Fund Manager Commentary

As of March 31, 2025

Fund Highlights

- Utilizes an active management framework seeking to maximize total return
- Employs a disciplined selection process in an attempt to build a broadly diversified portfolio
- Assesses the economic environment and recent developments occurring in the bond market to set specific duration levels, yield-curve structures, sector weightings and credit-quality targets
- Utilizes a team of sector specialists to recommend securities

Market Recap

Uncertainty was the dominant theme in markets during the first quarter, driven largely by shifting policies under the new administration. Evolving trade policies and escalating tensions with key trading partners created an added layer of complexity for businesses, impacting corporate planning and investment decisions. At the same time, consumer sentiment showed signs of softening, with investors reassessing the potential impact of new policies on spending behavior.

This growing lack of clarity, combined with rising inflation concerns, have created uncertainty around the trajectory of U.S. economic growth, prompting economists to revise their 2025 GDP forecasts. However, it is worth emphasizing that much of the deterioration so far has been reflected in soft data – surveys, sentiment indicators, and business confidence – rather than hard economic metrics like GDP or employment.

Looking ahead, key factors to watch include potential shifts in fiscal policy, the U.S. Federal Reserve Board's (Fed) response to evolving macroeconomic conditions, and the extent to which business and consumer sentiment translates into actual spending and business activity. If uncertainty persists or tariffs escalate into larger trade wars, it will likely manifest in weaker hard data. A dovish Fed reaction or a pivot on trade policy could help restore some confidence and support domestic growth.

Increased policy uncertainty and renewed growth fears led to a risk off tone for financial markets as interest rates declined and risk assets underperformed. Equities were volatile as the S&P 500 briefly entered correction territory from mid-February highs and ended the quarter down -4.3%. Credit spreads also moved wider but remained tight relative to historical levels. Amid this risk off tone, Treasury yields moved lower with the 10-year Treasury ending the quarter at 4.21% compared to 4.57% at the start of the year.

Portfolio Review

The Touchstone Active Bond Fund (Class A Shares, Load Waived) underperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended March 31, 2025.

The Fund's sector allocation was the largest detractor in terms of relative performance during the quarter. The primary driver was the overweight allocation to credit, specifically investment grade corporates, as spreads widened over the quarter. Security selection was a modest detractor from relative performance during the quarter, driven by securitized and investment grade corporates. Within securitized, the Fund was overweight collateralized mortgage obligations which underperformed relative to agency passthroughs. Within investment grade corporates, underperformance was driven by broad spread widening as opposed to being concentrated in a specific sector. There were no significant changes to the Fund's sector positioning during the quarter as portfolio activity was largely focused on security selection opportunities within each sector.

The Fund's interest rate exposure contributed to relative performance over the quarter. The Fund was managed with longer duration relative to the benchmark which outperformed as interest rates declined during the period. The Fund began the quarter long duration and maintained that exposure relative to the benchmark for a majority of the period. This positioning contributed to relative performance as the Fund averaged 0.3 years longer than the benchmark as

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interest rates declined during the period. Duration positioning also ended the quarter long as we believe longer rates present attractive relative value.

The Fund tactically adjusted its yield curve positioning throughout the quarter but was generally positioned to benefit from a steeper yield curve. This was a modest benefit to relative performance as short rates declined more than longer rates. Investor expectations for rate cuts increased during the period as growth and inflation forecasts shifted. As a result, the Fund ended the quarter with largely neutral curve positioning relative to the benchmark.

Outlook and Conclusion

The Fund's risk budget is targeting a modest overweight to risk representing 30% of the risk budget.

Developing trade policy has created elevated uncertainty around economic growth and inflation. Forecasts for U.S. economic activity have declined in recent weeks amid tariffs and weaker sentiment across businesses and consumers. Investor expectations for inflation are for a meaningful short-term impact but one that is not expected to be persistent. While the Fed paused at their last two meetings, expectations are for multiple cuts in 2025 as downside risks to growth have increased and uncertainty remains high.

Despite modestly cheaper valuations since the beginning of the year, current levels are still expensive relative to history. Incorporating elevated uncertainty with current valuations, the Fund is positioned with a modest overweight risk posture and an ability to add risk as opportunities arise.

