

Fund Manager Commentary

As of December 31, 2022

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

An examination of style factors within our asset class results in a mixed backdrop for the Fund in the quarter. Within the benchmark, stocks with the largest market cap outperformed those with the smallest caps, aiding active managers when compared to the index. Stocks with any dividend yield outperformed those without. High beta¹ stocks notably outperformed low beta stocks. Companies in the cheapest price-to-earnings quintile outperformed, along with those in the highest return on equity (ROE) quintile, and those with highly levered balance sheets. Non-earners and the lowest quintile of ROE substantially underperformed.

Within the benchmark, the Materials, Energy, Industrials, and Consumer Discretionary sectors materially outperformed the benchmark. The largest underperforming sectors were Health Care, Communication Services and Information Technology.

Portfolio Review

The Touchstone Small Cap Value Fund (Class A Shares Load-Waived) outperformed its benchmark, the Russell 2000[®] Value Index, for the quarter ended December 31, 2022.

The Fund's outperformance was encouraging given the extent of the market rally. We tend to favor higher quality stocks with defensive attributes, which may lag when the market moves rapidly higher. However, five of eleven sectors positively contributed to the Fund's relative performance. The top contributing sectors were Health Care, Industrials, Consumer Staples and Energy. The largest detracting sectors were Financials, Information Technology and Materials.

The Health Care sector was the Fund's largest contributor, with performance driven by strong selection and an underweight to the

biotechnology industry. Encompass Health Corp. outperformed after spinning out its home health services segment. The company will now focus on its inpatient rehab business. Medical device company Integra LifeSciences Holdings Corp. rebounded following a product recall in the third quarter. Integra exceeded analyst estimates and provided a better than expected outlook for the rest of the year. Healthcare services company Amedisys Inc. was the sector's largest detractor as it continued to face margin pressure from staffing availability and higher wages.

In the Industrials sector, the acquisition of Altra Industrial Motion Corp. by another holding, Regal Rexnord Corp. resulted in the sector's largest contributor. However, the performance of Regal offset some of that contribution as increased leverage from the deal worried investors ahead of a potential recession. We are confident on the long-term thesis for the position, but did reduce the weight given the immediate macroeconomic and debt concerns. Other contributors included Emcor Group Inc. and Valmont Industries Inc. Emcor, a construction services provider, has seen strong demand across several of its end markets. The company is gaining share and management has committed to increased share repurchases. Irrigation manufacturer, Valmont outperformed as demand for its irrigation and infrastructure products remains elevated.

Oilfield services provider ChampionX Corp. was the Energy sector's largest contributor. The company raised guidance and increased its commitment to share repurchases, highlighting strong demand and lower input costs on its quarterly earnings call. Cactus Inc. also outperformed in the quarter. As supply chain issues have dissipated, the wellhead manufacturer has continued taking share with both private and public exploration and production operators.

(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.**



National Storage Affiliates Trust, was the primary detractor in the Real Estate sector. Storage Real Estate Income Trust declined as a group when competitor announced weaker than expected revenue growth during the quarter. National Storage also reduced guidance on its quarterly earnings call as payroll and real estate taxes were trending higher than expected.

The Materials sector was a modest underperformer during the quarter. O-I Glass Inc. was the sectors strongest contributor. The glass packaging company continues to benefit from sold out capacity and strong pricing in its European segment. Livent Corp. was the portfolio's largest detractor. The lithium producer was beset by several issues. Investors are worried that the COVID-19 situation in China will crimp electrical vehicle (EV) production and demand. Industry bellwether Tesla Inc. saw significant price declines, with some of the price movement related to the CEO's other endeavors. Changes in government EV incentives at year end have also created industry volatility.

The Information Technology sector underperformed as Viavi Solutions Inc. and Lumentum Holdings Inc. experienced difficult quarters. Viavi saw reduced demand for its network testing equipment, while Lumentum reduced its fiscal year guidance as datacenter inventory corrections from Apple Inc. and Amazon Web Services (AWS) impacted demand for its optical products.

The Financials sector was hampered by several large detractors during the quarter. Western Alliance Bancorp underperformed as its mortgage business missed expectations and investors focused on the business impact of short rates staying higher for longer. Pinnacle Financial Partners Inc. and First Interstate BancSystem Inc. also underperformed as investors evaluate the impact on funding costs and net interest margins if rates remain elevated at the short end of the curve. BankUnited Inc. underperformed as the bank experienced core deposit outflows.

