Fund Manager Commentary

As of June 30, 2019

Fund Highlights

- Seeks financially strong companies with above-average dividend yields and a consistent history of dividend growth
- Builds a portfolio using bottom-up stock selection with a preference for companies with monopoly-like characteristics and recurring revenues
- Diversifies across capitalization ranges and economic sectors

Market Recap

At the end of the second quarter there was much commentary on what a banner year it has been, June, with new record highs. If the market had not been down as much in May then June would not have been up so much. Indeed, June's S&P 500 Index close was actually lower than the high of May.

Financials led the S&P 500 Index during the quarter, and banks continued to announce both dividend increases and share repurchases. Similar to last year, some experts argue that the story is over. In our view, though, low payout ratios and aggressive share repurchases will allow dividend increases to continue.

The Energy sector was the laggard of the S&P 500 Index, the only sector to post a negative absolute return for the quarter. Oil prices remained volatile, buffeted by powerful geopolitical crosscurrents, including the China-U.S. trade tensions, the ongoing collapse of Venezuelan crude production, severe U.S. sanctions on Iran and renewed Middle East conflict risk, a simmering Libyan civil war, and coordination between the Organization of the Petroleum Exporting Countries (OPEC) and Russian oil production.

Portfolio Review

The Touchstone Premium Yield Equity Fund (Class A Shares Load-Waived) underperformed its benchmark, the Russell 3000® Value Index, for the quarter ended June 30, 2019.

We finished the second quarter with U.S. bond and equity markets sending very different messages. U.S. equity markets continued to chug along with only brief moments of volatility. In contrast, the U.S. Treasury yield fell from 2.5 percent at the outset of the quarter to 2.0 percent in the final week, far under consensus economists' forecasts.

Economists can argue over whether this is a signal of an impending recession (sometimes yes and sometimes no), but the simple fact is that investors are putting trillions of dollars to work in a bond that will only return 2 percent per year for 10 years—with no inflation protection. The gloomy viewpoint coming out of the fixed-income market seems overwrought, but it's probably not wise to discount it entirely.

Our bank thesis continues to play out with both dividend increases and share repurchases; however, our stock selection detracted. We adjusted Fund positioning in banks during the quarter, buying JPMorgan Chase & Co. and adding to Citizens Financial Group, Inc., while selling Toronto Dominion Bank and BB&T Corporation as we deem them less likely to benefit from the 2019 Federal Reserve stress test. Following the stress test results, the Fund's bank holdings all announced large share repurchase plans. Citigroup Inc., JPMorgan and Huntington Bancshares plan to raise their dividends. Citizens Financial Group and Regions Financial Corporation are waiting for their board meetings before commenting on dividends.

As previously mentioned, the Energy sector lagged, and the Fund's overweight hurt relative performance. On July 1, OPEC agreed to extend its production cuts by nine months, three months longer than expected, which we believe should help alleviate oil price volatility for the remainder of the year.

Among the stocks that contributed to the Fund's performance were Coca-Cola European Partners (CCEP), Citigroup Inc. and Total S.A. Coca-Cola European Partners, a multinational bottling company, contributed. CCEP reported organic volume growth and constantcurrency price/unit growth. In terms of capital management, it raised the dividend and disclosed that it had repurchased roughly 1 percent of shares outstanding year-to-date through the end of April. Management also confirmed 2019 guidance. Citigroup, a global financial services company, contributed as well. Following the Federal Reserve stress test, Citigroup announced plans to raise dividends. Citigroup's 1Q19 earnings beat consensus estimates, mainly from taxes and better capital markets revenues. Cost control was good, with the trailing

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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.***

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12-month efficiency ratio dropping for the 10th consecutive quarter. Total, a multinational integrated oil and gas company, contributed. Although Total's 1Q19 earnings-per-share (EPS) missed due to higher than expected (noncash) tax rate and lower commodities, cash flow was stronger than expected – despite lower Brent oil. Total's dividend increased and it bought back stock, in-line with the 2019 plan.

