Touchstone Investments®
DISTINCTIVELY ACTIVE®

Domestic Equities

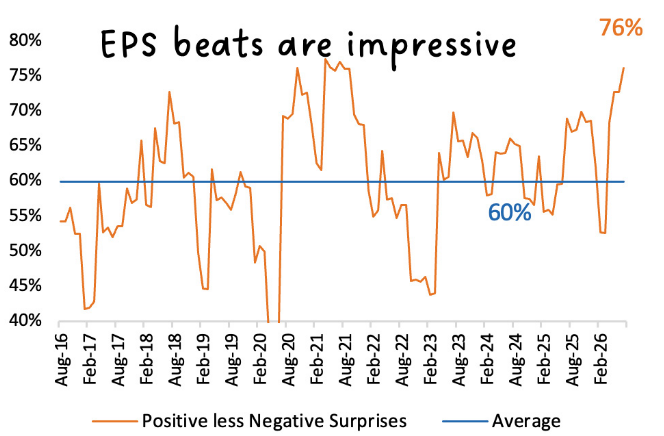
Large Cap

Authors: Crit Thomas, CFA, CAIA / Erik M. Aarts, CIMA / Tim Paulin, CFA

August 10, 2026

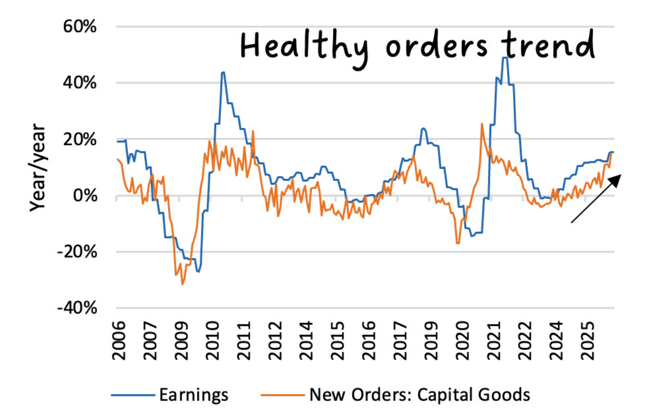
- Our constructive outlook toward U.S. large cap equities remains intact. Economic data continue to support expansion, while corporate earnings have remained exceptionally strong despite geopolitical uncertainty and elevated interest rates.
- Second quarter earnings headlines have been distorted higher by one-time valuation gains. However, even excluding those gains, the underlying picture remains one of remarkable strength. S&P 500 companies are on pace to deliver approximately 14% revenue growth, excluding the post-pandemic reopening, that is the strongest top-line growth since 1992, according to Bloomberg. Strong revenue growth is particularly encouraging because it is far more difficult to manufacture than earnings through accounting adjustments or share repurchases.
- Improving economic data continue to reinforce that earnings outlook. Manufacturing activity expanded for a seventh consecutive month in July, reaching its strongest level since 2022, while Durable Goods New Orders excluding Transportation accelerated to 11.2% year-over-year, suggesting business investment remains healthy. Together, these indicators point toward continued demand rather than an economy losing momentum.
- AI remains the dominant driver of both economic growth and equity performance, but the investment debate is evolving. Investors have become less focused on whether hyperscalers will continue spending and more focused on who ultimately captures the economic value from those investments. Competition from open-source models has increased uncertainty surrounding AI business models, while growing enterprise adoption continues to broaden the opportunity set beyond infrastructure providers.
- We continue to believe the secular bull market remains intact. Strong earnings, improving economic activity, and expanding AI adoption support our constructive outlook. Nevertheless, elevated valuations, concentrated leadership, and uncertainty surrounding the next phase of the AI investment cycle suggest periods of consolidation should be expected.

S&P 500 Index Net Earnings Surprise



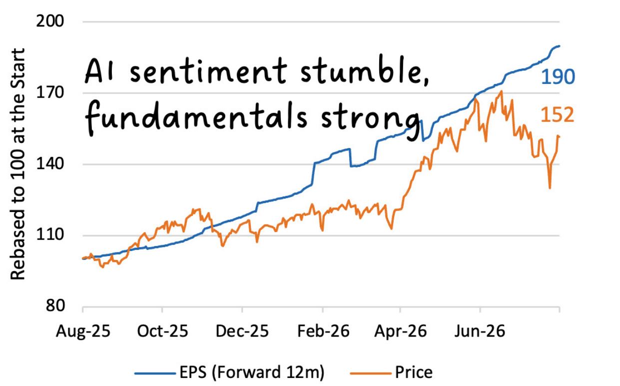
Source: Bloomberg. 10 years of monthly data through Jul 2026..

