Fund Manager Commentary

As of December 31, 2024

Fund Highlights

- Seeks a high level of income consistent with reasonable risk by investing primarily in income producing securities
- Primarily invests in investment grade corporate bonds, high yield corporate bonds, preferred stocks, U.S. municipal bonds and U.S. Treasuries
- Actively manages the portfolio by rotating among asset classes and tactically hedging during various interest rate and market environments
- Seeks to identify relative value across asset classes and capture opportunities primarily within the corporate, U.S. Treasury, municipal and preferred security markets
- Analyzes and targets the portfolio's level of risk and interest rate sensitivity
- Selects individual positions based on security credit metrics and structures
- Focuses on liquid securities with transparent pricing and actively-traded capital structures

Market Recap

The U.S. stock market experienced another quarter of gains while U.S. fixed income struggled during the fourth quarter of 2024 following the election of Donald Trump as President of the United States and the "Red Sweep" in the House of Representatives and Congress. The U.S. Federal Reserve Board (Fed) made the decision to cut the federal funds rate (FFR) 25 basis points (bps) in both November and December.

The fixed income markets had a weak quarter after experiencing modest gains in the third quarter of 2024. The Bloomberg U.S. Aggregate Bond Index was down -3.06% during the fourth quarter of 2024 and finished up 1.25% for the year. Expectations for fewer FFR cuts in 2025 were a large catalyst for the weak fixed income returns in the third quarter. The 10-year U.S. Treasury yield increased 79bps from 3.78% to 4.57% during the fourth quarter. Equities soared to record highs and fixed income spreads generally tightened throughout the fourth quarter. The election of President Donald Trump was a major catalyst that pushed the equity market higher through mid-December. Fed commentary during the December Federal Open Market Committee (FOMC) meeting stalled these gains even with a 25bps cut. The S&P 500 Index posted a 2.39% gain for the fourth quarter and ended the year up 25.00%.

The U.S. consumer remained resilient in this increased rate environment. However, total household debt increased by $147 billion in the third quarter of 2024 to reach $17.94 trillion. Mortgage balances reached a total of $12.59 trillion at the end of the third quarter, an increase of $75 billion quarter-over-quarter. Mortgage rates rose 83bps throughout the fourth quarter from 6.14% to 6.97%. Supply has remained constrained especially in the existing homes market as many homeowners are locked in at mortgage rates well below the current levels. Refinances slowed considerably at the end of the fourth quarter as rates steadily rose higher to end the year. Credit card balances continue to rise, and the total outstanding balance hit $1.17 trillion at the end of the third quarter. Auto loan balances increased $18 billion in the third quarter and the total outstanding balance sits at $1.64 trillion. Delinquency rates for mortgages and auto loans increased slightly during the third quarter. Year-over-year, as of the end of the third quarter, 8.8% of credit balances transitioned into delinquency compared to 9.1% in the second quarter.

Portfolio Review

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

Among the allocations within the Fund's portfolio, the preferred equity and securitized allocations positively contributed to relative performance during the quarter. 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.***

Fund's preferred equities are invested in less rate sensitive, fixed-to-reset structures that outperformed the benchmark during the quarter. We continue to favor these structures over long duration fixed for life structures, which trade at historically tight spreads to long duration U.S. Treasuries. Furthermore, we target securities in quality credits with high backend resets. This significantly mitigates the volatility and risk. Furthermore, if rates stay at these levels, these securities shorten in duration as the likelihood of a call increases. Within the Fund's securitized allocations we have continued to add to our seasoned Residential Mortgage-Backed Securities (RMBS) exposure, as such investments offer strong total return potential due to structural deleveraging and resilient housing fundamentals. These seasoned deals offer significant hard credit enhancement via the deal structure and years of home price appreciation which would mitigate any potential losses. In addition, we allocated capital to several long duration investment grade credits that were issued during the COVID-era low-rate environment and were trading down 10-20% below issuance price. We targeted several names which had been in our bullpen that were trading in the $80 price range. We believe even with spreads on the tighter end, these securities provide a strong risk/reward profile due to their low dollar price, positive convexity, and yields above historical averages. The Agency Commercial Mortgage-Backed Securities (ACMBS) positions are backed by loans on multi-family residential housing properties originated by U.S. government agencies (Freddie Mac). These assets have solid credit metrics (60% loan-to-value/1.3x debt service coverage ratio) with low effective durations and have historically performed very well due to low delinquencies and defaults by the borrowers.

