Touchstone Value Fund

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

U.S. Equity – Large-Cap Value 1Q/2025

Fund Manager Commentary

As of March 31, 2025

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, the first quarter of 2025, was the third worst start to a year for the S&P 500 since the Global Financial Crisis 15 years ago. What began optimistically ended with uncertainty, as market euphoria over deregulation and lower taxes promised by the incoming Trump administration was swiftly swept aside by widespread concerns over austerity, inflation, and tariffs. For the broad market, this marked a sharp reversal for the Magnificent 7, which dragged down the S&P 500 Index given the high concentration in those names and leading to a new nickname entering investors' lexicon, the Lag 7. The first quarter saw six consecutive weekly declines for the group of seven, while six out of the seven underperformed the broader S&P 500 in the quarter. Given the magnitude of the run-up leading to stretched valuations coming into this year, this unwind is likely still in its early days. The resulting benefits for broader stocks and their far more reasonable valuations is an important reminder of the benefits of diversification and active management, as 62% of the S&P 500 stocks posted better returns than the Index.

Markets faded the initial positive reaction following Trump's victory in November, as questions arose regarding the flurry of activity since he took office. The combination of austerity in spending, with DOGE leading the charge, and tariffs have weighed heavily on growth forecasts for the coming year while inflation expectations have spiked. In particular, the inconsistent approach and messaging regarding tariffs have elevated uncertainty meaningfully regarding potential for lower growth, even more so than higher inflation. These have combined to crush sentiment in many of the high frequency (i.e., weekly) surveys, including the University of Michigan Consumer Sentiment Index, which came in at 57 for March, down from 70 in December. However, this has not yet shown up in other indicators nor has it manifested itself into initial jobless claims so far, which continue to hover around 225,000 for the last few weeks and are right in line with the pre-pandemic average.

Given the crosscurrents, the U.S. Federal Reserve (Fed) chose to leave rates unchanged for the time being while maintaining its expectation for two future rate cuts in 2025. While the Fed remained on the sidelines, other central banks took a different approach.

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, 2025.

The U.S. equity market optimism of the last couple of years turned more pessimistic this quarter as investors grappled with the question of tariffs and whether euphoric sentiment pushed valuations higher than was warranted by fundamentals. This resulted in the resumption of value leadership during the quarter as growth stocks and cyclicals sold off. By contrast, defensives held up better than cyclicals, and certainly growth, leading value to outperform growth by more than 1,200 basis points (bps). The primary relative contributor to underperformance was stock selection, mostly driven by four higher volatility, cyclical stocks. Positive stock selection within the Consumer Staples, Real Estate, and Utilities sectors were the primary drivers of relative positive performance. Stock selection within the Communication Services, Financials, and Consumer Discretionary sectors detracted from relative performance. Sector allocation impacts were moderately

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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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positive in the aggregate. The underweight to the Industrials sector boosted relative performance, which was offset by an overweight to the Consumer Discretionary sector that struggled from fears of an economic slowdown.

Within the Fund's Consumer Staples sector allocation, Philip Morris International Inc. positively contributed to relative performance during the quarter as the market sought defensive stocks in the current volatile environment. The company's strong earnings and guidance beat expectations, driven by solid performance of its Zyn product in the U.S. and the anticipated approval of IQOS ILUMA, which could unlock another large profit pool. The company's ability to implement significant price increases in combustible products without sacrificing volumes also contributed to its strong results. Additionally, the company saw margin expansion due to higher growth of high-margin products like IQOS and Zyn. The company has been a strong defensive performer while paying a dividend of 3.4%.

Among the Fund's Utility exposure, Entergy Corporation supported relative results during the quarter due to strategic investments and favorable market conditions. The company, which produces, transmits, and distributes electricity, partnered with Kinder Morgan and Golden Pass LNG to develop the $1.7 billion Trident Intrastate Pipeline, enhancing natural gas supply and supporting economic growth in Southeast Texas. Additionally, Entergy focused on grid resiliency with a $137 million investment in storm-resilient infrastructure upgrades in Texas, including underground power lines and transmission line rebuilding. This initiative is part of a broader strategy to improve service reliability and meet increasing demand, partly driven by the rise of artificial intelligence (AI) data centers requiring robust and reliable power supply. Furthermore, Entergy's proposal to recover over $182 million in hurricane recovery fees would help offset repair costs from Hurricane Francine, supporting the company's financial health. The company is well positioned to grow with a dividend yield of 2.7%.

