Fund Manager Commentary

As of June 30, 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

Looking back at the second quarter of 2024, new all-time highs for the S&P 500 and NASDAQ Composite masked a much cloudier picture below the surface. Headline returns in the second quarter for the S&P 500 and the NASDAQ were strong but were once again driven by a very narrow group of mega-cap technology stocks. In fact, the quarter saw the fewest stocks beating the broader index, just three out of 10, one of the worst readings in the last 35 years. Similarly, other areas of the market were also weaker, including value stocks and small caps, which declined. In this environment, the Fund outperformed the Russell 1000 Value Index while trailing the more concentrated, growth-oriented S&P 500. Interestingly, earnings have followed a similar pattern to returns with the earnings growth of names like Nvidia overshadowing the broader moderation of corporate earnings growth taking place, perhaps due to the lagged effects of the monetary tightening cycle finally appearing.

No one would be happier with such an outcome than U.S. Federal Reserve (Fed) Chairman Jerome Powell. There was a meaningful, hawkish repricing that took place in the quarter as additional rate cuts were removed from estimates and now stand at just one or two between now and year-end. The continued strength of the labor market has contributed to inflation remaining stubbornly above target levels. Many of the Federal Open Market Committee members continue to reiterate their view that current monetary policy is appropriate and further moderation of incoming data could require rate cuts. The most recent core Consumer Price Index Less Food and Energy for June came in at 3.3%, the lowest level since April 2021. However, other consumer data points are more alarming with weaker retail sales and consumer confidence rolling over.

The murkier economic forecast aligns with the developments on corporate profits, whereby excluding the Magnificent 7 names, the remaining S&P 500 constituents actually saw a modest decline of 1.75% in their year-over-year earnings. Sector performance was skewed to the downside, as just 3 sectors outperformed the broader index: Information Technology (IT) and Communication Services rose on the back of the Magnificent 7 and Utilities gained on hopes of growing power demand fueled by artificial intelligence (AI)-related data center development. Cyclical areas took the brunt of the pain in the quarter: Materials, Industrials, and Energy were the worst performers on concerns of slowing economic conditions. Should this continue to spread, valuation multiples remain at risk of being compressed as growth projections are reigned in. Much of the growth being forecast into the next year comes from just a few of these mega-cap leaders in the current market. Those companies are likely the most impactful in terms of top-level index returns and estimates given their size.

Portfolio Review

The Touchstone Value Fund (Class A Shares, Load Waived) outperformed its benchmark, the Russell 1000 Value Index, for the quarter ended June 30, 2024.

The broad market pushed higher as the bifurcation between Growth and Value stocks became more pronounced, with the Magnificent 7 a significant market driver of Growth's outperformance. The portfolio outperformed the benchmark even though it trailed more growth-oriented indices like the S&P 500.

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The primary relative contributor to outperformance was stock selection. Positive stock selection within the IT, Communication Services, and Consumer Staples sectors were the primary drivers of relative outperformance. Stock selection within the Energy, Industrials, and Financials sectors detracted from relative performance. Sector allocation impacts were moderately negative but outweighed by positive stock selection. Within the IT sector, 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 continue. The AI component of the business is running ahead of plan and should account for a significant portion of the overall semiconductor business by the end of the year. The company continues integrating recently acquired VMWare, which should provide long-term upside surprises, even if it causes some quarter-to-quarter volatility as the integration proceeds. QUALCOMM Incorporated positively contributed to relative performance during the quarter after reporting numbers ahead of expectations and issuing more positive guidance than others in the semiconductor industry. This commentary tamped down fears surrounding the handset industry, a key end market. The company engages in developing and commercializing foundational technologies and products used in mobile devices and other wireless products. The company is benefitting from an Android recovery in the high-end handset segment, a content gain with Apple, in addition to automotive content gains. Qualcomm is executing well and has potential tailwinds from new PC products, Wi-Fi 7, AI phones, and RF modem integration.

Within the Communication Services sector, Alphabet Inc. Class A positively contributed to relative performance during the quarter after the company had solid top-line beats in its three major business segments: Google Search, YouTube, and Cloud. The company reported higher revenue along with better costs and capital allocation, which came in the form of $15.7B in buybacks representing more than 2% of the shares outstanding. The growth in the search segment was important given fears about generative AI causing a disintermediation in the search business, in which Alphabet is dominant. Shares remain attractively valued, below the market.

