Touchstone US Quality Bond Fund

Sub-Advised by: Earnest Partners LLC

Income - Investment Grade Bond 2Q/2026

Fund Manager Commentary

As of 06-30-2026

Fund Highlights

- Seeks to maximize total return by investing in market sectors and securities that are considered undervalued for their risk characteristics
- Focus is placed on high-quality securities, many with beneficial structures such as government guarantees or significant tangible collateral support; there is limited exposure to non-investment grade securities
- Prefers to invest in securities of government programs and companies that have sustainable operating models by considering a wide range of factors including, but not limited to, support for economic development, home ownership and job creation
- Utilizes a traditional long-only investment style and invests directly in cash bonds
- Does not invest in futures contracts, options, credit default swaps or derivatives
- Constructs a diversified portfolio across issuer, sector and industry that strives to maximize yield while minimizing the risks inherent in fixed income investing

Market Recap

The second quarter of 2026 was shaped by persistent energy-driven inflation and a Federal Reserve (Fed) leadership transition that reinforced expectations for tighter monetary policy. Elevated energy prices tied to the Iran conflict and intermittent disruptions in the Strait of Hormuz kept inflation above the Fed's target, while the new Fed Chair's hawkish outlook pushed shorter-term interest rates higher. An interim peace agreement late in the quarter eased energy prices and allowed intermediate Treasury yields to partially retrace earlier losses.

Despite higher interest rates and a bear-flattening yield curve, fixed income markets remained resilient. Continued AI-related capital spending supported economic growth, tighter credit spreads, and strong demand for spread sectors. Agency single-family mortgage-backed securities (SF MBS), commercial mortgage-backed securities (CMBS), asset-backed securities (ABS), agency multi-family mortgage-backed securities (MF MBS), and investment-grade corporate bonds all generated positive excess returns, with lower-rated securities outperforming higher-quality issues. Spread compression and income more than offset the impact of higher rates, resulting in a positive return for the Bloomberg U.S. Aggregate Bond Index.

Portfolio Review

The Touchstone U.S. Quality Bond 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's duration and curve-neutral positioning limited the impact of interest rate and yield curve movements on relative performance during the quarter. Instead, performance was driven primarily by spread sector exposure as resilient economic data, strong corporate earnings, and continued AI-related capital spending supported tighter credit spreads. Overweight allocations to spread products, including utility bonds, SF MBS, and multi-family collateralized mortgage obligations (CMOs), contributed positively, benefiting from strong credit fundamentals and easing interest rate volatility. However, the Fund's emphasis on higher-quality spread sectors, including regulated utilities, MF MBS, CMBS, ABS, and U.S. Agencies, lagged lower-rated investment-grade corporates and other higher-risk areas of the benchmark.

Relative performance was hindered by underweight positions in basic industry and energy bonds, both of which outperformed amid AI-driven infrastructure demand and higher energy prices related to the Middle East conflict. The Fund made no significant positioning changes during the quarter and maintained duration and yield curve exposures closely aligned with the benchmark.

Outlook and Conclusion

The key themes that shaped the second quarter remain unresolved. The Middle East ceasefire remains fragile, sustaining uncertainty around global trade and energy markets, while the new Fed leadership and its ongoing policy review could increase interest rate volatility. In this environment, the Fund will continue to closely manage duration and yield curve exposure while maintaining a disciplined approach to interest rate risk.

The long-term AI investment cycle remains a constructive theme, although tight corporate credit valuations warrant selectivity.

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The Fund continues to favor securitized investments backed by data centers and companies benefiting from AI-related capital spending, while monitoring new issuance for signs of changing investor risk appetite. The team also remains attentive to evolving opportunities in the mortgage market, including potential impacts from housing policy initiatives and changes to government-sponsored enterprise balance sheets.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	08/16/10	**TCPAX**	89155T102	0.93%	0.76%
C Shares	08/01/11	**TCPCX**	89155T201	2.47%	1.45%
Y Shares	11/15/91	**TCPYX**	89155T409	0.50%	0.50%
INST Shares	08/01/11	**TCPNX**	89155T300	0.47%	0.41%
R6 Shares	11/22/21	**TIMPX**	89155T433	0.45%	0.37%

Total Fund Assets $605.6 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 0.76% for Class A Shares, 1.45% for Class C Shares, 0.51% for Class Y Shares, 0.41% for Class INST Shares, and 0.37% for Class R6 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	0.70%	0.83%	3.72%	4.20%	-0.21%	1.28%	4.33%
C Shares	0.52%	0.60%	3.14%	3.49%	-0.92%	0.54%	3.56%
Y Shares	0.76%	1.07%	4.10%	4.50%	0.07%	1.54%	4.60%
INST Shares	0.78%	1.11%	4.19%	4.60%	0.16%	1.64%	4.64%
R6 Shares	0.79%	1.13%	4.23%	4.64%	0.19%	1.60%	4.61%
Benchmark	0.67%	0.62%	3.79%	4.16%	0.08%	1.54%	4.67%
Including Max Sales Charge							
A Shares	-2.58%	-2.45%	0.35%	3.06%	-0.86%	0.95%	1.98%
C Shares	-0.48%	-0.39%	2.14%	3.49%	-0.92%	0.54%	1.27%

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.

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 subadvisor considers ESG factors that it deems relevant or additive along with other material factors. The ESG criteria may cause the Fund to forgo opportunities to buy certain securities and/or gain exposure to certain industries, sectors, regions and countries. The Fund may be required to sell a security when it could be disadvantageous to do so. 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 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 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'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.

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