Fund Manager Commentary

As of December 31, 2024

Fund Highlights

- Seeks to achieve a high level of income by investing primarily in non-investment-grade debt securities
- Evaluates overall investment opportunities and risks in different industries focusing on those that exhibit the potential for stability and predictability
- Eliminates certain types of securities from purchase due to their structure
- Applies rigorous credit selection process in an effort to identify securities that offer attractive opportunities

Market Recap

The fourth quarter of 2024 began with the worst global bond performance since September of 2022. Bond yields were driven higher by stronger-than-expected economic data. Equity markets initially reacted positively to November election results which saw Donald Trump win the U.S. Presidential race and Republicans maintain control of the House of Representatives and gain the Senate. But the U.S. Federal Reserve Board (Fed) cut the rally short when it cut rates by 25 basis points (bps) in December but adopted a hawkish stance by signaling just 50bps of additional cuts in 2025. By year-end, the 10-year U.S. Treasury yield had sold off to 4.57%, a fourth quarter increase of 79bps. The quarter ended with mixed returns across equities and bonds.

High Yield ended a streak of five consecutive positive monthly returns with a weak October. A worse December return led to a slightly positive sub-coupon overall quarter result. Lower quality led again as CCCs outperformed in the quarter, followed by Bs and BBs, which were impacted by higher rates. Spreads were volatile, but marginally tighter. Yields moved higher by 50bps in concert with Treasuries.

Wirelines and Media Entertainment maintained positive momentum during the quarter, while Healthcare Real Estate Investment Trusts notably underperformed as Medical Properties Trust Inc. contended with refinancing risk. Lower quality remained in favor within Wirelines. Lumen Technologies Inc. bond prices rallied after the company announced the intention to divest its consumer fiber unit.

Combined default/liability management exercise (LME) activity across bonds and loans surged to a 20-month high in December. However, there is a divergence in activity: High Yield bond default rates are at multi-year lows, while Leveraged Loans reached a 51-month high. Loans appear more susceptible to further defaults due to the combination of a higher proportion of lower-rated issuers and the extended impact of floating rate coupons in a higher for longer interest rate environment. A notable trend, highlighted by JPMorgan, is that approximately 35% of this past year's defaults and distressed exchanges involved repeat offenders.

The Fed wrapped up its December meeting by striking a hawkish tone while cutting rates to the 4.25%-4.50% range. The Summary of Economic Projections accompanying the decision indicated a meaningful shift higher in the median core personal consumption expenditures projection for 2025; the Federal Open Market Committee had lowered this projection in September. Macro data pointed to a strong economy, with services and composite Purchasing Manager's Index data, retail sales, third quarter GDP growth (+3.10%), and employment beating estimates. Investors are looking to labor and inflation as guides to near term Fed decision making.

Issuance cooled going into the election and never rebounded: $45 billion (bln) priced during the quarter and $291 bln (+62% year-over-year) for the year. Supply in 2024 was driven by refinancing activity. Forecasts for 2025 supply tilt more heavily toward mergers and acquisitions (M&A)/ leveraged buyout (LBO) activity.

Portfolio Review

The Touchstone High Yield Fund (Class A Shares, Load Waived) underperformed its benchmark, the ICE BofA High Yield Cash Pay Index, for the quarter ended December 31, 2024.

The Fund's sector positions detracted. A zero-weight position in Restaurants was beneficial in the quarter as the sector

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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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produced negative returns. Underweight positioning in Wirelines was a large detractor in the quarter, as it was a top performing sector as several capital structures continued their rally from the third quarter.

Attribution from security selection was positive. Primary themes for the Index during quarter were: 1) CCC bonds outperformed, 2) there was significant volatility in the rates markets with the 10-year Treasury moving from 3.78% to 4.57%, and 3) Wirelines and Media Entertainment continued their outperformance.

The Fund's outperformance was broad based across names and sectors and was able to offset the underexposure to CCC-rated securities. Overweight positioning in domestic cable operator AlticeUSA was positive as the company continued to recover as M&A in the sector has buoyed valuations. There has been no news or movement on any potential LMEs or distressed exchanges at the company. Overweight positioning in Energy Transfer LP, in particular an ETF floating rate security, was positive as the coupon rate floats at 3-month secured overnight financing rate +328bps which makes the current rate 7.85% for this BB/BBB rated company. Overweight positioning in television operator Gray Television Inc. was negative as political advertising within their markets was below expectations. Overweight positioning in Altice International was negative as investors in the European telecommunications company continue to be wary of a potential LME or that controlling shareholder Patrick Drahi will move asset sale proceeds out of the company at the expense of bondholders.

Aggregate risk positioning for the Fund was stable in the quarter. Changes in holdings and sector allocation were all opportunistic and relative value based. The Fund started the quarter 0.10 years of B equivalents and ended the quarter at approximately 0.14 years B equivalents while remaining slightly higher in credit quality.

In the quarter, notable new positions were established in Saks, Sempra, Dominion Resources, Univision Communications Inc. and Visant. Notable sales include Stericycle Inc., Pactiv Evergreen Group Issuer, Icahn Enterprises LP, Jane Street Group and Ford Motor Credit Co. LLC.

Among the largest increases in sector allocations were Electric Utilities, Midstream and Consumer Products. Among the largest decreases were Gaming, Environmental and Packaging.

The duration of the Fund at quarter end was 3.08 years. The Fund started the quarter approximately -0.12 years short duration versus the benchmark and ended the quarter at -0.12 years relative. The 10-year Treasury sold off 79bps in the quarter implying that duration was a slight tailwind but not meaningful.

