Fund Manager Commentary

As of September 30, 2024

Fund Highlights

- Seeks to maximize total return by investing in market sectors and securities that are considered undervalued for their risk characteristics
- Focus is placed on high-quality securities, many with beneficial structures such as government guarantees or significant tangible collateral support; there is limited exposure to non-investment grade securities
- Prefers to invest in securities of government programs and companies that have sustainable operating models by considering a wide range of factors including, but not limited to, support for economic development, home ownership and job creation
- Utilizes a traditional long-only investment style and invests directly in cash bonds
- Does not invest in futures contracts, options, credit default swaps or derivatives
- Constructs a diversified portfolio across issuer, sector and industry that strives to maximize yield while minimizing the risks inherent in fixed income investing

Market Recap

While the third quarter of 2024 was a highly eventful period featuring increases in projected budget deficits, high consequence labor union strikes, a dynamic political environment, and a re-escalation of war in the Middle East, these types of headlines had little impact on the bond market's performance. The bond market seemed blasé to these events, instead focused on a much narrower set of circumstances, namely inflation and employment, and their implications for U.S. Federal Reserve Board (Fed) monetary policy. The Consumer Price Index was last reported at 2.4%, a sharp decline from 9.1% in June 2022, while Core PCE fell from 5.6% to 2.7%. Although the labor market remained strong, it showed signs of softening. This provided the Fed the flexibility needed to signal a rate cut in July, affirm it in August, and finally implement it in September, loosening monetary policy.

Though cutting interest rates is typically seen as a maneuver to support a struggling economy, the overall trend in data remained unambiguous. U.S. GDP grew by 3.0%, wages experienced their 16th consecutive month of real growth, retail sales expanded, and businesses largely remained confident. The U.S. economy is still dealing from a position of strength, and the Fed wants it to continue. Additional interest rate cuts are viewed as questionable for price stability, but they will likely continue to support a healthy economy. This combination led to confidence across the bond market.

Interest rates fell across the yield curve as the Fed finally delivered upon the markets' long anticipated rate cuts. However, given that the market has been pricing in rate cuts since the beginning of 2023, the move in September had an outsized effect on the front end of the yield curve. Rates dropped most significantly in the 1-2 year portion of the curve, falling by approximately 110 basis points (bps). Meanwhile the yield on the 10-year Treasury declined by only 61bps. The decline in interest rates functioned as the primary fuel for total returns during the period.

While the bond market benefited from the falling rate environment, the robustness of the economy further supported spread bonds. In fact, every major spread sector delivered positive excess returns during the period. The two largest spread sectors, Corporates and Agency Single-Family Mortgage-Backed Securities (SFMBS) led the way. The performance of corporate bonds has demonstrated significant confidence among bond investors. New corporate issuance in 2024 is on pace for the second highest level of all-time. Still, the sector has consistently outperformed matched duration Treasuries over the last year. SFMBS is a different story. Though spreads have been wide, the sector has struggled

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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.***

with interest rate volatility. However, the excess returns generated during the third quarter pulled the year to date excess return profile of SFMBS into positive territory.

Portfolio Review

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

The macroeconomic environment was neutral for the Fund. The Fund's duration neutral portfolio allowed it to participate in sympathy with the benchmark as interest rates declined. Given its overweight positioning in spread sectors and the overall strength of the economy supporting spread markets, the Fund benefited. Offsetting this overweight was sector and security selection, where relative performance was heavily influenced by the falling rate environment.

The primary drag on performance was our underweight allocation and security selection within SFMBS. SFMBS with the most duration and highest convexity outperformed peer securities. A preference for superior structure is what drives us toward our overweight allocation to Agency Multi-Family Mortgage-Backed Securities (MFMBS). Over the long term, this structure is by far more stable than low coupon SFMBS. Given the structure imbedded in MFMBS, the sector had tightened more than SFMBS during the trailing volatile rate environment. As rate cuts were introduced during the quarter, discount SFMBS was able to participate more in the upside than MFMBS. Though the Fund's overweight to other spread sectors provided a performance lift, it was unable to overcome the strong performance of SFMBS where it was underweight.

Changes in credit spreads created a slight headwind during the quarter, as longer corporate bonds outperformed intermediate corporate bonds. Given the tight spread levels of long duration corporate securities, we are underweight this portion of the market and instead focused more on intermediate corporate securities. While the intermediate securities performed well during the period, they were unable to keep pace with their longer-term peer securities.

