Fund Manager Commentary

As of June 30, 2024

Fund Highlights

- Utilizes a bottom-up security selection process that screens potential investments against a proprietary quantitative model for return on capital, earnings to value ratio, free cash flow and return on equity
- Looks at a company's corporate governance structure and management incentives to try to ascertain whether or not management's interests are aligned with shareholder interests
- Seeks to identify the sources of a company's competitive advantage as well as what levers management has at its disposal to increase shareholder value
- Seeks to purchase generally profitable, financially stable small-cap companies that consistently generate high returns on unleveraged operating capital, are run by shareholder-oriented management, and are trading at a discount to their private market value

Market Recap

U.S. equities posted mixed results during the second quarter 2024. The broader market, measured by the Russell 3000® Index, rose with gains concentrated in large companies with ties to spending on artificial intelligence. The Russell 2000® Small Cap Index was down for the quarter. Economic data released during the quarter reflected decelerating growth, some weakening in the labor market, and lower inflation, which collectively support the notion of rate cuts beginning in the next few months. Corporate earnings were solid, but there were signs of greater caution from consumers.

Large Cap, Growth and Momentum factors led the market while Value and Yield factors presented headwinds. Quality factors had a mixed showing and Volatility factors had little impact.

The U.S. economy continued to post solid, yet decelerating growth during the second quarter with modest increases in consumer spending, a continued shift toward spending on services, and weakness in housing and manufacturing. Estimates for second quarter 2024 real GDP suggest annualized growth of 1.5%-2.0%, which is in line with reasonable longer-term growth estimates for the U.S. economy.

Inflation moderated a bit but remained higher than the Federal Reserve's (Fed) long-term goal of roughly 2%. Total and core Consumer Price Index posted year-over-year (y/y) gains of 3.3% and 3.4%, respectively in the latest month. The Fed's preferred measure of inflation, core Personal Consumption Expenditures, rose a more modest 2.6% y/y. Additional progress needed to reach the Fed's inflation goal will probably have to come from restrictive monetary policy restraining the growth of aggregate demand, along with better balance in the labor market.

The housing market continued to face challenges as higher interest rates weigh on demand. Both homebuilding activity and pending sales weakened. Existing home sales also declined, while prices rose 5.8% y/y in June, reaching an all-time high, reflecting the low supply of existing homes for sale.

The labor market remained strong but showed some signs of weakening. There were 607k net new jobs created during the quarter, representing a four-year low. In addition, the hiring rate, quit rate, and the job openings to unemployed ratio all declined during the quarter. The unemployment rate rose slightly to end the quarter at 4.1%, while the labor force participation rate remained relatively flat at 62.6%. Growth in average hourly wages decelerated to 3.9% y/y.

Results from the two main Institute for Supply Management (ISM) indexes weakened during the quarter. The ISM Manufacturing Index fell to 48.5 in June. The Manufacturing Index has been below 50 for 19 of the last 20 months. Meanwhile, the Services Index declined to 48.8 in June, well below expectations for a reading over 50. This is only the second month that the Services Index was below 50 since the end of 2022. For both surveys, a reading below 50 suggests economic contraction while any score over 50 suggests expansion.

Regarding monetary policy, a strong labor market combined with higher than desired inflation resulted in a shift toward tighter monetary policy from the Fed in early 2022. Throughout 2022, the Fed raised the Federal Funds rate 425 basis points (bps).

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Tighter monetary policy continued in 2023 as the Fed raised the Federal Funds rate another four times (25 bps each time) early in the year. However, since July 2023, there have been no changes to the Federal Funds rate, which remains at 5.25% - 5.5%.

Separately, the Fed began reducing the size of its balance sheet via Quantitative Tightening in June of 2022. Recently, the Fed announced plans to slow the pace of Quantitative Tightening in the future.

Portfolio Review

The Touchstone Small Cap Fund (Class A Shares, Load Waived) underperformed its benchmark, the Russell 2000® Index, for the quarter ended June 30, 2024.

The best performing sectors for the Russell 2000 Index were Communication Services and Consumer Staples while Consumer Discretionary, Health Care, Industrials and Materials lagged the total Index return. Less exposure than the Index to Growth and Momentum factors, as well as headwinds from stock selection contributed to the underperformance.

During the quarter, a positive impact from sector allocation was offset by stock selection. At the sector level, an underweight position in Energy and an overweight position in Consumer Staples had a positive impact on relative performance, partially offset by the negative impact of an overweight position in Consumer Discretionary and an underweight position in Utilities.