Among the Consumer Staples sector holdings, Philip Morris International Inc. positively contributed to relative performance and from the prior quarter as some of the uncertainty surrounding one of its oral nicotine products in the U.S. subsided. Frequent political and regulatory noise is routine for the industry and always difficult to time. We are pleased to see that the market re-focused on the company's large competitive moat and business fundamentals. Philip Morris remains attractive due to its position as a leader in a smoke-free future, which makes long-term prospects for the business compelling. With limited current revenues from the U.S., we expect that the launch of Philip Morris's IQOS device in the U.S. over the next 2 years should subsequently drive significant profitability and multiple expansion.

In the Materials sectors, CRH plc detracted from relative performance during the quarter following two strong quarters after the company relisted in the U.S. The company performed slightly ahead of expectations and reiterated its 2024 guidance from last year. The company has a solid balance sheet with little leverage.

Within the Health Care sector, Avantor, Inc. detracted from relative performance during the quarter after the company shared cautious commentary with respect to a second half bioprocessing recovery, and industry peers corroborated that uncertainty. Avantor is a vertically integrated supplier to the global life sciences and applied materials industries. While there remains skepticism around the cadence of a short-term recovery in industry volumes, we believe that the company is well positioned to benefit from longer term secular growth in bioprocessing volumes. In addition, the company has several idiosyncratic drivers including a $300M cost-cutting plan that should lead to material earnings growth and margin expansion upon such recovery.

Among the portfolio's Industrials sector holdings, Vertiv Holdings Co. Class A positively contributed 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 while trading at a below-market multiple on forward earnings. J.B. Hunt Transport Services, Inc. detracted from relative performance during the quarter after disappointing quarterly results. The transportation company is suffering from pricing pressures related to the industry's oversupply of trucking capacity resulting from the pandemic. The result has been a utilization rate for intermodal transportation of 80%, compared to a rate typically in the mid-90s. However, this appears to be improving small and less cost-efficient operators exit the market. The company has a strong business model that is still earning money, and it should improve once industry fundamentals correct to more normalized levels. Shares are attractively valued at current levels.

Within the Consumer Discretionary sector, Las Vegas Sands Corp. detracted from relative performance during the quarter as investor sentiment surrounding the recovery in Macau remains poor. For the company specifically, it missed earnings expectations and highlighted construction disruption as a culprit. The recovery in Macau, particularly in the lower-end mass consumer base, has been slower than expected given macroeconomic headwinds in China, which also pressured the stock generally. We remain positive on the stock as recent headwinds appear transitory, and the stock is trading near COVID lows at a very depressed valuation.

Within the Energy sector, Halliburton Company detracted from relative performance over concerns that the global oil field services cycle was coming to an end. This was accentuated by the announcement from Saudi Aramco regarding the cancellation of a major offshore project. However, these concerns appear overblown as global drilling activity continues to increase, especially by non-OPEC members. Halliburton continues to focus on returns and

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profitability with an emphasis on returning cash to shareholders via buybacks. With this, the company is expected to repurchase about $1.2 billion annually in shares, or 1% of the shares outstanding per quarter.

Outlook and Conclusion

As the second half of 2024 begins, uncertainty appears to be the only known quantity. After far more resilient corporate profits (particularly by the mega-cap technology cohort), many sell-side analysts raised their year-end 2024 S&P 500 targets. Reinforced by the recent cooling of inflation and seemingly "Goldilocks" economic environment, they have shrugged off the wall of worries still present. Conversely, investor sentiment according to some recent surveys suggests a more subdued outlook for performance in the back half of 2024 and potential retracement of the strong gains seen so far this year. If the much-anticipated Fed rate cut, singular now, fails to materialize because the economy and labor markets have held up a bit too much, what then? Valuations are stretched, again largely for the Magnificent 7, while the rest of the market looks far weaker, and more suspect should the economy moderate. Lower income consumers appear under pressure with the potential for rising unemployment as companies offset cost pressures with workforce reductions. With such a narrow market sustaining the broader indices, risks clearly remain elevated.

