Touchstone Balanced Fund

Sub-Advised by: Fort Washington Investment Advisors, Inc.

Multi-Asset – Growth & Income

3Q/2024

Fund Manager Commentary

As of September 30, 2024

Fund Highlights

- Primarily invests in a diversified portfolio of fixed-income and equity securities. Under normal circumstances, the Fund generally expects to allocate its assets as follows:
  - 60% equity securities
  - 40% fixed-income securities
- Allocates assets based on relative attractiveness
  - Equity/fixed income weights
  - Sector/industry weights
  - Active duration management and yield curve positioning
- Fundamentally driven equity and credit analysis
- Strategic long-term execution of asset class allocation

Market Recap

The economy has continued to grow at a robust pace and the base case for investors remains a soft landing, especially now that the U.S. Federal Reserve (Fed) has begun normalizing interest rates. A balanced labor market along with wage gains and large increases in net worth have supported consumer spending. However, employment has cooled, and markets are worried the economy is not creating as many new jobs. Consequently, the Fed has shifted focus to this part of the economic environment, which was a contributor to their decision to cut fed funds by 50 basis points in September.

In addition, continued disinflation and greater confidence that it will return to the 2% target provided the Fed further data needed to begin cutting. The main area investors will be monitoring is the service side of inflation, which has remained elevated, largely because of shelter. Nevertheless, with inflation seemingly under control the emphasis is being placed on the labor market as Fed Chairman Jerome Powell has mentioned that the Federal Open Market Committee (FOMC) does not want to see further weakening in employment. While non-farm payrolls show continued job growth, it has trended lower over the last couple quarters, and reports over the past year (ending March 2024) were revised down significantly.

For these reasons, the FOMC believes the downside risk for the labor market now outweighs inflation surprises. The unemployment rate has increased 0.7%, to 4.1% since the lows in 2023 as people have lost their jobs and others have re-entered the labor market. However, the number of people losing their jobs has remained relatively low and continued Fed cuts should strengthen more rate sensitive sectors of the economy. Separately, upward revisions to the Bureau of Economic Analysis's national accounts, including personal income and Gross Domestic Income, show that the average consumer is better off than previously expected.

This economic backdrop combined with the Fed's willingness to act more aggressively than previously anticipated increases the odds that the U.S. will avert a recession and has been a catalyst for rising asset prices. The S&P 500 advanced 5.9% during the quarter, bringing the year to date return to over 22%. Valuations appear stretched for the aggregate market as earnings growth has been modest over the same time period. Market breadth has improved marginally but fundamentals will need to strengthen for smaller companies in order to continue.

Lower inflation forecasts and expectations of rate cuts were a driver of meaningfully lower rates over the quarter, thus easing financial conditions. Treasury yields declined with the 10-year moving lower by 60 basis points over the quarter, ending around 3.8%. Additionally, the Treasury yield curve reversed the inversion it has exhibited for much of the last two years. In aggregate these rate moves resulted in a strong quarter for the Bloomberg U.S. Aggregate Bond Index.

(continued)

Portfolio Review

The Touchstone Balanced Fund (Class A Shares, Load Waived) outperformed its blended benchmark, the 60% S&P 500 Index and 40% Bloomberg U.S. Aggregate Bond Index, for the quarter ended September 30, 2024.

The allocation effect was positive during the quarter as the Fund had a higher allocation to equities which outperformed fixed income. The equity portion of the Fund returned 6.61% compared to 5.68% for the fixed income segment. The Fund entered the quarter with a 4% overweight to equities and ended with a 3% overweight, as the Fund reduced some exposure following strong performance.

Security selection had a positive impact on relative performance as the equity allocation within the Fund outperformed the S&P 500 during the quarter. Positive equity performance was largely due to security selection within Information Technology and Health Care. Overweight positions in HCA Healthcare, Oracle, and Meta were some of the other largest contributors to security selection as the names outperformed the broader market.

Fixed income was a positive contributor primarily due to interest rate management which was partially offset by negative selection and allocation. Tactical adjustments to duration were a positive contributor as well as the Fund's positioning bias for a steeper curve. An overweight to investment grade corporates contributed positively as spreads tightened but was more than offset by credit default swaps protection on high yield corporates which underperformed.