The segment of the Fund's portfolio that detracted from relative performance was the Treasury exposure. The Fund added incremental exposure to the long end of the yield curve toward the end of the quarter at deep discounts. These positions hindered performance in the last few weeks of the quarter as rates sold off into year-end.

The following are comments on the positioning throughout the quarter among the primary segments of the Fund's portfolio. The preferred equity allocation in the Fund increased during the quarter. We continue to like our preferred equity holdings versus the total preferred universe as we are focused on preferred securities that are trading to their call dates (2025-2026) and have high back-end resets (+375 to +500). Preferred equities had a strong quarter and thus we reduced our allocation, as some were called away as expected and/or reached our target prices.

The investment grade corporate allocation in the Fund decreased over the quarter. We continue to favor our diverse holdings of short duration with a moderate spread pickup to U.S. Treasuries, coupled with our long duration, low dollar priced investments. We maintained a barbell view on duration, taking advantage of high front-end rates while also maintaining our allocation to long duration, low dollar price investment grade bonds. These are long duration investment grade credits that were issued during the COVID-era low-rate environment and were trading down 30-40% below issuance price. After entering into this trade in late September of 2023, long end rates rallied, and credit spreads tightened significantly. We took this opportunity to monetize some gains in this asset class before long end rates moved back toward their original levels by the end of fourth quarter of 2024.

The investment grade structured products securities allocation in the Fund increased during the quarter. We continue to like the positions we hold for their credit and carry. We maintained a barbell view on duration, taking advantage of high front end rates while also pivoting some of our allocation to longer duration, discounted investment grade RMBS bonds with positive convexity to faster prepayment speeds and calls. Some of these credits are long duration investment grade credits that were issued during the COVID-era low-rate environment and were trading down 10-20% below issuance price. Since we began entering this trade in 2023, credit spreads have tightened significantly, however, we are still looking to opportunistically add to our exposure especially considering the selloff in long-end rates during the fourth quarter of 2024.

The Fund's high yield corporate securities allocation decreased during the quarter. The bulk of our high yield allocation remains in secured corporates credits that sit senior in the capital structure. We took down our exposure by exiting our high yield ETF holdings thus decreasing our overall allocation to high yield. With respect to this asset class, we prefer shorter duration over long duration as we see a case for economic softening and a risk-off environment in the future.

The high yield structured products securities allocation increased over the course of the quarter. A majority of our high yield structured products allocation continues to be in ACMBS positions backed by loans originated by U.S. government agencies (Freddie Mac) which are secured by multi-family residential housing properties. These assets have solid credit metrics (60% loan-to-value/1.3x debt service coverage ratio) with low effective durations and have historically performed very well due to low delinquencies and defaults by the borrowers. We are adding to this sector opportunistically. We also have and continue to add to our seasoned RMBS exposure as such investments offer strong total return potential due to structural deleveraging and resilient housing fundamentals. These seasoned securities offer significant hard credit enhancement via the deal structure and the underlying properties have the benefit of years of home price appreciation which should mitigate any potential losses. We also have and continue to add to our Asset-Backed Securities (ABS) exposure by purchasing residual securities off Prime Auto ABS. Prime borrowers have performed very well in paying their auto loans during times of stress and these securities have relatively short durations with heavily front-loaded cashflows.

The Fund does not hold any municipal bond exposure. We see municipals as rich compared to other fixed income asset classes, as their ratios to U.S. Treasuries are near multi-year

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tights across various points on the yield curve. Furthermore, given municipal budget deficits in states like New York and California, we hold a negative view on this asset class.

The Fund's U.S. Treasury allocation decreased during the quarter. The U.S. Treasury exposure is divided into 12.1% long duration U.S. Treasury Bonds and 3.1% U.S. Treasury Bills. As we anticipated softer economic data and Fed fund futures point toward modest rate cuts, we first extended duration in the first quarter and added to this position at local highs in long-end yields throughout the fourth quarter, improving our cost basis.

The Fund's cash allocation slightly increased during the quarter. We continue to remain patient and look to further aggregate cashflows generated from the securities held by the Fund and may continue to reinvest any cashflows received into short-dated U.S. Treasuries and/or other short duration investments to prepare for any corrections and/or better entry points.

The Fund's duration at the end of the fourth quarter of 2024 was approximately 4.4 years versus the benchmark's approximately 6.1 years. The Fund is positioned with a lower duration than the benchmark purposefully as we wanted to stay in shorter solid credits to protect from any spread volatility and/or large moves up in benchmark interest rates.

