Fund Manager Commentary

As of March 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

The first quarter of 2024 saw ongoing rate volatility and strong performance of risk assets as the economy continues to perform well. However, this strong performance caused market participants to adjust their expectations for rate cuts. Initially projecting over 150 basis points (bps) of cuts for 2024, with the first anticipated in March, forecasts were revised due to higher-than-expected inflation reports and positive economic data. These datapoints indicated potentially persistent inflation. The market is currently pricing in 75bps of cuts for the year, aligning more closely with the Federal Reserve's (Fed) forecast. This shift in sentiment led to a rise in rates; however, risk assets performed well as GDP growth expectations for 2024 increased by about 1% to 2.2%.

The focus over the quarter, which is likely to persist, remained on inflation as the market seeks confirmation regarding the timing and scale of potential Fed rate cuts. While core inflation has shown a year-over-year deceleration (currently 2.8%), recent data indicated a pickup, underscoring the challenge of achieving a full return to 2%. The primary driver of elevated inflation remains shelter costs, predominantly due to the delayed impact of this data.

However, due to the likelihood that shelter inflation will continue falling, the recent inflation uptick had a minimal impact on the Fed's outlook. Following the March meeting, Powell remarked in his speech that the Federal Open Market Committee anticipates inflation reaching its 2% target "over time," acknowledging potential obstacles along the way but emphasizing the overarching trajectory. The market welcomed this affirmation that rate cuts are still on the table after the yield curve had increased, and flattened, since the start of the year.

Although a soft/no landing is still consensus, the notion that the Fed may prolong its stay in restrictive territory appears to be giving some investors pause. Despite this cause for potential hesitation, risk assets have been resilient as credit spreads have moved tighter. Investment grade spreads (10yr BBB Industrials) have moved 9bps tighter since the end of December to the 18th percentile and high yield (single B corporates) tightened 44bps and ended at the 2nd percentile. However, rates were more significant to performance than spread moves as the Bloomberg U.S. Aggregate Bond Index returned -0.78% for the quarter.

Robust economic data, particularly labor market figures, has improved growth expectations. Job gains remain strong, with the ratio of job openings to unemployed individuals remaining above pre-COVID levels. Although recent reports noted a slight increase in the unemployment rate, this was primarily attributed to a contraction in the workforce. Additionally, wage growth continues to outpace long-term trends, sustaining consumer spending, while productivity enhancements have helped keep unit costs largely in check.

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Monitoring the U.S. consumer for signs of weakness will be a focal point over the coming quarters. While spending has kept growth robust, excess savings are likely depleted and consumer debt is now increasing faster than the pre-covid trend. These present risks to the 'soft landing' narrative even though expectations for material slowing have largely faded. With credit spreads near historically tight levels, global conflicts continuing, and uncertain consumer and corporate demand, we believe it is appropriate to maintain modest levels of risk in portfolios.

Portfolio Review

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

Security selection was the largest contributor to relative outperformance, primarily due to investment grade credit, emerging markets, and securitized. Subordinated positions in banks and utilities performed well in addition to non-agency sectors. As spreads remain near historically tight levels, we anticipate security selection to be a key driver of positive relative performance going forward.

The Fund's sector allocation was also a positive contributor to return over the quarter. Allocations to emerging market debt, high yield corporates, and non-credit sectors were the largest sector contributors. Spreads across most fixed income sectors were tighter and risk assets performed well over the quarter as growth expectations improved.

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

The Fund reduced its exposure to high yield corporates during the quarter as the sector continued to outperform and valuations have become expensive. This reduction in cash bonds was accompanied by the Fund eliminating its protection in high yield credit default swap index, resulting in a neutral impact to portfolio credit risk, but lessens idiosyncratic risk. Interest rate positioning was adjusted, following the move up in rates, from 4.8 years to 5.3, primarily through the addition of Treasury Inflation-Protected Securities. The Fund is now targeting a 5.0 to 5.5 year duration, up from 4.5 to 5.0 years to begin the quarter.

The Fund is positioned with less duration than the benchmark and ended the quarter at 5.3 years compared to 6.2 for the benchmark. This positioning is above the Fund's historical average as rates have increased meaningfully over the last year. Compared to the benchmark, duration positioning contributed to returns for the quarter. As interest rates increased during the quarter, this resulted in positive relative return due to being short duration compared to the benchmark.