Among the stocks that detracted from Fund's performance were Occidental Petroleum Corporation, CenterPoint Energy Inc., and Kohl's Corp. Occidental Petroleum, a multinational integrated oil and gas company, exceeded on earnings but, during the quarter, Occidental Petroleum outbid Chevron Corporation to acquire Anadarko Petroleum Corporation. An increased debt load temporarily magnified Occidental's oil price sensitivity, but we think there's strong logic in the deal. CenterPoint Energy, a regional utility company, reported 1Q19 adjusted earnings that came in below consensus. The earnings miss was driven, in large part, by reduced opportunities (lower natural gas volatility) in its nonutility Energy Services segment. Kohl's, a multiline retailer, detracted. In a bid to energize store traffic, the company recently began a pilot program that allows Amazon customers to return goods they bought on Amazon's website to be returned to Kohl's stores. Early testing suggested the initiative was driving improved sales, and the program is now rolling out nationally. However, we sold in early July on disappointment that management hasn't provided more clarity on the scalability of the Amazon partnership.

During the quarter, we added three stocks to the Fund's portfolio. Kohl's, a multiline retailer, has high free cash flow which offers plenty of dividend coverage, and we believe there are opportunities for dividend growth as management correctly sizes stores and finds new partnerships, such as Amazon, Inc., Aldi, and Planet Fitness, to drive increased store traffic. We exited Kohl's in early July after a disappointing quarterly result and lack clarity on the scalability of its Amazon partnership. Gilead Sciences, Inc., a biotechnology company, dominates the HIV therapeutic category. We believe the company's latest single-tablet regimen, Biktarvy, has excellent clinical results and patent protection until 2033. At purchase, Gilead yielded 3.9 percent, and we believe the company is well-positioned to continue growing its HIV franchise. Revenue from its Hepatitis C virus cures has fallen off and will be less relevant going forward. We believe JPMorgan Chase, a global financial services and retail banking company, is a well-managed bank that should navigate a credit cycle better than peers. Additionally, we like its prospects going into the Federal Reserve's June 2019 Comprehensive Capital Analysis and Review (CCAR) and expect a solid dividend increase.

During the quarter, we sold seven stocks from the Fund's portfolio. Toronto Dominion, a Canadian bank, was exited on valuation as it no longer trades at a discount to U.S. banks. HP Inc, a leading provider of computers, printers, and printer supplies, was sold over concerns that increasing price competition in its printer supplies business threatens dividend growth. Umpqua Holdings Corporation (UMPQ), a regional bank, was sold after disappointing results. Additionally, UMPQ is not subject to the Federal Reserve's CCAR tests, so it may lag other banks' dividend growth. Carnival Cruise Lines, a global cruise company, was sold to raise cash for a better idea. Demand for cruises, particularly out of Europe, has been less than robust. Additionally, the industry is having some difficulty absorbing increased capacity. ABB Ltd., a supplier of electrical equipment and automation products, was sold over concerns stemming from the company's auditor finding a material weakness in their financial controls. BB&T, a regional bank, was sold. We expect BBT to be less aggressive in returning capital relative to other banks given its pending merger with SunTrust Banks, Inc. ONEOK, Inc., a regional natural gas gathering, processing, storage, and transportation company, was sold due to its lack of a negative reaction to the recent oil price decline and concerns that this could change. Overall, ONEOK has asymmetrical risk to oil price volatility.

Outlook and Conclusion

As the era of extraordinarily low interest rates enters its second decade, income investors face increasingly confusing alternatives. Some might be tempted to view bonds as a safe harbor, but today's low rates make this a difficult choice. Defensive stocks held in traditional equity income categories have been bid up, resulting in lower than historical yields, tepid growth prospects, and risk from high historic valuations. We're not obligated to traditional bond-alternative equities; we look only for stocks with both good yields and prospects for dividend increases, and that hold no preconceived notions of the sectors in which these candidates should reside.

The Fund's strategy takes a diversified approach. Its investments in the Technology, Financials, Industrials, and Consumer cyclicals provide opportunities to benefit from a growing economy. Our response to the bond market warning signal has not been to avoid cyclicals, but to find companies with good growth prospects and strong enough balance sheets to survive tough times.

