Touchstone High Yield Fund

Sub-Advised by: Fort Washington Investment Advisors Inc.◊

Fund Manager Commentary

As of September 30, 2015

Fund Highlights

- Seeks to achieve a high level of income by investing primarily in non-investment-grade debt securities
- Evaluates overall investment opportunities and risks in different industries focusing on those that exhibit the potential for stability and predictability
- Eliminates certain types of securities from purchase due to their structure
- Applies rigorous credit selection process in an effort to identify securities that offer attractive investment opportunities

Market Recap

Equities and other risk assets sold off markedly in the third quarter after fluctuating in broad trading ranges during the first half of 2015. At one point during the quarter the U.S. stock market, as measured by the S&P 500 Index®, dropped by double digits, representing the first such correction in four years. It rebounded off its low, yet posted a negative total return for the quarter. International and emerging market equities experienced declines even larger than those of U.S. equities. Within the bond market, U.S. Treasuries rallied while below-investment-grade bonds posted a negative return with spreads widening relative to equivalent-duration U.S. Treasury securities.

These developments occurred against a backdrop of heightened worries about China's economy and other emerging market economies. Many observers discounted China's official economic growth statistics, with "hard data" such as manufacturing activity, electricity generation and exports suggesting much softer growth. The most compelling evidence of weakness in China was a broad-based decline in commodity prices, which contributed to recessions in Brazil, Russia and Venezuela, and to sluggish growth in Australia, Canada and South Africa. At the same time, Singapore, South Korea and Taiwan experienced steep declines in exports as a result of diminished demand from China. According to J.P. Morgan Economics, it was the weakest period of growth for emerging economies, who collectively account for one-half of world gross domestic product (GDP), since the fallout from the 2008 global financial crisis.

Portfolio Review

The Touchstone High Yield Fund (Class A Shares Load-Waived) underperformed its benchmark, the BofA Merrill Lynch High Yield Cash Pay Index, for the quarter ended September 30, 2015.

The Fund underperformed its benchmark during the quarter due both to an overweight allocation to the Energy industry as well as to poor security selection within that same industry. While the strategy has historically performed well in times of increased volatility, risk specific to the Energy industry significantly impacted returns. The sharp drop in the price of oil has stressed a number of exploration and production (E&P) companies and service providers. While the Energy allocation focused on companies that appeared to have financial flexibility, the capital markets did not seem to consider the possibility of firming oil prices in future years. As a result, many of these issues traded poorly during the quarter.

Among the Energy positions that detracted from the Fund's performance were Linn Energy LLC, Key Energy Services Inc., California Resources Corp. and SandRidge Energy Inc. Key Energy was sold and the other holdings are being monitored. Underweight allocations to a variety of other Energy industry issuers offset some of the losses but only partially. An underweight allocation to Sprint Corp. (Telecommunications), which was downgraded to a CCC credit rating, aided relative performance.

While the Fund was overweight Energy, modest adjustments were made in an effort to improve the risk-return profile of the exposure. We have deemphasized service providers and favored E&P companies that we believe are unlikely to require a restructuring.

(continued)

◊ *Fort Washington is a member of Western & Southern Financial Group*

The Fund's largest exposures remained similar to the second quarter with the exception of an increase in Frontier Communications Corp. (Telecommunications), which placed attractively priced debt toward the end of the quarter. In addition, we reduced the Fund's exposure to HCA Holdings Inc. (Health Care). While we think the credit remains solid, we are uncertain that the company could be an investment grade candidate. As such, we felt that the bonds were overpriced.

In regard to the Fund's industry weights, exposure was increased to Cable/Satellite TV, primarily via a new issue to finance the Altice Financing SA purchase of Cablevision Systems Corp. Exposure to Energy was reduced, partly due to market value declines and partly due to risk reduction sales.

Effective duration was in line with the benchmark and changes in the yield curve had minimal impact on performance.

Outlook and Conclusion

The Fund is overweight Energy and underweight Metals & Mining. Both industries are volatile and we believe that the volatility has the potential to drive returns going forward in both absolute terms and relative terms. While we do not anticipate the price of oil returning to 2013-2014 levels, U.S. oil drilling has been curtailed sharply, which has led to a reduction in supply. In addition, we believe that continued global growth should assist with demand. The result should be moderately higher oil prices, albeit with the possibility of continued volatility. We believe the Fund's portfolio is well constructed based upon the environment. Related, but separate, will be the impact of potentially slowing growth in China and other emerging market economies.

Notwithstanding developments in the emerging economies, the U.S. economy has been resilient thus far. In fact, real GDP growth for the second quarter was revised upward from its initial estimate, and the consensus forecast calls for it to expand close to the trend pace into next year. While the manufacturing sector has softened in response to weakness abroad and a strong dollar, the services sector, which accounts for the vast majority of the economy, continues to grow at a solid pace. The unemployment rate has fallen on the back of steady jobs growth, although the pace of job creation slowed in the past two months from the previous trend.

Nonetheless, there are valid reasons to consider how long the U.S. economy can sustain its momentum. While the Federal Reserve Board (Fed) has delayed raising short term interest rates, financial conditions in the United States have tightened as a result of a widening in corporate credit spreads and a strong U.S. dollar. At present, investors are focusing on the prospects for U.S. profit growth, which has plateaued recently, after having surged during the recovery from the 2008-2009 recession. This stalling in profit growth is related to the strength of the dollar, which impacts earnings of multinationals, and to the plunge in prices for oil and raw materials, which has hit the Energy and Mining sectors hard.