The entire yield curve moved higher during the quarter, helping relative performance compared to the benchmark as the Fund was managed with a shorter duration. However, yield curve positioning was a slight detractor to performance in the quarter as the Fund was positioned to benefit from a steeper yield curve. While the entire curve moved higher, the curve flattened marginally over the quarter as longer-term interest rates increased less than the shorter end of the curve.

Outlook and Conclusion

The Fund is targeting a modest overweight to risk representing 40% of the risk budget.

Economic growth has surprised to the upside over the last year, but downside risks remain elevated from the cumulative effects of the Fed's aggressive and restrictive monetary policy, tightening bank lending standards, and increased geopolitical risks.

Inflation continues to decelerate but remains above the Fed's 2% target. The Fed is expected to begin easing monetary policy in 2024 as inflation trends toward its target, but will remain in restrictive territory for some time. Although the U.S. economy has shown resilience thus far, a soft landing is not ensured as risks remain elevated and consumer strength is challenged.

Valuations generally reflect a high probability of a soft/no landing with limited margin of safety. Despite our improving economic outlook, elevated asset prices result in only a modest overweight risk posture within the strategy.

Sector positioning reflects generally expensive valuations, relative value, and opportunities within each sector. Allocations were generally unchanged in the quarter and primary risk exposures include:Exposure to Investment Grade Credit increased modestly during the quarter. The sector continues to favor positions lower in the capital structure within high quality financials and utilities while selectively adding to bottom-up opportunities on attractive relative value, particularly in the intermediate part of the curve.

The Fund's allocation to Securitized Products remained steady during the quarter. The team continues to favor non-agency exposure within the sector, and is positioned appropriately with overweight exposure to asset backed securities, collateralized loan obligations, and commercial mortgage backed securities. The Fund maintained its exposure to Emerging Markets Debt during the quarter. The sector is primarily invested in the below-investment grade segment and Latin America remains the largest exposure within the sector.

High Yield exposure was modified and slightly reduced during the quarter as the strategy reduced its cash bond holdings while eliminating its credit default swap index protection. 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 and has been reducing risk on relative value, favoring higher quality BBs.

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Duration was increased during the quarter from 4.8 to 5.3 years following the meaningful rise in rates. We are positioning portfolios within the current range of 5.0 to 5.5 years through an allocation to treasuries, including a small allocation to Treasury Inflation-Protected Securities. We believe longer rates are now more fairly valued but expect to see volatility over the next several quarters.

The Fund is positioned to perform well in a stable to improving market environment. We believe a modest overweight to credit sectors is prudent as valuations are tight of historical medians, limiting potential upside, but the improving economic environment should support tighter spreads. The Fund should perform well in this type of stable environment through its excess carry, as it continues to generate an above average yield through a high conviction multi-sector approach. In today's volatile environment, Strategic Income provides a compelling solution for fixed income investors due to its flexible and risk-oriented approach.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	11/01/93	**TQPAX**	89154M306	1.12%	1.00%
C Shares	04/01/94	**TQPCX**	89154M405	1.90%	1.71%
Y Shares	01/29/15	**TQPYX**	89154M504	0.87%	0.75%
INST Shares	07/19/21	**TQPIX**	89154M603	3.89%	0.65%
Total Fund Assets	**$203.3 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 07/29/24.

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	2.60%	2.60%	8.77%	0.54%	2.68%	2.62%	5.43%
C Shares	2.73%	2.73%	8.29%	-0.12%	2.00%	1.95%	4.99%
Y Shares	2.67%	2.67%	9.07%	0.81%	2.87%	—	2.87%
INST Shares	2.70%	2.70%	9.20%	—	—	—	0.12%
Benchmark	-0.78%	-0.78%	1.70%	-2.46%	0.36%	1.54%	—
Including Max Sales Charge							
A Shares	-0.63%	-0.63%	5.28%	-1.05%	1.66%	2.11%	5.26%
C Shares	1.73%	1.73%	7.29%	-0.12%	2.00%	1.95%	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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Not FDIC Insured | No Bank Guarantee | May Lose Value

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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