

Fund Manager Commentary

As of June 30, 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 benefited performance during the quarter. Within the Russell Midcap® Value Index, the lowest volatility quintiles outperformed those with the highest volatility. The performance of stocks with larger market caps outperformed stocks with smaller cap stocks. Within return on equity, the highest quintiles notably outperformed the lowest. Stocks with high dividends outperformed those with low or no yields. Companies with lower balance sheet leverage outperformed those with higher levels of debt financing.

Within the Index, Utilities, and Financials materially outperformed the overall return for the Index. The largest underperformers were Health Care and Consumer Discretionary.

Portfolio Review

The Touchstone Small Cap Value Fund (Class A Shares, Load Waived) underperformed its benchmark, the Russell 2000® Value Index, for the quarter ended June 30, 2024.

The portfolio's stock selection was positive during the quarter but did not fully offset negative sector allocation. Five of eleven sectors had positive attribution in our portfolio, led by Health Care, Industrials, and Consumer Discretionary. The largest detractors by sector included Information Technology (IT), Financials, and Materials.

The Health Care sector was the portfolio's best performer in the period helped by the ongoing underweight to biotechnology stocks. Biotech has grown over time to become a significant portion of the Index, and outcomes are typically too binary to fit within our investment process. Globus Medical was a notable contributor in the period. The medical device company is integrating its acquisition of NuVasive faster than anticipated, realizing strong synergies between the two organizations.

Outpatient services provider Encompass Healthcare reported stronger than expected volumes and moderating wage pressure, driving margin expansion. Medical testing company QuidelOrtho Corp. declined as their new CEO pulled guidance and pointed to the low end of the prior commentary. The stock also came under pressure late in the quarter as its largest shareholder reduced its position. Integra LifeSciences, which manufactures products used in skin reconstruction and neurosurgery, traded lower on continued issues at an important production facility and a CEO transition.

Clean Harbors led the performance in the Fund's Industrials sector allocation. The environmental services firm raised its annual guidance expectations, driven by strong volumes and pricing in its incineration and landfill business. Defense contractor CACI International also raised its full year guidance and continued to report strong bookings, moving the stock higher. Valmont Industries outperformed as irrigation sales are beginning to stabilize following a difficult 12-month period. Regal Rexnord was the portfolio's largest detractor. Softer end market conditions in some industrial markets and an elevated debt load sparked a sell-off in the stock. Azek Co. sold off late in the quarter as housing and consumer stocks weakened on macro sentiment.

Convenience store operator Murphy USA, in the Fund's Consumer Discretionary sector allocation, continued to outperform and was the portfolio's largest single contributor in the period. The company continues to execute well, maintaining high fuel margins and driving traffic inside the stores for discretionary purchases.

The Real Estate sector was a modest contributor in the quarter. National Storage Affiliates outperformed after announcing structural changes at an industry conference that will be accretive

(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.**



and align the company closer to industry practices increasing the likelihood of merger and acquisition. Agree Realty Corp., a new purchase in the quarter, reported a strong first quarter and guided better results for the remainder of the year following the outperformance of recent acquisitions.

Weaker stock performance in the Fund's Materials sector allocation led to an overall detractor from relative performance. The weakest performer was O-I Glass. O-I reduced its annual guidance as industry destocking has taken longer to resolve than expected. The company is also beginning to see consumers trade away from premium products that over index to glass packaging.

The IT sector was the portfolio's largest relative performance detractor during the quarter. Viavi Solutions continues to experience broad-based softness in the telecommunications industry, which has reduced demand for its testing products. Semiconductor company Silicon Laboratories underperformed. The company continues to see inventory destocking across its distribution channels, muting near term earnings until conditions return to normal. Lumentum Holdings was a bright spot in the sector. The optical solutions company has been managing through an inventory correction across its channels and indicated destocking may be coming to an end.

As we ended the second quarter, our largest relative overweight position is the Industrials sector. We are notably underweight in the Financials, Real Estate, and Energy sectors. These exposures are driven by the opportunity set we see in each sector and by the recent Russell Index rebalance.

Outlook and Conclusion

The current market outlook is unchanged from recent history. Crosscurrents are abundant. Geopolitical strife continues to be an issue globally. Many investors continue to believe in the possibility of a "Goldilocks" or soft-landing scenario, but inflation expectations have continued to hold and the unemployment rate is slowly ticking higher. Consumer spending is noticeably choppy across most of the income spectrum and recent election cycles have led to consumer angst and lower spending. 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.

Amid these market dynamics, we continue to hold fast 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, and 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	03/01/11	TVOAX	89155T821	1.53%	1.40%
C Shares	03/01/11	TVOCX	89155T813	5.19%	2.15%
Y Shares	03/01/11	TVOYX	89155T789	1.26%	1.15%
INST Shares	03/01/11	TVOIX	89155T797	1.20%	1.00%
Total Fund Assets	\$191.1 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 1.38% for Class A Shares, 2.13% for Class C Shares, 1.13% for Class Y Shares and 0.98% 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

	2Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-4.16%	0.09%	7.68%	2.45%	8.02%	5.16%	8.18%
C Shares	-4.33%	-0.31%	6.86%	1.68%	7.22%	4.54%	7.56%
Y Shares	-4.10%	0.20%	7.93%	2.70%	8.29%	5.43%	8.35%
INST Shares	-4.06%	0.26%	8.11%	2.85%	8.48%	5.59%	8.44%
Benchmark	-3.64%	-0.85%	10.90%	-0.53%	7.07%	6.23%	7.81%
Including Max Sales Charge							
A Shares	-8.96%	-4.92%	2.29%	0.71%	6.92%	4.54%	7.89%
C Shares	-5.29%	-1.30%	5.86%	1.68%	7.22%	4.54%	7.56%

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 2000® 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.

The performance presented for Class A, C, Y and INST Shares combines the performance of a predecessor class of shares (Z Shares). Class Z Shares inception date was 03/04/02. Class Z Shares were merged into Class A Shares on 06/10/11.

Top 10 Equity Holdings of Fund

	(% of Portfolio)		(% of Portfolio)
1	Prestige Consumer Healthcare Inc.	2.2	
2	Encompass Health Corp.	2.2	
3	Wintrust Financial Corp.	2.2	
4	Murphy USA Inc.	2.1	
5	Clean Harbors, Inc.	2.1	
6	ITT Inc.	2.0	
7	Permian Resources Corp.	2.0	
8	Portland General Electric Co.	1.9	
9	EMCOR Group, Inc.	1.9	
10	Civitas Resources Inc.	1.9	

Source: BNY Mellon Asset Servicing

The Russell 2000® Value Index measures the performance of those Russell 2000 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 small-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

