Fund Manager Commentary

As of December 31, 2025

Fund Highlights

- Seeks a high level of income consistent with reasonable risk by investing primarily in income producing securities
- Primarily invests in investment grade corporate bonds, high yield corporate bonds, preferred stocks, U.S. municipal bonds and U.S. Treasuries
- Actively manages the portfolio by rotating among asset classes and tactically hedging during various interest rate and market environments
- Seeks to identify relative value across asset classes and capture opportunities primarily within the corporate, U.S. Treasury, municipal and preferred security markets
- Analyzes and targets the portfolio's level of risk and interest rate sensitivity
- Selects individual positions based on security credit metrics and structures
- Focuses on liquid securities with transparent pricing and actively-traded capital structures

Market Recap

U.S. equity and fixed income markets posted positive returns in the fourth quarter of 2025. The U.S. Federal Reserve (Fed) cut rates by 25 basis points in both October and December, lowering the upper bound of the federal funds rate from 4.25% to 3.75%. These cuts were driven by continued softening in labor market data, while some dissent remained due to concerns about persistent inflation.

Economic growth strengthened during the quarter, with annualized U.S. GDP growth rising from 3.8% to 4.3%, while core personal consumption inflation eased slightly to 2.8%, remaining above the Fed's 2% target. The Federal Open Market Committee reiterated its data-dependent approach to policy. Markets are pricing in pauses at early 2026 meetings, with expectations for additional rate cuts later in the year, broadly consistent with the December dot plot projecting a 3.38% policy rate for 2026.

Fixed income markets were modestly positive, with the Bloomberg U.S. Aggregate Bond Index gaining 1.1% for the quarter. The yield curve steepened as the 10-year Treasury yield edged higher to 4.17%, while both the 2's–10's spread (the difference between the yield of the 10-year U.S. Treasury Note and the 2-year U.S. Treasury Note) and 5's–30's spread (the difference between the yield of the 30-year U.S. Treasury Bond and the 5-year U.S. Treasury Note) widened. Equity markets also advanced, with the S&P 500 rising 2.66% quarter-over-quarter.

Portfolio Review

The Touchstone Flexible Income Fund (Class A Shares, Load Waived) underperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended December 31, 2025.

Underperformance was primarily driven by the Fund's shorter duration and underweight Treasury allocation relative to the benchmark. The Fund's portfolio continues to emphasize high current income, relatively short duration (generally under five years), and a strong margin of safety through rigorous fundamental and credit analysis. At quarter end 2025, the Fund was diversified across investment-grade (IG) and high-yield (HY) corporates, preferred securities (PFD), seasoned prime jumbo residential mortgage-backed securities (RMBS), agency commercial mortgage-backed securities (CMBS), and prime auto asset-backed securities (ABS). PFD holdings in fixed-to-reset structures outperformed and remain favored over long-duration fixed-rate securities due to tighter spreads and greater interest rate sensitivity. These structures benefit from higher reset coupons, reduced volatility, and the potential for shorter duration as call incentives increase if rates remain elevated.

The Fund continued to add to seasoned RMBS, which offer attractive total return potential supported by structural deleveraging, strong credit enhancement, and resilient housing fundamentals. Select long duration IG credits issued during the low-rate COVID period were also added at

(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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discounted prices, offering compelling risk-adjusted returns given low dollar prices, positive convexity, and yields above historical averages. Agency CMBS holdings backed by multi-family properties provide high-quality exposure with low effective duration and strong credit metrics. While corporate and securitized credit spreads remain tight relative to long-term averages, yields are elevated due to higher Treasury rates, with securitized spreads still wider than corporates. Given this backdrop, the Fund remained cautious toward lower-quality and longer-duration credit, favoring shorter, higher-quality investments and selectively building cash where appropriate.

Fund positioning evolved modestly during the quarter, reflecting relative value, income generation, and risk management considerations. The Fund reduced its PFD allocation following strong performance, expected calls, and positions reaching target prices. Remaining holdings emphasize securities trading to near-term call dates (2025–2026) with attractive back-end resets, while select higher-coupon PFD were added where yields were viewed as sufficient compensation for extension risk. IG corporate exposure also declined, though the Fund maintained conviction in junior subordinated utility credits and discounted long-duration IG bonds issued during the COVID-era low-rate environment. These securities, purchased opportunistically during periods of spread widening or rising long-end yields, continue to offer compelling risk-adjusted return potential due to low dollar prices and strong credit quality.

Within IG structured products, the Fund maintained exposure to high-quality, higher-carry assets such as credit risk transfer securities backed by seasoned RMBS and prime auto loans, which offer shorter duration and higher yields relative to IG corporates. A barbell duration approach remained in place, balancing elevated front-end yields with select longer-duration discounted IG RMBS that benefit from positive convexity and potential calls or faster prepayments. While credit spreads have tightened meaningfully since entering these positions in 2023, the Fund remains opportunistic. Exposure to collateralized loan obligations and single-family rental mortgage- backed securities was reduced in favor of more attractive risk-adjusted opportunities elsewhere.

