



Executive Summary

- ▶ Recent economic data have been quite mixed, but we expect greater economic visibility to come in the second half of this year.
- ▶ While the Fed is likely to start lowering rates this year, it remains unclear what motivates the action. Is it mainly due to lower inflation (our base case) or weakening labor market conditions?
- ▶ As we get greater clarity, we are likely to begin shifting our tactical weights in a more deliberate manner.

Asset Class	Weight	Change	Commentary
Fixed Income	Neutral	↓ (4/24)	Interest rates remain at levels not seen since before the Great Financial Crisis. While inflation has become sticky, interest rates remain above the rate of inflation. The combination of these two factors are likely to translate into higher returns on an absolute and inflation adjusted basis.
U.S. Taxable Investment Grade	Neutral	↓ (4/24)	After a rise in interest rates to date, we see a more balanced picture for longer duration investment grade debt, and potentially some upside should the economy slow as we anticipate.
Duration	Slight Overweight	↓ (11/23)	10 year Treasury yields have generally been trading between 4.20% and 4.60% as the market wrestles with differing economic signals indicating either resilience or weakness.
U.S. Taxable Non-Investment Grade	Neutral	↑ (2/24)	HY bonds have performed well in the face of higher interest rates due to economic resilience, lower maturity wall, and higher index quality characteristics. We would be overweight if credit spreads were wider.
Equities	Neutral	↑ (4/24)	After a strong run to date we see the equity outlook as more balanced with potential slowing economic growth offset by an expected easing pivot in monetary policy.
U.S. Large Cap	Neutral	↑ (4/24)	Earnings for large caps continue to surprise to the upside and estimates for 2024 and 2025 have been rising. Admittedly, earnings are still being driven by a small contingent of mega-cap companies and has yet to broaden out.
Growth	Slight Underweight	↓ (12/23)	Growth stock outperformance has resumed with strong outperformance of mega-cap stocks. Narrow leadership is typically not a healthy sign, though there has been earnings support behind the move.
Value	Slight Overweight	↑ (12/23)	Our shift toward Value has not worked. But it has not been due to style specific issues. It is a handful of excessively large names that are driving market returns, and they happen to be Growth stocks.
U.S. Mid Cap	Modest Overweight	↑ (12/22)	Mid-cap valuations are significantly below average on a historical basis versus their own history and relative to large caps. Mid-caps underperformed large caps despite stronger earnings growth over the past two years.
U.S. Small Cap	Neutral	↓ (4/24)	Given the likelihood of a more extended Fed rate pause, we decided to remove our overweight to this more economically sensitive asset class. We see this as a near-term risk.
International Developed	Slight Underweight	↑ (4/24)	We see an opportunity developing for international developed stocks mainly due to the timing difference between US and European central banks. Later this year Europe's economy could begin to improve while the US is slowing.
International Emerging	Neutral	↓ (8/23)	The emerging market picture remains mixed, both from an economic standpoint as well as valuations. Given an extended Fed rate pause we are less confident in the return prospects for many developing markets in the near-term.

	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%		40%		25%		10%	
U.S. Investment Grade	70%		42%		24%		7%		3%	
U.S. Non-Investment Grade	18%		16%		14%		16%		5%	
Cash	2%		2%		2%		2%		2%	
Equities	10%		40%		60%		75%		90%	
Domestic	8%		30%	+1	45%	+2	56%	+3	67%	+4
Large Cap	6%		9%		11%		14%	+1	17%	+2
Growth			5%		10%	-1	14%	-1	16%	-2
Value			7%		10%	+1	11%	+1	13%	+2
Mid Cap	2%		6%	+1	9%	+2	11%	+2	14%	+2
Small Cap			3%		5%		6%		7%	
International	2%		10%	-1	15%	-2	19%	-3	23%	-4
Developed	2%		6%	-1	10%	-2	12%	-3	14%	-4
Emerging			4%		5%		7%		9%	

*Reflects percentage point difference

Source: Touchstone Investments; assessments are made using data and information through June 2024. 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 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.

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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