Turning to stock selection, the best performing stocks based on relative performance versus the Index during the quarter were: ACI Worldwide Inc. (Information Technology sector), Matson Inc. (Industrials sector), Murphy USA Inc. (Consumer Discretionary sector), CTS Corp. (Information Technology sector), and Essential Properties Realty Trust (Real Estate sector).

We added to our ACI Worldwide stake in April and the stock subsequently outperformed during the second quarter. ACI started 2024 on good footing with organic volume growth running ahead of schedule. We have greater conviction that the company can sustainably command higher organic growth levels than it did a few years ago. We also note ACI's favorable capital allocation. The company reduced leverage to its lowest point in 10 years, and in June announced a large buyback plan representing approximately 10% of market cap.

Matson's ocean freight services are benefiting from rising shipping rates and improving market conditions. Global ocean freight pricing has been driven up by the ongoing disruption in the Red Sea, coupled with ramping peak season demand and healthier trade volumes. With maintenance capital expenditures moderating and new vessel builds largely pre-funded, free cash flow generation is expected to accelerate. The company's success since the onset of the pandemic has led to permanent volume additions in the China trade lane, a transformed balance sheet, and significant share count reduction. Matson remains strategically positioned as a U.S. Jones Act shipping operator and its expedited freight service continues to offer an attractive value proposition for its customers.

Investors were cautious about the fuel market environment after Murphy USA's first quarter report showed margin pressure in the face of steep fuel price increases. That trend reversed in the second quarter with fuel prices falling approximately 15% peak to trough, leading to the stock's outperformance. While there is a level of short-term volatility in Murphy's results due to fuel price fluctuations, we prefer to assess the business with a view to the long-term. We continue to believe that the business is structurally improving, and management's favorable capital allocation policies should yield attractive shareholder returns.

CTS outperformed the broader market during the quarter after reporting better than expected earnings reflecting stabilization in its end markets. Management noted several new business wins in temperature sensing, medical, and eBrake applications that will help drive revenue growth over the next few years. CTS has successfully moved up the value chain as it provides solutions for highly engineered, differentiated products. We remain attracted to CTS's market share position in niche markets and management's self-help initiatives.

Shares of Essential Properties Realty Trust outperformed in the second quarter despite the REIT sector overall lagging the Index. Management has continued execute on accretive spread investing while sticking to its core property types and maintaining a conservative balance sheet. We remain confident in this management team to deliver downside risk mitigation and an attractive total return over the long-term.

The more challenged positions based on relative performance during the quarter were: Enovis Corp. (Health Care sector), Certara Inc. (Health Care sector), Tempur Sealy International Inc. (Consumer Discretionary sector), Revolve Group Inc. (Consumer Discretionary sector), and Vontier Corp. (Information Technology sector).

Enovis shares underperformed in the second quarter due to slower than expected growth in orthopedic implants, exacerbated by integration headwinds from its recent Lima Corporate acquisition. The level of early integration revenue dis-synergies surprised some investors, while account and surgeon churn associated with the deal was in line with management's expectations. Lima should strengthen Envois' competitive positioning, particularly within extremities, and provide attractive cross-sell opportunities in the future. The reconstructive portfolio continues to generate healthy growth, while demand for the company's industry leading bracing products has proven resilient. We have conviction that Enovis's attractive and diversified portfolio of orthopedic offerings will help support a long runway for continued earnings growth.

Investor skepticism around guidance for an improving revenue outlook intensified following Certara's most recent earnings report, causing the stock to underperform the broader market. We believe Certara owns unique software assets in an underpenetrated industry with plenty of whitespace for future growth. We are encouraged to see them investing through the cycle to come out the other side with a larger salesforce, more cohesive software platform, and more abilities for cross selling. These actions should further solidify their already leading and protected positioning in bio simulation.

Tempur Sealy's results were impacted by a weak bedding market. Despite the challenging backdrop, the company's strong pricing power and significant share gains have helped dampen the negative volume impact. Recent investments in distribution, advertising,

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and product innovation lay the groundwork for future growth, while visibility into margin recovery is improving on the back of lower input costs and operational efficiencies. The planned acquisition of Mattress Firm has the potential to be materially accretive and strengthen the company's overall competitive position. However, the market appears to be pricing in skepticism that the deal will ultimately receive regulatory approval. Robust free cash flow generation, strong brand equity, and solid management execution support our investment thesis.

