Fund Manager Commentary

As of December 31, 2024

Fund Highlights

- Primarily invests in income producing securities including corporate debt securities, mortgage-related securities, asset-backed securities, government securities (both U.S. government securities and foreign sovereign debt), public equities and preferred stocks
- Invests at least 50% of the portfolio in investment-grade rated securities
- Expanded opportunity set provides the flexibility to react to market dislocations
- Broadly diversified by sector, resulting in multiple sources of return potential and low correlation to traditional asset classes
- Duration management is used as a risk mitigation tool; seeks to avoid taking large duration positions due to the difficulty in predicting interest rates
- Active management and security selection are focused on building a high conviction portfolio

Market Recap

As 2024 comes to a close, the investment landscape remains shaped by strong domestic growth, changing policy priorities from the newly elected administration, and evolving investor sentiment. Economic growth exceeded expectations from the beginning of the year, underscored by the resilience of both consumers and businesses. However, policy changes concerning trade and regulation have garnered significant attention, potentially impacting the trajectory of the U.S. economy.

Strong consumer spending has been the largest contributor to growth over the last year. While household savings have declined, higher income earners have propelled the economy following a surge in investment and home prices since the pandemic. Higher wages have also supported the broader labor market. Although job creation has slowed over the last year, it is being offset by a lack of job losses, resulting in a largely balanced labor market.

As the economy continues to expand, inflation remains a focus for many investors due to the implications for the U.S. Federal Reserve (Fed) policy. While inflation still appears to be on a path of disinflation, recent data has been bumpy. Furthermore, several new tariff proposals from the President-elect have added to uncertainty. While tariffs are generally considered a one-time price increase rather than inflationary, there is a risk that they could progress into a larger trade war with some of the United States' largest trading partners (China, Mexico, Canada). This possibility has caused investors to increase their short-term inflation outlook while longer-term expectations have remained largely range bound.

At the same time, other policy proposals may provide tailwinds for economic growth into 2025. Deregulation efforts could provide certain industries, particularly energy and banking, with lower amounts of operational restrictions that should improve bottom lines. In addition, lower levels of regulation should enhance merger and acquisition activity, while the possibility of lower corporate tax rates would lift fundamentals for many small/medium size firms. This positive backdrop for the economy is helping support risk assets as evidenced by historically tight credit spread and higher equity prices.

The Fed began cutting policy rates following further disinflation and a cooler labor market. Despite the fed funds rate being reduced by 100 basis points, longer-term yields moved higher during the fourth quarter as investors expect continued economic strength to result in fewer rate cuts during 2025. The dynamic of higher long-term rates while the Fed is cutting has led to a more traditionally shaped yield curve. The shift in longer rates was the main driver of fixed income returns over the fourth quarter. The 10-year Treasury increased about 80 basis points and caused a 3% decline in the Bloomberg U.S. Aggregate Bond Index as credit spreads remained near historically tight levels.

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While higher rates could put pressure on risk assets, consumer spending and business investment are likely to support current valuations. However, we remain cognizant of downside risks to the current economic trajectory such as the bifurcation between lower income earners relative to higher income households as well as sluggish growth from Europe and China. Additionally, markets will maintain a keen eye on any potential weakness in employment, developments in U.S. fiscal policy, and geopolitical conflicts.

Portfolio Review

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

Security selection was the largest contributor to relative outperformance due to investment grade corporate and securitized sectors. Within investment grade corporates, subordinated positions within high quality banks were the primary driver of outperformance. Within securitized, non-agency commercial mortgage backed securities was the largest contributor to outperformance while other non-agency sectors such as collateralized mortgage obligations and asset backed securities also outperformed.

Interest rate positioning added to relative performance versus the benchmark. Interest rates increased during the quarter as investors lowered their expectations for future rate cuts. This resulted in outperformance, as the Fund was positioned with a shorter duration compared to the benchmark.

The Fund's sector allocation also contributed to outperformance over the quarter. Allocations to high yield corporates and emerging market debt (EMD) were the primary drivers as excess carry and tighter spreads supported both sectors.

The Fund did not materially adjust sector allocations over the quarter as spreads remained range bound near their historical tights. The team maintained a focus on finding issuers with compelling bottom-up narratives.

Interest rate positioning was lengthened throughout the quarter as rates experienced volatility and increased materially. The Fund's average duration over the quarter was 5.2 years but ended the quarter at 5.5 years, targeting a duration between 5.5 and 5.75 years. This positioning is toward the longer end of the Fund's historical range as we believe longer interest rates are exhibiting attractive value at current levels.

The Fund was positioned with less duration than the benchmark and averaged 5.2 years over the quarter, compared to 6.2 years for the benchmark. Being shorter duration as interest rates increased contributed to relative performance. In addition, Treasury inflation-protection securities (TIPS) were utilized during the quarter to capitalize on changing inflation expectations. While the TIPS exposure outperformed nominal Treasuries during the holding period, the allocation to extend duration detracted from relative performance.

The Fund was positioned to benefit from a steeper yield curve by overweighting short and intermediate rates. From 2-years and out the curve did not steepen or flatten materially, which had a roughly neutral effect on relative performance. Aggregate duration positioning was much more impactful to performance over the quarter than yield curve positioning.

