



Executive Summary

- ▶ Early in June, we increased our equity allocation to a moderate overweight following a market pullback. Economic data continue to surprise to the upside, prospects for a reopening of the Strait of Hormuz have improved, and while AI remains the most important market driver, its influence continues to broaden across sectors and industries.
- ▶ Importantly, this adjustment was not driven by a negative view of fixed income. We continue to find bond yields attractive and believe high-quality fixed income remains an important source of income, diversification, and portfolio stability.
- ▶ The primary risk facing markets has also evolved. Earlier concerns centered on slowing growth and geopolitical disruptions. Today, inflation appears to be the more important challenge. AI infrastructure spending, energy constraints, and supply chain bottlenecks are creating pricing pressures that could keep interest rates higher for longer than investors currently expect.

Asset Class	Weight	Change	Commentary
Fixed Income	Moderate Underweight	↓ (6/26)	We lowered our tactical stance to a moderate underweight as we see more attractive return opportunities in equities and potential inflation-related risks.
Duration	Slight Overweight	↑ (3/26)	We maintained a slight overweight duration stance. While inflation risks have increased, current yields provide a more meaningful income cushion than in recent years, and we do not believe inflation pressures will be sufficient to trigger a sustained rise in long-term yields.
U.S. Taxable Investment Grade	Neutral	↓ (6/26)	We moved to a neutral position funding our equity overweight. We continue to be drawn to the higher yields and lower economic sensitivity found within corporate and securitized credit.
U.S. Taxable Non-Investment Grade	Moderate Underweight	↓ (6/25)	We remain underweight high-yield bonds. Credit spreads remain near historic lows, while yield sits only modestly above the historical median. This suggests little cushion should inflation remain elevated or economic growth falters.
Equities	Moderate Overweight	↑ (6/26)	We increased equities to a moderate overweight, supported by improving economic data, progress toward reopening the Strait, and continued strength in earnings. AI remains the dominant market driver.
U.S. LC Blend	Moderate Overweight	↑ (6/26)	Strong earnings growth and continued AI-related investment have supported equity markets, and now we are seeing progress in the reopening of the Strait. 1Q earnings were very strong, and forward estimates continue to move higher.
U.S. LC Growth	Neutral	↑ (3/26)	We removed our underweight to Growth in March after valuations became more reasonable. AI remains a key earnings driver, although risks persist given potential delays in data center construction and AI's potential to disrupt industries.
U.S. LC Value	Neutral	↓ (3/25)	The Value index contains a diverse mix of defensive, cyclical, and even growth-oriented companies that have migrated from Growth benchmarks. While we see attractive opportunities within the universe, we believe they are best captured through active management rather than passive.
U.S. Mid Cap	Slight Overweight	↓ (11/25)	We hold a slight overweight, supported by more attractive valuations and potential earnings growth. Within mid caps, we prefer high-quality companies with strong cash generation.
U.S. Small Cap	Neutral	↑ (9/25)	We remain neutral but see growing reasons to consider an upgrade. Earnings revisions have improved, participation has broadened across industries benefiting from AI-related spending, and lower fuel prices could help alleviate pressure on consumer-oriented businesses.
International Developed	Neutral	↑ (6/25)	Developed international equities stand to benefit from lower energy prices, although higher interest rates and inflation pressures are headwinds. While valuations are relatively attractive, we believe some discount is warranted given ongoing structural growth challenges, particularly in Europe. We maintain a neutral allocation.
International Emerging	Slight Underweight	↓ (3/26)	We remain slightly underweight. With roughly 80% of the index concentrated in Asia, emerging markets remain sensitive to energy costs and external demand. Although a resolution in energy markets would be supportive, normalization may take time, warranting a more cautious near-term stance.

	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%	-1.0	60%	-2	40%	-2	25%	-2	10%	-1
U.S. Investment Grade	70%	+3	42%	+1	24%		7%		3%	-1
U.S. Non-Investment Grade	18%	-4	16%	-3	14%	-2	16%	-2	5%	
Cash	2%		2%		2%		2%		2%	
Equities	10%	+1	40%	+2	60%	+2	75%	+2	90%	+1
Domestic	8%	+1	30%	+3	45%	+3	56%	+3	67%	+2
Large Cap Blend	6%	+1	9%	+2	11%	+2	14%	+2	17%	+1
Large Cap Growth			6%	+1	11%		15%		17%	
Large Cap Value			7%		11%		12%		14%	
Mid Cap	2%		6%		9%	+1	11%	+1	14%	+1
Small Cap			2%		3%		4%		5%	
International	2%		10%	-1	15%	-1	19%	-1	23%	-1
Developed	2%		6%		10%		12%		14%	
Emerging			4%	-1	5%	-1	7%	-1	9%	-1

*Reflects percentage point difference

Source: Touchstone Investments; assessments are made using data and information through June 2026. 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, LLC**

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