Revolve's stock corrected from highs reached in May on relatively little news. We believe the growing concern around future consumer spending is driving a more cautious outlook. Nonetheless, we remain positive around the momentum Revolve is seeing in their business, the course correction on margins, and the work behind the scenes to make Revolve's operations structurally more profitable. Our discussion with management in May confirmed that the company is staying abreast of industry developments and thoughtfully chasing reinvestment opportunities with an eye to the long-term.

Shares of Vontier gave back some gains in the second quarter after a strong start to the year. The company continues to show progress on its portfolio transformation efforts and drive efficiencies across the core business. Underlying demand has been supported by sustainable industry tailwinds such as convenience store consolidation, onsite automation, alternative energy transition, regulatory requirements, and a healthy service technician market. Management expects momentum to continue this year with good visibility into customer project pipelines. We believe Vontier's portfolio of resilient franchises remain well positioned to serve its large customer base with a variety of value-added solutions and capitalize on emerging trends within the mobility market.

We completed a trade in April that affected 12 holdings in the Fund. We sold the remaining position in Malibu Boats (Consumer Discretionary sector) reflecting concerns following the surprising resignation of the CEO. We trimmed Masonite (Industrials sector) as the stock reacted positively to the pending acquisition by Owens Corning in a cash deal. The stock is trading a bit below the proposed deal price, so we have maintained a smaller position. The deal should close in the middle of the year. We also trimmed both NewMarket (Materials sector) and Tempur Sealy on strength. The market capitalization of Tempur Sealy now exceeds $8 billion, so we are slowly moving it out of the Fund. No change to our long-term thesis for NewMarket or Tempur Sealy.

With the proceeds from the sale/trims, we added to multiple holdings. They include ACI Worldwide Inc. (Information Technology sector), Haemonetics Corp. (Health Care sector), ePlus Inc. (Information Technology sector), Atlantic Union Bankshares Corp. (Financials sector), Enovis Corp. (Industrials sector), Cannae Holdings Inc. (Financials sector), Marten Transport Ltd. (Industrials sector) and Essential Properties Realty Trust (Real Estate sector). There is no change to our long-term thesis in any of the holdings. We were taking advantage of recent stock price changes, adding on weakness and selling on strength.

In mid-May, the acquisition of Masonite (Industrials sector) closed. Owens Corning acquired Masonite in an all-cash transaction. Following the closing of the Masonite acquisition, the cash position exceeded 5%. To put some cash to work, we initiated positions in two stocks: Gates Industrial Corporation plc (Industrials sector), and DoubleVerify Holdings, Inc. (Information Technology sector).

Gates Industrial engages in the manufacture of engineered power transmission and fluid solutions. The power transmission segment (60% of revenue) includes elastomer drive belts, and related components used to transfer motion in a broad range of applications. The fluid power segment (40% of revenue) consists of hoses, tubing, and fittings designed to convey hydraulic fluid at high-pressures in both mobile and stationary applications, and high-pressure and fluid transfer hoses used to convey various fluids.

The company's industry leading position is supported by its quality reputation, established client relationships, product breadth, and history of successful innovation. Gates Industrial has strong relationships with leading OEM customers and a diverse network of global distributors (60% of sales are outside the U.S.). They have a large installed base of equipment. Roughly 65% of sales are driven by replacement demand.

Future margin improvement is expected driven by cost reduction, footprint optimization, and productivity enhancements. Adjusted ROIC has averaged 20% over the last three years. The company does carry debt with a net debt/EBITDA ratio of roughly 2.3x. The goal is to reduce debt to 1-2x. Following debt reduction, we expect greater share repurchase and the possibility of targeted merger and acquisition.

DoubleVerify Holdings engages in the development of software platforms for digital media measurement, data, and analytics. Its software, Pinnacle, is integrated across the entire digital advertising ecosystem including programmatic platforms, social media channels, and digital publishers.

The company sells an insurance-like product known as "ad verification" to clients designed to create transparency, eliminate fraud, and drive ad-spending optimization. The goal is to measure whether impressions were brand safe (not running against objectionable content), free from fraud (not served to a bot or spoofed domain) and viewable in the desired geography. Ad verification has reached a point of mass acceptance among digital ad buyers due to its measurable low cost/high reward value proposition. DoubleVerify operates in an oligopoly where it commands the leading market position (greater than 50% market share, #2 is Integral Ad Science). DoubleVerify's business should continue to benefit from secular tailwinds in digital advertising. Incremental revenue growth should be accretive to ROIC given the high cash margin nature of the business, and minimal capital expenditure requirements. We initiated a position in the second quarter following a pullback in the shares, allowing us to purchase an advantaged company growing at a double-digit rate, with high margins, at a market multiple.

