Fund Manager Commentary

As of March 31, 2024

Fund Highlights

- Seeks to exploit market inefficiencies using a proprietary income, price and volatility framework
- Construct portfolios that generate consistent tax-free income by capturing diversified sources of credit, liquidity and term premiums
- Control price sensitivity at the portfolio level by managing duration and yield curve positioning
- Identify and purchase bonds that the Sub-Adviser believes are attractively priced relative to historical averages and adds positions in a risk-controlled manner
- Municipal issues are analyzed through a proprietary approach for various environmental, social and governance (ESG) criteria

Market Recap

The first quarter of 2024 began with significant yield volatility. Municipal rates moved higher in January but remained relatively stable the rest of the quarter, despite elevated levels of Treasury volatility. By February, the municipal bond market diverged from Treasury yield moves and traded mostly sideways, as a combination of supportive seasonal and technical factors took hold. Despite negative returns across most fixed income sectors, municipal indices outperformed many of their taxable peers. The Bloomberg Municipal Bond Index produced a slightly negative return. For the most part, municipal issuers remain strong from a credit perspective and are well positioned to manage the initial phases of any economic slowdown. However, early warning signs are appearing in well know areas, such as the states of California and New York, which have projected significant budget deficits in the coming years. Both states are viewed as leading indicators of the municipal economic environment over the next 12 to 24 months.

In conjunction with a strong fiscal and economic environment, credit spreads tightened across the board and drove positive returns for lower-rated credits. Sector returns affirmed the risk-on dynamic as the Revenue Index and its higher volatility subsectors outperformed General Obligation (GO) bonds. The top three performing sectors were Industry Development Revenue/Pollution Control Revenue, Hospital, and Housing; the bottom three sectors were Resource Recovery, State GO, and Prerefunded.

The municipal bond market began the year with a better-than-expected macroeconomic environment. The overall credit quality of municipal issuers remains robust as many cities, counties, and school districts reported healthy rainy day and reserve funds recently and continue to see improvement. As a result of improving balance sheets, municipal credit rating upgrades continue to outpace downgrades for the third year in a row, as the economic and fiscal backdrop of municipal issuers remain strong and resilient. A great example is the recent upgrade of the City of Detroit, which entered bankruptcy in 2013, from Ba1 to Baa2, and represents a two-notch upgrade from junk to investment grade.

Portfolio Review

The Touchstone Core Municipal Bond Fund (Class A Shares Load Waived) outperformed its benchmark, the Bloomberg Municipal Bond Index, for the quarter ended March 31, 2024.

The main contributor to the Fund's performance was its overweight in revenue bonds and underweight in government obligation bonds. Additionally, the Fund's overweight in A and BBB-rated bonds within these sectors outperformed other credit quality tiers. Duration positioning detracted as yields ended the quarter higher.

Due to a strong technical environment, strategic portfolio adjustments were limited throughout the first quarter as the Fund remains appropriately positioned for the expected market outlook. Initially, market volatility and seasonals limited tactical adjustments which also drove Municipal/

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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.***

Treasury ratios back to very rich levels. The significant underweight to California and New York was additive to performance due to the increase in new issuance of these states and a reduction in demand from both in-state residents and index-based ETF strategies. Finally, our sector/security high volatility credit profile provided a better relative return as AAA and AA credits are still out of favor and are utilized for liquidity purposes.

The Fund's duration exposure was tilted longer than the benchmark's duration by approximately 5%. Curve structure was biased toward a barbell as valuations and projected curve shifts favored that allocation. Despite the modest rise in yields, the strategic allocation to single A credits benefited from spread tightening and added yield carry over the quarter.

Outlook and Conclusion

We are cautiously optimistic, as we see growing concerns around potential structural changes in labor markets, fiscal deficits, and productivity. Additionally, geopolitical risks are a concern, especially the ongoing conflicts in Europe and the Middle East, which have significantly affected global trading and regional economic challenges. Inflation remains stubbornly above the 2% target, but the Federal Open Market Committee seems determined to cut interest rates at some point this year as its mandate has shifted from fighting inflation to lowering the policy rate closer to the neutral estimate. We expect real growth to remain positive but choppy for 2024, and while there are risks, the U.S. economy is expected to perform reasonably well in the short term.

Looking ahead, the second quarter is likely to be a better entry point for investors as tax-season selling pressure tends to coincide with a weaker technical environment until June. The soft/no-landing economic environment continues to support the municipal market and has provided issuers with additional time to prepare for an eventual slowdown. Finally, the growing national fiscal deficit portends a heightened probability of higher income tax rates, which makes current municipal valuations even more attractive.

Looking forward, fundamentals are likely to weaken modestly over the course of 2024 as the broad economy experiences a slowdown, especially for state and local governments. Some of the market's largest issuers must address deficits stemming from wage pressures, slowing revenue, unexpected migration, and rising "willingness to pay" risk. In summary, while challenges persist, the overall fiscal health of municipal issuers is expected to remain stable, and the market outlook is cautiously optimistic.

