

Fund Manager Commentary

As of March 31, 2023

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 Russell 2000 Index increased 2.7% for the quarter ended March 31, 2023. The quarter started strong with January returns of 9.7%, but February and March declined 1.7% and 4.8%, respectively. From a sector perspective for the quarter: Information Technology, Consumer Discretionary, Materials, Communication Services, Industrials, and Consumer Staples outperformed the overall index. Financials, Energy, Health Care, and Utilities sectors all underperformed the overall index.

We believe the positive January return was a classic “January effect” month, as sectors and stocks that underperformed in 2022, outperformed in the first month of the year. In particular, lower market cap, lower return on equity, and non-earners outperformed. This dynamic reversed course in February and March, with higher quality small cap stocks outperforming as the overall market environment shifted from risk-on to risk-off.

Portfolio Review

The Touchstone Small Company Fund (Class A Shares Load-Waived) underperformed its benchmark, the Russell 2000® Index, for the quarter ended March 31, 2023.

The Fund’s underperformance was driven by negative stock selection within the Information Technology, Financials, and Materials sectors. The Funds underweight in Financials partially offset the negative selection effect. The top three individual contributors were Certara Inc. (Health Care sector), Onto Innovation Inc. (Information Technology sector), and Skyline Champion Corp. (Consumer Discretionary sector).

Certara Inc. is a leading provider of drug development software and services to biopharmaceutical companies, academic institutions, and regulatory agencies. The stock outperformed in

the first quarter due to the increasing adoption of their proprietary biosimulation solutions, which are expected to generate mid-teen revenue and earnings growth in 2023.

Onto Innovation is a provider of process control systems for the semiconductor manufacturing market. The company reported a record year in 2022 and provided an outlook for 2023 better than the overall semiconductor wafer fabrication equipment market due to new production introductions into adjacent markets and market share gains.

Skyline Champion is the largest independent, publicly traded, factory-built housing company in North America. The stock outperformed due to demand for their highly affordable housing solutions remaining resilient in an overall challenged and slowing housing market.

Among the top detractors were Veradigm Inc. (Health Care sector), Webster Financial Corp. (Financials sector), and Box Inc. (Information Technology sector).

Veradigm is health care technology company. We believe the stock underperformed due to a delay in reporting fourth quarter results and filing their 10K due to an accounting review. The review does not impact their free cash flow, and we continue to hold the position.

Webster Financial is a regional bank headquartered in the Northeast United States. We believe they underperformed due to the collapse of Silicon Valley Bank and Signature Bank, which sparked broad-based regional bank industry concerns about liquidity. We believe Webster Bank is well capitalized and are confident in the company’s strategy and ability to execute in an uncertain industry environment.

Box Inc. operates a leading Software-as-a-Service enterprise content collaboration platform that provides the ability to securely manage and share information globally. We believe the company

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◊ Fort Washington is a member of Western & Southern Financial Group

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.**



underperformed due to providing a revenue growth outlook below market expectations. Despite the lower revenue growth outlook, the company's earnings and free cash growth remain over 20% and we continue to hold the position.

We are overweight Industrials and this is our largest sector allocation. The reason for the increased allocation was the GICS reclassification of three portfolio positions from Information Technology to Industrials. We exited one position, John Bean Technologies Corp. John Bean Technologies is a provider of manufacturing technology solutions for the food and beverage industry. We exited the position due to concerns that industry demand for their products from the food and beverage industry moderates as the profitability of those industries normalizes post-pandemic.

We are overweight Health Care and this is our second largest sector allocation. We added two new positions. Inmode Ltd. is a leading global provider of medical technologies to the plastic surgery, dermatology, gynecology, and ophthalmology markets. The company's innovative, minimally invasive aesthetic treatment technology has experienced rapid adoption over the last several years. We believe the company will grow revenue and earnings double digits over the intermediate-term driven by market share gains and new product introductions. QuidelOrtho Corp. is a global industry leader in immunoassay and molecular testing with a global footprint in clinical labs and transfusion medicine. We believe the company's strong competitive position in relatively stable end markets provide visibility into high single digit revenue growth and low double digit earnings growth over the intermediate term. We exited two positions. Omnicell Inc. is a leading provider of automated pharmacy and medication management solutions for healthcare facilities. We exited the position due to concerns that hospital systems overspent on capital expenditures over the last few years and that lower industry demand for their solutions may persist for the foreseeable future. NuVasive Inc. is a leading provider of spine surgical solutions. We exited the position because the company is being acquired.

We are overweight Consumer Discretionary and this is our third largest sector allocation, similar to last quarter. We exited one position, Aritzia Inc. Aritzia is a specialty apparel retailer. We exited the position due to concerns about the sustainability of their rapid rates of growth experienced during the COVID pandemic.

We are overweight Information Technology and this is our fourth largest sector allocation. The sector weight decreased 5% from last quarter due to the aforementioned GICS reclassification of three portfolio positions from Information Technology to Industrials.

