, the Fed remains in a precarious position of trying to orchestrate a soft landing and achieve their dual mandate of maximum employment and price stability.

Portfolio Review

The Touchstone Value Fund (Class A Shares Load-Waived) underperformed its benchmark, the Russell 1000® Value Index, for the quarter ended March 31, 2023.

An underweight and positive stock selection in the Utilities sector, along with an overweight to Consumer Discretionary, were additive to the Fund's relative performance. Stock selection within Communication Services, Information Technology and Financials detracted from the Fund's relative performance.

Las Vegas Sands Corp. (Consumer Discretionary sector) positively contributed to the Fund during the quarter as Macau visitor numbers continue to improve and the stock performed better than

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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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expected following China's recent pivot away from its prior zero COVID policy. Most recently in March, Macau's gaming revenue improved to 49% of the 2019 level, but it is likely mass market gaming revenue improved more than the luxury segment. This is important for the stock given over 90% of the pre-COVID earnings before depreciation, taxes, and amortization came from the mass-market segment. We expect the improvement in Macau to continue to exceed expectations, similar to reopening trends observed in other markets.

Broadcom Incorporated (Information Technology sector) positively contributed to performance after reporting solid first quarter numbers in a difficult environment. Execution remains among the best in the semiconductor industry. Total revenue grew 16% year-over-year, and the company remains booked through 2023 with delivery lead times still elevated at around 50 weeks. Margins remained strong across segments with total gross and operating margins of 73.8% and 61.6%, respectively. Earnings per share were over $10, and the company generated $3.9 billion of free cash flow, which was used to buy back $1.2 billion worth of stock and pay out $1.9 billion in dividends. Net debt is $26.6 billion, bringing leverage down to 1.2 times earnings. Overall, the stock still trades at a discount to the broader market with a price-to-earnings multiple of 15 times and a dividend yield of 2.9%. Despite lower Chinese demand for smart phones, Qualcomm Incorporated (Information Technology sector) was a contributor for the quarter after beating earnings estimates and raising guidance for the year. While there was weakness in low-end smartphones, the higher-end market remains strong and higher margins helped drive profits upward. We remain confident in Qualcomm as manufacturers like Samsung are becoming more reliant on their technology. The stock has a dividend yield of 2.4% after management raised the dividend to return more capital to shareholders and trades below the market valuation with a 12 times forward price-to-earnings multiple.

Axalta Coating Systems Ltd. (Materials sector) contributed to performance for the quarter after a solid earnings report. Margins expanded by more than 100 basis points on double-digit earnings growth. The company's margins benefitted from abating raw materials, energy, and logistics cost pressures. Another benefit in the quarter was above-industry volume growth in the automotive coating segment. As the underlying industries Axalta serves normalize, the stock should continue to see a pickup in earnings power that we believe is still underappreciated given the brand strength and operational effectiveness of the company.

Dollar General Corporation (Consumer Staples sector) underperformed in the first quarter, as the company reported lower same store sales growth of 5.7% due to winter storm Elliot, which was slightly below management's guidance of 6% to 7% growth. Management also announced that it will be reinvesting $100 million in incremental labor hours in stores to improve stocking and store standards. Long-time CFO John Garratt announced his retirement, effective later this year, with the new CFO likely to be a promotion from within. While growth was lower than expectations this quarter, Dollar General still projects to deliver long-term top-line growth, with margins stabilizing with inflation and wages. Most of the stock's valuation metrics are below five-year averages.

Halliburton Company (Energy sector) detracted from performance during the quarter in a giveback of performance from the prior quarter. Continued weakness in oil prices for most of the quarter weighed on the energy sector at-large, despite Halliburton posting solid fourth quarter numbers. The company raised its dividend and now yields 1.9%, while also announcing its intention to return more of its cash flows to investors through a new capital allocation plan. Overall, the company remains well positioned to benefit from additional oil and gas capital investments by its customers, as the industry needs to bring new production online. Valuation is attractive at 9.4 times forward price-to-earnings multiple.

The turmoil within the banking industry required the Fed to intervene by providing emergency liquidity to banks. Regional bank M&T Bank Corporation (Financials sector) was a detractor during the quarter as it sold off in unison with other regional banks after the collapse of Silicon Valley Bank and Signature Bank jolted the market. We believe M&T is better positioned than some of its competitors, in terms of its reserves and investment portfolio, because it did not deploy excess deposits into securities, which are now earning much higher yields. The People's United Financial acquisition, which was completed in Q3 2022, should drive operating leverage benefits throughout 2023. We used the selloff in the market and the name as an opportunity to add to a stock trading below book value, with a 7 times forward price-to-earnings multiple, and an above sector and market dividend yield of 4.4%, with a 7 times forward price-to-earnings multiple, and an above sector and market dividend yield of 4.4%.