Across the Fund's Energy exposure, Hess Corporation positively contributed to relative performance as the oil exploration and production company beat production expectations. The company's Guyana asset continues to produce profitably, and the company expects its arbitration case with Exxon to conclude within the next six months. If a favorable result is reached on Guyana, the company can conclude its merger with Chevron. If not, the company remains ready and able to operate independently with some of the best production assets in the industry.

Among the Fund's Industrials allocation, Vertiv Holdings Co. detracted from relative performance during the quarter in spite of posting strong earnings and revenue growth. The company, which designs and services critical digital infrastructure for data centers, sold off in unison with other AI related stocks on fears that capital expenditures could be lower than previously expected. This was partly driven by the development of DeepSeek, which claimed to be a much more efficient model requiring less computing power. However, Vertiv continues to grow, driven by robust demand for data center products and services, and many hyperscalers still seem bullish on building out new datacenters. The company trades at a below-market multiple of 19x forward earnings with strong growth and structural tailwinds.

The Fund's Health Care allocation saw Sanofi boost relative performance during the quarter, regaining much of its relative losses from the prior quarter. This recovery was primarily due to the fading concerns around the perceived anti-vaccine posture of some members of the incoming administration in the U.S. Sanofi's product pipeline and core assets, which are progressing well, are crucial for the long-term success of our investment. The company reported more-or-less in-line fourth quarter results, with top-line growth of 10.3% year-over-year, driven by growth assets like Dupixent and other new launches. Despite an 11% year-over-year decline in earnings per share (EPS) due to research and development investments, the pipeline execution has been phenomenal, with important Phase 2 readouts expected in 2025. We continue to believe that the stock is attractively priced at 12x forward price to earnings (P/E) and offers a 3.7% dividend yield. Avantor, Inc. detracted from relative performance during the quarter as excitement around a bioprocessing recovery was met with cautious guidance by the company and peers. In addition, concerns around National Institutes of Health funding cuts weighed on Avantor despite less than 5% exposure to the U.S. academic market. 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, the worst of de-stocking is likely behind us. Sales and earnings are poised to re-accelerate, and the company is well positioned to benefit from longer term secular growth in bioprocessing volumes. The company has several idiosyncratic drivers including a $300 million cost-cutting plan that should lead to material earnings growth and margin expansion in the years to come. In addition, after a recent divestiture, we expect that Avantor will bring down net leverage to less than 3x in the coming quarters. Looking forward, Avantor remains attractive trading at less than 13x normalized earnings against low expectations, despite its superior earnings growth profile.

Within the Fund's Communication Services sector, Alphabet Inc. detracted from relative performance during the quarter as it sold off with the rest of the Magnificent 7 and Communication Services sector. The company's consolidated revenue grew 12%, with search revenue up 13%, YouTube revenue up 14%, and cloud revenue up 30%, though the latter missed expectations by 2%. Despite the cloud miss, operating margins exceeded expectations by 80bps and expanded 500bps year-over-year to 37.9%. Alphabet returned $70 billion to shareholders in 2024, representing 3% of its market capitalization, and showed solid operating expense management with a notable deceleration in stock-based compensation. The company's AI initiatives are benefiting its business across YouTube, cloud, search, and Waymo, supporting its growth outlook. With a dividend yield of 0.5% and a forward P/E of 16.7x, we maintain our conviction in Alphabet due to its durable core search growth, additive growth in YouTube and cloud, and prudent cost management.

The Fund's Financials sector allocation saw American International Group, Inc. (AIG) positively contributed to relative performance during the quarter as the company continued to execute on its turnaround strategy. AIG guided to generating a return on equity in the 10-13% range over the next three years, surpassing expectations, and announced plans to repurchase nearly $7 billion of stock in 2025, which is approximately 12% of its market value.

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The stock remains attractively valued at approximately 1.1x book value, trading at a significant discount to global peers around 1.5x book value. Despite a slight deterioration in the underlying combined ratio to 88.6% from 87.7% last year, overall reserves within its commercial lines remain favorable. Capital return to shareholders remains strong with $1.8 billion in share repurchases this quarter. The stock remains attractively valued on multiple metrics, including a forward P/E of 13.3x, and continues to return capital to shareholders.

