Fund Manager Commentary

As of September 30, 2021

Fund Highlights

- Targets goals through a short duration, low risk approach
- Emphasizes mortgage-backed and asset-backed securities, which are backed by income-producing assets; inefficiencies in these markets make them attractive for active management
- Seeks to keep duration less than a year, which reduces duration risk compared to longer duration portfolios
- Higher credit quality portfolio seeks to avoid higher risk strategies, such as non-dollar currencies and lower quality credits
- Seeks to complement more "opportunistic" fixed income, equity or hedge fund strategies

Market Recap

In spite of the pandemic's resurgence via the Delta variant during the third quarter, the U.S. economic recovery continued to forge ahead. Vaccines, masks and social distancing largely replaced the more economically destructive shutdowns implemented earlier in the pandemic. Although certain sectors faced a modest setback due to the Delta variant, most continued their advance during the quarter, supporting the belief that the U.S. remains on a strong recovery track.

GDP data released during the third quarter showed that the economy grew at a 6.6% annualized rate during the second quarter, bringing real GDP back to a pre-pandemic level. Business spending and confidence proved resilient in spite of supply and labor constraints, although inflation worry and issues recently percolating in China have increased the risk for uncertainty and volatility in the near-term. Equity markets reflected these concerns during September and ended the quarter on a cautious note, giving back the gains from the first two months of the quarter. Rates sold off in September as U.S. Federal Reserve Board (Fed) Chairman Jerome Powell took a more hawkish tone. Investment Grade Credit spreads softened in sympathy with Equities, although valuations overall remain near historically tight levels. The ultra short duration market, remained well-insulated from these moves. With short interest rates still anchored near zero by Fed policy, and credit spreads stubbornly holding at historical tights, returns across the category were compressed, and largely driven by carry during the quarter.

Portfolio Review

The Touchstone Ultra Short Duration Fixed Income Fund (Class A Shares Load-Waived) outperformed its benchmarks, the ICE BofA Merrill Lynch 3-Month U.S. Treasury Bill Index and the ICE BofA Merrill Lynch 1-Year U.S. Treasury Note Index, for the quarter ended September 30, 2021.

The yield curve steepened during the quarter, with the broader yield curve (2-10 years) selling off by 5-10 basis points and the liquidity curve (inside of 2 years) remaining static. Spreads on ultra short duration assets were largely unchanged during the third quarter, in spite of some risk assets seeing a meaningful selloff in September. Thus, given the minimal impact of rate or spread moves for the Fund, returns for the third quarter were largely carry driven.

Each of the Fund's major subsectors Commercial Mortgage-Backed Securities (CMBS), Corporates and Asset-Backed Securities (ABS) outperformed their corresponding 0-2 year indices. Less sizable exposure in Agency ARMs, Agency Collateralized Mortgage Obligations (CMO) and Collateralized Loan Obligations (CLO) also produced strong returns for the quarter. Small exposures to Agency Debentures, Agency Pass-Throughs, and Non-Agency CMOs were the weakest subsector returns for the quarter with modestly positive returns.

Exposure to CMBS and CLOs increased during the third quarter, while these were offset by reductions in Corporate and Residential Mortgage-Backed Securities (RMBS) exposure along with Cash. These modest changes reflect management's effort to keep the portfolio fully invested, and to take advantage of marginally attractive opportunities in Structured Products, which remain attractive versus

(continued)

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Corporates. Fund duration continued to decline during the third quarter, ending at 0.50 years versus 0.59 years as of the prior quarter-end. Given the flat nature of the liquidity curve (rates 2 years and less), and the lack of spread premium available on 1-2 year assets, much of the Fund's reinvestment activity has been in shorter assets. Although longer rates (2-10 years) sold off toward the end of the quarter, the front end of the yield curve remains anchored by Fed policy, and thus far has been insulated from the concerns around inflation and a potentially disruptive unwinding of the Fed balance sheet.

Outlook and Conclusion

The relative value landscape within the ultra short duration space remains extremely compressed, with short rates anchored near zero and spreads for many short sectors at or near historic tights. While fundamentals remain supportive of a continued longer-term economic recovery, several percolating risk factors drove volatility higher during third quarter. Rates sold off in September, as Fed Chair Jerome Powell pivoted to a hawkish tone, raising the Fed's inflation estimates and pulling forward the expected timeline for tapering and rate hikes. While pandemic-related supply chain and labor issues may prove to be transitory inflationary pressures, the distinction between permanent and transitory seems to be blurring as time passes and worry builds. While there is currently minimal opportunity cost associated with the Fund's historically short duration positioning, this inflationary question mark only adds to the conviction around a continued short duration bias.

