Touchstone Balanced Fund

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

Multi-Asset – Growth & Income 2Q/2023

Fund Manager Commentary

As of June 30, 2023

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

After a volatile end to the first quarter, the second quarter of 2023 was marked by continued resilience of the U.S. economy, slow progress on reducing inflation resulting in strong performance for risk assets, further hawkish U.S. Federal Reserve Board (Fed) policy expectations, and higher interest rates. Recession has been widely expected by economists in 2023, but incoming data has remained sturdy as the labor market continues to support consumer spending. Interest rates rose in the quarter, with short-term interest rates rising more than long-term rates. Across many parts of the Treasury yield curve, the inversion of short- to long-term rates is approaching the most negative of 2023. A re-pricing of Fed expectations drove the rise in short-term rates, as the Fed remained concerned that inflation remained too high and was not improving quickly enough to halt rate increases. Markets now price a "higher for longer" path of Fed policy, whereby the Fed takes rates to a restrictive level and they remain unchanged into at least mid-2024.

Consensus expectations for the U.S. economy have shifted from fears over recession to mostly achieving a soft landing, with the economy skirting a worse outcome in spite of the aggressive Fed tightening cycle. The main driver of this shift in expectation is the continued resilience of the U.S. consumer. Consumer spending, representing ~70% of the economy, has provided a solid foundation. In most recent data, consumer spending rose at the quickest pace in several quarters. Driven by a healthy labor market, above-average wage gains, and excess savings, consumers have defied the drag from higher interest rates and other headwinds.

Business spending, especially in the manufacturing sector, remains challenged. Manufacturing surveys have been solidly in contractionary territory for the past several months, indicating near-zero growth or outright declines in activity. The service sector has fared better relatively when compared to manufacturing, but risks are to the downside alongside the headwinds faced by consumers. Global growth has moderated from the first quarter, providing another potential downside risk. Further rate hikes as inflation remains sticky will challenge the UK and Eurozone economies. Growth in China has remained uneven and somewhat disappointing as it struggles to gain momentum post-COVID. Once a source of significant upward price pressures, inflation from the manufacturing sector has mostly normalized. Commodity prices have declined and supply chains have healed. For the U.S. economy, declining goods inflation has helped to reduce overall inflation rates throughout 2023.

Inflation, especially headline, has fallen sharply in the first half of 2023. For example, the annual rate of inflation measured by CPI has fallen from nearly a 9% peak in 2022 to just above 4% in the most recent data. Core measures, which exclude food and energy, have also adjusted lower, but at a much slower pace. The Fed's preferred measure of inflation, Core PCE, peaked at 5.4% in 2022, but has only

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◊ *Fort Washington is a member of Western & Southern Financial Group* declined to 4.6%. Within the data, there has been significant progress on inflation in the goods sector, but the service sector has remained sticky.

The Fed raised interest rates in May as the banking concerns of the first quarter receded, inflation declined at a slower pace, and economic data outperformed expectations. In June, the Fed decided to forgo another hike, but strongly indicated that further hikes are likely. In a surprise to markets, the Fed indicated they might raise rates above 5.5% by the end of 2023. Treasury yields increased sharply, and now reflect more hikes and reduced chances of cuts in the future.

Equities generated positive returns during the second quarter while fixed income returns were mixed amid rising interest rates and tightening credit spreads.

Portfolio Review

The Touchstone Balanced Fund (Class A Shares Load-Waived) outperformed its blended benchmark, 60% S&P 500 Index/40% Bloomberg U.S. Aggregate Bond Index, for the quarter ended June 30, 2023.

The Fund's overweight allocation to equities had a positive impact on relative performance as equities outperformed fixed income during the quarter. The equity portion of the strategy returned 9.7% compared to -0.9% for the fixed income segment. The Fund entered the quarter with a 4% overweight to equities and ended with a 3% overweight.

Security selection had a positive impact on relative performance, as the equity allocation within the Fund outperformed the S&P 500 during the quarter while the fixed income performance matched the benchmark. Equity outperformance was primarily due to positive security selection within Communication Services, Health Care, and Industrials. Positions in Meta Platforms Inc. (Communication Services sector), Hubbell Inc. (Industrials sector), and Oracle Corp. (Information Technology sector) were among the largest contributors to security selection as the names materially outperformed the broader market during the period.

There were no material changes to Fund positioning during the quarter. The Fund entered the second quarter with a 64% weight in equities, largely concentrated in U.S. large cap securities. Amid the strong performance of equities throughout the quarter, the Fund reduced equities back to its target weight of 63%. Fixed Income positioning remained relatively unchanged during the quarter after reducing credit risk in the first quarter. We continue to favor higher quality credit with favorable risk/reward characteristics.

