

## Fund Manager Commentary

As of June 30, 2025

### Fund Highlights

- Primarily invests in income producing securities including corporate debt securities, mortgage-related securities, asset-backed securities, government securities (both U.S. government securities and foreign sovereign debt), public equities and preferred stocks
- Invests at least 50% of the portfolio in investment-grade rated securities
- Expanded opportunity set provides the flexibility to react to market dislocations
- Broadly diversified by sector, resulting in multiple sources of return potential and low correlation to traditional asset classes
- Duration management is used as a risk mitigation tool; seeks to avoid taking large duration positions due to the difficulty in predicting interest rates
- Active management and security selection are focused on building a high conviction portfolio

### Market Recap

Investor uncertainty persisted into the second quarter of 2025, following the tariff-induced volatility that dominated headlines in April. The abrupt announcement of reciprocal tariffs on April 2—referred to as “Liberation Day”—triggered sharp market reactions. Although a policy reprieve announced a week later helped stabilize markets, the outlook for consumer spending, business investment, and hiring remained clouded by policy ambiguity. Despite these headwinds, underlying economic fundamentals were resilient. Retail sales continued to advance, though distorted by pre-tariff stockpiling. The labor market remained balanced, with job creation and real wage growth continuing. However, a rising personal savings rate signaled caution among consumers. In housing, affordability challenges persisted due to elevated home prices and mortgage rates. By quarter end, markets had largely recovered. Credit spreads, which had widened sharply in early April, narrowed materially as risk appetite improved. The yield curve steepened modestly, while the 10-year U.S. Treasury yield held steady. A combination of easing inflation expectations and a shift in investor tone drove a cautiously optimistic environment heading into the second half of the year.

### Portfolio Review

The Touchstone Strategic 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 delivered strong absolute and relative returns during the quarter, outperforming the Bloomberg U.S. Aggregate Bond Index. The primary driver of outperformance was sector allocation, particularly the decision to increase exposure to high yield corporates in April amid widening spreads and attractive relative value. Overweight positions in investment grade corporates, emerging market debt, and non-credit sectors also added value as credit markets recovered from early-quarter volatility.

Interest rate positioning further supported returns. With rates experiencing volatility as investors reassessed growth and inflation expectations, the Fund employed tactical duration management, benefiting from a steepening yield curve. The Fund maintained an average duration of 5.4 years during the quarter and ended the period with duration trimmed to 4.8 years.

Security selection was a modest detractor, primarily due to underperformance within securitized products. In particular, non-agency commercial mortgage-backed securities experienced mixed results as the sector continued to reflect bifurcated performance.

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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](https://www.touchstoneinvestments.com/mutual-funds).**



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The most significant portfolio change was the increased allocation to high yield corporates in April. The sector offered compelling relative value as spreads widened in response to tariff headlines. Outside of this adjustment, the Fund's sector allocations remained largely stable, reflecting a disciplined focus on bottom-up credit opportunities across sectors.

Duration positioning was actively managed as interest rates fluctuated during the quarter. The Fund began the quarter at 5.4 years and ended at 4.8 years, positioned near historical midpoint levels given current rate valuations, and maintaining a balanced view on rates with a generally neutral yield curve bias.

Within investment grade credit, the Fund continues to favor lower-tier positions in high quality financials and has selectively added exposure in areas where relative value remains attractive—particularly at the front and intermediate segments of the curve.

The Fund's allocation to securitized products remained stable over the quarter. The strategy continues to favor non-agency issues, with overweight risk in asset-backed securities, collateralized loan obligations, and commercial mortgage-backed securities.

Emerging markets debt exposure was maintained at the lower end of historical allocations. Holdings are focused in below-investment grade issuers with strong bottom-up fundamentals. Latin America represents the largest regional exposure within this segment.

High yield exposure was increased during the quarter, taking advantage of spread widening in April. This allocation is broadly diversified across sectors and remains focused on higher-quality issuers, with the flexibility to add more risk should valuations improve.

### Outlook and Conclusion

The Fund is currently positioned with a modest overweight to risk, representing 40% of the total risk budget. While fixed income valuations have become somewhat more attractive compared to earlier in the year, they remain rich relative to long-term historical averages. Accordingly, the Fund remains tactically positioned to participate in market strength while retaining flexibility to increase exposure should risk assets cheapen. The current duration target remains within a 4.75 to 5.25-year range, allowing for continued tactical adjustments as interest rate volatility persists.

The Fund's modest overweight to credit sectors offers an opportunity to benefit from spread carry in the absence of material economic deterioration. Should economic growth slow more than expected, the Fund has room to opportunistically add risk at more attractive valuations. In addition, consistent focus on bottom-up credit selection and active duration management provides multiple avenues for alpha generation in both stable and volatile market environments.

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Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio	
				Total	Net
A Shares	11/01/93	TQPAX	89154M306	1.14%	1.01%
C Shares	04/01/94	TQPCX	89154M405	2.00%	1.72%
Y Shares	01/29/15	TQPYX	89154M504	0.91%	0.76%
INST Shares	07/19/21	TQPIX	89154M603	0.89%	0.66%
Total Fund Assets		\$290.0 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 "AFFE," and other expenses, if any) to 1.00% for Class A Shares, 1.71% for Class C Shares, 0.75% for Class Y Shares and 0.65% 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

	2Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	2.75%	5.22%	9.12%	7.66%	3.30%	3.44%	5.53%
C Shares	2.24%	4.83%	8.30%	6.74%	2.54%	2.71%	5.06%
Y Shares	2.83%	5.37%	9.43%	7.84%	3.57%	3.68%	3.50%
INST Shares	2.85%	5.43%	9.89%	8.07%	—	—	2.73%
Benchmark	1.21%	4.02%	6.08%	2.55%	-0.73%	1.76%	—
Including Max Sales Charge							
A Shares	-0.66%	1.69%	5.73%	6.49%	2.29%	2.94%	5.36%
C Shares	1.24%	3.83%	7.30%	6.74%	2.54%	2.71%	5.06%

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

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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](https://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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Not FDIC Insured | No Bank Guarantee | May Lose Value

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.

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 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 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 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. 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 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 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 emerging markets securities which are more likely to experience turmoil or rapid changes in market or economic conditions than developed countries. The Fund invests in sovereign debt securities which are issued by foreign governments whose respective economies could have an important effect on their ability or willingness to service their debt which could affect the value of the 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. The Fund invests in mortgage dollar rolls which involve increased risk and volatility, as the securities the Fund is required to repurchase may be worth less than the securities that the Fund originally held. 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. The Fund invests in repurchase agreements which are considered loans by the Fund and may suffer a loss of principal and interest in the event of counterparty defaults. Current and future portfolio holdings are subject to change.