Fund Manager Commentary

As of March 31, 2024

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 started the year down in January, but then rallied in February and in March. The benchmark sectors that outperformed for the quarter were Information Technology, Energy, Industrials, and Consumer Discretionary. The benchmark sectors that underperformed in the quarter included Health Care, Consumer Staples, Materials, Financials, Real Estate, Utilities, and Communication Services.

Portfolio Review

The Touchstone Small Company Fund (Class A Shares Load Waived) outperformed its benchmark, the Russell 2000® Index, for the quarter ended March 31, 2024.

The portfolio's top three performing sectors from a performance attribution perspective were Financials, Materials, and Consumer Discretionary. Stock selection positively contributed to relative performance in all three, while the underweight sector allocation to Financials was also a positive contributor. The bottom three performing sectors were Real Estate, Health Care, and Information Technology. Stock selection was modestly negative in the former two, while Information Technology faced an unprecedented challenge with one benchmark stock, the now large cap Super Micro Computer, contributing over a quarter of the entire benchmark's gain for the quarter.

The top contributors during the quarter were EMCOR Group Inc. (Industrials sector), Eagle Materials (Materials sector), Crocs Inc. and Texas Roadhouse (both Consumer Discretionary sector), and Commvault Systems (Information Technology sector).

EMCOR Group Inc. is a market leader providing mechanical and electrical construction services, as well as industrial, energy infrastructure, and building services. The management team strategically invested to expand their capabilities organically and through acquisitions over the last decade plus. This has positioned them well to benefit from the surge in demand from reshoring/onshoring manufacturing and government investments through the American Rescue Plan and Infrastructure Investment and Jobs Act. The company generated a 13% revenue compound annual growth rate (CAGR) over the last three years and earnings more than doubled over the last three years.

Eagle Materials is a leading manufacturer of cement and wallboard essential for building roads and residential, commercial, and industrial structures across the United States. Residential construction strength combined with government infrastructure investments are driving highly favorable demand and supply dynamics in their end markets driving a 12% revenue CAGR over the last four years and earnings growth of 256%.

Crocs Inc. is a world leader in casual innovative footwear under the Crocs and HEYDUDE brands. The brands enjoyed significant growth coming out of the pandemic with the Crocs brand more than doubling revenue from 2020 to 2023 and HEYDUDE becoming a household name. However, revenue growth trends slowed in late 2023 creating uncertainty whether demand was fading and there was potential fad risk. The company's outlook for 2024 to continue to grow revenue and earnings about 4% drove a relief rally and valuation expansion in the first quarter.

Texas Roadhouse is an industry leading restaurant chain operating 740 steakhouses in forty-nine states and ten countries. The company's "Legendary Food, Legendary Service" mission has been successfully executed over the last two decades creating one of the best performing restaurant concepts in America. The company has generated a 13% revenue CAGR over our 11-year holding period, with an earnings CAGR of 15%, with 2023 another strong year of execution and record results.

Commvault Systems is a provider of software to corporations focused on data security, backup, and recovery. The company internally developed a new solution called Metallic Data Protection

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as-a-service which provides data protection for Office 365 in the cloud. Metallic has been one of the fastest growth Software as-a-service products the last few years going from launch to a $100 million annual run rate in less than two years and driving overall revenue growth at Commvault from flat to 7% and accelerating.

The biggest detractors during the quarter were QuidelOrtho Corp. (Health Care sector), WNS Holdings (Industrials sector), Malibu Boats (Consumer Discretionary sector), Qualys and Teradata (Both Information Technology sector).

QuidelOrtho Corp is a global provider of diagnostic instruments and tests to laboratories, hospitals, medical offices, and consumers. The company significantly overestimated the durability of COVID-19 testing demand, resulting in a material miss to their 2023 forecasts, significant reduction to their long-term targets, and CEO being ousted. We immediately sold the position on this development.

WNS Holdings is a leading business process management company providing technology, analytics, and process expertise to customers across the world. Shortly after reporting December quarter results that met expectations and reiterating their outlook, the company disclosed a large client representing 4% of revenue intended to terminate their contract. The stock sold off in reaction to this development. Our follow-up due diligence leads us to believe this was an idiosyncratic event and even with this headwind we expected the company to grow revenue and earnings in the high-single digits in 2024. We added to the position.

Malibu Boats is a leading manufacturer of performance sport boats under the Malibu, Axis, Cobalt, Pursuit, Cobia, Pathfinder, and Maverick brands. The significant increase in interest rates has proven materially impactful to the boat industry as price inflation plus higher rates is creating material affordability issues for buyers on credit. The lower demand requires a material reduction in production to bring supply and inventory in-line with demand, which is placing significant pressure on Malibu earnings this year. We continue to hold the stock at a reduced weight through this cyclical downturn with the view the long-term earnings power is dramatically higher than what is embedded in the current equity valuation.

Qualys is a provider of security software designed on a cloud platform to protect information technology infrastructure and applications. The company reported a record year in 2023 with revenue growth of 13% and earnings growth of 42%. However, the outlook for 2024 was disappointing with revenue growth moderating to 9% and earnings forecast flat. This caused a correction in the shares. This was one of our top ten performing stocks in 2023. We trimmed the position to a lower weight but continue to hold. Our due diligence leads us to believe both the revenue and earnings growth outlook is conservative.

