Fund Manager Commentary

As of June 30, 2023

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

Risk assets were positive in the second quarter as resilient economic data and corporate fundamentals bolstered investor sentiment and the prospects of a soft landing for the global economy. The U.S. Federal Reserve Board (Fed) paused their tightening regime in June, citing labor market strength and indicators which suggest economic activity has continued to expand at a modest pace. Despite the pause, markets continued to price in higher for longer rates, with year-end forecasts moving higher on stronger growth, inflation and labor expectations. Credit spreads ground tighter throughout the quarter as the macro environment contributed to favorable technicals for risk assets; syndicated loans and high yield bonds had modest positive returns for the quarter. In both markets, a number of common themes unfolded; the primary market was driven by refinancing activity, lower credit quality credit outperformed, and default activity was higher, yet below average.

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 quarter ended June 30, 2023.

The Fund's outperformance was driven by its exposure in syndicated loans. Additionally, the Fund's exposures in high yield bonds and structured credit provided similar levels of contribution to relative performance.

The Fund was active in the secondary market throughout the quarter given light primary market volumes in the sub-investment grade credit markets. We were better buyers of high yield bonds during the quarter as the Fund's exposure increased, while the exposure to syndicated loans decreased. The relative value decision was driven by the potential for enhanced price appreciation with 64.4% of the market trading below $95 as of June 30th. Conversely, the average price of BB and single B-rated syndicated loans ended the quarter at $99 and $96, respectively. Further, we believe this rotation insulates the Fund's portfolio from downgrade risk as well as the potential for lower recoveries should defaults occur. By rating, allocations were roughly flat across the credit quality spectrum quarter over quarter, though we took advantage of strength in the lower rated segments of the market to reduce exposure and move up in credit quality. From an industry perspective, the overweight to Energy was increased while the portfolio remained underweight in troubled industries such as Retail, Real Estate and Telecommunications. Overall, we believe the portfolio is well positioned for attractive total returns moving forward with an average price of $90 and yield to worst of 9.5%.

Outlook and Conclusion

Risk assets continued to rally the first week of July given deferred recession expectations, strong technicals, and relatively stable corporate balance sheets. Following June's CPI report which saw headline inflation (year-over-year) cool to 3%, the market experienced a strong rally in rates and fixed-income yields fell. Many market participants mirrored the sentiment reflected by Lael Brainard—former Fed Vice Chair and current director of the National Economic Council—that the economy remains resilient amid declining inflation and a robust job market. While many economists have begun to defer expectations for a recession to the first

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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.***

half of 2024, the underlying inflation and recession dynamic remains at play and is likely to create further volatility in the second half of 2023.

Corporate earnings have generally been better-than-expected; however, forward guidance remains conservative and corporate fundamentals have modestly softened. We are increasingly focused on earnings projections given the potential weakness in upcoming quarters as the full impacts of tighter lending standards and higher rates are realized. With earnings under pressure, defaults have modestly increased this year, specifically for secularly challenged businesses. While loan and high yield default rates could increase to 3.5%-4.5% over the next 12 months, we believe defaults are unlikely to spike to previous recessionary levels, due in part to the recent cycle in 2020, better issuer balance sheets and liquidity, and our expectations for a shallow recession. Importantly, we anticipate increased dispersion in credit fundamentals in the months ahead and remain acutely focused on security selection both in seeking to outperform against the upcoming default cycle, as well as to avoid the significant downdraft in price and liquidity that we have seen when a company misses earnings.

We believe that in the wake of increased dispersion, disciplined and opportunistic credit pickers that take advantage of the volatility will be rewarded. We believe the Fund is well positioned to navigate broader macro volatility due to our focus on bottom-up, fundamental credit analysis, downside risk mitigation, and the experience and breadth of the Ares platform.

Fund Facts *(As of 06/30/23)*

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	2.06%	1.48%
Y Shares	08/31/15	**TMAYX**	89155T615	1.03%	0.88%
INST Shares	08/31/15	**TARBX**	89155T599	1.16%	0.78%
Total Fund Assets	**$290.3 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 1.03% 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 01/29/24.*

Share class availability differs by firm.

Annualized Total Returns *(As of 06/30/23)*

	2Q23	YTD	1 Year	3 Year	5 Year	Inception
Excluding Max Sales Charge						
A Shares	2.20%	4.93%	8.43%	5.56%	3.90%	4.46%
C Shares	2.06%	4.66%	8.06%	5.02%	3.28%	3.81%
Y Shares	2.33%	5.19%	8.74%	5.83%	4.17%	4.71%
INST Shares	2.22%	5.09%	8.80%	5.89%	4.24%	4.80%
Benchmark^	1.64%	5.42%	8.87%	3.20%	3.17%	4.47%
Including Max Sales Charge						
A Shares	-1.07%	1.54%	4.94%	4.39%	2.67%	3.67%
C Shares	1.06%	3.66%	7.06%	5.02%	3.28%	3.81%

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.

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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 non-diversified, which means that it may invest a greater percentage of its assets in the securities of a limited number of issuers and may be subject to greater risks. The Fund is involved in short selling which may result in additional costs associated with covering short positions and a possibility of unlimited loss. 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.

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