

## Fund Manager Commentary

As of June 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

Market uncertainty carried over from the first quarter into the second, driven by geopolitical and trade policy developments. The most notable catalyst was the escalation of reciprocal tariffs in early April referred to as “Liberation Day.” A brief resolution followed, easing near-term fears but failing to bring lasting clarity to consumers and businesses navigating capital spending and hiring decisions.

Despite volatility, the economic backdrop remained stable. Retail activity showed signs of resilience, though this was somewhat distorted by front-loading behavior ahead of tariff implementation. Labor market conditions remained healthy, and real wage gains supported consumers. However, the rising personal savings rate suggested growing caution. The housing sector continued to struggle under the weight of high mortgage rates and affordability constraints. Financial markets finished the quarter on firmer footing, with equities recovering to record levels and credit spreads tightening after an initial spike. Inflation expectations eased slightly, prompting a steepening of the yield curve even as the 10-year Treasury yield remained relatively stable.

### 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, 2025.

The Fund outperformed its benchmark during the quarter, with results driven by positioning across sectors, tactical interest rate exposure, and security selection. The most impactful decision was the addition of high yield corporate exposure in April, implemented amid spread widening tied to trade uncertainty. As risk sentiment improved and spreads

retraced, this allocation enhanced returns. Maintaining an overweight to investment grade corporates also supported performance.

Within securitized assets, positioning in collateralized mortgage obligations (CMOs) added value relative to agency passsthroughs. Broader security selection across the securitized space, particularly within higher-quality segments, further contributed to the Fund's outperformance.

The Fund's tactical approach to interest rate exposure was another source of positive relative performance. Rate volatility was elevated during the quarter as expectations for future policy actions shifted. The Fund began the quarter long duration, then adjusted exposures in response to evolving inflation and growth forecasts. These changes aligned well with the steepening yield curve and helped capture relative gains. By quarter-end, the Fund returned to a neutral duration posture, reflecting a belief that longer rates are now within a fair value range. On a yield curve basis, positioning remained largely neutral, though tactical adjustments during the period added modest value as the curve steepened in response to shifting rate cut expectations.

The Fund's sector profile also evolved, with the high yield corporate allocation increasing the Fund's risk budget to 40%. This addition was offset in part by reduced Treasury exposure. Otherwise, the portfolio remained focused on bottom-up selection opportunities across core sectors.

### Outlook and Conclusion

The Fund is maintaining a modest risk overweight in light of current valuations and market dynamics. Although spreads have narrowed and valuations remain tight relative to historical levels, a selective approach still reveals opportunities within credit sectors. The Fund continues to

*(continued)*

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

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](https://TouchstoneInvestments.com/mutual-funds).**



Touchstone Investments®  
DISTINCTIVELY ACTIVE®



favor Investment Grade Credit, with a bias toward liquid, higher-quality issuers and selective exposure in areas like midstream and banking.

Within Securitized Products, the Fund remains overweight, concentrating on non-agency commercial mortgage-backed securities and residential mortgage-backed securities.

Although many sectors have returned to tight spread levels, specific opportunities persist, especially within high-quality tranches that offer better risk-adjusted returns.

Emerging market debt exposure remains neutral, as spreads have also tightened and headline volatility continues. The allocation continues to emphasize relative value opportunities within the higher-yielding segments of the emerging market debt space.

The high yield corporate allocation remains intact, though spread tightening has tempered the overall attractiveness. The Fund retains flexibility to adjust exposure as conditions evolve, while maintaining a focus on quality and liquidity.

In terms of rate exposure, the Fund is positioned with neutral duration and curve positioning relative to the benchmark. While volatility is expected to remain elevated, this environment provides opportunities for continued tactical adjustments as new data and policy developments unfold. While economic forecasts for 2025 and 2026 have been revised lower, the recent passage of a federal reconciliation package is expected to provide modest support for near-term activity through tax relief and accelerated capital expenditure incentives. The Fund is positioned to navigate an environment defined by slower growth, elevated volatility, and policy uncertainty. The current credit posture aims to benefit from tighter spreads relative to the benchmark, while allowing room to add risk exposure opportunistically should the economic backdrop deteriorate. The Fund's emphasis on security selection and tactical duration management remains central to the strategy, offering flexibility to respond to market dislocations while pursuing consistent long-term performance.



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 \$264.6 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

	2Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	1.94%	4.45%	6.53%	3.46%	0.09%	2.06%	4.31%
C Shares	1.75%	4.10%	5.89%	2.73%	-0.63%	1.44%	4.05%
Y Shares	1.90%	4.47%	6.80%	3.72%	0.34%	2.32%	4.42%
INST Shares	2.03%	4.63%	6.90%	3.81%	0.42%	2.40%	4.46%
Benchmark	1.21%	4.02%	6.08%	2.55%	-0.73%	1.76%	4.60%
Including Max Sales Charge							
A Shares	-1.41%	1.07%	3.07%	2.33%	-0.56%	1.56%	4.14%
C Shares	0.75%	3.10%	4.89%	2.73%	-0.63%	1.44%	4.05%

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](https://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.

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](https://TouchstoneInvestments.com/resources) or call Touchstone at 800.638.8194. Please read the prospectus and/or summary prospectus carefully before investing.

Touchstone Funds are distributed by Touchstone Securities, Inc.  
A registered broker-dealer and member FINRA and SIPC  
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 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.