Fund Manager Commentary

As of December 31, 2025

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

Due to the government shutdown, macroeconomic events were less influential than they had been for the first nine months of the year. With the government closed, Congress was unable to affect the news cycle or economy, and economic data was muted as the Bureau of Labor Statistics was one of the agencies forced to shutter their doors throughout the shutdown. As the government re-opened, the statistics released were largely too dated to matter, or fraught with statistical techniques rendering lower informational value. The economy did finish on a strong note, with third quarter GDP being reported at 4.3% as consumption drove growth higher. The Atlanta Fed's GDPNow forecast currently shows a 3% growth rate for the fourth quarter of the year.

Two macro drivers bypassed government influence and captured significant market attention. First, announced investments into AI projects continued to gather pace. Although enthusiasm for these investments and the technology's outlook has driven significant asset price appreciation, the rapid growth and magnitude of these commitments attracted heightened scrutiny during the quarter.

Second, the U.S. Federal Reserve (Fed) lowered the federal funds rate twice during the quarter. However, Fed Chair Powell communicated a tempered (even hawkish) tone at these meetings, as the committee remained quite split over the best course of action going forward. The number of dissents has increased over each of the last two meetings, and there are an estimated seven members of the new 2026 voting committee who believe rates should be left unchanged or moved higher during 2026. This is at odds with current market pricing of the federal funds rate by year end 2026.

As we have witnessed over the course of the year, the yield curve continued to twist and steepen during the fourth quarter. The front of the curve fell in sympathy with the Fed's rate cuts, but that is where the correlation ended. Even the Fed sensitive two-year Treasury only saw its yield decline by 13 basis points (bps) during the fourth quarter of 2025. The yield on the ten-year Treasury was slightly higher at 4.17%, while the long Treasury yield increased to 4.84%. While the shape of the curve has normalized to roughly average levels, the very front of the yield curve remains elevated and an anomaly. For its part, the ten-year Treasury yield is about 50bps higher today than it was before the Fed began cutting interest rates in September of 2024. This advance has developed even as new Treasury supply has been limited in longer maturity notes and bonds. The increase in yields is largely due to the combination of higher inflation expectations, competing safe-haven global yields advancing higher, changes to the Fed's purchasing activities, and concerns about the U.S.'s overall fiscal condition. For the

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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.***

fiscal condition, net interest has grown to 15% of the total federal budget and is expected to make up a larger share of the annual federal spend in the immediate and longer-term.

Despite the change in short term rates, yields across most of the curve were well behaved and demonstrated little volatility. The MOVE Index has retraced to levels last seen during COVID stimulus. This lack of rate volatility supported the mortgage-backed securities (MBS) market. Agency single-family mortgage-backed securities (SF MBS) generated a total return of 8.58% during the year. The returns were buoyed by 1.71% in excess returns, 0.69% which came during the fourth quarter. These results put SF MBS at the top of the performance stack for both the quarter and the year.

After credit spreads touched 25+ year lows in September, corporate bonds weakened during the final quarter of the year and generated negative excess returns for the sector. While the sector still performed well for the full year, investor appetite faded as much of the fourth quarter issuance came to fund AI projects. While much of this borrowing initially originated on the balance sheets of some of the strongest and most prolific producers of free cash flow, the nature of the borrowing shifted. The market saw less credit worthy borrowers taking on the bulk of corporate debt, while Special Purpose Vehicles (SPV) tied to hyper-scalers and technology leaders entered the fray. While these SPV's debt borrowings are backed by performance guarantees from leading technology companies, history demonstrates that these types of guarantees are not always as iron-clad as often presumed when put to the test. With a base of tight spreads and concentrated risk increasing, spreads widened during the quarter.

While spreads across other areas of credit sensitive securities have tightened, they have done so by a lesser degree. As means of comparison, while corporate bonds are now at their zero-percentile level, AAA asset-backed securities (ABS) are at 41% and AAA commercial mortgage-backed securities (CMBS) are at 45%. While it does not carry credit risk (as it is guaranteed by the U.S. Government), Small Business Administration security spreads finished the quarter at a 49th percentile mark.

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 December 31, 2025.

These returns were largely the result of the additional carry the Fund created, provided by its overweight to spread products. The macroeconomic environment had little relative impact as the Fund's duration, curve, and quality metrics were equivalent to the benchmark's. The yield curve bull steepened during the quarter. The Fund is actively managed to be approximately yield curve neutral, so this had little impact on relative performance.

An overweight to spread products and underweight to Treasuries buoyed the Fund's performance during both the quarter and year. SF MBS was the best performing sector, and our underweight to it was the primary headwind faced by the portfolio. The Fund's underweight exposure to credit, in particular lower quality credit, benefited the portfolio modestly during the quarter but was a headwind throughout the year. These two headwinds were more than offset by our overweight exposures to commercial mortgage-backed securities (CMBS), asset-backed securities, and U.S. Agencies, which all generated positive excess returns.

Credit spreads widened by four bps during the quarter, finishing the year two bps tighter than where they ended 2024. Spread movements were rather uniform, though the largest amount of widening occurred in long duration industrials where the Fund is underweight. Throughout the year, financial institutions, particularly insurance companies with long duration exposure, saw the most amount of tightening. We are overweight this corner of the investment grade credit market. Industrials provided the least amount of excess returns, and this is where our underweight within the corporate market exists, as we are approximately equal weight Financials and overweight Utilities.

Among the largest contributors to the Fund during the quarter were Small Business Administration, insurance companies, single-asset single-borrower (SASB) commercial real estate, SF MBS, and multi-family collateralized mortgage obligations (MFCMO). Small Business Administration SBAP and SBIC bonds played catchup with the corporate and MBS markets this quarter and tightened significantly.

