

Fund Manager Commentary

As of March 31, 2022

Fund Highlights

- Construct portfolios that generate consistent tax-free income by capturing diversified sources of credit, liquidity and term premiums
- Control price sensitivity at the portfolio level by managing duration and yield curve positioning
- Identify and purchase bonds that Sage believes are attractively priced relative to historical averages and adds positions in a risk-controlled manner
- Municipal issues are analyzed through a proprietary approach for various environmental, social and governance (ESG) criteria

Market Recap

The macro landscape became significantly more complicated during the first quarter. While growth was expected to slow in 2022 relative to the COVID-19 easing in 2021, an aggressive central bank response to combat inflation and the Russia-Ukraine war altered the outlook and increased downside risks. Economic headwinds are numerous, with tighter policy from central banks and higher inflation hitting demand, while supply shocks and higher commodity prices related to the Russia/Ukraine war ensure inflation remains an issue.

Investment grade municipal bonds experienced the fourth worst quarter on record for total return during the first quarter of 2022 as yields rose in conjunction with a U.S. Treasury selloff. A combination of hawkish monetary policy language, record inflationary pressures, robust demand paired with supply chain issues, geopolitical concerns, and heavy mutual fund outflows all contributed to the repricing in the municipal complex.

Municipal yields increased significantly across the maturity curve with 2, 5, 10, and 30 year bonds up 151, 138, 115 and 104 basis points, respectively. Credit spread adjustments were minimal as municipal economic and credit conditions were solid. Despite the limited spread widening, BBB-rated municipal bonds declined more than the broader market, and significantly underperformed the AAA-rated index. From a sector perspective, the general obligation index outperformed the revenue index and broader municipal bond market while Housing, Corporate Municipal and

Appropriated Debt underperformed. From a state allocation perspective WA, MD and MA outperformed while CA, NJ and NY underperformed.

Portfolio Review

The Touchstone Core Municipal Bond Fund (Class A Shares Load-Waived) outperformed its benchmark, the Bloomberg Municipal Bond Index, for the quarter ended March 31, 2022.

The Fund's outperformance can be attributed in part to the Fund's shorter duration tilt as yields rose across the curve. The Fund's sector allocations also contributed with security selection adding the largest contribution. From a state allocation perspective, the Fund's state allocation was positive as the Fund was mostly underweight the underperforming states.

The Fund's top three individual security performers were near-maturity securities that had no price performance as they were equivalent to cash. The bottom three performers were longer dated and were more sensitive to rising rates.

The Fund has a long-term overweight to A-rated credits due to their advantageous risk/reward characteristics. However, this positioning was a headwind during the quarter due to a modest rise in credit spreads

The Fund's holdings changed in terms of sectors, states, credit quality and yield curve exposures since the prior quarter-end. As a result of the Fund's transition to a national mandate, Sage continues to transition from Ohio holdings into other states with the current Ohio allocation under 30%. The curve allocation was shifted from a barbell tilt to a

(continued)

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](https://www.touchstoneinvestments.com/mutual-funds).**

more bulleted structure as a result of a curve flattening trend. Sage continues to add and overweight A-rated credits due to their advantageous risk/reward characteristics. AA-rated credits had the most significant reduction. In addition, sector shifts consisted of a reduction in AA-rated Appropriation, Education, and Tax-back areas with additions to Healthcare, Transportation and Corporate-backed issuers. Lastly, the Fund's duration was shortened by a half year, ending the quarter with a defensive posture of 10% shorter than the benchmark.

Outlook and Conclusion

On a positive note, the broad market economic recovery continues to improve fundamentals as municipal issuers continue to experience higher-than-projected income and sales tax receipts, leading to an increase in tax rebates. Inflationary cost pressures are putting some fiscal strain on essential service revenue sectors; however, almost all municipal sectors continue to experience a post-COVID-19 recovery environment, which should continue for the foreseeable future.

With municipal valuations back to attractive levels, Sage remains focused on maximum tax-free income, solid credit fundamentals and favorable risk-adjusted returns. As a result of heightened yield volatility and a flatter yield curve, Sage will maintain a short duration tilt along with a more bulleted curve structure relative to the benchmark.

As market credit conditions are expected to improve throughout 2022, sector and credit allocations will remain focused on investment grade valuation-adjusted opportunities, including both general obligation and essential service revenue bonds. Finally, at some point in the near future, valuations will become too attractive to ignore and a shift to a neutral or even long duration profile will be warranted.



Fund Facts (As of 03/31/22)

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio*	
				Total	Net
A Shares	04/01/85	TOHAX	89154V603	1.05%	0.80%
C Shares	11/01/93	TOHCX	89154V702	2.17%	1.55%
Y Shares	08/30/16	TOHYX	89154V843	1.15%	0.55%
INST Shares	08/30/16	TOHIX	89154V835	0.75%	0.48%
Total Fund Assets	\$62.2 Million				

*Expense ratio is annualized. Data as of the current prospectus dated 10/28/21. 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 0.80% for Class A Shares, 1.55% for Class C Shares, 0.55% for Class Y Shares and 0.48% for Class INST Shares. These expense limitations will remain in effect until at least 10/29/22.

Share class availability differs by firm.

Annualized Total Returns** (As of 03/31/22)

Class	1Q22	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-5.90%	-5.90%	-4.29%	1.14%	1.89%	2.40%	5.16%
C Shares	-6.07%	-6.07%	-5.08%	0.39%	1.15%	1.78%	4.84%
Y Shares	-5.84%	-5.84%	-4.13%	1.39%	2.17%	2.55%	5.21%
INST Shares	-5.82%	-5.82%	-4.00%	1.45%	2.21%	2.57%	5.21%
Benchmark [^]	-6.23%	-6.23%	-4.47%	1.53%	2.52%	2.88%	6.09%
Including Max Sales Charge							
A Shares	-8.97%	-8.97%	-7.43%	0.47%	0.91%	1.90%	5.03%
C Shares	-7.00%	-7.00%	-6.02%	0.39%	1.15%	1.78%	4.84%

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 Municipal Bond Index¹

**The performance presented for Class C, Y, and INST Shares combines the performance of an older class of shares (A Shares) from the Fund's inception, 04/01/85, with the performance since the inception date of each share class.

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[◇] Effective 10/28/21 the Touchstone Ohio Tax-Free Bond Fund was renamed the Touchstone Core Municipal Bond Fund, its principal strategies were changed and Sage Advisory Services, Ltd. Co. was appointed sub-advisor.

¹The Bloomberg Municipal Bond Index is a widely recognized unmanaged index of municipal bonds with maturities of at least one year.

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 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 is subject to prepayment risk which is when a debt security may be paid off and proceeds invested earlier than anticipated. The Fund invests in municipal securities which may be affected by uncertainties in the municipal market related to legislation or litigation involving the taxation of municipal securities or the rights of municipal security holders in the event of bankruptcy and may not be able to meet their obligations. 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. 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's ESG criteria may cause the Fund to forgo opportunities to buy certain securities and/or gain exposure to certain industries, sectors, regions and countries. The Fund may be required to sell a security when it could be disadvantageous to do so.

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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