

Fund Manager Commentary

As of June 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

Markets saw heightened volatility and a mix of risk-on and defensive positioning during the second quarter. Equities initially declined sharply following tariff announcements, only to recover as policy uncertainty eased and fiscal stimulus progressed. The U.S. Federal Reserve Board (Fed) left the federal funds rate unchanged through May and June, signaling a data-dependent approach to future decisions amid persistent inflation. Market expectations shifted toward two potential rate cuts by year-end.

While economic data remained mixed, job growth continued, and inflation, as measured by the core personal consumption expenditures index, hovered above target. Treasury yields responded to the evolving macro backdrop, with the 10-year yield ending the quarter nearly flat after swinging between 4.0% and 4.6%. The yield curve steepened as short rates held steady and long rates drifted higher. The bond market posted modest gains, with the Bloomberg U.S. Aggregate Bond Index advancing, supported by tightening credit spreads and stable rate expectations.

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 June 30, 2025.

The Fund's performance during the quarter was driven by its emphasis on high current income, short-to-intermediate duration positioning, and strict credit discipline. The Fund remained focused on areas offering attractive risk-adjusted yields with low default probability.

Preferred securities exposure focused on fixed-to-reset structures with near-term call dates and high back end reset spreads. These securities outperformed due to their reduced rate sensitivity and the potential for early redemption, contributing positively to Fund performance. Some securities were called or approached target price levels, prompting a slight reduction in allocation.

The Fund increased exposure to long-duration, low-dollar-priced investment grade credits that were issued during the low-rate environment of 2020–2021. These bonds now offer favorable total return potential through price appreciation and positive convexity. Select names were added during brief periods of market dislocation.

Seasoned residential mortgage-backed securities (RMBS) backed by single-family rental homes and prime jumbo borrowers were another area of emphasis. These securities are supported by strong credit enhancement, structural deleveraging, and years of home price appreciation. Additionally, high yield structured product exposure in agency commercial mortgage-backed securities—secured by

(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.**





multi-family residential loans—remained a core allocation due to their resilient fundamentals and historically low default rates.

The Fund maintained limited exposure to generic high yield corporates, focusing instead on higher-quality names with solid liquidity. Broadly, credit spreads remained tight by historical standards, and caution was warranted in extending risk.

On the rate side, the Fund's shorter duration versus the benchmark helped buffer volatility. Duration was managed around 5.4 years, compared to approximately 6.1 years for the benchmark. A barbell strategy was employed, combining short-duration credits to take advantage of high front-end yields with longer-duration investment grade positions offering upside from rate declines.

Treasury holdings, which remained steady as a defensive allocation, included long-duration bonds and modest option exposure. Cash levels were slightly increased to enhance flexibility and preserve dry powder for future tactical opportunities.

Outlook and Conclusion

The Fund's portfolio remains conservatively positioned in anticipation of ongoing volatility in rates and spreads. A lower duration profile and elevated liquidity allow the Fund to absorb potential shocks and reposition quickly as opportunities arise. While spreads retraced from their April widens, they remain well inside prior recessionary extremes, and additional widening could emerge if economic conditions deteriorate.

The Fund remains cautious toward generic credit-sensitive asset classes and is selective in risk deployment, favoring securitized products, high-quality investment grade issuers, and seasoned RMBS. Strong credit fundamentals in key holdings support the current positioning even as broader macro risks persist.

Should interest rates fall in response to softening economic data or a shift in Fed policy, the Fund's long-duration investment grade and mortgage-related holdings may benefit from faster prepayments and price recovery. Conversely, the portfolio is structured to perform resiliently in a higher-for-longer environment due to its current yield profile, defensive credit selection, and active risk management.

As always, the Fund's approach emphasizes liquidity, quality, and active positioning. The investment team will continue to monitor market developments closely and adjust exposures tactically, aiming to deliver attractive income and total return while managing downside 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		\$1.7 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 "AFEE," 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.

Fifth Third Strategic Income Fund Class I Shares became Touchstone Flexible Income Fund Class Y Shares on 09/10/12.

Annualized Total Returns

	2Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	1.38%	3.10%	5.29%	4.98%	3.21%	3.53%	5.72%
C Shares	1.12%	2.68%	4.40%	4.16%	2.44%	2.90%	5.27%
Y Shares	1.43%	3.22%	5.52%	5.23%	3.48%	3.78%	6.07%
INST Shares	1.36%	3.17%	5.64%	5.33%	3.58%	3.89%	6.16%
Benchmark	1.21%	4.02%	6.08%	2.55%	-0.73%	1.76%	5.94%
Including Max Sales Charge							
A Shares	-1.96%	-0.21%	1.90%	3.83%	2.54%	2.91%	5.57%
C Shares	0.12%	1.68%	3.40%	4.16%	2.44%	2.90%	5.27%

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 adviser 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 a Nationally Recognized Statistical Rating Organization (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 Adviser engages a sub-adviser to make investment decisions for the Fund's portfolio; it may be unable to identify and retain a sub-adviser who achieves superior investment returns relative to other similar sub-advisers. 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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