

U.S. Market Review

The market has certainly been stronger than most people expected this year, particularly after the double-digit returns of 2016. The S&P 500 Index advanced 3.1% in the second quarter, bringing its year-to-date gain to 9.3%, driven in part by the strongest first quarter S&P 500 earnings growth in six years. For much of the quarter we witnessed ongoing leadership from “growth” stocks, particularly in the technology sector. Year-to-date, technology leads the market with a 16.2% gain, while energy has been the worst performer with double-digit declines. In an environment reminiscent of 2015, a handful of momentum-oriented tech stocks seemed to dominate market performance. The Wall Street Journal recently noted that only five stocks (Facebook, Amazon, Apple, Google and Microsoft) accounted for 41% of the S&P’s gains to that point. Looking at this market dynamic through a different lens, the tech-heavy S&P 500 Growth index was up 13.3% at quarter end versus 4.9% for the S&P 500 Value Index. Why the outperformance of growth? For one, President Trump’s stalled policy agenda has led many to reduce growth expectations for other areas of the market. This dynamic has created a perceived scarcity of growth and willingness to pay a premium for companies with ongoing momentum. Meanwhile, subdued inflation and the Federal Reserve’s efforts to remove monetary stimulus are weighing on economic growth projections, which are more vital to cyclical areas of the market such as energy, industrials and financials.

Asset Class Review

The chart on the right shows just how strong stock market returns across the globe have been in the past 12 months, with all of the major indexes posting returns over 16%. This is an impressive result considering all of the fears and concerns that we read about and seemingly constant concern that something may cause the market to plummet. Despite two interest rate increases by the Federal Reserve so far this year, bonds have squeaked out a decent return in the first half of the year. The reason for this is that, while very short-term interest rates have risen (the Fed Funds Rate), longer term interest rates have remained relatively flat. Domestically, the S&P 500 (large cap stocks) has been the best performer this year. Smaller companies have posted solid ½ year returns but gains have slowed following the big post-election rally at the end of last year. Small cap stocks have gained 5% this year, but are up almost 25% in the past 12 months. This year’s highlight, however, has been the international markets, which we have favored for some time. The Developed International markets (Europe, Japan, Australia, etc.) gained 6.1% in the second quarter and 13.8% in the first half of the year, while Emerging Markets gained 6.3% in the quarter and a whopping 18.4% for the year-to-date period.

Market Returns	YTD 2017	1 Year
U.S. Large Caps	9.3	17.9
U.S. Mid Caps	8.0	16.5
U.S. Small Caps	5.0	24.6
International Developed Markets	13.8	20.3
Emerging Markets	18.4	23.8
Intermediate Term Bonds	1.7	-0.2

Source: Morningstar Direct. Please see Important Disclosures on page 4 for index definitions.

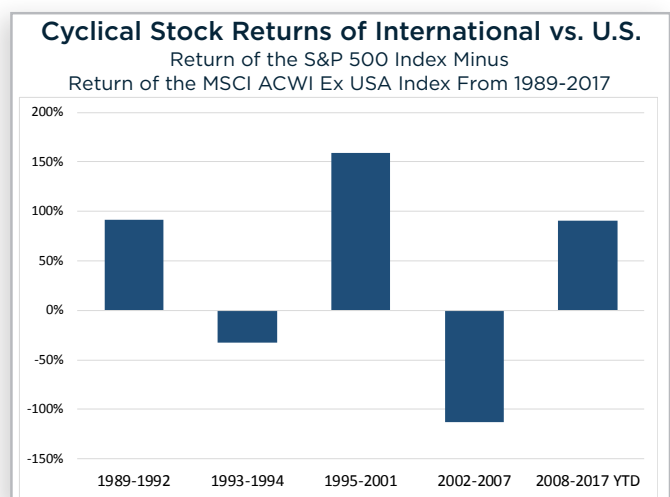
International Market

We have been expecting the market gains to begin to slow down given the strong returns over the past 5 to 7 years. Therefore, we would not be surprised to see domestic equities have a relatively benign second half of 2017, providing additional room for International stocks to continue to do better relative to the U.S.