As of June 30, 2019, JP Morgan Chase & Co. made up 2.60%, Citizens Financial Group made up 3.48%, Regions Financial Corp. made up 1.78%, Citigroup, Inc. made up 3.83%, Huntington Bancshares made up 2.72%, Coca-Cola European Partners made up 3.28%, Total S.A. made up 3.39%, Occidental Petroleum Corporation made up 2.00%, CenterPoint Energy made up 2.84%, Kohl's made up 1.70%, Gilead Sciences, Inc. made up 4.10%, Toronto Dominion Bank, HP Inc., BB&T Corporation, Chevron Corporation, Anadarko Petroleum Corporation, Amazon, Inc. Aldi, Planet Fitness, Umpqua Holdings, Carnival Cruise Lines, Sun Trust Banks, Inc., ABB and ONEOK, Inc. made up 0.00% of the Touchstone Premium Yield Equity Fund. Current and future portfolio holdings are subject to change.

Dividend paying investments may not experience the same price appreciation as non-dividend paying instruments, dividend-issuing companies may choose not to pay a dividend or the dividend may be less than what is anticipated.

Fund Facts *(As of 06/30/19)*

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio* Total	Net
A Shares	12/03/07	**TPYAX**	89155H579	1.41%	1.20%
C Shares	12/03/07	**TPYCX**	89155H561	2.07%	1.95%
Y Shares	08/12/08	**TPYYX**	89155H553	0.99%	0.95%
Total Fund Assets	**$53.8 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 1.20% for Class A Shares, 1.95% for Class C Shares and 0.95% for Class Y Shares. These expense limitations will remain in effect until at least 01/29/20.

Annualized Total Returns** *(As of 06/30/19)*

Class	2Q19	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Including Max Sales Charge							
A Shares	-2.87%	6.55%	-3.55%	4.33%	2.36%	9.88%	3.23%
C Shares	1.17%	10.71%	0.68%	5.63%	2.81%	9.71%	2.99%
Excluding Max Sales Charge							
A Shares	2.25%	12.11%	2.36%	6.42%	3.58%	10.53%	3.76%
C Shares	2.17%	11.71%	1.60%	5.63%	2.81%	9.71%	2.99%
Y Shares	2.32%	12.15%	2.52%	6.67%	3.81%	10.80%	3.98%
Benchmark 1^	3.68%	16.05%	7.34%	10.19%	7.31%	13.14%	6.69%
Benchmark 2^^	2.30%	13.64%	5.80%	9.21%	9.22%	15.23%	7.94%

Max 5.00% sales charge for Class A Shares and 1% Contingent Deferred Sales Charge for Class C Shares held less than 1 year.

^Benchmark 1 - Russell 3000® Value Index[1]

^^Benchmark 2 - Dow Jones U.S. Select Dividend Index[2]

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The performance presented for Class Y Shares combines the performance of an older class of shares (A Shares) from the Fund's inception, 12/03/07, with the performance since the inception date of each share class.

Not FDIC Insured | No Bank Guarantee | May Lose Value

[1]The Russell 3000® Value Index measures the performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

[2]The Dow Jones U.S. Select Dividend Index measures 100 leading U.S. dividend-paying companies.

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 equities which are subject to market volatility and loss. The Fund invests in stocks of large-cap companies which may be unable to respond quickly to new competitive challenges. The Fund invests in stocks of small- and mid-cap companies, which may be subject to more erratic market movements than stocks of larger, more established companies. The Fund invests in foreign securities, including depositary receipts, such as American Depositary Receipts, Global Depositary Receipts, and European Depositary Receipts, which carry the associated risks of economic and political instability, market liquidity, currency volatility and differences in accounting standards including those of certain European countries that may have the potential to leave the European Union. The Fund invests in emerging markets securities which are more likely to experience turmoil or rapid changes in market or economic conditions than developed countries. 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. The Fund invests in REITs; the risks are similar to those associated with direct ownership of real estate. Shareholders will indirectly bear the additional expenses of investing in REITs. The Fund's investments in the real estate industry are subject to the risk that the industry will underperform the broader market, as well as the risk that issuers in the industry will be impacted by market conditions, legislative or regulatory changes, or competition. Dividend issuing companies may choose not to pay a dividend or the dividend may be less than anticipated. 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 advisor 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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