Fund Manager Commentary

As of March 31, 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

Economic data remained robust during the quarter, largely coming in ahead of consensus estimates. GDP grew by 3.4% while GDI advanced by 6.6%. The unemployment rate ticked up slightly, to a still very healthy 3.9%. Institute for Supply Management and Consumer Sentiment surveys improved, while strong retail sales and durable goods orders helped to solidify the outlook provided by these surveys. Delinquency rates on credit cards and auto loans advanced, but overall consumer delinquencies are still well below average, held down by low delinquencies in both mortgages and business loans. To date, the bark of tighter monetary policy has proven louder than its bite. The largest offset to this series of strong data was the cost of housing. This has been driven by affordability issues, most notably for first time home buyers. This affordability dilemma has had little effect on the economy at large, as part of this affordability stems from the rate environment and current owners have elected to stay in place to retain their low mortgage rate, thereby bypassing the affordability impact. In addition to housing, weakness in the commercial real estate (CRE) market, which is being driven by low office occupancy and a wall of looming CRE loans, is a second source real estate related headwinds facing the U.S. economy.

The U.S. Federal Reserve (Fed) held two meetings during the quarter. While they did signal an end to their rate hiking campaign, the meetings were otherwise viewed as hawkish. At each meeting, the Fed stressed the need to be "patient", noting that inflation would come down to their target "eventually." In doing so, the Fed continued to suggest a higher for longer path was appropriate, stating that they can accomplish more if they move at a slow pace. They also explicitly noted the need to have a more balanced approach to their dual mandate going forward.

Taken together, the economic data and Fed messaging came together to push interest rates higher. When the year began, the market anticipated six 25 basis points (bps) rate cuts to the federal funds rate in 2024. As of the end of the quarter, that has been reduced to three. The yield curve bear steepened during the period, as front-end rates remained largely unchanged, while interest rates across the rest of the yield curve advanced by 30-40 bps. These movements align well with an environment where the market got ahead of the Fed and has re-aligned with stronger economic growth and stickier inflation outlook.

Putting rate related price changes aside, the persistently high-rate environment continued to impact securitized products the most. It has slowed prepayment rates meaningfully. Within Agency Single-Family Mortgage Backed Securities (SF MBS), this has created tremendous excess return dispersion based on the coupon size (a proxy for the underlying borrowing rate). The excess return on higher

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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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coupon SF MBS outperformed that of their lower coupon sisters by about 100 bps. Agency Multi-Family Mortgage Backed Securities (MF MBS) have also seen their speeds dwindle towards a standstill, and Small Business Association (SBA) bonds are not far behind. While the sector's return is more insulated due to the superior structure provided, the slowdown in prepayments is becoming increasingly noticeable.

Corporate bonds had a remarkable quarter. There was $540 billion in new issuance during the period, setting a first quarter record. Even with this flow of new bonds and the higher rate environment, spreads managed to tighten by -9 bps. The problems arising from New York Community Bank were treated as an idiosyncratic event, as financials lead the pack in corporate spread tightening. Within the world of credit, spreads tightened not only in corporate bonds but also in Commercial Mortgage Backed Securities (CMBS), Agency Backed Securities (ABS), and Municipals. CMBS tightened the most by a wide margin during the period, as investors put many of their office related fears to the side.

Portfolio Review

The Touchstone Impact Bond Fund (Class A Shares Load Waived) outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended March 31, 2024.

The macroeconomic environment provided a positive backdrop for spread securities. Our overweight to spread securities benefited from this. Nearly all spread sectors provided excess returns. The only major sector which did not was SF MBS. SF MBS is the one spread sector we are underweight, while the fund is equal to overweight all others. This allocation across these sectors benefited performance during the period.

Changes in credit spreads mostly created a tailwind for the portfolio during the period. Within the corporate realm, Utilities, and Financials outperformed Industrials. The Fund is underweight Industrials, while overweight Utilities and Financials.

Our overweight in ABS and CMBS also acted as a tailwind for the Fund's performance.

The relative weakness in municipal bonds detracted from the fund's performance. While they still generated positive excess returns, their performance trailed other opportunities within the credit space. Our overweight to the sector resulted in a headwind for the Fund.

The largest contributors during the periods were Small Business Association Development Company Participation Certificates (SBA DCPC), Banks, and Higher Coupon SF MBS.

The spread and pricing of SBA DCPC bonds finally played a bit of catch-up during the quarter, helping to drive performance. The bonds remain attractively priced, and in our estimation have room to further tighten on both an absolute and relative basis.

Unsecured corporate bank debt continued to rally from the wide levels created last year during the banking failures. Excess returns on senior banking bonds outpaced all other corporate bonds except for riskier energy bonds and longer duration utility bonds. The bonds continue to offer an attractive balance of risk and reward.

The Fund is underweight SF MBS which underperformed matched duration Treasuries during the period. This was primarily driven by the heavy weighting and weak performance of deep discount mortgages (sub ~$90 price). However, within SF MBS, the Fund is overweight securities with a higher coupon, priced closer to par. These types of MBS outperformed matched duration Treasuries, providing positive excess returns.

