

## Fund Manager Commentary

As of June 30, 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 returned 8.5% for the quarter ended June 30, 2025. After declining 9.5% in the first quarter, the second quarter started off with a material sell-off, we believe primarily in reaction to the announcement of the “Liberation Day” tariffs on April 2. The Russell 2000 Index hit bear market territory on a year to date basis, down more than 20% by April 8. The April 9 tariff “pause” sparked a rally of 24% over the balance of the quarter to drive the positive quarterly returns of 8.5%. The sectors that outperformed in the second quarter were Information Technology, Industrials, Materials, Communication Services, and Consumer Discretionary. The sectors that underperformed for the quarter were Financials, Health Care, Energy, Consumer Staples, Utilities, and Real Estate.

### Portfolio Review

The Touchstone Small Company Fund (Class A Shares, Load Waived) underperformed its benchmark, the Russell 2000 Index, for the quarter ended June 30, 2025.

The Fund’s top three performing sectors in terms of adding value were Industrials, Financials, and Utilities. Stock selection and sector allocation positively contributed to Industrials and Financials, while an underweight allocation to Utilities benefitted performance. The Fund’s bottom three performing sectors that detracted from relative performance were Consumer Discretionary, Information Technology, and Health Care. Stock selection detracted in all three sectors. Notably, during the quarter non-earners, which we do not invest in, returned an estimated 16.5%, proof of the dramatic ‘risk-on’ nature of the quarter.

Among the Fund’s top contributors for the quarter were Ciena Corp. (Information Technology sector), Curtiss-Wright Corp., EMCOR Group Inc. (both Industrials sector), Evercore Inc. (Financials sector), and Federal Signal Corp. (Industrials sector).

Ciena is the global leading provider of optical network equipment. The stock returned 34% in the quarter due to strong demand for their products to connect AI data centers over long distances, and we trimmed our position.

Curtiss-Wright manufactures products for the defense, aerospace, industrial, and power markets. The stock returned 54% in the quarter primarily due to significant potential demand for their nuclear coolant pump technology resulting in a trim to the position.

EMCOR provides electrical and mechanical construction services. The stock returned 44% in the quarter due primarily to significant investments in AI data centers fueling strong orders, backlog, and earnings visibility.

Evercore is the largest independent investment banking advisory firm in the United States. The stock returned 36% in the quarter due to their advising several major announced acquisitions plus hopes for less macro uncertainty, lower interest rates, and a less onerous regulatory environment being catalysts for future industry demand.

Federal Signal manufactures specialty vehicles such as sewer cleaners, street sweepers, and industrial trucks. The stock returned 44% due to strong orders and backlog visibility for their vehicles.

Among the Fund’s top detractors for the quarter were Bio-Techne Corp. (Health Care sector), Champion Homes Inc. (Consumer Discretionary sector), Chemed Corp., Globus Medical Inc. (both Health care sector), and Onto Innovation Inc. (Information Technology sector).

Bio-Techne manufactures consumable products and tools for biopharmaceutical research. The stock declined 13% in the quarter due to concerns that significant NIH cuts will lower spending for

(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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academic and government research, and tariffs on pharmaceuticals will lower demand for drug development. We added to our position on weakness.

Champion Homes is the second largest builder of manufactured homes in the United States. The stock declined 34% after demand softened this spring and higher commodity costs negatively impacted margins. We are closely monitoring conditions and held the position.

Chemed operates two unrelated businesses—one provides hospice services under the VITAS brand, the other plumbing services under the Roto-Rooter brand. The stock was down 21% in the quarter after demand softened in both segments. We view this as a temporary dynamic and held our position.

Globus Medical manufactures medical devices focused on the spine surgical market. The stock declined 20% due to lower-than-expected surgical robotic sales and manufacturing operational issues, which we feel management will be able to rectify, resulting in our adding to the holding.

Onto Innovation manufactures semiconductor equipment. The stock declined 17% in the quarter due to lower customer demand for their advanced packaging equipment used in semiconductor manufacturing. This has been a long-term outperformer in the Fund, and we continue to hold.

