Fund Manager Commentary

As of September 30, 2024

Fund Highlights

- Seeks a high level of income consistent with reasonable risk by investing primarily in income producing securities
- Primarily invests in investment grade corporate bonds, high yield corporate bonds, preferred stocks, U.S. municipal bonds and U.S. Treasuries
- Actively manages the portfolio by rotating among asset classes and tactically hedging during various interest rate and market environments
- Seeks to identify relative value across asset classes and capture opportunities primarily within the corporate, U.S. Treasury, municipal and preferred security markets
- Analyzes and targets the portfolio's level of risk and interest rate sensitivity
- Selects individual positions based on security credit metrics and structures
- Focuses on liquid securities with transparent pricing and actively-traded capital structures

Market Recap

The third quarter of 2024 saw the U.S. Federal Reserve Board (Fed) finally cut the federal funds rate (FFR) during the September 2024 meeting for the first time since beginning the hiking cycle in March of 2022. Fed Chair Powell stated, "Our decision…reflects our growing confidence that, with an appropriate recalibration of our policy stance, strength in the labor market can be maintained in a context of moderate economic growth and inflation moving sustainably down to 2%." The combination of lowering inflation, slowing hiring and increased unemployment pushed the Fed to begin an easing cycle. The reduction in the FFR should gradually reduce borrowing costs for consumers and businesses and provide relief to consumer debts such as mortgage loans, auto loans and credit cards. Chair Powell's comments after the meeting led the market to believe that more cuts to the FFR would be coming in November and December, however, strong U.S. job growth numbers for September tempered those expectations. A Labor Department report showed employers added 254,000 jobs in September, far more than expected, and the unemployment rate declined to 4.1%. Traders were expecting the end-point range of the FFR by the middle of next year to land in the 3.00-3.25% range but have since move those expectations to the 3.25-3.75% range following the economic data released for the end of the third quarter.

The fixed income markets had a strong quarter after experiencing rather muted returns through the first half of the year. The Bloomberg U.S. Aggregate Bond Index was up 5.2% during the third quarter of 2024 after starting the first half of the year down 0.7%. The expectations for the FFR cut in September 2024 were a large catalyst for the strong fixed income returns. The 10-year U.S. Treasury yield decreased 62 basis points (bps) from 4.40% to 3.78% during the third quarter. The 2's-10's spread (the difference between the yield of the 10-year U.S. Treasury Note and the 2-year U.S. Treasury Note) went positive for the first time in 26 months during September. The 2's-10's spread steepened to 14bps from -36bps at the end of the third quarter of 2024. The 5's-30's spread (the difference between the yield of the 30-year U.S. Treasury Bond and the 5-year U.S. Treasury Note) moved from 18bps to 56bps at the end of the third quarter. Equities soared to record highs during the third quarter. The FFR cut expectations for the September meeting and the projection for multiple FFR cuts through the next year helped strengthen the outlook for stocks. The continued strength of the U.S. consumer, decelerating inflation and continued earnings strength resulted in a gain of 5.9% for the S&P 500 Index during the third quarter.

Fixed income spreads have held up well throughout the third quarter of 2024. Investment Grade U.S. Corporate Credit spreads are down 4bps from 96 to 92. High Yield U.S. Corporate Credit spreads are also down 4bps from 318 to

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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.***

314 quarter-over-quarter. BB-rated levered loan spreads are down 13bps from 292 to 279. CCC-rated levered loan spreads are down 74bps from 1,135 to 1,061. AAA-rated Single Family Rental Residential Mortgage-Backed Securities (RMBS) spreads are unchanged at 105 quarter-over-quarter. BB-rated Single Family Rental RMBS spreads are down 10bps from 315 to 305. AAA-rated Conduit Commercial Mortgage-Backed Securities (CMBS) spreads are down 5bps from 90 to 85. BBB-rated Conduit CMBS spreads are down 35bps from 575 to 540. AAA-rated Prime Auto spreads are up 2bps from 38 to 40. BBB-rated Prime Auto spreads are unchanged at 155 quarter-over-quarter. AAA-rated Subprime Auto spreads are up 2bps from 63 to 65. BBB-rated Subprime Auto spreads are down 5bps from 160 to 155. AAA-rated collateralized loan obligation (CLO) spreads are unchanged at 120 quarter-over-quarter. B-rated CLO spreads are up 25bps from 1,075 to 1,100.

