Fund Manager Commentary

As of March 31, 2025

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 municipal bond market endured another quarter of pronounced yield volatility during the first three months of 2025, ultimately ending the quarter with yields returning to levels near their recent highs. The Bloomberg Municipal Bond Index posted a modest decline for the quarter, reflecting the challenging environment marked by macroeconomic uncertainty and evolving policy dynamics.

The primary influence on market sentiment and performance remained the ongoing fluctuation in interest rates. While the U.S. Federal Reserve (Fed) has signaled the possibility of a rate cut later in 2025, its patient stance, anchored by easing inflation data, has created a cautious tone among fixed income investors. This hesitancy has been particularly evident in the municipal market, where buyers continue to weigh tax-exempt income potential against alternatives offering higher nominal yields.

Yield curve dynamics shifted notably over the quarter. Continued volatility led to a steeper curve, which in turn, contributed to a bifurcation in returns across maturities. Shorter-duration bonds generally outperformed, while longer-dated securities struggled with rate sensitivity.

Sector and credit spreads closed the quarter at fully valued levels, although they remained relatively stable. Investors displayed a healthy appetite for risk, favoring higher-volatility credits, as fundamental credit concerns remained subdued. This risk on tone supported stronger relative performance in lower-rated sectors.

On a less positive note, the California municipal sector faced specific headwinds due to devastating wildfires in the Los Angeles region. The resulting repricing led to underperformance among issuers in the AA-rated cohort, the electric utility space, and California credits more broadly.

Portfolio Review

The Touchstone Core Municipal Bond Fund (Class A Shares, Load Waived) underperformed its benchmark, the Bloomberg Municipal Bond Index, for the quarter ended March 31, 2025.

Underperformance was driven by the Fund's strategic barbell allocation which had a negative impact from a steeper yield curve. This was partially offset by multiple sources of positive contribution. The Fund's strategic investment in single-A credits played a positive role in performance as the stable spread environment and additional carry provided benefits throughout the quarter. Additionally, the Fund's significant underweight in California positively affected performance due to the spread widening that took place because of the Los Angeles fires. Lastly, the high-volatility portfolio tilt in the Fund's sector and security selection was additive to performance.

Since state, sector, and credit spreads were trading at or near their recent historic lows during the quarter, opportunities were limited to new issues and specific security offerings. However, over the quarter, we shifted the Fund's initially long-duration positions to a more neutral stance, which helped minimize unnecessary trading costs.

(continued)

We maintained an underweight position in three sectors: higher-quality state general obligations (GO), airport facilities, and smaller hospital facilities or systems. Although state credit quality is generally robust despite a recent drop in tax revenues, valuations are not appealing. Airport bonds, despite inherent risks, are overvalued with spreads comparable to those of higher-rated bonds. We are looking to reduce some exposure to the hospital sector, which is trading at historically tight spreads. In addition, small, lower-quality hospital facilities are experiencing continued revenue declines and weaker financial foundations, which lack the necessary local demographics for stability and growth.

Given the current high valuations across various sectors, we have adopted a sector-neutral stance, except for pre-paid gas bonds, and we continue to prioritize security selection. We favor local GO issuers with substantial buffers between housing market value and assessed value. We are strategically reallocating some of our overweight positions to AAA credits as spreads have normalized to fair values. Our focus is on prepaid gas bonds, which present substantial absolute and relative value relative to their credit risk. Additionally, we consistently sell overvalued credits when mispricing offers opportunities to capture price gains.

The Fund's duration began the quarter with a longer tilt and ended with a slightly longer duration due to a significant withdrawal. We decided to extend duration when raising the funds.

No active curve changes were made during the quarter. The Fund's curve allocation was tilted in favor of a barbell strategy, as the wings of the curve offer the best term premium spread and long-term outlook expectations as the curve is expected to normalize with the back-end flattening.

Outlook and Conclusion

The uptick in activity and optimism during the fourth quarter and early first quarter has become a distant memory. Signs of consumer fatigue, sticky inflation, and aggressive government job cuts were already beginning to erode sentiment and prompt lower consensus growth forecasts by mid-quarter. Post Liberation Day, investors must now recalibrate for significantly higher tariffs and the possibility of a drawn-out global trade war. Implications include a likely (at least) shallow recession in the back half of this year, further downward earnings revisions, inflationary pressure, and continued volatility in not only risk assets but rates and currencies.

Uncertain tariff levels and an unpredictable administration make a quick resolution unlikely, and the longer the standoff, the greater the negative feedback loop impacts sentiment and growth. This puts the Fed in an impossible position, but we expect them to remain patient given expected tariff-driven inflation, but to ease later in the year as growth stalls. While we do not see near-term easing, the Fed has said that it stands ready to provide support in a liquidity crisis. The Treasury and administration are also highly incentivized to prevent a disorderly sell-off in rates and to provide regulatory relief aimed at giving banks more room to purchase Treasuries. This outlook leaves our yield forecast similar to the beginning of the year; modestly lower with curve steepening as the back end declines slower given inflation and deficit concerns.

