Touchstone High Yield Fund

Sub-Advised by: Fort Washington Investment Advisors Inc

Income - High Yield Bond | 2Q/2026

Fund Manager Commentary

As of 06-30-2026

Fund Highlights

- Seeks to achieve a high level of income by investing primarily in non-investment-grade debt securities
- Evaluates overall investment opportunities and risks in different industries focusing on those that exhibit the potential for stability and predictability
- Eliminates certain types of securities from purchase due to their structure
- Applies rigorous credit selection process in an effort to identify securities that offer attractive opportunities

Market Recap

Geopolitical developments remained a key driver of market sentiment during the second quarter, with investor concerns easing after the U.S. and Iran signed an interim agreement. The deal triggered a sharp decline in energy prices, as Brent crude posted its largest quarterly decline since the pandemic. Lower energy prices helped alleviate stagflation concerns and supported a broad rally in risk assets, led by semiconductors, small cap equities, and large cap U.S. equities.

High yield rebounded alongside broader risk assets during the second quarter following the first quarter pullback. As in the prior quarter, higher-quality credits led performance, with single-B and BB-rated securities outperforming CCC-rated and lower quality securities. Spreads tightened across credit, and yields declined, ending the quarter at attractive levels despite tighter valuations.

Office real estate investment trusts (REIT) and Life Insurance were among the top-performing sectors during the quarter. Within Office REITs, Hudson Pacific Properties was the primary contributor, supported by positive leasing activity, including the largest office lease signed in San Francisco in more than a decade. In Life Insurance, Aquarian rebounded after weakness late last quarter driven by concerns surrounding the proposed consolidation of two competitors. Railroads was one of only a few sectors to post negative returns, led lower by Brightline East, which continued to be pressured by weak ridership trends and unfavorable operating economics.

AI infrastructure financing continued to evolve alongside the rapid buildout of data centers and supporting infrastructure. Early investment was largely funded by hyperscalers through operating cash flow, supplemented by significant investment-grade debt issuance. As demand for computing power, cloud capacity, and power infrastructure continues to accelerate, AI-related capital spending is expected to increase further, broadening financing opportunities beyond traditional investment-grade issuers and creating additional opportunities across the high yield market.

The Federal Reserve held rates steady during the second quarter, but the June Federal Open Market Committee meeting signaled a more hawkish policy stance under new Chair Kevin Warsh. Supported by resilient economic data, the updated dot plot showed that half of participating officials projected at least one rate hike in 2026, while the Committee reaffirmed its commitment to price stability. As a result, markets shifted from pricing modest rate cuts at the start of the quarter to anticipating additional policy tightening by quarter end.

Falling, yet still attractive, yields and tight spreads spurred a wave of supply, with issuance reaching the busiest second quarter level since 2021. Issuance was concentrated in higher-quality credits, with BB and single-B-rated issuers representing the vast majority of new supply.

Portfolio Review

The Touchstone High Yield Fund (Class A Shares, Load Waived) underperformed its benchmark, the ICE BofA High Yield Cash Pay Index, for the quarter ended June 30, 2026.

Sector allocation was a modest detractor from relative performance. Overweight positions in Finance Companies and Financial Other contributed as large holdings rebounded from a weak first quarter, but those gains were more than offset by an overweight to Cable Satellite, where deteriorating industry valuations weighed on returns. Security selection was modestly positive despite a market characterized by rising interest rates, narrow credit spread differentiation across ratings, and volatile energy markets. Strong contributors included South Jersey Industries Inc., following a bond tender at a premium, and Yahoo Finance, whose term loan was refinanced shortly after purchase. These gains were partially offset by holdings in Altice USA and Cable One Inc., as continued weakness in cable valuations and restructuring concerns pressured performance.

