Touchstone Ares Credit Opportunities Fund

Sub-Advised by: Ares Capital Management II LLC

Income – High Yield Bond 2Q/2025

Fund Manager Commentary

As of June 30, 2025

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 were positive in the second quarter as fears around trade policy and a near-term recession dwindled coming out of the post-liberation day period. Following a brief pocket of volatility in early April, markets rallied throughout the quarter as trade developments and resilient economic data led to improved sentiment. Following a pause in April, capital markets activity improved in May and June, though merger and acquisition (M&A) activity remains below expectations from the start of the year.

Against this backdrop, high yield bonds (proxy: ICE BofA U.S. High Yield Constrained Index) returned 3.57% while syndicated loans (proxy: S&P UBS Leveraged Loan Index) returned 2.33%. Returns were driven by lower credit quality paper in both sectors, reflective of a risk-off tone. Credit spreads grinded tighter, with high yield bond spreads ending the period at 296 basis points, the 39th percentile for the trailing one-year period and 3rd percentile for the post-crisis period. Both sub-investment grade credit sectors underperformed equities, which also outperformed the broad investment grade fixed income proxy, Bloomberg U.S. Aggregate Bond Index.

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, 2025.

The Fund's credit selection was positive within the high yield bond allocation. Off-benchmark allocations to bank loans and collateralized loan obligations (CLO) securities were additive to returns as well. The Fund's allocation to post-reorg equities continued to be a source of alpha as well.

Positioning changes throughout the quarter were largely a byproduct of market volatility and idiosyncractic events, notably around corporate earnings. From an asset class perspective, the allocation to high yield bonds increased modestly as we took advantage of weakened technicals in the days following the April 2nd liberation day volatility. Further, the allocation to CLO securities was increased as secondary market spreads gapped out before quickly tightening during the quarter. The allocation to bank loans decreased, due in part to a quiet new issue market in April and relatively borrower-friendly conditions in May and June.

The Fund's risk posture remained directionally intact throughout the quarter. The weighted average credit quality of the Fund remained market weight as an allocation to BBBs offset an overweight to CCC-rated credits. Allocations to single Bs and CCCs decreased modestly during the period, a reflection of the heightened uncertainty but resilient economic conditions, while the allocation to BBs increased. The Fund maintained a modest overweight from a credit spread perspective and was overweight interest rate duration within the fixed income allocation, which should act as a tailwind if policy rates in the U.S. move lower.

(continued)

Outlook and Conclusion

Leveraged credit markets remained firm going into the second half of 2025. This is largely driven by favorable macroeconomic data amid evolving trade policy, improving geopolitical tensions and positive developments around the pending “One Big Beautiful Bill Act”. While corporate fundamentals have been relatively stable and inflation indicators continue to improve, we believe these trends are transient until the true impact of tariffs flows through, which is likely to have a greater effect on the market and borrowers in the second half of this year. The market is currently pricing in two U.S. Federal Reserve Board interest rate cuts for the remainder of 2025, but that will be highly data-dependent and influenced more by the jobs side of the dual-mandate ledger. While market technicals remain firm with credit spreads grinding tighter, default and liability management exercise activity rose in June, and many strategists are predicting increased default activity over the medium-term. As a result, we remain cautious over the near-term, particularly given that the impact of tariffs has not been fully realized and likely will not be for several months. We are largely comfortable with the Fund’s posture following a period of proactively reducing risk across the portfolio, and we continue to evaluate relative value opportunities, tapping into off-benchmark sectors in an effort to enhance yield without adding idiosyncratic credit risk. Overall, we believe prudent risk management and disciplined credit selection will be paramount in the coming months, and we will continue to tactically rotate the Fund’s portfolio as the economic situation evolves. Specific to the Fund, we believe the 82% allocation to high yield bonds and duration overweight will prove beneficial in the coming months as rate expectations re-calibrate.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	08/31/15	**TMARX**	89155T631	1.16%	1.01%
C Shares	08/31/15	**TMACX**	89155T623	1.97%	1.73%
Y Shares	08/31/15	**TMAYX**	89155T615	0.89%	0.78%
INST Shares	08/31/15	**TARBX**	89155T599	0.89%	0.67%
R6 Shares	05/19/25	**TARSX**	89155T417	0.89%	0.60%
Total Fund Assets	**$815.4 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 0.99% 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 05/29/26.

Share class availability differs by firm.

Annualized Total Returns

	2Q25	YTD	1 Year	3 Year	5 Year	Inception
Excluding Max Sales Charge						
A Shares	3.56%	4.20%	9.30%	9.51%	7.34%	5.58%
C Shares	3.42%	3.81%	8.65%	9.05%	6.81%	5.06%
Y Shares	3.67%	4.24%	9.47%	9.73%	7.57%	5.81%
INST Shares	3.66%	4.37%	9.49%	9.84%	7.66%	5.91%
R6 Shares	3.57%	4.21%	9.30%	9.52%	7.34%	5.58%
Benchmark	3.57%	4.55%	10.24%	9.86%	6.00%	5.64%
Including Max Sales Charge						
A Shares	0.20%	0.86%	5.76%	8.32%	6.62%	4.94%
C Shares	2.42%	2.81%	7.65%	9.05%	6.81%	5.06%

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 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.

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 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.*

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 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 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 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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