Fund Manager Commentary

As of December 31, 2020

Fund Highlights

- Seeks to maximize total return by investing in market sectors and securities that are considered undervalued for their risk characteristics
- Focus is placed on high-quality securities, many with beneficial structures such as government guarantees or significant tangible collateral support; there is limited exposure to non-investment grade securities
- Prefers to invest in securities of government programs and companies that have sustainable operating models by considering a wide range of factors including, but not limited to, support for economic development, home ownership and job creation
- Utilizes a traditional long-only investment style and invests directly in cash bonds
- Does not invest in futures contracts, options, credit default swaps or derivatives
- Constructs a diversified portfolio across issuer, sector and industry that strives to maximize yield while minimizing the risks inherent in fixed income investing

Market Recap

In general, economic data was mixed and variable during the fourth quarter of 2020. U.S. GDP for the third quarter of the year advanced at an annualized pace of 33.4 percent quarter-over-quarter. After the precipitous drop in the first half of the year, this leaves GDP off by 2.8 percent year-over-year. The gains in employment data slowed measurably during the final quarter. The unemployment rate finished the year at 6.7 percent. Average hourly earnings continued to show strength, growing by 5.1 percent in December.

Bigger than the macro-economic data itself, were the macro-economic events which took place during the period. The markets have been anticipating a resolution and/or rollout with regards to the COVID-19 vaccine, Brexit, U.S. fiscal stimulus, the U.S. elections, and the U.S. budget for fiscal 2021. All were resolved in the fourth quarter, most not until December. The U.S. elections, the fiscal stimulus bill, and the rollout of the COVID-19 vaccine had the largest impact on the U.S. bond market. The anticipation of a vaccine, let alone the actual rollout of the vaccine itself, helped the market ignore the record setting pace of new COVID-19 cases during the period. Taken together the "big three" developments have helped reignite the "reflation trade" across financial markets. As of year-end the U.S. Federal Reserve Board's (Fed) preferred measure of inflation, Core PCE, stood at 1.4 percent.

With the "big three" developments in tow, yields moved higher during the period. This move higher was premised by the simple fact that more debt will be needed to fund the stimulus, along with expectations that a Joe Biden Presidency and the potential for a democrat-controlled congress (now a reality) will result in further spending funded primarily with additional debt. Additionally, the rollout of the COVID-19 vaccine(s) springs hope that the economy will grow and return to normal in a relatively short period of time. Finally, there is also recognition that the U.S. M2 money supply grew by nearly 26 percent in 2020, far surpassing prior peak levels of growth experienced in the 1970s. As inflation expectations grew, yields followed these expectations higher. The yield of the ten-year U.S. Treasury increased during the final three months of the year, closing the year out at 0.91 percent.

For many of the same reasons, credit spreads moved tighter during the period. Not to be left behind, mortgage-backed securities (MBS) spreads tightened as well. The Fed's asset purchases, along with those made by other central banks from around the globe, have contributed to this tightening. Many of these central banks are indeed actively buying risk assets such as credit, and in some cases even equity, in material sizes. While the Fed has purchased very little credit and lost its mandate to buy incremental credit during the

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period, its purchases of U.S. Treasury securities and MBS are acting as a powerful force on spreads and the price of risk assets generally via a crowding out mechanism.

Portfolio Review

The Touchstone Impact Bond Fund (Class A Shares Load-Waived) underperformed its benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index, for the quarter ended December 31, 2020.

Given our approach, which is duration neutral and is not grounded on making macro-economic forecasts, macro-economic events had little relative impact on the Fund's performance during the period. To the extent these events increased the appetite for risk in the bond market, this benefited the Fund's portfolio in that it is overweight spread products. Nearly all spread sectors outperformed matched duration U.S. Treasuries during the quarter. Fund allocations to U.S. Agencies and Agency Multi-Family MBS benefited the Fund.

