

Fund Manager Commentary

As of September 30, 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) delivered its first rate cut of the year in September. Softening employment reports, including negative revisions, provided evidence of downside risk to the labor market, which prompted the Fed to engage in a 25 basis point (bps) “risk management” cut. In addition, the Fed adjusted their expectations for the path of rates, forecasting two more cuts this year and one in 2026 in spite of slight increases in growth and inflation forecasts. This rate adjustment, and forward guidance, continues to ease financial conditions for the economy despite lingering uncertainty.

Trade policy continues to be a primary source of uncertainty for investors. While the White House has announced a handful of deals and frameworks for deals, there are still a lot of details that remain unknown, especially related to China. In addition to tariff mechanics, questions remain around the legality of certain tariffs that utilized International Emergency Economic Powers Act authority. The U.S. Trade Court ruled these tariffs illegal, but the White House appeal sent the case to the Supreme Court which agreed to hear oral arguments in early November.

While economic growth has slowed since last year, expectations for 2026 have started to improve. Full expensing for manufacturing structures, research & development, and equipment investment was made law by the Big, Beautiful Bill in July which should boost capital expenditure over the coming quarters. Consumer spending remains largely resilient, driven by higher income cohorts. However, weaker employment data shows that the economy is just marginally adding jobs, presenting an environment that could cause a rise in the unemployment rate.

Despite lingering uncertainty around trade, geopolitics, and monetary policy, the S&P 500 continued to make new highs. In a similar fashion, credit spreads tightened further and are at levels tight of historical averages. Due to increasing expectations for rate cuts, and benign long term inflation expectations, longer rates declined, and the 10-year Treasury ended the quarter at 4.15%.

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 September 30, 2025.

The Fund’s sector allocation was the largest contributor to relative performance during the quarter. The primary driver was the overweight allocation to credit, investment grade and high yield corporates, as spreads tightened over the quarter.

Security selection had a neutral impact to relative performance over the period. Positive selection from investment grade corporates was offset by underperformance within securitized, primarily due to an underweight to agency passsthroughs which outperformed over the quarter.

The Fund’s interest rate exposure modestly detracted from quarterly performance. Rates declined and the curve steepened as investors priced in rate cuts. While the Fund’s overall long duration versus the benchmark aided returns, tactical curve adjustments offset these gains, resulting in a slight negative impact on relative performance. There were no significant changes to the Fund’s sector positioning during the quarter as the risk budget target remained at 40%. Fund activity was largely focused on security selection opportunities within each sector.

(continued)

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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.**



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The Fund began and ended the quarter with a largely neutral duration. However, the Fund opportunistically lengthened duration positioning in late July which benefitted performance as rates declined amid labor market weakness. The Fund continued to tactically adjust duration throughout the rest of the quarter as rates experienced volatility but ended generally neutral relative to the benchmark. Overall duration positioning was a modest contributor to relative performance.

Outlook and Conclusion

Current valuations are back to levels that are tight relative to history. Incorporating our macroeconomic outlook and elevated uncertainty, 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 portfolio is weighted toward liquid, higher quality issues while preserving a spread advantage relative to the index. 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, concentrated in high quality non-agency commercial mortgage-backed securities and residential mortgage-backed securities. Spreads tightened over the quarter and many non-agency sectors are at levels that are tight of historical medians. The exposure remains biased up-in-quality as tight credit curves are not adequately compensating investors for risk, although pockets of value still exist.

The Fund's portfolio maintained its neutral weighting to emerging market debt as spreads tightened, ending the quarter tight of historical averages. The Fund continues to favor relative value within the high yield space.

The Fund maintained its exposure to high yield corporates during the quarter. Spreads have tightened meaningfully since the volatility in April and current levels are tight of historical averages. The allocation is maintaining a higher quality bias with the ability to still add within the sector as opportunities arise.

Regarding interest rates, we are currently positioning the Fund generally neutral duration relative to the benchmark as both long and short rates are within our expected fair value range. The yield curve steepened modestly during the quarter as forecasts for Fed cuts increased and the Fed cut rates by 25bps in September. The Fund is 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 and more moderate economic growth. We believe a modest overweight to credit sectors is prudent given valuations are tight of historical medians and uncertainty exists from trade policy, geopolitical tension, and pending court decisions on executive authority. While growth forecasts for 2026 have been slowly improving, recent labor market weakness presents downside risk to economic growth. If the economic landscape remains stable, 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 across different market environments and tactical duration management allows the Fund to take advantage of elevated interest 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		\$271.7 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

	3Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	2.04%	6.58%	3.30%	5.96%	0.08%	2.36%	4.34%
C Shares	1.87%	6.05%	2.62%	5.22%	-0.63%	1.75%	4.09%
Y Shares	2.11%	6.67%	3.56%	6.23%	0.33%	2.61%	4.46%
INST Shares	2.13%	6.86%	3.66%	6.32%	0.42%	2.70%	4.49%
Benchmark	2.03%	6.13%	2.88%	4.93%	-0.45%	1.84%	4.63%
Including Max Sales Charge							
A Shares	-1.29%	3.13%	-0.02%	4.81%	-0.58%	1.86%	4.18%
C Shares	0.87%	5.05%	1.63%	5.22%	-0.63%	1.75%	4.09%

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

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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.

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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Not FDIC Insured | No Bank Guarantee | May Lose Value

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.