



## Executive Summary

- ▶ Following Liberation Day we shifted to a slight Fixed Income overweight, emphasizing investment grade debt. This move primarily responded to increased recession risks following the magnitude of the tariff announcement.
- ▶ The pausing of most of the tariffs just days later underscores how fluid and unpredictable the environment has become.
- ▶ We also reduced exposure to developed international equities. While dollar weakness benefits U.S. investors, euro and yen strength can weigh on foreign corporate profits. We also have growing concerns with these export-driven economies given expected economic slowing among their two largest trading partners (U.S. and China).

Asset Class	Weight	Change	Commentary
Fixed Income	Slight Overweight	↑ (4/25)	We shifted to a slight overweight as recession risks have risen. With bond yields near 10-year highs, fixed income offers compelling income opportunities and competitive return prospects relative to equities.
U.S. Taxable Investment Grade	Moderate Overweight	↑ (4/25)	We tactically increased our investment-grade bond exposure to a moderate overweight, attracted by appealing risk-adjusted return potential from higher yields and lower economic sensitivity.
Duration	Neutral	↑ (3/25)	We remain neutral on duration, as we believe interest rate risks have become more balanced. Slowing economic growth could put downward pressure on yields, while sticky inflation and potential disruptions from rising public debt and budget negotiations could push yields higher.
U.S. Taxable Non-Investment Grade	Slight Underweight	↓ (3/25)	We maintain a slight underweight to high-yield bonds due to economic risks. However, loose credit conditions, higher index quality, and a manageable maturity wall keep us from getting more defensive.
Equities	Slight Underweight	↓ (4/25)	We are slightly underweight equities overall, driven by reduced exposure to both EM and developed international stocks. Within US equities, we continue to favor mid-caps.
U.S. LC Blend	Neutral	↓ (2/25)	We see heightened earnings risk for the S&P 500 due to tariffs, DOGE, and immigration policies. As a result, we have lowered our return expectations, increasing the attractiveness of other asset categories.
U.S. LC Growth	Moderate Underweight	↓ (8/24)	We remain underweight Growth due to high stock-specific risks among top constituents including antitrust concerns, significant international exposure, and elevated valuations.
U.S. LC Value	Neutral	↓ (3/25)	We removed our slight Value overweight given greater economic sensitivity within the index and lack of valuation support.
U.S. Mid Cap	Overweight	↑ (2/25)	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 remain slightly underweight small caps due to greater earnings risk. Small business owner sentiment has turned down, particularly around capital spending and hiring.
International Developed	Slight Underweight	↓ (4/25)	We removed our slight overweight in early April. Higher-than-expected US tariffs, currency strength, and weakening economic conditions in the US and China, create earnings risk for international companies.
International Emerging	Slight Underweight	↓ (11/24)	We remain slightly underweight, given the potential drag from delayed Fed rate cuts, lack of dollar weakness versus EM countries, and broader tariff threats on China and beyond.

	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%	+2.0	60%	+2.0	40%	+2.0	25%	+2.0	10%	+2.0
U.S. Investment Grade	70%	+4.0	42%	+3.0	24%	+3.0	7%	+3.0	3%	+2.0
U.S. Non-Investment Grade	18%	-2.0	16%	-1.0	14%	-1.0	16%	-1.0	5%	
Cash	2%		2%		2%		2%		2%	
Equities	10%	-2.0	40%	-2.0	60%	-2.0	75%	-2.0	90%	-2.0
Domestic	8%		30%		45%		56%		67%	
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%	+1.0	9%	+3.0	11%	+3.0	14%	+4.0
Small Cap			3%		5%	-1.0	6%	-1.0	7%	-1.0
International	2%	-2.0	10%	-2.0	15%	-2.0	19%	-2.0	23%	-2.0
Developed	2%	-2.0	6%	-1.0	10%	-1.0	12%	-1.0	14%	-1.0
Emerging			4%	-1.0	5%	-1.0	7%	-1.0	9%	-1.0

\*Reflects percentage point difference

Source: Touchstone Investments; assessments are made using data and information through April 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.**

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