The movement of credit spreads was the primary headwind during the period. This is due to the Fund's more conservative positioning within credit. This was most evident in the difference in excess returns in credit during the period. Relative returns in Industrials and Financials sectors were strong during the period. The Fund has little exposure here. Comparatively, the Fund's credit exposure comes primarily from Utilities. While Utilities also had strong relative returns, as a group, they lagged Industrials and Financials. The Fund's Utilities are also positioned in regulated markets, and most are senior secured. This higher quality within Utilities and overall positioning in credit was a headwind during the period.

The three largest areas of security selection contribution included airline Enhanced Equipment Trust Certificates (EETC), High Yield bonds and holdings in Kansas City Southern. Structured airline EETC, the Fund's secured airline debt, performed well during the quarter as airlines have shown their ability to slow cash burn while accumulating a substantial liquidity position. Due to the demand for risk, the limited high yield securities the Fund holds performed well during the quarter. The Kansas City Southern management team fought a private equity take-over attempt. If successful, this buyout would have saddled it with more debt, moving it into high-yield territory. With this private equity threat seemingly behind the company, the bonds rallied to offset their prior selloff.

The top detractors from selection included Utilities, U.S. Small Business Administration (SBA) Development Company Participation Certificates (DCPC) and U.S. Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS). As described above, Utilities underperformed other credit during the period. Fund investments in SBA securities provided a headwind during the period due to the premium resistance they displayed during the quarter. The value provided by these bonds is largely due to the full-faith-and-guarantee provided by the U.S. Government. As these securities move away from a par price (which is the amount guaranteed), the strength of the government guarantee begins to lose value. As such, they experience some resistance to price increases. Based on the spread movement within other sectors, and the spread movement on new issue SBA securities which are priced at par and not encountering premium resistance, many of the Fund's SBA securities did not experience the type of price increase we would have expected without this obstacle. This caused them to trail in performance. The Fund's U.S. Treasury investments are primarily in STRIPS. These longer duration securities underperformed U.S. Treasuries as a whole. With the yield curve bear steepening, this acted as another headwind for STRIPS relative to a coupon paying U.S. Treasury bond.

There were no significant positioning changes made during the quarter. The ESG profile of the Fund remained consistent with our strategy and approach to impact investing, and there were no meaningful changes to the Fund's portfolio. During the quarter we invested in bonds from a new sustainability program that focuses on affordable housing, equality, poverty, environment, and mobility.

Outlook and Conclusion

With the blue political wave now established, the immediate focus for 2021 is heavily tilted toward how much money the government will spend. President-elect Joe Biden has already asked for trillions of more dollars for fiscal stimulus alone. This additional spending, along with the COVID-19 vaccine, is fueling the "reflation" narrative. How the government spending and subsequent U.S. Treasury issuance develops will be an important part of how 2021 plays out for the financial markets. The release of its December minutes demonstrates that the Fed does not fear inflation and will likely allow it to run well above two percent to meet its objectives.

If the market behaves as currently forecasted, interest rates are likely to follow inflation. However, this is very far from any sort of certainty. We see equally as many reasons for inflation not to accelerate. If inflation does move substantially higher, it is not a given that interest rates will follow. Fed asset purchases, along with the yield advantage provided by U.S. Treasuries versus other developed sovereign debt could help keep a lid on U.S. yields even in an inflationary environment. In any case, the Fund's duration neutral approach seeks to mitigate the relative direct impact of a rising rate environment. Further, most rising rate environments have been accompanied by accelerating economic growth. This would most likely benefit the Fund's overweight to spread products. Additional stimulus is also likely to provide some benefit to the Fund's SBA and Agency Multi-Family MBS debt.

We believe the fund is well positioned for both the near and long term. We think many of the headwinds we experienced during the quarter stand to benefit the Fund going forward. This is best distilled in three segments.

