

## Fund Manager Commentary

As of December 31, 2020

### Fund Highlights

- This “fund of funds” primarily invests in a diversified portfolio of underlying equity and fixed income funds. These underlying funds, in turn, invest in a variety of U.S. and foreign equity and fixed income securities
- Under normal circumstances, the Fund (through its investment in underlying funds) will invest at least 40% of its portfolio in securities of issuers outside of the U.S.
- The majority of the underlying funds in which the Fund invests will be affiliated funds; however, the Fund has the ability to invest in unaffiliated underlying funds
- The Fund’s sub-advisor seeks to develop an optimal model allocation among underlying funds that seeks to provide capital appreciation through global exposure to a broad array of asset classes and investment strategies
- Under normal circumstances, the Fund expects to allocate its assets among equity and fixed income funds as follows: Equity Fund Allocation: 45-75%; Fixed Income Fund Allocation: 25-55%

### Market Recap

The U.S. stock market, represented by the Russell 3000 Index, generated a strong return for the fourth quarter of 2020. All eleven sectors were in positive territory this quarter, with Energy and Financials representing the best performing sectors. There was significant dispersion among sectors, with the main laggard being Consumer Staples. Following a selloff in October, markets rallied in November as the outcome of the U.S. presidential election became clearer and investor sentiment was buoyed by positive news on vaccine approval and distribution. Equity markets met further optimism in the fourth quarter as the passing of a stimulus package and ongoing support from central banks sustained hopes for continued momentum toward global economic recovery. Although Coronavirus infections were accelerating and many cities were re-imposing restrictions, both consumer and business surveys moderated at encouraging levels. However, job growth slowed dramatically and initial jobless claims remain at what would normally be historic levels.

Equity markets outside of the U.S. also enjoyed a strong quarter, with emerging markets outperforming all developed markets. The U.K. was on a path to recovery, with third quarter gross domestic product (GDP) up a record 16 percent, but concerns about a new variant of the COVID-19 virus led to renewed restrictions and the withdrawal of social accommodations granted for holiday gatherings. A second wave of infections hindered other European countries as well,

and the European Central Bank responded by expanding its money-printing program by hundreds of billions of euros. Among the largest countries within emerging markets, South Korea and Brazil were the strongest performers. China is the largest weighted country in the MSCI Emerging Markets Index and was up during the quarter.

The U.S. Treasury yield curve was up across most maturities during the fourth quarter after a dramatic drop earlier this year. Although the curve is down meaningfully for the year, the long end managed to push above 1.50 percent by year-end. The 10-year U.S. Treasury yield ended the quarter at 0.93 percent, up from September. The Federal Open Market Committee met twice during the quarter, as scheduled, with no change to their overnight rate, which they expect will be near zero through at least 2023. The Committee reiterated its pledge to support the economic recovery, including an increase in its bond-buying activities. Credit spreads continued to tighten during the quarter, boosting investment grade and high yield returns.

Real estate securities were up during the fourth quarter in both the U.S. and abroad. Sector performance was mixed with Hotel & Resort assets and Retail REITs leading the market while Industrials lagged. Commodity results were positive for the quarter as the price of crude oil increased 21 percent to \$48.52 per barrel. Natural gas prices were up, ending the quarter at \$2.54 per million British thermal units (BTUs), as the U.S. exported a record amount of liquefied natural gas (LNG). Midstream energy surged during the

*(continued)*

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](https://www.touchstoneinvestments.com/mutual-funds).**



fourth quarter while the broader infrastructure segment was also positive. Finally, gold prices were up less than one percent and finished at approximately \$1,895 per troy ounce.

### Portfolio Review

The Touchstone Dynamic Global Allocation Fund (Class A Shares Load-Waived) underperformed its first benchmark, the MSCI All Country World Index (ACWI) but outperformed its second benchmark, the Bloomberg Barclays Global Aggregate Index for the quarter ended December 31, 2020.

The Fund's equity overweight allocation, in general, contributed during the quarter. Individual manager performance within the equity bucket detracted from relative performance during the quarter, while allocation decisions within the equity bucket was a tailwind, with the overweight to U.S. value equities and structural overweight to small cap equities contributing to returns.

The Fund's fixed income bucket also contributed. Specifically, credit and non-U.S. currency exposure led to the outperformance. Individual manager performance within the fixed income bucket contributed positively to relative performance, while tilts within fixed income, and mismatch versus the benchmark, also contributed.

The Fund's allocations to the Touchstone Small Cap Value Fund and Touchstone Sands Capital Emerging Markets Growth Fund were the two strongest performing allocations on a stand-alone basis during the quarter. Touchstone Value Fund was the Fund's largest contributor to returns. Touchstone Value Fund is the Fund's largest position and its size and benchmark outperformance was additive to manager selection during the quarter. The Touchstone Ultra Short Duration Fixed Income Fund was the weakest, albeit positive contributor.

During the quarter, the decision was made to trim the Touchstone Impact Bond Fund position and reallocate to Vanguard Emerging Markets Government Bond ETF to effect an overweight to emerging markets debt and an increase in non-U.S. fixed income exposure versus U.S. core. Emerging market countries (especially in Asia), have fared better with COVID-19 so we believe there is strong growth potential in those regions. In addition, emerging markets equities have historically outperformed coming out of recessions. That said, we are wary of the headwinds from global trade policies. In addition, we trimmed from each of Touchstone Anti-Benchmark® International Core Equity Fund and Touchstone International Growth Fund and reallocated equally to iShares Core MSCI Emerging Markets ETF and Touchstone Sands Capital Emerging Markets Growth Fund in order to implement an overweight to emerging markets equities relative to non-U.S. developed market equities. Overall, the changes for the quarter were modest, with no material change in the aggregate target level of fixed income exposure or exposure to U.S. and non-U.S. equities.

