Fund Manager Commentary

As of March 31, 2025

Fund Highlights

- Seeks to achieve a high level of income by investing primarily in non-investment-grade debt securities
- Evaluates overall investment opportunities and risks in different industries focusing on those that exhibit the potential for stability and predictability
- Eliminates certain types of securities from purchase due to their structure
- Applies rigorous credit selection process in an effort to identify securities that offer attractive opportunities

Market Recap

Market sentiment shifted sharply in March, from post-election euphoria to increasing concern driven by ongoing policy uncertainty and broader global instability. Equities were hit the hardest, wiping out post-election gains and retreating back to September 2024 levels despite healthy payrolls. Notable indicators driving the moves included the Atlanta GDPNow model drastically moving from 2.32% growth to -2.83% and the CBOE Volatility Index increasing 82.50% intra-quarter. The quarter ended with bonds outperforming equities.

High Yield started off with a strong tone before giving most gains back in March. A flight to quality led BBs to outperform, followed by Bs and CCCs. Spreads closed the quarter at 347 basis points (bps), marking year-to-date wides. Yields moved modestly higher (24bps), closing the quarter at 7.73%.

Healthcare Real Estate Investment Trusts (REIT) and Wireless led High Yield higher, driven by a rebound in Medical Properties Trust, which reversed prior-quarter underperformance, and strong support for Altice France's debt restructuring plan. Transportation Services was one of the few negative performers. Primary detractors were car rental companies including Hertz, which may be facing a repeat Chapter 11 filing, and to a lesser degree, Avis Budget Car Rental LLC which materially wrote down the value of its fleet.

Consumer sentiment took hold of the headlines as soft data (survey) came in weaker than hard data (economic data). The March survey of consumer sentiment from the University of Michigan showed a record high share of consumers expecting weaker business conditions, declining household income, and rising inflation. Hard data, on the other hand, exhibited resilience with unemployment holding at 4.10% and inflation figures moderating. Persistently deteriorating consumer expectations could begin to shape hard data and influence the broader economic trajectory.

The U.S. Federal Reserve Board (Fed) wrapped up its March meeting with minimal changes, leaving the federal funds rate in the 4.25%-4.50% range and announcing a slowing in the pace of quantitative tightening. The updated dot plot showed the median Federal Open Market Committee members expecting two rate cuts in 2025. Projections from committee members saw 2025 core inflation revised 0.3 percentage points higher and growth -0.4 percentage points lower, with risk shifting toward stagflation.

New issuance underwhelmed as early-year optimism gave way to a wait-and-see approach amid geopolitical and tariff uncertainty. During the quarter, $67 billion (-22% year-over-year) priced, with strong refinancing activity (72%) helping push the maturity wall into 2027.

Portfolio Review

The Touchstone High Yield Fund (Class A Shares, Load Waived) underperformed its benchmark, the ICE BofA High Yield Cash Pay Index, for the quarter ended March 31, 2025.

Attribution from sector allocation was positive. Overweights to Healthcare REITs, Aerospace & Defense, and Tobacco were all positive as defensive sectors outperformed. Underweight positioning in Pharmaceuticals was a detractor due to an underweight to Bausch Health which is the largest constituent and meaningfully outperformed.

Attribution from security selection was negative. Primary themes for the quarter were: 1) quality outperformed on broad based spread widening, 2) rates rallied meaningfully in

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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.***

the second half of the quarter, and 3) sector returns were broad based and positive with underperformers coming from a handful of more cyclical sectors. Outperformance was broad based across names and sectors as well as a mixture of owned and unowned names.

Overweight positioning in television operator Gray Media Inc. was positive as markets began to consider potential merger and acquisition (M&A) transactions within the space that may become possible under the new administration and would be positive for operating fundamentals and balance sheets. Overweight positioning in H&E Equipment Services was positive as the equipment rental company was acquired by a competitor and bonds were taken out at a premium. Overweight positioning in Turning Point Brands Inc. was positive as the tobacco and consumer products company refinanced its existing bonds and announced strong results. Overweight positioning in retail-based companies Saks Global Enterprises LLC and Michaels Companies Inc. were negative as investors began to price in increasing tariffs and a potential slowdown in spending due to declining consumer sentiment.

