Fund Manager Commentary

As of September 30, 2022

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

The third quarter began on an optimistic note, as moderating energy and commodity prices fueled investor optimism that inflation may have peaked, and that the U.S. Federal Reserve Board (Fed) might soon be able to pare back its monetary tightening efforts and achieve the elusive "soft landing." Risk markets enjoyed a brief rally—a welcomed reprieve from the steady negativity of the first half of the year. Optimism faded quickly, however, when Fed Chairman Jerome Powell delivered the annual speech at the Jackson Hole, Wyoming conference on August 26th. While markets' momentary optimism implied some expectation of a pivot to dovishness, Powell instead delivered a strong hawkish message. He reiterated the urgency of the Fed getting inflation under control at all costs, and conveyed his view that we were still a long way away from achieving that mandate. Powell further suggested that it will be necessary to maintain a restrictive stance "for some time" with history warning us against easing policy too quickly. This speech marked a clear end to the risk-on tone the third quarter briefly enjoyed, with risk markets selling off and U.S. Treasury yields moving higher for the remainder of the quarter.

August consumer price index data was released in mid-September, showing worse-than expected persistence across all key segments, even acceleration in some areas. This undoubtedly contributed to the Fed's decision to hike rates by 75 basis points in September (the third consecutive hike of that magnitude), bringing cumulative year-to-date Fed hikes to 300 basis points. In spite of this strong degree of monetary tightening the labor market remained resilient posting solid job gains throughout the quarter, and even a slight decline in the unemployment rate sending it back to the mid-summer low of 3.5%. Markets have adapted to a "good news is bad news" environment, with each strong labor print indicating that significantly more monetary tightening is still necessary going forward.

While it seems decreasingly likely that the Fed will be able to manage inflation without driving the U.S. into a recession, the question remains how serious that recession might be. Consensus expectations are now for slightly positive full-year 2022 gross domestic product growth of around 0.2%, followed by a modest 1.2% for 2023. While inflation and monetary policy remain the headliner for markets, there are no shortage of other risk factors at play as well. The Russian/Ukrainian war continues to threaten not just geopolitical stability but also energy and commodity markets. Meanwhile, China's real estate sector has come under distress, while the government's zero-tolerance COVID-19 policies are stifling the manufacturing industry, helping perpetuate global supply chain pressures. The UK is likely already in a recession, with an impending winter energy crisis and the British pound recently hitting a historic low against the U.S. dollar. Reasons are abundant for market volatility to remain elevated for the foreseeable future.

Portfolio Review

The Touchstone Ultra Short Duration Fixed Income Fund (Class A Shares Load-Waived) underperformed its primary benchmark, the ICE BofA 3-Month U.S. Treasury Bill Index and outperformed its secondary benchmark, the ICE BofA 1-Year U.S. Treasury Note Index, for the quarter ended September 30, 2022.

The largest drivers of performance during the quarter were interest rate positioning and carry. Increases in Treasury rates

(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.***

were a significant headwind. Treasury rates from 1-6 months increased by 155-165 basis points during the quarter, while the 1-2 year part of the curve increased by 120-130 basis points. Duration positioning in the Fund remains historically short at 0.53 years. The Fund's yield provided some carry to help offset the significant mark-to-market pressure from rising rates while still generating positive return for the quarter.

Spreads across ultra short duration subsectors were volatile during the quarter, generally rallying through late August, then giving back those gains through the rest of the quarter. Market activity was sloppy and inconsistent as some motivated, liquidity-driven sellers intermittently pushed spreads wider, being forced sellers in a "buyers' market." Strongest nominal subsector returns within the Fund for the third quarter came from Commercial Mortgage-Backed Securities, Agency Debentures and Collateralized Loan Obligations, while the lowest returning subsectors were Residential Mortgage-Backed Securities, Corporates and Cash. All major subsectors outperformed their respective ultra short duration ICE BofA subsector indices for the quarter.

Positioning changes in the Fund were minimal during the third quarter. Cash and Equivalents exposure was reduced offset by a corresponding increase in Corporates. Duration positioning extended immaterially by 0.03 years. Yields increased as result of the dynamic rate and spread environment rather than changes in positioning.

