



Executive Summary

- ▶ Fasten your seat belts. We anticipate increased market volatility as we enter the fall, with both upside and downside risk potential growing. We are maintaining a slightly defensive posture, though we would likely take advantage of any major selloffs.
- ▶ Signs of speculative fervor are building, as retail investors pile into meme stocks and measures of investor sentiment have surged to levels historically associated with market tops. Historically, September has been the worst month for the S&P 500 on average. A correction is possible.
- ▶ On the other hand, fundamentals remain solid with 2Q earnings, building tariff certainty, and Fed rate cuts likely on the horizon. While valuations are high, they are not unprecedented, and with the ongoing AI spending narrative, we could see animal spirits take prices even higher.

Asset Class	Weight	Change	Commentary
Fixed Income	Slight Overweight	↓ (6/25)	We maintain a slight overweight. With bond yields near 10-year highs, fixed income offers attractive income and competitive return potential relative to equities.
U.S. Taxable Investment Grade	Moderate Overweight	↑ (4/25)	Drawn by higher yields and lower economic sensitivity, we are tactically overweight investment-grade bonds, which offer appealing risk-adjusted return prospects.
Duration	Neutral	↑ (3/25)	We remain neutral on duration, as we believe interest rate risks have become more balanced. Slowing economic growth could pull yields lower, while sticky inflation and potential disruptions from rising public debt and budget negotiations could push yields higher.
U.S. Taxable Non-Investment Grade	Moderate Underweight	↓ (6/25)	We are underweight high-yield bonds given tight credit spreads, despite expected slowing in economic growth. However, loose credit conditions, higher index quality, and a manageable maturity wall limit the need to become too defensive.
Equities	Slight Underweight	↑ (6/25)	We are slightly underweight equities overall, due to reduced exposure to both U.S. large-cap Growth and small-cap, partly offset by a moderate overweight to mid-caps.
U.S. LC Blend	Neutral	↓ (2/25)	We continue to see elevated second-half earnings risk for the S&P 500 from tariffs, DOGE, and immigration policies. Prices have moved ahead of fundamentals, and the market may need a pause or correction to allow fundamentals to catch up.
U.S. LC Growth	Moderate Underweight	↓ (8/24)	We remain underweight Growth due to elevated stock-specific risks among top constituents – including antitrust concerns, significant international exposure, and stretched valuations.
U.S. LC Value	Neutral	↓ (3/25)	We maintain our neutral weight to Value. Greater economic sensitivity and limited valuation support is balanced by sector-specific opportunities in oversold Healthcare and in Financials with deregulation likely.
U.S. Mid Cap	Moderate Overweight	↓ (6/25)	We maintain a mid-cap overweight, favoring the segment for its attractive valuations, lower international exposure, and less economic risk compared to small-caps. Within mid-caps, we prefer high-quality companies with strong cash generation.
U.S. Small Cap	Slight Underweight	↓ (3/25)	We are slightly underweight small-caps, reflecting greater earnings risk. Small business owner sentiment remains weak, particularly around capital spending and hiring.
International Developed	Neutral	↑ (6/25)	We moved to a strategic weight after re-evaluating the prospects for the U.S. dollar, attractive relative valuations, and weakening economic conditions in the U.S. However, Europe's fragile recovery, fragmented capital markets and regulatory burdens temper our enthusiasm.
International Emerging	Neutral	↑ (6/25)	Also now at a strategic weight based on similar factors as Developed markets: reduced dollar risk, attractive valuations, and weaker U.S. fundamentals. The next key inflection points will be outcomes of ongoing U.S. trade negotiations.

