Fund Manager Commentary

As of June 30, 2024

Fund Highlights

- Utilizes an active management framework seeking to maximize total return
- Employs a disciplined selection process in an attempt to build a broadly diversified portfolio
- Assesses the economic environment and recent developments occurring in the bond market to set specific duration levels, yield-curve structures, sector weightings and credit-quality targets
- Utilizes a team of sector specialists to recommend securities

Market Recap

The economy has continued to grow at a robust pace throughout the first half of 2024. Healthy job and wage gains coupled with significant increases in net worth have supported recent spending as excess savings from pandemic era programs are now largely exhausted. The labor market has become more balanced in recent months and the unemployment rate has moved modestly higher to 4.1% compared to last year's low of 3.4%. While this slowing should put downward pressure on inflation, it could also lead to a larger decline in consumption.

Amid continued strength in the economy and softening in the labor market, inflation has remained volatile, and investors have maintained their focus on the U.S. Federal Reserve Board (Fed) and when the U.S. can expect rate cuts. Forecasts for the path of the federal funds rate have varied meaningfully this year and are likely to continue as new economic data is released. Inflation came into the year near the Fed's 2% target on a 6-month basis but upside surprises for the first few months of 2024 sparked concerns around elevated inflation. While inflation worries are still present, recent data has renewed faith that inflation will move lower, and the larger trend remains intact. The Fed's preferred gauge of inflation, Core PCE, is at a yearly rate of 2.6%, down from 4.7% last May. While continued progression should increase the Fed's confidence to cut, they have emphasized the desire to move slowly and stay data dependent.

The market is anticipating 50 basis points of cuts in the second half of the year with consensus forecasts pointing toward continued growth and leading to a 'soft landing'. As a result, risk assets moved higher while interest rates appear to have stabilized following recent inflation reports. The 10-year U.S. Treasury initially rose 50 basis points in the second quarter following renewed inflation fears, but subsequently reversed much of the move and ended the quarter at 4.4% compared to 4.2% at the start of the quarter. Investment grade corporate spreads widened only a few basis points during the quarter and remain near historically tight levels. Despite the move higher in interest rates and spreads, the Bloomberg U.S. Aggregate Bond Index was up slightly for the quarter as carry (i.e., coupon income) more than offset the decline in bond prices.

Portfolio Review

The Touchstone Active Bond Fund (Class A Shares, Load Waived) outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended June 30, 2024.

Security selection was the largest driver of outperformance over the quarter, driven by securitized and investment grade corporates. Within securitized, the Fund was overweight Agency Collateralized Mortgage Obligations which outperformed as spreads tightened more than Agency Passthroughs. Positive selection within investment grade corporates was driven by performance of midstream issuers and subordinated banking positions.

The Fund's sector allocation was generally neutral during the quarter and there were no sectors that had a material impact to performance. Corporate spreads were range bound over the quarter as they remained near historically tight levels.

The Fund's interest rate exposure was also largely neutral over the quarter. The Fund tactically adjusted duration as interest rates experienced volatility driven by the market's reaction to new economic data. Separately, the Fund maintained a bias for a steeper curve which contributed to

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Fort Washington is a member of Western & Southern Financial Group performance. While the entire curve moved higher, longer-term interest rates increased more than the shorter end of the curve. The Fund began the quarter neutral duration as rates were increasing at the end of the first quarter and into the second. This positioning was tactically adjusted during the quarter as rates experienced volatility. At the end of the quarter the Fund was positioned with a neutral duration relative to the benchmark and maintained an overweight to the intermediate portion of the yield curve relative to the long end. In addition, the Fund rotated out of Treasury Inflation-Protected Securities which were used as a hedge against increasing inflation expectations. The aggregate impact from duration over the quarter was neutral to relative performance.

The Fund was positioned to benefit from a steeper yield curve which was a modest contributor to performance over the quarter. The curve steepened slightly two years and out as investors recalibrated their expectations for rate cuts which also drove the entire yield curve higher. As the Fund was overweight the intermediate part of the curve, this resulted in marginal outperformance.

Outlook and Conclusion

The Fund is targeting a modest overweight to risk representing 30% of the risk budget. Economic growth has surprised to the upside over the last year, but downside risks remain elevated from the cumulative effects of the Fed's restrictive monetary policy, tightening bank lending standards, increased geopolitical risks, and uncertainty around the U.S. elections. Inflation continues to decelerate but remains above the Fed's 2% target. The Fed is expected to begin easing monetary policy later this year as inflation trends toward its target but will remain in restrictive territory for some time. Although the U.S. economy has shown resilience thus far, consumption could slow more than expected as consumer strength faces increased challenges and the labor market continues to cool. Valuations generally reflect a high probability of a soft/no landing with a limited margin of safety. Despite our improved economic outlook, elevated asset prices result in only a modest overweight risk posture within the Fund.

Sector positioning within the Fund reflects generally expensive valuations, relative value, and opportunities within each sector. Allocations were mostly unchanged during the quarter and primary risk exposures include:

The Fund remains overweight to Investment Grade Credit (IG). Within the IG allocation, the Fund's portfolio continues reducing overall risk as spreads tighten amid positive sentiment. We are maintaining a risk overweight to select sectors where compelling bottom-up opportunities exist such as midstream and banks. In addition, the Fund is looking for incremental opportunities to increase liquidity in the event of a spread widening opportunity.

Securitized Products remain an overweight exposure relative to the benchmark, focused within high quality non-agency Commercial Mortgage-Backed Securities and Residential Mortgage-Backed Securities. The Fund's portfolio has a higher credit quality bias given the spread between tranches (AAA, AA, etc.) has flattened and investors are not being compensated to take on additional risk across much of the sector.