Durable Orders Tend to Lead EPS



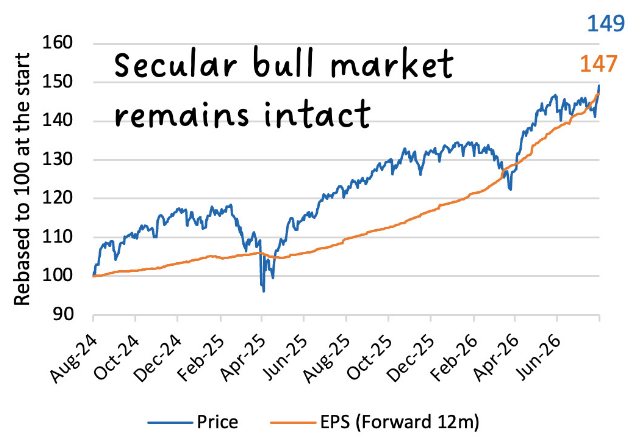
Source: Bloomberg. 20 years of monthly data through Jul 2026.
Capital goods new orders exclude aircraft and defense.

Goldman Sachs TMT AI Basket Index



Source: Bloomberg. 1 year of daily data through Aug 05 2026. The index consists of companies that are pursuing AI or enabling new technologies across Technology, Media, and Telecom (TMT).

S&P 500 Index



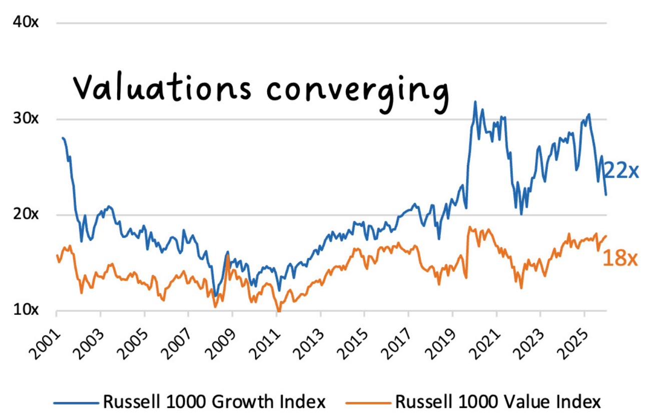
Source: Bloomberg. 2 years of daily data through Aug 04 2026.

Authors: Crit Thomas, CFA, CAIA / Erik M. Aarts, CIMA / Tim Paulin, CFA

August 10, 2026

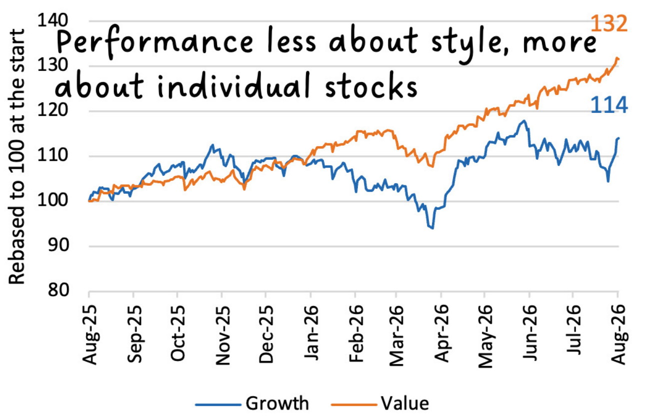
- We remain near our strategic allocations between Growth and Value. While traditional Value characteristics, as measured by Bloomberg, have been rewarded this year, we do not believe making a significant style allocation is the most productive decision for investors. Increasingly, the underlying earnings drivers matter more than the style label itself.
- Last month we highlighted how differences between the S&P and Russell methodologies produced very different performance outcomes. Looking deeper, however, the larger story is not index construction alone, but the growing importance of stock-specific returns. A relatively small number of companies have accounted for most of the performance difference between the major style indexes.
- Russell 1000 Value's outperformance illustrates the point. While the Value factor has performed well this year, nearly 90% of the index's excess return versus the Russell 1000 came from just ten stocks, many of which were directly tied to AI infrastructure spending rather than traditional value characteristics.
- We believe this reflects a broader change taking place across the market. The AI ecosystem has become such an important driver of corporate earnings that investors are becoming less focused on traditional Growth versus Value distinctions. Investors are increasingly evaluating companies based on their ability to convert AI investment into durable revenue growth, productivity improvements, and higher returns on capital. As a result, many of the companies best positioned to benefit from AI no longer fit neatly into traditional Growth or Value categories.
- For active managers, this environment places a greater premium on security selection than style allocation. Rather than relying on index methodologies to define Growth or Value, we believe identifying companies with durable earnings growth and improving fundamentals will become increasingly important.
- While AI remains the dominant investment theme, we continue to favor a balanced approach between Growth and Value. In our view, style investing has become increasingly secondary to identifying the companies with the strongest and most durable earnings drivers during this phase of the AI investment cycle.

