

Fund Manager Commentary

As of June 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 throughout the first half of 2024. Healthy job and wage gains coupled with significant increases in net worth have supported recent spending as excess savings from pandemic era programs are now largely exhausted. The labor market has become more balanced in recent months and the unemployment rate has moved modestly higher to 4.1% compared to last year's low of 3.4%. While this slowing should put downward pressure on inflation, it could also lead to a larger decline in consumption.

Amid continued strength in the economy and softening in the labor market, inflation has remained volatile and investors have maintained their focus on the Federal Reserve (Fed) and when the U.S. can expect rate cuts. Forecasts for the path of the fed funds rate have varied meaningfully this year and is likely to continue as new economic data is released. Inflation came into the year near the Fed's 2% target on a six-month basis but upside surprises for the first few months of 2024 sparked concerns around elevated inflation. While inflation worries are still present, recent data has renewed faith that inflation will move lower and the larger trend remains intact. The Fed's preferred gauge of inflation, Core Personal Consumption Expenditures Price Index, is at a yearly rate of 2.6%, down from 4.7% last May.

While continued progression should increase the Fed's confidence to cut, they have emphasized the desire to move slowly and stay data dependent.

The market is anticipating 50 basis points of cuts in the second half of the year with consensus forecasts pointing toward continued growth and leading to a 'soft landing'. As a result, risk assets moved higher while interest rates appear to have stabilized following recent inflation reports. The S&P 500 Index rose about 4% over the quarter and is up over 15% this year, driven by the ongoing leadership of artificial intelligence (AI) related stocks. However, the broader market continued to exhibit narrow breadth as the Russell 2000 Index (Small Caps) is up less than 2% for the year, and growth stocks continue to outperform value.

Portfolio Review

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

The allocation effect was positive during the quarter as the Fund had a slightly higher allocation to equities which outperformed fixed income. The equity portion of the Fund returned 3.07% compared to 0.37% for the fixed income segment. The Fund entered the quarter with a 2% overweight to equities and ended with a 4% overweight.

(continued)

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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](https://www.TouchstoneInvestments.com/mutual-funds).**



Security selection had a negative impact on relative performance as the equity allocation within the Fund underperformed the S&P 500 during the quarter and was only partially offset by outperformance within the fixed income allocation. Equity underperformance was largely due to negative security selection within Information Technology, predominately driven by an underweight to Nvidia. Overweight positions in Salesforce (Information Technology sector) and Monster Beverage (Consumer Staples 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 and securitized products. Subordinated corporate positions in banks performed well in addition to non-agency sectors such as commercial mortgage backed securities (CMBS), which tightened over the period.

There were minimal changes to Fund positioning during the quarter. The Fund entered the quarter with a 62% weight in equities, largely concentrated in U.S. large cap securities. There were no material changes to the equity allocation as the Fund focused on bottom-up opportunities. The Fund initiated exposure to Nvidia and Diageo plc (Consumer Staples sector) while eliminating Cencora Inc. (Health Care sector) and Hilton Worldwide (Consumer Discretionary sector).

Fixed Income positioning had no significant changes during the quarter. The Fund's allocations to Investment Grade Credit and Securitized were increased marginally as the Fund's fixed income investment team continue to favor quality and find issuers with favorable risk/reward characteristics. Separately the Fund rotated out of its exposure to Treasury Inflation-Protected Securities, following strong relative performance.

Outlook and Conclusion

In terms of risk exposures, the Fund is targeting a marginal overweight to equities compared to the benchmark. Economic growth has surprised to the upside over the last year, but downside risks remain elevated from the cumulative effects of the Fed's restrictive monetary policy, tightening bank lending standards, increased geopolitical risks, and uncertainty around the U.S. elections. Inflation continues to decelerate but remains above the Fed's 2% target. The Fed is expected to begin easing monetary policy later this year as inflation trends toward its target but will remain in restrictive territory for some time. Although the U.S. economy has shown resilience thus far, consumption could slow more than expected as consumer strength faces increased challenges and the labor market continues to cool.

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.

In terms of the Fund's overall positioning, sector positioning reflects generally expensive valuations, relative value, and opportunities within each sector. The Fund ended the quarter with 64% invested in equities, a 4% overweight compared to the benchmark.

Within equities, the Fund is overweight Communication Services, Health Care, and Financials. The largest underweights are Information Technology, Utilities and Consumer Discretionary. Although improved, our cautious 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 as policy remains restrictive. 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 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 Fund 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	\$916.7 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

	2Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	1.86%	6.96%	12.22%	3.45%	9.11%	8.13%	8.62%
C Shares	1.70%	6.54%	11.38%	2.67%	8.29%	7.47%	7.76%
Y Shares	1.93%	7.11%	12.51%	3.69%	9.36%	8.36%	8.65%
R6 Shares	1.98%	7.15%	12.63%	3.78%	9.33%	8.24%	8.63%
Benchmark	2.60%	8.70%	15.42%	4.84%	9.01%	8.38%	—
Including Max Sales Charge							
A Shares	-3.25%	1.63%	6.61%	1.70%	8.00%	7.58%	8.55%
C Shares	0.70%	5.54%	10.38%	2.67%	8.29%	7.47%	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

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The performance presented for Class C, Y and R6 Shares combines the performance of an older class of shares (A Shares) from the Fund's inception, 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.

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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