From an asset allocation perspective, the magnitude of uncertainty and increased downside economic risk suggest favoring yield-oriented investments over risk assets, to insulate against volatility; and duration, to hedge economic risk and provide a benefit vs. cash given steeper curves. Equities have repriced lower, but multiples remain historically high and nowhere near recessionary levels, implying downside potential and flows continuing to be more supportive to fixed income. Positioning within fixed income strategies is yield focused with lower portfolio-level risk and a modestly long duration posture. We remain cautiously positioned in credit with a substantial allocation to mortgage backed securities, and we have dry powder to take advantage of spread widening opportunities. Within multi-asset and equity strategies, we have focused on increasing diversification, including outside the U.S., and we remain tilted toward higher-quality market segments with favorable valuations versus broad markets.

Tax collections have shown moderate improvement. Although the fourth quarter of 2024 state tax collection data is not yet complete, existing tax data allows us to derive initial conclusions about 2024 trends. States' trailing 12-month tax revenues as of September 30, 2024, increased by 5.4% nominally compared to the same period the previous year. This represents an improvement from the growth of 4.4% in the second quarter of 2024 and a decline of 2.2% in the first quarter of 2024.

The improvement in state tax collections can be attributed to stock market gains, although the growth is modest compared to the double-digit gains witnessed in 2021 and 2022. For those focused on credit fundamentals, the data reveals interesting trends. The states recording the highest total tax revenue increases are California, Hawaii, Idaho, South Carolina, and Nevada. When excluding California, the total growth rate declines to 3.7%. The states with the largest declines in tax revenue are Oregon, Alaska, and West Virginia.

Overall, while state tax collections have shown moderate improvement, the municipal market economy continues to exhibit resilience and adaptability, underscoring its crucial role in financing public projects and driving economic growth across states. State credit quality remains on strong footing, as record rainy day funds continue to provide a strong buffer to meet any unforeseen expenditure needs or revenue disruptions. Policy changes will be the largest headwind for state governments as we move through the balance of the year, particularly cuts to Medicaid reimbursement rates, which would be a direct hit to state budgets. However, states maintain significant expenditure, cutting flexibility in the event of meaningful cuts to Medicaid funding. We expect to remain underweight State GOs, as valuations provide very little upside at current levels.

(continued)

Like states, local government credit quality remains robust, bolstered by extremely healthy balance sheets. Even historically challenged credits, such as the City of Chicago, have benefited from positive headlines with the city's year-to-date revenue exceeding estimates by more than 7%. While credit weakness remains largely an anomaly in the local government sector, we are seeing cracks in Washington, DC's, credit profile due to a significant pullback in federal employment. However, we view these challenges as contained, and not indicative of broader challenges throughout the sector. We will continue to look for opportunities in this space, where valuations are attractive.

Municipal utility systems, particularly water and sewage enterprises, continue to exhibit stability, underpinned by robust liquidity and consistent revenue performance. Due to the defensive nature of this sector and current tight spread levels, we do not foresee significant value opportunities within the water and sewer space.

In the transportation sector, airport credit quality remains strong, driven by a strong post-COVID bounce back in air travel. Although current valuation levels are not conducive to an attractive entry point, we anticipate that substantial debt issuance to meet elevated capital requirements could present value opportunities in the future.

Within the quasi-corporate sectors, we do not see significant opportunities within the health care space, given tight credit spreads and major policy uncertainty regarding Medicaid funding. While Medicaid reimbursement rates are the lowest after commercial payors and Medicare, a material pullback in funding would be problematic for several health care systems. Currently, we are cautious on the sector as a whole and remain biased towards larger systems with healthy balance sheets, specifically strong cash buffers.

Prepaid gas bonds are still one of the most attractive sectors in the municipal market. The sector benefits from elevated yields and strong credit quality, with highly rated banking institutions and insurance companies acting as guarantors for the bonds. While issuance was off to a strong start earlier in the quarter, the repricing in tax-exempt rates has stalled the new issue market for prepays in recent weeks. As the year progresses, we will continue to look for opportunities in this space.