	Conservative		Moderately Conservative		Moderate		Moderately Aggressive		Aggressive	
	Strategic	Tactical (PPT)*	Strategic	Tactical (PPT)	Strategic	Tactical (PPT)	Strategic	Tactical (PPT)	Strategic	Tactical (PPT)
Fixed Income	90%		60%	+1.0	40%	+1.0	25%	+1.0	10%	+1.0
U.S. Investment Grade	70%	+4.0	42%	+3.0	24%	+3.0	7%	+3.0	3%	+1.0
U.S. Non-Investment Grade	18%	-4.0	16%	-2.0	14%	-2.0	16%	-2.0	5%	
Cash	2%		2%		2%		2%		2%	
Equities	10%		40%	-1.0	60%	-1.0	75%	-1.0	90%	-1.0
Domestic	8%		30%	-1.0	45%	-1.0	56%	-1.0	67%	-1.0
Large Cap Blend	6%		9%		11%		14%		17%	
Large Cap Growth			5%	-1.0	10%	-2.0	14%	-2.0	16%	-3.0
Large Cap Value			7%		10%		11%		13%	
Mid Cap	2%		6%		9%	+2.0	11%	+2.0	14%	+3.0
Small Cap			3%		5%	-1.0	6%	-1.0	7%	-1.0
International	2%		10%		15%		19%		23%	
Developed	2%		6%		10%		12%		14%	
Emerging			4%		5%		7%		9%	

*Reflects percentage point difference

Source: Touchstone Investments; assessments are made using data and information through July 2025. For illustrative purposes only. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Diversification among investment options and asset classes may help to reduce overall volatility.

Touchstone Asset Allocation Guidance

Strategic: Strategic asset allocation is a baseline allocation between asset classes established with a longer term focus and congruent with an investor's investment goals and objectives. The allocation is meant to optimize the asset mix through methodical diversification in an attempt to maximize return and lessen risk.

Tactical: Tactical asset allocation is differentiated from strategic asset allocation by having a much shorter time horizon and the goal of adding alpha beyond what would be allowed through static strategic weights. Markets tend to be more volatile over shorter time horizons, while longer time frames tend to smooth out that volatility. That enhanced volatility in the short term creates the opportunity for either return enhancement and/or risk reduction by adding to or reducing weights of different asset classes.

Word About Risk

Fixed-income securities 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 may be downgraded by a Nationally Recognized Statistical Rating Organization to below investment grade status. Non-investment grade debt securities 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. Equities are subject to market volatility and loss. Growth stocks may be more volatile than investing in other stocks and may underperform when value investing is in favor. Value stocks may not appreciate in value as anticipated or may experience a decline in value. Stocks of large-cap companies may be unable to respond quickly to new competitive challenges. Stocks of small- and mid-cap companies may be subject to more erratic market movements than stocks of larger, more established companies. Investments in foreign, and emerging market 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. The risks associated with investing in foreign markets are magnified in emerging markets, due to their smaller and less developed economies.

Index Definitions

S&P 400® Index is an index that measures the performance of 400 mid-sized companies in the United States.

S&P 500® Index is a group of 500 widely held stocks and is commonly regarded to be representative of the large capitalization stock universe.

S&P 600® Index is an unmanaged index considered representative of U.S. small-capitalization stocks.

Bloomberg U.S. Aggregate Bond Index is an unmanaged index comprised of U.S. investment grade, fixed rate bond market securities, included in government agency, corporate and mortgage-backed securities between one and ten years.

Russell 1000 Index measures the performance of the 1000 largest companies in the Russell 3000 Index

Alpha is the portion of a fund's total return that is unique to that fund and is independent of movements in the benchmark

In accordance with Rule 22c-2 under the 1940 Act, Touchstone Funds has no arrangements to permit any investor to trade frequently in shares of the Funds, nor will they enter into any such arrangement in the future.

Fed is abbreviated for the U.S. Federal Reserve Board.

AI is abbreviated for artificial intelligence.

The information provided reflects the research and opinion of Touchstone Investments as of the date indicated, and is subject to change without prior notice. Past performance is not indicative of future results. There is no assurance any of the trends mentioned will continue or forecasts will occur. Investing in certain sectors may involve additional risks and may not be appropriate for all investors.

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

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 on the resources section or call Touchstone at 800.638.8194. Please read the prospectus and/or summary prospectus carefully before investing.

Investment return and principal value of an investment in a Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. All investing involves risk.

Touchstone Funds are distributed by Touchstone Securities, Inc.

A registered broker-dealer and member FINRA/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