Fund Manager Commentary

As of December 31, 2024

Fund Highlights

- Utilizes an active management framework seeking to maximize total return
- Employs a disciplined selection process in an attempt to build a broadly diversified portfolio
- Assesses the economic environment and recent developments occurring in the bond market to set specific duration levels, yield-curve structures, sector weightings and credit-quality targets
- Utilizes a team of sector specialists to recommend securities

Market Recap

As 2024 comes to a close, the investment landscape remains shaped by strong domestic growth, changing policy priorities from the newly elected administration, and evolving investor sentiment. Economic growth exceeded expectations from the beginning of the year, underscored by the resilience of both consumers and businesses. However, policy changes concerning trade and regulation have garnered significant attention, potentially impacting the trajectory of the U.S. economy.

Strong consumer spending has been the largest contributor to growth over the last year. While household savings have declined, higher income earners have propelled the economy following a surge in investment and home prices since the pandemic. Higher wages have also supported the broader labor market. Although job creation has slowed over the last year, it is being offset by a lack of job losses, resulting in a largely balanced labor market.

As the economy continues to expand, inflation remains a focus for many investors due to the implications for U.S. Federal Reserve Board (Fed) policy. While inflation still appears to be on a path of disinflation, recent data has been bumpy. Furthermore, several new tariff proposals from the President have added to uncertainty. While tariffs are generally considered a one-time price increase rather than inflationary, there is a risk that they could progress into a larger trade war with some of the United States' largest trading partners (China, Mexico, Canada). This possibility has caused investors to increase their short-term inflation outlook while longer-term expectations have remained largely range bound.

At the same time, other policy proposals may provide tailwinds for economic growth in 2025. Deregulation efforts could provide certain industries, particularly energy and banking, with lower amounts of operational restrictions that should improve bottom lines. In addition, lower levels of regulation should enhance mergers and acquisitions activity while the possibility of lower corporate tax rates would lift fundamentals for many small/medium size firms. This positive backdrop for the economy is helping support risk assets as evidenced by historically tight credit spread and higher equity prices.

The Fed began cutting policy rates following further disinflation and a cooler labor market. Despite the federal funds rate being reduced by 100 basis points, longer-term yields moved higher during the fourth quarter as investors expect continued economic strength to result in fewer rate cuts during 2025. The dynamic of higher long-term rates while the Fed is cutting has led to a more traditionally shaped yield curve. The shift in longer rates was the main driver of fixed income returns over the fourth quarter. The 10-year Treasury increased about 80 basis points and caused a 3% decline in the Bloomberg U.S. Aggregate Bond Index as credit spreads remained near historically tight levels.

While higher rates could put pressure on risk assets, consumer spending and business investment are likely to support current valuations. However, we remain cognizant of downside risks to the current economic trajectory such as the bifurcation between lower income earners relative to higher income households as well as sluggish growth from Europe and China. Additionally, markets will maintain a keen eye on any potential weakness in employment, developments in U.S. fiscal policy, and geopolitical conflicts.

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Portfolio Review

The Touchstone Active Bond Fund (Class A Shares, Load Waived) underperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended December 31, 2024.

Security selection was the largest contributor to relative performance during the quarter, driven by securitized and investment grade corporates. Within securitized, the Fund was overweight collateralized mortgage obligations which outperformed relative to agency passthroughs. Within investment grade corporates, subordinated positions within high quality banks were the primary driver of outperformance.

The Fund's sector allocation was a positive contributor to performance during the quarter. The primary driver was the overweight allocation to investment grade corporates as spreads tightened over the quarter.

The Fund's interest rate exposure detracted from relative performance over the quarter. The Fund was bias longer duration relative to the benchmark for a majority of the period which underperformed as interest rates increased. Separately, the Fund was biased for a steeper yield curve but tactical adjustments to this positioning underperformed during the period.

There were no significant changes to the Fund's sector positioning during the quarter; portfolio activity was largely focused on security selection opportunities within each sector. Interest rate positioning was lengthened during the quarter as investors reduced their expectations for rate cuts in 2025.

The Fund began the quarter short duration but was biased longer duration relative to the benchmark for a majority of the period which detracted from performance as rates increased. In addition to adjusting portfolio duration the Fund also held treasury inflation protected securities (TIPS) bonds for part of the quarter to hedge against increases in inflation expectations. Although TIPS outperformed nominal Treasuries during the holding period, the allocation to extend duration detracted from relative performance.

The Fund was positioned to benefit marginally from a steeper yield curve during the third quarter and this was a detractor from relative performance during the fourth quarter. While the 2yr-30yr spread ended the quarter roughly where it started, the Fund's steepener was tactically adjusted during the period which negatively impacted relative performance. The Fund ended the quarter overweight the intermediate part of the curve.

