

## Fund Manager Commentary

As of June 30, 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 small cap Russell 2000 Index declined for the quarter ended June 30, 2024. The Index sold off sharply in April, rallied in May, and then declined in June. The Index sectors that outperformed for the quarter were Consumer Staples, Utilities, Communication Services, Financials, Information Technology, and Energy. Real Estate performed in line with the Index and the sectors that underperformed for the quarter included Materials, Health Care, Industrials, and Consumer Discretionary.

### Portfolio Review

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

The Fund's top three performing sectors in terms of adding value were Industrials, Information Technology, and Health Care. Stock selection positively contributed to relative performance in all the sectors except for two, Financials and Materials. Our underweight allocation to Consumer Staples detracted slightly from performance.

Among the top contributors during the quarter were Globus Medical (Health Care sector), Commvault Systems (Information Technology sector), CarGurus Inc. (Communication Services sector), Onto Innovation (Information Technology sector), and CACI International (Industrials sector).

Globus Medical is a medical device company primarily focused on the spine market with an innovative portfolio of products second in market share behind industry giant Medtronic. Heading into the quarter, the stock was trading at a significant valuation discount to the sector due to concerns about integration risks from its 2023 merger with competitor NuVasive. The company executed well in the quarter delivering revenue and earnings above market expectations and increasing its outlook for earnings to grow 20%

this year. We continue to believe its outstanding market position, strong execution history, and potential earnings accretion from the merger make Globus a compelling investment.

Commvault Systems is a software company focused on data backup, security, and recovery to provide cyber resiliency to global enterprises. New product innovation drove revenue growth acceleration, while earnings growth accelerated from 2% the prior year to 17% this year. The higher growth rate also drove significant valuation expansion as the market positively revalued the company's future growth prospects.

CarGurus Inc. operates the number one digital automotive platform for buying and selling vehicles. The company's innovative new products and pricing initiatives drove revenue growth acceleration in its marketplace platform to 12%, while earnings growth is 29% over the past year.

Onto Innovation is a cutting-edge semiconductor capital equipment manufacturer focused on process control and wafer quality. This long-term holding has successfully innovated in its core markets and expanded into adjacent markets over our multi-year holding period. Most recently, its Advanced Packaging equipment has experienced a significant increase in demand to inspect chips being used in data centers for artificial intelligence. We expect earnings to grow 30% annually over the next 2 years.

CACI International is an Information Technology services company and partner to the federal government focused on national security, defense, and government modernization. The company made material investments in technology expertise over the last decade, which is bearing fruit with significant new contract awards driving revenue growth acceleration and expected earnings growth of 14%.

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



The biggest detractors during the quarter were Progyny (Health Care sector), PVH Corp (Consumer Discretionary sector), CSG Systems (Industrials sector), Digi International (Information Technology sector), and Eagle Materials (Materials sector).

Progyny is the leading provider of fertility benefits management to employers and health plans. The company has delivered significant revenue and earnings growth since its founding in 2008. However, a change in treatment mix and lower utilization of its solutions, potentially caused by the Alabama Supreme Court ruling on embryos, has negatively impacted growth in the first half of 2024. We believe these issues are short-term in nature and continue to believe there is a large addressable market for its solutions. We continue to hold the position.

PVH Corp. is a global apparel company that owns the Tommy Hilfiger and Calvin Klein brands. The stock underperformed due to a weak revenue growth outlook, which pushes out its operating margin targets and may lead to flat earnings this year. This was a disappointment after the company delivered 21% earnings growth last year. We are confident in management's ability to execute through this period, and we continue to hold the position.

CSG Systems is a provider of a Software as-a-service platform that enables global communication service providers to bill its customers, collect payments, and deliver a positive customer experience. The stock has underperformed as revenue growth has decelerated and earnings declined 3% over the last year. The company's large cable customers have experienced subscriber losses and new revenue streams have not been large enough to offset. We have confidence in its earnings growth targets and continue to hold the position.

Digi International is a provider of products and services for companies to deploy Internet of Things solutions. Demand for its products and services was robust post pandemic but has gone into a cyclical downturn. We exited the position due to a lack of visibility to the timing and magnitude of the cyclical recovery. While the recent performance impact was negative, Digi was a net positive contributor to performance over our holding period.

Eagle Materials is a manufacturer of quality heavy construction products such as cement and light building materials such as wallboard. The company reported a record year but closed on a weak note as weather disrupted cement shipments and delayed price actions in the quarter. We believe the weather impact on shipments and pricing are transitory and expect another record year with 9% earnings growth. We continue to hold the position.

During the quarter, the Fund added positions in Allegro Microsystems (Information Technology sector), Pacira Biosciences (Health Care sector), Stride Inc. (Consumer Discretionary sector), DoubleVerify (Information Technology sector), Option Care (Health Care sector), and LiveRamp (Information Technology sector).

Allegro Microsystems is a semiconductor company that develops sensors and analog power chips primarily for the automotive (70% of revenue) and industrial (25% of revenue) markets. Increased content per vehicle drives the company's growth 7%-10% above global automotive production volumes. We believe there is significant long-term earnings power driven by this secular content growth.

