

Fund Manager Commentary

As of September 30, 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

The U.S. stock market experienced a strong rally to record highs while U.S. fixed income had modest gains during the third quarter of 2025. The U.S. Federal Reserve Board (Fed) made the decision to keep the federal funds rate (FFR) unchanged in July but began a potential easing cycle in September with a 25 basis point (bps) cut. Large adjustments to previous job numbers and softer employment data were major factors in the Fed's decision to cut the FFR. Nonfarm payrolls were -13,000 in June, 79,000 in July, and 22,000 in August. Annualized U.S. GDP growth in the second quarter was 3.8%. The core personal consumption expenditures price index, the Fed's preferred measure of inflation, increased 2.9% year-over-year in August 2025. The Federal Open Market Committee has continued to state that interest rate decisions are data dependent.

The Bloomberg U.S. Aggregate Bond Index was up 2.03% during the third quarter of 2025. The 10-year U.S. Treasury yield decreased 8bps from 4.23% to 4.15% during the third quarter. 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) steepened from 50bps to 54bps at the end of the third quarter of 2025. The 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) was relatively unchanged moving from 98bps to 99bps at the end of the third quarter.

Portfolio Review

The Touchstone Flexible Income Fund (Class A Shares, Load Waived) outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended September 30, 2025.

Third-quarter performance was driven mainly by structured securities across investment-grade and non-investment-grade holdings, supported by solid performance in underlying collateral such as mortgages and prime auto loans. Credit allocations to corporate bonds, both investment grade (IG) and high yield (HY), and preferred equities also added to relative returns amid declining rates, stable inflation, and tight credit spreads.

The Fund's preferred allocation (PFD) increased modestly during the quarter. We continue to like our PFD holdings versus the total preferred universe as we are focused on preferred securities that are trading to their call dates (2025-2026) and have high back-end resets (+375 to +500bps). PFDs had a strong quarter and thus we reduced our allocation, as some were called away as expected and/or reached our target prices.

The Fund's overall IG securities allocation also increased modestly during the quarter. The increase in the Fund's IG corporate allocation drove this overall modest increase. We continue to favor our diverse holdings of short duration with a moderate spread pickup to U.S. Treasuries, coupled with

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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.**





our long-duration, low dollar priced investments. These are long-duration, IG credits that were issued during the COVID-era low-rate environment and were trading down 30-40% below issuance price. After originally entering into this trade in late September of 2023, we have added to this allocation at times of distress (the early April credit spread widening period) and/or when long end rates rise toward the 5% level. Conversely, we decreased the Fund's IG structured security allocation during the quarter. Yet, we continue to like the positions we hold for their credit and carry such as credit risk transfer type transactions secured by seasoned residential mortgage-backed securities (RMBS) and prime auto loans which are relatively short and higher yielding than IG corporate credits. We maintained a barbell view on duration, taking advantage of high front-end rates while also pivoting some of our allocation to longer duration, discounted IG RMBS bonds with positive convexity to faster prepayment speeds and calls. Some of these credits are long-duration IG credits that were issued during the COVID-era low-rate environment and were trading down 10-20% below issuance price. Since we began entering this trade in 2023, credit spreads have tightened significantly, however, we are still looking to opportunistically add to our exposure.

The Fund's HY allocation increased during the quarter. Similar to the IG security allocation, our HY allocation increase was primarily driven by an increase in HY corporates. The bulk of our HY allocation remains in high-quality corporate credits with no CCC exposure. With respect to this asset class, we prefer higher-quality names with solid liquidity as the economy continues to soften amid tariff uncertainty. The Fund's HY structured allocation decreased during the quarter. Yet, a majority of our high yield structured products allocation continues to be in agency commercial mortgage-backed securities positions backed by loans originated by U.S. government agencies (Freddie Mac) which are secured by multi-family residential housing properties. These assets have solid credit metrics (60% loan-to-value/1.3x debt service coverage ratio) with low effective durations and have historically performed very well due to low delinquencies and defaults by the borrowers. Notably, we also have and continue to add to our seasoned RMBS exposure as such investments offer strong total return potential due to structural deleveraging and resilient housing fundamentals. These seasoned securities offer significant hard credit enhancement via the deal structure, and the underlying properties have the benefit of years of home price appreciation which should mitigate any potential losses. We also have and continue to add to our asset-backed securities (ABS) exposure by purchasing residual securities off prime auto ABS. Prime borrowers have performed very well in paying their auto loans during times of stress and these securities have relatively short durations with heavily front-loaded cashflows.