Within the Fund's Consumer Discretionary sector allocation, Las Vegas Sands Corp. detracted from relative performance during the quarter as macro trends and investor sentiment on Macau/China remained poor. Las Vegas Sands reported fourth quarter earnings in January, with both Macau and Singapore performing better than expected. However, the recovery in Macau, particularly lower-end base mass where the company has over-exposure, has been slower than expected overall. The stock is trading near COVID lows when Macau was virtually closed and gaming licenses were expiring. Despite this, we remain positive on the stock at the current depressed valuation. The stock is attractively valued with a forward earnings multiple of 13.7x and a dividend yield of 2.2%. Carnival Corporation detracted from relative performance during the quarter despite excellent fundamental trends and a strong quarterly earnings report. The company, which operates cruise lines, reported EPS of $0.13, significantly beating the prior guide and consensus of $0.00 and $0.02, respectively. However, concerns around the macro environment, given Carnival's exposure to consumer discretionary spend and financial leverage, contributed to its underperformance. Additionally, worries that the U.S. government may implement new taxes on the cruise industry further impacted investor sentiment. Despite these challenges, the company raised its fiscal year EPS guidance from $1.70 to $1.83, reflecting confidence in its financial outlook. We find valuation very attractive at 10x forward earnings, and we believe Carnival will make it to the other side of any macro uncertainty without permanent impairment.

Outlook and Conclusion

Looking forward, markets must wrestle with an unusually high degree of uncertainty. If the last five years have prepared investors for anything, it might be for moments like this. The lessons from the COVID pandemic will be needed by active managers as they wrestle with the daily, if not hourly, volatility. The much anticipated Liberation Day is proving the need for that experience—with the announcement and subsequent 90-day pause for most countries providing as many questions as answers. Undertaking a reshaping of the global trade regime, which has been in place since the end of the Cold War and establishment of the World Trade Organization in 1995, is no small feat. However, doing so with an administration that is a self-proclaimed dealmaker is all the more challenging. At any moment, amid the volatility and sell-off, these tariffs could be paused, reduced, restarted, raised, or even entirely offset.

The tariffs, on the surface, would appear to be incredibly punitive to many of the key trading partners of the U.S., which helps explain a pause at a lower baseline for most countries. The potential for these to turn into a full-blown trade war, as appears to be the case between the U.S. and China, has rocked investor paradigms and raised the prospect for a global recession. U.S. growth forecasts were already moderating and now appear far more challenged than just a few short months ago. Inflation is now murkier, with higher costs offset by potentially less demand from consumers and corporations as job losses and belt tightening limit spending. Those waiting for Chairman Powell and the Fed to run in and save the day may have to wait a little longer. Powell's recent comments for patience to see how the tariffs play out did little to assuage the markets. The Fed has most recently been data-driven, which may require some time to capture the impacts here from the tariffs.

Fund Facts

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	2.16%	1.78%
Y Shares	09/10/98	**TVLYX**	89154X443	0.88%	0.83%
INST Shares	12/20/06	**TVLIX**	89154X435	0.81%	0.68%
R6 Shares	10/28/21	**TVLRX**	89154M876	0.79%	0.63%
Total Fund Assets	**$568.8 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, 1.78% 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 10/29/25.

Share class availability differs by firm.

Annualized Total Returns

	1Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-1.37%	-1.37%	5.79%	7.60%	18.11%	9.07%	8.72%
C Shares	-1.47%	-1.47%	5.07%	6.83%	17.21%	8.41%	8.12%
Y Shares	-1.38%	-1.38%	6.02%	7.89%	18.40%	9.35%	9.00%
INST Shares	-1.26%	-1.26%	6.21%	8.06%	18.57%	9.50%	9.09%
R6 Shares	-1.25%	-1.25%	6.26%	8.12%	18.57%	9.43%	9.03%
Benchmark	2.14%	2.14%	7.18%	6.64%	16.15%	8.79%	8.09%
Including Max Sales Charge							
A Shares	-6.28%	-6.28%	0.47%	5.79%	16.92%	8.43%	8.48%
C Shares	-2.46%	-2.46%	4.09%	6.83%	17.21%	8.41%	8.12%

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)
1	Entergy Corp	4.0
2	Exxon Mobil Corp.	3.5
3	Keurig Dr Pepper Inc.	3.5
4	Philip Morris International Inc.	3.4
5	Carnival Corp.	3.2
6	Bank of America Corp.	3.2
7	Fidelity National Information	2.9
8	Air Products & Chemicals, Inc.	2.9
9	UnitedHealth Group Inc.	2.8
10	Qualcomm, Inc.	2.6

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.

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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