

Fund Manager Commentary

As of 06-30-2026

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

Economic growth remained resilient through the first half of 2026, supported by AI-driven capital investment and steady consumer spending despite higher energy prices stemming from Middle East tensions. As geopolitical risks eased later in the quarter, oil prices retreated, reinforcing expectations for U.S. growth near 2% over the coming quarters. Inflation pressures also moderated but are still expected to remain above the Federal Reserve's (Fed) target. Although the Federal Open Market Committee left rates unchanged, new Chair Kevin Warsh emphasized price stability, removed the Committee's easing bias, and signaled a more data-dependent approach that may increase policy uncertainty.

The labor market remained healthy, with unemployment falling to 4.2% and payroll growth improving, though wage gains continued to lag inflation for many households. Risk assets rallied as the S&P 500 gained more than 15% and the Russell 2000 rose over 21%, while tightening credit spreads left valuations expensive by historical standards. Sticky inflation and the Fed's more hawkish tone also pushed investors to scale back expectations for rate cuts, driving two-year Treasury yields sharply higher while longer-term yields rose more modestly.

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 June 30, 2026.

Sector allocation was the primary driver of relative outperformance during the quarter, led by the Fund's overweight exposure to investment grade and high yield corporate credit as spreads tightened. Interest rate management also contributed positively as tactical duration adjustments and allocations to Treasury Inflation Protected Securities (TIPS) benefited from rate volatility and shifting inflation expectations. Security selection was a modest headwind, with strong results in investment grade corporates, particularly utilities and midstream issuers, more than offset by weaker selection within non-agency commercial mortgage-backed securities (CMBS).

Portfolio positioning changed little during the quarter, with the risk budget maintained at 30% and trading focused primarily on bottom-up security selection opportunities. The Fund remained long duration relative to the benchmark throughout the quarter, while tactically adjusting duration and TIPS exposure to capitalize on market volatility.

Yield curve positioning was actively managed but modestly detracted from relative performance as the curve flattened despite the Fund's bias toward a steeper curve for much of the quarter. The Fund ended the period overweight the long end of the curve relative to the benchmark, though overall interest rate management remained a positive contributor to performance.



Outlook and Conclusion

The Fund maintains a modest 30% risk budget, reflecting expensive valuations, elevated policy and geopolitical uncertainty, and a stable macroeconomic outlook. The Fund remains modestly overweight risk, with flexibility to add exposure should market opportunities improve. Positioning continues to favor high-quality investment grade credit, particularly midstream and bank issuers, while retaining the ability to selectively add hyperscaler-backed debt as issuance increases. Securitized products remain a modest risk overweight, emphasizing higher-quality residential mortgage-backed securities and select CMBS, while emerging market debt remains neutral and high yield exposure has been trimmed as spreads tightened to historically expensive levels.

The Fund's portfolio remains long duration relative to the benchmark, with an overweight to the long end of the yield curve as longer-term yields appear attractive despite persistent inflation and a more hawkish Fed outlook. Elevated rate volatility driven by monetary policy and geopolitical developments is expected to create opportunities for tactical duration management. While the current positioning is intended to benefit from a stable economic backdrop, the Fund retains flexibility to increase risk if spreads widen, with security selection and active interest rate management expected to remain key drivers of excess return.



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 \$278.1 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 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

	2Q26	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	0.94%	0.59%	4.01%	4.92%	0.20%	2.02%	4.30%
C Shares	0.77%	0.33%	3.30%	4.20%	-0.51%	1.27%	3.48%
Y Shares	1.00%	0.72%	4.27%	5.19%	0.45%	2.27%	4.42%
INST Shares	1.03%	0.87%	4.36%	5.28%	0.53%	2.36%	4.45%
Benchmark	0.67%	0.62%	3.79%	4.16%	0.08%	1.54%	4.58%
Including Max Sales Charge							
A Shares	-2.34%	-2.68%	0.63%	3.77%	-0.46%	1.68%	4.19%
C Shares	-0.23%	-0.65%	2.31%	4.20%	-0.51%	1.27%	3.48%

Benchmark - Bloomberg U.S. Aggregate Bond Index

Max 3.25% sales charge for Class A Shares and 1% Contingent Deferred Sales Charge for Class C Shares held less than 1 year.

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 benchmark index mentioned is an unmanaged statistical composite of stock or bond market performance. Investing in an index is not possible. Index returns do not reflect any fees, expenses or sales charges.

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 combines the performance of the oldest share class from the Fund's inception 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.

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A member of Western & Southern Financial Group

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 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.



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