Fund Manager Commentary

As of March 31, 2025

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 entered correction territory in the first quarter after notching two robust years of strong gains. Macro risks returned to the forefront of investors' minds as tariff and austerity uncertainties compounded stubbornly weak economic growth and a return of the inflation specter. Broader market weakness was driven by negative earnings revisions, declining consumer and business confidence, and no change in monetary policy from the U.S. Federal Reserve (Fed). For the quarter, the broader market, as measured by the Russell 3000® Index, declined 4.7%. A faltering artificial intelligence growth narrative allowed for a broadening of market leadership. Value styles led Growth, and Large Caps outperformed Small Caps. Turning to market factors, Value and Yield factors posted the strongest returns. Most of the Quality factors outperformed as well. Growth, Volatility, and Momentum factors had a negative impact.

Portfolio Review

The Touchstone Small Cap Fund (Class A Shares, Load Waived) outperformed its benchmark, the Russell 2000® Index, for the quarter ended March 31, 2025.

Relative outperformance was driven by positive stock selection, partially offset by sector exposure headwinds. The Fund's portfolio exceeded our 75-80% downside capture expectations. We benefited from our defensive, lower volatility posture, but Quality factors were somewhat mixed during the period.

Our overweight position in both Consumer Staples and Real Estate (better performing sectors) helped relative performance. While our underweight Utilities (better performing sector) and overweight Consumer Discretionary (weaker performing sector) hurt relative performance.

Three of the biggest contributors to performance over the quarter were ACI Worldwide, Inc. (Information Technology sector), Hanover Insurance Group, Inc. (Financials sector), and Somnigroup International Inc. (Consumer Discretionary sector).

ACI Worldwide, Inc. yielded resiliency in a down market. The business is quite stable, with a high rate of recurring revenues and 12-month visibility on revenues due to the backlog. The organic growth rate of the company continues to persist at structurally higher rates. ACI is a cash generative business that has recently seen improved cash conversion and subsequently we have benefitted from increased shareholder returns.

Hanover Insurance Group, Inc. outperformed in the quarter due to strong fourth quarter earnings and 2025 outlook. The thesis is playing out as the company is trending towards high teens return on equity as margins normalize following a flurry of underwriting actions. We like the underwriting-focused culture, niche competitive positioning, and astute management team.

Somnigroup International continues to perform well despite weak industry demand. The approval of the Mattress Firm deal during the quarter is a major development, offering long-term benefits through vertical integration and enhancing its competitive position. Valuation remains compelling and our investment thesis is supported by robust free cash flow generation, strong brand equity, and solid management execution.

Three of the biggest detractors to the Fund's performance in the

(continued)

quarter were DoubleVerify Holdings, Inc. (Information Technology sector), Moelis & Co. (Financials sector), and Revolve Group, Inc. (Consumer Discretionary sector).

DoubleVerify Holdings, Inc. shares were weak due to customer-specific issues, as pullbacks from major global brand clients with large ad budgets heavily impacted growth. We remain optimistic about DoubleVerify's near-term stabilization, driven by a high-profile product launch earlier this year and emerging cross-sell opportunities, bolstered by its strong competitive position in a favorable market structure that supports profitable long-term growth.

Moelis & Co. shares were weak, reflecting uncertainty in the market, impacting the merger and acquisition environment. We continue to like Moelis' debt-free balance sheet, strong shareholder focus, and willingness to reinvest in the business.

Revolve Group, Inc. sold off heavily in the first quarter as tariff developments pressured sentiment. The company reported notable sales and margin momentum. We remain confident in the company due to its premium-priced retailer status, high full-price sell-through rate, and proven ability to pass through tariffs in 2019. Additionally, Revolve's self-help initiatives targeting operating expenses should help offset any gross margin challenges.

We sold Cannae Holdings, Inc. (Financials sector) on weakness, with lower confidence in the ability of the various holdings in the company (Dun and Bradstreet and ALIT account for most of the value) to generate solid results over time.

We trimmed Somnigroup International Inc. after the closing of the acquisition of Mattress Firm. The company's market capitalization now exceeds $11 billion, and we need to start moving Somnigroup out of the small cap portfolio.

