Fund Manager Commentary

As of June 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 financial markets have had a difficult time predicting the path of the U.S. economy and the U.S. Federal Reserve Board (Fed) policy over the past two years. The markets have underestimated the resiliency of both growth and inflation in the face of higher interest rates. The second quarter began with another repricing for bonds and the continued challenges in the fixed income markets have tested investors' patience with expectations for a more accommodative Fed following a disastrous 2022 and the late year-end rally in 2023. However, stronger than expected economic data continued to push potential interest rate cuts to the latter part of 2024. Shelter inflation has remained stubbornly high in 2024 suggesting inflation may be stickier than originally thought by market participants. The strong labor market plus stubborn inflation has resulted in higher-for-longer expectations for the market. Also, the consumer has remained resilient since the Fed hiked interest rates eleven times since March 2022.

In the fall of 2023, the market rallied under the impression that terminal rates had finally peaked, and that the Fed was poised to cut interest rates five times in 2024. Fast forward to the second quarter of 2024 - the market was disappointed in the timing and magnitude of potential interest rate cuts as the path toward a 2% inflation target remains difficult to achieve. However, recent economic data is pointing toward a slower U.S. economy which should benefit holders of credit risk from a resilient labor market. Due to current lack of refinancing incentives, we expect a modest rise in prepayment speeds as natural turnover pressures such as death, job relocation and divorce should pull buyers and sellers off the sidelines. Even a modest increase in prepayments will de-lever structures and shorten duration profiles driving higher total returns and additional credit spread tightening in the sector.

Portfolio Review

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

At the end of the second quarter of 2024, the Fund was invested across Preferred Securities, Agency Commercial Mortgage-Backed Securities (CMBS), seasoned Residential Mortgage-Backed Securities backed by Single Family Rental Homes and prime borrower backed Asset-Backed Securities (ABS).

Our Preferred Securities holdings in less rate sensitive, fixed-to-reset structures have outperformed the benchmark. We continue to favor these structures over long duration fixed for life structures. Furthermore, we target securities in quality credits with high back-end resets. This significantly mitigates the volatility and risk in a scenario where the Fed is forced to reverse course and take rates lower. Furthermore, if rates stay at these levels, these securities shorten in duration as the

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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.***

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likelihood of a call increases. 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. We also added assets backed by Single Family Rental Homes in the private label market which offer strong total return potential due to structural deleveraging, limited issuance, and resilient housing fundaments. 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, with U.S. Treasuries hovering near 5%, 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.

Credit spreads widened slightly during the second quarter of 2024 as the bond market priced in higher for longer rate expectations. While all-in yields are at some of the highest levels in investment grade and high yield bonds, the composition of that yield comes from 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 with longer durations and focused on: 1) rotating into shorter, higher quality investments, or 2) building our cash and cash equivalents instead.

Within our preferred equity allocation, we continue to like our holdings versus the total preferred universe as we are focused on preferred securities that are trading to their call dates (2024 to 2025) and have high back-end resets. Preferreds had a strong quarter and were a positive contributor to performance, thus we reduced our allocation, as some were called away as expected and/or reached our target prices.

The Fund's investment grade securities allocation positively contributed to performance during the quarter. Over the course of the quarter, we increased this allocation as we continue to like the positions we hold for their credit and carry. We maintained a barbell view on duration, taking advantage of high front end rates while also maintaining our allocation to long duration, low dollar price investment grade bonds. These are long duration investment grade credits that were issued during the COVID-era low-rate environment and were trading down 30-40% below issuance price. We targeted several names which had been in our bullpen that were trading in the $60 price range, yielding approximately 6.50% to 6.75% on average. Since we entered this trade in late September of 2023, long end rates have rallied and credit spreads have tightened significantly. Because of this, we monetized some gains in this asset class to maintain a roughly 20% allocation.

The Fund's investment grade securitized allocation increased during the quarter. We are converting our cash and monthly distributions from our shorter duration and/or amortizing investment grade structured products securities into cash and short-dated U.S. Treasury Bills in order to optimize liquidity.

The Fund's high yield corporate bond allocation was a positive contributor to performance. Over the course of quarter, the allocation remained unchanged. The bulk of our high yield allocation remains in short duration, liquid, high yield ETFs with an approximate 7.90% yield to worst and a 2.6 year duration. With respect to this asset class, we prefer shorter duration over long duration as we see a case for economic softening and a risk-off environment in the future.