Pacira Biosciences is a profitable biopharmaceutical manufacturer that focuses on non-opioid pain management products. We believe there is significant earnings growth potential driven by expanded Centers for Medicare and Medicaid reimbursement in all surgical outpatient environments.

Stride Inc. is the leading provider of virtual education services in the United States for K-12 students. We believe there is significant earnings growth potential driven by the increasing adoption of school choice and education alternatives to the traditional K-12 setting. We expect double digit earnings growth over the next few years.

DoubleVerify is the market leading provider of software that measures brand safety and suitability for global digital advertisers to help them improve the quality and return on its digital advertising investments. We believe there is significant earnings growth potential as its solutions are adopted globally.

Option Care is the largest provider of home and alternate site infusion therapy services. We believe there is significant earnings growth potential driven by its national scale and the secular trend to deliver infusion therapy outside the more expensive hospital setting. These favorable dynamics are expected to drive double-digit earnings growth over the next few years.

LiveRamp operates a pioneering data collaboration software platform where global advertisers can securely and privately share first-party consumer data to deepen customer engagement. We believe there is significant earnings growth potential driven by the increased adoption of its solutions in the dynamic digital advertising market.

During the quarter, the Fund exited positions in ChampionX (Energy sector), Premier Inc. (Health Care sector), Digi International (Information Technology sector), PowerSchool (Information Technology sector), and ASGN Inc. (Information Technology sector).

ChampionX is a leading provider of products and services to the Energy market. Schlumberger is acquiring ChampionX in a stock transaction. ChampionX was a positive contributor to returns over our holding period.

Premier Inc. provides supply chain services and performance analytics to hospital systems. We exited the position because of increasing pricing pressure in the industry and limited visibility to confidently forecast future earnings.

Digi International was exited for the reasons cited in the Detractors section.

PowerSchool is a leading software provider to the K-12 education market. Private equity firm Bain Capital is acquiring PowerSchool. The purchase price reflected a premium of 37% over the unaffected share price before media reports regarding a potential transaction.

ASGN Inc. is a provider of information technology staffing and consulting services to large corporate enterprises and federal government agencies. We exited the position due to uncertainty around the timing and magnitude of the cyclical downturn in demand for its services.

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### Outlook and Conclusion

The economic growth environment remains constructive, though leading indicators point to a decelerating rate of growth in the second half of 2024. Inflation continues to moderate, though this is a double-edged sword as pricing power had a material positive impact on nominal corporate earnings growth post-pandemic. The positive with moderating inflation is short-term interest rates have peaked, and it seems likely a measured reduction in the federal funds target rate will commence this year. Market valuations have fluctuated around interest rate expectations over the last year, but more importantly, the demand environment and corporate earnings generated will drive long-term equity returns.

On the earnings front, small cap earnings remain pressured. 2023 earnings were down 18% from a record 2022. There was hope for a rebound with 14% growth forecast to start the year for 2024, but that is down to 3% at the midpoint of 2024. We believe this illustrates the importance of our investment philosophy to only invest in profitable companies, as well as execute our investment process to capitalize on the market's inability to accurately forecast corporate earnings. Small cap valuations are an undemanding 14x earnings, which is below the average of 16x over the last twenty-five years reflecting the near-term earnings uncertainty. Small cap valuations remain near twenty years lows relative to large cap stocks at a 30% discount compared to parity on average over the last two decades. As we look forward, we believe modest economic growth and stabilizing earnings expectations with the potential for future growth, combined with 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%
<b>Total Fund Assets</b>	<b>\$1.1 Billion</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 1.22% 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**

	2Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-1.87%	3.58%	12.41%	2.22%	9.39%	8.71%	10.71%
C Shares	-2.24%	2.90%	11.35%	1.43%	8.54%	8.05%	10.11%
Y Shares	-1.91%	3.57%	12.63%	2.50%	9.71%	9.02%	10.92%
INST Shares	-1.76%	3.72%	12.78%	2.65%	9.82%	9.05%	10.92%
R6 Shares	-1.77%	3.57%	12.72%	2.57%	9.81%	9.13%	10.85%
Benchmark	-3.28%	1.73%	10.06%	-2.58%	6.94%	7.00%	8.81%
Including Max Sales Charge							
A Shares	-6.77%	-1.53%	6.81%	0.49%	8.29%	8.16%	10.53%
C Shares	-3.22%	1.90%	10.35%	1.43%	8.54%	8.05%	10.11%

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

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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)		(% of Portfolio)		
1	WNS Holdings Ltd.	2.4	6	CCC Intelligent Solutions Holdings Inc.	1.9
2	CarGurus Inc.	2.2	7	CommVault Systems, Inc.	1.9
3	Verint Systems Inc.	2.1	8	Exlservice Holdings Inc.	1.7
4	Globus Medical Inc.	2.1	9	Steven Madden, Ltd.	1.7
5	Maximus, Inc.	2.0	10	Merit Medical Systems Inc.	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.

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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](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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