The Fund mostly eliminated the emerging market debt allocation during the first quarter following strong relative performance of the sector. Both investment grade and high yield emerging market debt are trading at historically tight levels skewing the risk/reward to the downside.

The Fund holds domestic high yield credit default swap index protection as spreads are at historically tight levels, limiting the upside return of the sector to carry.

Regarding interest rate and duration positioning and outlook, we are currently positioning portfolios neutral duration relative to the benchmark with a steepening bias. Portfolios are overweight the intermediate part of the curve and underweight long maturities relative to the index to benefit as the yield curve steepens. Fed Chair Powell has indicated the Fed is prioritizing the larger trend of inflation but needs additional confidence around the trajectory to begin cutting rates. While investors expect this to occur later this year, we expect the market to continue reacting to incoming economic reports which should lead to volatility and present opportunities for tactical adjustments.

The Fund is positioned to perform well in a stable to improving environment for risk assets. We believe a modest overweight to credit sectors is prudent as valuations are tight of historical medians, limiting potential upside, while the current economic environment should support tighter spreads. If these conditions continue, the Fund is positioned well to benefit from additional yield relative to the benchmark. However, if economic growth slows more than expected, the Fund is also in a position to add exposure opportunistically if risk assets experience weakness. Additionally, we believe positive security selection can benefit the Fund in many different market environments.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	10/03/94	**TOBAX**	89154W502	0.97%	0.83%
C Shares	10/03/94	**TODCX**	89154W601	2.15%	1.56%
Y Shares	04/12/12	**TOBYX**	89154W791	0.72%	0.58%
INST Shares	04/12/12	**TOBIX**	89154W783	0.63%	0.50%
Total Fund Assets	**$249.9 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 0.83% for Class A Shares, 1.56% for Class C Shares, 0.58% for Class Y Shares and 0.50% for Class INST Shares. These expense limitations will remain in effect until at least 01/29/25.

Share class availability differs by firm.

Annualized Total Returns

	2Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	0.40%	0.23%	4.24%	-3.04%	0.30%	1.49%	4.24%
C Shares	0.15%	-0.22%	3.44%	-3.77%	-0.45%	0.88%	3.97%
Y Shares	0.36%	0.35%	4.51%	-2.80%	0.56%	1.74%	4.34%
INST Shares	0.49%	0.39%	4.59%	-2.72%	0.64%	1.82%	4.38%
Benchmark	0.07%	-0.71%	2.63%	-3.02%	-0.23%	1.35%	4.55%
Including Max Sales Charge							
A Shares	-2.84%	-3.07%	0.85%	-4.11%	-0.11%	1.00%	4.06%
C Shares	-0.85%	-1.21%	2.44%	-3.77%	-0.45%	0.88%	3.97%

Max 3.25% sales charge for Class A Shares and 1% Contingent Deferred Sales Charge for Class C Shares held less than 1 year.

Benchmark - Bloomberg U.S. Aggregate Bond 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.*

The performance presented for Class Y and INST Shares combines the performance of an older class of shares (A Shares) from the Fund's inception, 10/03/94, with the performance since the inception date of each share class.

The Bloomberg U.S. Aggregate Bond Index is an unmanaged index comprised of U.S. investment grade, fixed rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and ten years.

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.

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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A Word About Risk

The Fund invests in fixed-income securities which can experience reduced liquidity during certain market events, lose their value as interest rates rise and are subject to credit risk which is the risk of deterioration in the financial condition of an issuer and/or general economic conditions that can cause the issuer to not make timely payments of principal and interest also causing the securities to decline in value and an investor can lose principal. When interest rates rise, the price of debt securities generally falls. Longer term securities are generally more volatile. The Fund invests in investment grade debt securities which may be downgraded by a Nationally Recognized Statistical Rating Organization (NRSRO) to below investment grade status. The Fund invests in mortgage-backed securities and asset-backed securities which are subject to the risks of prepayment, defaults, changing interest rates and at times, the financial condition of the issuer. The Fund invests in non-investment grade debt securities which are considered speculative with respect to the issuers' ability to make timely payments of interest and principal, may lack liquidity and has had more frequent and larger price changes than other debt securities. The Fund invests in U.S. government agency securities which are neither issued nor guaranteed by the U.S. Treasury and are not guaranteed against price movements due to changing interest rates. 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. The Fund invests in derivatives and securities such as forward foreign currency exchange contracts, futures contracts, options and swap agreements. Derivatives can be highly volatile, illiquid and difficult to value, subject to counterparty and leverage risks and there is risk that changes in the value of a derivative held by the Fund will not correlate with the Fund's other investments. Gains or losses from speculative positions in a derivative may be much greater than the original cost and potential losses may be substantial. 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 invests in emerging markets securities which are more likely to experience turmoil or rapid changes in market or economic conditions than developed countries. The Fund invests in sovereign debt securities which are issued by foreign governments whose respective economies could have an important effect on their ability or willingness to service their debt which could affect the value of the securities. The Fund invests in mortgage dollar rolls which involve increased risk and volatility, as the securities the Fund is required to repurchase may be worth less than the securities that the Fund originally held. The Fund may experience higher portfolio turnover which may lead to increased fund expenses, lower investment returns and higher short-term capital gains taxable to shareholders. The Fund invests in Collateralized Loan Obligations (CLOs) that have risks that largely depend on the type of underlying collateral and risks may include illiquidity, limited active market, the possibility that distributions from collateral securities will be insufficient to make interest or other payments, the potential for a decline in the quality of the collateral, and can bear the risk of default by the loans. 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. 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.

Not FDIC Insured | No Bank Guarantee | May Lose Value

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