There are four primary reasons today that cause us to favor the international markets:

- 1) They have been out of favor for longer than normal (about 8 years, see chart to right);
- 2) Stock valuations overseas, particularly in the emerging markets, appear more attractive;
- 3) Economic growth seems to have stabilized;
- 4) And investor sentiment toward international stocks seems to have improved.

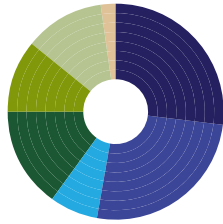
Although we like these markets, they do tend to be more volatile than the U.S. market and we therefore do not want to over-allocate outside the U.S. International markets make up roughly 30% of the equity position in each of our models. Page 2 shows you the detailed allocations for all five of the strategic models available. You will see that the primary difference is the allocation to stocks and bonds, which we believe is the largest driver of risk and return in your portfolio. Additionally, as the models become more aggressive, the amount invested in international stocks and smaller cap stocks increases. As always, we want to thank you for your continued confidence in Davenport & Company.



Source: Morningstar Direct. Please see Important Disclosures on page 4 for index definitions.

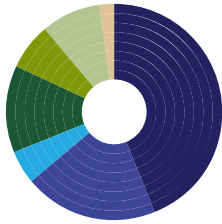
FundAdvisor Portfolio Holdings as of June 30, 2017

Maximum Growth Portfolio



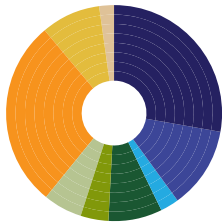
Asset Class	% Fund
U.S. Large Cap	9% FMI Large Cap 9% Diamond Hill Large Cap 9% American Funds Amcap
U.S. Mid Cap	26% Vanguard Mid Cap Index
U.S. Small Cap	7% JHancock Small Value
International Large Cap	6% FMI International 9% Dodge & Cox International
International SMID	11% MFS International New Discovery
Emerging Markets	6% Touchstone Emerging Markets 6% Vanguard Emerging Markets
Cash	2% Money Market

Growth Portfolio



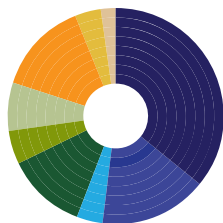
Asset Class	% Fund
U.S. Large Cap	15% FMI Large Cap 15% Diamond Hill Large Cap 14% American Funds Amcap
U.S. Mid Cap	20% Vanguard Mid Cap Index
U.S. Small Cap	5% JHancock Small Value
International Large Cap	6% FMI International 7% Dodge & Cox International
International SMID	7% MFS International New Discovery
Emerging Markets	5% Touchstone Emerging Markets 4% Vanguard Emerging Markets
Cash	2% Money Market

Balanced Portfolio



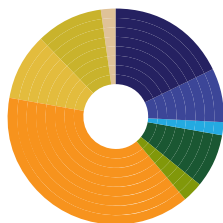
Asset Class	% Fund
U.S. Large Cap	10% FMI Large Cap 9% Diamond Hill Large Cap 9% American Funds Amcap
U.S. Mid Cap	12% Vanguard Mid Cap Index
U.S. Small Cap	3% JHancock Small Value
International Large Cap	4% FMI International 4% Dodge & Cox International
International SMID	4% MFS International New Discovery
Emerging Markets	3% Touchstone Emerging Markets 3% Vanguard Emerging Markets
Investment Grade Bonds	9% Vanguard Interm Term Invest Grade Bond 19% Vanguard Short Term Invest Grade Bond
Floating Rate Notes	9% Hartford Floating Rate
Cash	2% Money Market

Conservative Growth Portfolio



Asset Class	% Fund
U.S. Large Cap	12% FMI Large Cap 12% Diamond Hill Large Cap 12% American Funds Amcap
U.S. Mid Cap	16% Vanguard Mid Cap Index
U.S. Small Cap	4% JHancock Small Value
International Large Cap	6% FMI International 6% Dodge & Cox International
International SMID	5% MFS International New Discovery
Emerging Markets	4% Touchstone Emerging Markets 3% Vanguard Emerging Markets
Investment Grade Bonds	4% Vanguard Interm Term Invest Grade Bond 10% Vanguard Short Term Invest Grade Bond
Floating Rate Notes	4% Hartford Floating Rate
Cash	2% Money Market

