Fund Manager Commentary

As of March 31, 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 first quarter of 2024 saw ongoing rate volatility and strong performance of risk assets as the economy continues to perform well. However, this strong performance caused market participants to adjust their expectations for rate cuts. Initially projecting over 150 basis point (bps) of cuts for 2024, with the first anticipated in March, forecasts were revised due to higher-than-expected inflation reports and positive economic data. These datapoints indicated potentially persistent inflation. The market is currently pricing in 75bps of cuts for the year, aligning more closely with the Federal Reserve's (Fed) forecast. This shift in sentiment led to a rise in rates; however, risk assets performed well as GDP growth expectations for 2024 increased by about 1% to 2.2%.

The focus over the quarter, which is likely to persist, remained on inflation as the market seeks confirmation regarding the timing and scale of potential Fed rate cuts. While core inflation has shown a year-over-year deceleration (currently 2.8%), recent data indicated a pickup, underscoring the challenge of achieving a full return to 2%. The primary driver of elevated inflation remains shelter costs, predominantly due to the delayed impact of this data.

However, due to the likelihood that shelter inflation will continue falling, the recent inflation uptick had a minimal impact on the Fed's outlook. Following the March meeting, Powell remarked in his speech that the Federal Open Market Committee anticipates inflation reaching its 2% target "over time," acknowledging potential obstacles along the way but emphasizing the overarching trajectory. The market welcomed this affirmation that rate cuts are still on the table after the yield curve had increased, and flattened, since the start of the year.

Although a soft/no landing is still consensus, the notion that the Fed may prolong its stay in restrictive territory appears to be giving some investors pause. Despite this cause for potential hesitation, risk assets have been resilient as credit spreads have moved tighter. Investment grade spreads (10yr BBB Industrials) have moved 9bps tighter since the end of December to the 18th percentile and high yield (single B corporates) tightened 44bps and ended at the 2nd percentile. However, rates were more significant to performance than spread moves as the Bloomberg U.S. Aggregate Bond Index returned -0.78% for the quarter.

Equity prices also increased, propelled by large cap technology firms, resulting in a 10.6% return for the S&P 500 during the first quarter. Small cap issuers, which are more rate sensitive, lagged large caps as they were up 5.2%. This shortage of market breadth has carried over from 2023 but has shown signs of improving. However, the Magnificent 7 has been closer to a Fab 5 this year as Apple and Tesla have lagged.

Robust economic data, particularly labor market figures, has improved growth expectations. Job gains remain strong, with

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Fort Washington is a member of Western & Southern Financial Group the ratio of job openings to unemployed individuals remaining above pre-COVID levels. Although recent reports noted a slight increase in the unemployment rate, this was primarily attributed to a contraction in the workforce. Additionally, wage growth continues to outpace long-term trends, sustaining consumer spending, while productivity enhancements have helped keep unit costs largely in check.

Monitoring the U.S. consumer for signs of weakness will be a focal point over the coming quarters. While spending has kept growth robust, excess savings are likely depleted and consumer debt is now increasing faster than the pre-COVID trend. These present risks to the 'soft landing' narrative even though expectations for material slowing have largely faded. With credit spreads near historically tight levels, global conflicts continuing, and uncertain consumer and corporate demand, we believe it is appropriate to maintain modest levels of risk in portfolios.

Portfolio Review

The Touchstone Balanced Fund (Class A Shares, Load Waived) underperformed its blended benchmark, the 60% S&P 500 Index 40% Bloomberg U.S. Aggregate Bond Index, for the quarter ended March 31, 2024.

The allocation effect was positive over the quarter as the Fund had a slightly higher allocation to equities which outperformed fixed income. The equity portion of the Fund returned 8.55% compared to -0.30% for the fixed income segment. The Fund entered the quarter with a 1% overweight to equities and ended with a 2% overweight.

Security selection had a negative impact on relative performance as the equity within the Fund underperformed the S&P 500 during the quarter which was partially offset by outperformance within the fixed income allocation. Equity underperformance was almost entirely due to negative security selection within Information Technology, predominately driven by an underweight to Nvidia. Overweight positions in Boeing (Industrials sector) and Biomarin Pharmaceuticals (Health Care sector) were two of the other largest detractors to security selection as the names underperformed the broader market.

Fixed income was a positive contributor due to the overweight to credit through investment grade corporates, securitized products, and emerging market debt. Subordinated corporate positions in banks and utilities performed well in addition to non-agency sectors which tightened meaningfully over the period.

There were only marginal changes to Fund positioning during the quarter.

The Fund entered the fourth quarter with a 61% weight in equities, largely concentrated in U.S. large cap securities. Amid strong relative performance during the quarter, the Fund opportunistically trimmed some exposure to equities. The Fund initiated exposure to Taiwan Semiconductor and Becton Dickinson while eliminating PayPal.

Fixed Income positioning changed modestly during the quarter. The Fund eliminated its allocation to emerging markets debt following strong performance and spreads near historical tights. In addition, allocations to investment grade credit and securitized were increased marginally as the team continues to favor quality and find issuers with favorable risk/reward characteristics.

Outlook and Conclusion

The Fund is targeting a neutral risk positioning compared to the benchmark. Although near term recession risk has dropped, valuations have become stretched as the market anticipates rate cuts next year while inflation falls further.