We initiated a position in Atkore Inc. (Industrials sector). Atkore dominates the electrical conduit market with 35% market share, offering bundled products, conduits, PVC, HDPE pipes, and other electrical raceway products. Atkore benefits from oligopolistic industry dynamics with only two competitors possessing comparable scale, translating to scale advantages. It operates mainly in U.S. non-residential construction and is levered to trends like electrification and data center growth. The company has improved margins and return on invested capital through diversification and proactive pricing strategies. Atkore requires minimal capital expenditures and generates strong cash flow. Most of the cash generated is used for effective share repurchases, a small dividend, and acquisitions. Atkore has retired more than 45% of outstanding shares since 2017.

We added to UniFirst Corp. (Industrials sector) as we believe there is a high likelihood of margin improvement along with solid revenue growth in the years ahead. Separately, Cintas has made an offer to buy UniFirst at a higher price and could increase the bid in the future.

We added to Ingevity Corp. (Materials sector) on weakness, as we believe the sum of the parts is attractive. While the performance chemicals division has been weak, we believe the performance materials division should be strong driven by more restrictive global emission standards for vehicles.

Outlook and Conclusion

There is elevated uncertainty as we start the second quarter with a high likelihood of greater tariffs being announced in the weeks ahead. Consumer confidence has declined recently due to the risks of additional tariffs, but the broader economic data still supports growth in the near term, but growth is decelerating. While we are not predicting a recession, the odds of a recession have increased. In terms of monetary policy, the Fed appears to be on a steady course for two or three rate cuts later in the year. The effect of tariffs on both inflation and the broader economy could change those plans though.

Despite the recent correction, the market concentration and valuations remain elevated. History shows that transitions following peak market concentration (e.g., the Nifty Fifty or the Tech Bubble) tend to play out over multiple years—not quarters. The cap-weighted indices may continue to face pressure as investors reassess stretched valuations and excessive positioning. 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. Defensive portfolios such as ours should be favored areas for investors if recession concerns remain or materialize. Importantly, Quality factors have historically posted their best relative returns during periods of decelerating growth and through recessions. Quality factors typically lag in the early days of a recovery and keep pace during the mid-cycle years. We may be late in the economic cycle now. If that is correct, it bodes well for the relative performance of Quality factors over the next few years and for the Fund.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	09/30/09	**TSFAX**	89155H272	1.66%	1.25%
C Shares	09/30/09	**TSFCX**	89155H264	3.67%	1.95%
Y Shares	09/30/09	**TSFYX**	89155H249	1.19%	1.00%
INST Shares	09/30/09	**TSFIX**	89155H256	1.12%	0.92%
Total Fund Assets	**$259.6 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, 1.94% 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 01/29/26.

Share class availability differs by firm.

Annualized Total Returns

	1Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-7.18%	-7.18%	-4.89%	6.43%	15.35%	5.16%	9.34%
C Shares	-7.32%	-7.32%	-5.61%	5.67%	14.53%	4.54%	8.92%
Y Shares	-7.14%	-7.14%	-4.74%	6.68%	15.62%	5.42%	9.63%
INST Shares	-7.11%	-7.11%	-4.61%	6.77%	15.72%	5.52%	9.73%
Benchmark	-9.48%	-9.48%	-4.01%	0.52%	13.27%	6.30%	9.55%
Including Max Sales Charge							
A Shares	-11.83%	-11.83%	-9.65%	4.64%	14.17%	4.54%	8.92%
C Shares	-8.24%	-8.24%	-6.55%	5.67%	14.53%	4.54%	8.92%

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	5.9
2	ACI Worldwide Inc.	5.6
3	Armstrong World Industries Inc.	4.8
4	Essential Properties Realty Trust Inc.	4.1
5	Landstar System, Inc.	4.0
6	Moelis & Co.	3.9
7	Matson Inc.	3.8
8	Acushnet Holdings Corp.	3.5
9	Murphy USA Inc.	3.4
10	Vontier Corp.	3.4

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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