Outlook and Conclusion

The Fund's risk budget is targeting a modest overweight to risk representing 30% of the risk budget.

Economic activity has been healthy over the last year despite expectations for a deceleration. Inflation remains above the Fed's 2% target but continues to decline, although recent data has been a bit bumpy. As a result of disinflation and a cooling labor market, the Fed has cut rates by 100 basis points since September. However, interest rates have increased meaningfully over that same time period as investors lowered their expectation for future rate cuts. While the consensus is for a continued U.S. economic expansion, there are still macroeconomic risks to that outlook such as geopolitical uncertainty and potentially restrictive financial conditions.

Valuations largely reflect a limited margin of safety with minimal upside. Despite our improved economic outlook, elevated asset prices result in only a modest overweight risk posture within the Fund's strategy.

The Fund's sector positioning reflects generally expensive valuations, relative value, and opportunities within each sector. Allocations were adjusted marginally in the quarter and primary risk exposures include:

Exposure to Investment Grade Credit was unchanged over the quarter. The sector continues to favor positions lower in the capital structure within high quality financials and is selectively adding to bottom-up opportunities on attractive relative value, including targeting investments at the front and intermediate part of the curve.

The Fund's allocation to Securitized Products was largely unchanged over the quarter. The team continues to favor non-agency exposure and is overweight asset backed securities, collateralized loan obligations, and commercial mortgage backed securities.

The Fund maintained its exposure to EMD which is toward the lower end of the Fund's historical range. The sector is primarily invested in compelling bottom-up narratives within the below-investment grade segment. Latin America remains the largest exposure within the sector.

High Yield exposure remained largely unchanged during the quarter. High Yield exposure is at the lower end of its historical range as risk/reward is skewed to the downside. The high yield allocation is broadly diversified by sector, favoring higher quality BBs, as the Fund waits for an opportunity to add risk at more attractive spreads.

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The Fund's duration was increased during the quarter from 4.3 to 5.5 years and averaged around a 5.2 year duration over the quarter. We are positioning portfolios within the current range of 5.5 to 5.75 years and favor the intermediate part of the curve. The yield curve continued to steepen during the fourth quarter as longer rates increased while the Fed cut rates. Volatility has been elevated as investors adjust their expectations for future rate cuts and we anticipate that to continue as new economic data is released.

The Fund is positioned to perform well in a stable to improving environment for risk assets. We believe a modest overweight to credit sectors is prudent as valuations are tight of historical medians, limiting potential upside. However, the current economic environment should support tighter spreads and if they persist, the Fund is positioned well to benefit from additional spread relative to the benchmark. However, if economic growth slows materially, the Fund is positioned to add exposure opportunistically as risk assets would likely experience weakness. Additionally, we believe positive security selection can benefit the Fund in many different market environments and tactical duration management allows the Fund to take advantage of elevated rate volatility.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	11/01/93	**TQPAX**	89154M306	1.16%	1.00%
C Shares	04/01/94	**TQPCX**	89154M405	1.97%	1.71%
Y Shares	01/29/15	**TQPYX**	89154M504	0.91%	0.75%
INST Shares	07/19/21	**TQPIX**	89154M603	1.67%	0.65%
Total Fund Assets	**$266.2 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 1.00% for Class A Shares, 1.71% for Class C Shares, 0.75% for Class Y Shares and 0.65% for Class INST Shares. These expense limitations will remain in effect until at least 07/29/25.

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	-1.76%	7.25%	7.25%	1.56%	2.46%	3.02%	5.44%
C Shares	-2.23%	6.44%	6.44%	0.72%	1.71%	2.30%	4.99%
Y Shares	-1.70%	7.54%	7.54%	1.73%	2.71%	—	3.13%
INST Shares	-1.67%	8.01%	8.01%	1.95%	—	—	1.57%
Benchmark	-3.06%	1.25%	1.25%	-2.41%	-0.33%	1.35%	—
Including Max Sales Charge							
A Shares	-4.96%	3.87%	3.87%	0.41%	1.46%	2.52%	5.28%
C Shares	-3.20%	5.44%	5.44%	0.72%	1.71%	2.30%	4.99%

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

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.*** *From time to time, the investment adviser may waive some fees and/or reimburse expenses, which if not waived or reimbursed, will lower performance. Performance by share class will differ due to differences in class expenses. Returns assume reinvestment of all distributions. Returns are not annualized for periods less than one year.*

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 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 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 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 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 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 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 emerging markets securities which are more likely to experience turmoil or rapid changes in market or economic conditions than developed countries. The Fund invests in sovereign debt securities which are issued by foreign governments whose respective economies could have an important effect on their ability or willingness to service their debt which could affect the value of the 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. 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 may experience higher portfolio turnover which may lead to increased fund expenses, lower investment returns and higher short-term capital gains taxable to shareholders. The Fund invests in repurchase agreements which are considered loans by the Fund and may suffer a loss of principal and interest in the event of counterparty defaults. Current and future portfolio holdings are subject to change.

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