Fund Manager Commentary

As of September 30, 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

The third quarter of the year continued to exhibit the capricious macroeconomic environment which has dominated 2025 headlines. The quarter began with the passage of the contentious One Big Beautiful Bill Act and ended with a Federal Government shutdown. Throughout the quarter economic data varied, and forward interpretation of the data lies in the eye of the beholder. However, from a backward-looking perspective, the data continued to signal a strong economy supported by the power of the U.S. consumer. GDP reportedly grew at 3.8%, led by personal consumption. Monthly retail sales grew by at least 0.5% each month, personal income advanced at a faster pace than inflation, as did personal spending. Overall Small Business, PMI, and ISM surveys remained strong, though the manufacturing component slipped modestly throughout the quarter. Lending officers reported looser standards for business loans, which is viewed as the more important component as business investment is a leading indicator of economic output and job creation. Given the strength of the economy and unflappable spending levels, inflation proved to be sticky. On a year-over-year basis, all measures of Core and "Full" consumer price index and personal consumption expenditures price index (PCE) increased during the quarter, ranging between 2.7% to 3.1%. The U.S. Federal Reserve's (Fed) preferred measure of Core PCE finished at 2.9%.

The primary area of data exhibiting weakness was the highly important jobs numbers. Several cracks were witnessed in the data, none more hair-raising than the large revisions to the May and June figures, which resulted in the first negative net job creation figure since the 2020 pandemic. Further, a large reduction was made to the number of jobs created from April 2024 to March 2025, effectively chopping those gains in half. Job creation for July and August proved slim, providing little confidence of a rebound. However, away from the headline job formation figure, labor data was solid. There are still over seven million job openings, the unemployment rate of 4.3% is below the Fed's target of 4.5%, and average hourly earnings were reported 3.7% higher than a year ago. This has led many to conclude that the weakness in the job creation figures is the result of immigration and deportation policies rather than fundamental weakness in the labor market.

During their September meeting the Fed concluded that the risk of (higher) inflation and (lower) employment was balanced. With both in hand, the Fed chose to cut the federal funds rate by 25 basis points (bps). Given the balanced assessment, Fed Chair Jerome Powell characterized the move as a "risk management cut" to help act as insurance against the potential of a weaker labor market. He also tied additional policy rate to both employment and progress on

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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.***

inflation. Still, many market participants believe that the Fed's favored son has shifted from inflation to labor, and that this first move lower in a year marks the first in a series of cuts.

The decision to cut interest rates was highly anticipated. This anticipation pushed interest rates lower throughout the quarter. Ultimately the curve bull-steepened, meaning that short rates decreased more than longer term rates. The yield on the six-month Treasury bill declined by 40bps, while Treasuries longer than two-years saw declines between 5-10bps. The curve has been steepening throughout the year. At quarter end, the difference between the 10-year and 30-year Treasury was 60bps, higher than the long term mean and median. The 115bps difference between the 2-year and 30-year Treasury is slightly lower than average. Economic strength, the promised fiscal and monetary stimulus, and progress on trade deals helped push spreads tighter during the quarter.

Corporate credit spreads finished the quarter at 74bps, which was nine bps lower than at the end of June and two bps higher than the low point of the period. In prior quarters we have discussed that credit spreads reached levels inside of their 10-year 5th percentile mark. The low point of 72bps obtained during the quarter is tied with the lowest level corporate spreads have been this century.

Sovereign bonds experienced spread tightening that advanced ahead of the corporate sector. This occurred due to the weakness exhibited by the U.S. dollar, which is down nearly 10% this year. Spreads have tightened by 35bps in these bonds year to date, as the weaker U.S. currency increases the ability of foreign sovereign issuers to repay their U.S. dollar denominated debt, thereby strengthening their credit profile.

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) underperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended September 30, 2025.

Over the last year we have looked to de-risk the portfolio due to tight spreads and high valuations. We continued to do so this quarter after adding risk in the second quarter following the Liberation Day spread reset. With the economy remaining strong and the legislation of the One Big Beautiful Bill proving to provide positive fiscal stimulus, risk assets continued to perform well. Further, despite elevated levels of inflation, the Fed's decision to cut interest rates benefitted portions of the market we are underweight. On whole, the macro environment acted as a headwind to the Fund during the period.

The Fund's overweight allocation to spread bonds benefitted performance during the period as all major spread sectors outperformed. However, the sectors which provided the strongest performance were the corporate and agency single-family mortgage-backed securities (ASFMBS) sectors. The Fund is currently underweight both of these sectors. The Fund is also underweight BBB-rated bonds, which provided the highest excess returns in the Bloomberg U.S. Aggregate Bond Index during the quarter.

The main contributors to the Fund were Ginnie Mae VASP, Ginnie Mae Project Loan REMICS (GNPL), and Corporate Utilities. Ginnie Mae VASP are a type of agency single-family mortgage with characteristics that have caused them to prepay at faster speeds than projected by consensus. Given these securities are mortgages with low coupons and large discounts to par, any uptick in prepayments is hugely beneficial to the performance of the bonds. Our investments into Ginnie Mae Project Loans structured as collateralized mortgage obligations benefitted the Fund this quarter. This was due to an increase in prepayments on our lower coupon vintage securities, along with an outsized yield on new issue securities we have bought cheaply over the last few months.