Teradata is a provider of a software platform focused on data management and analytics. The company is in the process of migrating their customers to a cloud platform. They hit a speed bump in the fourth quarter as a few large customers either decided not to migrate or delayed their migration. This resulted in a revenue and earnings outlook for 2024 below market expectations. We were disappointed in this setback but continue to hold the position at a reduced weight as we monitor their ability to regain the sales momentum, they experienced over the last two years.

During the quarter the Fund added positions in CSG Systems International (Industrials sector), Crocs Inc. (Consumer Discretionary), Oceaneering (Energy sector), Haemonetics (Health Care sector), and Teradata (Information Technology sector). The Fund also exited QuidelOrtho (Health Care sector) during the quarter for the reasons mentioned above.

CSG Systems International is a provider of a Software as-a-service platform that enables global communication service providers to bill their customers, collect payments, and deliver a positive customer experience. They have a dominant position in this consolidated industry. While the industry is moderately growing, the management team led by a new CEO has developed and been executing a strategy around product innovation and industry diversification to drive accelerated growth. We believe this accelerated growth potential is not currently embedded in the current market valuation.

Crocs Inc. is a world leader in casual innovative footwear under the Crocs and HEYDUDE brands. The brands enjoyed significant growth coming out of the pandemic with the Crocs brand more than doubling revenue from 2020 to 2023 and HEYDUDE becoming a household name. However, revenue growth trends slowed in late 2023 creating uncertainty whether demand was fading and there was potential fad risk. Our research due diligence led us to conclude the brands were strong and resilient. In addition, the market did not seem to appreciate the industry-leading margins and free cash flow generation of the business model. We initiated a position at what we thought was a compelling valuation for a high-quality business model.

Oceaneering is a global provider of engineered services, products, and robotic solutions principally to the offshore energy market. We believe they have an industry-leading position in offshore energy enabling the exploration and production of oil and gas. This industry appears poised for multiple years of growth after over a decade of underinvestment. At the time of purchase, Oceaneering's valuation had contracted as most companies in the Energy sector were underperforming due to oil price declines. We believed this was an attractive entry point to acquire a position in a leading offshore energy company.

Haemonetics is a global leader providing products to the plasma and blood collection industry, as well as surgical and diagnostic products to the hospital market. The company's valuation had contracted to a ten-year low due to the uncertainty of the earnings impact of a major plasma biopharmaceutical customer transitioning to a competitive solution over the next two years. Our research due diligence led us to the conclusion the company could continue to grow revenue and earnings through this transition due to strong demand trends from other customers and end markets, as well internal operational initiatives to expand their margins and accelerate free cash flow growth.

Teradata is a provider of a software platform focused on data management and analytics. The company has a leading market position offering solutions to customers who manage their data warehouse in their own servers on premise. While the company

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was late developing a software platform in the cloud, the solution once launched three years ago has experienced explosive growth. We believe the migration of their current customers to the cloud and market share gains in the cloud data management market will drive accelerated revenue growth in the future, which is not embedded in the current market valuation.

Outlook and Conclusion

The economic growth environment remains positive, with nominal GDP expanding in the 6% range in 2023 and economic data remaining solid in the first quarter of 2024. The near-term economic environment looks to remain supportive for stocks although likely at a decelerating rate of growth. We believe the excess stimulus and liquidity in the economy created in reaction to the pandemic continues to offset higher interest rates and inflationary pressures to drive growth.

Despite the robust growth environment, small cap earnings have been under pressure, as 2023 earnings were down 18% from a record 2022. This has been a major reason for the underperformance compared to large cap stocks over the last year, as large cap earnings were up 2% in 2023 to record levels. 2024 small cap earnings are forecast to expand 7%. Small cap valuations are an undemanding 14 times earnings, which is up from a trough of 11 times last year but still below the average of 16 times over the last 25 years. Small cap valuations remain near twenty years lows relative to large cap stocks at 0.7 times compared to parity over the last two decades.

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

Fund Facts

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	**$1.1 Billion**				

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

	1Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	5.56%	5.56%	18.94%	4.34%	9.90%	9.19%	10.87%
C Shares	5.26%	5.26%	18.08%	3.49%	9.04%	8.53%	10.26%
Y Shares	5.59%	5.59%	19.25%	4.63%	10.22%	9.51%	11.08%
INST Shares	5.58%	5.58%	19.22%	4.73%	10.29%	9.52%	11.07%
R6 Shares	5.43%	5.43%	19.14%	4.72%	10.30%	9.60%	11.01%
Benchmark	5.18%	5.18%	19.71%	-0.10%	8.10%	7.58%	9.00%
Including Max Sales Charge							
A Shares	0.34%	0.34%	13.01%	2.56%	8.79%	8.64%	10.69%
C Shares	4.26%	4.26%	17.08%	3.49%	9.04%	8.53%	10.26%

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

		(% of Portfolio)
1	Progyny Inc.	2.2
2	ITT Inc.	2.1
3	Webster Financial Corp.	2.1
4	Globus Medical Inc.	2.1
5	CCC Intelligent Solutions Holdings Inc.	2.1
6	COPT Defense Properties	2.0
7	WNS Holdings Ltd.	1.9
8	Clean Harbors, Inc.	1.7
9	Silgan Holdings Inc.	1.6
10	Curtiss-Wright Corporation	1.6

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.

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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