

Fund Manager Commentary

As of 03-31-2026

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

Both U.S. equities and fixed income posted negative returns in the first quarter of 2026. Geopolitical tensions in Iran drove volatility, as disruptions to oil exports through the Strait of Hormuz raised concerns around global energy supply and stagflation. The Federal Reserve (Fed) held rates steady in January and March, keeping the upper bound of the federal funds rate at 3.75%, citing uncertainty around inflation and economic impacts. Labor markets showed mixed signals, with unemployment at 4.3% in February (down from 4.5% in December) and nonfarm payrolls declining modestly overall versus fourth quarter 2025. Meanwhile, core PCE rose to 3.1% year-over-year in February (from 2.8% in December), and WTI crude surged from \$57 to \$101, adding inflationary pressure. The Fed reiterated a data-dependent stance, with markets pricing in only a low-to-moderate probability of rate cuts in 2026, consistent with the March dot plot median projection of 3.375%.

Fixed income returns were negative. The Bloomberg U.S. Aggregate Bond Index declined -0.05%, investment grade (IG) corporates fell -0.54%, and preferreds dropped -2.09%. Emerging markets (EM) also lagged, with local currency debt down -1.11% and hard currency debt down -1.61%. Treasury yields rose modestly, with the 10-year increasing 15 basis points (bps) to 4.32%. The yield curve flattened, as the 2s-10s spread narrowed from 69bps to 52bps and the 5s-30s spread from 112bps to 97bps. U.S. equities also declined, with the S&P 500 down -4.35% for the 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 March 31, 2026. Positive contributions from structured securities, particularly commercial mortgage-backed securities (CMBS), were offset by duration exposure in Treasuries and longer-dated residential mortgage-backed securities (RMBS). The primary detractor was the 21% allocation to long-duration U.S. Treasuries and IG corporates amid a bear flattening, partially offset by strong income from other holdings.

At quarter-end, the Fund remained diversified across IG and high yield (HY) corporates, preferreds, seasoned RMBS, agency CMBS, prime auto asset-backed securities (ABS), and EM sovereign debt (local and U.S. dollar). Preferreds in fixed-to-reset structures outperformed and remain favored due to tighter spreads, lower volatility, and shorter effective duration as call likelihood increases. We increased exposure to seasoned RMBS, supported by deleveraging and strong housing fundamentals, and added discounted long-duration IG bonds from the COVID era offering attractive convexity and yields. Agency CMBS holdings, backed by Freddie Mac multi-family loans, provide strong credit quality, low duration, and historically low delinquencies. While IG and HY spreads remained tight, elevated yields were driven by higher Treasury rates, with securitized credit offering relative value as spreads remained wider than corporates.

At the end of the first quarter the Fund's allocation to preferreds declined as positions were called or reached targets. We continue to favor high-quality, fixed-to-reset securities trading to near-term call dates ('25-'26) with attractive back-end resets (+375-500bps).



We also added select high-coupon issues where compensation offsets extension risk.

The Fund's IG allocation increased across both corporates and structured. In corporates, we favor junior subordinated utility credits and long-duration, discounted bonds issued during the COVID-era that offer attractive convexity and yields. We have opportunistically added during periods of spread widening and higher long-end rates. In structured, we maintain exposure to higher-yielding, shorter-duration assets such as credit risk transfers backed by seasoned RMBS and prime auto loans. Overall, we continue a barbell duration approach—balancing high front-end yields with longer-duration discounted assets.

The HY allocation decreased. Corporate exposure remains focused on higher-quality (BB-rated) issuers with strong fundamentals, short spread duration, and lower beta. Structured HY remains concentrated in agency-backed multi-family CMBS and seasoned RMBS, which benefit from strong credit metrics, structural protections, and resilient housing fundamentals. We also continue adding selectively to prime auto ABS with short duration and strong cash flows.

The Fund's allocation to municipals increased modestly. While valuations appear fair, we prefer expressing duration through Treasuries and remain cautious given fiscal pressures in certain states. The allocation to EM increased. We favor local currency sovereign debt, adding exposure to countries such as Mexico, Brazil, and South Africa, where real yields remain attractive (~10%). We also added selectively to U.S. dollar-denominated EM debt, including Venezuela following regime changes and improving fundamentals. The Fund's allocation to U.S. Treasuries declined but remains focused on long-duration (30-year) bonds. We see value in adding duration given expectations for softer economic data and potential rate cuts. We decreased our

allocation to cash as capital was deployed. We remain patient, reinvesting cash flows into short-duration assets while preserving flexibility to capitalize on market dislocations.

At quarter-end, 63% of the Fund's duration was 6 years or less, reflecting a focus on shorter, higher-quality credits to mitigate spread and rate volatility. While long-duration U.S. Treasury and IG holdings detracted during the rate sell-off, they now trade below \$70, offering attractive entry points.

Outlook and Conclusion

Persistent inflation and elevated Treasury yields remain the primary headwinds, though they support strong income from the Fund's fixed and reset-rate exposure, especially as rate cuts in 2026 appear limited. A meaningful decline in long-end rates would benefit the Fund's longer-duration holdings. We remain cautious on credit-sensitive assets such as generic HY. While valuations have improved, spreads remain tight, and default risk is elevated. We will allocate tactically as opportunities arise, prioritizing liquidity and avoiding positions vulnerable to market stress. Performance should continue to be driven by income and opportunistic portfolio rotation.

We do not see significant fundamental risks in current holdings, and higher starting yields provide a cushion against rate volatility. However, we expect continued volatility in 2026, driven by a softening labor market. We believe economic weakness could push rates lower than currently expected, which would benefit positions with positive convexity, particularly discounted, prime-oriented mortgage exposures. Overall, the Fund is positioned to perform in both higher-for-longer and recessionary scenarios. We will continue deploying liquidity selectively into attractive opportunities, with active management remaining key to enhancing returns 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	TFLSX	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 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

	1Q26	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-0.25%	-0.25%	4.14%	5.50%	2.40%	3.45%	5.01%
C Shares	-0.34%	-0.34%	3.45%	4.75%	1.65%	2.68%	4.22%
Y Shares	-0.19%	-0.19%	4.49%	5.81%	2.67%	3.71%	5.27%
INST Shares	-0.16%	-0.16%	4.49%	5.89%	2.76%	3.81%	5.32%
Benchmark	-0.05%	-0.05%	4.35%	3.63%	0.31%	1.70%	5.90%
Including Max Sales Charge							
A Shares	-3.49%	-3.49%	0.76%	4.35%	1.73%	3.10%	3.93%
C Shares	-1.33%	-1.33%	2.46%	4.75%	1.65%	2.68%	3.82%

Benchmark - Bloomberg U.S. Aggregate 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 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 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.** 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 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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