Price/Earnings Ratios: Forward 12 Months



Source: Bloomberg. 25 years of monthly data through Jul 2026.

Russell 1000 Style Indexes



Source: Bloomberg. 1 year of daily data through Aug 04 2026.

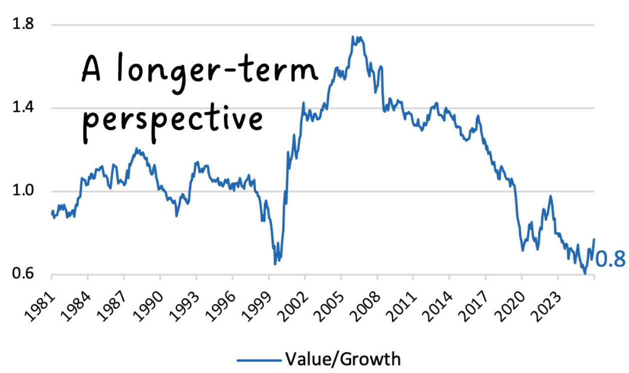
Russell 1000: Top 5 Holdings

Value	Weight	Growth	Weight
Amazon.com	7%	NVIDIA	15%
Apple	6%	**Apple**	7%
Microsoft	5%	Alphabet	6%
Berkshire Hathaway	3%	Broadcom	6%
JPMorgan	3%	**Microsoft**	6%
Total	22%	Total	40%

Is it Growth or Value? Both?

Source: Bloomberg. As of Aug 03 2026.

Relative Total Returns: Russell 1000 Value Index/Russell 1000 Growth Index



Source: Bloomberg. 45 years of monthly data through Jul 2026.