Outlook and Conclusion

The market, on the whole, has continued to take a rather benign view of the current cycle as risk assets had a decent fourth quarter after a very strong third quarter, while interest rate sensitive assets had difficulty with the move in Treasuries. The market has shifted positioning from earlier in 2024 and is now only anticipating two rate cuts in 2025. Strong economic data and persistent inflation reads have the markets debating the course of not only further interest rate moves but also where long rates should be. Credit markets have remained robust throughout the hiking cycle and into the beginning stages of this current cutting cycle with most spread markets near or inside of their tightest decile. Financial conditions, GDP growth, and employment have all remained robust, increasing the odds of a soft landing or a Goldilocks scenario. Within credit markets, we have seen that maximizing spread/income into portfolios can significantly dampen the effects of interest rate volatility.

At this stage of the credit cycle and valuations, we are preferring slightly higher quality and/or less cyclical sectors while trying to maximize income as spreads are inside of their tightest decile. We are underweight CCC-rated securities as this segment of the market will experience the most default losses if high floating rate debt leads to balance sheet stress and the weakest high yield issuers can no longer service their obligations. We have seen some signs of stress whereby several large, overleveraged capital structures have been downgraded, meaningfully underperformed, and have begun the process of distressed debt exchanges. We maintained risk positioning in the quarter, keeping yield and income in the Fund while still maintaining a higher quality bias.

We find the best value in the market to currently be in the BB/B categories as this segment has the best characteristics going forward – meaningful income and yield in the current environment and the likelihood to sell off less in the case of a material misstep by the Fed or other global macro developments. These segments also have a higher duration and can experience some stability in the face of spread widening as the Treasury market typically rallies in that scenario. The underweight to higher spreading CCCs has the potential to be a headwind if we are able to avoid a recession and the widest parts of the market carry or tightens from here.

Our outlook for High Yield is neutral as we are balancing attractive yields and spreads inside of their tightest decile with fair company fundamentals and a relatively stable default rate outlook. Current spread levels do not leave much room for further tightening; however, the current level of yields is able to absorb and offset some spread widening should the economy have a soft landing or a bumpy transition to the next cycle. We anticipate this default cycle to be less than historic averages as issuers have termed out maturities and balance sheets are in relatively good shape. The new issue calendar in high yield has been robust, especially for BB/B issuers. The predominance of M&A and LBO issuance has occurred in the leveraged loan market which we suspect may see a higher level of defaults and lower

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recoveries than previous cycles; this is unfolding currently. We will be monitoring markets closely and looking for relative value swaps whereby we can increase income in the Fund without taking undue credit risk.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	05/01/00	**THYAX**	89154W809	1.39%	1.05%
C Shares	05/23/00	**THYCX**	89154W882	4.69%	1.75%
Y Shares	02/01/07	**THYYX**	89154W817	1.07%	0.81%
INST Shares	01/27/12	**THIYX**	89154W775	0.87%	0.73%
Total Fund Assets	**$105.6 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 1.04% for Class A Shares, 1.74% for Class C Shares, 0.80% for Class Y Shares and 0.72% for Class INST Shares. These expense limitations will remain in effect until at least 01/29/26.

Share class availability differs by firm.

Annualized Total Returns

	4Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	0.05%	6.25%	6.25%	2.13%	3.00%	3.78%	5.76%
C Shares	-0.12%	5.50%	5.50%	1.34%	2.22%	3.17%	5.53%
Y Shares	0.24%	6.57%	6.57%	2.40%	3.26%	4.05%	5.97%
INST Shares	0.14%	6.52%	6.52%	2.44%	3.34%	4.13%	5.95%
Benchmark	0.13%	8.04%	8.04%	2.89%	4.02%	5.07%	6.67%
Including Max Sales Charge							
A Shares	-3.15%	2.79%	2.79%	1.00%	2.58%	3.27%	5.55%
C Shares	-1.11%	4.50%	4.50%	1.34%	2.22%	3.17%	5.53%

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 - ICE BofA High Yield Cash Pay 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, 05/01/00, with the performance since the inception date of each share class.

Top 10 Holdings of Fund

		(% of Portfolio)
1	CQP Holdco LP / BIP-V Chinook 5.50% 06/15/31	1.8
2	CCO Holdings LLC / CCO Holding 4.25% 02/01/31	1.6
3	Stagwell Global Llc 5.63% 08/15/29	1.5
4	Boost Newco Borrower, LLC 7.50% 01/15/31	1.4
5	Vistra Corp. 8.00% 04/15/73	1.2
6	Goodyear Tire & Rubber Co. 5.63% 04/30/33	1.2
7	AHP Health Partners, Inc. 5.75% 07/15/29	1.2
8	Turning Point Brands Inc. 5.63% 02/15/26	1.2
9	Caretrust REIT Inc. 3.88% 06/30/28	1.1
10	Carriage Services, Inc. 4.25% 05/15/29	1.1

Source: BNY Mellon Asset Servicing

The ICE BofA High Yield Cash Pay Index is an unmanaged index used as a general measure of market performance consisting of fixed-rate, coupon-bearing bonds with an outstanding par which is greater than or equal to $50 million, a maturity range greater than or equal to one year and must be less than BBB/Baa3 rated but not in default.

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 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 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 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's service providers are susceptible to cyber security risks that could result in losses to a Fund and its shareholders. Cyber security incidents could affect issuers in which a Fund invests, thereby causing the Fund's investments to lose value. Current and future portfolio holdings are subject to change.

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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