As mentioned above, the Fund's current duration positioning remains at the short end of the historical range. Given the drastic rise in rates during the quarter, this benefited the Fund's performance relative to the ICE BofA 1-Year U.S. Treasury Note Index benchmark, but detracted versus the ICE BofA 3-Month U.S. Treasury Bill Index.

The meaningful rise in rates during the third quarter posed a headwind to performance, however, the significant carry in the portfolio more than offset those moves, allowing the Fund to still generate a positive return for the third quarter.

Outlook and Conclusion

We expect the macroeconomic backdrop to continue to be volatile and likely deteriorate going forward. The Fed's aggressive drive to get inflation under control is likely to tip the U.S. economy into a recession, but there is a significant amount of uncertainty around how that plays out and how severe the downturn ultimately will be. Fundamentally, both consumer and business balance sheets are entering the post-pandemic era from a strong starting point, however, we are cautious as we watch normalization/deterioration play out.

Given this backdrop of uncertainty, we continue to prefer to hold our credit risk within shorter key rate duration buckets, limiting the spread duration of the portfolio by doing so. We continue to favor structured products over corporate credit, given the favorable structural attributes and also the attractive relative value comparison versus corporate credit for a given credit quality. We also continue to maintain a historically high exposure to floating rate securities and cash-equivalent instruments within the Fund.

Going forward, we expect the investing landscape to continue to be challenging from a volatility standpoint, and for certain fundamentals to likely deteriorate as monetary policy continues to tighten. Even so, we are confident about the Fund's current positioning. With limited interest rate risk and significant carry (even while maintaining a historically high AA- credit quality), we feel the Fund is poised to generate an attractive total return in spite of the elevated degree of spread and interest rate volatility we expect to see. Ultra short duration markets currently offer a more interesting environment than we have seen in quite some time, and we are excited to be able to capitalize on these opportunities.

Fund Facts *(As of 09/30/22)*

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio* Total	Net
A Shares	04/12/12	**TSDAX**	89155T680	0.74%	0.69%
C Shares	04/12/12	**TSDCX**	89155T672	1.47%	1.19%
Y Shares	04/12/12	**TSYYX**	89155T664	0.50%	0.44%
Z Shares	03/01/94	**TSDOX**	89155H678	0.78%	0.69%
INST Shares	04/12/12	**TSDIX**	89155T656	0.45%	0.39%
S Shares	10/27/17	**SSSGX**	89155T581	0.99%	0.94%
Total Fund Assets	**$703.4 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 0.69% 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 01/29/23.*

Share class availability differs by firm.

Annualized Total Returns** *(As of 09/30/22)*

	3Q22	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	0.35%	-0.60%	-0.80%	0.39%	1.12%	0.99%	2.96%
C Shares	0.34%	-0.97%	-1.18%	-0.07%	0.64%	0.60%	2.33%
Y Shares	0.42%	-0.52%	-0.55%	0.64%	1.37%	1.25%	3.05%
Z Shares	0.35%	-0.71%	-0.80%	0.40%	1.12%	1.00%	2.96%
INST Shares	0.43%	-0.48%	-0.50%	0.70%	1.42%	1.29%	3.07%
S Shares	0.29%	-0.89%	-1.05%	0.18%	0.87%	0.74%	2.70%
Benchmark 1^	0.46%	0.61%	0.62%	0.59%	1.15%	0.68%	2.34%
Benchmark 2^^	-0.50%	-1.77%	-1.95%	0.18%	0.94%	0.67%	—
Including Max Sales Charge							
A Shares	-1.61%	-2.61%	-2.80%	-0.28%	0.71%	0.78%	2.89%
C Shares	-0.66%	-1.95%	-2.16%	-0.07%	0.64%	0.60%	2.33%

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 3-Month U.S. Treasury Bill Index[1]

^^Benchmark 2 - ICE BofA 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 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 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 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 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. 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 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 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 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. 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. Current and future portfolio holdings are subject to change.

Touchstone Funds are distributed by Touchstone Securities, Inc.*

*A registered broker-dealer and member FINRA and SIPC

Touchstone is a member of Western & Southern Financial Group

Touchstone Investments®
DISTINCTIVELY ACTIVE®

800.638.8194 • TouchstoneInvestments.com