Conservative Balanced Portfolio



Asset Class	% Fund
U.S. Large Cap	6% FMI Large Cap 6% Diamond Hill Large Cap 6% American Funds Amcap
U.S. Mid Cap	8% Vanguard Mid Cap Index
U.S. Small Cap	2% JHancock Small Value
International Large Cap	4% FMI International 4% Dodge & Cox International
International SMID	3% MFS International New Discovery
Investment Grade Bonds	19% Vanguard Interm Term Invest Grade Bond 20% Vanguard Short Term Invest Grade Bond
Floating Rate Notes	10% Hartford Floating Rate
Global Bonds	10% Eaton Vance Global Macro Abs Return
Cash	2% Money Market

Returns Net of Fees as of June 30, 2017

Fund / Index Name	Fund / Index Performance at Net Asset Value**					Up Capture	Down Capture	Expense Ratio	
	YTD	1 Year	3 Years*	5 Years*	10 Years*			Gross	Net
Large Cap									
American Funds AMCAP F2	9.10	16.64	7.49	14.67	7.91	99.66	95.02	0.48	0.48
Diamond Hill Large Cap I	9.53	22.76	9.14	15.36	7.53	98.34	96.45	0.68	0.68
FMI Large Cap Institutional	8.57	17.29	7.70	13.28	7.69	91.24	84.51	0.72	0.72
Benchmark: S&P 500 Index	9.34	17.90	9.61	14.63	7.18				
Mid Cap and Small Cap									
Vanguard Mid Cap Index Admiral	9.13	17.25	8.07	14.78	7.48	91.81	88.06	0.06	0.06
JHancock Small Cap Value I	-2.43	13.84	7.37	12.57	-	-	-	1.26	1.26
Benchmark: Russell 2500 Index	5.97	19.84	6.93	14.04	7.42				
International									
FMI International Institutional	9.44	16.64	7.20	11.92	-	-	-	0.80	0.80
Dodge & Cox International Stock	14.51	30.37	0.64	10.23	2.34	110.37	105.09	0.64	0.64
MFS International New Discovery I	17.74	18.08	4.00	9.91	4.72	95.87	80.73	1.08	1.08
Benchmark: MSCI EAFE Index	13.81	20.27	1.15	8.69	1.03				
Emerging Markets									
Touchstone Sands Cptl Emerg Mkts Gr Y ¹	23.20	20.02	2.66	-	-	-	-	1.60	1.50
Vanguard Emerging Mkts Stock Idx Adm	14.69	18.86	0.64	3.36	1.58	100.14	101.13	0.14	0.14
Benchmark: MSCI EM Index	18.43	23.75	1.07	3.96	1.91				
Intermediate Gov't/Credit									
Eaton Vance Gbl Macr Absolute Return I	2.63	5.15	3.80	2.89	3.93	64.73	-18.09	0.76	0.73
Hartford Floating Rate I	2.14	8.90	3.01	4.20	3.60	60.77	-8.40	0.74	0.74
Vanguard Interm-Term Investment-Grde Adm	2.92	0.79	3.26	3.46	5.60	150.50	168.09	0.10	0.10
Benchmark: BBgBarc US Interm Govt/Credit Index	1.73	-0.21	1.92	1.77	3.87				
Short-Term Bond									
Vanguard Short-Term Investment-Grade Adm	1.57	1.31	1.89	2.15	3.29	144.81	166.94	0.10	0.10
Benchmark: Citi USBIG Govt/Corp 1-3 Yr	0.67	0.34	0.91	0.91	2.27				

Performance shown is historical and is no guarantee of future results. Current performance may be lower or higher than the data quoted. To obtain performance data current to the most recent month end, please call (800) 846-6666.

*Returns greater than one year are annualized.