The U.S. consumer continues to be resilient in this increased rate environment. However, total household debt increased by $109 billion in the second quarter of 2024 to reach $17.80 trillion. Mortgage balances reached a total of $12.52 trillion at the end of the second quarter, an increase of $77 billion quarter-over-quarter. Mortgage rates dropped 93bps throughout the third quarter from 7.07% to 6.14% providing some relief for homebuyers. Supply has remained constrained especially in the existing homes market as many homeowners are locked in at mortgage rates well below the current levels. Refinances have begun to increase especially for mortgages that were issued in the past two years. Credit card balances continue to rise, and the total outstanding balance hit $1.14 trillion at the end of the second quarter. Auto loan balances increased $10 billion in the second quarter and the total outstanding balance sits at $1.63 trillion. Delinquencies across mortgages, credit cards and auto loans all increased slightly during the second quarter. Year-over-year, as of the end of the second quarter, 9.1% of credit balances and 8.0% of auto loan balances transitioned into delinquency. A FFR cutting cycle by the Fed and a continued decrease in inflation would provide some relief for consumers who have been suffering from increased prices in everyday goods over the past couple of years.

Portfolio Review

The Touchstone Flexible Income Fund (Class A Shares, Load Waived) underperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended September 30, 2024.

Our main tenets have been to focus on investment opportunities with high current income, relatively short duration (generally inside 5 years of duration) combined with high confidence of a very low probability of default. We continue to be extremely focused on underlying fundamentals and credit quality.

At the end of the third quarter of 2024, the Fund was invested across preferred securities, seasoned RMBS backed by Single Family Rental Homes and Prime jumbo borrowers, Agency CMBS and Prime borrower backed Asset-Backed Securities.

Our preferred equity holdings in less rate sensitive, fixed-to-reset structures have outperformed the index. We continue to favor these structures over long duration fixed for life structures. Furthermore, we target securities in quality credits with high backend resets. This significantly mitigates the volatility and risk. Furthermore, if rates stay at these levels, these securities shorten in duration as the likelihood of a call increases.

We have continued to add to our seasoned RMBS exposure as such investments offer strong total return potential due to structural deleveraging and resilient housing fundamentals. These seasoned deals offer significant hard credit enhancement via the deal structure and years of home price appreciation which would mitigate any potential losses. In addition, we allocated capital to several long duration investment grade credits that were issued during the COVID-era low-rate environment and were trading down 30% to 40% below issuance price. We targeted several names which had been in our bullpen that were trading in the $60 price range. We believe even with spreads on the tighter end, these securities provide a strong risk/reward profile due to their low dollar price, positive convexity, and yields above historical averages.

The Agency CMBS positions are backed by loans on multi-family residential housing properties originated by U.S. government agencies (Freddie Mac). These assets have solid credit metrics (60% loan-to-value/1.3x debt service coverage ratio) with low effective durations and have historically performed very well due to low delinquencies and defaults by the borrowers.

Credit spreads in Corporate Investment Grade and high yield are trading tighter than their 20-year averages. While all-in yields are at some of the highest levels in investment grade and high yield bonds of the past several years, the composition of that yield comes from the higher base U.S. Treasury rates. Securitized credits are similarly trading at tight spreads and high yields from a historical perspective; however, their spreads continue to trade wide of corporate credit spreads.

Finally, we remained wary of investments in lower credits and/or credit risk with longer durations and focused on: 1) rotating into shorter, higher quality investments, or 2) building our cash and cash equivalents instead. We continue to remain patient and look to further aggregate cashflows generated from the securities held by the Fund and may continue to reinvest any cashflows received into short-dated U.S. Treasuries and/or other short duration investments to prepare for any corrections and/or better entry points.

The Fund's duration at the end of the second quarter of 2024 was approximately 4.1 years vs. the Bloomberg U.S. Aggregate Bond Index of approximately 6.2 years. The Fund is positioned with a lower duration than the benchmark purposefully as we wanted to stay in shorter solid credits to

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protect from any spread volatility and/or large moves up in benchmark interest rates. This has allowed us to experience less negative performance during periods of selloffs in U.S. Treasuries.