In the credit market, spreads have returned to pre-COVID-19 levels. At the same time, the duration (and spread

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duration) for U.S. Credit is at an all-time high, as is the premium price on bonds. For the companies themselves, market-wide leverage is peaking and near record levels. Market pricing anticipates some deleveraging of corporate balance sheets in 2021, but this has been a promise which has repeatedly been broken over recent years. Taken together the risks are high in credit, while the spread compensation is low relative to its own history. We believe the Fund's more conservative positioning within credit stands to benefit over the immediate investment cycle.

Second, the premium resistance that the Fund's SBA and other government bonds, including some Agency Multi-Family MBS, provide has a yield advantage. We suspect this yield and spread advantage will benefit the Fund and are hopeful that the premium resistance story plays out.

Finally, we anticipate that Fund positioning and security selection within MBS will remain a long-term tailwind. Based on current prices and market dynamics, Agency Single Family MBS offers little value and is likely to underperform with even small changes in interest rates. Our preference for the more stable Agency Multi-Family MBS sector is not as subject to this type of volatility, and we believe provides a solid foundation going forward.

As of December 31, 2020, Kansas City Southern 3.00% 05/15/2023 made up 0.31% and Kansas City Southern 3.13% 06/01/2026 made up 0.40% of the Touchstone Impact Bond Fund. Current and future portfolio holdings are subject to risk.

Fund Facts *(As of 12/31/20)*

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio* Total	Net
A Shares	08/16/10	**TCPAX**	89155T102	1.04%	0.86%
C Shares	08/01/11	**TCPCX**	89155T201	2.56%	1.61%
Y Shares	11/15/91	**TCPYX**	89155T409	0.65%	0.61%
INST Shares	08/01/11	**TCPNX**	89155T300	0.60%	0.51%
Total Fund Assets	**$402.2 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 0.85% for Class A Shares, 1.60% for Class C Shares, 0.60% for Class Y Shares and 0.50% for Class INST Shares. These expense limitations will remain in effect until at least 01/29/22.*

Share class availability differs by firm.

Annualized Total Returns** *(As of 12/31/20)*

Class	4Q20	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	0.59%	6.57%	6.57%	4.62%	4.02%	3.64%	5.23%
C Shares	0.31%	5.68%	5.68%	3.81%	3.25%	2.99%	4.48%
Y Shares	0.56%	6.71%	6.71%	4.87%	4.28%	3.91%	5.49%
INST Shares	0.58%	6.82%	6.82%	4.97%	4.38%	4.03%	5.53%
Benchmark^	0.67%	7.51%	7.51%	5.34%	4.44%	3.84%	5.62%
Including Max Sales Charge							
A Shares	-2.65%	4.44%	4.44%	2.95%	3.01%	3.13%	5.05%
C Shares	-0.69%	4.68%	4.68%	3.81%	3.25%	2.99%	4.48%

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 Barclays U.S. Aggregate Bond Index[1]

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 advisor 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.*

Impact investing and/or Environmental, Social and Governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.

*****The performance presented for Class A, C, and INST Shares combines the performance of an older class of shares (Y Shares) from the Fund's inception, 11/15/91, with the performance since the inception date of each share class.***

Not FDIC Insured | No Bank Guarantee | May Lose Value

[1]The Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index comprised of U.S. investment grade, fixed rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and ten years.

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 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 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 invests in mortgage-backed securities and asset-backed securities which are subject to the risks of prepayment, defaults, changing interest rates and at times, the financial condition of the issuer. The Fund invests in mortgage dollar rolls which involve increased risk and volatility, as the securities the Fund is required to repurchase may be worth less than the securities that the Fund originally held. The Fund's environmental, social and corporate governance 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. Events affecting the financial markets, such as a health crisis, 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. Current and future portfolio holdings are subject to risk. The Advisor engages a sub-advisor to make investment decisions for the Fund's portfolio; it may be unable to identify and retain a sub-advisor who achieves superior investment returns relative to other similar sub-advisors.

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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