

Fund Manager Commentary

As of June 30, 2024

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

The economy has continued to grow at a robust pace throughout the first half of 2024. Healthy job and wage gains coupled with significant increases in net worth have supported recent spending as excess savings from pandemic era programs are now largely exhausted. The labor market has become more balanced in recent months and the unemployment rate has moved modestly higher to 4.1% compared to last year's low of 3.4%. While this slowing should put downward pressure on inflation, it could also lead to a larger decline in consumption.

Amid continued strength in the economy and softening in the labor market, inflation has remained volatile, and investors have maintained their focus on the Federal Reserve (Fed) and when the U.S. can expect rate cuts. Forecasts for the path of the federal funds rate have varied meaningfully this year and is likely to continue as new economic data is released. Inflation came into the year near the Fed's 2% target on a 6-month basis but upside surprises for the first few months of 2024 sparked concerns around elevated inflation. While inflation worries are still present, recent data has renewed faith that inflation will move lower and the larger trend remains intact. The Fed's preferred gauge of inflation, core Personal Consumption Expenditures, is at a yearly rate of 2.6%, down from 4.7% last May. While continued progression should increase the Fed's confidence to cut, they have emphasized the desire to move slowly and stay data dependent.

The market is anticipating 50 basis points (bps) of cuts in the second half of the year with consensus forecasts pointing toward continued growth and leading to a 'soft landing'. As a result, risk assets moved higher while interest rates appear to have stabilized following recent inflation reports. The 10-year Treasury initially rose 50bps in the second quarter following renewed inflation fears, but subsequently reversed much of the move and ended the quarter at 4.40% compared to 4.20% at the start of the quarter. Investment grade corporate spreads widened only a few basis points during the quarter and remain near historically tight levels. Despite the move higher in interest rates and spreads, the Bloomberg U.S. Aggregate Bond Index was slightly positive for the quarter as carry (i.e., coupon income) more than offset the decline in bond prices.

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, 2024.

Security selection was the largest contributor to relative outperformance due to investment grade credit and securitized sectors. Subordinated positions in banks were the primary driver of relative performance within corporates while securities in midstream and utilities also contributed positively. Within securitized, relative performance was driven largely by outperformance of exposure to non-agency

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



commercial mortgage backed securities (CMBS), and to a lesser extent, asset backed securities (ABS) and collateralized loan obligations (CLO). As spreads remain near historically tight levels, we anticipate security selection to be a key driver of positive relative performance going forward.

The Fund's sector allocation was a positive contributor to return in the quarter. The allocation to non-credit sectors was the primary driver as risk assets performed well over the quarter while growth expectations improved and inflation eased.

The entire yield curve moved higher during the quarter, helping relative performance compared to the benchmark as the Fund was managed with a shorter duration. In addition, yield curve positioning was a positive contributor to relative performance during the quarter as the Fund was positioned to benefit from a steeper yield curve. While the entire curve moved higher, the curve steepened marginally over the quarter as longer-term interest rates increased more than the shorter end of the curve.

The Fund is positioned with less duration than the benchmark and ended the quarter at 5.0 years but averaged 5.5 years over the quarter, compared to 6.2 for the benchmark. This positioning is above the Fund's historical average as rates increased to start the year and that continued into the second quarter. Compared to the benchmark, duration positioning contributed to returns for the quarter. As interest rates increased during the quarter, this resulted in positive relative return due to being short duration compared to the benchmark.

Outlook and Conclusion

In terms of risk budgeting, the Fund is targeting a modest overweight to risk representing 30% of the risk budget.

Economic growth has surprised to the upside over the last year, but downside risks remain elevated from the cumulative effects of the Fed's restrictive monetary policy, tightening bank lending standards, increased geopolitical risks, and uncertainty around the U.S. elections.

Inflation continues to decelerate but remains above the Fed's 2% target. The Fed is expected to begin easing monetary policy later this year as inflation trends toward its target but will remain in restrictive territory for some time. Although the U.S. economy has shown resilience thus far, consumption could slow more than expected as consumer strength faces increased challenges and the labor market continues to cool.

Valuations generally reflect a high probability of a soft/no landing with limited margin of safety. Despite our improved economic outlook, elevated asset prices result in only a modest overweight risk posture within the strategy.

In terms of the Fund's sector positioning reflects generally expensive valuations, relative value, and opportunities within each sector. Allocations were adjusted marginally in the quarter and primary risk exposures include:

Exposure to Investment Grade Credit was unchanged during

the quarter. The sector continues to favor positions lower in the capital structure within high quality financials while selectively adding to bottom-up opportunities on attractive relative value, particularly in the intermediate part of the curve. The Fund's allocation to Securitized Products increase marginally during the quarter. The team continues to favor non-agency exposure within the sector, and is positioned appropriately with overweight exposure to ABS, CLO, and CMBS.

The Fund maintained its exposure to Emerging Markets Debt during the quarter. The sector is primarily invested in compelling bottom-up opportunities within the below-investment grade segment. Latin America remains the largest exposure within the sector. High Yield exposure remained largely unchanged during the quarter. High Yield exposure is at the lower end of its historical range as risk/reward is skewed to the downside. The high yield allocation is broadly diversified by sector and has been reducing risk on relative value, favoring higher quality BBs.

The Fund's duration was reduced during the quarter from 5.3 to 5.0 years but averaged around a 5.3 year duration over the quarter. We are positioning portfolios within the current range of 5.0 to 5.5 years through an allocation to Treasuries but eliminated the exposure to Treasury Inflation-Protected Securities (real yields) during the quarter following strong performance. We believe longer rates are now more fairly valued but expect to see volatility over the coming quarters.

The Fund is positioned to perform well in a stable to improving market environment. We believe a modest overweight to credit sectors is prudent as valuations are tight of historical medians, limiting potential upside, but the improving economic environment should support tighter spreads. The Fund should perform well in this type of stable environment through its excess carry, as it continues to generate an above average yield through a high conviction multi-sector approach. In today's volatile environment, we believe the Fund provides a compelling solution for fixed income investors due to its flexible and risk-oriented approach.

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Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				Total	Net
A Shares	11/01/93	TQPAX	89154M306	1.16%	1.00%
C Shares	04/01/94	TQPCX	89154M405	1.97%	1.71%
Y Shares	01/29/15	TQPYX	89154M504	0.91%	0.75%
INST Shares	07/19/21	TQPIX	89154M603	1.67%	0.65%
Total Fund Assets	\$196.7 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 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 07/29/25. Share class availability differs by firm.

Annualized Total Returns

	2Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	0.80%	3.42%	9.52%	0.08%	2.28%	2.40%	5.41%
C Shares	0.29%	3.03%	8.69%	-0.68%	1.53%	1.70%	4.96%
Y Shares	0.87%	3.56%	9.83%	0.35%	2.53%	—	2.89%
INST Shares	0.89%	3.62%	9.97%	—	—	—	0.41%
Benchmark	0.07%	-0.71%	2.63%	-3.02%	-0.23%	1.35%	—
Including Max Sales Charge							
A Shares	-2.62%	0.17%	5.98%	-1.57%	1.28%	1.90%	5.24%
C Shares	-0.70%	2.03%	7.69%	-0.68%	1.53%	1.70%	4.96%

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

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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](https://www.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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Not FDIC Insured | No Bank Guarantee | May Lose Value

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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