Domestic Equities

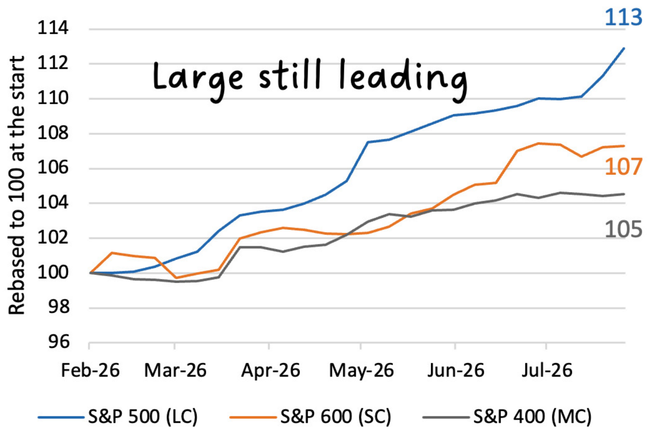
Small and Mid Caps

Authors: Crit Thomas, CFA, CAIA / Erik M. Aarts, CIMA / Tim Paulin, CFA

August 10, 2026

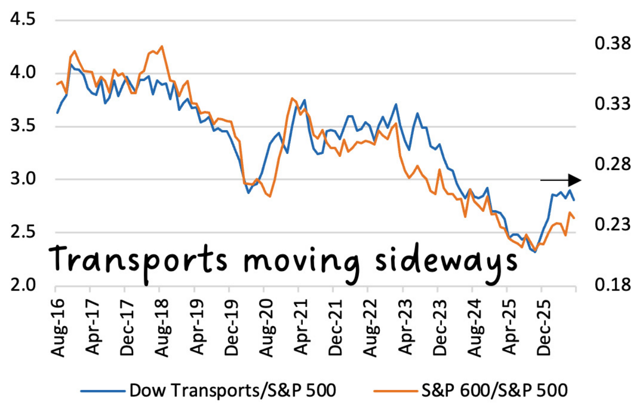
- We continue to see improving fundamentals across both small and mid cap companies. Earnings growth, positive earnings surprises, and revenue growth all point toward a healthier operating environment than many investors anticipated entering the year. The question is no longer whether fundamentals are improving—they clearly are. The question is whether enough evidence exists to justify increasing exposure before market leadership broadens further.
- While the earnings backdrop continues to improve, market leadership has broadened only modestly beyond large caps. Transportation stocks, which have historically moved closely with small cap relative performance, have recently leveled off, suggesting investors remain cautious about the durability of the domestic cyclical recovery.
- The Russell 2000's June reconstitution continues to influence performance. The largest annual rebalance in more than a decade removed nearly 16% of the index's market capitalization as many of its strongest performers graduated into the Russell 1000. Historically, those departures leave the benchmark searching for new leadership while increasing near-term volatility.
- We continue to monitor earnings revisions closely. Small cap earnings revisions have improved modestly faster than mid caps, as have small cap stocks, suggesting investors continue to reward improving expectations rather than simply higher absolute earnings growth. Whether that translates into more durable relative outperformance will likely depend on continued improvement in domestic economic activity and business investment.
- The fundamental case for small and mid cap companies continues to strengthen, but elevated interest rates, geopolitical uncertainty, and less supportive transportation stocks suggest it may be premature to conclude that the next phase of relative outperformance has begun.

2026 Analyst EPS Estimate Revisions



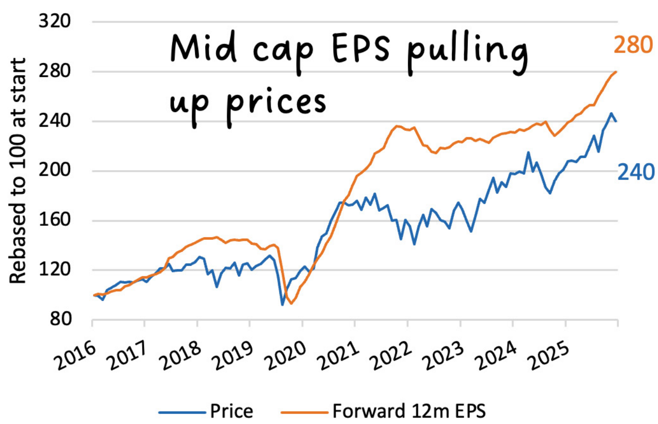
Source: Bloomberg. 6 months of weekly data through Jul 29 2026.

Relative Performance



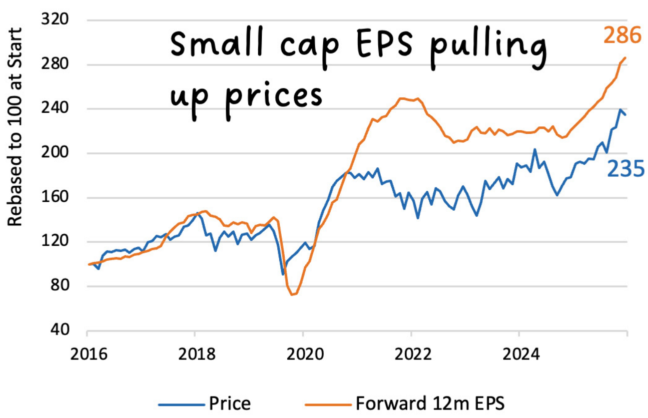
Source: Bloomberg. 10 years of monthly data through Jul 2026.

S&P 400 Index



Source: Bloomberg. 10 years of monthly data through Jul 2026.

S&P 600 Index



Source: Bloomberg. 10 years of monthly data through Jul 2026.

Domestic Equities

Market Characteristics

Authors: Crit Thomas, CFA, CAIA / Erik M. Aarts, CIMA / Tim Paulin, CFA

August 10, 2026

The Indexes mentioned are unmanaged statistical composites of stock market or bond market performance. Investing in an index is not possible.

Total Returns

							EPS Growth Estimate	
	July 2026	YTD	2025	2024	2023	2022	2025	2026
S&P 500 Index	-0.1%	10.1%	17.9%	25.0%	26.3%	-18.1%	30%	13%
S&P 500 Index Equal Weighted	1.0%	13.3%	11.4%	13.0%	13.8%	-11.5%	18%	10%
S&P 500 Value Index	2.0%	10.2%	13.2%	12.3%	22.2%	-5.3%	14%	8%
Russell 1000 Value Index	3.8%	20.7%	15.9%	14.4%	11.4%	-7.6%	21%	8%
S&P 500 Growth Index	-1.8%	10.0%	22.2%	36.1%	30.0%	-29.4%	51%	18%
Russell 1000 Growth Index	-4.8%	0.3%	18.6%	33.4%	42.7%	-29.1%	36%	21%
S&P 400 Index	-2.4%	14.5%	7.5%	13.9%	16.4%	-13.1%	22%	12%
S&P 600 Index	-1.9%	21.5%	6.0%	8.7%	15.9%	-16.1%	21%	17%
Russell 2000 Index	-3.0%	18.9%	12.8%	11.5%	16.9%	-20.4%	20%	10%

