Fund Manager Commentary

As of December 31, 2023

Fund Highlights

- Seeks to exploit market inefficiencies using a proprietary income, price and volatility framework
- 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 the Sub-Adviser 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

Following three consecutive months of elevated negative returns, in November the Bloomberg Municipal Bond Index had its highest monthly return in over 40 years (+6.35%), as a sudden shift in the U.S. Federal Reserve (Fed) policy expectations drove U.S. Treasury rates significantly lower. Municipal bond returns have been primarily driven by Treasury market moves, as municipals face limited credit challenges; however, one area of growing concern is the recent budget deficit forecast for the states of California and New York to the tune of $68 billion and $36.4 billion, respectively. While the financial health of those two states tends to be a leading indicator for the municipal bond market, fortunately, most municipal issuers are well insulated from a potential market downturn due to strong balance sheets.

Investment grade municipal credits remain one of the strongest sectors within fixed income. Despite a recent slowdown in revenue, most municipal issuers have strong credit metrics along with very healthy reserve funds that have been built up over the past 15 years. In addition, the measured pace of the economic slowdown has provided issuers with advanced warning and the ability to plan and manage expenditure reductions. Obviously, each area will be affected differently, and the magnitude of revenue reductions will depend on issuer-specific factors. Specifically, the ongoing challenges related to elevated levels of inflation continue to permeate every area of government, especially as it relates to employment costs, including both salaries and benefits. This will only magnify the problems related to underfunded pensions and other post-employment benefits obligations, especially if equity and risk markets decline in value.

Portfolio Review

The Touchstone Core Municipal Bond Fund (Class A Shares Load-Waived) underperformed its benchmark, the Bloomberg Municipal Bond Index, for the quarter ended December 31, 2023.

During the fourth quarter of 2023, the rapid decline in yields pushed sub-5% coupon bond prices higher, and in some cases, above the bonds' market discount cutoff price, which restored those bonds' tax-exempt status and provided an additional price adjustment. As a result, the Fund experienced some significant under-performance relative to the benchmark during the fourth quarter, since the Fund had a limited allocation to sub-5% coupon structures. The significant underweight to California and New York was a detractor from performance due to the limited issuance of these states relative to the robust demand from both in-state residents and index-based ETF strategies. Despite some modest yield widening, the Fund's strategic allocation to single-A credits benefited from adding yield carry over the quarter. Finally, the Fund's long duration tilt was also a positive contributor to relative performance as interest rates fell during the quarter.

In terms of portfolio adjustments, they were limited throughout the fourth quarter as the portfolio was well positioned for declining yields. Market volatility, as well as

(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.***

seasonal and technical factors, limited tactical adjustments, which also drove Municipal/Treasury ratios back to very rich levels. Curve structure was biased toward a barbell as valuations and projected curve shifts favored that allocation.

The Fund began the quarter with a slightly short duration tilt. However, the Fund ended the quarter with a half year longer duration tilt, despite not making any significant alterations to the Fund's positioning. Duration management was challenging as heightened yield volatility caused a significant shortening of the benchmark's duration due to lower coupon/dollar price bonds coming out of their "De Minimis" cutoff price and trading closer or higher than par.

Regarding the Fund's top three sectors, we view local General Obligation (GO), Leasing, and Essential Service revenue bonds most favorably, based on a combination of credit fundamentals and current market valuations. The Sub-Adviser remains overweight local GO issuers that have a significant cushion between housing market value and assessed value, as well as Texas Permanent School Fund issuers. We continue to favor the Leasing sector, though only essential projects that correlate highly with issuers' general obligation credit quality, which provide an additional spread pickup over general obligation debt. Lastly, Essential Service revenue, such as water & sewer issuers, have a more stable revenue stream during all economic environments and represent a defensive/lower-volatility allocation, which should outperform in a slowdown.

The three sectors that the Fund remains underweight are higher-quality State GOs, Pre-refunded bonds, and lower-rated Hospital issuers. State credit quality remains exceptional despite a recent reduction in tax collections, but valuations remain unattractive at this point. Similarly, Pre-refunded bonds are backed by U.S. Treasury State and Local Government Series and represent an overly defensive position under current circumstances. Finally, we continue to actively avoid small, lower-quality Hospital facilities that have declining revenue trends, weaker balance sheets, and lack the significant local demographics necessary for stability and growth.

Outlook and Conclusion

As we head into 2024, yield levels, although off their recent highs, still represent an attractive entry point, especially if the economy continues to slow and Fed policy becomes more dovish. Credit challenges will inevitably develop; however, the initial phase of the slowdown is typically relegated to the higher-volatility/lower-rated sectors. Higher-quality municipal issuers will remain a defensive position for those investors looking to reduce credit risk and maximize rate-driven returns.

Looking forward, 2024 will most likely demonstrate the credit strength and diversification benefits of municipal bonds. That is not to say that these credits will not participate in the market slowdown; however, their ability to adequately adjust operating expenses prior to significant revenue reductions provides additional credit stability. Furthermore, the ongoing technical support for municipal bonds will likely persist, as demand will inevitably outweigh new issue supply and secondary market selling will most likely decrease. Lastly, history has shown that municipal bonds tend to outperform at the beginning of a market correction and typically provide modest positive returns.

The municipal market provides a well-supported backdrop as credit quality remains stable and tax-exempt yield carry remains attractive. The coming shift to lower rates will drive price returns positive and benefit longer duration strategies the most. The Sub-Adviser will maintain a longer duration tilt so long as this dynamic remains in place, but we will be opportunistic if market moves become overdone. At some point, the inverted 2s/5s curve will experience a bull steepening when the front-end of the yield curve fully prices in expected cuts. The Sub-Adviser's barbell allocation should benefit from this adjustment, and we will neutralize that exposure after that occurs. We remain committed to our strategic overweight to single-A credits as that market segment still provides the most advantageous risk/reward profile. As we progress through 2024, we will gradually shift some of our higher-volatility/lower-credit quality sectors and credits into lower-volatility/higher credit quality as economic challenges become more pronounced. Finally, the Sub-Adviser will continue to tactically leverage volatility events, as they represent some of the most attractive entry points.

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Fund Facts *(As of 12/31/23)*

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	2.45%	1.55%
Y Shares	08/30/16	**TOHYX**	89154V843	1.18%	0.55%
INST Shares	08/30/16	**TOHIX**	89154V835	0.73%	0.48%
Total Fund Assets	**$51.0 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 10/29/24.

Share class availability differs by firm.

Annualized Total Returns *(As of 12/31/23)*

	4Q23	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	6.86%	5.50%	5.50%	-0.86%	1.63%	2.35%	4.99%
C Shares	6.66%	4.71%	4.71%	-1.65%	0.84%	1.74%	4.68%
Y Shares	7.01%	5.85%	5.85%	-0.55%	1.92%	2.57%	5.05%
INST Shares	6.93%	5.93%	5.93%	-0.51%	1.94%	2.59%	5.05%
Benchmark	7.89%	6.40%	6.40%	-0.40%	2.25%	3.03%	5.90%
Including Max Sales Charge							
A Shares	3.34%	2.04%	2.04%	-1.94%	1.22%	1.85%	4.86%
C Shares	5.66%	3.71%	3.71%	-1.65%	0.84%	1.74%	4.68%

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 Index

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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.

The 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 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. 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 sub-adviser considers ESG factors that it deems relevant or additive along with other material factors. The 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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Not FDIC Insured | No Bank Guarantee | May Lose Value