Touchstone Active Bond Fund

Sub-Advised by: Fort Washington Investment Advisors, Inc.◊

Income – Investment Grade Bond 2Q/2021

Fund Manager Commentary

As of June 30, 2021

Fund Highlights

- Utilizes an active management framework seeking to maximize total return
- Employs a disciplined selection process in an attempt to build a broadly diversified portfolio
- Assesses the economic environment and recent developments occurring in the bond market to set specific duration levels, yield-curve structures, sector weightings and credit-quality targets
- Utilizes a team of sector specialists to recommend securities

Market Recap

During the second quarter of 2021, forecasts for U.S. economic growth for the year were upgraded to 6-7% from 4% previously. This was largely a result of the relief packages passed by the Biden administration which injected almost $3 trillion into the economy and supported the widespread distribution of vaccines allowing local economies to lift health restrictions and reopen businesses. The strength of the economic recovery has fueled the rally in risk assets with equity markets setting new all-time highs and credit spreads reaching their tightest levels in the last five years, with some sectors tightening to levels that were last seen prior to the 2007-2008 financial crisis.

The increased stimulus and anticipated rapid economic expansion have led to inflationary concerns, and whether price increases will be transitory or persistent. The rise of inflation in May exceeded expectations, with year-over-year headline and core Consumer Price Index rates reaching 5.0% and 3.8%, respectively. The U.S. Federal Reserve Board (Fed) has held firm in its view that recent increases in inflation are a result of COVID-19 related global supply constraints coupled with the surge in demand as economies reopen. However, the argument for persistent inflation is supported by the highly accommodative monetary and fiscal policies that rapidly increased the supply of money and liquidity in the economy in an effort to combat the economic destruction caused by the pandemic. Should inflation be persistent beyond the initial impact from the economic reopening, we believe the Fed would react as necessary to keep inflation under control, likely resulting in headwinds to economic growth.

Despite increasing economic growth expectations, U.S. Treasury yields fell and the yield curve flattened. This largely resulted in positive returns for bonds during the quarter. Our view is that back-to-back disappointing jobs reports in April and May left investors to question if labor markets had the ability to sustain the pace of recovery in jobs that were lost. The Fed's commitment to keep monetary policy accommodative until substantial progress has been made in labor markets may further delays of tapering discussions. This expectation likely pushed yields lower, led by the long end of the curve, as investors positioned for continued accommodative policy.

As of quarter end, the gap remained at 6.7 million jobs yet to be recovered. Though the unemployment rate paints a rosier picture at 5.9%, down from a high of 14% during the pandemic, it does not tell the whole story. Labor participation remains low relative to pre-pandemic levels, indicating a portion of workers that have fallen out of the labor force. Maximizing employment, including an increase in labor force participation, will be a key focus of the Fed over the next several months.

Portfolio Review

The Touchstone Active Bond Fund (Class A Shares Load-Waived) outperformed its benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index, for the quarter ended June 30, 2021.

The Fund's overweight to spread risk versus the benchmark was the largest contributor to returns. Specifically, the Fund's overweight risk to Emerging Markets was a key driver of outperformance, as spreads tightened due to positive developments for global growth expectations. We believe that continued improvements in vaccination rates and the reopening of developed countries will positively impact Emerging Markets through external channels even as

(continued)

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vaccination rates lag in Emerging Markets. Additionally, the Fund's overweight risk to Investment Grade Credit and High Yield contributed as spreads were tighter in both sectors throughout the quarter.

Strong selection contributed to returns specifically within Securitized Assets as outperformance was largely driven by spread effects in non-index sectors. Whole business Asset-Backed Securities (ABS), Commercial Mortgage-Backed Securities (CMBS) and Collateralized Loan Obligations (CLO) were the top performers driven by carry and spread compression. Lastly, contribution from interest rate management was neutral during the quarter.

At the beginning of the quarter, we eliminated the remaining exposure to High Yield and reallocated proceeds to Investment Grade Credit and U.S. Treasuries. We continue to believe the current macro environment is supportive of risk assets given the strength of the economic recovery and fiscal/monetary policy support, however, High Yield valuations had reached their tightest levels in the last five years and we believed that maintaining an allocation was no longer prudent from a risk/reward perspective.

The impact of duration positioning during the quarter was immaterial. Throughout the quarter, the Fund was biased to be short duration while also making tactical trades on an opportunistic basis. At quarter end, the Fund was short duration by roughly 0.3 years relative to the benchmark and was positioned with a steepening bias.

