Sustainable Trends or a Bubble in Growth Investing?

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Westfield Capital Management

- A focused asset management firm
- Boston-based firm with $14.6 billion in assets under management and 58 employees as of August 31, 2011
- Specialize in growth equities across the market capitalization spectrum
- Team approach allows analysts to have an impact on portfolios and creates a differentiated culture
- 100% Employee ownership aligns our interests with those of our clients

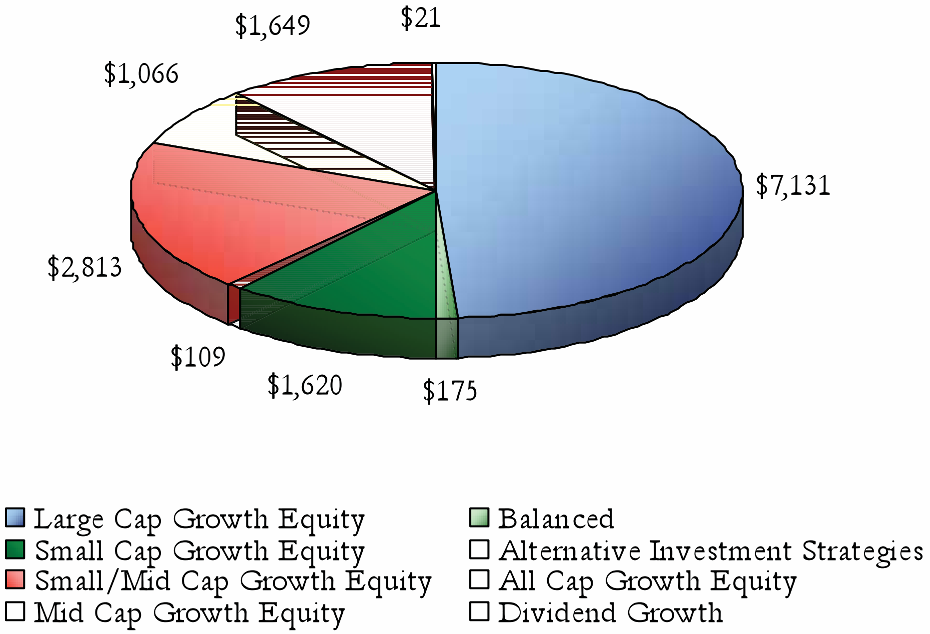
Assets Under Management

As of August 31, 2011

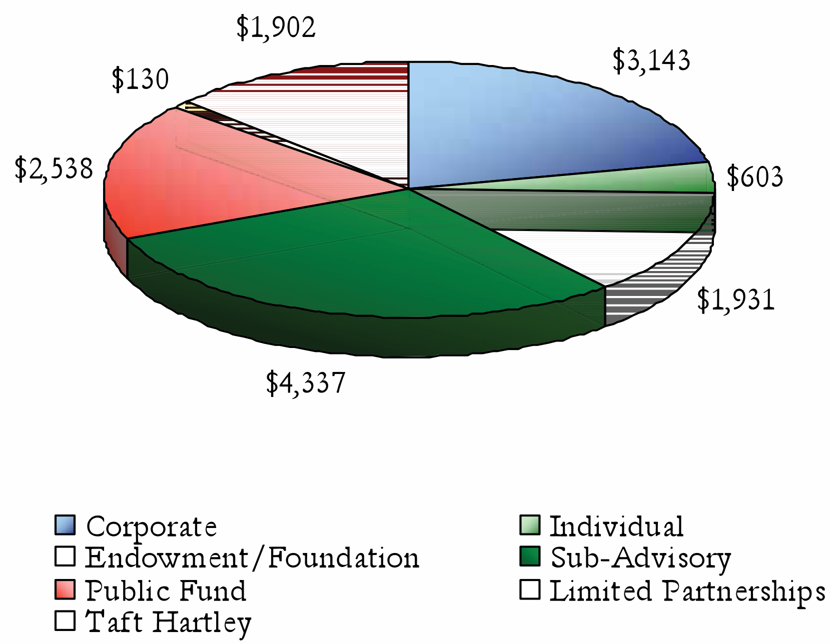
Total Firm Assets: $14,584 million

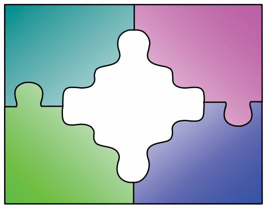
Preliminary

Assets by Product Type
$ millions



Assets by Client Type
$ millions





Investment professionals work within an interdependent investment process

- **Committee structure encourages analyst collaboration and objective review**
