

Fund Manager Commentary

As of December 31, 2023

Fund Highlights

- Invests primarily in common stocks of small companies
- Research intensive approach focuses on finding high quality companies that are believed to have improving business models, solid management teams, sustainable growth potential and favorable industry dynamics
- Quality companies are those that possess the following traits: consistent earnings, reasonable valuations, low debt levels, solid free cash flows and strong management with a history of good capital allocation

Market Recap

The benchmark hit a calendar year low in late October before rallying over November and December. This was a classic rally from oversold levels driven by companies with higher volatility, lower market capitalization, lower return on equity, and no earnings. Small cap future earnings expectations continue to decline, but market valuations expanded driving small cap returns. We believe the rally was in reaction to the market pricing in the end of the inflation and interest rate up-cycle, and market expectations that will translate into better growth and earnings prospects in the future.

For the quarter, the three sectors with the best total return in the benchmark were Financials, Consumer Discretionary and Real Estate. The three worst performing sectors were Energy, Communication Services, and Utilities.

Portfolio Review

The Touchstone Small Company Fund (Class A Shares Load-Waived) underperformed its benchmark, the Russell 2000® Index, for the quarter ended December 31, 2023.

Industrials was our largest sector allocation for the quarter. The sector included two of the portfolio's bottom five detractors in the quarter. WNS Holdings Ltd. is a global provider of business process management solutions. The stock underperformed after lowering their annual revenue and earnings guidance due to a slowdown in demand and a delay in implementing a major new contract. We believe these issues are transitory, as the company continues to have above average growth prospects and we continue to hold the position. KBR Inc. is a global provider of sustainable technology, engineering and logistics solutions to governments and corporations worldwide. The stock underperformed due to delays in implementing a major new contract, which creates uncertainty

around their 2024 and 2025 earnings outlook. We believe the underlying strength of their existing government and sustainable technology contracts warrant continuing to hold the position.

Information Technology was our second largest allocation for the quarter. The sector included one of the portfolio's bottom five detractors in the quarter. CCC Intelligent Solutions Holdings Inc. operates a cloud platform utilized by property and casualty insurance companies, automotive manufacturers, automotive repair shops, and parts supplier. The stock materially outperformed in the third quarter due to operational execution and speculation that a major private equity shareholder was exploring a sale of their position. However, in the fourth quarter, the speculated sale did not come to fruition and the private equity holder completed two secondary offerings in public markets, which pressured the stock price. We remain confident in the fundamental outlook and continue to hold the position.

Health Care was our third largest allocation for the quarter. The sector included one of the portfolio's bottom five detractors in the quarter. R1 RCM is a provider of information technology solutions to health care providers focused on revenue cycle management. We exited the position due to concerns that corporate strategy changes created elevated risk, at the same time the quality of the companies' earnings and free cash flow generation were deteriorating.

Consumer Discretionary was our fourth largest allocation for the quarter. The sector included two of the portfolio's top five contributors in the quarter. TopBuild Corp. is the leading specialty distributor and installer of insulation in the United States. The stock outperformed due to 2023 earnings materially outperforming market expectations. The single-family home new construction market has been much more resilient than feared in a rising interest rate environment as a supply shortage of existing homes drove a shift in demand to new construction in 2023. Additionally, multi-family home new construction surged in response to the

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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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pandemic creating record profits for TopBuild as these projects completed. Steven Madden Ltd. is a global designer of footwear, apparel and accessories sold in department stores, mass merchants and retailers, as well as directly to the consumer through owned ecommerce and retail store operations. The stock outperformed due to the consumer proving more resilient than feared in 2023, which has allowed the company to remain on track for their 2023 earnings targets through the first three quarters of the year. Additionally, there is hope that since their wholesale customers cautiously ordered product below actual retail demand in 2023 that growth could accelerate in 2024 as their wholesale customers return to a more normalized buying pattern.

Financials was our fifth largest sector allocation for the quarter. The sector included two of the portfolio's top five contributors in the quarter. Webster Financial Corp. and F.N.B. Corp. are two regional banks operating in the Northeast and Mid-Atlantic. The stocks outperformed due to a combination of contagion fears receding related to the bank crisis of March 2023 and then the U.S. Federal Reserve Board communicating the rising interest rate cycle was ending and forecasting potential interest rate reductions in 2024. These two dynamics drove material valuation expansion across the bank industry. We retained conviction through the 2023 bank crisis uncertainty in the quality of our bank holdings and were pleased with the fourth quarter contributions.

Outside of our five largest sector allocations, Communication Services allocation positively contributed to returns due to top five portfolio contributor CarGurus Inc., which operates an online automotive platform for dealers to buy and sell vehicles led by their industry-leading listings marketplace. The stock outperformed due to a significant improvement in their 2023 earnings outlook. The company has been successful increasing quarterly revenue per average paying dealer and the market is optimistic a return to more normalized auto industry buying and selling activity will drive continued earnings momentum in 2024.

Lastly, our underweight to Energy for the quarter was a tailwind. However, ChampionX Corp. was one of the portfolios largest detractors. The company is a global leader providing production chemicals and technologies to the oil and gas industry. The stock underperformed due to declining oil and gas prices negatively affecting demand for their products and services and future earnings expectations. We believe that the decline in demand is cyclical and continue to hold the position.

During the quarter, we added PVH Corp. (Consumer Discretionary sector), Apollo Medical Holdings Inc. (Health Care sector) Doximity Inc. (Health Care sector), Albany International Corp. (Industrials sector), and CACI International Inc. (Industrials sector) to the Fund's portfolio.