Investors continue to wrestle with many of the same questions today as they have for the last several quarters. It is not lost on the market that there seems to be little resolution to these issues but that does not stop the question from being repeatedly asked: what will cause the narrowness and concentration to end? Generally, investors agree that market breadth needs to broaden, and as it has historically, will likely create a tailwind for value and other asset classes relative to the growth-dominated last few quarters. Harkening back to the last great technology bubble of 1999-2000, it may sound like a refrain, but these types of environments have not historically persisted for long periods of time. What defines a long period can vary—the Nifty Fifty spanned several years from the late 1960s – early 1970s – while the Internet Bubble was shorter at just two years. The outcome is the same. The law of large numbers, much like Father Time, is undefeated as historically there have been limits to growth and profitability for any given business. This time around, the behemoths are highly profitable, well-capitalized (net cash in many cases) businesses with high incremental margins and dominant market positions.

An interesting similarity may be emerging that likens these businesses not to the unprofitable, speculative dotcoms but rather the monopolies and trusts at the turn of the twentieth century. While not discounting the intense competition unfolding and enormous capital spent, and to be spent, on AI, the greatest risk to these might very well come from the government. The overarching intertwinement of these mega-cap giants with individuals' daily lives creates a situation wherein there few, if any, alternatives exist to the main products underlying each of their businesses. The risk becomes that regulation, rather than straight competition, brings an end to their strong fundamental performance. While elections in November continue to create uncertainty, the issue now is far more widespread and on a much larger global scale given the breadth and presence of these trillion-dollar companies outside the U.S. The potential for other countries' regulators to involve themselves is worth noting. Time will tell what caused the reversal, but the subsequent period should see benefits accrue to active managers, particularly active value managers.

The focus at Barrow Hanley is on the individual stocks owned rather than trying to read a crystal ball of macroeconomic predictions, timing the market, or which way the wind will blow in Washington D.C. This important point is worth reiterating as individual stocks can, have, and will continue to outperform broader value benchmarks. The average stock remains far cheaper than the broad index and, moreover, earnings growth for value is accelerating to match the broader market. Investors need to remain cognizant of the risks inherent in the market today from passive investments in indices. In many cases, these indices have a greater concentration in unmanaged positions than most investors would allow their active managers to take. Given the ability to react proactively to dynamic conditions, active managers have the ability to drive differentiated results and may well be better suited to navigate these changes. With more than 40 years of experience in value investing, we have seen similar periods in history to today's market environment. The consistent adherence to our value discipline served us well during those periods. This discipline, which we maintain today, has delivered strong performance across market cycles including helping protect client capital and mitigating potential downside and volatility during periods of market stress.

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	**$544.5 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

	2Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-1.30%	8.20%	16.71%	7.07%	10.30%	8.74%	8.69%
C Shares	-1.51%	7.81%	15.76%	6.25%	9.47%	8.07%	8.08%
Y Shares	-1.31%	8.28%	16.90%	7.33%	10.57%	9.01%	8.97%
INST Shares	-1.20%	8.39%	17.14%	7.49%	10.75%	9.17%	9.07%
R6 Shares	-1.18%	8.51%	17.29%	7.56%	10.71%	9.08%	8.99%
Benchmark	-2.17%	6.63%	13.06%	5.52%	9.01%	8.23%	7.95%
Including Max Sales Charge							
A Shares	-6.26%	2.82%	10.87%	5.26%	9.16%	8.10%	8.44%
C Shares	-2.49%	6.81%	14.76%	6.25%	9.47%	8.07%	8.08%

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

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.*** *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, 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)
1	Fidelity National Information	3.7
2	Qualcomm, Inc.	3.7
3	Air Products & Chemicals, Inc.	3.3
4	Broadcom Inc.	3.2
5	Elevance Health Inc.	3.1
6	Entergy Corp	3.1
7	Vertiv Holdings Co.	2.9
8	Philip Morris International Inc.	2.8
9	Exxon Mobil Corp.	2.8
10	Comcast Corp.	2.7

Source: BNY Mellon Asset Servicing

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.

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