During the quarter the Fund initiated positions in Ameris Bancorp (Financials sector), HF Sinclair Corp. (Energy sector), and Viant Technology Inc. (Information Technology sector).

Ameris Bancorp is a regional bank headquartered in Georgia. We believe the company's low-cost deposit base, growing geographies, strong credit profile, and well capitalized balance sheet will drive above industry earnings growth over the next few years.

HF Sinclair is an energy company that owns and operates six refineries that produce and market gasoline, diesel fuel, jet fuel, lubricants, and specialty products. The company also transports and markets these products. We believe that the refining business is in the early innings of a cyclical recovery. Additionally, we expect corporate initiatives to improve operational efficiencies to yield above average industry growth.

Viant Technology is a digital advertising technology company that operates a demand side platform that connects advertisers and publishers, particularly for connected TV campaigns. We believe the secular shift from linear TV to connected TV will yield above average industry growth for Viant.

During the quarter the Fund sold Albany International Corp. (Industrials sector). Albany International manufactures specialty composite materials used in aerospace and paper manufacturing. We exited the position due to concerns about secular growth challenges in the paper industry and operational challenges in the aerospace business.

## Outlook and Conclusion

Government policy uncertainty created significant equity market volatility in the second quarter. While ultimate tariff rates are still to be determined, the market seems to have moved past this as a material risk to economic growth and corporate profits. It was a contributing factor for small cap earnings expectations being lowered for 2025, with growth now forecast at just 5%, compared to 13% at the start of the quarter. Large cap earnings expectations were moderated from 12% to 9%. We believe it is premature to conclude higher tariff rates will not negatively impact economic growth and corporate profits, which are expected to expand a robust 20% for small caps and 14% for large caps in 2026. We were encouraged with the passage of the "One Big Beautiful Bill," which maintained the status quo for tax and spending policy in aggregate. This removes an overhang for corporations to operate under but does lock in \$2 trillion plus deficits long-term. We are concerned this may have a negative impact on economic growth and corporate profit growth.

With earnings expectations lowered and prices moving higher, small cap equity valuations expanded to 16x forward earnings, in-line with their multi-decade average. The stronger earnings growth narrative in large cap continues to drive 40% valuation premiums over small cap, well above the parity that has been the average historically.

When you combine the earnings growth outlook with current valuations, we believe the Fund is positioned well. Within the profitable small cap universe, we believe quality fundamental characteristics such as low financial leverage, high earnings quality converted into free cash flow, above average industry growth, and relative value are important. We apply our security selection process to the profitable, quality small cap universe with the goal of outperformance combined with deliberate risk management to achieve lower downside volatility. While the current market environment has elevated uncertainty, we believe that creates opportunities for active management to capitalize on market inefficiencies and identify new investments to deliver long-term performance.



## 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>\$1.2 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

	2Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	7.93%	0.17%	9.55%	12.56%	13.99%	8.82%	10.68%
C Shares	7.57%	-0.34%	8.65%	11.72%	13.02%	8.18%	10.09%
Y Shares	7.91%	0.14%	9.80%	12.89%	14.25%	9.12%	10.88%
INST Shares	8.04%	0.29%	9.93%	13.05%	14.39%	9.16%	10.89%
R6 Shares	7.82%	0.16%	9.90%	12.96%	14.38%	9.32%	10.82%
Benchmark	8.50%	-1.79%	7.68%	10.00%	10.04%	7.12%	8.77%
Including Max Sales Charge							
A Shares	2.57%	-4.77%	4.15%	10.65%	12.84%	8.27%	10.50%
C Shares	6.57%	-1.34%	7.65%	11.72%	13.02%	8.18%	10.09%

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	Haemonetics Corp.	2.7	6	Option Care Health Inc.	2.0
2	CarGurus Inc.	2.3	7	RingCentral Inc.	2.0
3	Liveramp Holdings Inc.	2.2	8	Silgan Holdings Inc.	1.9
4	WNS Holdings Ltd.	2.1	9	Progyny Inc.	1.9
5	LivaNova PLC	2.0	10	Stride Inc.	1.9

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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