The Fund's high yield securitized allocation declined during the quarter. The U.S. economy's apparent soft landing is likely to boost much of the ABS sector. A strong labor market, potential easing rates and moderating inflation will help most consumers. We feel the risk-adjusted returns in higher-quality collateral structured products offer compelling opportunities. However, we believe that lower-income consumers are struggling with inflationary pressures and higher borrowing costs. We are wary of the subprime auto sector as elevated delinquencies and used car disinflation is causing wider credit spreads. Collateralized loan obligations have benefitted from the Fed's interest rate hikes providing substantial carry due to their floating rate coupons. We prefer looking at deals from debt-friendly Tier 1 managers that are static or in their post-reinvestment period where we have a better idea on what the deal's terminal horizon looks like - this means deals that will pay off in an orderly fashion and will not be subject to performance triggers that could shut off cashflows to our tranches.

The Fund's municipal bond allocation declined to zero during the quarter. Over the quarter, the municipal bond allocation was flat compared to the benchmark. The municipal bond asset class is susceptible to an increase in long term rates. Municipals were under pressure again toward the end of the second quarter of 2024. We see municipals as rich compared to other fixed income asset classes and given municipal budget deficits in states like New York and California, we hold a negative view on this asset class.

The Fund's U.S. Treasury allocation decreased during the quarter. The U.S. Treasury exposure is in long duration U.S. Treasury Bonds. As we anticipated, softer economic data and Fed funds futures point toward rate cuts. We first extended duration in the first quarter and added to this position throughout the second quarter, improving our cost basis. 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.

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The Fund's duration at the end of the second quarter of 2024 was approximately 4.0 years vs. the Bloomberg U.S. Aggregate Bond Index of approximately 6.1 years. The Fund is positioned with a lower duration than the benchmark purposefully as we wanted to stay in shorter solid credits to 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 sell-offs in U.S. Treasuries.

Outlook and Conclusion

In general, the greatest headwind to the Fund is the same thing that is protecting us from inflation, rising U.S. Treasury yields, credit deterioration, etc. – it is the 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 rate 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. The main driver of our returns in the second quarter of 2024 was generated from our high current income of the Fund in addition to total return opportunities that we will capitalize on via portfolio rotation, asset allocation, opportunistic investing, etc.

If the Fed does cut interest rates in the second half of 2024 even a modest increase in prepayments will help drive higher total returns particularly in the prime-orientated subsectors of the mortgage market. We do not see any obvious fundamental issues in any of the asset classes/sectors that we are currently invested in as higher risk-free starting rates provide a cushion to any potential sell-off in treasuries. Nominal spreads are fair in investment grade and high yield with potential downside if a hard landing is realized. Spreads in Structured Products have tightened throughout the second quarter of 2024 as the asset class was cheap but certain sub-sectors are still cheap with higher all-in yields. We feel that we are conservatively positioned for further downside with a large amount of cash and cash equivalents. We anticipate allocating our liquidity (cash and cash equivalents) into more optimal risk-adjusted returns on a tactical basis. We believe that our active portfolio management methodologies will be important to add to returns and reduce risk. We remain conservatively positioned for further downside via credit spread widening with a large amount of cash equivalents at the end of the second quarter of 2024. We anticipate allocating our liquidity into more optimal risk-adjusted returns on a tactical basis. We believe that our active portfolio management methodologies will be important to add to returns and reduce risk.

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 $1.4 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

	2Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	0.82%	2.40%	7.68%	0.48%	2.69%	3.13%	5.73%
C Shares	0.65%	1.96%	6.91%	-0.26%	1.93%	2.51%	5.27%
Y Shares	0.88%	2.52%	7.92%	0.73%	2.95%	3.38%	6.08%
INST Shares	0.81%	2.47%	7.92%	0.81%	3.04%	3.48%	6.17%
Benchmark	0.07%	-0.71%	2.63%	-3.02%	-0.23%	1.35%	5.93%
Including Max Sales Charge							
A Shares	-2.42%	-0.91%	4.19%	-0.62%	2.28%	2.52%	5.58%
C Shares	-0.35%	0.96%	5.91%	-0.26%	1.93%	2.51%	5.27%

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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Touchstone is a member of Western & Southern Financial Group

Not FDIC Insured | No Bank Guarantee | May Lose Value

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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