

## Fund Manager Commentary

As of December 31, 2024

### 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

Style factors created a modest tailwind during the quarter. Within the Russell 2000® Value Index (benchmark), the two highest volatility quintiles underperformed. Return on equity was mixed, as both the lowest and highest quintiles underperformed. Companies within the two smallest market capitalization quintiles outperformed. Non-earners declined the most, followed by the cheapest and then most expensive price-to-earnings quintiles. Stocks with slower sales growth lagged stocks growing their top line more rapidly.

Within the benchmark, Information Technology (IT) and Consumer Staples materially outperformed the overall return for the benchmark. The largest underperformers were Consumer Discretionary, Health Care, Real Estate, Utilities, and Materials.

### 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, 2024.

The Fund benefited from both stock selection and sector allocation during the quarter. Seven of eleven sectors had positive attribution in the Fund, led by Health Care, Consumer Discretionary, and Financials. The largest detractors by sector included Consumer Staples and Real Estate.

The Health Care sector was the Fund's largest contributor in the quarter, benefiting from an underweight to biotechnology stocks. Globus Medical continues to experience synergies from its merger with Nuvasive, executing well and driving deployment of its robotic platform. At-home IV operator Option Care Health was a

top detractor in the sector. The company saw pricing spreads compress in one of its large, branded drug offerings, driving a step-change in the company's earnings profile.

Strong selection within Consumer Discretionary drove that sector's outperformance. Dorman Products, Inc. and Urban Outfitters were the top performers within the Consumer Discretionary sector. Both companies reported stronger-than-expected financial results during the quarter, leading to strong stock performance.

Strong selection within banks led to outperformance in the Financials sector. First Horizon Corp. outperformed after the presidential election. Investors view the stock as an acquisition target assuming reduced regulatory scrutiny under the new administration. Wintrust Financial Corp. also traded higher on acquisition potential given its lower commercial real estate exposure and asset sensitivity. Old National Bancorp held onto post-election gains due to its strong credit and limited commercial real estate exposure.

Results in the Materials sector were neutral despite a drag from Cabot Corp. At the company's investor day, the carbon black manufacturer reduced near-term earnings expectations as a result of macroeconomic uncertainty and potential tariff dislocations.

Despite a trio of noteworthy performers, the Industrials sector was a modest contributor overall. Gates Industrial has managed expenses well in a declining volume environment, extending its strong run of margin expansion. Huron Consulting Group outperformed by pointing to a strong pipeline of business for 2025, which counterbalanced softer earnings results. CACI International underperformed following the election results as fears over government funding cuts offset strong reported quarterly results.

*(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](https://TouchstoneInvestments.com/mutual-funds).**



The IT sector was a modest detractor despite results from the Fund's strongest individual performer, Lumentum Holdings. The optical solutions provider reported strong wins for its cloud offerings while highlighting improving demand for datacenters and telecommunications end markets. Harmonic Inc. declined when management alluded to a pause in demand related to a change around cable amplification technology.

Subpar selection drove underperformance in the Energy sector. The new holding Expro Group Holdings underperformed when management communicated some near-term weakness in offshore energy markets.

The Real Estate sector was also a headwind to performance in the quarter. Newmark Group and National Storage Affiliates were both impacted by rising interest rates, which are expected to slow both commercial and housing turnover, important demand drivers for each company.

MGP Ingredients propelled the underperformance within Consumer Staples. Company commentary indicated soft demand for its new and aged whiskey products into 2025 as channel destocking and soft consumer demand continue. Management also called out delays related to machinery installation that are expected to impact margins for its specialty ingredients business. In late December, the CEO announced his resignation after one year on the job.

As we enter the new year, our largest relative overweight position is the Industrials sector. We are notably underweight in Financials, Real Estate, and Communication Services. These exposures are driven by the opportunity set we see in each sector.

### Outlook and Conclusion

As we enter 2025, the set up for the market continues to offer something for both the bulls and the bears. With the conclusion of the election, business and consumer confidence has improved. Holiday purchasing was better than expected, but credit card balances increased potentially impacting future spending. Despite the U.S. Federal Reserve's rate cuts, the 10-year treasury yield has moved substantially higher, contrary to expectations pre-election. The change in administration and associated expectations for less regulation and lower taxes is broadly considered a potential tailwind for business and consumers. Those benefits are somewhat offset by trepidation around tariffs and their potential disruption to trade and impact on inflation. On the international front, the economies of China and Europe continue to be tepid at best.

Amid 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 our 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 will outperform the market longer term.



## Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				Total	Net
A Shares	03/01/11	TVOAX	89155T821	1.51%	1.39%
C Shares	03/01/11	TVOCX	89155T813	5.30%	2.01%
Y Shares	03/01/11	TVOYX	89155T789	1.23%	1.14%
INST Shares	03/01/11	TVOIX	89155T797	1.15%	0.99%
<b>Total Fund Assets</b>	<b>\$203.9 Million</b>				

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, 2.00% 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 01/29/26. Share class availability differs by firm.

## Annualized Total Returns

	4Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-0.39%	9.64%	9.64%	3.35%	8.20%	6.26%	8.42%
C Shares	-0.59%	8.78%	8.78%	2.58%	7.40%	5.62%	7.82%
Y Shares	-0.32%	9.91%	9.91%	3.61%	8.48%	6.52%	8.59%
INST Shares	-0.29%	10.05%	10.05%	3.77%	8.66%	6.69%	8.69%
Benchmark	-1.06%	8.05%	8.05%	1.94%	7.29%	7.14%	8.03%
Including Max Sales Charge							
A Shares	-5.36%	4.16%	4.16%	1.60%	7.10%	5.63%	8.14%
C Shares	-1.58%	7.78%	7.78%	2.58%	7.40%	5.62%	7.82%

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 Index

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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.

## Top 10 Equity Holdings of Fund

	(% of Portfolio)		(% of Portfolio)		
1	Wintrust Financial Corp.	2.5	6	Murphy USA Inc.	2.1
2	Prestige Consumer Healthcare Inc.	2.3	7	Huron Consulting Group Inc.	2.0
3	Lumentum Holdings Inc.	2.3	8	Gates Industrial Corp. PLC	2.0
4	Encompass Health Corp.	2.2	9	Pinnacle Financial Partners Inc.	2.0
5	Columbia Banking System, Inc.	2.1	10	Harmonic Inc.	1.9

Source: BNY Mellon Asset Servicing

The 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 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. 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](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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