  - **Average 19 years of investment experience**
    - **Industry insight differentiates us at company meetings**
      - ***Strong trading and operational support***

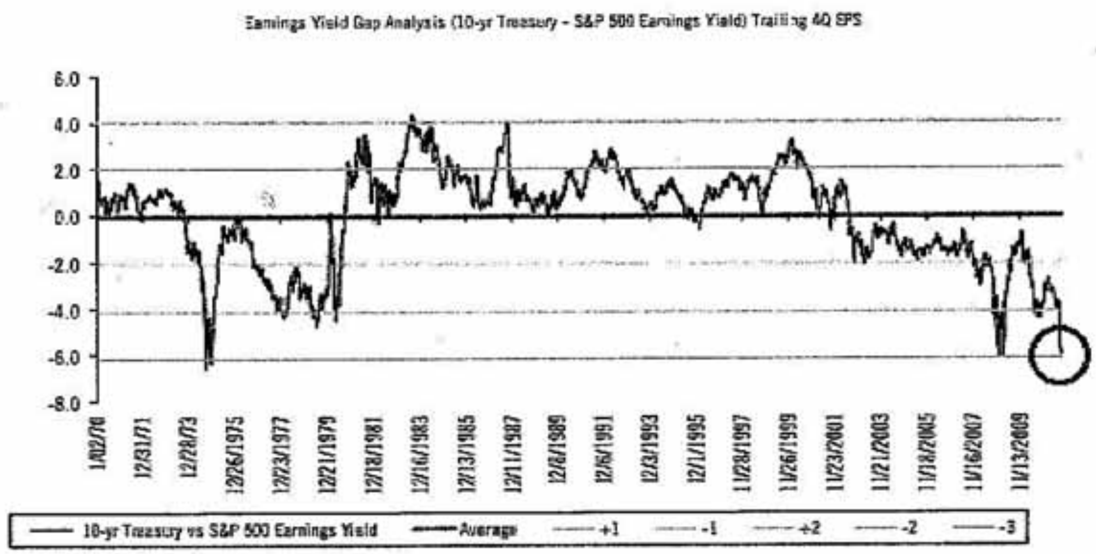
Investment Committee

	Years Experience	Analytical Coverage
William A. Muggia	27	CIO, Market Strategy, Health Care & Energy
Arthur J. Bauernfeind, CFA	48	Economic Outlook & Market Strategy
Scott R. Emerman, CFA	19	Consumer Discretionary
Robert T. Flores	16	Information Technology
William R. Gilchrist	7	Materials
Bruce N. Jacobs, CFA	19	Medical Devices & Consumer Staples
Garth W. Jonson, CFA	18	Health Care Services & Industrials
Richard D. Lee, CFA	16	Information Technology
Ethan J. Meyers, CFA	14	Industrials & Business Services
John M. Montgomery	16	Portfolio & Investment Process Strategy
A. Patrick Regan, CFA	15	Financials
Matthew W. Strobeck, PhD	12	Biotechnology & Pharmaceuticals
Hamlen Thompson	16	Energy & Industrials

Sustainable Trends or a Bubble in Growth Investing?

