Fund Manager Commentary

As of June 30, 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 prevailing narrative during the quarter was that the U.S. economy is slowing down, which makes a soft landing possible but also keeps central banks hawkish for longer. This allowed risk assets to generate positive returns. From an economic perspective, U.S. data has held firm. This has not been the case globally, with portions of the E.U. already moving into recession territory and disappointing data and stimulus plans from China. Finally, broader cycle indicators continue to flash warning signs, with manufacturing indicators in contraction, leading economic indicators deeply negative, and the yield curve pointing to recession.

On the inflation side, the overall slowdown in demand has been reflected in inflation data with further moderation. Even Europe is finally showing some surprises to the downside; however, the resiliency of the consumer in the second quarter suggests the pace of moderation will be slow, and levels remain well above central bank targets.

Like the Treasury curve, the municipal 2 years to 5 years curve remained inverted throughout the quarter with peak inversion at negative 37 basis points (bps). From a historic standpoint, the municipal 5 years to 10 years curve inverted for the first time and peaked at -9 bps. 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 ended the quarter at 102 bps.

Within the benchmark, longer-dated maturities outperformed short and intermediate-dated bonds. Because of spread tightening, lower-rated credits continued to outperform in a risk-on market. Broad market sectors, General Obligation (GO), Revenue, and Prerefunded also validated the maturity and risk-on return dynamic. Diving further into subsector indices, the top performers were Municipals, Hospital, and Transportation, and the bottom performers were Housing, and State and Local General Obligations.

Portfolio Review

The Touchstone Core Muni Bond Fund (Class A Shares Load-Waived) underperformed its benchmark, the Bloomberg Municipal Bond Index, for the quarter ended June 30, 2023.

The Fund's duration went from slightly short to longer, and detracted from performance. The Fund's curve structure shifted towards the long-end and contributed a few basis points to performance.

In terms of portfolio adjustments over the quarter, we began to shift duration exposure to a slightly longer tilt by increasing the allocation to longer-dated maturities with a 10-year maximum call structure. These trades were funded by selling shorter duration bonds. The duration/curve shift took some time to implement as limited supply reduced the availability of longer-dated maturities, and we will continue to make further adjustments going into the third quarter. Our ability to execute valuation-based swaps was also limited by the technical environment; however, opportunities did

(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.***

present themselves periodically. Liquidity significantly improved relative to last quarter and shifted the tone of the market from balanced to a seller's market.

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 spread pickup over general obligation debt. Lastly, spreads on prepaid gas bonds, which are supported by bank credit facilities, widened following the weakness in the banking sector and still offer value despite recent tightening.

The three sectors we remain cautious on are State GOs, Local GOs, 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.

Going into the next quarter, we will be selective as strong seasonal factors have pushed valuations into richer territory, but we will make the appropriate adjustments to duration and curve structure when opportunities become available

Looking forward to the second half of the year, municipal returns are anticipated to be positive, despite some initial yield volatility. Higher-volatility credits will continue to outperform as the additional spread will improve both income and provide further price appreciation. With the U.S. Federal Reserve tightening cycle concluding soon, we will continue to add duration in longer-dated maturities since valuations are compelling in that area. Market technicals will remain supportive as demand should remain stable; however, better opportunities should become available after August. Finally, new issue supply will continue to be depressed as refunding deals are limited, and issuers are flush with cash and remain cautious of an economic downturn.

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

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	**$53.0 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 10/29/23.*

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	-0.31%	2.16%	2.31%	-1.22%	1.22%	2.12%	4.97%
C Shares	-0.50%	1.77%	1.54%	-2.01%	0.45%	1.52%	4.66%
Y Shares	-0.25%	2.28%	2.66%	-0.96%	1.51%	2.31%	5.02%
INST Shares	-0.14%	2.41%	2.73%	-0.88%	1.55%	2.34%	5.03%
Benchmark^	-0.10%	2.67%	3.19%	-0.58%	1.84%	2.68%	5.89%
Including Max Sales Charge							
A Shares	-3.52%	-1.19%	-1.02%	-2.30%	0.23%	1.63%	4.83%
C Shares	-1.49%	0.77%	0.54%	-2.01%	0.45%	1.52%	4.66%

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.***

[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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