Fund Manager Commentary

As of December 31, 2023

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

After treading water in October, risk assets awoke from their slumber in November and December with hopes for a soft landing and a dovish central bank pivot fueling the move. The quarterly highlight was November, which saw stocks and bonds "catch a bid", leading to strong quarterly performance across multiple asset classes.

High Yield experienced a strong quarterly gain, led by BBs, with lower quality rallying in December to end the quarter on a high note with Bs and CCCs . After peaking early in the quarter at 4.98%, the 10-year U.S. Treasury ended the quarter inside 4%, with High Yield following suit, as yield and spread ended the quarter near year-to-date tights.

At the sector level, retailers and media/entertainment exhibited strength driven by high beta names, including QVC, Inc. and Sinclair Broadcasting, and high-quality duration (Virgin Media). While no sector posted a negative return, Energy lagged in sympathy with lower energy prices and Airlines were hindered by a Department of Justice effort to block the JetBlue/Spirit Airlines merger.

As the world transitions from a rising rate environment to a holding pattern, investors have taken solace in the U.S. Federal Reserve's (Fed) recent dovish pivot. The Fed indicating financial conditions had tightened significantly, sparking speculation that the hiking cycle was over, highlighted the Federal Open Market Committee meeting on November 1. This was further supported by a downward surprise in the Consumer Price Index report for October. Subsequent to this report, markets raised expectations for a Fed rate cut to 100% by May 2024 after having begun October with just an 8% chance.

Following a few quarters of strong economic data, this quarter provided a bit of a mixed bag with weaker housing and soft survey data offset by steady consumer fundamentals. In addition, the trend towards heightened inflation appears to have peaked in early 2022. Pricing data exhibited a steady downward trajectory in 2023; the November Core Personal Consumption Expenditure reading of +3.2% was down from +3.6% at the beginning of the quarter. Moreover, financial conditions have loosened from restrictive levels at the beginning of the quarter to more accommodative for consumer and corporate lending. As a result, there is growing confidence that the Fed may very well thread the needle, implementing restrictive policy while maintaining growth and bringing down inflation, leading to a "soft landing".

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 December 31, 2023.

Attribution from sector allocation was negative. Cash drag accounted for all of the negative allocation attribution in the quarter due to the approximate 7% return in the underlying index. An underweight to building materials and an allocation to Collateralized Loan Obligations were slightly negative. Overweight allocations to finance companies and media entertainment were positive as both sectors were near the top for sector performance in the quarter and meaningfully participated in the risk rally.

Attribution from security selection was positive. Primary themes for the quarter were 1) BB/B returns exceeded CCC returns for the first time this year, 2) duration continues to

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play a meaningful factor as rates moved sharply lower throughout the quarter, and 3) there were no negative returning sectors.

Attribution by ratings category was mixed with contribution from the Fund's CCCs and Bs exposures while BBs and BBBs exposures detracted. The remaining negative attribution was Cash drag.

Overweight positioning in retailer QVC Inc. was positive as the company announced stabilization in results, asset dispositions of some negative cash flowing segments, and renewed focus by management to generate cash flow and reduce the aggregate debt burden. Overweight positioning in ad agency firm Stagwell Global LLC. was positive as the company sold off an asset, which helped to bolster liquidity, after buying out their private equity partner. Management also made positive comments on top line expectations for the remainder of the year. Overweight positioning in Chinese gaming operators Wynn Macau Ltd. and MGM China Holdings Ltd. were negative as the large short duration positions could not keep pace with the spread and rate rallies in the quarter. Overweight positioning in Sunnova Energy Corp. was negative as the solar utility company continues to suffer from negative investor sentiment in both the bonds and the equity. Investors want the company to focus on slowing growth and generating cash after pricing a new debt issue that was more expensive than expectations.

There were a handful of meaningful credit position changes in the quarter. Most notably, we exited a 250 basis point (bps) position in U.S. Treasuries. We also participated in a handful of new issues in the quarter that came with meaningful coupons and a significant discount to existing market levels: Credit Acceptance Corp, GoEasy Ltd., and Hannon Armstrong.

Ratings composition for the Fund did not materially change other than Ford Motor Co. being upgraded to investment grade in October 2023. There were no meaningful sector allocation changes in the quarter.

Duration of the portfolio at quarter end was 3.02 years. The portfolio started the quarter approximately -0.22 years short duration versus the benchmark and ended the quarter at -0.24 years relative. The 10-year Treasury rallied by 69 bps in the quarter implying that duration was a slight headwind.

