Fund Manager Commentary

As of March 31, 2024

Fund Highlights

- Employs flexibility by allocating assets among core investments and opportunistic investments as market conditions change
- Identifies companies and securities that are believed to offer attractive relative values when compared to their fundamental credit risk
- Actively hedges portfolio risks, including credit, interest rate and currency, in an effort to preserve capital
- Consists of several broad investment categories, including high yield bonds, bank loans, special situations, structured credit and hedges

Market Recap

The market environment was supportive of risk assets in the first quarter due to positive macroeconomic and corporate fundamental data. Though macro conditions were generally positive, inflation remained sticky and labor conditions firm. The U.S. Federal Reserve (Fed) remained committed to witnessing a "sustainable" path of inflation towards their 2% target, and left rates unchanged during the quarter. As a result, market expectations turned relatively hawkish when compared to year-end, though many remain optimistic that the Fed will cut rates this year. Corporate earnings for sub-investment grade credit issuers remained sound as EBITDA growth was positive, margins were stable, and leverage moved lower.

Both sub-investment grade asset classes underperformed equities (proxy: S&P 500). Traditional fixed income (proxy: Bloomberg U.S. Aggregate Bond Index) returned -0.78%, underperforming both high yield bonds and syndicated loans amid the shift in rate expectations.

A number of common themes unfolded within sub-investment grade credit during the quarter; CCCs outperformed, primary markets were active and default conditions remained benign. Credit spreads moved tighter across the quality spectrum too, with high yield bond spreads ending the quarter near post-crisis tights. Following a period of tighter lending conditions, new issue activity picked up during the period. It was the largest quarter for high yield bond issuance since 2021 and the second largest quarter for syndicated loan issuance on record. That said, volumes were heavily driven by refinancings and repricing as companies pushed out their maturities and sought to lock in a lower cost of capital amid strong investor demand. For context, refinancings and repricings made up approximately 83% of high yield bond issuance and approximately 88% of syndicated loan issuance. Default rates for high yield bonds and syndicated loans concluded the period at 2.6% and 3.5%, respectively, as companies remain in a good position to service their debt and utilized an active capital market environment to knock down an already manageable maturity wall.

Portfolio Review

The Touchstone Ares Credit Opportunities Fund (Class A Shares, Load Waived) outperformed its benchmark, the ICE BofA U.S. High Yield Constrained Index, for the 3-month period ended March 31, 2024.

The Fund benefitted from an overweight position to CCCs as well as off benchmark allocations to syndicated loans and collateralized loan obligation securities. The decision to increase the Fund's syndicated loan exposure during the period was additive as stickier than anticipated inflation prints contributed to elevated treasury and fixed income volatility.

The Fund rotated exposures throughout the period in an effort to preserve yield and manage idiosyncratic risks. The most significant change in positioning during the quarter was the presence of syndicated loans, which increased from 8.6% to 14.7%. The shift was made due to relative value with loans providing a 155-basis point yield enhancement compared to high yield bonds at quarter-end, and further supported by high yield bond spreads near their tightest levels post-Great Financial Crisis.

(continued)

In addition, the Fund's exposure to CCCs was reduced as part of a broader agenda to de-risk the portfolio. The presence of CCC's decreased from 17.2% to 14.5%, largely driven by idiosyncratic events such as credits meeting our price target, and due to the strong period of performance CCCs have experienced in the last 15 months. Seeking to balance yield and risk posture, the Fund's exposure to single Bs was increased from 27.8% to 37.0%.

The significant shifts in asset class and rating exposure modestly decreased the Fund's duration, which ended the period at 2.9 years. We believe the Fund is well positioned for income and capital appreciation relative to the benchmark.