Outlook and Conclusion

In December 2024, after the third cut in a row, U.S. Fed Chairman Jerome Powell indicated potentially fewer cuts in 2025 than expected due to persistent inflation concerns. Chairman Powell's comments caused equities to drop and bond yields to rise. The FOMC has continued to state that interest rate decisions are data dependent. Fixed income markets seem to be anticipating two or three cuts in 2025. The FOMC's forecasts from December 2024 indicate that two interest rate cuts are likely but depending on economic data there is the potential for zero to five cuts.

In general, the greatest headwind to the Fund is the same thing that is protecting us from inflation, rising U.S. Treasury yields, credit deterioration, etc. It is a fact that we are running lower duration and more cash than our peers. We would likely underperform in the short term, a modest amount, if there were a large move lower in yields without a commensurate widening of spreads, although we have a high yielding portfolio, we are underweight risk and duration.

We continue to be wary and avoid credit sensitive asset classes (i.e., generic high yield), although they are currently much more fairly priced on a risk-adjusted basis than they have been in a few years. However, while nominal yields have reached more attractive levels, credit spreads have yet to widen to levels we find worthy of investment. In our view, we will remain tentative to rotate into such investments as they have a meaningfully higher probability of default. We will look to take advantage of investment opportunities in this space on a tactical basis.

As always, we remain diligent and patient as we are focused on avoiding any positions that have the potential to suffer from extreme illiquidity, which could be caused by an unforeseen event. Our main tenets continue to be to focus on investment opportunities with high current income, relatively short duration (generally inside 5 years of duration) combined with high confidence of a very low probability of default (we continue to be extremely focused on underlying fundamentals and credit quality).

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	04/01/04	**FFSAX**	89154Q620	1.26%	1.21%
C Shares	10/29/01	**FRACX**	89154Q612	2.01%	1.96%
Y Shares	09/01/98	**MXIIX**	89154Q596	0.97%	0.96%
INST Shares	09/10/12	**TFSLX**	89154Q588	0.97%	0.86%

Total Fund Assets **$1.6 Billion**

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 1.04% for Class A Shares, 1.79% for Class C Shares, 0.79% for Class Y Shares and 0.69% for Class INST Shares. These expense limitations will remain in effect until at least 07/29/25.

Share class availability differs by firm.

Fifth Third Strategic Income Fund Class I Shares became Touchstone Flexible Income Fund Class Y Shares on 09/10/12.

Annualized Total Returns

	4Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-1.41%	4.57%	4.57%	1.05%	2.76%	3.26%	5.72%
C Shares	-1.62%	3.68%	3.68%	0.29%	1.99%	2.65%	5.26%
Y Shares	-1.34%	4.81%	4.81%	1.30%	3.01%	3.52%	6.06%
INST Shares	-1.32%	4.92%	4.92%	1.43%	3.13%	3.63%	6.16%
Benchmark	-3.06%	1.25%	1.25%	-2.41%	-0.33%	1.35%	5.91%
Including Max Sales Charge							
A Shares	-4.59%	1.19%	1.19%	-0.07%	2.35%	2.66%	5.56%
C Shares	-2.60%	2.68%	2.68%	0.29%	1.99%	2.65%	5.26%

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

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.

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Class A, Class C and Class Y shares performance was calculated using the historical performance of the Fifth Third/Maxus Income Fund Investor shares, with an inception date of March 10, 1985, for periods prior to April 1, 2004, October 29, 2001, and September 1, 1998, respectively. Institutional Class shares performance information was calculated using the historical performance of Class Y shares for the periods prior to September 10, 2012. The returns have been restated to reflect sales charges and fees applicable to Class A, Class C, Class Y and Institutional Class shares.

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

A Member of Western & Southern Financial Group

Not FDIC Insured | No Bank Guarantee | May Lose Value

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 a Nationally Recognized Statistical Rating Organization (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 Fund invests in equities which are subject to market volatility and loss. The Fund invests in preferred stocks which are relegated below bonds for payment should the issuer be liquidated. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing their price to decline. The Fund's investments in other investment companies will be subject to substantially the same risks as those associated with the direct ownership of the securities comprising the portfolios of such investment companies, and the value of the Fund's investment will fluctuate in response to the performance of such portfolios. In addition, if the Fund acquires shares of investment companies, shareholders of the Fund will bear their proportionate share of the fees and expenses of the Fund and, indirectly, the fees and expenses of the investment companies or ETFs. 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 convertible securities which are subject to the risks of both debt securities and equity securities. The Fund invests in derivatives such as futures contracts. 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. 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 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 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 may experience higher portfolio turnover which may lead to increased fund expenses, lower investment returns and higher short-term capital gains taxable to shareholders. Current and future portfolio holdings are subject to change.

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