Outlook and Conclusion

The current environment has become more uncertain over the last several quarters as financial conditions have meaningfully tightened from the combination of the Fed raising rates and concern over potential credit and balance sheet issues at regional and smaller banks. While it appears that we are at the end of the current Fed tightening cycle, higher rates and tighter conditions are only now restricting business activity as well as reducing inflation meaningfully towards the Fed's goal of 2%. The market, overall, has continued to take a rather benign view of the current cycle as risk assets had a strong 2023. The market has shifted positioning from expecting another hike in 2023 to starting to price in rate cuts beginning as early as first or second quarter 2024 in an effort to orchestrate a 'soft landing' without too much market disruption. This shift in expectations happened in the fourth quarter, when the Fed signaled that it was likely finished hiking and inflation measures showed substantial progress towards moving towards the Fed's goal of 2%. Historically, Fed tightening cycles and financial conditions, as restrictive as they are at current levels, lead to recessions, higher default rates, and wider spread levels. We anticipate these unfolding. The questions we are balancing are 1) the timing and 2) the extent of the recession and default cycle. Data linked to inflation and employment will be critical as stronger than anticipated employment/wages or more chronic or persistent inflation data may limit the Fed's ability to cut rates as early as the market anticipates and be required to maintain a 'higher for longer' stance. This would be harmful for leveraged balance sheets.

As financial conditions eased during the quarter, the High Yield primary market took advantage by printing over $42 billion of new issue, leading to $179 billion for year (+94% year-over-year). Should conditions remain supportive, it is anticipated that 2024 issuance will match 2023 as issuers get ahead of a 2025 - 2026 maturity wall.

At this stage of the credit cycle, which we would deem as 'late stage', we are preferring higher quality and/or less cyclical sectors, as volatility can escalate quickly into wider credit spreads. We are meaningfully underweight CCC rated securities, as this segment of the market will experience the most default losses when tight financial conditions take hold and high yield issuers can no longer service their obligations. We have begun to see this in 2023 whereby several large over-leveraged capital structures were downgraded, meaningfully underperformed, and have begun the process of distressed debt exchanges. We are under spreading and under yielding the index in anticipation of widening from here.

We find the best value in the market to currently be in the BBB/BB 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 U.S. 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 materially tightens from here; however, that is not our base case scenario. CCCs will withstand the worst of the default cycle as it unfolds in the coming quarters and we remain cautious on this subsector until it begins to price in a more significant downturn.

Our outlook for High Yield is slightly negative as we are balancing our concern for economic weakness, tighter financial conditions, and deteriorating company fundamentals with the possibility of a soft landing and an all-in yield of 7.61%; which we recognize as attractive in a

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historical context. Current spread levels are at the tight end of their historic ranges and do not leave much room for further tightening; however, the current level of yields are able to absorb and offset some spread widening should the economy have a harder landing. We anticipate the next default cycle to be less than historic averages as issuers have termed out maturities and balance sheets are in relatively good shape. The predominance of mergers and acquisitions and leveraged buyout issuance has occurred in the leveraged loan market, which we suspect may see a higher level of defaults and lower recoveries than previous cycles. We will be monitoring markets closely and looking for the signs of increasing defaults and market capitulation as financial conditions become too much for the weakest and most highly leveraged companies to bear before meaningfully adding to risk.

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

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	05/01/00	**THYAX**	89154W809	1.35%	1.05%
C Shares	05/23/00	**THYCX**	89154W882	3.26%	1.80%
Y Shares	02/01/07	**THYYX**	89154W817	0.99%	0.80%
INST Shares	01/27/12	**THIYX**	89154W775	0.85%	0.72%
Total Fund Assets	**$105.4 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 1.05% for Class A Shares, 1.80% 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 01/29/25.

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	6.73%	12.67%	12.67%	1.62%	4.50%	3.32%	5.74%
C Shares	6.55%	11.72%	11.72%	0.82%	3.71%	2.72%	5.50%
Y Shares	6.86%	12.98%	12.98%	1.84%	4.77%	3.60%	5.95%
INST Shares	6.88%	13.07%	13.07%	1.97%	4.86%	3.68%	5.92%
Benchmark	7.08%	13.40%	13.40%	2.01%	5.22%	4.51%	6.61%
Including Max Sales Charge							
A Shares	3.23%	8.94%	8.94%	0.49%	4.07%	2.82%	5.52%
C Shares	5.55%	10.72%	10.72%	0.82%	3.71%	2.72%	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

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.*** *From time to time, the investment adviser may waive some fees and/or reimburse expenses, which if not waived or reimbursed, will lower performance. Performance by share class will differ due to differences in class expenses. Returns assume reinvestment of all distributions. Returns are not annualized for periods less than one year.*

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 *(As of 12/31/23)*

		(% of Portfolio)
1	CQP Holdco LP / BIP-V Chinook 5.50% 06/15/31	1.8
2	CCO Holdings LLC / CCO Holding 4.25% 02/01/31	1.6
3	Wynn Macau Ltd. 4.88% 10/01/24	1.6
4	Stagwell Global Llc 5.63% 08/15/29	1.5
5	GTCR W-2 Merger Sub LLC 7.50% 01/15/31	1.4
6	Cimpress Plc 7.00% 06/15/26	1.3
7	Talen Energy Supply LLC 8.63% 06/01/30	1.3
8	Ford Motor Credit Co. LLC 2.90% 02/10/29	1.1
9	Sirius XM Radio Inc. 4.00% 07/15/28	1.1
10	Belo Corp. 7.25% 09/15/27	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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