# Touchstone High Yield Fund

Sub-Advised by: Fort Washington Investment Advisors Inc

Income - High Yield Bond 3Q/2026

## Fund Manager Commentary

*As of 09-30-2026*

### Fund Highlights

- Seeks to achieve a high level of income by investing primarily in non-investment-grade debt securities
- Evaluates overall investment opportunities and risks in different industries focusing on those that exhibit the potential for stability and predictability
- Eliminates certain types of securities from purchase due to their structure
- Applies rigorous credit selection process in an effort to identify securities that offer attractive opportunities

### Market Recap

Renewed conflict involving Iran and the Strait of Hormuz, several inflationary impulses, and additional rate increases drove a selloff in bonds during the third quarter, particularly in September. Higher energy prices contributed to renewed inflation concerns and pressured fixed income markets, while equities remained comparatively resilient amid solid growth and strong corporate earnings.

High yield moved lower alongside broader fixed income during the quarter. The ICE BofA High Yield Cash Pay Index returned -1.84%. Single-B-rated securities outperformed BB- and CCC-rated securities. Credit spreads widened and yields rose alongside higher Treasury rates. Pharmaceuticals and Refining were among the few areas of strength, while Wirelines was one of the weakest sectors as highly leveraged balance sheets pressured several issuers.

AI infrastructure financing remained a significant theme. Expected hyperscaler capital spending may broaden financing opportunities, but growing political and regulatory opposition to data centers has increased the risk of project delays and may create greater differentiation between well-capitalized operators with committed customers and more highly leveraged issuers dependent on continued development and capital-market access.

The inflationary backdrop prompted a more hawkish shift among global central banks. The Federal Reserve raised rates in September for the first time since 2023, while resilient economic growth supported a more restrictive policy stance. Some relief emerged at quarter-end as final personal consumption expenditures data came in softer than expected. Despite higher yields, new issuance remained active and concentrated in higher-quality credits.

### Portfolio Review

The Touchstone High Yield Fund (Class A Shares, Load Waived) outperformed its benchmark, the ICE BofA High Yield Cash Pay Index, for the quarter ended September 30, 2026.

Both sector allocation and security selection contributed to relative performance, with security selection providing the larger benefit. Sector allocation benefited from an underweight position in Wirelines during broad-based weakness and an overweight position in Independent Energy as oil prices increased. These benefits were partially offset by an underweight position in Pharmaceuticals, where Bausch Health Companies Inc. outperformed during the quarter.

Security selection was positive. Clearwater Paper Corp. was among the leading contributors after the company refinanced its capital structure and retired bonds at par after quarter-end. Cerdia also contributed after announcing an agreement to be acquired in a transaction that is expected to leave the combined entity with lower leverage. Venture Global Inc. and The E.W. Scripps Co. were also among the leading contributors.

These results were partially offset by O-I Glass Inc., which faced pressure from rising energy input costs, particularly in its European operations, where costs increased faster than contractual pass-throughs. Cable One Inc. was the largest detractor as cable valuations and multiples declined while the company evaluated refinancing alternatives for its capital structure.

*Fort Washington is a member of Western & Southern Financial Group*



Touchstone Investments®
DISTINCTIVELY ACTIVE®

We reduced aggregate credit risk during the quarter through opportunistic, relative value-driven adjustments while maintaining slightly higher credit quality. Sector exposure increased most in Transportation, Technology, and Media Entertainment and decreased most in Cable Satellite, Automotive, and Leisure. We also selectively purchased term loans to increase the Fund's portfolio yield without adding incremental credit risk.

The Fund remained shorter in duration than the benchmark, ending the quarter with a duration of 2.59 years, 0.54 years shorter than the benchmark. The increase in rates benefited relative performance through our allocation to bank loans and our shorter-duration positioning as long-term Treasury yields rose.

## Outlook and Conclusion

The third quarter improved the income opportunity in high yield, but it did not create a broad credit dislocation. The more meaningful repricing occurred through Treasury yields, which lifted all-in yields, while credit spreads remained tight. We view the opportunity set as improved from an income and carry perspective, but not sufficiently compensated from a spread standpoint to support a meaningful increase in portfolio risk.