We expect a well-supported backdrop for the municipal market as credit quality remains stable and tax-exempt yield levels have increased to attractive levels. As investors remain bullish on lower-rated credits, spread returns will continue to be positive and help offset any price declines from our longer-duration bias. We will maintain a longer-duration tilt due to short-term technical factors and our long-term view that rates will move lower at some point. One of the biggest challenges remains the inverted 2s5s curve as extension trades result in significant yield give. The Fund's barbell allocation should mitigate some of this challenge while providing a better return profile if rates decline. We remain committed to our strategic overweight to single A credits as that market segment still provides the most advantageous risk/reward opportunity. As we progress through 2024, we will gradually shift some of our higher volatility/lower credit quality sectors and credits into lower volatility/higher credit quality as economic challenges become more pronounced. Finally, we will continue to tactically leverage volatility events, as they represent some of the most attractive entry points.

After robust revenue receipts over several years, state tax receipts declined modestly for 2023 on weakness in personal income tax receipts, which will most likely continue, especially since 25 states voted to reduce individual income tax rates. With the broad economy still on solid footing, sales tax receipts rose during 2023 and should continue to be one of the bright spots for at least the next quarter. From a spending perspective, state spending growth moderated but overall spending remains an issue, especially if an economic slowdown ensues. Persistently high inflation, automatic spending increases, and unexpected costs associated with sanctuary city policies will not abate anytime soon. Under these conditions, most revenue bond issuers should be able to maintain a less volatile balance sheet and income statement dynamic.

Regarding our top three sectors, we view Local GO, Leasing, and Essential Service revenue bonds most favorably, based on a combination of credit fundamentals and current market valuations. We remain overweight Local GO issuers that have a significant cushion between housing market value and assessed value as well as Texas Permanent School Fund issuers. We continue to favor the Leasing sector, though only essential projects that correlate highly with issuers' general obligation credit quality, which provide an additional spread pickup over general obligation debt. Lastly, Essential Service revenue, such as water & sewer issuers, have a more stable revenue stream during all economic environments and represent a defensive/lower volatility allocation, which should outperform in a slowdown.

The three sectors that Fund remains underweight are higher-quality State GOs, Prerefunded bonds, and lower-rated Hospital issuers. State credit quality remains exceptional despite a recent reduction in tax collections, but valuations remain unattractive at this point. Similarly, Prerefunded bonds are backed by U.S. Treasury State and Local Government Series and represent an overly defensive position under current circumstances. Finally, we continue to actively avoid small, lower-quality Hospital facilities that have declining revenue trends, weaker balance sheets, and lack the significant local demographics necessary for stability and growth.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	04/01/85	**TOHAX**	89154V603	1.05%	0.80%
C Shares	11/01/93	**TOHCX**	89154V702	2.45%	1.55%
Y Shares	08/30/16	**TOHYX**	89154V843	1.18%	0.55%
INST Shares	08/30/16	**TOHIX**	89154V835	0.73%	0.48%
Total Fund Assets	**$50.3 Million**				

Expense ratio is annualized. Data as of the current prospectus dated 10/28/21. 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 0.80% for Class A Shares, 1.55% for Class C Shares, 0.55% for Class Y Shares and 0.48% for Class INST 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	-0.25%	-0.25%	2.70%	-0.77%	1.10%	2.00%	4.95%
C Shares	-0.43%	-0.43%	1.93%	-1.59%	0.31%	1.40%	4.65%
Y Shares	-0.09%	-0.09%	3.15%	-0.45%	1.41%	2.23%	5.01%
INST Shares	-0.16%	-0.16%	3.12%	-0.42%	1.43%	2.25%	5.01%
Benchmark	-0.39%	-0.39%	3.13%	-0.41%	1.59%	2.66%	5.86%
Including Max Sales Charge							
A Shares	-3.51%	-3.51%	-0.60%	-1.86%	0.70%	1.51%	4.82%
C Shares	-1.42%	-1.42%	0.93%	-1.59%	0.31%	1.40%	4.65%

Max 3.25% sales charge for Class A Shares and 1% Contingent Deferred Sales Charge for Class C Shares held less than 1 year.

Benchmark - Bloomberg Municipal Bond Index

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The performance presented for Class C, Y, and INST Shares combines the performance of an older class of shares (A Shares) from the Fund's inception, 04/01/85, with the performance since the inception date of each share class.

The Bloomberg Municipal Bond Index is a widely recognized unmanaged index of municipal bonds with maturities of at least one year.

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 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 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 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 is subject to prepayment risk which is when a debt security may be paid off and proceeds invested earlier than anticipated. The Fund invests in municipal securities which may be affected by uncertainties in the municipal market related to legislation or litigation involving the taxation of municipal securities or the rights of municipal security holders in the event of bankruptcy and may not be able to meet their obligations. 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. 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 sub-adviser considers ESG factors that it deems relevant or additive along with other material factors. The ESG criteria may cause the Fund to forgo opportunities to buy certain securities and/or gain exposure to certain industries, sectors, regions and countries. The Fund may be required to sell a security when it could be disadvantageous to do so.

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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