Current Market Environment

- Stocks are the only option
  - Cash yields 0%
  - Ten year Treasury is 1.9%
  - S&P yield is at record levels versus U.S. Treasuries



Source: Haver Analytics and CIRA- U.S. Equity Strategy

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Current Market Environment

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Valuation of Stocks at Major Market Bottoms

	S&P 500				10-Yr. Treasuries
Year	SPX Price Low	EPS	P/E	Div. Yield	YTM
1962	51.35	3.67	14.0	4.1	3.91
1966	72.28	5.55	13.0	4.0	5.01
1970	68.61	5.13	13.4	4.6	7.91
1974	60.96	8.89	6.9	5.9	7.90
1982	102.20	12.64	8.1	6.7	13.06
1987	216.46	17.50	12.4	4.1	9.52
1990	294.51	22.65	13.0	4.1	8.72
2002	768.63	46.04	16.7	2.1	3.94
2009	666.79	56.86	11.7	3.4	2.82
Current: 2011 cur.	1162.27	*98.54*	*11.8*	2.2	1.95

Source: Bhirud Associates, Inc.

Stocks Are More Attractive Than Bonds

Fundamentals are notoriously fickle at picking bottoms however one fundamental indicator is currently signaling that stocks are undervalued relative to bonds.

The yield on the S&P 500 index is now higher than the yield on the 10-year treasury for only the second time in almost 50 years. The S&P 500's yield closed today at 2.28% vs the 10-years 2.10% yield.

Past performance is no guarantee of future results.

Source: Birinyi Associates, Inc.

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Current Stock Market Outlook

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- Large cap dividend payers look cheap
- Free cash flow is near all time highs
- Corporate buybacks and insider buying are at record levels
- This is not 2008
- Massive public withdrawals from equity mutual funds in August
- Hedge Fund net long exposure is at its lowest level in years, back to March 2009 levels

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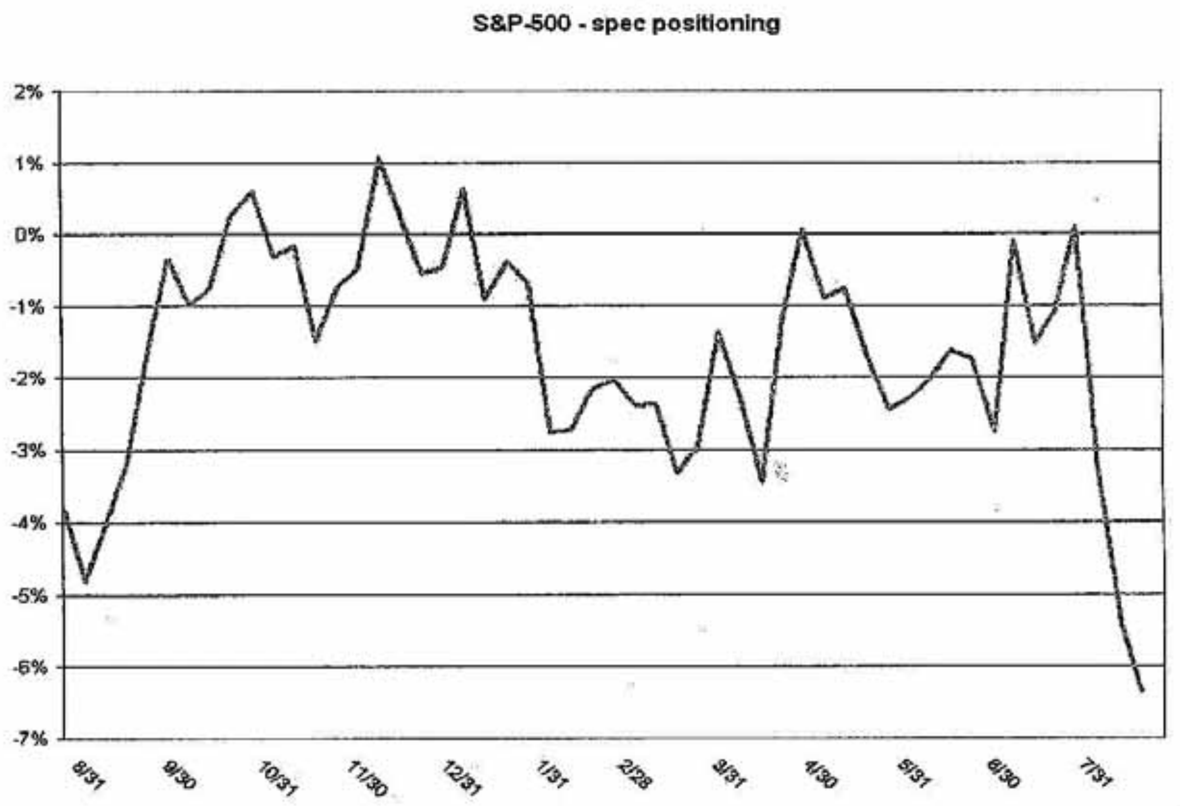
Short Interest on NYSE Back to Near 2009 Levels

