Fund Manager Commentary

As of March 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 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 first quarter tested the resolve of investors and the U.S. Federal Reserve Board (Fed), with upside growth surprises, mixed signals on inflation, and March madness – for the banking sector. The Fed's 450 basis points (bps) of tightening in roughly a year (and another 25bps post-Silicon Valley Bank (SVB) collapse) was bound to break something. Overall, markets viewed the responses from the Fed and FDIC as adequate and the risk of contagion low, with equities adding to early-quarter gains, spreads recovering half of the damage, and rate volatility receding into quarter end. Fixed income had the wildest ride, as markets rapidly repriced for a much more dovish Fed timeline. This caused a pronounced drop in overall yields and a steepening in the Treasury curve as 2-year yields declined 1%, or 100bps, while 10-year yields were down 50bps.

The last three months had investors on a macro rollercoaster. Growth optimism ramped up early in the quarter on a China rebound and upside data surprises in the U.S. and Europe, but was ultimately squashed by the late-quarter banking crisis. Signs of stickier inflation along with positive growth momentum had driven yields and Fed expectations higher for most of the quarter; however, the failure of SVB and fears of a wider regional banking crisis made for an extreme end to the quarter, denting confidence and putting central banks in a trickier position. Despite these headwinds, equity returns remained positive throughout Q1 and spreads widened but nowhere near crisis levels.

For the municipal market, yield volatility continued to permeate the market during the first quarter as investors shifted back and forth from risk-on to risk-off mode. January and March experienced historic positive monthly returns while February saw a significant negative return environment. Overall, the municipal market remains solid, with some minor risk to high yield credits that will feel the effects of the economic slowdown first. Supply and demand technicals continue to drive richer valuations to Treasuries, with no end in sight, as higher rates and flush cash accounts have limited the desire of issuers to come to market. Fund flows have also remained inconsistent as retail investors represent the majority of net outflows while institutional investors have picked up the slack.

Since the technical environment has provided both challenges and support, it is important to highlight several different indicators. Quarterly new issuance was down 27% year-over-year and represented $75.5 billion versus $103.4 billion for 2022, and it was the slowest period since 2018. In addition, higher-yielding sectors of the market have seen the largest declines in issuance, limiting attractive swap opportunities and supporting richer spread levels. From a secondary supply perspective, bid wanted lists averaged approximately $1 billion per day, which was 50% less than the $1.5 billion per day average for the fourth quarter of 2022.

From a demand standpoint, maturity and coupon redemptions accounted for $62.2 billion, eating up most of the new issue supply. Mutual fund outflows totaled over $1.5

(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.***

billion, according to Lipper; however, buying strength was evident, which was indicative of untraceable institutional flows being quite positive.

In conjunction with the Treasury curve, the municipal curve from 2-years to 5-years remained inverted throughout the quarter with peak inversion at negative 31bps. From a historic standpoint the municipal 5 years to 10 years curve inverted for the first time and peaked at negative 3bps. The taxable and tax-exempt curve inversions are high probability indicators of an economic slowdown/recession over the next 6 to 18 months. One area of curve steepness is the 10 years to 30 years curve, which steepened an additional 10bps to end the quarter at 105bps.

For the quarter, the Bloomberg Municipal Bond Index returned 2.78%, and longer-dated maturities outperformed shorter-dated bonds, which led to a 2.00% return for the Bloomberg 1-10 Year Blend Intermediate Index. As a result of additional income carry, lower-rated credits continued to outperform in a risk-on market. Broad market sectors, General Obligations, Revenue, and Prerefunded, also validated the risk-on dynamic. Diving further into subsector indices, the top performers were Housing, Leasing, and Hospital, and the bottom performers were Industrial Development Revenue/Pollution Control Revenue, Electric, and State General Obligations.

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 March 31, 2023.