**Mutual funds are offered in the FundAdvisor program at net asset value, but are subject to an annual investment advisory fee of up to 1.25%. The Davenport wrap fee includes investment advice and brokerage execution. In addition to the FundAdvisor fee, clients will bear a proportionate share of each mutual fund's management and administrative expenses, including advisory fees paid to the mutual fund's investment advisors. The performance shows the actual performance of the shares at net asset value, and does not represent individual account performance. Past performance is no guarantee of future results. Current performance may be lower or higher than the data quoted. To obtain performance data current to the most recent month-end, please visit the following web sites: www.americanfunds.com, www.blackrock.com, www.diamond-hill.com, www.dodgeandcox.com, www.eatonvance.com, www.fiduciarymgt.com, www.hartfordinvestor.com, www.ivafunds.com, www.ivyfund.com, www.jhinvestments.com, www.kineticsfunds.com, www.mfs.com, www.munder.com, www.vanguard.com, www.wellsfargo.com, www.wintergreenfund.com. The investment and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost. Mutual Fund and Index returns are provided by Morningstar and Zephyr StyleADVISOR.

Important Disclosures

¹Touchstone Advisors, Inc. (the “Advisor” or “Touchstone Advisors”) and Touchstone Strategic Trust (the “Trust”) have entered into a contractual expense limitation agreement whereby Touchstone Advisors will waive a portion of its fees or reimburse certain Fund expenses (excluding dividend and interest expenses relating to short sales; interest; taxes; brokerage commissions and other transaction costs; portfolio transactions and investment related expenses; other expenditures which are capitalized in accordance with U.S. generally accepted accounting principles; the cost of “Acquired Fund Fees and Expenses,” if any; and other extraordinary expenses not incurred in the ordinary course of business) in order to limit annual Fund operating expenses to 1.09%, 1.84%, 0.84%, and 0.74% of average daily net assets for Classes A, C, Y, and Institutional Class shares, respectively. This contractual expense limitation is effective through July 29, 2017, but can be terminated by a vote of the Board of Trustees of the Trust (the “Board”) if it deems the termination to be beneficial to the Fund’s shareholders. The terms of the contractual expense limitation agreement provide that Touchstone Advisors is entitled to recoup, subject to approval by the Board, such amounts waived or reimbursed for a period of up to three years from the year in which Touchstone Advisors reduced its compensation or assumed expenses for the Fund. No recoupment will occur unless the Fund’s expenses are below the expense limitation amount in effect at the time of the waiver or reimbursement.

Diversification and Asset Allocation does not ensure a profit or guarantee protection against a loss. It is important to note that short-term and trailing performance will fluctuate. We expect all of the funds at some point to experience underperformance versus their benchmarks and peer groups. However, we believe that our research process has helped us identify funds that are likely to perform well over the long term. Our decision to remove a fund is not based on short-term performance, but on in-depth analysis using our Monitoring Criteria. The mutual fund categories are determined by Davenport using a combination of Morningstar categories and a returns-based style analysis provided by Zephyr StyleADVISOR.

Any opinions expressed here are statements of judgment on this date and are subject to future change without notice. This information may contain forward looking predictions that are subject to certain risks and uncertainties which could cause actual results to differ materially from those currently anticipated or projected. The information contained herein has been compiled from sources believed to be reliable; however, there is no guarantee of its accuracy or completeness. There is no guarantee that a company will continue to pay a dividend. The investment return and principal value of an investment will fluctuate. Small and mid cap company stocks may be more volatile than stocks of larger, more established companies. The portfolios may invest in foreign securities which are subject to additional risks such as currency fluctuations, political instability, differing financial standards and the potential for illiquid markets.

Index Definitions: U.S. Large Caps represented by the S&P 500 Index. U.S. Mid Caps represented by the Russell Midcap Index. U.S. Small Caps represented by the Russell 2000 Index. International Developed Markets represented by the MSCI EAFE Index. Emerging Markets represented by the MSCI EM Index. Intermediate Term Bonds represented by the Bloomberg Barclays Intermediate Government/Credit Index.

Performance shown is historical and is no guarantee of future results. Investing in securities carries risk including the possible loss of principal.

