

Fund Manager Commentary

As of September 30, 2021

Fund Highlights

- Reviews various economic reports, yield-curve analysis and other market indicators to identify trends and relative value in the marketplace
- Positions duration based upon interest-rate trend analysis
- Studies macroeconomic analysis and yield-curve analysis to gain insight into the current trend and future expectations for interest rates
- Assesses municipal market variables – including supply and demand, cash flows, yield spreads and credit spreads – to determine which sectors represent the most value
- Selects individual securities in an attempt to optimize tax-free income while reducing risk

Market Recap

Economic activity experienced a slight downturn during the third quarter driven by an increase in Delta variant COVID-19 cases and the wind down in government support programs. Employment, however, remained relatively robust with nonfarm payrolls growing by 550,000 per month while the unemployment rate dipped to 4.8%. Inflation remained elevated with both the core Consumer Price Index and personal consumption expenditure deflator well above the U.S. Federal Reserve Board's (Fed) 2% target at 4% and 3.6%, respectively. Initially, interest rates responded to COVID-19 fears and declined during the quarter before reversing course and finishing the quarter largely unchanged. The Fed kept interest rates unchanged, but also indicated that it may begin tapering asset purchases as soon as the next Federal Open Market Committee (FOMC) meeting in November.

The municipal market continued to see positive support from investors as cash flowed into municipal mutual funds, ETFs and separately managed accounts. The support waned near quarter-end following the Fed FOMC meeting and yields increased sending municipal/U.S. Treasury yield ratios higher. This price action left municipals at valuations that were more attractive compared to recent valuations; however, they remained rich relative to historical averages.

Portfolio Review

The Touchstone Ohio Tax-Free Bond Fund (Class A Shares Load-Waived) underperformed its benchmark, the Bloomberg Municipal Bond Index, for the quarter ended September 30, 2021.

The Fund's performance differential can be attributed to its broader strategy that typically favors high-quality Ohio municipal bonds in the 15- to 20-year maturity range, which leaves the Fund's average duration shorter than its benchmark. This maturity range has historically offered an attractive combination of tax-free income and total return, over a full interest rate cycle. The Fund's shorter duration aided performance during the quarter when municipal yields increased. The Fund's contribution from yield curve positioning was offset by Fund expenses and inflows into the Fund which initially diluted fund income and caused significant changes to portfolio duration until the cash was invested.

Outlook and Conclusion

Broadly speaking, the macro environment remains good across the municipal sector. It appears that COVID-19 cases have peaked and the broader distribution of vaccines has allowed the economy to reopen. Federal stimulus along with a new infrastructure package will provide additional support. Consumers and businesses both have pent up demand, which is fueling growth in many sectors of the economy, and has contributed positively to higher tax collections enabling municipalities to close budget gaps. In addition, sectors more severely impacted by COVID-19 including health care,

(continued)

◊ Fort Washington is a member of Western & Southern Financial Group

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](https://www.touchstoneinvestments.com/mutual-funds).**



transportation and education along with municipalities have received aid payments directly from the federal government. This has bolstered credit fundamentals in the sector and led to tighter credit spreads. The municipal sector has outperformed U.S. Treasuries and investment grade corporate bonds year to date, however, the recent dip in relative performance provides a more attractive entry point for investors with yield ratios at better valuation levels compared to early in the year. The current economic environment along with rising inflation should lead to higher interest rates as the year progresses. In a rising rate environment, we believe the Fund is positioned well.

Fund Facts (As of 09/30/21)

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio*	
				Total	Net
A Shares	04/01/85	TOHAX	89154V603	1.18%	0.85%
C Shares	11/01/93	TOHCX	89154V702	2.32%	1.60%
Y Shares	08/30/16	TOHYX	89154V843	1.31%	0.60%
INST Shares	08/30/16	TOHIX	89154V835	0.91%	0.55%
Total Fund Assets	\$68.7 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 0.55% for Class INST Shares. These expense limitations will remain in effect until at least 10/29/21. Share class availability differs by firm.

Annualized Total Returns** (As of 09/30/21)

Class	3Q21	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-0.44%	0.28%	1.49%	4.24%	2.54%	3.31%	5.39%
C Shares	-0.63%	-0.28%	0.74%	3.50%	1.78%	2.70%	5.06%
Y Shares	-0.38%	0.47%	1.74%	4.54%	2.81%	3.45%	5.43%
INST Shares	-0.37%	0.51%	1.79%	4.56%	2.85%	3.47%	5.43%
Benchmark [^]	-0.27%	0.79%	2.63%	5.06%	3.26%	3.87%	6.34%
Including Max Sales Charge							
A Shares	-3.69%	-2.97%	-1.82%	3.54%	1.55%	2.81%	5.25%
C Shares	-1.62%	-1.27%	-0.26%	3.50%	1.78%	2.70%	5.06%

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 Index¹

**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.

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¹The 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 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 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 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. Political and economic conditions in the State of Ohio may impact the value of Ohio municipal obligations which may lose value due to decreased economic growth, increased unemployment and decreased tax revenue. The Fund is non-diversified, which means that it may invest a greater percentage of its assets in the securities of a limited number of issuers and may be subject to greater risks. 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. Current and future portfolio holdings are subject to change. 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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