The Fund's duration went from slightly short to slightly long and did not have a meaningful contribution to returns. The Fund's curve structure remains tilted towards a bullet and contributed a few bps to performance.

In terms of portfolio adjustments over the quarter, duration and curve positioning remained relatively stable. Volatility made directional trades nearly impossible, and limited supply reduced the availability of attractive swap candidates. However, we were still able to proceed with multiple valuation-based swaps and made appropriate curve adjustments when and where needed. Sporadic liquidity during heightened periods of volatility offered several opportunities to bid on secondary lists.

Outlook and Conclusion

Regarding our top three sectors, we view Healthcare, Leasing, and Prepaid Gas bonds most favorably, based on a combination of credit fundamentals and current market valuations. We have been actively adding exposure to large multi-asset hospital systems that have strong market share and healthy balance sheets, given valuations remain attractive in the sector. We are avoiding senior living facilities and single-asset systems, which have been more prone to credit stress. We continue to favor the Leasing sector, though only essential projects that correlate highly with issuers' general obligation credit quality, which provide an additional 30bps of spread pickup over general obligation debt. Lastly, spreads on prepaid gas bonds, which are supported by bank credit facilities, have recently widened following the weakness in the banking sector. We view this as temporary, given that prepaid gas bonds are largely supported by global systemically important banks such as JPMorgan Chase & Co. or Bank of America Corp. and not regional banks.

The three sectors we remain cautious on are State General Obligations, Local General Obligations, and certain subsectors within Higher Education. State credit quality remains exceptional on the heels of strong tax collections and significant federal stimulus; however, valuations remain rich across the sector. Similarly, tight credit spreads for AA-rated and higher local governments provide limited upside for investors, but we will continue to selectively add exposure to A and BBB-rated credits where valuations are attractive. Finally, we continue to actively avoid small private colleges that have negative enrollment trends and weaker balance sheets, and lack the significant state support that their public peers benefit from.

Looking forward, both volatility and technical strength will continue to persist over the next quarter. We will continue to be proactive in realigning duration tilt, curve structure, and security selection, but we will be patient due to current market uncertainty. We do expect to go long duration at some point and restructure the curve structure concurrently. We will shift from a bullet curve structure tilt to a barbell, primarily due to valuations within 1-year to 15-year maturities vs. 15-year to 30-year maturities. Finally, credit quality remains quite strong across most areas of the investment grade universe; however, early indications of economic weakness are beginning to show up in the high yield space.

As of March 31, 2023, Silicon Valley Bank, JP Morgan Chase & Co and Bank of America Corp. made up 0.00% of the Touchstone Core Municipal Fund. Current and future portfolio holdings are subject to change.

Fund Facts *(As of 03/31/23)*

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	2.44%	1.55%
Y Shares	08/30/16	**TOHYX**	89154V843	1.08%	0.55%
INST Shares	08/30/16	**TOHIX**	89154V835	0.72%	0.48%
Total Fund Assets	**$53.7 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 10/29/23.*

Share class availability differs by firm.

Annualized Total Returns** *(As of 03/31/23)*

	1Q23	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	2.48%	2.48%	-0.58%	-0.46%	1.38%	1.81%	5.01%
C Shares	2.28%	2.28%	-1.50%	-1.26%	0.59%	1.21%	4.70%
Y Shares	2.54%	2.54%	-0.24%	-0.21%	1.65%	1.99%	5.06%
INST Shares	2.56%	2.56%	-0.26%	-0.18%	1.67%	2.01%	5.06%
Benchmark^	2.78%	2.78%	0.26%	0.35%	2.03%	2.38%	5.93%
Including Max Sales Charge							
A Shares	-0.88%	-0.88%	-3.78%	-1.13%	0.39%	1.31%	4.87%
C Shares	1.28%	1.28%	-2.47%	-1.26%	0.59%	1.21%	4.70%

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[1]

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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.***

Not FDIC Insured | No Bank Guarantee | May Lose Value

[1]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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