S&P – Spec Positioning



Source: Barclays Capital

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This is Not 2008

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- Earnings yield on the S&P far exceeds the yield of the 10yr Treasury. The highest reading on record (going back 60 years) was at the peak of the credit crisis
- Earnings yield does not take into account the strength of corporate balance sheets or the low cost of debt and its impact to WACC
- In 2008 the entire global banking system was under a very real threat of closure, and pretty much the only fixed income market operating "normally" was the Treasury market. Even quasi government bonds, like Agency debt, were trading with premiums (credit spreads) currently assigned to BBB corporate bonds. 2008 was a liquidity crisis
- We are not in a liquidity crisis (at least not yet)

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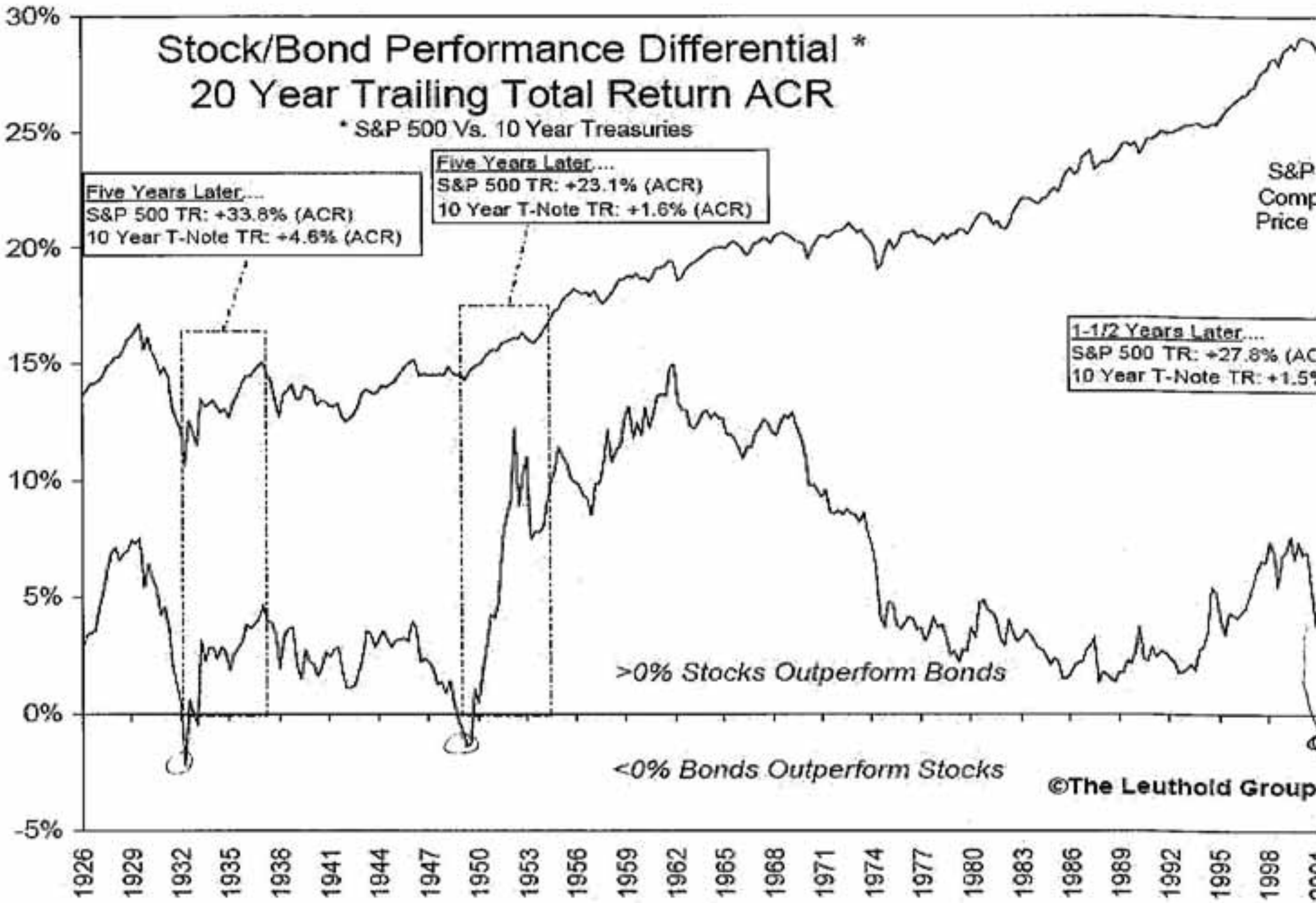
Current Stock Market



