Fund Manager Commentary

As of June 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 second quarter amid a relatively firm macroeconomic backdrop and sound corporate fundamentals. Manufacturing data moved from contractionary to expansionary territory, exceeding expectations alongside payroll growth. Leading indicators alluded to lower inflation, leaving some investors optimistic for the possibility of one or more rate cuts later this year. Against this backdrop, high yield bonds (proxy: ICE BofA U.S. High Yield Constrained Index) and syndicated loans (proxy: Credit Suisse Leveraged Loan Index) returned 1.87% and 1.09%, respectively.

Both sub-investment grade asset classes underperformed equities (proxy: S&P 500), which returned 4.28%. Traditional fixed income (proxy: Bloomberg U.S. Aggregate Bond Index) returned 0.07%, underperforming both high yield bonds and syndicated loans as demand technicals clearly alluded to a hunt for yield as rates remained elevated when compared to recent history.

Multiple common themes unfolded in the sub-investment grade markets during the quarter; the default environment was benign, and the primary market was active. Specific to the default environment, debt service metrics remained solid and distress ratios were muted across the high yield bond and syndicated loan markets. Shifting to market technicals, while the primary market has been active, use of proceeds has been heavily skewed toward refinancings and re-pricings. For context, 79% and 91% of high yield bond and syndicated loan issuance, respectively, was related to refinancings and re-pricings. Demand from retail flows was positive in both asset classes with the syndicated loan market receiving an additional boost in the form of collateralized loan obligation (CLO) origination, which has surpassed full year 2023 levels. While lower quality credit outperformed in the syndicated loan market, high credit quality paper outperformed in the high yield bond market as market participants sought to de-risk their portfolios following a prolonged period of outperformance from lower rated cohorts.

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 June 30, 2024.

The Fund benefitted from credit selection within the syndicated loan allocation, which outperformed the Credit Suisse Leveraged Loan Index. From a positioning perspective, our decision to reduce exposure to high yield CCCs was additive as credit risk underperformed the broader market during the quarter. The Fund's off benchmark allocation to CLO securities was additive, too.

The Fund rotated exposures throughout the period in an effort to preserve yield and manage idiosyncratic risks. The most significant change in positioning during the quarter was the rotation out of CCCs, which was reduced from 14.5% to 10.2%. The shift was made due to relative value along with GDP forecasts which suggest a deceleration of growth in the U.S. in the coming quarters. Assets were rotated primarily into BBs.

(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.***

As a result of these shifts, the duration of the Fund's fixed rate allocation was overweight relative to the benchmark at quarter end, while Fund-level duration remained below the benchmark.

The significant shifts in asset class and rating exposure modestly decreased the Fund's duration, which ended the period at 2.9 years. We believe the Fund is well positioned for income and capital appreciation relative to the benchmark.

Outlook and Conclusion

Leveraged credit markets continue to be supported by healthy balance sheets, a favorable technical and a cooperative macro narrative. In June, jobless claims increased, Institute for Supply Management Services Index fell to its lowest level since 2020, and data related to consumer spending, consumer confidence, and housing continued to signal a downshift in growth. The gradual cooling of a very tight labor market is consistent with the U.S. Federal Reserve Board's objective and should give the Federal Open Market Committee (FOMC) confidence to lower rates sometime in the second half of this year. Notably, markets are now pricing in a 77% chance of a rate cut at the September FOMC meeting. Regarding fundamentals, balance sheets remain in a good position and are accompanied by improving forward guidance and heavy refinancing activity as issuers remain keenly focused on refinancing near-term maturities. Single-name dispersion increased as the lagging effect of tighter monetary policy has pressured certain corporate issuers. Meanwhile, the technical environment is expected to remain supportive due to modest capital market activity and continued demand from institutional and retail investors. Looking ahead, we continue to closely monitor potential headwinds including the 2024 elections and the potential impacts of elevated geopolitical tensions. We remain focused on security selection as we expect single-name dispersion to continue to increase 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 $538.3 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, 1.43% 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

	2Q24	YTD	1 Year	3 Year	5 Year	Inception
Excluding Max Sales Charge						
A Shares	1.26%	2.92%	10.83%	3.09%	4.69%	5.16%
C Shares	1.21%	2.73%	10.46%	2.69%	4.12%	4.59%
Y Shares	1.39%	3.09%	10.98%	3.31%	4.93%	5.40%
INST Shares	1.42%	3.22%	11.23%	3.42%	5.04%	5.51%
Benchmark	1.09%	2.62%	10.46%	1.65%	3.71%	5.13%
Including Max Sales Charge						
A Shares	-2.00%	-0.37%	7.17%	1.94%	3.63%	4.46%
C Shares	0.22%	1.74%	9.46%	2.69%	4.12%	4.59%

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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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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Touchstone is a member of Western and Southern Financial Group

Not FDIC Insured | No Bank Guarantee | May Lose Value

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.

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