Outlook and Conclusion

The Fund is targeting a neutral risk positioning within the portfolio compared to the benchmark. Recession risk is elevated and valuations have become somewhat stretched amid a worsening economic outlook.

Looking ahead, risks to the Fund's positioning are focused on the lagged effects of Fed tightening, tightening credit conditions in bank lending, and any further rate hikes yet to come. Although most recent data has been above expectations, overall growth is likely to continue at below-trend pace over coming quarters, with downside risk from the previously mentioned factors. Inflation has declined from peak levels but remains well above target. The Fed has aggressively raised rates to combat inflation and continues to indicate it will maintain a restrictive policy until inflation is on a convincing lower trajectory. At current levels, the biggest risk to markets is a sharper slowing in economic growth that would challenge the expectation of a soft landing. As our view of the economy and monetary policy changes, we will adjust positioning as these risks evolve.

The Fund's sector positioning reflects our outlook on valuations, attractive relative value, and opportunities within each sector. During the quarter, the Fund reduced its exposure to equities following strong performance within the sector. Within equities, the Fund remains overweight Communication Services and Health Care. The largest underweights are Utilities and Consumer Staples. We are maintaining a cautious stance but are selectively finding bottom-up opportunities. Valuations have adjusted to more normalized levels and earnings expectations have fallen, but continued slowing in economic growth will weigh on both valuations and earnings. We are prioritizing high barrier-to-entry companies with high returns on capital and maintaining a defensive posture within portfolios.

Within fixed income, the Fund remains underweight U.S. Government, overweight Investment Grade Credit and Emerging Markets Debt, and neutral Securitized. We are positioning portfolios generally neutral to long duration compared to the benchmark as risk-reward has become more compelling at current levels as the growth and inflation outlook will likely bias rates lower.

Given our outlook for the economy, markets, and resulting risk positioning, we believe the Fund is appropriately positioned to generate compelling investment returns relative to the market and peers. Our base case scenario assumes the economy avoids a deep recession, and markets will likely perform well over the medium-term despite near-term volatility. The Fund's exposure to equities and credit sectors should perform well in a stable to improving economic environment, and the high quality security selection focus should provide some degree of downside protection in a risk off environment. The high conviction nature of the strategy is designed to generate excess return through positive security selection in various economic environments.

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

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio* Total	Net
A Shares	11/15/38	**SEBLX**	89154Q323	1.00%	1.00%
C Shares	05/04/98	**SBACX**	89154Q174	1.76%	1.76%
Y Shares	08/27/07	**SIBLX**	89154Q315	0.76%	0.76%
R6 Shares	10/28/21	**TBARX**	89154M801	33.99%	0.65%
Total Fund Assets	**$812.6 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, 0.81% for Class Y Shares and 0.64% for Class R6 Shares. These expense limitations will remain in effect until at least 10/29/23.*

Share class availability differs by firm.

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

	2Q23	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	5.62%	12.63%	13.81%	7.78%	8.70%	8.37%	8.57%
C Shares	5.41%	12.18%	12.95%	6.96%	7.88%	7.70%	7.71%
Y Shares	5.64%	12.74%	14.06%	8.00%	8.93%	8.60%	8.60%
R6 Shares	5.73%	12.82%	14.23%	8.00%	8.84%	8.43%	8.58%
Benchmark^	4.86%	10.81%	11.24%	7.09%	7.94%	8.45%	—
Including Max Sales Charge							
A Shares	0.33%	6.97%	8.11%	5.95%	7.43%	7.81%	8.51%
C Shares	4.41%	11.18%	11.95%	6.96%	7.88%	7.70%	7.71%

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 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.*

*****The performance presented for Class C, Y and R6 Shares combines the performance of an older class of shares (A Shares) from the Fund'sinception,11/15/38, with the performance since the inception date of each share class.***

Top 10 Holdings of Fund *(As of 06/30/23)*

		(% of Portfolio)
1	U.S. 2Yr Note 09/29/23	7.9
2	Microsoft Corp.	5.4
3	Apple, Inc.	4.8
4	U.S. Treasury N/B 3.50% 02/15/33	3.6
5	Alphabet Inc.	3.0
6	Berkshire Hathaway Inc. Class B	2.8
7	Amazon.com Inc.	2.7
8	Meta Platforms Inc.	2.4
9	Johnson & Johnson	1.8
10	UnitedHealth Group Inc.	1.8

Source: BNY Mellon Asset Servicing

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

[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 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.

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