

Fund Manager Commentary

As of 06-30-2026

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

U.S. fixed income markets posted positive returns during the second quarter of 2026. Economic activity remained resilient, although persistent inflation, geopolitical uncertainty, and signs of softer labor-market conditions influenced investor sentiment. The Federal Reserve (Fed) held the federal funds target range at 3.50%–3.75% at its April and June meetings and reiterated that future policy decisions would depend on incoming data and the evolving balance of risks.

The unemployment rate ended June at 4.2%, while nonfarm payroll growth moderated during the quarter. Inflation remained above the Fed's longer-term objective, and the personal saving rate declined, reinforcing concerns regarding pressure on consumers.

The Bloomberg U.S. Aggregate Bond Index returned 0.67% for the quarter. Treasury yields increased, and the yield curve flattened as shorter-term yields rose more than longer-term yields. Credit spreads remained tight relative to longer-term averages, while elevated Treasury yields continued to support attractive income across several fixed income sectors.

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, 2026. The Fund remained diversified across investment-grade and high-yield corporate bonds, preferred securities, seasoned residential mortgage-backed securities (RMBS), agency commercial mortgage-backed securities (CMBS), prime auto asset-backed

securities (ABS), emerging markets sovereign debt and U.S. Treasuries.

Local-currency sovereign bonds issued by Hungary and Colombia were among the contributors to returns as interest rates and currencies benefited from market-friendly election outcomes. Preferred securities also contributed, particularly less rate-sensitive fixed-to-reset structures issued by higher-quality companies. The Fund continued to favor securities with higher reset spreads and structures whose effective duration may shorten as the likelihood of redemption increases. Short hedges detracted during the quarter.

The Fund maintained a barbell duration approach that combined shorter-duration, income-oriented holdings with selected longer-duration securities purchased at discounted prices. The shorter-duration allocation and front-loaded cash flows partially offset the effect of rising Treasury yields and a flatter yield curve. Longer-duration holdings also contributed overall, reflecting security selection within higher-quality credits and structured securities. The Fund's portfolio activity reflected a continued emphasis on income, credit quality and structural protections. The Fund modestly increased its allocations to investment-grade corporate bonds, high-yield securities and emerging markets local-currency debt. Within investment-grade corporates, the Fund added selectively to junior subordinated utility securities and discounted, longer-duration bonds issued during the low-rate environment. The Fund reduced its exposure to investment-grade structured securities while maintaining positions backed by seasoned residential mortgages and prime auto loans. Within high yield, the Fund continued to focus on higher-quality corporate issuers with strong liquidity, substantial enterprise



value and shorter spread duration. The Fund also added selectively to agency CMBS, seasoned RMBS and prime auto ABS. These holdings generally offered shorter effective durations, front-loaded cash flows or structural credit enhancement. The Fund's preferred securities allocation increased slightly, while municipal exposure was unchanged. Emerging markets exposure increased, primarily through local-currency sovereign bonds in countries offering comparatively attractive real yields. U.S. Treasury and cash allocations declined as capital was deployed into selected income and total-return opportunities. A majority of the Fund's duration exposure remained at or below the benchmark's duration, while the balance consisted of longer-duration holdings selected for their income, discounted prices or positive convexity.

Outlook and Conclusion

Persistent inflation and U.S. Treasury rates remaining above historical averages are the primary headwinds to the portfolio.

However, higher rates continue to support income from the Fund's fixed-rate, fixed-to-reset and fixed-to-floating-rate holdings. A larger move lower in longer-term Treasury rates could benefit the Fund's longer-duration securities, while faster mortgage prepayments could support discounted mortgage-backed securities with positive convexity. The Fund remains wary of credit-sensitive asset classes, particularly lower-quality and less-liquid investments, as credit spreads remain relatively tight. The Fund will continue to emphasize higher-quality investments with strong fundamentals, current income and liquidity, while remaining patient and opportunistic in deploying cash flows and shorter-duration investments as more attractive risk-adjusted opportunities emerge.



Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				Total	Net
A Shares	04/01/04	FFSAX	89154Q620	1.10%	1.09%
C Shares	10/29/01	FRACX	89154Q612	1.88%	1.84%
Y Shares	09/01/98	MXIIX	89154Q596	0.82%	0.82%
INST Shares	09/10/12	TFS LX	89154Q588	0.80%	0.74%

Total Fund Assets \$1.6 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 07/29/27.

Share class availability differs by firm.

Annualized Total Returns

	2Q26	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	1.74%	1.48%	4.51%	5.82%	2.22%	3.35%	5.03%
C Shares	1.38%	1.04%	3.72%	5.00%	1.45%	2.56%	4.23%
Y Shares	1.69%	1.50%	4.75%	6.06%	2.47%	3.60%	5.28%
INST Shares	1.72%	1.55%	4.86%	6.13%	2.56%	3.70%	5.33%
Benchmark	0.67%	0.62%	3.79%	4.16%	0.08%	1.54%	5.89%
Including Max Sales Charge							
A Shares	-1.57%	-1.82%	1.12%	4.66%	1.55%	3.01%	3.97%
C Shares	0.38%	0.05%	2.73%	5.00%	1.45%	2.56%	3.83%

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.

Touchstone Funds are distributed by **Touchstone Securities, LLC**

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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