Looking ahead, risks to strategy positioning are focused on the lagged effects of Fed tightening, tight credit conditions in bank lending, and the time horizon of how long rates will remain overly restrictive. Although recent data has been in line with expectations, overall growth is likely to continue at below-trend pace over coming quarters, with downside risk from the above factors. Inflation has declined from peak levels and is nearing the Fed's target range. However, the Fed does not believe the battle with inflation is over and they will likely lean hawkish until they are more confident on the lower trajectory. At current levels, the biggest risk to markets is a sharper slowing in economic growth that would challenge the expectation of a soft landing. As our view of the economy and monetary policy changes, we will adjust positioning accordingly.

Sector positioning reflects generally expensive valuations, relative value, and opportunities within each sector. During the quarter, the Fund reduced its exposure to equities slightly following strong performance within the sector. The Fund ended the quarter with 61% invested in equities, a 1% overweight compared to the benchmark.

Within equities, the Fund remains overweight to Communication Services and Health Care sectors. The largest underweights are to the Utilities and Consumer Staples sectors. Although improving, our cautious economic outlook coupled with full valuations results in low risk levels within investment portfolios. Valuations generally reflect a high probability of a soft landing with limited margin of safety at current levels, though there are still risks to the downside for the economy as policy remains restrictive and economic growth is set to slow. We are prioritizing high barrier to entry companies with high returns on capital and maintaining a defensive posture within the Fund.

Within fixed income, the Fund remains underweight U.S. Government and Securitized while overweight Investment Grade Credit and Emerging Markets Debt. We are positioning portfolios slightly short duration compared to the benchmark as longer rates are now more fairly priced following the significant rally over the quarter. However, the market's current expectations for rate cuts will likely shift with new economic data in 2024, which we expect, will lead to volatility and present opportunities for tactical adjustments.

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Given our outlook for the economy and markets, we believe the Fund is appropriately positioned to generate compelling investment returns relative to the market and peers. Our base case scenario assumes the economy avoids a deep recession, and markets will likely perform well over the medium-term despite near-term volatility. The Fund's exposure to equities and credit sectors should perform well in a stable to improving economic environment, and the high quality security selection focus should provide some degree of downside risk mitigation in a risk off environment. However, if economic growth slows more than expected, the Fund is also in a position to add exposure opportunistically if risk assets experience weakness. The high conviction nature of the strategy is designed to generate excess return through positive security selection in various economic environments.

Within fixed income, the Fund remains underweight U.S. government and securitized while overweight investment grade credit. We are positioning portfolios neutral duration compared to the benchmark as rates continue to experience volatility 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 and present opportunities for tactical adjustments.

Given our outlook for the economy and markets, we believe the Fund is appropriately positioned to generate compelling investment returns relative to the market and peers. Economic growth has surprised to the upside, but risks remain from the cumulative effects of restrictive monetary policy and tight bank lending standards. The Fund's exposure to equities and credit sectors should perform well in a stable to improving economic environment, and the high-quality security selection focus should provide some degree of downside protection in a risk off environment. However, if economic growth slows more than expected, the Fund is also in a position to add exposure opportunistically if risk assets experience weakness. The high conviction nature of the strategy is designed to generate excess return through positive security selection in various economic environments.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	11/15/38	**SEBLX**	89154Q323	1.03%	1.03%
C Shares	05/04/98	**SBACX**	89154Q174	1.79%	1.79%
Y Shares	08/27/07	**SIBLX**	89154Q315	0.80%	0.80%
R6 Shares	10/28/21	**TBARX**	89154M801	6.12%	0.66%

Total Fund Assets $909.6 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 1.01% for Class A Shares, 1.78% for Class C Shares, 0.81% for Class Y Shares and 0.64% for Class R6 Shares. These expense limitations will remain in effect until at least 10/29/24.

Share class availability differs by firm.

Annualized Total Returns

	1Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	5.00%	5.00%	16.36%	4.64%	9.63%	8.27%	8.62%
C Shares	4.76%	4.76%	15.44%	3.85%	8.80%	7.60%	7.76%
Y Shares	5.08%	5.08%	16.60%	4.87%	9.86%	8.50%	8.65%
R6 Shares	5.07%	5.07%	16.77%	4.94%	9.82%	8.36%	8.63%
Benchmark	5.94%	5.94%	17.97%	5.94%	9.30%	8.52%	—
Including Max Sales Charge							
A Shares	-0.23%	-0.23%	10.52%	2.88%	8.51%	7.71%	8.55%
C Shares	3.76%	3.76%	14.44%	3.85%	8.80%	7.60%	7.76%

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.

Top 10 Holdings of Fund

		(% of Portfolio)
1	U.S. 2Yr Note 06/28/24	5.8
2	Microsoft Corp.	5.8
3	Apple, Inc.	3.8
4	Meta Platforms, Inc.	3.7
5	Alphabet Inc.	3.2
6	Amazon.com Inc.	3.1
7	U.S. 5Yr Note 06/28/24	2.6
8	U.S. Treasury N/B 4.38% 11/30/28	2.6
9	U.S. Treasury N/B 4.00% 01/31/29	2.4
10	U.S. Treasury N/B 4.75% 11/15/43	1.6

Source: BNY Mellon Asset Servicing

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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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.

Not FDIC Insured | No Bank Guarantee | May Lose Value

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