Our position across a small handful of insurance companies provided the Fund with exposure to long duration financials. This was the best performing area of the corporate market during the fourth quarter, tightening by an aggregate 10bps.

Our up-in-quality investments into SASB commercial real estate performed well during the period as investors enjoyed the transparency and quality these bonds provide. Lower quality SASB and conduit CMBS did not keep up with these high-quality bonds in which the Fund is invested.

The Fund's investments in Agency SF MBS are concentrated in conventional 30-year maturities, with coupons between 3-6%. Conventional mortgages outperformed Ginnies, 30-year maturities outperformed other maturities, and coupons below 3% and above 6% underperformed those within the band of 3-6%. This band provided a rather homogeneous set of excess returns. Recent investments into MFCMO, specifically Ginnie Mae Project Loans, with higher coupons and prepayment protections continued to work in the Fund's benefit during the quarter.

No significant changes were made to the Fund's positioning during the quarter.

The Fund's effective duration of 5.95 continues to be approximately matched to that of the benchmark, representing 101.5% of the benchmark's effective duration as of quarter end. Additionally, the Fund has a convexity advantage relative to the benchmark (0.60 vs. 0.44). The

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Fund entered the quarter at 99% of the benchmark's duration. Changes in interest rates had little relative impact on returns.

Outlook and Conclusion

The macroeconomic environment and fundamental backdrop suggest an average to above-average level of risk. While certain parts of the economy are providing lift to mask some of the realities many face, these root problems are beginning to show themselves in terms of consumer delinquencies, affordability, and a slower labor market. Results in recent mayoral elections are indicative of the struggles many are facing in this "K-shaped" economy. Meanwhile, rising debt levels, unconstrained federal spending, and the prospect of fiscal dominance is creating concern for those on the upper half of the "K." This is nowhere more apparent than the rise in precious metals over the course of the year, in an attempt to diversify asset exposure. While none of these items in isolation would be alarming, the combination paints a macroeconomic environment which signals an above-average level of risk. However, current spread levels reflect a below-average level of risk. This is a mismatch we have called out several times over the last several quarters. Still, the tight spreads persist. Moreover, navigating these tight spread levels present the biggest challenge to the Fund given our overweight strategy to spread products.

Another significant challenge revolves around the aforementioned AI investments and debt issuances by SPVs. This is not only one of the biggest risks for financial markets, but simultaneously one of the biggest opportunities given the wide spread levels relative to where one might expect given the underlying guarantees of the lessors. Over the long-term, the outcome here is highly uncertain. Less certain, is that in the short term the amount of investment, and required debt funding, will be disruptive to recent supply dynamics. Forecasts for credit net issuance in 2026 ranges between $600 billion to $1 trillion. For reference, the run-rate over the last three years has been approximately $400 billion per year. The market will need to digest this additional paper to prevent spreads rising not only in these issues, but more broadly across credit markets.

U.S. Credit is not alone for high levels of net issuance. U.S. Treasury net issuance is expected to come in at $2.2 trillion in 2026. This amount would be the third highest level of all-time, and the forecast does not include any additional issuance which may be required for the newly minted Venezuela entanglement. Depending on the Fed's efficiency, the Treasury will need to balance its issuance across maturities, as the heavy reliance on T-bills over the last few years has created stress in overnight money market funding rates. With more MBS net issuance also expected, there could be large levels of duration issued next year which will need to be absorbed to prevent further steepening of the yield curve. If falling inflation does not manifest, any cuts to the federal funds rate could accelerate this steepening.

We have been positioning for an extended spread market for several quarters. Across our securitized and credit positions, our mantra has been to stay up in quality. The main way we have improved quality is through reducing exposure to lower quality corporate bonds, and then re-investing those proceeds to buy Treasuries, government guaranteed debt, or AAA-rated bonds. As it stands, the Fund has about 75% of the credit exposure contained in the benchmark. If the tone to risk changes, the portfolio is positioned to take advantage of any widening of spreads in some of the most volatile and expensive corners of the market. In terms of our credit sensitive securitized products, we have emphasized the idea of not taking equity-like risk for fixed income like of returns. This discipline has not been shared across the market. This mantra is most apparent in our investments into SASB and discipline within our data center investments.

The Fund's prepayment exposure profile is well positioned to handle a contraction or extension due to changes in rates. Should rates rise, the Fund's modest investments in SF MBS below 3% along with the recent investments into high coupon GNPL premium bonds should serve it well. If rates fall, unless the drop is dramatic in nature, we believe our positioning across both multi-family MBS and SF MBS should benefit more than the benchmark's.

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	**$593.8 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 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

	4Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	1.18%	6.81%	6.81%	4.47%	-0.50%	1.74%	4.37%
C Shares	0.91%	6.09%	6.09%	3.70%	-1.23%	1.13%	3.74%
Y Shares	1.14%	7.08%	7.08%	4.69%	-0.25%	1.99%	4.63%
INST Shares	1.16%	7.17%	7.17%	4.83%	-0.15%	2.09%	4.68%
R6 Shares	1.28%	7.21%	7.21%	4.84%	-0.14%	2.04%	4.65%
Benchmark	1.10%	7.30%	7.30%	4.66%	-0.36%	2.01%	4.72%
Including Max Sales Charge							
A Shares	-2.14%	3.32%	3.32%	3.32%	-1.15%	1.24%	4.22%
C Shares	-0.09%	5.09%	5.09%	3.70%	-1.23%	1.13%	3.74%

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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The performance presented for Class A, C, INST and R6 Shares combines the performance of an older class of shares (Y Shares) from the Fund's inception, 11/15/91, 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.

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A registered broker-dealer and member FINRA and SIPC

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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 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 sub-advisor 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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