Fund Manager Commentary

As of December 31, 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 a source of positive, albeit muted, returns in the fourth quarter as economic and rate expectations shifted throughout the period. Market expectations for an aggressive easing cycle dampened throughout the quarter due to stronger than expected labor market data and persistent inflation, coupled with uncertainty around U.S. trade policy following the presidential election. While the U.S. Federal Reserve Board (Fed) issued two 25 basis point rate cuts, their 2025 forecast of two additional cuts in 2025 was viewed as hawkish by many. Demand technicals shifted throughout as investor's recalibrated their portfolios in reaction to the prospect of higher for longer rates. For context, in December high yield bond funds reported a $3.5 billion outflow while bank loan funds reported a $3.0 billion inflow. Against this backdrop, high yield bonds (proxy: ICE BofA U.S. High Yield Constrained Index) returned 0.16% as elevated carry offset negative price returns. Bank loans (proxy: Credit Suisse Leveraged Loan Index) were a consistent source of positive returns and returned 2.29%.

Traditional fixed income (proxy: Bloomberg U.S. Aggregate Bond Index) returned -3.06%, underperforming both high yield bonds and syndicated loans, as investors sought enhanced income as rate expectations shifted back toward higher for longer. Both sub-investment grade credit sectors underperformed equities (proxy: S&P 500 Index) which returned 2.39%.

Portfolio Review

The Touchstone Ares Credit Opportunities Fund (Class A Shares, Load Waived) outperformed its benchmark, the ICE BofA U.S. High Yield Constrained Index, for the quarter ended December 31, 2024.

The Fund's outperformance was primarily driven by off-benchmark allocations to bank loans, collateralized loan obligations securities and special situations. Within special situations, the reorganization of integrated energy company Enviva LLC was a tailwind for the Fund, as our equity position appreciated in the final month of the year. In connection with the reorganization, the Fund's position in Enviva's high yield bond was marked down, which weighed on relative performance within the allocation. Positioning by credit quality was mixed as the Fund's underweight to BBs was offset by an off-benchmark allocation to BBBs.

The Fund rotated exposures in an effort to preserve yield and manage idiosyncratic risks amid tight market conditions during the quarter. From a credit sector perspective, the allocation to syndicated loans increased by 2.32% amid expectations of a less aggressive Fed and higher for longer base rates in 2025. The allocation to high yield bonds was reduced modestly as we sold bonds trading at tight levels in an effort to preserve spread in the Fund. By credit quality, the exposure to BBBs and BBs decreased while the allocations to single-Bs and CCCs increased, reflective of our desire to preserve spread and yield in the Fund amid tight conditions. As a result of positioning shifts during the quarter, the Fund's interest rate duration shifted to a modest underweight.

(continued)

Outlook and Conclusion

Leveraged credit markets remain firm entering 2025 supported by expectations of higher for longer rates, healthy macroeconomic conditions, and sound corporate fundamentals. Rate forecasts currently sit in a sweet spot with the Fed leaning in a hawkish manner, supporting attractive carry in the months ahead, though levels are expected to move slightly lower, contributing to reduced interest expense for borrowers. This dynamic contributes to an enticing environment for investors with high single digit coupons and forecasted default rates of approximately 3% for loans and below 2% for high yield bonds. While spreads remain tight, history has shown that tight spread environments can be long in duration, particularly in an environment of cooling inflation and positive economic growth. Geopolitical instability remains a risk we're closely monitoring, particularly given the high percentage of leadership turnover across the globe and trade policy uncertainty in the U.S. Further, we're cognizant of the potential for behavior driven selling following a strong 24 months of performance for leveraged credit assets. Looking ahead, we expect 2025 to be a coupon-clipping year with outperformance being driven by superior credit selection and tactical asset allocation. Specific to the Fund, we intend to utilize our scale, disciplined underwriting process and expertise in off-benchmark sectors to generate attractive returns relative to peers and the benchmark.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	08/31/15	**TMARX**	89155T631	1.20%	1.05%
C Shares	08/31/15	**TMACX**	89155T623	2.01%	1.73%
Y Shares	08/31/15	**TMAYX**	89155T615	0.93%	0.85%
INST Shares	08/31/15	**TARBX**	89155T599	0.93%	0.75%
Total Fund Assets	**$724.3 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 1.03% for Class A Shares, 1.71% 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 01/29/26.

Share class availability differs by firm.

Annualized Total Returns

	4Q24	YTD	1 Year	3 Year	5 Year	Inception
Excluding Max Sales Charge						
A Shares	0.40%	7.96%	7.96%	3.67%	4.90%	5.42%
C Shares	0.32%	7.51%	7.51%	3.26%	4.38%	4.87%
Y Shares	0.55%	8.26%	8.26%	3.88%	5.14%	5.66%
INST Shares	0.46%	8.29%	8.29%	3.96%	5.21%	5.75%
Benchmark	0.16%	8.20%	8.20%	2.92%	4.03%	5.44%
Including Max Sales Charge						
A Shares	-2.88%	4.50%	4.50%	2.53%	3.83%	4.75%
C Shares	-0.67%	6.52%	6.52%	3.26%	4.38%	4.87%

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.

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.*

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.