Outlook and Conclusion

Performance across leveraged credit markets has been mixed thus far in April as investors absorbed an equity sell-off, rising commodity prices, and a strong payroll report that reaffirmed the resilience of the economy. Despite a rise in idiosyncratic stress over the past month, credit spreads continued to be supported by solid equity gains year-to-date, resilient earnings, improving capital market access, and a dearth of new supply. Macro-economic data prints remained firm in March, but with a few mixed signals across key segments. For example, core inflation increased 0.4% month-over-month while the pricing of shelter improved. Further, the unemployment rate ticked higher in March while payroll growth continued to beat expectations. The market is pricing in 2.9 cuts for the remainder of 2024, relative to 6.3 cuts at the beginning of the year. While the exact timing of monetary easing is not certain, the narrative largely remains the same with the market seeing rate reductions as 'non-recessionary adjustment cuts'. Regarding fundamentals, fourth quarter 2023 corporate earnings have been better-than-expected and accompanied by a significant increase in refinancing activity. Despite improving sentiment, forward guidance largely remains conservative, and we expect an increase in single-name dispersion this year as the lagging effect of tighter monetary policy will eventually pressure businesses. Meanwhile, the technical environment should continue to improve this year as we are seeing an increase in capital market activity, and we expect more merger & acquisition and are seeing continued demand from global institutional investors. Looking ahead, we continue to closely monitor potential headwinds including the 2024 elections and the potential impacts of elevated geopolitical tensions. We remain focused on security selection as we expect single-name dispersion to increase in the coming months.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	08/31/15	**TMARX**	89155T631	1.27%	1.08%
C Shares	08/31/15	**TMACX**	89155T623	2.08%	1.48%
Y Shares	08/31/15	**TMAYX**	89155T615	1.01%	0.88%
INST Shares	08/31/15	**TARBX**	89155T599	1.22%	0.78%
Total Fund Assets	**$481.5 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 1.03% for Class A Shares, 1.43% for Class C Shares, 0.83% for Class Y Shares and 0.73% for Class INST 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	Inception
Excluding Max Sales Charge						
A Shares	1.65%	1.65%	11.86%	3.68%	5.02%	5.16%
C Shares	1.50%	1.50%	11.39%	3.21%	4.44%	4.57%
Y Shares	1.67%	1.67%	12.00%	3.84%	5.26%	5.39%
INST Shares	1.77%	1.77%	12.11%	3.98%	5.37%	5.50%
Benchmark	1.51%	1.51%	11.06%	2.21%	4.01%	5.15%
Including Max Sales Charge						
A Shares	-1.61%	-1.61%	8.28%	2.54%	3.94%	4.44%
C Shares	0.50%	0.50%	10.39%	3.21%	4.44%	4.57%

Max 3.25% sales charge for Class A Shares and 1% Contingent Deferred Sales Charge for Class C Shares held less than 1 year.

The ICE BofA U.S. High Yield Constrained Index is a market-value-weighted index of all domestic and Yankee high-yield bonds, including deferred interest bonds and payment-in-kind securities. Issues included in the index have maturities of one year or more and have a credit rating lower than BBB-/Baa3 but are not in default. The index limits any individual issuer to a maximum of 2% benchmark exposure.

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.

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.*

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, distressed securities and corporate loans which are considered speculative with respect to the issuers' ability to make timely payments of interest and principal, may lack liquidity and have more frequent and larger price changes than other debt securities. There is a high risk that the Fund could suffer losses from investments in non-investment grade debt securities caused by the default of an issuer. 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 Collateralized Loan Obligations (CLOs) that have risks that largely depend on the type of underlying collateral and risks may include illiquidity, limited active market, the possibility that distributions from collateral securities will be insufficient to make interest or other payments, the potential for a decline in the quality of the collateral, and can bear the risk of default by the loans. The Fund invests in derivatives and securities such as futures contracts, options and swap agreements. 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 convertible securities which are subject to the risks of both debt securities and equity securities. 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 is involved in short selling which may result in additional costs associated with covering short positions and a possibility of unlimited loss. 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.

Touchstone Investments®
DISTINCTIVELY ACTIVE®

800.638.8194 • TouchstoneInvestments.com