Touchstone Balanced Fund

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

Multi-Asset – Growth & Income 3Q/2021

Fund Manager Commentary

As of September 30, 2021

Fund Highlights

- Primarily invests in a diversified portfolio of fixed-income and equity securities. Under normal circumstances, the Fund generally expects to allocate its assets as follows:
  - 60% equity securities
  - 40% fixed-income securities
- Allocates assets based on relative attractiveness
  - Equity/fixed income weights
  - Sector/industry weights
  - Active duration management and yield curve positioning
- Fundamentally driven equity and credit analysis
- Strategic long-term execution of asset class allocation

Market Recap

The rapid, record-breaking economic recovery following the devastating COVID-19 pandemic finally showed signs of slowing during the third quarter. Risks to the economic recovery compounded during the quarter, shaking investor confidence and suggesting that the recovery might have tougher roads ahead. First, the Delta variant of COVID-19 highlighted the risks that were still lingering from the catalyst of the pandemic as cases spiked and hospitals experienced an increase in admitted patients. The increase in cases also heightened supply chain woes, as businesses were shuttered in an effort to contain the highly contagious variant amid a continued shortage in labor. Second, even as growth in labor markets cooled, the U.S. Federal Reserve Board (Fed) signaled that tapering its bond-purchasing program "could soon be warranted," recognizing overall improvements in the labor market while noting that recent inflation has been stickier than anticipated. Third, China Evergrande Group (Real Estate sector), China's largest real estate developer, dominated headlines as the firm struggled managing debt levels it had accumulated while undertaking development projects at an unsustainable pace throughout China. The clampdown on the real estate market comes off the heels of China's effort to reign in technology giants and their influence on not only the economy, but also the broader population. Finally, the contentious political environment in the U.S. has made it difficult for congress to pass the Biden administration's infrastructure bill, which has already passed the Senate. The Progressive Caucus within the Democratic Party has tied the passage of the infrastructure bill to the approval of a much larger reconciliation package totaling $3.5 trillion, essentially holding a vote on the infrastructure bill hostage. These squabbles have become commonplace in Washington DC, proving to be more political theater than real risks to markets.

The rise in COVID-19 cases linked to the Delta variant had an immediate impact on job growth as change in non-farm payrolls for August came in well under expectations, adding only 235,000 jobs compared to an expected 733,000. However, even as growth in hiring slowed, job openings continued to surge. The July Job Opening and Labor Turnover Survey report showed almost 11 million job openings, suggesting there is plenty of demand for labor. The Delta variant affected consumer spending as in person activity slowed with a reduction in foot traffic. As a result, consensus expectations for 2021 GDP growth were revised down by nearly a full percentage point, with median expectations now at 5.9%. The slowdown in growth could prove to be temporary, however, as cases have started to roll over while schools and businesses remained open amid the resurgence.

The commitment of Fed Chair Jerome Powell to the Fed's new average inflation targeting framework was reinforced throughout the quarter. This approach allows inflation to run beyond the Fed's long-term target of 2% to ensure

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◊ *Fort Washington is a member of Western & Southern Financial Group* accommodative policy to support the economic recovery. He also acknowledged that significant progress has been made on the jobs front for the Fed to consider tapering its purchases of U.S. Treasuries and mortgage-backed securities later this year and ending them mid-2022. At the same time, Powell emphasized that the bar for raising interest rates was considerably higher – namely, they would need to be confident the economy is operating close to full employment.

Meanwhile, the Fed's preferred measure of inflation, the core Personal Consumption Expenditures Index, has surged to 3.5%. Powell contends it is mainly due to factors linked to global supply shortages that are likely temporary. However, he recently conceded that shortages could persist into next year, keeping inflation elevated longer than the Fed initially anticipated.

Under China's "Three Red Lines" rule to reign in excessive borrowing across its real estate industry, Evergrande found itself unable to tap into credit markets to cover liabilities, ultimately missing interest payments due on existing debt. Development across China has since come to a grinding halt and real estate valuations have plummeted. This poses a real problem to growth given that real estate makes up almost one-third of China's GDP, which in turn will impact global growth prospects, particularly Emerging Markets. Recognizing this potential risk, Emerging Markets experienced a material sell-off in September with equities and fixed income indices ending the month in negative territory. Whether this will be a "Lehman moment" for the Chinese economy remains to be seen. Much will depend on how the Chinese government handles the fallout to prevent a contagion from spreading to other areas of the economy.

After digesting these risks, performance for equities and fixed income was generally negative for the third quarter. Emerging Markets and U.S. small-cap equities experienced the largest losses while domestic large-cap equities posted modest returns, outperforming mid- and small-cap equities year-to-date given the downward revisions to U.S. growth. Credit spreads were slightly wider for the quarter and interest rates were relatively flat. Fixed income markets continued to benefit from solid fundamentals, accommodative policy and financial conditions. Given the back up in spreads in Emerging Markets, opportunities are likely to arise in countries caught in the systemic widening that remains attractive on a county by country basis.

Portfolio Review

The Touchstone Balanced Fund (Class A Shares Load-Waived) underperformed its blended benchmark, 60% S&P 500® Index and 40% Bloomberg U.S. Aggregate Bond Index, for the quarter ended September 30, 2021.

