Touchstone Ares Credit Opportunities Fund

Sub-Advised by: Ares Capital Management II LLC

Fund Manager Commentary

As of 06-30-2026

Fund Highlights

- Employs flexibility by allocating assets among core investments and opportunistic investments as market conditions change
- Identifies companies and securities that are believed to offer attractive relative values when compared to their fundamental credit risk
- Actively hedges portfolio risks, including credit, interest rate and currency, in an effort to preserve capital
- Consists of several broad investment categories, including high yield bonds, bank loans, special situations, structured credit and hedges

Market Recap

Risk assets generated positive returns during the second quarter of 2026 as geopolitical concerns moderated and macroeconomic conditions remained supportive. Developments in the Middle East contributed to lower energy prices and improved investor sentiment, offsetting concerns stemming from elevated inflation readings earlier in the quarter. U.S. economic growth expectations remained positive, recession probabilities declined, and investors continued to favor below-investment-grade credit. High yield bonds, as measured by the ICE BofA U.S. High Yield Index, returned 2.44% during the quarter, while syndicated loans, represented by the S&P UBS Leveraged Loan Index, returned 1.85%. Both asset classes outperformed traditional fixed income, although they lagged the strong advance in U.S. equities. Single-B rated securities outperformed across both the high yield bond and syndicated loan markets as investors balanced risk and yield amid favorable market conditions. Sector dispersion remained elevated, driven largely by perceived AI risks and opportunities. Activity across below-investment-grade credit markets remained robust throughout the quarter. High yield issuance increased from the prior quarter and exceeded 2025 issuance levels, driven primarily by refinancing activity and increased AI-related capital expenditures. Demand remained strongest for higher-quality issuers, while default rates in both the high yield bond and syndicated loan markets remained below their long-term averages. Although credit spreads remained near historically tight levels, yields continued to offer attractive income opportunities for investors.

Portfolio Review

The Touchstone Ares Credit Opportunities Fund (Class A Shares, Load Waived) underperformed its benchmark, the ICE BofA U.S. High Yield Constrained Index, for the quarter ended June 30, 2026.

Relative performance was driven primarily by credit selection within the single-B and CCC-rated cohorts. Positive contributions from the Fund's off-benchmark allocations to investment grade-rated bonds and collateralized loan obligation securities, which rebounded following declines in the prior quarter, partially offset those results. The Fund maintained a broad risk-neutral posture throughout the quarter, reflecting supportive macroeconomic and corporate fundamentals alongside historically tight credit spreads. Allocations by asset class changed little during the quarter, although the Fund modestly increased its investment in business development company equities trading at material discounts to book value. The Fund also maintained an allocation to BBB-rated bonds, offsetting its underweight to BB-rated securities, while maintaining approximately market-weight exposure to single-B rated credits and a modest overweight to CCC-rated securities.

The Fund's overweight duration positioning within its fixed income allocation contributed positively during the quarter as shifting interest rate expectations and broader risk-off conditions favored longer-duration fixed income securities. As of June 30, 2026, the Fund's effective duration for its fixed income allocation was 3.24 years compared with 2.93 years for the benchmark, while total portfolio duration remained aligned with the benchmark.

Outlook and Conclusion

We believe leveraged credit markets enter the second half of 2026 on stable footing. The macroeconomic backdrop continues to improve, with U.S. real GDP expected to grow in the 2.0% to 2.5% range during the second quarter, a healthy labor market, stable long-term inflation expectations, and declining recession probabilities. Although markets are pricing in one additional interest rate increase later this year, we believe investors are interpreting the policy outlook primarily as a reflection of continued economic resilience. Capital markets have remained active, with bond and loan issuance continuing at or above last year's pace, while demand has remained steady despite a continued preference for higher-quality issuers and industries perceived to have lower AI-related risk.

Against this backdrop, we continue to maintain a risk-neutral positioning. Supportive macroeconomic conditions, stable market technicals, and steady investor demand remain constructive, although historically tight credit spreads leave a limited margin for error. We therefore remain disciplined in our credit selection process while continuing to utilize off-benchmark sectors to enhance portfolio yield. Looking ahead, we expect a "coupon clip" environment in which income generation remains the primary driver of returns, while periods of macroeconomic volatility may create opportunities for active management to generate incremental value through security selection.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	08/31/15	**TMARX**	89155T631	1.10%	1.00%
C Shares	08/31/15	**TMACX**	89155T623	1.91%	1.72%
Y Shares	08/31/15	**TMAYX**	89155T615	0.85%	0.77%
INST Shares	08/31/15	**TARBX**	89155T599	0.81%	0.66%
R6 Shares	05/19/25	**TARSX**	89155T417	698.97%	0.59%

Total Fund Assets $865.8 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 0.99% for Class A Shares, 1.71% for Class C Shares, 0.76% for Class Y Shares, 0.65% for Class INST Shares, and 0.58% for Class R6 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	1.67%	1.47%	4.00%	8.00%	4.48%	5.59%	5.43%
C Shares	1.57%	1.19%	3.34%	7.44%	3.99%	4.95%	4.81%
Y Shares	1.81%	1.67%	4.27%	8.20%	4.71%	5.84%	5.67%
INST Shares	1.93%	1.71%	4.46%	8.36%	4.81%	5.93%	5.78%
R6 Shares	1.84%	1.74%	4.40%	8.34%	4.81%	5.93%	5.77%
Benchmark	2.45%	1.89%	5.74%	8.79%	4.13%	5.69%	5.65%
Including Max Sales Charge							
A Shares	-1.63%	-1.83%	0.62%	6.82%	3.80%	5.24%	5.11%
C Shares	0.57%	0.21%	2.38%	7.44%	3.99%	4.95%	4.81%

Benchmark - ICE BofA U.S. High Yield Constrained 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 ICE BofA U.S. High Yield Constrained Index is a market value weighted index of all domestic and Yankee high yield bonds, including deferred interest bonds and payment-in-kind securities. Issues included in the index have maturities of one year or more and have a credit rating lower than BBB/Baa3 but are not in default. The index limits any individual issuer to a maximum of 2% benchmark exposure.
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 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 non-investment grade debt securities, distressed securities and corporate loans which are considered speculative with respect to the issuers' ability to make timely payments of interest and principal, may lack liquidity and have more frequent and larger price changes than other debt securities. There is a high risk that the Fund could suffer losses from investments in non-investment grade debt securities caused by the default of an issuer. 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 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. The Fund invests in derivatives and securities such as 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 convertible securities which are subject to the risks of both debt securities and equity securities. 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 invests in equities which are subject to market volatility and loss. The Fund invests in preferred stocks which are relegated below bonds for payment should the issuer be liquidated. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing their price to decline. 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 is involved in short selling which may result in additional costs associated with covering short positions and a possibility of unlimited loss. 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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