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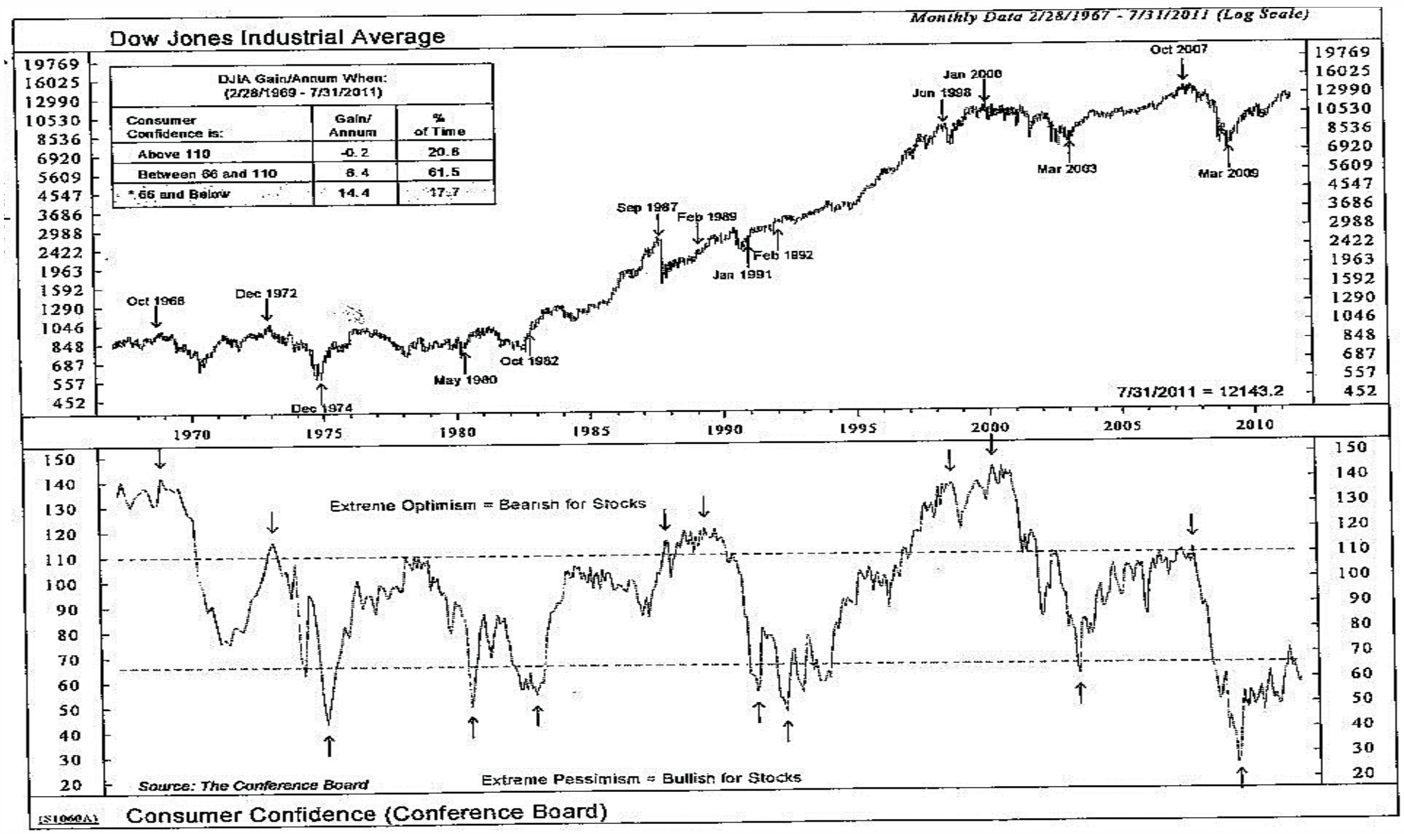
Current Stock Market

