Fund Manager Commentary

As of June 30, 2023

Fund Highlights

- Primarily invests in income producing securities including corporate debt securities, mortgage-related securities, asset-backed securities, government securities (both U.S. government securities and foreign sovereign debt), public equities and preferred stocks
- Invests at least 50% of the portfolio in investment-grade rated securities
- Expanded opportunity set provides the flexibility to react to market dislocations
- Broadly diversified by sector, resulting in multiple sources of return potential and low correlation to traditional asset classes
- Duration management is used as a risk mitigation tool; seeks to avoid taking large duration positions due to the difficulty in predicting interest rates
- Active management and security selection are focused on building a high conviction portfolio

Market Recap

After a volatile end to the first quarter, the second quarter of 2023 was marked by continued resilience of the U.S. economy and slow progress on reducing inflation, resulting in strong performance for risk assets, further hawkish U.S. Federal Reserve (Fed) policy expectations, and higher interest rates. Recession has been widely expected by economists in 2023, but incoming data has remained sturdy as the labor market continues to support consumer spending. Interest rates rose in the quarter, with short-term interest rates rising more than long-term rates. Across many parts of the Treasury yield curve, the inversion of short- to long-term rates is approaching the most negative of 2023. A re-pricing of Fed expectations drove the rise in short-term rates, as the Fed remained concerned that inflation remains too high and not improving quick enough to halt rate increases. Markets now price a "higher for longer" path of Fed policy, whereby the Fed takes rates to a restrictive level and remain unchanged into at least mid-2024.

Consensus expectations for the U.S. economy have shifted from fears over recession to mostly achieving a soft landing, with the economy skirting a worse outcome in spite of the aggressive Fed tightening cycle. The main driver of this shift in expectation is the continued resilience of the U.S. consumer. Consumer spending, representing ~70% of the economy, has provided a solid foundation. In most recent data, consumer spending rose at the quickest pace in several quarters. Driven by a healthy labor market, above-average wage gains, and excess savings, consumers have defied the drag from higher interest rates and other headwinds.

Business spending, especially in the manufacturing sector, remains challenged. Manufacturing surveys have been solidly in contractionary territory for the past several months, indicating near-zero growth or outright declines in activity. The service sector has fared better relatively when compared to manufacturing, but risks are to the downside alongside the headwinds faced by consumers. Global growth has moderated from the first quarter, providing another potential downside risk. The UK and Eurozone economies will be challenged by further rate hikes as inflation remains sticky. Growth in China has remained uneven and somewhat disappointing as it struggles to gain momentum post-COVID. Once a source of significant upward price pressures, inflation from the manufacturing sector has mostly normalized. Commodity prices have declined, and supply chains have healed. For the U.S. economy, declining goods inflation has helped to reduce overall inflation rates throughout 2023.

Inflation, especially headline, has fallen sharply in the first half of 2023. For example, the annual rate of inflation measured by consumer price index has fallen from nearly a 9% peak in 2022 to just above 4% in the most recent data. Core measures, which exclude food and energy, have also adjusted lower, but at a much slower pace. The Fed's preferred measure of inflation, Core personal consumption

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†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.***

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expenditure, peaked at 5.4% in 2022, but has only declined to 4.6%. Within the data, there has been significant progress on inflation in the goods sector, but the service sector has remained sticky.

The Fed raised interest rates in May as the banking concerns of the first quarter receded, inflation declined at a slower pace, and economic data outperformed expectations. In June, the Fed decided to forgo another hike, but strongly indicated that further hikes are likely. In a surprise to markets, the Fed indicated they might raise rates above 5.5% by the end of 2023. Treasury yields increased sharply, now reflect more hikes, and reduced chances of cuts in the future.

After a solid second quarter performance, credit spreads across sectors and quality ranges are generally in the 40-50th percentile relative to history. Credit spreads, along with other risk assets, reflect the overall belief that recession risk has declined sharply. At current levels, compensation for uncertainty is relatively low.

Portfolio Review

The Touchstone Strategic Income Opportunities Fund (Class A Shares Load-Waived) outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended June 30, 2023.

Interest rate positioning added to relative performance versus the benchmark during the quarter. The fund maintains a shorter duration compared to the benchmark. Interest rates rose during the quarter, resulting in outperformance as the Fund's portfolio was positioned with a shorter duration compared to the benchmark.

Sector allocation was a positive factor during the quarter. Spreads tightened, resulting in outperformance of credit sectors. An overweight allocation to High Yield and Emerging Market Debt outperformed and were the primary contributors to positive sector allocation.

Security selection was a slight positive factor for relative performance. Outperformance within Investment Grade Credit and Securitized added to performance, but was mostly offset by negative selection within High Yield.

The Fund reduced exposure to High Yield and Securitized during the quarter in an effort to reduce overall risk within the strategy, and subsequently increased exposure to U.S. Treasury TIPS. The Fund's High Yield exposure, including derivatives, is now at its lowest level since inception and reflects the poor relative value offered within the sector and increased risk of defaults as the economy continues to slow. Proceeds were reinvested in U.S. Treasury TIPS, as real yields offer compelling value at current levels.

The Fund's portfolio is positioned with less duration than the benchmark at 4.7 years compared to 6.3 for the benchmark. This positioning is consistent with the historical range of 4 to 5 years for the portfolio. Compared to the benchmark, duration positioning detracted from returns for the quarter. Interest rates fell during the quarter, resulting in negative relative return due to being short duration compared to the benchmark.