The main contributors to the Fund over the quarter were Utilities and U.S. Agencies. After accounting for duration differences, Utilities outperformed both Financials and Industrials during the quarter. This was largely due to spread tightening premised on an improved financial outlook for the operating companies of the sector given the future higher energy demand expected from data centers and artificial intelligence. The relative performance of the sector largely mimicked the relative performance of Utilities in U.S. equity markets. Our overweight to the sector benefited the Fund.

The Fund's overweight allocation to U.S. Agencies offset its underweight to U.S. Treasuries. As Treasuries trailed all spread sectors, this overweight benefited performance. Within the sector, U.S. Small Business Administration Development Company Participation Certificates and U.S. Small Business Administration Small Business Investment Company securities provided the largest relative contributions to performance.

There were no significant changes to the Fund's positioning during the quarter. The Fund's effective duration of 6.07 continues to be approximately matched to that of the benchmark, representing 99% of the benchmark's effective duration as of quarter end. The Fund entered the quarter at 97% of the benchmark's duration. Changes in interest rates had little relative impact on returns. The yield curve twisted and flattened during the quarter meaningfully. The Fund is actively managed to be approximately yield curve neutral, leading to little impact on returns.

Outlook and Conclusion

We do not believe that many of the headlines, including the outcome of the U.S. election, will have much bearing on the relative performance of the Fund over the next investment cycle. No less, the macroeconomic and fundamental backdrop is supportive of spread markets, and by extension the Fund which is overweight spread products. The underlying theme which has the greatest influence over the portfolio's construction is the tight level of spreads across various corners of the bond market. We have managed this in several ways.

First, we have worked to increase the portfolio's weight in U.S. Small Business Administration bonds. These assets are guaranteed by the full-faith-and-credit of the U.S. Government and on a relative basis are wide to nearly any other spread security we can purchase regularly, including those with credit risk. Unlike many other sectors and securities, normalizing spreads within these bonds would mean tighter levels, not wider.

Second, we have limited our spread duration in BBB-rated corporate credit. While the bonds are supported by the strong economic environment, they are prone to materially more widening on a disruption than they are to tightening on continued economic strength.

Thirdly, while our SFMBS underperformed during the most recent quarter as interest rates declined, on the whole we are overweight discount bonds with prepayment optionality that benefits in a falling rate environment. This should help the Fund perform well if interest rates continue to decline and prepayments accelerate on discount bonds. Should this not occur, which is a fair assumption given the pricing of the forward rate market, our SFMBS provide more carry than what the index provides and not receiving prepayments on our other discount bonds (namely MFMBS) is our baseline investment expectation.

Given current market levels and our outlook, we believe the Fund is well positioned to outperform the benchmark over the next investment cycle.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	08/16/10	**TCPAX**	89155T102	0.96%	0.76%
C Shares	08/01/11	**TCPCX**	89155T201	2.25%	1.51%
Y Shares	11/15/91	**TCPYX**	89155T409	0.51%	0.51%
INST Shares	08/01/11	**TCPNX**	89155T300	0.48%	0.41%
R6 Shares	11/22/21	**TIMPX**	89155T433	0.46%	0.37%
Total Fund Assets	**$600.8 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 0.76% for Class A Shares, 1.51% for Class C Shares, 0.51% for Class Y Shares, 0.41% for Class INST Shares and 0.37% for Class R6 Shares. These expense limitations will remain in effect until at least 01/29/25.

Share class availability differs by firm.

Annualized Total Returns

	3Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	4.78%	4.64%	11.61%	-1.62%	-0.03%	1.49%	4.43%
C Shares	4.59%	4.15%	10.77%	-2.34%	-0.77%	0.89%	3.77%
Y Shares	4.84%	4.95%	12.00%	-1.37%	0.24%	1.75%	4.69%
INST Shares	4.87%	5.01%	12.10%	-1.27%	0.34%	1.86%	4.74%
R6 Shares	4.88%	4.93%	12.02%	-1.28%	0.29%	1.78%	4.70%
Benchmark	5.20%	4.45%	11.57%	-1.39%	0.33%	1.84%	4.78%
Including Max Sales Charge							
A Shares	1.37%	1.28%	7.96%	-2.71%	-0.43%	0.99%	4.27%
C Shares	3.59%	3.15%	9.77%	-2.34%	-0.77%	0.89%	3.77%

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

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The performance presented for Class A, C, INST and R6 Shares combines the performance of an older class of shares (Y Shares) from the Fund's inception, 11/15/91, with the performance since the inception date of each share class.

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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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.

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 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. 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 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 invests in mortgage dollar rolls which involve increased risk and volatility, as the securities the Fund is required to repurchase may be worth less than the securities that the Fund originally held. 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.

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