Outlook and Conclusion

Looking ahead, consumer spending will remain key to the economic outlook. Low unemployment and rising wages, along with recent increases in household wealth, may continue to drive spending. There are signs of weakness in some of the recent economic data, which is likely the result of tighter monetary policy. A weakening labor market and softer inflation data could

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lead the Fed to shift to a less restrictive policy and reduce rates before year-end. While any material reduction in interest rates may not begin until 2025, we believe that the Fed will begin to reduce rates soon in an attempt to find the neutral interest rate (the rate that is neither accommodative nor restrictive). We recognize the challenges in navigating a soft landing but believe that the odds of a near term recession are low.

Predicting the future direction of the economy is always challenging. Potential positives include rising wealth (housing and equity markets), low unemployment, higher wages, and expectations for relatively low inflation in the future. Potential negatives include the impact of restrictive monetary policy over the last two years, elevated home prices, as well as rising debt levels. Longer term, we remain positive regarding the U.S. economy and expect real annualized GDP growth in the 1.5%-2% range driven by growth in the labor force and improving productivity.

In terms of the equity market, valuations based on near term earnings are elevated in the context of moderate GDP growth. We believe that equity returns in the near term may be modest, with shareholder yield (dividends, share repurchase, debt reduction) comprising a significant percentage of the total return from equities.

Longer term, we continue to believe that quality attributes and solid company fundamentals will lead to strong risk adjusted returns. The companies in the Touchstone Small Cap Fund generate much higher returns on capital, with stronger balance sheets at reasonable valuations relative to the broader market.

We believe the quality of the Fund positions it well for the next few years, even if the market trades modestly higher. The Fund may struggle to keep up in an environment of double-digit returns. In an environment of possibly lower expected returns and greater volatility, we believe the Fund offers an attractive option for equity investors. Our goal remains to outperform the broader market over full market cycles with less volatility.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	09/30/09	**TSFAX**	89155H272	1.83%	1.25%
C Shares	09/30/09	**TSFCX**	89155H264	6.49%	2.00%
Y Shares	09/30/09	**TSFYX**	89155H249	1.22%	1.00%
INST Shares	09/30/09	**TSFIX**	89155H256	1.14%	0.92%
Total Fund Assets	**$258.4 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 1.24% for Class A Shares, 1.99% for Class C Shares, 0.99% for Class Y Shares and 0.91% for Class INST Shares. These expense limitations will remain in effect until at least 01/29/25.

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	-6.01%	1.59%	11.53%	6.33%	9.02%	5.71%	9.75%
C Shares	-6.29%	1.16%	10.65%	5.51%	8.21%	5.10%	9.31%
Y Shares	-6.00%	1.69%	11.79%	6.59%	9.28%	5.98%	10.05%
INST Shares	-5.96%	1.77%	11.92%	6.68%	9.37%	6.07%	10.14%
Benchmark	-3.28%	1.73%	10.06%	-2.58%	6.94%	7.00%	10.11%
Including Max Sales Charge							
A Shares	-10.72%	-3.50%	5.92%	4.52%	7.90%	5.09%	9.31%
C Shares	-7.23%	0.16%	9.65%	5.51%	8.21%	5.10%	9.31%

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.*

Top 10 Equity Holdings of Fund

		(% of Portfolio)
1	White Mountains Insurance Group	5.6
2	Landstar System, Inc.	5.0
3	ACI Worldwide Inc.	4.1
4	Vontier Corp.	4.0
5	Matson Inc.	3.9
6	Armstrong World Industries Inc.	3.9
7	Moelis & Co.	3.9
8	Tempur Sealy International, Inc.	3.7
9	Essential Properties Realty Trust Inc.	3.5
10	CTS Corp.	3.5

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 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. A fund that focuses its investments in the securities of a particular market sector is subject to the risk that adverse circumstances will have a greater impact on the fund than a fund that does not focus its investments in a particular sector. The Fund's service providers are susceptible to cyber security risks that could result in losses to a Fund and its shareholders. Cyber security incidents could affect issuers in which a Fund invests, thereby causing the Fund's investments to lose value. 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 or call Touchstone at 800.638.8194. Please read the prospectus and/or summary prospectus carefully before investing.

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