The Fund's slight overweight to equities versus fixed income coupled with the underperformance of equities detracted from performance for the quarter. Within equities, the Fund's lack of exposure to U.S. small-cap and U.S. mid-cap equities contributed, but its lack of exposure to international equites detracted from overall performance.

The Fund was positioned with an overweight to large-cap domestic equities targeting ~65% versus the strategic benchmark (60% S&P 500® Index). Performance was generally negative for the third quarter given tempered expectations in U.S. economic growth and possible action by the Fed to end its bond purchasing program. Also, issues stemming from China's hard line on corporate leverage and a potential fundamental shift in the shape of its economy impacted risk assets. This was largely expressed in a pull-back in domestic small- and mid-cap equities as well as Emerging Markets equities. Performance for fixed income was also essentially flat as credit spreads were slightly wider and rates were marginally higher.

When comparing the Fund's equity allocation to the S&P 500® Index, security selection was the main detractor from performance while sector allocation contributed to returns. Security selection within Consumer Discretionary and Industrials made them the bottom performing sectors. In terms of allocation, overweights to Communication Services and Financials, while an underweight to Energy, contributed to returns.

The Fund's fixed income allocation was positioned with an overweight to spread risk versus the benchmark, which was the largest detractor from returns, specifically due to the Fund's overweight risk position to Emerging Markets. Emerging Markets' spreads widened in the wake of China's bourgeoning real estate crisis. The potential fallout on China's GDP from the real estate sector could hinder global growth and countries dependent on China's economy.

The Fund slightly reduced its risk budget target after quarter end, by modestly reducing its equity target from 65% to 63%. The team continues to believe the current macro environment is supportive of risk assets given the durability of the economic recovery and fiscal and monetary policy support. However, the team feels slightly shading risk is prudent heading into the final quarter of the year given the near term risks stemming from continued supply constraints, labor market slack, moderate slowdown in global growth, China and the Fed.

Outlook and Conclusion

The pace of economic growth is somewhat slower than expected in the second half of 2021. Supply constraints continue to negatively impact growth and put upward pressure on inflation. Monetary policy support will continue to be significant even as the Fed moves to taper asset purchases. Valuations reflect a positive long-term outlook and risk assets appear full valued. We are comfortable with current risk levels as the foundation of long-term economic recovery remains strong, supported by accommodative financial conditions and strong consumer and business demand.

Our preference for equities over fixed income is driven by both valuations and our modest overweight to risk. Within fixed income, we believe credit valuations are generally fully valued with limited upside. Solid fundamentals and accommodative policy support current levels. We believe

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interest rates reflect near-term risks and the movement of the Fed toward tapering, but are at risk to move higher if inflation pressures remain persistent. In terms of equity market valuations, we think they are fairly valued and that earnings will likely be the main driver in the near term.

As of September 30, 2021, China Evergrande Group made up 0.00% of the Touchstone Balanced Fund. Current and future portfolio holdings are subject to change.

Fund Facts (As of 09/30/21)

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio* Total	Net
A Shares	11/15/38	**SEBLX**	89154Q323	1.04%	1.02%
C Shares	05/04/98	**SBACX**	89154Q174	1.82%	1.79%
Y Shares	08/27/07	**SIBLX**	89154Q315	0.82%	0.82%
Total Fund Assets	**$936.1 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 1.01% for Class A Shares, 1.78% for Class C Shares and 0.81% for Class Y Shares. These expense limitations will remain in effect until at least 07/29/23.

Share class availability differs by firm.

Annualized Total Returns** (As of 09/30/21)

Class	3Q21	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	0.19%	9.30%	18.82%	13.75%	12.77%	11.54%	8.78%
C Shares	0.00%	8.66%	17.87%	12.88%	11.91%	10.85%	7.90%
Y Shares	0.22%	9.40%	18.97%	13.97%	13.01%	11.75%	8.81%
Benchmark^	0.40%	8.71%	16.92%	12.10%	11.43%	11.24%	—
Including Max Sales Charge							
A Shares	-4.81%	3.85%	12.90%	11.83%	11.62%	10.97%	8.72%
C Shares	-1.00%	7.66%	16.87%	12.88%	11.91%	10.85%	7.90%

Max 5.00% sales charge for Class A Shares and 1% Contingent Deferred Sales Charge for Class C Shares held less than 1 year.

^Benchmark - 60% S&P 500® Index 40% Bloomberg U.S. Aggregate Bond Index[1]

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 advisor 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.*

*****The performance presented for Class C and Y Shares combines the performance of an older class of shares (A Shares) from the Fund's inception, 11/15/38, 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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Touchstone is a member of Western & Southern Financial Group

Not FDIC Insured | No Bank Guarantee | May Lose Value

[1]The S&P 500® Index is a group of 500 widely held stocks and is commonly regarded to be representative of the large capitalization stock universe. 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 equities which are subject to market volatility and loss. The Fund invests in stocks of large-cap companies which may be unable to respond quickly to new competitive challenges. The Fund invests in foreign securities, including depositary receipts, such as American Depositary Receipts, Global Depositary Receipts, and European Depositary Receipts, 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 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 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. 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 derivatives and securities such as futures contracts, options, forward contracts 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. Leverage can create an interest expense that may lower the Fund's overall returns. There can be no guarantee that a leveraging strategy will be successful. 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. 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. 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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