We believe investors also remain wary of what the Fed might do, despite reassurances from Fed officials that any tightening of monetary policy will be very gradual and conditioned on how the economy and inflation perform. One difference of late is that the U.S. stock market sold off following the Fed's decision to postpone tightening policy in September, whereas in the past the market rallied on such news. One explanation is that the market is worried about conditions abroad and views non-action by the Fed as validation of this fear. Fed officials, in turn, have been quick to say they could still raise rates at either of the next two Federal Open Market Committee (FOMC) meetings.

The recent turn of events has been challenging for investors as they navigate through markets that have become more volatile and less liquid. In these circumstances, it is natural for investors to require an added premium to hold risk assets. Therefore, we believe the widening in U.S. corporate credit spreads that has occurred makes high yield bonds attractive from a long-term perspective considering that we believe the risk of a U.S. recession is very low and the prospects for defaults appear manageable. Volatility, however, should be anticipated as some of the aforementioned uncertainties are resolved.

As of September 30, 2015, Linn Energy LLC 8.63% 04/15/2020 made up 0.36%, California Resources Corp. 5.50% 09/15/2021 made up 0.76%, SandRidge Energy Inc. 7.50% 02/15/2023 made up 0.03% and 8.75% 01/15/2020 made up 0.22%, Sprint Corp. 7.63% 02/15/2025 made up 0.08%, Frontier Communications Corp. 10.50% 09/15/2022 made up 0.37%, 8.13% 10/01/2018 made up 0.73% and 8.50% 04/15/2020 made up 0.68%, HCA Holdings Inc. 5.38% 02/01/2025 made up 0.44% and 6.50% 02/15/2020 made up 0.10%, Altice Financing SA 6.63% 02/15/2023 made up 0.56%, Cablevision Systems Corp. 5.88% 09/15/2022 made up 0.30% and 8.00% 04/15/2020 made up 0.20% and Key Energy Services Inc. made up 0.00% of the Touchstone High Yield Fund. Current and future portfolio holdings are subject to risk.

Fund Facts *(As of 09/30/15)*

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio* Total	Net
A Shares	05/01/00	**THYAX**	89154W809	1.12%	1.05%
C Shares	05/23/00	**THYCX**	89154W882	1.84%	1.80%
Y Shares	02/01/07	**THYYX**	89154W817	0.76%	0.76%
INST Shares	01/27/12	**THIYX**	89154W775	0.73%	0.72%
Total Fund Assets	**$230.3 Million**				

**Expense ratio is annualized. Data as of 01/30/15 prospectus. Touchstone Advisors has contractually agreed to waive a portion of its fees and/or reimburse certain Fund expenses in order to limit annual fund operating expenses to 1.05% for Class A Shares, 1.80% for Class C Shares, 0.80% for Class Y Shares and 0.72% for Class INST Shares. These expense limitations will remain in effect until at least 01/29/16.*

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Annualized Total Returns** *(As of 09/30/15)*

Class	3Q15	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Including Max Sales Charge							
A Shares	-10.48%	-7.94%	-9.04%	0.48%	3.94%	5.39%	6.20%
C Shares	-7.22%	-4.78%	-6.17%	1.31%	4.15%	5.11%	5.78%
Excluding Max Sales Charge							
A Shares	-5.99%	-3.30%	-4.54%	2.11%	4.96%	5.91%	6.54%
C Shares	-6.30%	-3.85%	-5.28%	1.31%	4.15%	5.11%	5.78%
Y Shares	-6.00%	-3.15%	-4.42%	2.38%	5.22%	6.18%	6.71%
INST Shares	-5.98%	-2.98%	-4.23%	2.47%	5.25%	6.06%	6.63%
Benchmark^	-4.88%	-2.51%	-3.54%	3.43%	5.90%	7.04%	7.21%

Max 4.75% sales charge for Class A Shares and 1% Contingent Deferred Sales Charge for Class C Shares held less than 1 year.

^Benchmark - BofA Merrill Lynch High Yield Cash Pay Index[1]

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/pricing-performance.*** *From time to time, the investment advisor may waive some fees and/or reimburse expenses, which if not waived or reimbursed, may 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 C, Y, and INST Shares combines the performance of an older class of shares (A Shares) from the Fund's inception, 05/01/00, with the performance since the inception date of each share class.***

The indexes mentioned are unmanaged statistical composites of stock market or bond market performance. Investing in an index is not possible.

[1]The BofA Merrill Lynch High Yield Cash Pay Index is an unmanaged index used as a general measure of market performance consisting of fixed-rate, coupon-bearing bonds with an outstanding par which is greater than or equal to $50 million, a maturity range greater than or equal to one year and must be less than BBB/Baa3 rated but not in default.

A Word About Risk

The Fund invests in debt securities which can lose their value as interest rates rise and are subject to 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. 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. Current and future portfolio holdings are subject to risk. The advisor engages the sub-advisor to manage the Fund's portfolio; the sub-advisor's judgment may impact the Fund's performance.

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/literature-center or call Touchstone at 800.638.8194. Please read the prospectus and/or summary prospectus carefully before investing.

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