

## Fund Manager Commentary

As of March 31, 2024

### 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

Style factors across the asset class created a mixed backdrop for the Fund during the quarter. Within the Russell Mid Cap Value Index, the highest volatility quintiles again outperformed the lowest quintiles. The lowest price to earnings quintiles outperformed higher valuation quintiles, and non-earners performed the worst. Within return-on-equity (ROE) quintiles, companies with the highest ROE notably outperformed the rest of the group. Stocks with the largest market capitalizations outperformed smaller caps and stocks with dividends outperformed those with no yield. Also within the benchmark, the best-performing sectors were Industrials, Energy, and Financials. Communication Services, Real Estate, Health Care, and Information Technology (IT) notably underperformed.

### Portfolio Review

The Touchstone Mid Cap Value Fund (Class A Shares, Load Waived) underperformed its benchmark, the Russell Midcap® Value Index, for the quarter ended March 31, 2024.

During the quarter, the Fund's portfolio outperformed its benchmark as the market declined in January. But lagged as the rally began during February, and slightly outperformed during March.

The Fund's portfolio outperformed on a relative basis in six of eleven sectors. Real Estate, Energy, Health Care, and Financials were the strongest sectors while performance was the weakest in Materials, Consumer Staples, and Industrials.

Strong performance amongst Energy sector holdings positively contributed to relative performance. Permian Resources Corp. was the largest contributor and benefitted from merger synergies and the rising price of oil. ChampionX Corp. was another strong

contributor. The oilfield services company rallied after committing to return more capital to shareholders on its quarterly earnings call, along with a demand outlook that showed stabilization for its products.

In the Health Care sector, strong stock performance among the Fund's holdings helped to offset the shortfall from the overweight to the sector. The leading contributor to our portfolio was the outpatient services company Encompass Health Corp. The company reported stronger than expected volumes and moderating wage pressure, driving margin expansion. Health Care distributor Cencora Inc. raised its 2024 outlook, driven by better volumes and lower operating expenses. Laboratory Corp. of America Holdings was a detractor to performance as testing volumes for respiratory illness fell below expectations.

A trio of insurance stocks boosted relative returns in the Financials sector allocation. Progressive Corp. was the portfolio's strongest contributor and outperformed in price increases, moderating loss costs, and weather benefits. Allstate Corp. traded higher on rate increases in several large states. Reinsurance Group of America benefitted as their new CEO raised return targets for the business from prior management's expectations.

Akamai Technologies Inc. was the largest detractor in the IT sector. Management at the software company guided the new year conservatively, as they typically do, but numbers were below investor expectations. Keysight Technologies Inc. also lagged due to soft guidance for the new fiscal year. The company is beginning to see bookings stabilize, but the turn higher remains elusive for now.

The Industrials sector underperformed during the quarter. Business process outsourcing company, Genpact Ltd., lagged as a new management team issued conservative guidance amid weaker

*(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](https://TouchstoneInvestments.com/mutual-funds).**



discretionary IT spending. On the positive side, defense services company Leidos Holdings Inc. outperformed on better-than-expected margins and cash flow performance. Regal Rexnord Corp. was another positive in the sector. The motion control company reported stronger than expected results and offered guidance better than sell side assumptions.

Underperformance in the Consumer Staples sector was concentrated in two holdings, Darling Ingredients Inc. and Treehouse Foods Inc. Darling, a global rendering company, declined to provide guidance on its earnings report as recent volatility in fat prices has clouded the near-term outlook. Private label foods company Treehouse, has experienced earnings headwinds from production issues at one of its large broth facilities, resulting in significant extra costs to serve customers as it upgrades the plant.

The Materials sector was the largest detractor to performance during the quarter. The recent merger of Livent and Allkem resulted in a new company, Arcadium Lithium plc. The stock underperformed as the shareholder base consolidated and lithium prices experienced an accelerated decline before stabilizing late in the quarter. Berry Global Group Inc. disappointed investors with the decision to merge and spin off its health care and hygiene business with Glatfelter rather than sell the segment outright.

As we enter the second quarter, our largest relative overweight allocations are in the Consumer Staples and Health Care sectors. We are notably underweight in the Real Estate sector. These exposures are driven by the opportunity set we see in each sector. During the quarter we initiated positions in Diamond Back Energy (Energy sector), Gentex Corp. (Consumer Discretionary sector), and Humana (Health Care sector). We exited positions in Digital Realty Trust (Real Estate sector) and Pioneer Natural Resources (Energy sector).