At the end of the quarter, the Fund's largest relative overweight positions are in the Industrials, Consumer Staples, and Materials sectors. It is notably underweight to the Financials and Real Estate sectors. These exposures were driven by the opportunity set we see in each sector. During the quarter we initiated positions in Old National Bancorp (Financials sector), Independent Bank Corp. (Financials sector), and Premier Inc. (Health Care sector). We exited our position in The Bank of N.T. Butterfield & Son Ltd. (Financials sector). In each case we found better risk/reward opportunities in other holdings.

Outlook and Conclusion

After another turbulent year the outlook for the market continues to be opaque. There are crosscurrents pushing against a market that is down 20% over the last 12 months. Investors are waiting for the lagged effect of the U.S. Federal Reserve Board's (Fed) rapid increase in rates. To date there have been signs of price stabilization: energy, rent, freight, and most base commodities have declined from their peaks, but it will take more time for these declines to flow into lower prices for finished goods. Labor has remained tight, and wages tend to be sticky. Whether the Fed can rein in wages without a significant increase in unemployment is highly debatable. Consumers are still sitting on a relatively high level of personal savings. China is emerging from its COVID-19 induced doldrums, but not without one last disruptive wave of

infections. The extent to which this wave of infections and concurrent reopening will influence inflation and the global supply chain is difficult to predict. The war in Ukraine is nearing its one-year anniversary, and its ultimate duration and ending will have significant repercussions for Europe and the rest of the world. The FTX saga has exposed many cracks in the cryptocurrency market, and the leverage and exposures that lie hidden in that sector evoke comparisons to credit default swaps in the mid-2000s. All of these will affect the direction of the market, but what direction that will be is as difficult as ever to predict.

Despite 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, solid balance sheets, and we continue to rigorously examine downside scenarios for Fund 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 are positioned well for the longer term.

As of December 31, 2022, Encompass Health Corp. made up 1.87%, Integra LifeSciences Holdings Corp. made up 1.55%, Amedisys Inc. made up 0.90%, Altra Industrial Motion Corp. made up 1.29%, Regal Rexnord Corp. made up 1.36%, Emcor Group Inc. made up 1.40%, Valmont Industries Inc. made up 1.69%, ChampionX Corp. made up 1.26%, Cactus Inc. made up 1.25%, National Storage Affiliates Trust made up 1.05%, O-I Glass Inc. made up 1.36%, Livent Corp. made up 1.43%, Viavi Solutions Inc. made up 1.13%, Lumentum Holdings Inc. made up 1.04%, Western Alliance Bancorp made up 1.62%, Pinnacle Financial Partners Inc. made up 1.53%, First Interstate BancSystem Inc. made up 2.21%, BankUnited Inc. made up 1.76%, Old National Bancorp made up 1.41%, Independent Bank Corp. made up 1.60%, Premier Inc. made up 0.82%, and Tesla Inc., Apple Inc., and Amazon.com Inc. made up 0.0% of the Touchstone Small Cap Value Fund. Current and future portfolio holdings are subject to change.

¹ Beta is a measure of the volatility of a portfolio relative to its benchmark.



Fund Facts (As of 12/31/22)

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio*	
				Total	Net
A Shares	03/01/11	TVOAX	89155T821	1.55%	1.38%
C Shares	03/01/11	TVOCX	89155T813	3.71%	2.13%
Y Shares	03/01/11	TVOYX	89155T789	1.26%	1.13%
INST Shares	03/01/11	TVOIX	89155T797	1.25%	0.98%
Total Fund Assets	\$129.3 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 01/29/24. Share class availability differs by firm.

Annualized Total Returns** (As of 12/31/22)

	4Q22	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	10.09%	-8.60%	-8.60%	7.08%	5.18%	7.45%	8.28%
C Shares	9.90%	-9.26%	-9.26%	6.30%	4.41%	6.81%	7.62%
Y Shares	10.15%	-8.38%	-8.38%	7.35%	5.44%	7.72%	8.44%
INST Shares	10.19%	-8.23%	-8.23%	7.55%	5.62%	7.88%	8.53%
Benchmark [^]	8.42%	-14.48%	-14.48%	4.70%	4.13%	8.48%	7.72%
Including Max Sales Charge							
A Shares	4.57%	-13.18%	-13.18%	5.27%	3.95%	6.82%	7.97%
C Shares	8.90%	-10.17%	-10.17%	6.30%	4.41%	6.81%	7.62%

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 Index¹

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**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.

¹The 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.

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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 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, including ETFs, 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. 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.

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