- Consumers are extremely pessimistic, and generally stocks do well under these conditions



Source: www.ndr.com

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2002 vs. 2009

- Despite a busted housing market, higher trough earnings
- Despite significantly weaker employment, higher trough earnings
- Despite a liquidity crisis, higher trough earnings
- Despite the dismantling of the auto industry, higher trough earnings
- Despite a weak construction market, higher trough earnings
- Despite regulation of the financial markets, higher trough earnings
- Despite huge write offs that related to earnings from early decade, higher trough earnings (higher quality of earnings this cycle)
- Earnings troughed 20% higher on a trailing 12 - month basis in 2009 vs. 2002
- Yet the SPX went 20% lower than the 2001 low in this cycle

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Gold Blow Off Top?

- Gold Prices (Fear anyone?)

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Fear Anyone?

- VIX

- On a four-week average basis, equity mutual fund flows are at their most negative since February 2008

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And This Week in the News…Thoughts

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- Equity funds report net flows of -$11.4 billion, the 7th largest since AMG begin recording data in 1992; this type of outflow has only been rivaled by the market depths of 2008
- $50B into Money Market Funds - their largest weekly inflow since January 2009, as other asset classes were sold
- Combined outflows from equities and bonds is $38 billion (or 0.7% of assets under management), a capitulation of risk assets that rivals Lehman September 2008
- September 2008 WAS A LIQUIDITY CRISIS…LIQUIDITY DRIED UP, THE SYSTEM BROKE DOWN
- July 2010 (NOT THE SAME)
  - Slowing GDP growth
  - Threat of fiscal austerity
  - Potential for recession
  - Potential for European bank failures at which point they get nationalized…big deal?

