

## Fund Manager Commentary

As of 03-31-2026

### 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 first quarter of 2026 began on relatively stable footing but was reshaped by late February geopolitical escalation, as coordinated U.S.-Israeli strikes on Iran triggered retaliation and the closure of the Strait of Hormuz. This shock compounded an already softening economic backdrop, with prior modest GDP growth and a cooling labor market. As energy disruptions intensified and uncertainty weighed on sentiment, first quarter GDP expectations were revised down from roughly 3.0% to 2.0%, with most of the deterioration occurring late in the period. The U.S. Federal Reserve (Fed) held rates steady in March amid a shifting inflation outlook. While early-year data suggested inflation was moderating toward target, the surge in energy prices (oil rising sharply during the quarter) materially altered expectations. Higher energy costs raised concerns about broader inflationary spillovers, leading markets to abandon expectations for rate cuts and instead anticipate a prolonged pause in policy. Fixed income markets were defined by rising yields despite heightened geopolitical risk, as inflation concerns weakened demand for Treasuries. The 10-year yield rose to 4.30%, and the Bloomberg U.S. Aggregate Bond Index posted a slightly negative return. Tight starting credit spreads offered limited protection, highlighting vulnerability to macro shocks; Energy was the clear outperformer, while more cyclical sectors lagged. Agency mortgage-backed securities (MBS) stood out as a relative bright spot, supported by policy-driven demand that helped generate positive excess returns despite broader market volatility.

### Portfolio Review

The Touchstone US Quality Bond Fund (Class A Shares, Load Waived) outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended March 31, 2026. The macroeconomic environment acted predominantly as a headwind to the Fund during the period. Though the change in rates had little impact on relative performance, the erosion of demand for spread securities weighed against their price performance. Our overweight to spread sectors therefore provided a setback to contend with during the period. Our security selection within government bonds provided the most upside as higher quality securitized products performed well during the period. This benefited both our U.S. agency and agency multi-family bonds. Asset-backed securities and commercial mortgage-backed securities (CMBS) also provided positive excess returns, helping to lift our relative performance. The government's decision to have Government-Sponsored Enterprises (GSE) become buyers of mortgage backed securities (MBS) also weighed against the relative performance of the Fund. Credit spreads widened during the period, providing a tailwind to our underweight position. Among the largest contributors during the quarter were Small Business Administration (SBAP) bonds, highly structured agency multi-family mortgage-backed securities (MF MBS), and CMBS. SBAP bonds were among the strongest performers as spreads tightened while many other sectors widened or remained flat. Highly structured agency MF MBS also contributed positively, benefiting from heightened volatility in securitized markets, with more senior structures outperforming and effectively complementing single-family mortgage-backed securities (SF



MBS) exposure. Additionally, CMBS supported performance as spreads tightened over the period, providing a meaningful lift to relative returns.

Among the largest detractors during the quarter were Insurance Companies, Airlines, and SF MBS. Insurance company holdings detracted as spreads widened amid concerns related to AI exposure, software lending, and private credit investments.

Airlines were a notable source of weakness due to rising fuel costs, making the sector one of the worst performers during the quarter. Lastly, SF MBS detracted from performance due to unfavorable security selection, as lower coupon bonds outperformed higher coupon exposures where the Fund maintained an underweight position.

The most significant change to the Fund's positioning during the quarter was a reduction in SF MBS positions. Given the levels the sector reached during its rally following the GSE's announcement to purchase \$200 billion of securities, we chose to reduce our allocation to the sector by actively selling securities. The valuation of the securities was too rich, and the fundamental outlook of SF MBS based on these activities was inconsistent with our outlook for the industry.

The Fund's effective duration of 5.87 continues to be approximately matched to that of the benchmark, representing 100% of the benchmark's effective duration as of quarter end. The Fund entered the quarter at 99% of the benchmark's duration. Changes in interest rates had little relative impact on

returns. The yield curve normalized and bear steepened during the quarter. The Fund is actively managed to be approximately yield curve neutral, leading to little impact on returns.

### Outlook and Conclusion

Following the breakdown in U.S.–Iran negotiations in early April, two key themes are shaping our outlook. First, the gradual decline of the U.S. dollar's share of global reserves, now potentially accelerated by pressure on the petrodollar, raises longer-term concerns around de-dollarization and the erosion of the U.S. borrowing advantage. While this remains a structural issue, it could re-emerge as a more immediate market focus.

Second, the re-tightening of credit spreads has left valuations less compelling. Although we selectively added credit exposure during the quarter, the Fund remains underweight given elevated hedging activity and asymmetric risks, which could create more attractive entry points if spreads widen. Similarly, tighter Small Business Administration spreads have reduced opportunities, reinforcing the need to identify new sources of excess return. Despite these challenges, the Fund is well positioned to outperform over the cycle and build on its solid start to 2026.



**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 \$574.9 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**

	1Q26	YTD	1 Year	3 Year	5 Year	10 Year	Inception
<b>Excluding Max Sales Charge</b>							
A Shares	0.13%	0.13%	4.14%	3.59%	0.13%	1.47%	4.34%
C Shares	0.07%	0.07%	3.44%	2.84%	-0.59%	0.72%	3.57%
Y Shares	0.31%	0.31%	4.41%	3.85%	0.41%	1.72%	4.61%
INST Shares	0.33%	0.33%	4.61%	3.94%	0.50%	1.83%	4.66%
R6 Shares	0.34%	0.34%	4.66%	3.98%	0.52%	1.78%	4.62%
Benchmark	-0.05%	-0.05%	4.35%	3.63%	0.31%	1.70%	4.68%
<b>Including Max Sales Charge</b>							
A Shares	-3.12%	-3.12%	0.76%	2.45%	-0.53%	1.14%	1.97%
C Shares	-0.92%	-0.92%	2.44%	2.84%	-0.59%	0.72%	1.26%

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](https://www.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](https://www.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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**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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