

Fund Manager Commentary

As of December 31, 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

The municipal bond market in 2025 demonstrated notable resilience amid a challenging macroeconomic and technical backdrop. Gross municipal issuance reached a record \$565 billion for the year, including \$517 billion of tax-exempt supply, yet demand remained strong enough to absorb this volume with limited disruption. Retail investors, separately managed accounts, and particularly ETFs provided consistent inflows, allowing tax-exempt municipals to outperform U.S. Treasuries during the second half of the year as interest rates declined and technical conditions improved.

During the fourth quarter, yield curve dynamics were mixed. Front-end yields moved modestly higher, while longer maturities rallied, resulting in a flatter curve across intermediate maturities. One, three, and five year yields rose modestly, while ten and thirty year yields declined, favoring longer-duration exposure. Credit spreads were largely stable, with AA and BBB spreads tightening slightly and A-rated spreads widening modestly, reflecting a measured increase in risk premiums for lower investment-grade credits. Overall, the quarter was characterized by stable credit conditions, strong performance in longer maturities, and continued investor confidence in municipal credit quality.

Macroeconomic and policy uncertainty remained elevated, driven by a prolonged government shutdown, evolving federal tax and healthcare policy, and ongoing climate-related risks. Despite these headwinds, the demand for tax-

advantaged income remained robust, and investor activity increasingly focused on curve positioning and selective sector rotation within the high-grade municipal universe.

Portfolio Review

The Touchstone Core Municipal Bond Fund (Class A Shares, Load Waived) underperformed its benchmark, the Bloomberg Municipal Bond Index, for the quarter ended December 31, 2025.

Performance during the quarter was influenced by coupon and maturity positioning. Strong market returns were concentrated in the intermediate-to-long portion of the curve—particularly the 15-year maturity bucket—which the Fund underweighted as part of its barbell strategy. Additionally, stated duration and return duration diverged meaningfully for sub-5% coupon bonds due to de minimis repricing effects as rates declined, contributing to relative underperformance versus the benchmark.

From a positioning standpoint, we maintained a barbell-oriented structure, emphasizing short and long maturities while avoiding the richer intermediate segment of the curve. Fund activity during the quarter reflected an ongoing focus on security-level relative value and disciplined risk management. Purchases included high-quality, long-duration issues acquired at attractive spreads relative to peers and subsequently experienced spread tightening. Sales were driven by valuation discipline and credit risk management, including the exit of bonds where spreads had compressed materially and the proactive sale of a metropolitan district credit that later faced rating pressure.

(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.**



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Sector exposure remained focused on high-grade general obligation and essential service revenue bonds. While housing, hospitals, and local general obligation bonds were among the strongest-performing sectors in the broader market, we maintained a selective approach, balancing opportunities for incremental spread with an emphasis on fundamental credit strength and downside risk mitigation.

Outlook and Conclusion

Looking ahead to 2026, we expect the municipal market to remain supportive but increasingly complex. Gross issuance is projected to remain elevated, with expectations for another year of heavy supply. While this may create episodic volatility, the market's demonstrated capacity to absorb large volumes of issuance, coupled with a diverse and growing investor base, provides a constructive foundation for returns.

We plan to maintain a defensive and selective posture within the high-grade universe, continuing to emphasize active curve, coupon, and credit management. A barbell structure remains central to the strategy, with opportunities anticipated in BBB-rated credits, housing, prepaid gas bonds, and select transportation issuers where relative value and spread compression potential appear most compelling. Sector and security rotation, particularly in less liquid and out-of-index securities, is expected to be an incremental driver of excess return.

From a macro perspective, moderate economic growth, gradually moderating inflation, and a slightly softer labor market are expected to support steady state and local government revenues, albeit at a slower pace than in recent years. While policy uncertainty, rate volatility, and climate-related risks remain key considerations, overall municipal credit quality is expected to revert toward long-term norms, with upgrades continuing to outpace downgrades, albeit by a narrower margin. We believe disciplined, flexible portfolio management will be essential to navigating these crosscurrents and positioning the Fund to deliver attractive risk-adjusted returns in the year ahead.



Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				Total	Net
A Shares	04/01/85	TOHAX	89154V603	1.14%	0.80%
C Shares	11/01/93	TOHCX	89154V702	3.33%	1.49%
Y Shares	08/30/16	TOHYX	89154V843	1.35%	0.55%
INST Shares	08/30/16	TOHIX	89154V835	0.79%	0.48%
Total Fund Assets	\$42.5 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, 1.49% 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 10/29/26. Share class availability differs by firm.

Annualized Total Returns

	4Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	1.14%	3.24%	3.24%	3.41%	0.43%	1.77%	4.86%
C Shares	0.97%	2.43%	2.43%	2.59%	-0.38%	1.14%	4.57%
Y Shares	1.21%	3.69%	3.69%	3.76%	0.75%	2.05%	4.93%
INST Shares	1.22%	3.48%	3.48%	3.74%	0.75%	2.06%	4.93%
Benchmark	1.56%	4.25%	4.25%	3.88%	0.80%	2.34%	5.74%
Including Max Sales Charge							
A Shares	-2.13%	-0.09%	-0.09%	2.27%	-0.23%	1.27%	4.73%
C Shares	-0.03%	1.43%	1.43%	2.59%	-0.38%	1.14%	4.57%

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 an 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 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. 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-advisor 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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