Touchstone Investments®
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Touchstone Asset Allocation

Guidance – September 2026

Executive Summary

- We moved duration back to neutral this month as the risks have become more balanced. Yields still provide attractive income, but above-target inflation and enormous capital requirements across government deficits and private-sector AI infrastructure are competing for a finite pool of assets, which could keep long-term yields elevated.
- Stocks had a strong August despite continued geopolitical uncertainty. Both U.S. and international markets rebounded from a weak July, helped by another healthy earnings season. Importantly, earnings strength has extended beyond the largest U.S. technology companies. The market continues to mirror the resilience of the economy.
- 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 remain appealing, but inflation risks, fiscal concerns, and a less communicative Fed add uncertainty to the outlook.
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 and could put 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.
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	Neutral	↑ (3/26)	We remain neutral on Growth. Strong earnings growth and continued AI-related investment remain supportive, though this earnings strength creates a high hurdle for earnings growth in 2027.
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	Slight Overweight	↓ (11/25)	We maintain a slight overweight. Earnings breadth has improved, although mid caps have recently lagged large caps due to a slower rate of growth. We continue to favor high-quality companies with strong balance sheets and consistent cash generation.
U.S. Small Cap	Neutral	↑ (9/25)	We remain neutral but continue to see reasons for increased optimism. Earnings and sales revision breadth have improved, although relative performance has yet to provide decisive confirmation.
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, despite higher energy prices.
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%		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 August 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.

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.

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