Source: Morningstar Direct. Data from 1/1/1998-6/30/2017. The S&P 500 Index is comprised of 500 U.S. stocks and is an indicator of the performance of the overall U.S. stock market. The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the U.S.) and 23 Emerging Markets (EM) countries. With 1,853 constituents, the index covers approximately 85% of the global equity opportunity set outside the U.S. An investor cannot invest in an index and index returns are not indicative of the performance of any specific investment. ©2017 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

The **S&P 500 Index** is comprised of 500 U.S. stocks and is an indicator of the performance of the overall U.S. stock market. The **Russell 2000® Index** measures the performance of the 2000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market. The **Russell Midcap® Index** measures the performance of the 800 smallest companies in the Russell 1000, which represent approximately 25% of the total market capitalization of the Russell 1000. The Russell 2000® Index and Russell Midcap® Index are trademark/service marks of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co. The **Lipper Equity Income Funds Index** is an unmanaged index of the 30 largest funds in the Lipper Equity Income Fund category. The **Lipper Large Cap Growth Funds Index** is an unmanaged index of the 30 largest funds in the Lipper Large Cap Growth Fund category. The **Lipper Large Cap Value Funds Index** is an unmanaged index of the 30 largest funds in the Lipper Large Cap Value Fund category. The **MSCI Europe, Australia and Far East (MSCI EAFE) Index** is an unmanaged index composed of the stocks of approximately 1,000 companies traded on 20 stock exchanges from around the world, excluding the U.S., Canada, and Latin America. The **MSCI Emerging Markets (MSCI EM) Index** is a capitalization-weighted index of stocks from 26 emerging markets that only includes issues that may be traded by foreign investors. The reported returns reflect equities priced in US dollars and do not include the effects of reinvested dividends. The **Bloomberg Barclays U.S. Corporate High Yield Index** measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody’s, Fitch and S&P is Ba1/BB+/BB+ or below. The **Bloomberg Barclays Intermediate Government/Credit Index** is an unmanaged index composed of debt securities with maturities from one to ten years issued or guaranteed by the U.S. Treasury, U.S. Government agencies, quasi-federal corporations and fixed rate dollar denominated SEC-registered corporate debt that are rated investment grade or higher by Moody’s Investors Service and Standard and Poor’s Corporation or Fitch Investor’s Service, in that order. The **Bloomberg Barclays Municipal Index** covers the U.S. dollar-denominated long-term tax exempt bond market. The **Bloomberg Barclays U.S. Government/Credit Bond Index** measures the non-securitized component of the U.S. Aggregate Index. It includes investment grade, U.S. dollar-denominated, fixed-rate Treasuries, government-related and corporate securities. **An investor cannot invest in these indices and their returns are not indicative of the performance of any specific investment.**

Risk Considerations: International funds invest primarily in equity securities of issuers outside the United States. International investments are subject to additional risks such as currency fluctuations, political instability, and the potential for illiquid markets. Funds that invest in foreign securities may involve greater risks, including political and economic uncertainties, as well as risk of currency fluctuations. Small and mid cap company stocks may be more volatile than stocks of larger, more established companies. Investments in bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, while their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. An issuer suffering an adverse change in its financial condition could see the credit quality of its securities deteriorate, leading to greater price volatility of the security. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

You should consider each mutual fund's investment objectives, risks, charges and expenses carefully before investing. Each mutual fund's prospectus contains this and other important information, should be read carefully before investing or sending money, and can be obtained by contacting your Investment Executive, or by calling (800) 846-6666. The investment return and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost. Investing in securities carries risk including the possible loss of principal.

Upside Capture Ratio measures a manager's performance in up markets relative to the market (benchmark) itself over the preceding 10-year period.

Downside Capture Ratio measures a manager's performance in down markets relative to the market (benchmark) itself over the preceding 10-year period.

Gross Expense Ratio: The total annual operating expenses of a fund divided by its average net assets.

Net Expense Ratio: The total annual operating expenses of a fund, less any fee waivers, divided by its average net assets. This is the expense ratio actually charged by the fund for the previous fiscal year.

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