Throughout the quarter, the yield curve slightly flattened as markets reacted to a pair of disappointing jobs reports in April and May. The unemployment rate unexpectedly rose in April, leaving investors to question the sustainability of the pace of the recovery in labor markets. Recent comments by the Fed to remain accommodative until a full recovery in the labor markets has been achieved left investors to question how soon the Fed would begin to unwind its balance sheet and begin to raise rates. As such, we continue to believe the front end of the yield curve will be anchored near current levels in an effort to keep rates accommodative until substantial further progress is made toward the improvement of labor market conditions. Throughout the quarter, positioning along the curve was slightly positive.

Outlook and Conclusion

Economic growth reflects widespread virus protection and a reduction in restrictions. Data indicates an ongoing rebound in growth while the services sector is benefiting from broad removal of health restrictions. Consumer spending continues to be supported by personal savings, stimulus, labor market gains and easy financial conditions. Meanwhile, business spending remains strong and supported by global growth and long-term prospects with confidence improving. The labor market continues to show improvement, however, the April unemployment rate missed expectations and increased from 6.0% to 6.1%. Estimates forecast unemployment to drop below 5% before year end. Virus-driven uncertainty continues to fade, with supply chain issues and labor shortages being a near-term concern. We are uncertain as to whether supply constraints and pace of growth can result in sustainable, persistent inflation or simply an adjustment in the price level (i.e. transitory). We believe the decline in the unemployment rate overstates the improvement in the labor market. The Federal Open Market Committee (FOMC) will focus on a complete picture of the job market, which includes increasing labor force participation. Improvement in the labor market does not satisfy "substantial further progress" to begin serious discussion of Fed tapering and/or rate hikes. Market implications support continued strength in risk assets with heightened volatility. The long-term outlook is a positive for risk assets and supports economically sensitive and COVID-19 impacted sectors. Uncertainty has been significantly reduced, but expectations are high.

We believe the Fund is well positioned given our outlook based on its top down sector allocation and security selection. The pace of economic growth is proceeding as expected. Widespread vaccinations are reducing risks and solidifying the path forward. Policy support will continue to be significant. We think inflation pressures will increase over the short-term but are expected to be transitory. Fiscal spending is shifting from relief to investment, and is likely to be offset with corporate tax increases. We believe Fed policy will remain accommodative, although discussions about tapering asset purchases may begin in the next few months.

Fund Facts *(As of 06/30/21)*

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio* Total	Net
A Shares	10/03/94	**TOBAX**	89154W502	0.96%	0.91%
C Shares	10/03/94	**TODCX**	89154W601	1.94%	1.66%
Y Shares	04/12/12	**TOBYX**	89154W791	0.74%	0.66%
INST Shares	04/12/12	**TOBIX**	89154W783	0.64%	0.58%
Total Fund Assets	**$354.2 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 0.90% for Class A Shares, 1.65% for Class C Shares, 0.65% for Class Y Shares and 0.57% for Class INST Shares. These expense limitations will remain in effect until at least 01/29/22.*

Share class availability differs by firm.

Annualized Total Returns** *(As of 06/30/21)*

Class	2Q21	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	2.17%	-0.98%	3.46%	6.36%	3.87%	3.86%	5.08%
C Shares	1.98%	-1.43%	2.70%	5.54%	3.09%	3.23%	4.79%
Y Shares	2.23%	-0.86%	3.72%	6.63%	4.13%	4.10%	5.18%
INST Shares	2.25%	-0.91%	3.80%	6.72%	4.22%	4.18%	5.21%
Benchmark^	1.83%	-1.60%	-0.33%	5.34%	3.03%	3.39%	5.44%
Including Max Sales Charge							
A Shares	-1.16%	-4.17%	0.11%	4.65%	2.87%	3.36%	4.89%
C Shares	0.98%	-2.41%	1.70%	5.54%	3.09%	3.23%	4.79%

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 Barclays U.S. Aggregate Bond Index[1]

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*****The performance presented for Class Y and INST Shares combines the performance of an older class of shares (A Shares) from the Fund's inception, 10/03/94, 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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[1]The Bloomberg Barclays 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 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 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 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 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 and securities such as forward foreign currency exchange contracts, 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 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 may experience higher portfolio turnover which may lead to increased fund expenses, lower investment returns and higher short-term capital gains taxable to shareholders. Events affecting the financial markets, such as a health crisis, 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. Current and future portfolio holdings are subject to change. The Advisor engages a sub-advisor to make investment decisions for the Fund's portfolio; it may be unable to identify and retain a sub-advisor who achieves superior investment returns relative to other similar sub-advisors.

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