Meanwhile, other risk factors such as the phase-out of the government stimulus programs in the U.S. and China's weakened real estate market (including the default of the largest Chinese property developer China Evergrande Group (Real Estate sector), contribute to the risk environment as markets look toward year-end. September's swift equity selloff served as a reminder of how quickly such ancillary factors can come to the forefront of markets.

Given that spreads in ultra short duration assets remain historically tight, and yet the potential for volatility in the near-term is elevated, we continue to maintain defensive positioning within the Fund. The greatest challenge in the current environment is the flat nature of the relative value landscape, however, our surgical approach to adding marginal value where possible has included yield-additive trades in Non-Agency RMBS, CMBS, ABS, and CLOs generally favoring Structured Products over Credit.

The ultra short duration space has thus far continued to offer a consistent, low-yield, tight-spread environment in 2021. We continue to capitalize on security-level inefficiencies and niche pockets of value to maintain an attractive and competitive yield profile for the Fund, however, we do so cautiously as the potential for volatility in the near-term has escalated over recent weeks. Given that fundamentals remain supportive for the continued longer-term U.S. economic recovery, we believe the Fund is well-positioned to take advantage of any market dislocation that leaks into the ultra short duration space.

As of September 30, 2021, China Evergrande Group made up 0.00% of the Touchstone Ultra Short Duration Fixed Income Fund. Current and future portfolio holdings are subject to change.

Fund Facts *(As of 09/30/21)*

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio* Total	Net
A Shares	04/12/12	**TSDAX**	89155T680	0.80%	0.69%
C Shares	04/12/12	**TSDCX**	89155T672	1.60%	1.19%
Y Shares	04/12/12	**TSYYX**	89155T664	0.51%	0.44%
Z Shares	03/01/94	**TSDOX**	89155H678	0.79%	0.69%
INST Shares	04/12/12	**TSDIX**	89155T656	0.46%	0.39%
S Shares	10/27/17	**SSSGX**	89155T581	0.99%	0.94%
Total Fund Assets	**$1.1 Billion**				

**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 0.69% for Class A Shares, 1.19% for Class C Shares, 0.44% for Class Y Shares, 0.69% for Class Z Shares, 0.39% for Class INST Shares and 0.94% for Class S 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 09/30/21)*

Class	3Q21	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	0.09%	0.30%	0.67%	1.64%	1.54%	1.28%	3.10%
C Shares	-0.15%	-0.18%	0.07%	1.14%	1.04%	0.85%	2.45%
Y Shares	0.04%	0.49%	0.92%	1.90%	1.80%	1.52%	3.19%
Z Shares	0.09%	0.30%	0.68%	1.65%	1.55%	1.29%	3.10%
INST Shares	0.06%	0.53%	0.98%	1.95%	1.85%	1.56%	3.20%
S Shares	0.03%	0.12%	0.42%	1.39%	1.29%	1.03%	2.84%
Benchmark 1^	0.01%	0.04%	0.07%	1.18%	1.16%	0.63%	2.41%
Benchmark 2^^	0.02%	0.11%	0.17%	1.88%	1.46%	0.89%	—
Including Max Sales Charge							
A Shares	-1.93%	-1.72%	-1.36%	0.96%	1.13%	1.07%	3.02%
C Shares	-1.15%	-1.18%	-0.93%	1.14%	1.04%	0.85%	2.45%

Max 2.00% sales charge for Class A Shares and 1% Contingent Deferred Sales Charge for Class C Shares held less than 1 year.

^Benchmark 1 - ICE BofA Merrill Lynch 3-Month U.S. Treasury Bill Index[1]

^^Benchmark 2 - ICE BofA Merrill Lynch 1-Year U.S. Treasury Note Index[2]

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.*

*****The performance presented for Class A, C, Y, INST and S Shares combines the performance of an older class of shares (Z Shares) from the Fund's inception, 03/01/94, with the performance since the inception date of each share class.***

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.

Not FDIC Insured | No Bank Guarantee | May Lose Value

[1]The ICE BofA Merrill Lynch 3-Month U.S. Treasury Bill Index is an unmanaged index of Treasury securities maturing in 90 days that assumes reinvestment of all income.

[2]ICE BofA Merrill Lynch 1-Year U.S. Treasury Note Index is an unmanaged index comprised of a single issue purchased at the beginning of the month and held for a full month. The issue selected at each month-end rebalancing is the outstanding two-year Treasury Note Bill that matures closest to, but, not beyond one year from the rebalancing date.

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 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 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 repurchase agreements which are considered loans by the Fund and may suffer a loss of principal and interest in the event of counterparty defaults. 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. The Fund invests in Collateralized Loan Obligations (CLOs) that have risks that largely depend on the type of underlying collateral and risks may include illiquidity, limited active market, the possibility that distributions from collateral securities will be insufficient to make interest or other payments, the potential for a decline in the quality of the collateral, and can bear the risk of default by the loans. 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. 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.

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