Outlook and Conclusion

In general, the greatest headwind to the Fund's portfolio is the same thing that is protecting us from inflation, rising U.S. Treasury yields, credit deterioration, etc. It is a fact that we are running lower duration and more cash than our peers. We would likely underperform in the short term, a modest amount, if there were a large move lower in yields without a commensurate widening of spreads; although we have a high yielding portfolio, we are underweight risk and duration.

While FFR cuts will broadly benefit much of the fixed income market, the timing of such cuts and the amount of cuts by the end of 2024 may increase rate volatility reducing the potential for total return. However, with positive economic growth, a strong labor market, and moderating inflation the sector is poised to deliver strong risk adjusted returns in 2024.

We continue to be wary and avoid credit sensitive asset classes (i.e., generic high yield), although they are currently much more fairly priced on a risk-adjusted basis than they have been in a few years. However, while nominal yields have reached more attractive levels, credit spreads have yet to widen to levels we find worthy of investment. In our view, we will remain tentative to rotate into such investments as they have a meaningfully higher probability of default. We will look to take advantage of investment opportunities in this space on a tactical basis.

As always, we remain diligent and patient as we are focused on avoiding any positions that have the potential to suffer from extreme illiquidity, which could be caused by an unforeseen event.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	04/01/04	**FFSAX**	89154Q620	1.26%	1.21%
C Shares	10/29/01	**FRACX**	89154Q612	2.01%	1.96%
Y Shares	09/01/98	**MXIIX**	89154Q596	0.97%	0.96%
INST Shares	09/10/12	**TFSLX**	89154Q588	0.97%	0.86%
Total Fund Assets	**$1.6 Billion**				

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 1.04% for Class A Shares, 1.79% for Class C Shares, 0.79% for Class Y Shares and 0.69% for Class INST Shares. These expense limitations will remain in effect until at least 07/29/25.

Share class availability differs by firm.

Fifth Third Strategic Income Fund Class I Shares became Touchstone Flexible Income Fund Class Y Shares on 09/10/12.

Annualized Total Returns

	3Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	3.58%	6.07%	11.09%	1.57%	3.27%	3.56%	5.79%
C Shares	3.35%	5.38%	10.26%	0.81%	2.48%	2.94%	5.33%
Y Shares	3.63%	6.24%	11.44%	1.81%	3.52%	3.82%	6.14%
INST Shares	3.76%	6.32%	11.55%	1.93%	3.64%	3.92%	6.23%
Benchmark	5.20%	4.45%	11.57%	-1.39%	0.33%	1.84%	6.03%
Including Max Sales Charge							
A Shares	0.24%	2.64%	7.47%	0.45%	2.86%	2.95%	5.63%
C Shares	2.35%	4.38%	9.26%	0.81%	2.48%	2.94%	5.33%

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 U.S. Aggregate Bond Index

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.

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Class A, Class C and Class Y shares performance was calculated using the historical performance of the Fifth Third/Maxus Income Fund Investor shares, with an inception date of March 10, 1985, for periods prior to April 1, 2004, October 29, 2001, and September 1, 1998, respectively. Institutional Class shares performance information was calculated using the historical performance of Class Y shares for the periods prior to September 10, 2012. The returns have been restated to reflect sales charges and fees applicable to Class A, Class C, Class Y and Institutional Class shares.

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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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 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 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 equities which are subject to market volatility and loss. 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's investments in other investment companies will be subject to substantially the same risks as those associated with the direct ownership of the securities comprising the portfolios of such investment companies, and the value of the Fund's investment will fluctuate in response to the performance of such portfolios. In addition, if the Fund acquires shares of investment companies, shareholders of the Fund will bear their proportionate share of the fees and expenses of the Fund and, indirectly, the fees and expenses of the investment companies or ETFs. 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. The Fund invests in convertible securities which are subject to the risks of both debt securities and equity securities. The Fund invests in derivatives such as futures contracts. 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. Gains or losses from speculative positions in a derivative may be much greater than the original cost and potential losses may be substantial. 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 Fund invests in foreign securities 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 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 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. Current and future portfolio holdings are subject to change.

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