The largest detractors during the periods were Build America Bonds, Housing Municipal Bonds, and the Smithsonian Institution.

Build America Bonds underperformed other taxable municipal debt during the quarter due to a small handful of issuers choosing to exercise a call option created by the U.S. Government's decision to reduce the amount of its interest payment guarantee. We continue to monitor the bonds owned for exposure to this risk. The quality of the bonds remains intact.

The Housing Municipal Bonds owned by the Fund are backed by SF MBS. The correlation between these Municipals and SF MBS is far from one, but there are times when they perform similarly. During this period, Housing Municipals logically fell in sympathy with the weak performance of SF MBS.

The Smithsonian Institution is a bond backed by a U.S. General Services Administration (GSA) lease. During the quarter the GSA surprised the market by not fully re-leasing a building in Washington D.C. housing the NASA HQ. This decision rippled across GSA debt. The NASA deal was one we investigated and chose to pass on investing due to the risk characteristics of said lease. These same risk characteristics are not present in the Smithsonian Institution lease.

There were no significant changes to the Fund's positioning during the quarter.

The Fund's effective duration of 5.95 years continues to be approximately matched to that of the benchmark, representing 97% of the benchmark's effective duration as of quarter end. The Fund entered the quarter at 98% of the benchmark's duration. Changes in interest rates had little relative impact on returns.

Rates rose fairly evenly across the entirety of the yield curve. The portfolio is actively managed to be approximately duration and yield curve neutral, leading to little impact on returns.

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Outlook and Conclusion

While the Fed stayed the course at their March meeting, a closer inspection of individual members comments and outlooks indicates that one should place some emphasis on the nature of their patient approach, along with increased chances for interest rates remaining higher than the financial headlines or dot plot suggests. Though the median is reported by financial media, the Summary of Economic Projections and the dot plot represent a collection of forecasts, not a consensus of them. While the median dot indeed remained unchanged, the Fed Governor's average forecasted federal funds rate by year-end 2024 increased. One single member vote (of 17) in a different direction would have changed that median dot as well. Market participants initially cheered the March meeting result. However, going forward, even a slight miss on inflation or a modestly higher consumption figure could serve as a quick reminder to this fact, and create heightened market volatility.

Some of the strongest opportunities we see from the standpoint of spread compensation remain off the well-traveled path. Getting off this path can create diversification benefits if volatility increases. These opportunities include investments in SBA debt, non-index MF MBS, defeased CMBS, and secured corporate debt structures. Not only do these bonds provide enhanced diversification benefits, they also provide the Fund with a spread advantage to more traditional bonds which are included in the index.

Tight spreads throughout the market have created a challenging set of investment conditions for a spread buyer. While economic strength and a Fed put provides good justification for current levels, spreads are still governed by a lower bound and asymmetrical returns. We have responded to this low spread environment in a couple of ways. First, we upgraded our spread requirement amongst our corporate and MF MBS holdings. Second, we have increased our allocation to top tier liquidity in the form of SF MBS. This allowed us to capitalize on SF MBS's historically wide relative spreads, while simultaneously building an additional liquidity platform to utilize should spreads in other sectors normalize and provide greater opportunity.

We believe our positioning is strongly aligned with the outlook discussed above. First, the size of our spread advantage versus the benchmark is riding at the high-end of its historical position. This is in part due to our efforts within the corporate space, where our corporate bonds now have a spread advantage over those in the index. We believe we have accomplished this without sacrificing quality or adding downside volatility. This spread advantage provides more yield for the portfolio and a better opportunity for spread compression. Second, our overweight to spread products is nestled into a strong fundamental backdrop. The current strength of the economy is a buoy for these investments. While many within the market debate "if", "when", and "by how much" the Fed will cut interest rates, we think it is much more important that they simply "can" cut interest rates should the economy require it. In this context, should the economy slip, the Fed will be able to fortify it with interest rate cuts, providing support for both the economy and spread products. Finally, there is a strong probability that volatility will be skewed higher in 2024. Due to the Fund's combination of providing more income, superior structure, and investing in less volatile issuers, we believe the Fund is positioned well to outperform the index over the investment cycle should volatility increase.

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	**$563.2 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

	1Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-0.42%	-0.42%	1.96%	-2.62%	0.03%	1.22%	4.34%
C Shares	-0.50%	-0.50%	1.20%	-3.33%	-0.70%	0.62%	3.67%
Y Shares	-0.35%	-0.35%	2.10%	-2.37%	0.26%	1.47%	4.60%
INST Shares	-0.33%	-0.33%	2.20%	-2.28%	0.36%	1.58%	4.64%
R6 Shares	-0.32%	-0.32%	2.24%	-2.27%	0.33%	1.51%	4.61%
Benchmark	-0.78%	-0.78%	1.70%	-2.46%	0.36%	1.54%	4.69%
Including Max Sales Charge							
A Shares	-3.61%	-3.61%	-1.30%	-3.68%	-0.36%	0.72%	4.18%
C Shares	-1.48%	-1.48%	0.21%	-3.33%	-0.70%	0.62%	3.67%

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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