Fidelity National Information Services, Inc. (Information Technology sector) was a detractor during the quarter after providing initial earnings guidance below expectations. This was exacerbated by concerns surrounding the banking industry broadly given the collapse of two U.S. regional banks. The company is a technology solutions provider for banks and capital markets institutions, and therefore any concerns about banks and potential future bank spending can weigh on the stock. However, we believe these concerns have been more than priced in, as no customer accounts for more than about 1% of their revenue, and over 80% of the revenue within their banking segment is recurring. The valuation of the stock is now trading at levels seen during the 2008 banking crisis with a 9 times forward price-to-earnings multiple and an annual dividend yield of 3.8%.

Outlook and Conclusion

This quarter probably felt like déjà vu for many investors. Depending on how long they have been in the business, it likely harkened back to the chaotic days of the last banking upheaval - the Great Financial Crisis of 2008-2009 – at least for long-standing value investors. Alternatively, for others, it reminded them of the more recent period in which a handful of mega-cap growth stocks grew so concentrated that they ultimately became the only meaningful driver of market performance. The five best performing tech-centric stocks of the past decade (FAANG) were up nearly 26% in the first quarter, with 10 stocks accounting for 90% of the change in the S&P 500 year-to-date. Concentration remains at historic levels in the S&P 500 Index, still eclipsing prior highs from the 2000s technology bubble when looking at the top six stocks today in the index. Just as it did post-2000, the eventual mean-reversion unwind remains a compelling tailwind for active

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managers as broader market participation has generally provided opportunities to generate excess returns. Given the market cycles the team has seen over the last several decades, we expect this time to be no different for active and value managers.

With the surge to start the year for growth stocks, questions have arisen once more regarding the longevity of the value cycle. The dramatic reversal in the Fed's expectations has brought back into question whether real rates (nominal interest rates minus inflation) will return to prior, unprecedented negative levels. At present, it appears the market has priced a return to those levels. Valuations afforded to growth stocks, particularly the same group of long-duration, secular growers that were in favor for most of last decade, have risen significantly in both the U.S. and globally. The risk is now far greater to those growth stocks, should the Fed maintain their approach to returning interest rates back to historical, positive levels with a "higher for longer" mentality. Given the lagged effect of tightening monetary policy, a pause here as inflation and rates are closer to converging may not be unwarranted as the economy slows. The Fed has consistently maintained their stance on being dependent on inflation being contained; should inflation accelerate later this year, the expected rate cuts embedded in stock valuations may soon turn to rate hikes. Ultimately, unwinding the last decade of unprecedented policies will continue to take time and likely bring more volatility with it as the economy slows but remains in motion in support of the secular value rally unfolding.

As we wrote last quarter, we continue to believe investors need to reconsider their approach to equity allocations as stock returns normalize in tandem with the economic backdrop. Both active and value remain underinvested in, just like many of the businesses we follow from the last decade's effects. Simply owning a passive investment being driven by a handful of stocks will no longer be sufficient to achieve return objectives. Stock selection will continue to provide an additional lever, and it remains a highly compelling time to find differentiated businesses with the unique combination of cheapness and change that can deliver outperformance as investment returns compress. As we have over the last 40+ 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 continue to strengthen our resolve that our high active share portfolios are well positioned for the continuation of the secular value cycle underway.

As of March 31, 2023, Las Vegas Sands Corp. made up 2.01%, Broadcom Inc. made up 2.86%, Qualcomm Inc. made up 1.67%, Axalta Coating Systems Inc. made up 2.23%, Dollar General Corp. made up 2.61%, Halliburton Company made up 2.55%, M&T Bank Corp. made up 2.23%, Fidelity National Information Services, Inc. made up 3.23%, Silicon Valley Bank, Credit Suisse, Signature Bank, and Samsung Electronics Co. Ltd made up 0.00% of the Touchstone Value Fund. Current and future portfolio holdings are subject to change.

Fund Facts *(As of 03/31/23)*

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	**$493.9 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 03/31/23)*

	1Q23	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-2.73%	-2.73%	-5.69%	20.27%	8.16%	9.12%	8.23%
C Shares	-2.87%	-2.87%	-6.35%	19.33%	7.38%	8.46%	7.58%
Y Shares	-2.75%	-2.75%	-5.42%	20.56%	8.46%	9.40%	8.50%
INST Shares	-2.62%	-2.62%	-5.19%	20.76%	8.61%	9.56%	8.60%
R6 Shares	-2.61%	-2.61%	-5.19%	20.70%	8.53%	9.43%	8.52%
Benchmark^	1.01%	1.01%	-5.91%	17.93%	7.50%	9.13%	7.66%
Including Max Sales Charge							
A Shares	-7.60%	-7.60%	-10.37%	18.26%	6.89%	8.47%	7.97%
C Shares	-3.84%	-3.84%	-7.23%	19.33%	7.38%	8.46%	7.58%

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.***

[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.

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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