



Executive Summary

- ▶ We moved our slight overweight in mid caps to large cap growth. The combination of stronger forward earnings growth, better revision momentum and meaningful multiple contraction has improved the relative risk-reward profile of large cap growth.
- ▶ Following a timely downgrade in duration in August, yields have surged on sharply better than expected economic data and a hawkish Fed hike. We believe these higher rates may prove sticky. Our economy has proved to be less interest rate sensitive. Sticky higher rates are also consistent with our regime change hypothesis, reflecting a shift in the supply and demand for debt as growing supply requires higher yields to attract capital.
- ▶ We remain moderately overweight equities, supported by healthy earnings and resilient economic growth. But inflation, geopolitical risks and uncertainty around the Fed argue against becoming more aggressive. Within fixed income, we prefer higher-quality credit and remain underweight high yield. We remain constructive but believe this is a time for measured risk-taking.

Asset Class	Weight	Change	Commentary
Fixed Income	Moderate Underweight	↓ (6/26)	We maintain moderate tactical underweight as we continue to see more attractive return opportunities in equities. Bond yields have become even more appealing, offsetting inflation risks, fiscal concerns, and a less communicative Fed.
Duration	Neutral	↓ (8/26)	We shifted duration back to neutral as the risks have become more balanced. Heavy borrowing needs from the federal government and AI-related infrastructure investment are increasing competition for capital putting upward pressure on long-term yields.
U.S. Taxable Investment Grade	Neutral	↓ (6/26)	We remain neutral. Yields are attractive, but significant data center-related issuance, particularly on the long end of the curve, creates additional competition for capital and argues for selectivity in issuer, maturity and structure.
U.S. Taxable Non-Investment Grade	Moderate Underweight	↓ (6/25)	We remain underweight high-yield bonds. Credit spreads provide little cushion should inflation remain elevated or economic growth begins to slow.
Equities	Moderate Overweight	↑ (6/26)	We maintain a moderate overweight, supported by resilient economic data and continued earnings strength. While AI remains the dominant market driver, there are some encouraging signs that earnings growth is broadening beyond AI-related companies.
U.S. LC Blend	Moderate Overweight	↑ (6/26)	We maintain a moderate overweight. Strong earnings growth and continued AI-related investment have supported equity markets. Constraints on data center buildout such as permitting and power needs could create some earnings risk, though AI demand remains very strong.
U.S. LC Growth	Slight Overweight	↑ (9/26)	We tactically shifted Growth to a slight overweight. Strong earnings growth and continued AI-related investment remain supportive. Continued strength in AI demand and greater visibility into 2027 has increased our confidence, though the change was incremental as the risk profile is high.
U.S. LC Value	Neutral	↓ (3/25)	We remain neutral. 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.
U.S. Mid Cap	Neutral	↓ (9/26)	We removed our slight overweight, shifting to neutral. Earnings revisions and breadth have improved, although mid caps have recently lagged large caps due to a slower rate of EPS growth. We decided to follow the relative earnings strength by adding to large cap growth.
U.S. Small Cap	Neutral	↑ (9/25)	We remain neutral. Earnings and sales revision breadth have improved, although relative performance has yet to provide decisive confirmation and higher interest rates create a new headwind.
International Developed	Neutral	↑ (6/25)	We remain neutral, though the outlook has improved modestly. Earnings have been materially better and European economic growth is modestly exceeding expectations. However, sustained higher energy prices and rates suggest a dose of caution is warranted.
International Emerging	Slight Underweight	↓ (3/26)	We remain slightly underweight. EM returns have become increasingly dependent on three large, historically cyclical semiconductor companies. This concentration makes the asset class more dependent on company-specific fundamentals and less on the broader macro factors that typically guide our allocation decisions.

	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%	
U.S. Non-Investment Grade	18%	-4	16%	-3	14%	-2	16%	-2	5%	-1
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%	+1	15%	+1	17%	+1
Large Cap Value			7%		11%		12%		14%	
Mid Cap	2%		6%		9%		11%		14%	
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 September 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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A member of Western & Southern Financial Group

Not FDIC Insured | No Bank Guarantee | May Lose Value



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