

## Fund Manager Commentary

As of March 31, 2025

### 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 9.5% for the quarter ended March 31, 2025. The year started off positive in January, with a return of 2.6%. However, market sentiment quickly turned negative, with February down 5.4%, and the risk off environment accelerating with March down 6.8%. We believe market concerns about the direction of government policy turned into market fears of weaker economic growth and negative corporate profit implications. The sectors that outperformed in the first quarter were Utilities, Consumer Staples, Real Estate, Financials, Materials, and Health Care. The sectors that underperformed for the quarter were Industrials, Communication Services, Energy, Consumer Discretionary, and Information Technology.

### Portfolio Review

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

The Fund's top three performing sectors in terms of adding value were Health Care, Industrials, and Consumer Discretionary. Stock selection positively contributed to relative performance in all three sectors. The Fund's bottom three performing sectors that detracted from relative performance were Financials, Information Technology, and Communication Services. Stock selection detracted in all three sectors, and an overweight allocation to Information Technology and an underweight allocation to Financials negatively impacted relative performance.

Among the Fund's top contributors for the quarter were WNS Holdings Ltd. (Information Technology sector), Option Care Health Inc., Progyny Inc. (both Health Care sector), Stride Inc. (Consumer Discretionary sector), and Chemed Corp. (Health Care sector).

WNS Holdings is a business transformation and services company with deep industry expertise offering solutions to global enterprises. Idiosyncratic earnings headwinds from 2024 appear to be abating, and the company is expected to return to its long-term growth rate of 10% in 2025.

Option Care Health is the largest provider of home and alternate site infusion therapy services in the United States. The stock was a bottom five detractor in the fourth quarter due to uncertainty on the earnings impact from a material price reduction on a drug they administer. We held the position believing the uncertainty would clear, and the stock had positive returns after providing a positive outlook for earnings growth in 2025.

Progyny is the leading provider of fertility benefits management to employers and health plans. This was our most challenging position in 2024, as utilization of their benefits was lower than expected. We added to the position in the fourth quarter, and the stock rebounded in the first quarter as utilization trends started to stabilize.

Stride is the leading provider of virtual education services in the United States for K-12 schools and students. Strong demand and record enrollments drove 50% earnings growth over the last twelve months and favorable trends are expected to persist.

Chemed is a holding company that operates the nation's largest provider of hospice care, VITAS, and the nation's leading provider of plumbing services, Roto-Rooter. The stock has positive returns in the quarter, driven by steady secular earnings growth from VITAS and an improving outlook for Roto-Rooter.

Among the Fund's top detractors for the quarter were PVH Corp. (Consumer Discretionary sector), Verint Systems Inc. (Information Technology sector), Steven Madden Ltd. (Consumer Discretionary sector), Tower Semiconductor Ltd. (Information Technology sector), and Ziff Davis Inc. (Communication Services sector).

(continued)

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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).**



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PVH owns the global Tommy Hilfiger and Calvin Klein brands. While the company delivered 8% earnings growth last year and guided to similar growth in 2025, the stock declined in the quarter due to concerns about tariffs, trade wars, and the impact on consumer demand. We continue to hold the stock, which is now trading at 5x earnings.

Verint Systems is a provider of customer experience software to global enterprises, including 85 of the Fortune 100. The stock was down during the quarter after missing fourth quarter earnings targets. However, we were encouraged as a key future indicator, annual recurring revenue, accelerated and exceeded expectations. We continue to hold the position.

Steven Madden is a global footwear, accessories, and apparel brand. The company delivered 9% earnings growth in 2024, but the stock was down due to concerns about tariffs, trade wars, and the impact on consumer demand. We continue to hold the position.

Tower Semiconductor is a leading global foundry manufacturing specialty analog semiconductors. The stock was a top ten contributor for us in 2024, and market expectations were high coming into 2025. While the company delivered better-than-expected fourth quarter results and a positive first quarter outlook, the valuation contracted materially, and the stock fell in the quarter, as market sentiment toward artificial intelligence (AI) investments turned negative and geopolitical risks increased concerns about future semiconductor demand. We continue to hold the position.

Ziff Davis is a digital media and internet company with a portfolio of brands in technology, shopping, gaming, health and wellness, and connectivity. The stock declined in the quarter due to market concerns about a secular shift in digital advertising away from internet properties that Ziff Davis owns, and generative AI disrupting the search for content on the internet. We continue to hold the position.

### Outlook and Conclusion

We entered 2025 with optimism that the earnings growth environment for small cap stocks could improve with a less onerous regulatory environment, potential extended and/or additional tax cuts, lower potential interest rates, and the Administration's "America First" agenda. As we went through the first quarter, government policy uncertainty started to pressure market valuations. As we enter the second quarter, government policy, in particular substantial tariffs and trade wars, has created a risk to future economic growth and corporate profits. Small cap earnings expectations have been revised down in the first quarter, though still call for 13% earnings growth in 2025. We believe this is optimistic and will be lowered after first quarter earnings are reported. Small cap valuations contracted from 16x earnings to start the year to 13x earnings today, reflecting this concern. This is a discount to the historical 16x earnings average, implying the market expects 2025 earnings to be flat or potentially down.



## 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	2.07%	1.97%
Y Shares	05/04/07	SIGWX	89154Q224	0.97%	0.91%
INST Shares	10/30/17	TICSX	89154Q166	0.95%	0.81%
R6 Shares	12/31/14	SSRRX	89154Q232	0.88%	0.81%
<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 10/29/25.

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	-7.19%	-7.19%	-0.39%	3.78%	16.80%	7.98%	10.50%
C Shares	-7.35%	-7.35%	-1.26%	3.01%	15.92%	7.35%	9.91%
Y Shares	-7.19%	-7.19%	-0.19%	4.03%	17.11%	8.29%	10.71%
INST Shares	-7.17%	-7.17%	-0.04%	4.19%	17.24%	8.32%	10.71%
R6 Shares	-7.11%	-7.11%	0.12%	4.18%	17.27%	8.44%	10.65%
Benchmark	-9.48%	-9.48%	-4.01%	0.52%	13.27%	6.30%	8.57%
Including Max Sales Charge							
A Shares	-11.76%	-11.76%	-5.37%	2.05%	15.58%	7.42%	10.33%
C Shares	-8.28%	-8.28%	-2.19%	3.01%	15.92%	7.35%	9.91%

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.	2.8	6 Option Care Health Inc.	2.1
2 Haemonetics Corp.	2.5	7 Stride Inc.	2.1
3 Encompass Health Corp.	2.3	8 Exlservice Holdings Inc.	2.1
4 Progyny Inc.	2.1	9 CarGurus Inc.	2.1
5 KBR, Inc.	2.1	10 Liveramp Holdings Inc.	2.0

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://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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