HY exposure increased, driven by additions to high-quality corporate credits with strong liquidity, large market capitalizations, and no CCC-rated exposure. The focus remains on issuers with durable fundamentals and shorter spread duration to limit downside risk in a tight-spread environment. In contrast, HY structured products exposure declined modestly, though allocations to agency-backed multi-family CMBS, seasoned RMBS, and prime auto ABS were maintained or selectively increased. These securitized assets continue to offer attractive total return potential supported by strong structural credit enhancement, resilient borrower performance, and relatively short, front-loaded cash flows.

Municipal bond exposure increased, though duration views are primarily expressed through U.S. Treasuries given relative value considerations and ongoing fiscal pressures in select states. Treasury exposure, concentrated in 30-year bonds, was modestly increased as the Fund extended duration opportunistically at higher long-end yields amid expectations for softer labor data and eventual rate cuts. Cash levels also rose, reflecting a patient approach and positioning for future opportunities. At quarter-end, the Fund's duration was approximately 5.9 years versus 6.0 years for the benchmark, with 65% of duration six years or less. This shorter-duration posture helped mitigate volatility and benefited relative performance during the quarter's bull steepening, as front-end rates rallied while long-term yields edged higher.

Outlook and Conclusion

The Fund's defensive positioning—characterized by lower duration and elevated cash—remains both a source of protection and a potential near-term headwind. While this posture helps mitigate risks from inflation, rising Treasury yields, and credit deterioration, it could modestly lag peers if longer-dated Treasury yields decline sharply. Although nominal yields across credit markets are more attractive than in recent years, credit spreads remain historically tight, prompting continued caution toward more credit-sensitive assets such as generic HY. Exposure to these areas will remain selective and tactical, given their higher default risk.

Looking ahead, we expect elevated volatility in 2026 as labor market conditions weaken and economic fundamentals potentially deteriorate more than currently anticipated by the Fed. With markets pricing in multiple policy rate cuts, declining yields could support faster prepayments and higher total returns in assets with positive convexity, particularly discounted, prime-oriented mortgage sectors. The Fund is positioned to perform across both "higher-for-longer" and recessionary scenarios, supported by high starting yields and ample liquidity. We expect active management and tactical deployment of cash and shorter-duration investments to be key drivers of risk management and return generation as conditions evolve.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	04/01/04	**FFSAX**	89154Q620	1.10%	1.07%
C Shares	10/29/01	**FRACX**	89154Q612	1.87%	1.82%
Y Shares	09/01/98	**MXIIX**	89154Q596	0.81%	0.81%
INST Shares	09/10/12	**TFSLX**	89154Q588	0.80%	0.72%
Total Fund Assets	**$1.7 Billion**				

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 1.04% for Class A Shares, 1.79% for Class C Shares, 0.79% for Class Y Shares and 0.69% for Class INST Shares. These expense limitations will remain in effect until at least 07/29/26.

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	0.68%	6.18%	6.18%	6.15%	2.41%	3.65%	5.73%
C Shares	0.50%	5.41%	5.41%	5.34%	1.66%	3.03%	5.28%
Y Shares	0.83%	6.52%	6.52%	6.42%	2.70%	3.91%	6.07%
INST Shares	0.76%	6.53%	6.53%	6.50%	2.78%	4.01%	6.16%
Benchmark	1.10%	7.30%	7.30%	4.66%	-0.36%	2.01%	5.94%
Including Max Sales Charge							
A Shares	-2.59%	2.77%	2.77%	4.98%	1.73%	3.03%	5.57%
C Shares	-0.50%	4.41%	4.41%	5.34%	1.66%	3.03%	5.28%

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 U.S. Aggregate Bond Index

The Bloomberg U.S. Aggregate Bond Index is an unmanaged index comprised of U.S. investment grade, fixed rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and ten years.

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.

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Class A, Class C and Class Y shares performance was calculated using the historical performance of the Fifth Third/Maxus Income Fund Investor shares, with an inception date of March 10, 1985, for periods prior to April 1, 2004, October 29, 2001, and September 1, 1998, respectively. Institutional Class shares performance information was calculated using the historical performance of Class Y shares for the periods prior to September 10, 2012. The returns have been restated to reflect sales charges and fees applicable to Class A, Class C, Class Y and Institutional Class shares.

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 mortgage-backed securities and asset-backed securities which are subject to the risks of prepayment, defaults, changing interest rates and at times, the financial condition of the issuer. The Fund invests in investment grade debt securities which may be downgraded by an NRSRO to below investment grade status. The Fund invests in non-investment grade debt securities which are considered speculative with respect to the issuers' ability to make timely payments of interest and principal, may lack liquidity and has had more frequent and larger price changes than other debt securities. 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 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's investments in other investment companies will be subject to substantially the same risks as those associated with the direct ownership of the securities comprising the portfolios of such investment companies, and the value of the Fund's investment will fluctuate in response to the performance of such portfolios. In addition, if the Fund acquires shares of investment companies, shareholders of the Fund will bear their proportionate share of the fees and expenses of the Fund and, indirectly, the fees and expenses of the investment companies or ETFs. 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 convertible securities which are subject to the risks of both debt securities and equity securities. The Fund invests in derivatives such as futures contracts. 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. 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 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 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 Fund may experience higher portfolio turnover which may lead to increased fund expenses, lower investment returns and higher short-term capital gains taxable to shareholders. Current and future portfolio holdings are subject to change.

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