Touchstone Balanced Fund

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

Multi-Asset – Growth & Income 4Q/2022

Fund Manager Commentary

As of December 31, 2022

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 fourth quarter of 2022 represented an important transition for markets. Data indicated slower growth and signs that inflation was beginning to ease, and the U.S. Federal Reserve Board (Fed) slowed the pace of rate hikes. U.S. Treasury yields were mixed, as short-term rates moved higher along with Fed hikes, whereas long-term rates were mostly unchanged. Following a 75 basis point (bps) increase in November, the Fed stepped down the rate of increase to 50 bps in December, for a cumulative total of 425 bps of rate increases in 2022. Current expectations are for the Fed Funds rate to reach 4.75-5.00% in early-2023 and remain above 4.50% for the entire year. Credit spreads were somewhat volatile but performed well in the quarter. After widening in October, spreads tightened meaningfully in November and December, driven by expectations that the Fed is close to the end of the tightening cycle, thus reducing the possibility of a hard recession. At the end of the quarter, financial conditions eased from the end of September but still remained relatively tight.

U.S. economic growth, as measured by gross domestic product, in the third quarter was 3.2%, a rebound from prior quarters. The headline growth number was positively impacted by an outsized change in net exports which is unlikely to repeat, and other factors which indicated slower, near-trend growth. Consumer and business demand rebounded from prior quarters, while residential investment (housing) and inventories subtracted from growth. This report, along with several other indicators, continued to signal that tighter financial conditions were having the desired effect of slowing the economy.

Looking ahead, the labor market will continue to be the key factor for the overall outlook as it impacts consumer spending, the largest component of the economy. While other economic indicators show weakness, job gains and wages have remained solid, supporting spending. Higher consumer income, along with accumulated savings from pandemic-era programs, have enabled consumers to maintain solid levels of spending. However, as existing savings are spent and the effect of tighter financial conditions lead to a weaker job market, the risk is to the downside.

Thus far there are only tentative signs of weakening in the labor market. Monthly nonfarm payroll growth has slowed to a more sustainable pace, but still indicates healthy growth. Job openings have declined, but remain plentiful when compared to the number of unemployed people. Similarly, wage growth is showing signs of declining, but remains at the higher end of recent ranges. If this persists and the labor market is able to achieve balance without significant job losses, there is a high likelihood that a recession will be shallow and short-lived.

Business spending rebounded somewhat, but forward-looking data indicates further softening and represents another downside risk. The downshift in global growth has

(continued)

◊ *Fort Washington is a member of Western & Southern Financial Group* negatively impacted demand and various surveys of business confidence have fallen sharply over the past several months. Importantly, inventories are plentiful and supply chains have largely normalized, contributing to reduced inflation pressures from this sector of the economy.

An improvement in the inflation picture was a key driver of markets in the quarter, and will remain crucially important into 2023. In the quarter, inflation data decelerated notably, driven by declining commodity and other goods prices. Services inflation remained strong, but forward-looking data indicates it will also move lower in mid-2023. Along with slower growth, the improvement in inflation data allowed the Fed to downshift to a 0.50% rate increase in December. Further progress is needed to confidently say that inflation is heading back to 2.0%, but we believe recent optimism is justified and expect inflation to drift lower in 2023. For their part, the Fed will continue to indicate tighter policy as inflation will remain well above target for the next several months. However, in our view, the path of policy priced into markets is appropriate and slower growth/lower inflation will put downward pressure on rates in 2023.

Credit spreads across sectors and quality ranges are generally in the 50-60th percentile relative to history after the recovery late in the quarter. Credit spreads reflect some uncertainty, but are not indicating significant concern of an imminent or deep recession. If the economy slows more/faster than expected, credit spreads are likely to widen. However, if a soft landing is achieved or a recession is shallow, the current level of spreads is attractive. As a result, we believe current valuations support a modest overweight to risk in portfolios.

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 December 31, 2022.

An overweight allocation to equities had a positive impact on relative performance as equities outperformed fixed income during the quarter. The Fund's equity allocation outperformed the fixed income allocation on an absolute return basis.

Security selection had a positive impact on relative performance, as both the fixed income and equity segments outperformed their respective benchmarks during the quarter. Fixed income outperformance was primarily driven by positive sector allocation from overweight exposures to Investment Grade Credit and Emerging Markets Debt. Equity outperformance was primarily due to positive security selection within Energy and Consumer Staples. Positions in HCA Healthcare Inc. (Health Care sector), Boeing Co. (Industrials sector) and Schlumberger Ltd. (Energy sector) were the largest contributors to security selection.

The Fund entered the quarter with a 63% weight in equities and ended with a similar weight, largely concentrated in US large cap securities. Fixed Income positioning within the Fund was largely unchanged. Within the Fund's equity allocation, we initiated a position in Medtronic plc (Health Care sector), a large medical device company.

Outlook and Conclusion

The Fund's risks remain focused on the evolution of the labor market and inflation. Overall growth has slowed to below-trend pace, but expected softening in job growth is a downside risk over coming months. Inflation has declined from recent highs, a welcome signal for markets. However, further deceleration is needed throughout 2023 to move inflation back toward 2.0%. The Fed has aggressively raised rates to combat inflation and will continue to indicate restrictive policy until they see a string of data that confirms a lower inflation trajectory. Slowing growth and tight monetary policy represent the biggest risks to markets, but we do not believe a hard recession is necessary to control inflation. 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, sector changes were largely the result of market performance. Within equities, the Fund remains overweight Communication Services and Health Care. The largest underweights are Utilities and Consumer Discretionary. Within fixed income, the Fund remains underweight US Government, overweight Investment Grade Credit and Emerging Markets Debt, and neutral Securitized. We are positioning portfolios generally neutral to long duration compared to benchmarks as risk-reward has become more compelling at current levels following the rapid rise in interest rates. Given our outlook for the economy, markets, and resulting risk positioning, we believe the Fund is appropriately positioned.

As of December 31, 2022, HCA Healthcare Inc. made up 1.63%, Boeing Co. made up 1.04%, Schlumberger Ltd. made up 1.07%, and Medtronic plc made up 1.08% of the Touchstone Balanced Fund. Current and future portfolio holdings are subject to change.

Fund Facts *(As of 12/31/22)*

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	**$733.8 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 12/31/22)*

	4Q22	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	6.33%	-16.16%	-16.16%	4.30%	6.30%	7.93%	8.47%
C Shares	6.16%	-16.77%	-16.77%	3.51%	5.49%	7.26%	7.60%
Y Shares	6.40%	-15.96%	-15.96%	4.51%	6.52%	8.17%	8.50%
R6 Shares	6.44%	-15.85%	-15.85%	4.45%	6.39%	7.98%	8.48%
Benchmark^	5.39%	-15.79%	-15.79%	3.83%	5.96%	8.08%	—
Including Max Sales Charge							
A Shares	1.02%	-20.36%	-20.36%	2.53%	5.05%	7.38%	8.41%
C Shares	5.16%	-17.60%	-17.60%	3.51%	5.49%	7.26%	7.60%

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.***

[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.

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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