

Fund Manager Commentary

As of March 31, 2024

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 2024 quickly took off from the starting line, adding another consecutive quarter of double-digit equity returns for the S&P 500 and the best start to a year since 2019. A combination of continued hope for central bank rate cuts and declining fears over a recession fueled the global equity rally. Markets made new all-time highs not only in the U.S., but across Europe and Japan as well. While the top-level index returns were strong, under the hood, much of those gains were driven by a narrow handful of high momentum and mega-tech companies. Although some modest broadening occurred, the concentrated nature of the markets continued to reach greater extremes as the weight of the highest momentum stocks in the S&P 500 reached new all-time highs—eclipsing prior speculative peaks of COVID, the 1999-2000 dotcom, and even the Nifty Fifty of the 1970s. Buoyed in part by the euphoria for artificial intelligence (AI), this small cohort continued to drive the overall U.S. (and global) indices even as most stocks have not kept pace with the torrid move higher to start the year.

Economic data also started the year strong, with a string of upside surprises in the data. GDP for the fourth quarter of 2023 was strong and non-farm payrolls were up in January, accelerating into February. Investors and the U.S. Federal Reserve (Fed) took notice; the yield on the 10-year U.S. Treasury rose this quarter, after having fallen late last year, in part due to the greater reliance on the Treasury Department to fund the deficit using short-term bills. Hopes from investors, and the Treasury, for six rate cuts as the year began were halved with inflation concerns reducing those forecasts to three. While reduced, there remains a fair amount of disagreement from the Fed concerning the future path of rates.

The timing of rate cuts has clearly been pushed back and the number of cuts lowered, however, the “soft landing/no landing” narrative remains a pillar supporting the bullish move in risk assets—none riskier than Bitcoin, which made new all-time highs along with gold during the quarter.

Portfolio Review

The Touchstone Value Fund (Class A Shares Load Waived) outperformed its benchmark, the Russell 1000® Value Index, for the quarter ended March 31, 2024.

The market built on last quarter's strong rally as it continued pushing higher during the first quarter of the year. The Magnificent 7 returned as a significant market driver, only eclipsed by high momentum stocks that skewed towards sectors positively exposed to traditional growth stocks. However, this paradigm began to shift on February 9 after Fed Chairman Jay Powell announced that rates may not fall as quickly as the market expected, leading to fewer predicted rate cuts. Within this environment, the portfolio outperformed the benchmark, but trailed more growth-oriented indices like the S&P 500. The primary relative contributor to performance was stock selection within the Industrials, Information Technology, and Financials sectors. An overallocation to the Energy sector also boosted performance as oil prices rose towards the end of the quarter. Stock selection within the Consumer Discretionary, Consumer Staples and Communication Services sectors detracted from relative performance. An underallocation to the Financials sector also detracted from relative performance. Below is a discussion on key drivers of performance for the first quarter.

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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.**



Within the Industrials sector, Vertiv Holdings Co. contributed positively to relative performance during the quarter due to continued bullish sentiment surrounding AI stocks and positive quarterly results. As a leading supplier of cooling equipment, power solutions, 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, and delivering on operational improvements and greater free cash flow conversion. Backed by sustainable growth in their end markets, Vertiv remains well positioned for future earnings growth.

Amongst the Information Technology holdings within the Fund's portfolio, Broadcom Inc. positively contributed to relative performance during the quarter after reporting strong results that beat expectations. The company is a global technology leader that designs, develops, and supplies semiconductor and infrastructure software solutions. Earnings per share beat expectations as the software segment outperformed and buybacks were greater than expected. The AI component of the business is running ahead of plan and should account for 35% of the overall semiconductor business by the end of the year. The company continues integrating recently acquired VMWare, which could provide long-term upside surprises, even if it causes some quarter-to-quarter volatility as the integration proceeds.

Within the Financials sector allocation, Fidelity National Information Services, Inc. contributed positively to relative performance in the quarter as they closed the Worldpay sale, reported strong earnings, and started to repurchase a material number of shares. Despite the outperformance, the stock still trades at 15 times next year's earnings, a sizeable discount to the market despite a historical premium. We remain confident positive momentum in the business will continue and the stock will re-rate higher. The company also pays an above-market dividend with a yield of 2%.