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Emerging Markets Driving the World Economy

- Worldwide GDP 4%...still very healthy
- Europe 6% of the world population…matters less

Table 1: Lower US, Global GDP Growth Forecasts

% yoy	2011		2012	
	Old	New	Old	New
USA	1.8	1.7	3.0	2.1
Japan	-0.8	-0.8	3.0	2.7
Euroland	2.1	1.9	1.7	1.4
UK	1.9	1.5	2.6	2.5
Brazil	4.5	4.5	4.0	4.0
China	9.4	9.3	9.2	9.2
India	7.5	7.3	7.8	7.8
Russia	5.3	4.8	5.6	5.4
BRICs	7.9	7.7	7.9	7.9
Advanced Economies	1.9	1.8	2.8	2.3
World	4.1	4.0	4.6	4.4

Source: GS Global ECS Research

U.S. Long Very Valuable Assets

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- Cheap energy
  - Coal (largest reserves in the world)
  - Gas (200+ years of supply and growing)
  - Oil production growing
- Labor prices getting more competitive by the day
  - Educated workforce
- Fixed assets trading at book, or less than replacement cost
  - Steel factories, refiners, chemical factories
- More efficient transportation infrastructure

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Earnings Before Significant Replacement Cycles Just Getting Started

- Still at trough with replacement cycle inevitable
  - Aging truck fleet (seven years old)
  - Autos
  - Energy infrastructure across the board including Utilities
  - Chemical plants
  - Housing and construction has limited downside

Sustainable Trends or a Bubble in Growth Investing?

Where We See Long Term Opportunity

- Made here (U.S.A.) sold there (China!)
- Energy
- Commodities/ Hard Assets

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Energy

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- Harder to find hydrocarbons. Increasing complexity, more sophisticated technology required
- Annual depletion rates run 3-4% per year. We have been ramping rig count and end demand has been soft due to the global economy, but still no supply response
- IEA forecasts an increase in oil demand of 7 million B/D between 2010-2016 to 95 million B/D. How are we going to find and deliver this oil?
- Supply and demand looks tight across the world
- Oil service companies have very strong balance sheets and huge backlogs. Total E&P spending of $550 billion per year is needed to address future oil needs. Trillions will have to be spent, yet the market cap of the entire oil service sector is only about $300 billion
- IEA estimates that around 40% of the oil production needed by the end of this decade has yet to be discovered or developed
- Oil service, refiners

China's Share of World Commodity Consumption

Commodity	China % of World
Cement	53.2
Iron Ore	47.7
Coal	46.9
Pigs	46.4
Steel	45.4
Lead	44.6
Zinc	41.3
Aluminum	40.6
Copper	38.9
Eggs	37.2
Nickel	36.3
Rice	28.1
Soybeans	24.6
Wheat	16.6
Chickens	15.6
PPP * GDP	13.6
Oil	10.3
Cattle	9.5
GDP	9.4

China's commodity consumption will continue to grow over long term as will India's and many other countries. It may grow at a slower rate as a buildup of inventories in China makes their imports less likely to grow over the next few months, but their demand will still be more than significant.

*Purchasing power parity, Source GMO

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Touchstone Mid Cap Growth Fund

Class A Share (TEGAX)

Class C Share (TOECX)

Class Y Share (TEGYX)

Institutional Shares (TEGIX)

Touchstone Growth Opportunities Fund

Class A Share (TGVFX)

Class C Share (TGVCX)

Class Y Share (TGVYX)

Institutional Shares (TGVVX)

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The indexes mentioned are unmanaged statistical composites of stock market or bond market performance. Investing in an index is not possible. The Russell 3000® Growth Index measures the performance of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell Midcap® Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.

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The Fund invests in stocks of small-cap and mid-cap companies which tend to be more volatile and can be less liquid than stocks of large-cap companies. The Fund's returns may have been impacted by investing in technology stocks, which can be more volatile than other sectors. The Fund may invest in a limited number of securities which may involve greater risk and more price volatility than funds that do not limit the number of securities in which they invest. The Fund may invest in securities of foreign companies and thus carries the associated risks of economic and political instability, market liquidity and currency volatility. Diversification does not guarantee a profit or protect against loss. Current and future portfolio holdings are subject to risk.

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 advisor or download and/or request one at TouchstoneInvestments.com/home/formslit/ or call Touchstone at 800.638.8194. Please read the prospectus and/or summary prospectus carefully before investing.

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