### Outlook and Conclusion

Although much remains uncertain at the start of 2021, we remain optimistic about risk assets and believe the Fund is well-positioned for the year ahead. Although we believe that volatility may be elevated over the year, we do not necessarily foresee a material sell-off in either equities or fixed income. Global economic fundamentals have potential for improvement in 2021, particularly if central banks remain accommodative and progress in fighting the pandemic continues on pace.

The Fund is positioned roughly in line with its long-term strategic target. Overall, we continue to believe that the Fund is best served by remaining invested in risk assets, but we will continue to seek to improve portfolio positioning where appropriate. Within fixed income, the Fund remains overweight credit, relative to government. In domestic equities, we remain overweight value, relative to growth equities, and within non-U.S. equities, we favor emerging markets over developed markets.

As of December 31, 2020, Touchstone Small Cap Value Fund made up 1.99%, Touchstone Sands Capital Emerging Markets Growth Fund made up 3.14%, Touchstone Value Fund made up 15.94%, Touchstone Ultra Short Duration Fixed Income Fund made up 3.91%, Touchstone Impact Bond Fund made up 13.77%, Vanguard Emerging Markets Government Bond ETF made up 2.96%, Touchstone Anti-Benchmark® International Core Equity Fund made up 10.15%, Touchstone International Growth Fund made up 5.02%, iShares Core MSCI Emerging Markets ETF made up 4.04% of the Touchstone Global Allocation Fund. Current and future portfolio holdings are subject to change.



**Fund Facts** (As of 12/31/20)

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio*	
				Total	Net
A Shares	09/30/04	TSMAX	89154Q307	1.86%	1.41%
C Shares	09/30/04	TSMCX	89154Q406	2.82%	2.16%
Y Shares	12/09/05	TSMYX	89154Q505	1.89%	1.16%
<b>Total Fund Assets</b>	<b>\$89.4 Million</b>				

\*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 0.49% for Class A Shares, 1.24% for Class C Shares and 0.24% for Class Y Shares. These expense limitations will remain in effect until at least 04/30/21.

Share class availability differs by firm.

**Annualized Total Returns\*\*** (As of 12/31/20)

Class	4Q20	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	10.40%	13.09%	13.09%	7.10%	7.55%	6.86%	6.05%
C Shares	10.19%	12.28%	12.28%	6.31%	6.75%	6.21%	5.67%
Y Shares	10.44%	13.23%	13.23%	7.35%	7.80%	7.11%	6.32%
Benchmark 1 <sup>^</sup>	14.68%	16.25%	16.25%	10.06%	12.26%	9.13%	8.07%
Benchmark 2 <sup>^^</sup>	3.28%	9.20%	9.20%	4.85%	4.79%	2.83%	3.89%
Including Max Sales Charge							
A Shares	4.84%	7.48%	7.48%	4.99%	6.29%	6.22%	5.67%
C Shares	9.19%	11.28%	11.28%	6.31%	6.75%	6.21%	5.67%

Max 5.00% sales charge for Class A Shares and 1% Contingent Deferred Sales Charge for Class C Shares held less than 1 year.

<sup>^</sup>Benchmark - MSCI All Country World Index<sup>1</sup>

<sup>^^</sup>Benchmark - Bloomberg Barclays Global Aggregate Index<sup>2</sup>

<sup>1</sup>The MSCI All Country World Index measures the equity market performance of developed and emerging markets.

<sup>2</sup>The Bloomberg Barclays Global Aggregate Index is a measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

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.

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. This report is not approved or produced by MSCI.

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**\*\*The performance presented for Class Y Shares combines the performance of an older class of shares (A Shares) from the Fund's inception, 09/30/04, with the performance since the inception date of each share class.**

**A Word About Risk**

The value of an investment in the Fund is based on the performance of the underlying funds in which it invests and the allocation of its assets among those funds. The Fund bears a proportionate amount of the expenses charged by the underlying funds. The Fund's ability to achieve its investment goal depends upon the sub-advisor's skill in selecting the best mix of underlying funds. The principal risks of an investment in the Fund include the principal risks of investing in the underlying funds in addition to those of the Fund. The Fund invests in equities which are subject to market volatility and loss. The Fund invests in foreign securities, foreign depositary receipts, emerging markets and frontier markets securities which carry the associated risks of economic and political instability, market liquidity, currency volatility and differences in accounting standards that differ from those of U.S. markets and offer less protection to investors. The Fund invests in fixed-income securities which can 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. 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 derivatives which may expose the Fund to additional risk than directly investing in securities and may lack a liquid market, are subject to counterparty risk and leverage risk which could result in increased volatility of returns as well as losses. Liquidity risk may exist when particular investments are difficult to purchase or sell, which can reduce an underlying fund's return. Leverage can create an interest expense that may lower the Fund's overall returns. There can be no guarantee that a leveraging strategy will be successful. Current and future portfolio holdings are subject to risk. Events affecting the financial markets, such as a health crisis, 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. The underlying funds, ETFs and ETNs in which the Fund may invest may be subject to the following principal risks. 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.

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](http://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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