Aggregate risk positioning for the Fund was slightly up in the quarter. Changes in holdings and sector allocation were all opportunistic and relative value based. The Fund started the quarter 0.14 years of B equivalents and ended the quarter at approximately 0.26 years B equivalents while remaining slightly higher in credit quality.

In the quarter, notable new positions were established in Allstate Corp., Air Lease Corp., Textron Financial Corp., and NextEra Energy Capital Holding, all of which were hybrid securities. Notable sales include Stagwell, Forestar, Vermillion, and EQM Midstream.

The largest increases in sector allocations were in Aerospace & Defense, Property & Casualty Insurance, and Financial Other. The largest decreases were in Automotive, Retailers, and Healthcare.

The duration of the Fund at quarter end was 2.81 years. The Fund's portfolio started the quarter approximately -0.12 years short duration versus the benchmark and ended the quarter at -0.33 years relative. The 10-year Treasury rallied 37bps in the quarter implying that duration was likely a slight headwind.

Outlook and Conclusion

The market, on the whole, shifted from a rather benign view in the fourth quarter of 2024 to a risk off tone in the first quarter of 2025 on the back of a weakening dollar. The market is trying to digest meaningful changes in data and interpret the correct outcomes for markets. Survey data is coming in quite soft while hard data remains positive but decelerating. The revision of the carefully watched Atlanta GDPNow estimate swung from positive to negative while thoughts on tariffs and tack on effects weighed on sentiment and risk taking with equities selling off and spreads ending the quarter wider than where they started. In addition, the markets are evaluating how many cuts we might see from the Fed this year as they weigh the impact of tariffs on economic growth, inflation, and employment. The outcomes are highly uncertain, and data could be at odds with one another as the Fed weighs its dual mandate on employment and inflation. Credit markets have remained robust throughout the hiking cycle and into the beginning stages of this current cutting cycle with most spread markets still inside of their tightest quartiles. While spreads across markets were wider on the quarter, the rally in the Treasury market led to positive fixed income total returns. Financial conditions, GDP growth, and employment have all remained solid; but expectations have shifted, and all are weakening from previous levels. Within credit markets, we have seen the benefits of maximizing spread/income into portfolios while maintaining a higher a quality bias.

At this stage of the credit cycle and valuations, we are preferring slightly higher quality and/or less cyclical sectors while trying to maximize income as spreads remain inside of their tightest quartile. We are underweight CCC-rated securities as this segment of the market will experience the most default losses if high floating rate debt leads to balance sheet stress and the weakest high yield issuers can no longer service their obligations. The same could also be true for companies within cyclical sectors where the combination of operating leverage and financial leverage can produce balance sheet strain if economic conditions deteriorate and stay suppressed for too long. We have seen some signs of stress whereby several large, overleveraged capital structures have been downgraded, meaningfully underperformed, and have begun the process of distressed debt exchanges. It is also worth noting that defaults within leveraged loans, where the predominance of M&A has been financed over the last decade, are at highs not seen since the Great Financial Crisis (GFC) and meaningfully above bond default rates. We maintained risk positioning in the quarter, keeping yield and income into the Fund while still maintaining a higher quality bias.

We find the best value in the market to currently be in the BB/B categories as this segment has the best characteristics going forward – meaningful income and yield in the current environment and the likelihood to sell off less in the case of a material misstep by the Fed or other global macro developments. These segments also have a higher duration and can experience some stability in the face of spread widening as the Treasury market typically rallies in that scenario. The underweight to higher spreading CCCs has the potential to be a headwind if we are able to avoid a recession and the widest parts of the market carry or tightens from here. The Fund is positioned well to eventually rotate into B and CCC-rated securities once valuations become more compelling.