PVH Corp. is a global apparel company that owns the Tommy Hilfiger and Calvin Klein brands. The company, under new senior leadership, is executing a strategy to strengthen their brand positioning while implementing significant structural improvements to their profit margins and free cash flow generation.

Apollo Medical Holdings Inc. operates an integrated health delivery platform that enables providers to participate in value-based care arrangements. We believe the transition to value-based

care arrangements is a major secular growth dynamic in health care delivery. Apollo Medical is well positioned with their technology and care delivery model to capitalize.

Doximity Inc. operates a leading digital platform for medical professionals enabling them to collaborate with colleagues and coordinate patient care. Major pharmaceutical companies and health systems digitally market to medical professionals on the platform. Digital marketing in health care has the potential to significantly expand over time and we believe Doximity provides a differentiated solution to capture an increasing share of a secular growth market.

Albany International Corp. is a global manufacturer of machine clothing to the paper and packaging industry as well as engineered composites to the aerospace industry. The machine clothing business is low growth but high-margin and high-cash flow, while the engineered composites business has significant growth potential driven by the commercial aerospace cycle.

CACI International is a leading provider of expertise and technology supporting national security missions, government modernization, and transformation in the intelligence, defense, and federal civilian sectors. The company secured large new contract awards over the last year that we believe will accelerate revenue growth and drive double digit earnings growth.

During the quarter, we exited Veradigm Inc. and R1 RCM (both Health Care sector) from the Fund's portfolio.

Veradigm Inc. is a provider of information technology solutions to health care providers. We exited the position due to the company discovering an issue with revenue recognition of software revenue, which will require a restatement of their financial statements and caused a delay in SEC filings.

R1 RCM is a provider of information technology solutions to health care providers focused on revenue cycle management. We exited the position due to concerns that corporate strategy changes created elevated risk at the same time the quality of the companies' earnings and free cash flow generation were deteriorating.

Outlook and Conclusion

Economic growth in 2023 was resilient with Real GDP accelerating from 1.7% in the first quarter to 2.9% in the third quarter and Nominal GDP growing 6%. We expect economic growth to decelerate but remain positive over the intermediate term.

Despite resilient economic growth, small cap earnings expectations have been under pressure for 18 months. In fact, small caps experienced an earnings recession in 2023 with earnings down 15% from inflated 2022 levels. Earnings inflated due to excessive fiscal and monetary stimulus driving demand and spending well above long-term trend. We believe 2024 small cap earnings expectations for 9% growth is optimistic, but we are closer to earnings expectations normalizing than 18 months ago. Inflationary pressures and interest rates are moderating, but the absolute level of prices and rates appear restrictive to growth and corporate earnings.

Small cap valuations have expanded from a trough of 11 times to 14 times, but these levels are still a discount to the 16 times

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average over the last 25 years. Small cap valuations relative to large cap at 0.7 times remain near 25-year lows and small caps as a total of U.S. market capitalization are near a record low of 4% compared to the 7% long-term average. We believe the low relative valuation and percentage of market capitalization creates a favorable risk/return dynamic for small caps for investors with a long-term investment horizon.

As we look forward, we believe modest economic growth, stabilizing earnings expectations, and undemanding relative valuations are constructive to support positive small cap returns in 2024.



Fund Facts (As of 12/31/23)

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				Total	Net
A Shares	03/01/93	SAGWX	89154Q257	1.19%	1.19%
C Shares	07/09/01	SSCOX	89154Q240	2.06%	1.96%
Y Shares	05/04/07	SIGWX	89154Q224	0.98%	0.90%
INST Shares	10/30/17	TICSX	89154Q166	0.96%	0.80%
R6 Shares	12/31/14	SSRRX	89154Q232	0.88%	0.80%
Total Fund Assets		\$996.8 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 1.22% for Class A Shares, 1.95% for Class C Shares, 0.89% for Class Y Shares, 0.79% for Class INST Shares and 0.79% 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 (As of 12/31/23)

	4Q23	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	11.78%	15.71%	15.71%	6.77%	11.70%	8.82%	10.77%
C Shares	11.72%	14.98%	14.98%	6.00%	10.90%	8.18%	10.15%
Y Shares	11.96%	16.19%	16.19%	7.13%	12.00%	9.16%	10.98%
INST Shares	11.94%	16.17%	16.17%	7.24%	12.09%	9.17%	10.97%
R6 Shares	11.93%	16.35%	16.35%	7.22%	12.11%	9.24%	10.91%
Benchmark	14.03%	16.93%	16.93%	2.22%	9.97%	7.16%	8.89%
Including Max Sales Charge							
A Shares	6.25%	10.02%	10.02%	4.95%	10.57%	8.27%	10.59%
C Shares	10.72%	13.98%	13.98%	6.00%	10.90%	8.18%	10.15%

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® 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 C, Y, INST and R6 Shares combines the performance of an older class of shares (Class A Shares) from the Fund's inception, 03/01/93, with the performance since the inception date of each share class.

Top 10 Equity Holdings of Fund (As of 12/31/23)

(% of Portfolio)			(% of Portfolio)		
1	Globus Medical Inc.	2.3	6	CCC Intelligent Solutions Holdings Inc.	2.1
2	Progyny Inc.	2.1	7	Maximus, Inc.	2.1
3	F.N.B. Corp.	2.1	8	Onto Innovation Inc.	2.0
4	Steven Madden, Ltd.	2.1	9	ITT Inc.	2.0
5	COPT Defense Properties	2.1	10	Ensign Group Inc.	2.0

Source: BNY Mellon Asset Servicing

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe.

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 foreign securities 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 a particular industry and/or market sector which may increase the Fund's volatility and magnify its effects on total return. 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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