There were minimal changes to Fund positioning during the quarter. The Fund entered the quarter with a 64% weight in equities, largely concentrated in U.S. large cap securities. The Fund took advantage of strong performance and trimmed equity exposure by 2% but still ended the quarter overweight equities by 3%. There were no significant changes to allocations as the Fund did not initiate or eliminate any issuer exposure. Fixed Income positioning had no material changes during the quarter. The Fund's overweight allocations to Investment Grade Credit and Securitized were maintained as the teams continue to favor quality and find issuers with favorable risk/reward characteristics.

Outlook and Conclusion

In terms of the Fund's risk budget, the Fund is targeting a marginal overweight to equities compared to the benchmark.

Economic activity has been robust over the last year despite expectations for slowing growth. Inflation remains above the Fed's 2% target but continues to decline. As a result of disinflation and a cooling labor market, the Fed cut interest rates by 50 basis points in September. Although this decision eased financial conditions and improved the odds of a soft landing, the fed funds rate is still expected to remain in restrictive territory for some time. As a result, U.S. economic resilience could be tested if headwinds currently affecting lower income households broaden.

Valuations generally reflect a high probability of a soft/no landing with limited margin of safety. Despite our improved economic outlook, elevated asset prices result in only a modest overweight risk posture within the strategy.

The Fund's sector positioning reflects generally expensive valuations, relative value, and opportunities within each sector. The Fund ended the quarter with 63% invested in equities, a 3% overweight compared to the benchmark.

Within equities, the Fund is overweight Communication Services and Health Care. The largest underweights are Information Technology, Consumer Staples, and Consumer Discretionary. Although improved, our recognition of downside risks to the economic outlook coupled with full valuations results in lower levels of risk within investment portfolios. Valuations generally reflect a high probability of a soft/no landing with limited margin of safety at current levels, though there are still risks to the downside for the economy if the labor market weakens. We are prioritizing high barrier to entry companies with high returns on capital and are maintaining a defensive posture within the Fund.

Within fixed income, the Fund remains underweight U.S. Government while overweight Investment Grade Credit. We are positioning portfolios generally neutral duration compared to the benchmark as we believe longer rates are fairly valued while improving growth forecasts should support current spreads. However, we expect the market to continue adjusting to incoming economic reports which should lead to volatility.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	11/15/38	**SEBLX**	89154Q323	1.02%	1.02%
C Shares	05/04/98	**SBACX**	89154Q174	1.78%	1.78%
Y Shares	08/27/07	**SIBLX**	89154Q315	0.79%	0.79%
R6 Shares	10/28/21	**TBARX**	89154M801	6.95%	0.64%

Total Fund Assets **$957.9 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 1.01% for Class A Shares, 1.78% for Class C Shares, 0.81% for Class Y Shares and 0.63% 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

	3Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	5.77%	13.12%	23.12%	5.33%	9.91%	8.69%	8.66%
C Shares	5.52%	12.42%	22.16%	4.53%	9.07%	8.03%	7.80%
Y Shares	5.77%	13.28%	23.36%	5.57%	10.14%	8.92%	8.69%
R6 Shares	5.84%	13.40%	23.58%	5.69%	10.14%	8.81%	8.67%
Benchmark	5.61%	14.80%	25.98%	6.63%	9.78%	8.89%	—
Including Max Sales Charge							
A Shares	0.47%	7.49%	16.97%	3.55%	8.79%	8.14%	8.60%
C Shares	4.52%	11.42%	21.16%	4.53%	9.07%	8.03%	7.80%

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 - 60% S&P 500® Index 40% 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 C, Y and R6 Shares combines the performance of an older class of shares (A Shares) from the Fund'sinception,11/15/38, with the performance since the inception date of each share class.

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.

Touchstone Funds are distributed by **Touchstone Securities, Inc.**
A registered broker-dealer and member FINRA and SIPC

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Not FDIC Insured | No Bank Guarantee | May Lose Value

The S&P 500® Index is a group of 500 widely held stocks and is commonly regarded to be representative of the large capitalization stock universe. 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.

A Word About Risk

The Fund invests in equities which are subject to market volatility and loss. The Fund invests in stocks of large-cap companies which may be unable to respond quickly to new competitive challenges. The Fund invests in stocks of mid-cap companies which may be subject to more erratic market movements than stocks of larger, more established companies. The Fund invests in foreign securities, including depositary receipts, such as American Depositary Receipts, Global Depositary Receipts, and European Depositary Receipts, 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 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 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. 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 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 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 derivatives and securities such as futures contracts, options, forward contracts 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. Leverage can create an interest expense that may lower the Fund's overall returns. There can be no guarantee that a leveraging strategy will be successful. 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 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. 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.

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