Fund Manager Commentary

As of December 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

The U.S. Federal Reserve (Fed) built on its September rate cut by delivering two additional 25 basis point reductions at the final meetings of the year. A weakening employment picture prompted the Federal Open Market Committee to move policy closer to neutral. However, division among members has grown, with concerns over downside risks to the labor market at odds with views that the economy could still experience upside inflation surprises. While recent reports show inflation plateauing, goods prices appear the most likely source of higher than expected inflation, given ongoing tariff pressures and a pending Supreme Court ruling on their legality.

Following stronger than expected 4.3% GDP growth in the third quarter, the economy is projected to see a modest slowdown in the fourth quarter. However, this is largely due to the temporary drag from the U.S. government shutdown, with growth normalizing in the first quarter of 2026. Beyond weighing on activity, the shutdown has complicated the interpretation of economic data as a result of missing inputs and delayed releases. Nevertheless, as the effects dissipate, tax policy remains a potential tailwind, as accelerated depreciation should boost capital expenditures and individual tax cuts should support consumer spending. That said, job creation has slowed meaningfully and could begin to pressure consumption should unemployment rise further.

As rate cuts eased financial conditions and market fundamentals remained healthy, the S&P 500 continued to reach new highs over the quarter. Closing the year with an annual return of 17.9%, this marks a third consecutive year of double-digit gains for the S&P. Credit spreads were largely range bound during the quarter and remain near historically tight levels. Expectations for additional rate cuts in 2026, alongside benign long-term inflation expectations, contributed to a steepening yield curve over the quarter, despite the 10-year Treasury ending largely unchanged at 4.17%.

Portfolio Review

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

Security selection had the largest impact to relative outperformance over the period due to positive selection in investment grade corporates and securitized. Within investment grade corporates the largest contributor was an underweight to technology and within securitized the primary driver was an overweight to non-agency asset-backed securities.

The Fund's sector allocation was a positive contributor to relative performance during the quarter. The primary driver was the overweight allocation to high yield corporates and securitized as credit spreads were generally range bound over the quarter.

The Fund's interest rate positioning contributed positively to performance amid a volatile quarter. The yield curve steepened as the Fed cut rates while longer-term yields moved modestly higher, leaving the 10-year Treasury largely unchanged. The Fund maintained a longer duration than the benchmark on average and made tactical adjustments throughout the quarter, modestly enhancing returns. A consistent bias toward a steeper yield curve also benefited relative performance.

(continued)

There were no significant changes to the Fund's sector positioning during the quarter as the risk budget target remained at 40%. However, the Fund did reduce risk modestly by trimming high yield corporate exposure. In addition, the Fund rebalanced by trimming investment grade corporates and securitized, primarily through residential mortgage-backed securities, and rotating into Treasuries. Outside of these adjustments, portfolio activity was largely focused on security selection opportunities within each sector.

The Fund began the quarter with largely neutral duration but maintained a modest long-duration bias versus the benchmark for most of the period. Duration exposure was primarily added through real yields via 10 and 30-year Treasury Inflation-Protected Securities, which slightly detracted from performance, though tactical duration adjustments throughout the quarter modestly improved results, making overall duration a net contributor. The Fund also actively managed yield curve positioning with a consistent bias toward a steeper curve, which benefited performance as Fed rate cuts coincided with modest increases in longer-term yields, before ending the quarter with a largely neutral curve stance relative to the benchmark.

Outlook and Conclusion

As we enter the new year, the investment landscape remains uncertain, though optimism for 2026 continues to build. The U.S. economy has shown resilience despite trade and geopolitical headwinds, supported by strong personal consumption—particularly among higher-income households benefiting from the wealth effect—and sustained investment in artificial intelligence infrastructure. These forces are expected to remain key drivers of growth into 2026, even as elevated uncertainty persists.

Given expensive valuations relative to history and a cautious macro outlook, the strategy is positioned with a modest overweight to risk, representing roughly 30% of the risk budget, while retaining flexibility to add exposure opportunistically. Fund positioning emphasizes relative value and bottom-up opportunities across credit sectors. The strategy remains overweight Investment Grade Credit and Securitized Products, with a focus on higher-quality, liquid issuers, while maintaining a selective risk bias in sectors such as midstream and banks. Exposure to high yield has been trimmed following significant spread tightening, with allocations skewed toward higher-quality issuers. Emerging market debt remains neutral, and exposure to collateralized loan obligations and technology credit is restrained due to valuation concerns and expected supply dynamics.

From a rates perspective, the Fund is positioned modestly long duration relative to the benchmark, reflecting the attractiveness of longer real yields, while maintaining a largely neutral curve stance. Although rate volatility has eased, shifting expectations for future Fed cuts and evolving policy developments are likely to create opportunities for tactical adjustments. Overall, the Fund is well positioned to navigate an environment of moderate growth and elevated uncertainty, with a modest credit overweight, disciplined security selection, and active duration management supporting performance across a range of potential economic outcomes.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	10/03/94	**TOBAX**	89154W502	0.97%	0.83%
C Shares	10/03/94	**TODCX**	89154W601	2.44%	1.50%
Y Shares	04/12/12	**TOBYX**	89154W791	0.72%	0.58%
INST Shares	04/12/12	**TOBIX**	89154W783	0.62%	0.50%
Total Fund Assets	**$275.3 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 0.49% for Class INST Shares. These expense limitations will remain in effect until at least 01/29/27.

Share class availability differs by firm.

Annualized Total Returns

	4Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	1.33%	7.99%	7.99%	5.50%	-0.12%	2.53%	4.35%
C Shares	1.07%	7.18%	7.18%	4.70%	-0.87%	1.91%	4.10%
Y Shares	1.39%	8.16%	8.16%	5.73%	0.13%	2.78%	4.46%
INST Shares	1.31%	8.25%	8.25%	5.79%	0.18%	2.86%	4.50%
Benchmark	1.10%	7.30%	7.30%	4.66%	-0.36%	2.01%	4.63%
Including Max Sales Charge							
A Shares	-1.95%	4.50%	4.50%	4.34%	-0.77%	2.03%	4.19%
C Shares	0.07%	6.18%	6.18%	4.70%	-0.87%	1.91%	4.10%

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 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 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 an 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 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. 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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