We are overweight Real Estate and this is our fifth largest sector allocation. We added two new positions. Colliers International Group Inc. is a globally diversified professional services and investment management company. The company's asset-light business model includes high-value recurring revenue streams growing organically enhanced by acquisitions that expand the capabilities of their global footprint and drive long-term growth. Apple Hospitality REIT Inc. is a real estate investment trust that owns a diverse portfolio of upscale hotels. The company's broad geographic diversification with industry-leading brands and

operators drive industry leading margins, which combined with its strong balance sheet, provide the opportunity to drive long-term earnings growth.

Lastly, we added one new Energy position and exited one Financials position. Cactus Inc. manufactures highly engineered wellhead and pressure control equipment for the oil and gas industry. The company's wellhead technology has gone from introduction in 2011 to 40% market share at the end of 2022. The company generates industry leading free cash flow margins and we believe a recent acquisition provides the opportunity to expand their addressable market with similarly attractive financial economics. Pinnacle Financial Partners Inc. is a regional bank based in the Southeast United States. We exited the position due to concerns that the company's aggressive growth strategy elevates the risk to future earnings in a potentially more challenging economic and credit environment.

Outlook and Conclusion

Our investment philosophy is centered on the belief that earnings growth is the primary driver of long-term equity returns. As a result, we only invest in profitable small cap companies and our investment process is focused on identifying investments where we believe future earnings expectations will improve over time. In the current economic environment, that is challenging, as broad-based future small cap earnings expectations peaked in May 2022 and have declined for 10 straight months by a total of 20%. In fact, 2023 small cap earnings are now expected to be 7% below the record 2022 earnings. There is a very low probability of investment outperformance when future earnings expectations are falling, as has been the case the last 10 months. In these environments, the risk management aspects of the investment process play an important role, as illustrated by the down market capture of 86% since inception for the strategy. Our focus on investing in quality businesses with low leverage and earnings that convert into free cash flow is very important.

As we look forward, we believe it is likely that future earnings expectations continue to decline. The fiscal and monetary stimulus in reaction to the COVID pandemic created unsustainable demand and corporate earnings will take time to normalize. However, it is important to note the overall absolute high level and health of corporate earnings. 2023 small cap earnings are still close to 50% higher than 2019, yet small cap equity prices are only up 20%. As a result, small cap valuations at 11 times trailing and 13 times forward earnings are near the low end of their 25-year trading range. Furthermore, small cap valuations relative to large cap remain near the lowest level in 25 years, below both the 2009 Great Financial Crisis and 2020 pandemic lows.

We have favorable views on the long-term earnings outlook for our profitable, higher quality small cap portfolio. We continue to consistently execute our stock selection and portfolio construction process on companies positioned favorably across the investment cycle with a high probability of outperformance, while executing our risk management discipline on companies positioned unfavorably for downside risk mitigation.

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As of March 31, 2023, Certara Inc. made up 1.22%, Onto Innovation Inc. made up 2.28%, Skyline Champion Corp. made up 1.42%, Veradigm Inc. made up 1.12%, Webster Financial Corp. made up 2.40%, Box Inc. made up 1.69%, Inmode Ltd. made up 1.19%, QuidelOrtho Corp. made up 1.16%, Colliers International Group made up 1.06%, Apple Hospitality REIT Inc. made up 0.78%, and Cactus Inc. made up 0.91%. Silicon Valley Bank and Signature Bank made up 0.00% of the Touchstone Small Company Fund. Current and future portfolio holdings are subject to change.

Fund Facts (As of 03/31/23)

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio*	
				Total	Net
A Shares	03/01/93	SAGWX	89154Q257	1.17%	1.17%
C Shares	07/09/01	SSCOX	89154Q240	2.02%	1.97%
Y Shares	05/04/07	SIGWX	89154Q224	0.97%	0.91%
INST Shares	10/30/17	TICSX	89154Q166	0.96%	0.81%
R6 Shares	12/31/14	SSRRX	89154Q232	0.87%	0.81%
Total Fund Assets	\$863.3 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 1.22% 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 10/29/23.

Share class availability differs by firm.

Annualized Total Returns** (As of 03/31/23)

	1Q23	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	2.69%	2.69%	-5.65%	22.42%	7.18%	9.46%	10.61%
C Shares	2.50%	2.50%	-6.25%	21.53%	6.34%	8.85%	9.98%
Y Shares	2.88%	2.88%	-5.42%	22.77%	7.47%	9.80%	10.82%
INST Shares	2.88%	2.88%	-5.10%	22.95%	7.52%	9.81%	10.81%
R6 Shares	2.96%	2.96%	-5.22%	22.96%	7.58%	9.85%	10.75%
Benchmark [^]	2.74%	2.74%	-11.61%	17.51%	4.71%	8.04%	8.66%
Including Max Sales Charge							
A Shares	-2.36%	-2.36%	-10.31%	20.29%	5.91%	8.90%	10.43%
C Shares	1.50%	1.50%	-7.17%	21.53%	6.34%	8.85%	9.98%

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[®] Index¹

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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.

¹The 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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