



Executive Summary

- ▶ Will the Fed continue to deliver? Risk markets appear to think so, but could they be disappointed? Persistent economic resilience may allow the Fed to proceed with a more gradual, possibly less market-friendly rate-cutting pace.
- ▶ That same resilience, however, has supported equities. With the Fed delivering a “risk management” cut and shifting its concerns toward labor market weakness, we removed our slightly cautious tilt toward fixed income.
- ▶ We also closed our small cap underweight, as they typically benefit from Fed rate cuts. Additional supports include a potential broadening rebound in industrial production, a bottoming in EPS revision trends, expected earnings acceleration in 2026, and improving small business sentiment.

Asset Class	Weight	Change	Commentary
Fixed Income	Neutral	↓ (9/25)	We shifted down to a neutral stance as yields and tighter spreads modestly reduce expected returns. Strategically, fixed income remains important, offering ballast and stable income.
U.S. Taxable Investment Grade	Moderate Overweight	↓ (9/25)	We are tactically overweight, drawn by higher yields and lower economic sensitivity, which offer appealing risk-adjusted return prospects relative to recent history.
Duration	Neutral	↑ (3/25)	We remain neutral, as we believe interest rate risks have become more balanced. Slowing economic growth could pull yields lower, while sticky inflation and a pendulum swing towards fiscal dominance could push yields higher.
U.S. Taxable Non-Investment Grade	Moderate Underweight	↓ (6/25)	We are underweight high-yield bonds, given tight credit spreads. However, loose financial conditions, higher index quality, and little sign of distress reduce the need for a highly defensive stance.
Equities	Neutral	↑ (9/25)	We shifted up to a neutral stance following the Fed’s cut and signaling greater concern about labor weakness, providing some further insurance against recession risk.
U.S. LC Blend	Neutral	↓ (2/25)	We see some near-term risk of market correction this fall. However, without a recession, we believe a correction could create a buying opportunity.
U.S. LC Growth	Moderate Underweight	↓ (8/24)	We remain underweight Growth due to elevated stock-specific risks among top constituents – including valuations that seemingly require continued earnings surprises and upward revisions to justify them.
U.S. LC Value	Neutral	↓ (3/25)	We maintain our neutral weight to Value. Greater economic sensitivity and limited valuation support are balanced by sector-specific opportunities in oversold Healthcare and Financials, supported by deregulation and a steeper yield curve.
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	Neutral	↑ (9/25)	We have moved to neutral, based on lower valuations and an improving 2026 outlook that gives us more confidence in analyst earnings forecasts of faster earnings growth. We may look to add to this position following third-quarter earnings, depending on how management teams frame their outlooks for consumer demand and tariff impacts.
International Developed	Neutral	↑ (6/25)	We remain at our strategic weight, supported by reduced currency risk, attractive relative valuations, and lower U.S. return prospects. However, Europe’s fragile recovery, fragmented capital markets, and regulatory burdens temper our enthusiasm.
International Emerging	Neutral	↑ (6/25)	Our strategic weight is based on similar factors as Developed markets: reduced dollar risk, attractive valuations, and more tepid U.S. return expectations. EM is hard to generalize as prospects differ by country and company.

	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%		25%		10%	
U.S. Investment Grade	70%	+4.0	42%	+3.0	24%	+2.0	7%	+2.0	3%	
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%		75%		90%	
Domestic	8%		30%	-1.0	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%		9%	+2.0	11%	+2.0	14%	+3.0
Small Cap			3%		5%		6%		7%	
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 September 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

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