We believe results may be driven primarily by carry, portfolio construction, and issuer selection rather than a broad move down in credit quality. Portfolio activity remains consistent with the Fund's higher-quality bias, with purchases focused on BB- and single-B-rated bonds. Active primary issuance and higher front-end Treasury yields may provide opportunities to add income while maintaining portfolio quality.

Looking ahead, the central question is whether higher all-in yields and resilient issuer fundamentals can offset persistent inflation, a more restrictive Federal Reserve, and tight credit spreads. Economic growth and issuer fundamentals remain supportive, but current valuations continue to favor selectivity. We remain focused on higher-quality carry, disciplined issuer selection, and more favorable entry points before materially increasing credit risk. Our overall outlook is neutral.



Touchstone Investments®
DISTINCTIVELY ACTIVE®

## Fund Facts

| Class | Inception Date | Symbol | CUSIP | Annual Fund Operating Expense Ratio Total | Net |
|---|---|---|---|---|---|
| A Shares | 05/01/00 | **THYAX** | 89154W809 | 1.35% | 0.99% |
| C Shares | 05/23/00 | **THYCX** | 89154W882 | 4.41% | 1.72% |
| Y Shares | 02/01/07 | **THYYX** | 89154W817 | 1.02% | 0.80% |
| INST Shares | 01/27/12 | **THIYX** | 89154W775 | 0.85% | 0.72% |

**Total Fund Assets $112.3 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 and other expenses, if any) to 0.99% for Class A Shares, 1.72% for Class C Shares, 0.80% for Class Y Shares, and 0.72% for Class INST Shares. These expense limitations will remain in effect until at least 01/29/27.*

*Share class availability differs by firm.*

## Annualized Total Returns

| | 3Q26 | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Inception |
|---|---|---|---|---|---|---|---|
| **Excluding Max Sales Charge** | | | | | | | |
| A Shares | -1.07% | 0.87% | 2.49% | 7.16% | 3.00% | 4.10% | 5.69% |
| C Shares | -1.26% | 0.46% | 1.90% | 6.42% | 2.24% | 3.34% | — |
| Y Shares | -1.11% | 1.11% | 2.73% | 7.43% | 3.25% | 4.36% | 5.90% |
| INST Shares | -0.97% | 1.18% | 2.82% | 7.52% | 3.33% | 4.45% | 5.89% |
| Benchmark | -1.84% | 0.00% | 1.36% | 7.89% | 3.55% | 4.93% | 6.45% |
| **Including Max Sales Charge** | | | | | | | |
| A Shares | -4.29% | -2.40% | -0.84% | 5.99% | 2.33% | 3.76% | 5.56% |
| C Shares | -2.23% | -0.50% | 0.94% | 6.42% | 2.24% | 3.34% | 4.93% |

*Benchmark - ICE BofA High Yield Cash Pay 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.*

ICE BofA High Yield Cash Pay Index is an unmanaged index used as a general measure of market performance consisting of fixed rate, coupon bearing bonds with an outstanding par which is greater than or equal to $50 million, a maturity range greater than or equal to one year and must be less then BBB/Baa3 rated but not in default.
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.*** *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.*

## Top 10 Holdings

| | | (% of Portfolio) | | | (% of Portfolio) |
|---|---|---|---|---|---|
| 1 | Ew Scripps Co/The | 1.8 | 6 | Energy Transfer LP 4.0958% | 1.3 |
| 2 | Neptune BidCo US Inc. 9.29% | 1.7 | 7 | BlueLinx Holdings Inc. 6% | 1.2 |
| 3 | Wabash National Corporation 4.5% | 1.7 | 8 | AHP Health Partners Inc. 5.75% | 1.1 |
| 4 | CQP Holdco LP & Bip-V Chinook Holdco LLC 5.5% | 1.5 | 9 | Albertsons Companies Inc. / Safeway Inc. / New Albertsons LP / Albertsons L | 1.1 |
| 5 | The Allstate Corporation 6.94025% | 1.4 | 10 | Voyager Parent LLC 9.25% | 1.1 |

## 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 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 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 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'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.**

Touchstone Funds are distributed by **Touchstone Securities, LLC**

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**



Touchstone Investments®

DISTINCTIVELY ACTIVE®

800.638.8194 • TouchstoneInvestments.com