The Fund modestly reduced overall credit risk during the quarter through opportunistic, relative value-driven portfolio

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adjustments, ending with lower B-equivalent risk while maintaining slightly higher overall credit quality. New positions included E.W. Scripps Co., MGM China Holdings Ltd., and Sunoco LP, while Tenneco, Speedway Motorsports, and Allied Universal were sold. Sector exposure increased in Food & Beverage, Electric Utilities, and Aerospace & Defense, while allocations to Financial Other, Cable Satellite, and Leisure were reduced. The Fund also selectively added term loans to enhance yield without increasing credit risk, supported by expectations that front-end interest rates will remain elevated.

Duration remained modestly short relative to the benchmark throughout the quarter as the Fund's portfolio maintained its positioning despite higher Treasury yields and a flatter yield curve. Duration management was not a meaningful contributor to relative performance during the period.

Outlook and Conclusion

The second-quarter rally improved the near-term backdrop for high yield, but it also reduced the margin of safety available to investors. With spreads retracing much of the first-quarter widening and yields moving lower, valuations are once again priced with limited room for error. While lower energy prices and resilient economic data supported risk appetite, the combination of sticky inflation, tighter policy expectations, and full credit valuations argues for continued discipline.

At this stage of the credit cycle, we continue to favor slightly higher-quality and less cyclical sectors while seeking to maximize income. We remain underweight CCC-rated securities, which we believe are most vulnerable to default losses should financial conditions tighten and weaker issuers lose the ability to service their obligations. Similar risks apply to more cyclical sectors, where a combination of operating and financial leverage can create balance sheet pressure if economic conditions deteriorate or remain weak for an extended period.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				Total	Net
A Shares	05/01/00	**THYAX**	89154W809	1.35%	0.99%
C Shares	05/23/00	**THYCX**	89154W882	4.41%	1.72%
Y Shares	02/01/07	**THYYX**	89154W817	1.02%	0.80%
INST Shares	01/27/12	**THIYX**	89154W775	0.85%	0.72%

Total Fund Assets $114.0 Million

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 0.99% for Class A Shares, 1.72% for Class C Shares, 0.80% for Class Y Shares, and 0.72% for Class INST Shares. These expense limitations will remain in effect until at least 01/29/27.

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	2.15%	1.97%	5.65%	7.77%	3.49%	4.65%	5.79%
C Shares	2.11%	1.74%	4.92%	7.02%	2.72%	3.87%	—
Y Shares	2.38%	2.25%	6.07%	8.08%	3.75%	4.92%	6.01%
INST Shares	2.27%	2.16%	6.02%	8.12%	3.83%	5.00%	5.99%
Benchmark	2.42%	1.87%	5.75%	8.75%	4.13%	5.69%	6.59%
Including Max Sales Charge							
A Shares	-1.17%	-1.35%	2.21%	6.59%	2.80%	4.31%	5.66%
C Shares	1.11%	0.75%	3.93%	7.02%	2.72%	3.87%	5.03%

Benchmark - ICE BofA High Yield Cash Pay 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.

ICE BofA High Yield Cash Pay Index is an unmanaged index used as a general measure of market performance consisting of fixed rate, coupon bearing bonds with an outstanding par which is greater than or equal to $50 million, a maturity range greater than or equal to one year and must be less then BBB/Baa3 rated but not in default.
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.

Top 10 Holdings

		(% of Portfolio)
1	BNY Dreyfus Govt Cash Mgmt Instl	4.1
2	CQP Holdco LP & Bip-V Chinook Holdco LLC 5.5%	1.4
3	Carnival Corp Ltd. 5.875%	1.3
4	The Allstate Corporation 6.85068%	1.3
5	Zegona Finance PLC 8.625%	1.3
6	Energy Transfer LP 3.72543%	1.3
7	Ew Scripps Co	1.3
8	BlueLinx Holdings Inc. 6%	1.2
9	Albertsons Companies Inc. / Safeway Inc. / New Albertsons LP / Albertsons L	1.1
10	AHP Health Partners Inc. 5.75%	1.0

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 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 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. 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's service providers are susceptible to cyber security risks that could result in losses to a Fund and its shareholders. Cyber security incidents could affect issuers in which a Fund invests, thereby causing the Fund's investments to lose value. Current and future portfolio holdings are subject to change.

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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