As with other long duration spread products, the spread on Corporate Utility bonds rallied due to a dearth of supply and a renewed spell of demand. The artificial intelligence and data center theme continues to promote their rate base and credit fundamentals. Our exposure to Utilities is nearly triple that of the index.

The main detractors of the Fund were Small Business Administration loan (SBAP) investments, Corporate Industrials, and Mortgage Pass Throughs.

The SBAPs underperformed most spread sectors this quarter, particularly relative to agencies and other government debt. While spreads tightened broadly, SBAP spreads were stable. The securities still delivered positive excess returns versus Treasuries, and this spread stability is illustrative of their lower volatility and consistent income, which are key drivers of long-term value.

Our Industrial exposure is primarily held in transportation (rails and airlines), communications, and consumer non-cyclical industries. During the quarter, more cyclical industries such as energy, capital goods, and consumer cyclicals lead the way.

Our Mortgage Pass Through exposure is made up of ASFMBS and agency multi-family mortgage-backed securities (AMFMBS). Collectively, these securities underperformed the ASFMBS held in the benchmark due to the lower interest rate environment and its implications of returning discount capital to the investor at a quicker speed through prepayments.

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The most recent quarter has seen more sector allocation changes to the Fund's portfolio than is typical. The Fund's exposure to corporate bonds fell by approximately 2.7%, as we seek to shed assets that we believe are priced to perfection. Primarily taking its place was an increase to AMFMBS, almost entirely through GNPL. While the corporate bond market is priced at the tightest levels witnessed this century, we identified an investment structure with these GNPL securities which provides for a wide range of positive outcomes while simultaneously being able to acquire the bonds at levels which are inexpensive.

The Fund's effective duration of 5.86 continues to be approximately matched to that of the benchmark, representing 99% of the benchmark's effective duration as of quarter end. Additionally, the Fund has a convexity advantage relative to the benchmark. The Fund entered the quarter at 100% of the benchmark's duration. Changes in interest rates had little relative impact on returns.

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.

Outlook and Conclusion

The macroeconomic environment and fundamental backdrop suggest an average to above-average level of risk. Markets continue to discount potential damage caused by trade policy, even as signs of it emerge. This discounting is most apparent in that of credit spreads, which in our opinion are priced for perfection on aggregate. While we will continue to underweight this sector until it provides more relative value, the impetus of fiscal and monetary stimulus will likely anchor these spreads. Issuance levels are not expected to help. Net new issuance of roughly $240 billion within Investment Grade Credit is below trend, and that does not account for the higher coupon levels which add an additional $85 billion of re-investment needs.

However, we have found bonds in other sectors which are priced fairly, offer more yield and realizable spread, and carry less credit risk than the corporate bond market. In this enthusiastic market environment, continuing to find bonds to replace those which are overpriced will continue to be a focus for the Fund during the final quarter of the year.

Our outlook is quite positive for the Fund over the medium term representing an investment cycle. The cycle in spreads is currently near its most bullish range. This has pushed spreads in credit and mortgage-backed securities (MBS) to a realm which we view as offering little relative value. However, as mentioned in the sections above, not all sectors have reached these top quartile and better levels. Instead, we have found debt across U.S. Agencies, CMBS, ABS, and AMFMBS which trade much closer to historic averages. This provides them the opportunity to play catch-up, or alternatively it leads to less downside should this period of exuberance in the investment cycle conclude. In the meantime, we have increased the cash flow and current yield of the Fund, and we believe it stands to benefit from prepayments occurring rather than them just being anticipated by the single-family MBS market participants.

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Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	08/16/10	**TCPAX**	89155T102	0.94%	0.76%
C Shares	08/01/11	**TCPCX**	89155T201	2.49%	1.45%
Y Shares	11/15/91	**TCPYX**	89155T409	0.50%	0.50%
INST Shares	08/01/11	**TCPNX**	89155T300	0.48%	0.41%
R6 Shares	11/22/21	**TIMPX**	89155T433	0.47%	0.37%
Total Fund Assets	**$613.6 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 "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 01/29/26.

Share class availability differs by firm.

Annualized Total Returns

	3Q25	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	1.66%	5.56%	2.40%	4.48%	-0.62%	1.50%	4.37%
C Shares	1.60%	5.13%	1.68%	3.74%	-1.35%	0.90%	3.73%
Y Shares	1.84%	5.88%	2.65%	4.78%	-0.37%	1.76%	4.63%
INST Shares	1.86%	5.95%	2.76%	4.88%	-0.27%	1.87%	4.68%
R6 Shares	1.76%	5.86%	2.79%	4.88%	-0.28%	1.81%	4.64%
Benchmark	2.03%	6.13%	2.88%	4.93%	-0.45%	1.84%	4.72%
Including Max Sales Charge							
A Shares	-1.59%	2.11%	-0.92%	3.33%	-1.27%	1.01%	4.22%
C Shares	0.60%	4.13%	0.69%	3.74%	-1.35%	0.90%	3.73%

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.

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.

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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