

## Fund Manager Commentary

As of 03-31-2026

### 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-Advisor 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 experienced a volatile start to 2026, shaped by shifting macroeconomic expectations, geopolitical developments, and meaningful rate repricing. While the broader economic backdrop remained relatively resilient, investor sentiment was challenged by the escalation of geopolitical tensions, most notably the Iran conflict, which introduced near-term inflationary risks and tempered growth expectations. Despite these pressures, underlying economic fundamentals remained stable, with U.S. GDP growth trending in the 2.0%–2.5% range and supported by a resilient consumer, solid earnings outlook, and improving productivity trends.

Inflation expectations moved modestly higher during the quarter, though underlying pressures from wages and housing remained contained. The U.S. Federal Reserve (Fed) maintained a cautious “hold steady” stance, with market expectations shifting toward a prolonged pause in rate cuts. While consensus pricing implied no cuts in 2026, expectations remained centered around one to two potential cuts given signs of moderating growth and a gradually weakening labor market.

Against this backdrop, the municipal market delivered a negative total return, with the Bloomberg Municipal Bond Index declining 0.18% for the quarter. Performance was largely driven by higher yields and significant curve repricing, particularly in March. Intermediate maturities bore the brunt of the sell-off, as 5- and 10-year yields rose sharply, while front-end yields remained relatively anchored. Over the quarter, the 10-year municipal yield increased 35 basis points (bps) to 3.08%, and the 30-year yield rose 31bps to 4.50%, resulting in pronounced steepening across the belly of the curve.

Technical conditions were mixed. The quarter began with strong January reinvestment demand, but this support faded amid heavy supply and rising rate volatility. Municipal-to-Treasury ratios moved higher, improving relative value, with the 10-year

ratio rising from approximately 62% to over 67% by quarter-end. Despite negative returns, credit fundamentals remained resilient, as evidenced by modest spread tightening across AA, A, and BBB-rated securities, reflecting continued investor demand for municipal credit and stable underlying fundamentals. Performance dispersion across the curve and structure was notable. Short maturities outperformed due to limited duration exposure, while intermediate bonds lagged significantly. Higher coupon bonds were a key area of strength, outperforming lower coupon and zero-coupon securities, highlighting investor preference for income and reduced price sensitivity in a rising rate environment.

### 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 March 31, 2026. Performance was primarily influenced by curve positioning and security selection within a rate-driven environment. The sharp repricing of intermediate maturities detracted from relative results, as this segment experienced the most pronounced yield increases during the quarter. However, the Fund’s barbell structure, emphasizing short- and long-duration exposures, provided some offset, contributing modestly to relative performance as front-end yields declined and the long end remained comparatively stable. The Fund benefited slightly from curve-related outperformance due to this positioning. From a duration standpoint, the Fund maintained a neutral posture relative to the benchmark, and duration positioning did not materially impact performance. Instead, relative results were driven by sector allocation, coupon exposure, and individual security selection.



Security-level activity reflected a continued emphasis on relative value and disciplined risk management. Notable contributors included newly issued school district bonds which were purchased at attractive spreads in the steep 20-year portion of the curve and subsequently experienced meaningful spread tightening. These positions benefited from strong demand and favorable curve dynamics.

The Fund exited positions following significant spread compression. Positions were sold after achieving substantial tightening relative to purchase levels, reflecting valuation discipline and a proactive approach to managing credit risk amid evolving issuer fundamentals.

Sector positioning remained focused on high-quality general obligation and essential service revenue bonds, with selective exposure to areas offering incremental spread opportunities, including BBB-rated credits and sectors such as Health Care and Prepaid Gas. Credit spreads broadly tightened during the quarter, and the Fund benefited from this trend, though gains were offset by the broader impact of rising yields.

Overall, performance reflected a market environment dominated by interest rate volatility rather than credit deterioration, with security selection and curve positioning serving as key differentiators.

### Outlook and Conclusion

Looking ahead, we believe the municipal market will remain fundamentally supported but increasingly influenced by supply dynamics, rate volatility, and shifting technical conditions. The macroeconomic backdrop remains constructive, with moderate growth, resilient state and local government revenues, and stable credit fundamentals. Tax collections continue to exceed expectations in many states, supporting strong balance

sheets and favorable credit trends. While pockets of concern exist, particularly related to labor market softening and geopolitical risks, municipal credit quality is expected to remain solid, with upgrades continuing to outpace downgrades.

From a market perspective, elevated issuance is expected to persist following consecutive years of record supply. Net supply over the coming months is projected to increase meaningfully, which may create periods of volatility, particularly if Treasury yields remain elevated. At the same time, seasonal demand patterns, especially heading into the summer reinvestment period, could provide a supportive technical backdrop and create attractive entry points for investors.

Valuations have improved following the first-quarter sell-off, with municipal-to-Treasury ratios moving closer to historical averages. While not yet at historically cheap levels, these conditions present a more balanced risk/reward profile compared to early 2026.

Higher yields and steeper curve dynamics, particularly in the 10- to 20-year segment, offer compelling opportunities for income generation and potential price appreciation.

We intend to maintain a disciplined and flexible investment approach, with a continued emphasis on barbell positioning, active curve management, and selective credit exposure. Areas of opportunity include BBB-rated credits, prepaid gas bonds, and large Health Care systems, where spread compression potential and relative value remain attractive. Security selection and opportunistic rotation, particularly in less liquid or out-of-index securities, are expected to be key drivers of incremental return. While near-term risks related to rate volatility, supply pressures, and geopolitical uncertainty remain, we believe that improved yields, stable credit fundamentals, and disciplined portfolio construction position the Fund to deliver attractive risk-adjusted returns over time.



## 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 \$41.9 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 0.80% 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

|                                   | 1Q26   | YTD    | 1 Year | 3 Year | 5 Year | 10 Year | Inception |
|-----------------------------------|--------|--------|--------|--------|--------|---------|-----------|
| <b>Excluding Max Sales Charge</b> |        |        |        |        |        |         |           |
| A Shares                          | -0.46% | -0.46% | 3.18%  | 2.41%  | 0.44%  | 1.58%   | 4.80%     |
| C Shares                          | -0.62% | -0.62% | 2.37%  | 1.61%  | -0.38% | 0.80%   | 4.04%     |
| Y Shares                          | -0.39% | -0.39% | 3.54%  | 2.77%  | 0.75%  | 1.87%   | 4.88%     |
| INST Shares                       | -0.38% | -0.38% | 3.42%  | 2.74%  | 0.76%  | 1.88%   | 4.88%     |
| Benchmark                         | -0.18% | -0.18% | 4.29%  | 2.87%  | 0.84%  | 2.16%   | 5.70%     |
| <b>Including Max Sales Charge</b> |        |        |        |        |        |         |           |
| A Shares                          | -3.69% | -3.69% | -0.17% | 1.29%  | -0.22% | 1.24%   | 4.72%     |
| C Shares                          | -1.61% | -1.61% | 1.37%  | 1.61%  | -0.38% | 0.80%   | 2.81%     |

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

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](http://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](http://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 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.



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