The Fund's municipal bond (Muni) allocation increased slightly during the quarter but this allocation has been expressed as Muni-focused closed-end funds and ETFs. We see Munis as fair value to other fixed income asset classes, as their ratios to U.S. Treasuries are tight near the front end of

the yield curve, but have cheapened near the back end of the curve. However, at this time, we would prefer to express our duration views in U.S. Treasury bonds. Furthermore, given budget deficits in states like New York and California, we hold a negative view on this asset class.

The Fund's U.S. Treasury allocation decreased modestly during the quarter. The U.S. Treasury exposure is allocated to 30-year U.S. Treasury Bonds. As we anticipated softer economic data and Fed fund futures point toward modest rate cuts, we first extended duration in the first quarter and added to this position at local highs in long-end yields throughout the second and third quarters, improving our cost basis.

The Fund's cash allocation decreased during the quarter. We remain patient and look to further aggregate cashflows generated from the securities held by the Fund and may continue to reinvest any cashflows received into short-dated U.S. Treasuries and/or other short duration investments to prepare for any corrections and/or better entry points.

The Fund's duration at the end of the third quarter of 2025 was approximately 5.8 years vs. that of the Bloomberg U.S. Aggregate Bond Index of approximately 6.0 years. The Fund is positioned with a lower duration than the benchmark purposefully as we wanted to stay in shorter solid credits to protect from any spread volatility and/or large moves up in benchmark interest rates. This has allowed us to experience less negative performance during periods of selloffs in U.S. Treasuries.

Outlook and Conclusion

In general, the greatest headwind to the Fund's portfolio is the same thing that is protecting us from inflation, rising U.S. Treasury yields, credit deterioration, etc. It is a fact that we are running lower duration and more cash than our peers. We would likely underperform in the short term, a modest amount, if there were a large move lower in longer dated U.S. Treasury rates, although we have a high yielding portfolio, we are underweight risk and duration. We continue to be wary and avoid credit sensitive asset classes (i.e., generic high yield), although they are currently much more fairly priced on a risk-adjusted basis than they have been in a few years. However, while nominal yields have reached more attractive levels, credit spreads have widened off their tightness recently, but not at levels we find worthy of investment as of yet. In our view, we will remain tentative to rotate into such investments as they have a meaningfully higher probability of default. We will look to take advantage of investment opportunities in this space on a tactical basis. As always, we remain diligent and patient as we are focused on avoiding any positions that have the potential to suffer from extreme illiquidity, which could be caused by an unforeseen event.

The Fund's third-quarter 2025 returns were driven primarily by strong current income and selective total return opportunities through portfolio rotation, asset allocation, and opportunistic investing. With markets expecting additional Fed rate cuts this year and next, faster

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prepayments could enhance returns in positively convex, prime-oriented mortgage subsectors purchased at discounts. We see no major fundamental concerns across current holdings, as higher starting risk-free rates provide a cushion against potential Treasury sell-offs.

While some recessionary signals persist, we expect fundamentals may weaken more than the Fed anticipates, leading to lower yields as easing continues. The Fund's portfolio remains positioned to perform under both a "higher-for-longer" inflation scenario and a recessionary environment marked by falling yields. Credit spreads remain tight after rebounding from April's "Liberation Day" wides, though still well above past recessionary levels. We are conservatively positioned with ample liquidity and short-term investments, which we plan to deploy tactically for optimal risk-adjusted returns. Active management will remain key to enhancing performance and managing risk.



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		\$1.8 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

	3Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	2.30%	5.47%	3.98%	6.26%	3.14%	3.62%	5.75%
C Shares	2.15%	4.89%	3.19%	5.45%	2.35%	2.99%	5.30%
Y Shares	2.35%	5.64%	4.23%	6.50%	3.39%	3.87%	6.09%
INST Shares	2.48%	5.73%	4.34%	6.64%	3.49%	3.98%	6.18%
Benchmark	2.03%	6.13%	2.88%	4.93%	-0.45%	1.84%	5.95%
Including Max Sales Charge							
A Shares	-1.06%	2.08%	0.63%	5.10%	2.46%	3.00%	5.59%
C Shares	1.15%	3.89%	2.19%	5.45%	2.35%	2.99%	5.30%

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.
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 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.
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.

Touchstone Funds are distributed by Touchstone Securities, Inc.
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.