

Fund Manager Commentary

As of June 30, 2025

Fund Highlights

- Seeks to exploit market inefficiencies using a proprietary income, price and volatility framework
- Construct portfolios that generate consistent tax-free income by capturing diversified sources of credit, liquidity and term premiums
- Control price sensitivity at the portfolio level by managing duration and yield curve positioning
- Identify and purchase bonds that the Sub-Adviser believes are attractively priced relative to historical averages and adds positions in a risk-controlled manner
- Municipal issues are analyzed through a proprietary approach for various environmental, social and governance (ESG) criteria

Market Recap

Municipal bond markets faced significant challenges in the first half of 2025, characterized by underperformance relative to other fixed income sectors. Despite a broadly favorable environment for U.S. Treasuries, municipal bonds lagged due to several key factors including policy uncertainty, substantial supply pressures, and pronounced volatility stemming from an April market sell-off. Investor sentiment deteriorated further with periodic and unpredictable fund outflows and ETF liquidations exacerbating negative returns.

Municipal AAA General Obligation (GO) yields showed varied changes, with significant curve steepening evident. Front-end yields marginally decreased, while the long-end notably increased, with 30-year yields rising by 26 basis points. Credit spreads widened modestly across all categories, reflecting investor caution due to historically tight valuations. Elevated issuance levels, anticipated to exceed \$300 billion year-to-date, further strained the market as retail investors and funds showed cautious demand, while institutional interest favored other asset classes due to reduced effective tax rates. This structural change within the municipal market contributed to continued bear-steepening in the yield curve, particularly in the 10s30s range.

Portfolio Review

The Touchstone Core Municipal Bond Fund (Class A Shares, Load Waived) outperformed its benchmark, the Bloomberg Municipal Bond Index, for the quarter ended June 30, 2025.

The Fund's relative performance versus its benchmark reflected a balance of strategic positioning and market-driven challenges. The Fund's deliberate overweight to single A credits detracted from performance as credit spreads widened. However, strategic selection in security-specific opportunities helped offset these negative impacts. By carefully selecting credits with strong fundamentals and favorable risk-reward profiles, we were able to navigate the challenges presented by tight spreads and sector-specific pressures. This targeted approach has allowed the Fund to maintain stability and capitalize on value opportunities where available, ensuring resilience in a complex market.

Throughout the quarter, we actively adjusted the Fund's positioning to navigate tight sector valuations. The Fund maintained sector neutrality, apart from an overweight in prepaid gas bonds, and selectively rotated out of richly valued state GO, airport, and smaller healthcare credits. Investments were strategically reallocated towards local GO issuers with more compelling valuations and stable fundamentals.

Duration positioning remained largely neutral versus the benchmark, allowing natural adjustments while closely monitoring yield dynamics. While municipal yields helped narrowly avert negative returns, we stand ready to extend duration if yields see a meaningful upward move, guided by our neutral outlook around a 4.30% 10-year yield.

The Fund's barbell strategy marginally detracted from performance due to yield curve steepening; however, the increased curve attractiveness enhances future potential for longer maturity investments.

(continued)

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.**





Outlook and Conclusion

We remain cautiously optimistic about municipal bond valuations, particularly favoring long-dated maturities given current market dynamics. Although a moderate decrease in issuance is anticipated in the second half of 2025, ongoing supply-demand pressures may sustain short-term volatility. The market could experience a seasonal rally towards year-end, yet municipal bonds may continue to trail other fixed income alternatives.

The Fund's positioning reflects this outlook, emphasizing a nimble approach to duration and yield curve adjustments. We continue to target opportunities selectively, maintaining an overweight in prepaid gas bonds and seeking value in local government issues. We also recommend strategically extending duration, should 30-year Treasury yields rise above 5%, viewing this as an optimal entry point to enhance long-term performance.



Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				Total	Net
A Shares	04/01/85	TOHAX	89154V603	1.09%	0.80%
C Shares	11/01/93	TOHCX	89154V702	3.23%	1.50%
Y Shares	08/30/16	TOHYX	89154V843	1.16%	0.55%
INST Shares	08/30/16	TOHIX	89154V835	0.77%	0.48%
Total Fund Assets		\$41.6 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 0.80% for Class A Shares, 1.50% for Class C Shares, 0.55% for Class Y Shares and 0.48% for Class INST Shares. These expense limitations will remain in effect until at least 10/29/25. 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	0.00%	-0.40%	1.13%	2.23%	0.14%	1.66%	4.83%
C Shares	-0.27%	-0.83%	0.32%	1.42%	-0.68%	1.03%	4.53%
Y Shares	0.16%	-0.08%	1.49%	2.62%	0.45%	1.93%	4.90%
INST Shares	-0.02%	-0.33%	1.37%	2.56%	0.45%	1.93%	4.90%
Benchmark	-0.12%	-0.35%	1.11%	2.50%	0.51%	2.20%	5.70%
Including Max Sales Charge							
A Shares	-3.27%	-3.61%	-2.14%	1.11%	-0.53%	1.17%	4.70%
C Shares	-1.26%	-1.81%	-0.66%	1.42%	-0.68%	1.03%	4.53%

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 Municipal Bond Index

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The performance presented for Class C, Y, and INST Shares combines the performance of an older class of shares (A Shares) from the Fund's inception, 04/01/85, with the performance since the inception date of each share class.

The Bloomberg Municipal Bond Index is a widely recognized unmanaged index of municipal bonds with maturities of at least one year.

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.

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 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 Fund is subject to prepayment risk which is when a debt security may be paid off and proceeds invested earlier than anticipated. The Fund invests in municipal securities which may be affected by uncertainties in the municipal market related to legislation or litigation involving the taxation of municipal securities or the rights of municipal security holders in the event of bankruptcy and may not be able to meet their obligations. 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. 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 sub-adviser considers ESG factors that it deems relevant or additive along with other material factors. The ESG criteria may cause the Fund to forgo opportunities to buy certain securities and/or gain exposure to certain industries, sectors, regions and countries. The Fund may be required to sell a security when it could be disadvantageous to do so.

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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