Fund Manager Commentary

As of September 30, 2024

Fund Highlights

- Employs flexibility by allocating assets among core investments and opportunistic investments as market conditions change
- Identifies companies and securities that are believed to offer attractive relative values when compared to their fundamental credit risk
- Actively hedges portfolio risks, including credit, interest rate and currency, in an effort to preserve capital
- Consists of several broad investment categories, including high yield bonds, bank loans, special situations, structured credit and hedges

Market Recap

Risk assets were positive in the third quarter due to solid macro data prints, positive corporate fundamental data and optimism leading into the U.S. Federal Reserve Board's (Fed) rate cut in September, its first since 2020. The 50 basis point (bps) cut was viewed as a proactive measure by the central bank and an indication that its focus had shifted from inflation, which continued to track toward its 2% target, to labor. Demand for fixed rate assets increased alongside expectations of a rate cut by the Fed, with high yield bond funds reporting a $10.1 billion inflow during the quarter. Conversely, loan funds reported a $2.7 billion outflow during the same period. Against this backdrop, high yield bonds (proxy: ICE BofA U.S. High Yield Constrained Index) outperformed syndicated loans (proxy: Credit Suisse Leveraged Loan Index) though both gained during the quarter.

Traditional fixed income (proxy: Bloomberg U.S. Aggregate Bond Index) was positive, slightly underperforming high yield bonds and outperforming syndicated loans, as investors sought to rotate from floating to fixed rate assets given expectations for lower rates. Both sub-investment grade credit sectors underperformed equities.

Multiple common themes unfolded in the sub-investment grade markets during the quarter; lower credit quality outperformed, capital markets remained active and default rates remained in line with historical averages. Reflective of economic optimism and a potential soft landing by central banks, CCC-rated bonds outperformed CCC loans, with bonds benefitting from the increased demand for fixed rate assets. The primary market remained active with $74.3 billion and $205.6 billion of gross issuance between bonds and loans, respectively. While activity remained skewed toward refinancings, loan leveraged buyout volumes reached their highest quarterly total since the first quarter of 2022, which is when the Fed embarked on their hiking regime. Default conditions were generally manageable during the period though the divergence between bond and loan default rates reached their highest level since 2000. High yield bond and loan default rates ended the quarter at 1.64% and 3.70%, respectively, with the bond market benefitting from a lack of distressed exchanges and liability management exercises (LME) specifically.

Portfolio Review

The Touchstone Ares Credit Opportunities Fund (Class A Shares, Load Waived) underperformed its benchmark, the ICE BofA U.S. High Yield Constrained Index, for the quarter ended September 30, 2024.

Relative performance was largely driven by the Fund's exposure to syndicated loans as the asset class underperformed its fixed rate counterpart. Further, the decision to reduce CCCs earlier in the period was a headwind to returns, though the impact was mitigated as exposure was added toward the end of the quarter.

The Fund rotated exposures in an effort to preserve yield and manage idiosyncratic risks. The allocation to syndicated loans was reduced due to the more favorable demand technical in the high yield bond market. Conversely, the exposure to high yield bonds increased from 75.73% to 79.89%. From a ratings perspective, the exposure to BBBs was modestly reduced in September following a period of

(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.***

price appreciation for longer duration assets. Further, we added exposure to CCCs based on relative value, with the Fund's exposure shifting from market weight to a modest overweight at quarter end. As a result of these shifts the Fund continues to maintain an elevated yield relative to the benchmark. As a result of positioning shifts during the quarter, the Fund's duration remained overweight the benchmark.

Outlook and Conclusion

The outsized rate cut was the latest tailwind for leveraged credit performance, particularly in lower rated cohorts like CCCs which are expected to benefit the most from lower base rates. The move lower in rates is expected to continue, with an additional ~150bps of cuts priced in through 2025. From a macroeconomic perspective, global data has been positive with strong payroll data and healthy jobless claims and job openings. Further, inflation and economic growth data are tracking in line with target levels. All things considered, an economic soft-landing scenario seems to be increasingly likely. However, the prospect of reaccelerating inflation and rising tensions across the world are reminders that a swift recession is not out of the realm of possibility. Specific to leveraged credit, the prospect of declining rates, relatively little net new supply, and strong demand has created a supportive technical environment. Corporate earnings have been solid and issuer balance sheets are in relatively good standing. While default activity and LMEs have been topical, especially in the broadly syndicated loan market, overall default rates are modest and are nearly in line with historical averages. We expect more idiosyncratic situations to arise. We are diligently monitoring potential headwinds such as the 2024 elections and further geopolitical conflicts. We remain focused on bottom-up security selection, and we expect the market to be primarily driven by single-name dispersion in the coming months.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	08/31/15	**TMARX**	89155T631	1.27%	1.08%
C Shares	08/31/15	**TMACX**	89155T623	2.08%	1.48%
Y Shares	08/31/15	**TMAYX**	89155T615	1.01%	0.88%
INST Shares	08/31/15	**TARBX**	89155T599	1.22%	0.78%
Total Fund Assets	**$621.6 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 1.03% for Class A Shares, 1.43% for Class C Shares, 0.83% for Class Y Shares and 0.73% 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

	3Q24	YTD	1 Year	3 Year	5 Year	Inception
Excluding Max Sales Charge						
A Shares	4.48%	7.53%	14.07%	3.67%	5.32%	5.52%
C Shares	4.33%	7.17%	13.57%	3.25%	4.77%	4.96%
Y Shares	4.45%	7.68%	14.16%	3.84%	5.52%	5.76%
INST Shares	4.44%	7.80%	14.40%	3.95%	5.63%	5.86%
Benchmark	5.28%	8.03%	15.67%	3.08%	4.53%	5.58%
Including Max Sales Charge						
A Shares	1.10%	4.09%	10.41%	2.53%	4.24%	4.84%
C Shares	3.33%	6.17%	12.57%	3.25%	4.77%	4.96%

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

The ICE BofA U.S. High Yield Constrained Index is a market-value-weighted index of all domestic and Yankee high-yield bonds, including deferred interest bonds and payment-in-kind securities. Issues included in the index have maturities of one year or more and have a credit rating lower than BBB-/Baa3 but are not in default. The index limits any individual issuer to a maximum of 2% benchmark exposure.

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 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 non-investment grade debt securities, distressed securities and corporate loans which are considered speculative with respect to the issuers' ability to make timely payments of interest and principal, may lack liquidity and have more frequent and larger price changes than other debt securities. There is a high risk that the Fund could suffer losses from investments in non-investment grade debt securities caused by the default of an issuer. 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 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. The Fund invests in derivatives and securities such as 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 convertible securities which are subject to the risks of both debt securities and equity securities. 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 invests in equities which are subject to market volatility and loss. The Fund invests in preferred stocks which are relegated below bonds for payment should the issuer be liquidated. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing their price to decline. 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 is involved in short selling which may result in additional costs associated with covering short positions and a possibility of unlimited loss. 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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