

Fund Manager Commentary

As of June 30, 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

After the significant downturn in the first quarter, U.S. equities experienced a double-digit increase in the second quarter. Volatility surged in early April following new U.S. tariff announcements aimed at reshaping global trade. A double-digit, risk-on rally ensued following a temporary pause in tariff escalations, widespread optimism around enterprise artificial intelligence (AI), and a healthy earnings outlook. Additionally, improving sentiment, a healthy labor market, and expectations of future U.S. Federal Reserve (Fed) rate cuts further supported the upward momentum, even amidst geopolitical tensions and mixed economic signals. Growth styles led Value, and Large Caps outperformed Small Caps. Turning to market factors, Growth and Volatility posted the strongest returns, and most Momentum factors outperformed. Value and Yield factors had a negative impact, while Quality factors were mixed.

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, 2025.

Sector allocation was a tailwind to relative performance while stock selection was a headwind. An underweight in Health Care and Energy (weaker performing sectors) contributed to performance, while an overweight in Consumer Staples and Real Estate (weaker performing sectors) detracted from performance.

The Fund came up short of our 85-90% upside capture expectations in the second quarter. Our exposure to Lower Volatility and Quality factors flipped from a tailwind in the first quarter to a headwind in the second quarter, as high volatility and

momentum driven equities rallied sharply following tariff de-escalation. Despite positive sector exposure, pockets of idiosyncratic weakness across several holdings were additional headwinds to relative performance. The recent strength of some of the riskier, more speculative Mid and Small Caps names is not driven by fundamentals nor is it sustainable longer-term. Historically, a reliance on high Quality factors has proven to be a strategy that can lose battles along the way but tends to win the war over time. Fortunes can change quickly with a high conviction portfolio, and we remain confident in the operating metrics of the Fund's companies.

Three of the largest contributors to the Fund during the quarter were Gates Industrial Corp. plc (Industrials sector), NewMarket Corp. (Materials sector), and Armstrong World Industries, Inc. (Industrials sector).

Gates Industrial Corp. plc was a top performer after delivering a strong quarter, driven by robust automotive replacement demand despite tariff challenges. Management reaffirmed guidance, leveraging pricing power and operational efficiencies to offset tariff costs. The stable replacement channel and margin gains from cost reductions and footprint optimization enhanced performance. We remain attracted to its strong margin profile, and low capital needs continue to drive robust free cash flow. Management's disciplined capital allocation, balancing buybacks and deleveraging, enhances long-term shareholder value.

NewMarket Corp. outperformed this quarter, fueled by strong American Pacific revenue growth from better volume and product mix, despite weaker petroleum additives results. The planned capacity expansion for the American Pacific business signals robust

(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.**



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demand for rocket additives in a stable, oligopolistic market. Management prioritizes debt reduction and shareholder returns through dividends and buybacks.

Armstrong World Industries, Inc. shares outperformed in the quarter due to beating expectations, driven by increased volumes from recent acquisitions and an increase in pricing. We continue to like Armstrong for its consistent execution, strong financials, leading market share and persistent moats through its exclusivity agreements and warranties.

Three of the top detractors to performance during the quarter were ACI Worldwide, Inc. (Information Technology sector), White Mountains Insurance Group, Ltd. (Financials sector), and Matson, Inc. (Industrials sector).

ACI Worldwide, Inc. was a bottom performer due to investor disappointment over unchanged guidance, despite robust results. The company's stable business, underpinned by a high proportion of recurring revenues and nearly a year of revenue visibility from its contracted backlog, supports our positive outlook. Sustained organic growth and insider buying by the CEO during the stock pullback reinforce confidence in ACI's long-term potential.

White Mountains Insurance Group Ltd. was a bottom name due to industry headwinds. For U.S. Property and Casualty insurers, performance was mundane in the second quarter, whereas the rest of the market had a rebound. We remain confident in the company's ability to deliver outsized growth in book value per share over time through prudent capital allocation.

Matson, Inc. was a bottom name due to concerns around tariff-related uncertainties impacting China. Markets that are protected by the Jones Act, which form the majority of its business, remain stable and offer a buffer against tariff-related uncertainties in China. Management is focused on maintaining reliable, on-time shipping, expecting a demand recovery as inventories dwindle.

We initiated a position in Interparfums, Inc. (Consumer Staples sector), a fragrance company offering a portfolio of leading brands via long-term licensing agreements. Interparfums has licensing agreements with Montblanc, Jimmy Choo, Coach, Lanvin, Kate Spade, Lacoste, and others. Interparfums boasts a net cash balance sheet, founder-led management, and high return on invested capital. Interparfums' competitive advantages include superior product development and brand equity. We believe Interparfums is poised to benefit from growth in the fragrance market, driven by post-COVID consumer behavior shifts, premiumization (higher pricing), and new user penetration. Valuation is attractive, reflecting uncertainty around consumer spending.

Cable One, Inc. (Communication Services sector) was sold due to heightened competitive activity and share losses to fixed wireless access. Our thesis about less competition in rural markets proved to be incorrect. We sold the remaining position following share weakness.

Somnigroup International Inc. (Consumer Discretionary sector) was sold due to the rising market capitalization of the company (formerly Tempur Sealy) following the closing of the Mattress Firm acquisition. At \$14B in market capitalization, Somnigroup was too large for the Small Cap Fund.

Outlook and Conclusion

There is elevated uncertainty as we start the second half of 2025 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, although 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.

In terms of the equity market, the S&P 500 is back to the expensive, concentrated territory in which it began the year. Meanwhile, the macro risk backdrop has deteriorated since the start of 2025, including labor market softening, ongoing tariff uncertainty, debt headwinds, geopolitical tensions, and unclear inflation trends. Equity returns in the near term may be modest, with shareholder yield (dividends, share repurchases, debt reduction) comprising a significant percentage of the total return from equities. We believe our high-Quality, low-Volatility orientation positions us well for an environment of elevated policy risks and fragile global growth. We remain rooted to our long-term, fundamental investment approach, focusing on company quality, sustainable returns on capital, and resilience across economic scenarios.



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		\$267.8 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

	2Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	2.34%	-5.01%	3.56%	11.35%	12.52%	5.57%	9.34%
C Shares	2.14%	-5.34%	2.87%	10.50%	11.70%	4.96%	8.94%
Y Shares	2.43%	-4.89%	3.80%	11.58%	12.80%	5.83%	9.64%
INST Shares	2.43%	-4.85%	3.90%	11.70%	12.88%	5.93%	9.73%
Benchmark	8.50%	-1.79%	7.68%	10.00%	10.04%	7.12%	9.96%
Including Max Sales Charge							
A Shares	-2.76%	-9.76%	-1.61%	9.47%	11.36%	4.95%	8.93%
C Shares	1.14%	-6.28%	1.87%	10.50%	11.70%	4.96%	8.94%

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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Top 10 Equity Holdings of Fund

	(% of Portfolio)		(% of Portfolio)
1 Armstrong World Industries Inc.	5.4	6 Gates Industrial Corp. PLC	3.9
2 White Mountains Insurance Group	5.3	7 Essential Properties Realty Trust Inc.	3.9
3 ACI Worldwide Inc.	4.6	8 Vontier Corp.	3.7
4 Moelis & Co.	4.1	9 Acushnet Holdings Corp.	3.6
5 NewMarket Corp.	4.0	10 Landstar System, Inc.	3.6

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 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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