### Outlook and Conclusion

The market continues to be opaque with abundant cross currents. Expectations for lower interest rates have stalled as inflation continues to persist in certain areas of the economy. The health of the consumer continues to be variable with shifts in purchasing behavior across the income spectrum and for many an increasing reliance on credit. Past election cycles have resulted in tentative consumer spending patterns and given the current political situation, expecting something similar to occur, is practical. The coming wave of debt refinancing in the office real estate market has some investors worried about tangential effects on the financial system. Elevated debt levels are proving to be an outsized burden for many companies given higher interest rates, but it is also reasonable to assume the market has seen peak rates this cycle. Labor availability is improving but there are signs capital spending and commercial construction are coming headwinds. The Federal Reserve continues to play a critical role, balancing between stemming inflation and stopping the economy.

Amid these market dynamics, we continue to hold 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**

| Class                    | Inception Date         | Symbol | CUSIP     | Annual Fund Operating Expense Ratio |       |
|--------------------------|------------------------|--------|-----------|-------------------------------------|-------|
|                          |                        |        |           | Total                               | Net   |
| A Shares                 | 09/30/09               | TCVAX  | 89155H413 | 1.51%                               | 1.24% |
| C Shares                 | 09/30/09               | TMFCX  | 89155H397 | 2.38%                               | 1.99% |
| Y Shares                 | 09/30/09               | TCVYX  | 89155H371 | 1.20%                               | 0.99% |
| INST Shares              | 09/30/09               | TCVIX  | 89155H389 | 0.97%                               | 0.86% |
| <b>Total Fund Assets</b> | <b>\$832.0 Million</b> |        |           |                                     |       |

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 01/29/25. Share class availability differs by firm.

**Annualized Total Returns**

|                            | 1Q24  | YTD   | 1 Year | 3 Year | 5 Year | 10 Year | Inception |
|----------------------------|-------|-------|--------|--------|--------|---------|-----------|
| Excluding Max Sales Charge |       |       |        |        |        |         |           |
| A Shares                   | 8.14% | 8.14% | 16.45% | 5.80%  | 9.79%  | 8.01%   | 10.63%    |
| C Shares                   | 7.92% | 7.92% | 15.53% | 5.00%  | 8.97%  | 7.37%   | 10.18%    |
| Y Shares                   | 8.21% | 8.21% | 16.75% | 6.06%  | 10.07% | 8.28%   | 10.91%    |
| INST Shares                | 8.24% | 8.24% | 16.86% | 6.20%  | 10.21% | 8.43%   | 11.07%    |
| Benchmark                  | 8.23% | 8.23% | 20.40% | 6.80%  | 9.94%  | 8.57%   | 11.59%    |
| Including Max Sales Charge |       |       |        |        |        |         |           |
| A Shares                   | 2.75% | 2.75% | 10.63% | 4.00%  | 8.68%  | 7.37%   | 10.18%    |
| C Shares                   | 6.92% | 6.92% | 14.53% | 5.00%  | 8.97%  | 7.37%   | 10.18%    |

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 Index

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](https://www.touchstoneinvestments.com/mutual-funds).** From time to time, the investment adviser may waive some fees and/or reimburse expenses, which if not waived or reimbursed, will lower performance. Performance by share class will differ due to differences in class expenses. Returns assume reinvestment of all distributions. Returns are not annualized for periods less than one year.

**Top 10 Equity Holdings of Fund**

|   | (% of Portfolio)     |     | (% of Portfolio) |                           |     |
|---|----------------------|-----|------------------|---------------------------|-----|
| 1 | Regal Rexnord Corp.  | 2.8 | 6                | Ameriprise Financial Inc. | 2.1 |
| 2 | Allstate Corp.       | 2.7 | 7                | LKQ Corp.                 | 2.1 |
| 3 | Clean Harbors, Inc.  | 2.6 | 8                | AerCap Holdings NV        | 2.0 |
| 4 | Cencora Inc.         | 2.3 | 9                | Encompass Health Corp.    | 2.0 |
| 5 | Leidos Holdings Inc. | 2.2 | 10               | Global Payments, Inc.     | 2.0 |

Source: BNY Mellon Asset Servicing

The 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.

The Frank Russell Company (FRC) is the source and owner of the data contained or reflected in this material and all trademarks and copyrights related thereto. The material may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a Touchstone Investments presentation of the data, and FRC is not responsible for the formatting or configuration of this material or for any inaccuracy in the presentation thereof.

**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 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. The Fund's service providers are susceptible to cyber security risks that could result in losses to a Fund and its shareholders. Cyber security incidents could affect issuers in which a Fund invests, thereby causing the Fund's investments to lose value. 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.

Touchstone Funds are distributed by Touchstone Securities, Inc.

A registered broker-dealer and member FINRA and SIPC

Touchstone is a member of Western & Southern Financial Group

Not FDIC Insured | No Bank Guarantee | May Lose Value