Sector positioning reflects current valuations, relative value, and opportunities within each sector. Allocations were mostly unchanged during the quarter and primary risk exposures include:

The Fund's portfolio remains overweight Investment Grade Credit (IG). Within the IG allocation, the strategy is increasingly weighted toward liquid, higher quality issues. We are maintaining a risk overweight to select sectors where compelling bottom-up opportunities exist such as midstream and banks.

Securitized Products remain an overweight exposure relative to the benchmark, focused within high quality non-agency commercial mortgage-backed securities and residential mortgage-backed securities. Spreads moved wider over the quarter, but many non-agency sectors saw parallel increases across the capital structure (AAA to BBB). As a result, the exposure remains biased up-in-quality due to tight credit curves not adequately compensating investors for risk.

The Fund's portfolio maintained its neutral weighting to emerging market debt (EMD). EMD spreads have widened in conjunction with domestic credit and uncertainty over U.S. trade policy, but most of that move has been within the high yield space. The Fund has limited exposure to high yield corporates and maintained the ability to add within the sector as opportunities arise.

We are currently positioning the Fund long duration relative to the benchmark as uncertainty remains high and downside risks have increased. The yield curve steepened modestly during the quarter as growth expectations declined and forecasts for Fed cuts increased. Portfolios are positioned largely neutral from a curve perspective relative to the index. Volatility has been elevated and we anticipate the magnitude of expected rate cuts will continue shifting with new economic data and developments around executive branch policies, presenting opportunities for tactical adjustments.

The Fund is positioned well to navigate the current environment of elevated uncertainty. We believe a modest overweight to credit sectors is prudent given valuations are tight relative to historical medians and uncertainty remains high. Evolving policy combined with softer consumer and business sentiment have led to rapidly shifting forecasts for economic growth and inflation. If the economic landscape stabilizes, the Fund is positioned to benefit from additional spread risk relative to the benchmark. However, if economic growth slows materially, the Fund is positioned to add exposure opportunistically as risk assets would likely experience further weakness. Additionally, we believe positive security selection can benefit the Fund in many different market environments and tactical duration management allows the Fund to take advantage of elevated rate volatility.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	10/03/94	**TOBAX**	89154W502	0.98%	0.83%
C Shares	10/03/94	**TODCX**	89154W601	2.46%	1.50%
Y Shares	04/12/12	**TOBYX**	89154W791	0.74%	0.58%
INST Shares	04/12/12	**TOBIX**	89154W783	0.64%	0.50%
Total Fund Assets	**$261.0 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 0.83% for Class A Shares, 1.50% for Class C Shares, 0.58% for Class Y Shares and 0.50% for Class INST Shares. These expense limitations will remain in effect until at least 01/29/26.

Share class availability differs by firm.

Annualized Total Returns

	1Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	2.46%	2.46%	4.91%	0.63%	1.20%	1.74%	4.28%
C Shares	2.31%	2.31%	4.22%	-0.10%	0.46%	1.12%	4.02%
Y Shares	2.52%	2.52%	5.18%	0.92%	1.48%	2.00%	4.39%
INST Shares	2.55%	2.55%	5.28%	0.96%	1.54%	2.08%	4.43%
Benchmark	2.78%	2.78%	4.88%	0.52%	-0.40%	1.46%	4.60%
Including Max Sales Charge							
A Shares	-0.86%	-0.86%	1.53%	-0.49%	0.80%	1.24%	4.11%
C Shares	1.31%	1.31%	3.22%	-0.10%	0.46%	1.12%	4.02%

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

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 adviser 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 Y and INST Shares combines the performance of an older class of shares (A Shares) from the Fund's inception, 10/03/94, with the performance since the inception date of each share class.

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 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 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 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 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. The Fund invests in derivatives and securities such as forward foreign currency exchange contracts, futures contracts, options and swap agreements. 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 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 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 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. 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's service providers are susceptible to cyber security risks that could result in losses to a Fund and its shareholders. Cyber security incidents could affect issuers in which a Fund invests, thereby causing the Fund's investments to lose value. Current and future portfolio holdings are subject to change.

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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