Valuations

	P/E (TTM)	Percent Rank	P/E (FTM)	Percent Rank	P/CF	Percent Rank	P/S	Percent Rank
S&P 500 Index	27.6x	91%	18.5x	72%	21.4x	95%	3.7x	99%
S&P 500 Index Equal Weighted	21.3x	80%	15.7x	59%	13.7x	92%	2.0x	95%
S&P 500 Value Index	22.6x	94%	17.5x	96%	15.9x	88%	2.2x	99%
Russell 1000 Value Index	23.4x	96%	17.1x	94%	17.6x	97%	2.5x	100%
S&P 500 Growth Index	34.0x	90%	19.6x	67%	30.2x	97%	8.2x	99%
Russell 1000 Growth Index	33.8x	77%	20.5x	58%	25.9x	85%	5.8x	96%
S&P 400 Index	22.9x	80%	15.2x	48%	13.2x	93%	1.6x	96%
S&P 600 Index	22.5x	54%	14.0x	28%	12.5x	61%	1.3x	96%
Russell 2000 Index	98.7x	94%	23.4x	85%	19.0x	99%	1.7x	99%

Fundamentals

	Dividend Yield	Percent Rank	Profit Margin	Percent Rank	ROE	Percent Rank	Net Debt / EBITDA	Percent Rank
S&P 500 Index	1.1%	1%	14.5%	100%	20.0%	97%	1.6	40%
S&P 500 Index Equal Weighted	1.7%	12%	10.0%	98%	12.6%	77%	2.7	62%
S&P 500 Value Index	1.7%	1%	10.7%	91%	15.3%	95%	2.3	53%
Russell 1000 Value Index	1.6%	0%	11.5%	95%	13.6%	74%	2.2	27%
S&P 500 Growth Index	0.5%	2%	26.1%	99%	29.6%	87%	0.4	5%
Russell 1000 Growth Index	0.5%	3%	19.0%	100%	37.8%	99%	0.6	10%
S&P 400 Index	1.3%	30%	8.7%	93%	11.2%	68%	2.4	44%
S&P 600 Index	1.5%	73%	7.2%	96%	5.3%	33%	4.2	88%
Russell 2000 Index	1.4%	40%	4.7%	70%	0.9%	28%	5.1	86%

For Index Definitions see: TouchstoneInvestments.com/insights/investment-terms-and-index-definitions

Source: Bloomberg. Percent ranks are based on 30 years of monthly data as of the end of July; EPS growth estimates based on consensus bottom-up analyst estimates.

Touchstone Investments®
DISTINCTIVELY ACTIVE®

Authors: Crit Thomas, CFA, CAIA / Erik M. Aarts, CIMA / Tim Paulin, CFA

August 10, 2026

The Touchstone Asset Allocation Committee (TAAC) consisting of Crit Thomas, CFA, CAIA – Global Market Strategist, Erik M. Aarts, CIMA – Vice President and Senior Fixed Income Strategist, and Tim Paulin, CFA – Senior Vice President, Investment Research and Product Management, develops in-depth asset allocation guidance using established and evolving methodologies, inputs and analysis and communicates its methods, findings and guidance to stakeholders. TAAC uses different approaches in its development of Strategic Allocation and Tactical Allocation that are designed to add value for financial professionals and their clients. TAAC meets regularly to assess market conditions and conducts deep dive analyses on specific asset classes which are delivered via the Asset Allocation Summary document. Please contact your Touchstone representative or call 800.638.8194 for more information.

A Word About Risk

Investing 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. Investment grade debt securities which may be downgraded by a Nationally Recognized Statistical Rating Organization (NRSRO) to below investment grade status. 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. Mortgage-backed securities and asset-backed securities are subject to the risks of prepayment, defaults, changing interest rates and at times, the financial condition of the issuer. Foreign securities 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. Emerging markets securities which are more likely to experience turmoil or rapid changes in market or economic conditions than developed countries.

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.***

Please consider the investment objectives, risks, charges and expenses of a fund carefully before investing. The prospectus and the summary prospectus contain this and other information about a 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

TSF-2695-DE-2608