Our outlook for High Yield is Neutral as we are balancing attractive yields of 7.64% and spreads around their tightest quartile with fair company fundamentals and a relatively stable default rate outlook. Current spread levels do not leave much room for further tightening; however, the current level of yields is able to absorb and offset some spread widening

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should the economy have a soft landing or a bumpy transition to the next cycle. We anticipate this default cycle to be less than historic averages as issuers have termed out maturities and balance sheets are in relatively good shape. The new issue calendar in high yield has been modest with recent volatility and few near term refinancing needs. The predominance of M&A and leveraged buyout issuance has occurred in the leveraged loan market which is seeing default rates higher than at any time since the GFC. We will be monitoring markets closely and looking for relative value swaps whereby we can increase income into the Fund without taking undue credit risk; if spreads were to widen and begin to start pricing in weak or recession like scenarios, we are positioned to take advantage by selling some high-quality BB/BBB paper and rolling into lower rated credits with attractive total return characteristics.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	05/01/00	**THYAX**	89154W809	1.39%	1.05%
C Shares	05/23/00	**THYCX**	89154W882	4.69%	1.75%
Y Shares	02/01/07	**THYYX**	89154W817	1.07%	0.81%
INST Shares	01/27/12	**THIYX**	89154W775	0.87%	0.73%
Total Fund Assets	**$104.6 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 1.04% for Class A Shares, 1.74% for Class C Shares, 0.80% for Class Y Shares and 0.72% for Class INST Shares. These expense limitations will remain in effect until at least 01/29/26.

Share class availability differs by firm.

Annualized Total Returns

	1Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	0.61%	0.61%	5.76%	3.77%	6.23%	3.56%	5.72%
C Shares	0.43%	0.43%	5.02%	2.97%	5.43%	2.95%	5.50%
Y Shares	0.64%	0.64%	6.10%	3.99%	6.50%	3.82%	5.94%
INST Shares	0.79%	0.79%	6.18%	4.12%	6.61%	3.92%	5.92%
Benchmark	0.97%	0.97%	7.51%	4.82%	7.18%	4.91%	6.64%
Including Max Sales Charge							
A Shares	-2.66%	-2.66%	2.30%	2.65%	5.81%	3.06%	5.52%
C Shares	-0.56%	-0.56%	4.02%	2.97%	5.43%	2.95%	5.50%

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 - ICE BofA High Yield Cash Pay 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, 05/01/00, with the performance since the inception date of each share class.

Top 10 Holdings of Fund

		(% of Portfolio)
1	CQP Holdco LP / BIP-V Chinook 5.50% 06/15/31	1.9
2	CCO Holdings LLC / CCO Holding 4.25% 02/01/31	1.7
3	Allstate Corp. 7.52% 08/15/53	1.6
4	Boost Newco Borrower, LLC 7.50% 01/15/31	1.4
5	Vistra Corp. 8.00% 04/15/73	1.3
6	Air Lease Corp. 4.65% 06/15/72	1.2
7	Goodyear Tire & Rubber Co. 5.63% 04/30/33	1.2
8	Turning Point Brands Inc. 7.63% 03/15/32	1.2
9	AHP Health Partners, Inc. 5.75% 07/15/29	1.2
10	Sirius XM Holdings Inc. 4.00% 07/15/28	1.1

Source: BNY Mellon Asset Servicing

The ICE BofA High Yield Cash Pay Index is an unmanaged index used as a general measure of market performance consisting of fixed-rate, coupon-bearing bonds with an outstanding par which is greater than or equal to $50 million, a maturity range greater than or equal to one year and must be less than BBB/Baa3 rated but not in default.

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 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 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 Fund invests in foreign securities 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's service providers are susceptible to cyber security risks that could result in losses to a Fund and its shareholders. Cyber security incidents could affect issuers in which a Fund invests, thereby causing the Fund's investments to lose value. Current and future portfolio holdings are subject to change.

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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