The entire yield curve moved higher during the quarter, benefitting relative performance compared to the benchmark as the Fund was managed with a shorter duration. However, yield curve positioning was a negative contributor to performance in the quarter as the Fund was positioning to benefit from a steeper yield curve. Despite the entire curve moving higher, short-term interest rates rose at a faster pace resulting in a further inverted curve during the quarter, reflective of the increased expectations of Fed tightening.

Outlook and Conclusion

Looking ahead, risks to Fund positioning are focused on the lagged effects of Fed tightening, tightening credit conditions in bank lending, and any further rate hikes yet to come. Although most recent data has been above expectations, overall growth is likely to continue at below-trend pace over coming quarters, with downside risk from the above factors. Inflation has declined from peak levels but remains well above target. The Fed has aggressively raised rates to combat inflation and continue to indicate restrictive policy until inflation is on a convincing lower trajectory. At current levels, the biggest risk to markets is a sharper slowing in economic growth that would challenge the expectation of a soft landing. As our view of the economy and monetary policy changes, we will adjust positioning as these risks evolve.

Sector positioning reflects our overall neutral outlook on valuations, attractive relative value, and opportunities within each sector. There were modest changes to sector allocations during the quarter to reflect a lower risk posture. Primary risk exposures and recent changes include:

Exposure to Investment Grade Credit was relatively unchanged during the quarter. The sector continues to favor positions lower in the capital structure within high quality financials and utilities while selectively adding to bottom up opportunities on attractive relative value.

The Fund's allocation to Securitized Products was reduced during the quarter. The team continues to favor non-agency exposure within the sector, and is positioned appropriately with overweight exposure to Asset Backed Securities, Collateralized Loan Obligations, and CMBS.

The Fund maintained its exposure to Emerging Markets Debt during the quarter after reducing the sector in the first quarter. Valuations remain attractive relative to domestic credit within the high yield portion of the market. Latin America remains the largest exposure within the sector.

High Yield exposure was reduced during the quarter based on poor risk/reward considering valuations and a worsening economic outlook. Within High Yield, the strategy is broadly diversified by sector and has been reducing risk on relative value, adding to higher quality BBs.

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Duration increased modestly during the quarter from 4.7 to 5.0 years. We are positioning portfolios with a slight long duration bias through an allocation to U.S. Treasury TIPS. We believe that the growth and inflation outlook will continue to bias interest rates lower over the next several months though breakevens will dampen duration exposure if rates continue moving higher. The Fund's portfolio is positioned to perform well in a stable to improving market environment. We believe an overweight to credit sectors should benefit investors, as valuations are generally fair at current levels. The Fund continues to generate an above average yield through a high conviction multi-sector approach, and should perform well in a stable environment through its excess carry. The Fund's yield has risen to historically high levels and should help offset potential risks. In today's volatile and uncertain environment, the Fund provides a compelling solution for fixed income investors due to its flexible and risk-oriented approach.

Fund Facts *(As of 06/30/23)*

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio* Total	Net
A Shares	11/01/93	**TQPAX**	89154M306	1.12%	1.00%
C Shares	04/01/94	**TQPCX**	89154M405	1.90%	1.71%
Y Shares	01/29/15	**TQPYX**	89154M504	0.87%	0.75%
INST Shares	07/19/21	**TQPIX**	89154M603	3.89%	0.65%
Total Fund Assets	**$209.9 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 1.00% for Class A Shares, 1.71% for Class C Shares, 0.75% for Class Y Shares and 0.65% for Class INST Shares. These expense limitations will remain in effect until at least 07/29/24.*

Share class availability differs by firm.

Annualized Total Returns *(As of 06/30/23)*

	2Q23	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	0.11%	2.33%	4.42%	-0.52%	1.81%	2.38%	5.27%
C Shares	-0.08%	1.61%	3.31%	-1.25%	1.08%	1.69%	4.83%
Y Shares	0.17%	2.12%	4.35%	-0.28%	2.05%	—	2.09%
INST Shares	0.19%	2.17%	4.46%	—	—	—	-4.17%
Benchmark^	-0.84%	2.09%	-0.94%	-3.96%	0.77%	1.52%	—
Including Max Sales Charge							
A Shares	-3.10%	-0.99%	1.05%	-2.14%	0.80%	1.89%	5.10%
C Shares	-1.07%	0.61%	2.31%	-1.25%	1.08%	1.69%	4.83%

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 U.S. Aggregate Bond Index[1]

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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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[1]The Bloomberg 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 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 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 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 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 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 equities which are subject to market volatility and loss. The Fund invests in preferred stocks which are relegated below bonds for payment should the issuer be liquidated. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing their price to decline. 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 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 invests in sovereign debt securities which are issued by foreign governments whose respective economies could have an important effect on their ability or willingness to service their debt which could affect the value of the securities. The Fund invests in derivatives such as futures contracts. Derivatives can be highly volatile, illiquid and difficult to value, subject to counterparty and leverage risks and there is risk that changes in the value of a derivative held by the Fund will not correlate with the Fund's other investments. Gains or losses from speculative positions in a derivative may be much greater than the original cost and potential losses may be substantial. 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 may experience higher portfolio turnover which may lead to increased fund expenses, lower investment returns and higher short-term capital gains taxable to shareholders. The Fund invests in repurchase agreements which are considered loans by the Fund and may suffer a loss of principal and interest in the event of counterparty defaults. Current and future portfolio holdings are subject to change.

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