Outlook and Conclusion

The Fund's risk budget is targeting a modest overweight to risk representing 30% of the risk budget.

Economic activity has been healthy over the last year despite expectations for a deceleration. Inflation remains above the Fed's 2% target but continues to decline, although recent data has been a bit bumpy. As a result of disinflation and a cooling labor market, the Fed has cut rates by 100 basis points since September. However, interest rates have increased meaningfully over that same time period as investors lowered their expectation for future rate cuts. While the consensus is for a continued U.S. economic expansion, there are still macroeconomic risks to that outlook such as geopolitical uncertainty and potentially restrictive financial conditions. Valuations largely reflect a limited margin of safety with minimal upside. Despite our improved economic outlook, elevated asset prices result in only a modest overweight risk posture within the Fund.

Sector positioning reflects generally expensive valuations, relative value, and opportunities within each sector. Allocations were mostly unchanged during the quarter and primary risk exposures include:

The Fund's portfolio remains overweight Investment Grade Credit (IG). Within the IG allocation, the strategy is increasingly weighted toward liquid, higher quality issues. We are maintaining a risk overweight to select sectors where compelling bottom-up opportunities exist such as midstream and banks.

Securitized Products remain an overweight exposure relative to the benchmark, focused within high quality non-agency commercial mortgage-backed securities and residential mortgage-backed securities. With much of the investable universe trading near historically tight levels, the exposure is bias up-in-quality due to credit curves not adequately compensating investors for risk. Across many non-agency sectors, the spread between AAA-rated and BBB-rated securities is near the tightest historical levels.

The Fund has maintained its neutral weighting to emerging market debt (EMD). Investment grade and high yield EMD are trading at historically tight levels skewing the risk/reward to the downside. The Fund holds domestic high yield credit default swap index protection as spreads are at historically tight levels, limiting the upside return of the sector to carry.

We are currently positioning the Fund long duration relative to the benchmark as we believe longer rates exhibit attractive value following the meaningful increase over the past couple months. The yield curve continued to steepen during the fourth quarter as longer rates increased while the Fed cut rates. The Fund is marginally biased for a steeper curve and is overweight the intermediate part of the curve relative to the benchmark. Volatility has been elevated as investors adjust their expectations for future rate cuts and we anticipate that to continue as new economic data is released.

The Fund is positioned to perform well in a stable to improving environment for risk assets. We believe a modest overweight to credit sectors is prudent as valuations are tight of historical medians, limiting potential upside. However, the current economic environment should support tighter spreads, and if they persist, the Fund is positioned well to benefit from additional spread relative to the benchmark. However, if economic growth slows materially, the Fund is positioned to add exposure opportunistically as risk assets would likely experience weakness. Additionally, we believe

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positive security selection can benefit the Fund in many different market environments and tactical duration management allows the Fund to take advantage of elevated rate volatility.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	10/03/94	**TOBAX**	89154W502	0.98%	0.83%
C Shares	10/03/94	**TODCX**	89154W601	2.46%	1.50%
Y Shares	04/12/12	**TOBYX**	89154W791	0.74%	0.58%
INST Shares	04/12/12	**TOBIX**	89154W783	0.64%	0.50%
Total Fund Assets	**$253.3 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 0.83% for Class A Shares, 1.50% for Class C Shares, 0.58% for Class Y Shares and 0.50% for Class INST Shares. These expense limitations will remain in effect until at least 01/29/26.

Share class availability differs by firm.

Annualized Total Returns

	4Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-3.08%	2.21%	2.21%	-2.28%	0.24%	1.66%	4.23%
C Shares	-3.23%	1.49%	1.49%	-2.99%	-0.50%	1.07%	3.97%
Y Shares	-2.92%	2.58%	2.58%	-2.04%	0.49%	1.93%	4.34%
INST Shares	-2.99%	2.57%	2.57%	-1.96%	0.55%	2.00%	4.38%
Benchmark	-3.06%	1.25%	1.25%	-2.41%	-0.33%	1.35%	4.54%
Including Max Sales Charge							
A Shares	-6.19%	-1.15%	-1.15%	-3.36%	-0.17%	1.17%	4.06%
C Shares	-4.19%	0.51%	0.51%	-2.99%	-0.50%	1.07%	3.97%

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

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 adviser 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 for Class Y and INST Shares combines the performance of an older class of shares (A Shares) from the Fund's inception, 10/03/94, 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 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 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 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 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. The Fund invests in derivatives and securities such as forward foreign currency exchange contracts, futures contracts, options and swap agreements. 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 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 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 Collateralized Loan Obligations (CLOs) that have risks that largely depend on the type of underlying collateral and risks may include illiquidity, limited active market, the possibility that distributions from collateral securities will be insufficient to make interest or other payments, the potential for a decline in the quality of the collateral, and can bear the risk of default by the loans. 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'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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