Allstate Corporation (Financials sector) contributed positively to relative performance during the quarter again as the profit normalization component of the thesis continues to unfold. During the fourth quarter, Allstate reported excellent results with earnings of \$5.82 per share, which exceeded some of the highest expectations on the street. Limited catastrophe losses, strong pricing gains, and a decline in overall inflation loss cost trends have all contributed to the improved profitability at the company. We expect continued improvement in the company's earnings, growing to approximately \$12.50 in 2024 and normalizing in 2025 around \$17 per share. While the stock has performed strongly, we still view the valuation as attractive trading approximately 10 times normalized earnings with a 2.1% dividend yield.

Within the Fund's Health Care sector exposure, UnitedHealth Group Incorporated detracted from relative performance in the quarter as the managed health care industry continues to suffer from higher utilization rates, especially within the Medicare Advantage segment. While UnitedHealth will be able to re-price that higher, normalizing that segment of the business will take two to three years. In addition, the company is facing an anti-trust investigation which damaged investor confidence in their overall position as a top operator. However, UnitedHealth remains

diversified with commercial, Medicare, Medicaid, and Optum – which also provides data analytics. The company currently trades at 16 times forward earnings with a dividend yield of 1.7%.

Within the Real Estate sector, VICI Properties Inc. detracted from relative performance in the quarter due to pressure from higher interest rates, which have weighed on the entire Real Estate sector. VICI Properties' model remains durable and intact, as they continue to fully collect rent from their tenants and seek out new opportunities. The valuation remains attractive at 13 times next year's Price to Adjusted Funds from Operations (AFFO) with a dividend yield of 5.7% for a business that can grow AFFO per share in the mid-single digits annually for the next several years.

CRH plc (Materials sector) positively contributed to relative performance for the second quarter in a row after the company relisted in the U.S. The company performed well, beat earnings expectations, and issued 2024 guidance 8% higher than consensus, which indicates 14% growth. Most of the growth is coming from pricing as the aggregates, cement, and asphalt divisions all positively contributed to earnings growth. The company has a solid balance sheet and trades at 16 times forward earnings with a dividend yield of 1.6%.

Air Products and Chemicals, Inc. (Materials sector) detracted from relative performance in the quarter after missing earnings estimates and slowing down guidance as the demand growth rate for renewables starts to slow. There were some idiosyncratic end market issues that other specialty chemical companies faced, but the company still grew earnings during the quarter. Overall, the company remains a best-in-class operator, and the stock price began recovering at the end of the quarter on hopes of increased visibility on long-term contracts for underway projects. Overall, the company still has a large backlog of projects that should fuel future growth and is trading near a trough valuation multiple of 18 times forward earnings while paying a dividend yield of 3%.

Aptiv plc (Consumer Discretionary sector) detracted from relative performance in the quarter on continued weakness in U.S. electric vehicle (EV) sales, which has damaged sentiment. Aptiv reported strong earnings and guided for strong earnings growth despite concerns about the long-term growth rate of EVs. Aptiv provides integrated power management solutions, which as a whole use less power, adding to EV efficiency, and improving their range, a key selling point to the end consumer. However, the company is more diversified and stands to benefit as auto manufacturers' production normalizes and increasingly demand their solutions for electrical systems, safety, and autonomous vehicles. The valuation remains attractive at 12 times forward earnings as the company continues to grow in a cyclical industry that should reaccelerate.

Lithia Motors, Inc. (Consumer Discretionary sector) detracted from relative performance in the first quarter on slightly weaker than expected gross profit margin results, due to normalizing new car gross profit per unit. The market remains myopically focused on this unit margin (admittedly elevated post COVID), while ignoring volume growth and additive contributions by finance & insurance and parts & service penetration. Despite a softer quarter, we see multiple avenues to earnings growth. We believe the approximate 9 times 2024 earnings per share multiple undervalues higher normalized earnings and future free cash flow generation.