Los Angeles has been severely affected by wildfires in recent years, with an increase in the frequency and intensity due to climate change and political mismanagement. The fires have caused extensive damage to residential areas, infrastructure, and natural habitats. Some of the most notable fires include the Woolsey Fire, the Getty Fire, and the Saddleridge Fire, each leaving a significant mark on the city and its inhabitants. The immediate effects of the fires have been catastrophic. Thousands of homes have been destroyed, leading to mass evacuations and displacements. The city's emergency services have been stretched to their limits, incurring substantial costs in firefighting efforts, medical care, and temporary shelters. The destruction of property has also led to a decrease in property values, negatively affecting the city's tax revenue. The long-term financial outlook for Los Angeles in the wake of these fires is concerning. The costs associated with rebuilding and recovery are immense. Infrastructure repair, reforestation, and housing development require significant investments. Additionally, the impact on tourism, a vital source of revenue for the city, cannot be understated, as the scenic beauty of Los Angeles has been marred by devastation.

Insurance claims are expected to soar, posing challenges for both residents and insurers. The city may find itself needing to allocate funds to assist uninsured or underinsured residents in rebuilding their lives. This financial strain could lead to budget reallocations and cuts in other essential services. Businesses affected by fire damage face prolonged closures, leading to loss of income and employment for many. The broader economic disruption impacts sales tax revenue and can slow economic growth. The city must also consider the cost of implementing more robust fire prevention and climate adaptation strategies to mitigate future risks.

Municipal bondholders have also felt the repercussions of the wildfires. As the city's financial burdens increase, credit ratings for municipal bonds may be downgraded due to the heightened risk and uncertainty. This can lead to higher interest rates on future bonds, increasing the cost of borrowing for the city. For current bondholders, the value of their investments has decreased, and the potential for delayed payments on interest or principal could add to their concerns. In extreme cases, the city might need to restructure its debt, further impacting bondholders.

To address these challenges, Los Angeles will need to adopt rigorous policy measures. Investments in fire-resistant infrastructure, improved emergency response systems, and sustainable urban planning are crucial. The city's fiscal policy must adapt to prioritizing these areas, potentially seeking state and federal assistance to cover the substantial costs.

Municipal yields ended the first quarter of 2025 with yields lower by only several basis points, presenting a promising outlook for substantial returns, bolstered by the potential for tax-free income. Generally, the municipal credit landscape is expected to stay stable, supported by the unexpectedly positive economic performance in several segments of the market. The second quarter is anticipated to exhibit a more volatile environment as weak seasonals and heightened new issuance will persist until early June. However, the latter half of the year will mostly depend on the success or failure of the new administration's policies. Although less concerning, Fed policy decisions will linger in investors' minds, potentially causing intermittent, data-driven market volatility.

Given the advantageous yield scenario, we plan to extend the duration if yields head higher but will be tactical with tilt as volatility is expected to remain elevated. Curve adjustments will differ by strategy due to the forecasted steepening of the 2s10s curve and the anticipated flattening of the 10s30s curve. The Fund's strategic overweight in single-A credits persists albeit with a slightly lower-volatility tilt, as this

(continued)

market segment continues to offer the best risk/reward balance despite more expensive valuations across all rating categories.

As this late market cycle environment progresses, we will gradually transition some higher-volatility, lower-credit-quality issuers to lower-volatility, higher-credit-quality areas as economic difficulties intensify, or valuations suggest swap alternatives. The primary market will again provide the best opportunities within the municipal market, with secondary markets likely to remain softer but broadly supported. Lastly, we will employ additional tactical Fund portfolio adjustments to capitalize on unexpected volatility events, as they present some of the most appealing entry points.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	04/01/85	**TOHAX**	89154V603	1.09%	0.80%
C Shares	11/01/93	**TOHCX**	89154V702	3.23%	1.50%
Y Shares	08/30/16	**TOHYX**	89154V843	1.16%	0.55%
INST Shares	08/30/16	**TOHIX**	89154V835	0.77%	0.48%
Total Fund Assets	**$43.1 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, 1.50% 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 10/29/25.

Share class availability differs by firm.

Annualized Total Returns

	1Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-0.39%	-0.39%	1.38%	1.16%	0.53%	1.58%	4.86%
C Shares	-0.56%	-0.56%	0.56%	0.32%	-0.27%	0.96%	4.56%
Y Shares	-0.24%	-0.24%	1.64%	1.51%	0.82%	1.84%	4.92%
INST Shares	-0.31%	-0.31%	1.71%	1.51%	0.85%	1.86%	4.93%
Benchmark	-0.22%	-0.22%	1.22%	1.53%	1.07%	2.13%	5.74%
Including Max Sales Charge							
A Shares	-3.61%	-3.61%	-1.88%	0.06%	0.12%	1.09%	4.73%
C Shares	-1.55%	-1.55%	-0.43%	0.32%	-0.27%	0.96%	4.56%

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

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 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.

Touchstone Funds are distributed by
Touchstone Securities, Inc.
A registered broker-dealer and member FINRA and SIPC
A member of Western & Southern Financial Group

Touchstone Investments®
DISTINCTIVELY ACTIVE®

800.638.8194 • TouchstoneInvestments.com