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Outlook and Conclusion

As the year began, investor expectations were for six rate cuts from the Fed. That now stands at just three for 2024. The more things change, the more they stay the same—in this instance: after failing to call the ceiling for rates, now investors have overestimated the potential for rate cuts in short order. The path of interest rates remains incredibly challenging to forecast given the shifting dynamics at play. Most of the last decade and a half, since the '08-'09 Global Financial Crisis, has been dominated by the central banks and their ultra-low interest rate policies. Fed Chairman Jerome Powell kicked off the normalization with the fastest rate hiking cycle in history in 2022; however, as quickly as “higher for longer” entered the lexicon of investors, it was replaced by “soft landing” and debates over rate cuts. The newest wrinkle is that the fiscal side of the ledger is driving this most recent bit of uncertainty.

Faced with higher rates, most borrowers have adjusted to the current environment. First to feel the rising rates, corporations have increased their cost of capital assumptions as they evaluated future capital projects or refinanced their borrowings. For the first time in more than a decade, money was no longer free and marginal projects may no longer make the cut. Consumers also adjusted, feeling the pinch from higher mortgage rates though finding some offset by being able to earn a positive return on their savings for the first time in many of their adult lives. Investors, both institutional and individual, have also taken notice and shifted some of their allocations into the now more attractive bond and money markets. The last to take notice may be the U.S. government.

Over the last 18 months, government spending, funded by increased debt, has significantly widened the already large deficit. The upcoming election in November has enticed politicians on both sides of the aisle to spend now to try and garner additional support at the ballot box. While positive for the consumer and economy, this comes at an increasingly expensive cost with interest rates where they are today. The total amount of fiscal stimulus from 2022 is larger than the \$1 trillion dollar reduction in the Fed's balance sheet from quantitative tightening. Even more surprising, direct government spending is contributing more to growth today than during the COVID-19 pandemic, where most of the programs undertaken were transfer payments. All this spending comes at a growing cost, as the interest burden on the U.S. continues to climb and the deficit widens. While the details may differ, both parties are likely to continue to fund their initiatives and priorities via the deficit. Time will tell whether ultra-low interest rates were anomalous, when compared to long-term historical levels, or the new normal. If indeed past spending must be paid for, markets may want lower rates, but the global economy may not warrant them. Governments may want lower borrowing costs, but their spending is contributing to the problem of inflation. The question remains what will emerge as the new normal in terms of levels of interest rates and inflation.



Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				Total	Net
A Shares	07/31/03	TVLAX	89154X468	1.12%	1.08%
C Shares	04/12/12	TVLCX	89154X450	2.05%	1.83%
Y Shares	09/10/98	TVLYX	89154X443	0.88%	0.83%
INST Shares	12/20/06	TVLIX	89154X435	0.80%	0.68%
R6 Shares	10/28/21	TVLRX	89154M876	0.91%	0.63%

Total Fund Assets \$555.1 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 10/29/24.

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	9.62%	9.62%	24.87%	9.02%	11.51%	9.24%	8.84%
C Shares	9.46%	9.46%	23.91%	8.20%	10.69%	8.58%	8.21%
Y Shares	9.72%	9.72%	25.25%	9.30%	11.83%	9.52%	9.12%
INST Shares	9.71%	9.71%	25.31%	9.44%	11.97%	9.68%	9.21%
R6 Shares	9.81%	9.81%	25.47%	9.49%	11.94%	9.58%	9.14%
Benchmark	8.99%	8.99%	20.27%	8.11%	10.32%	9.01%	8.13%
Including Max Sales Charge							
A Shares	4.17%	4.17%	18.65%	7.16%	10.37%	8.60%	8.59%
C Shares	8.46%	8.46%	22.91%	8.20%	10.69%	8.58%	8.21%

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

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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

	(% of Portfolio)		(% of Portfolio)
1 Vertiv Holdings Co.	4.8	6 Elevance Health Inc.	3.0
2 Broadcom Inc.	3.7	7 Las Vegas Sands Corp.	2.9
3 Fidelity National Information	3.6	8 Merck & Co. Inc.	2.8
4 Qualcomm, Inc.	3.1	9 Air Products & Chemicals, Inc.	2.7
5 Comcast Corp.	3.0	10 CRH PLC	2.7

Source: BNY Mellon Asset Servicing

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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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

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.



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