



WESTFIELD
CAPITAL MANAGEMENT

**ICMA 99th Annual Conference:
Today's Investment Environment**

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U.S. Remains the Most Attractive Market

Major U.S. Trends

- ◆ A multi-year recovery in housing is still early and will drive growth in consumer durable and discretionary sectors
- ◆ U.S. Energy independence will stimulate a U.S. manufacturing renaissance and a U.S. capital spending surge
- ◆ Health Care and Technology are in the early stages of new innovation cycles of organic growth fueled by a decade of R & D investment and creative destruction
- ◆ Equity flows are reversing and U.S. equities are very attractive relative to other investment opportunities
- ◆ “Return of Capital” investments combining dividends, share buy-backs, and accretive acquisitions offer significant shareholder opportunity

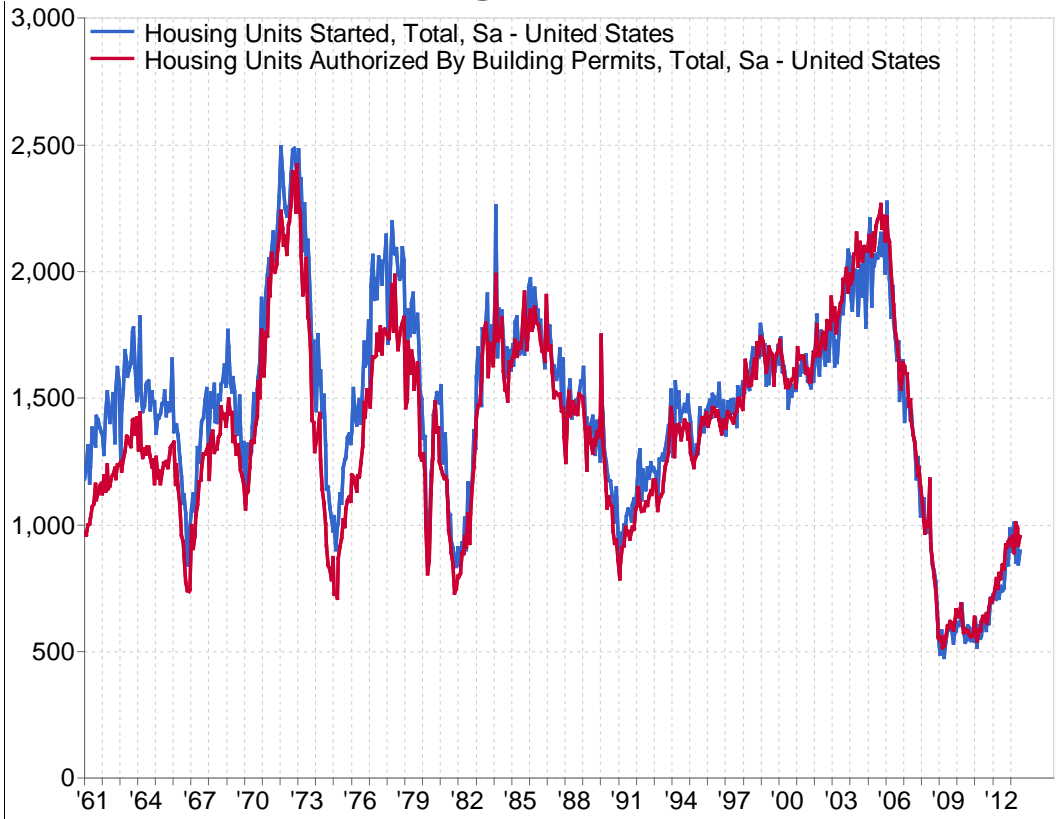
U.S. Remains the Most Attractive Market

Recent U.S. Updates

- ◆ A rise in mortgage rates slowed recent housing start momentum, but did not alter pricing trends or longer term pent up demand dynamics
- ◆ Despite concerns related to Fed “tapering,” rising oil prices and Syria, the ISM Manufacturing Index increased to 55.7 in August; the increase in “new orders” to 63.2 was the highest level since April 2011
- ◆ Health Care, particularly those companies offering true innovation, continues to offer market leadership

The Trend & Tail for Housing Remain Bullish

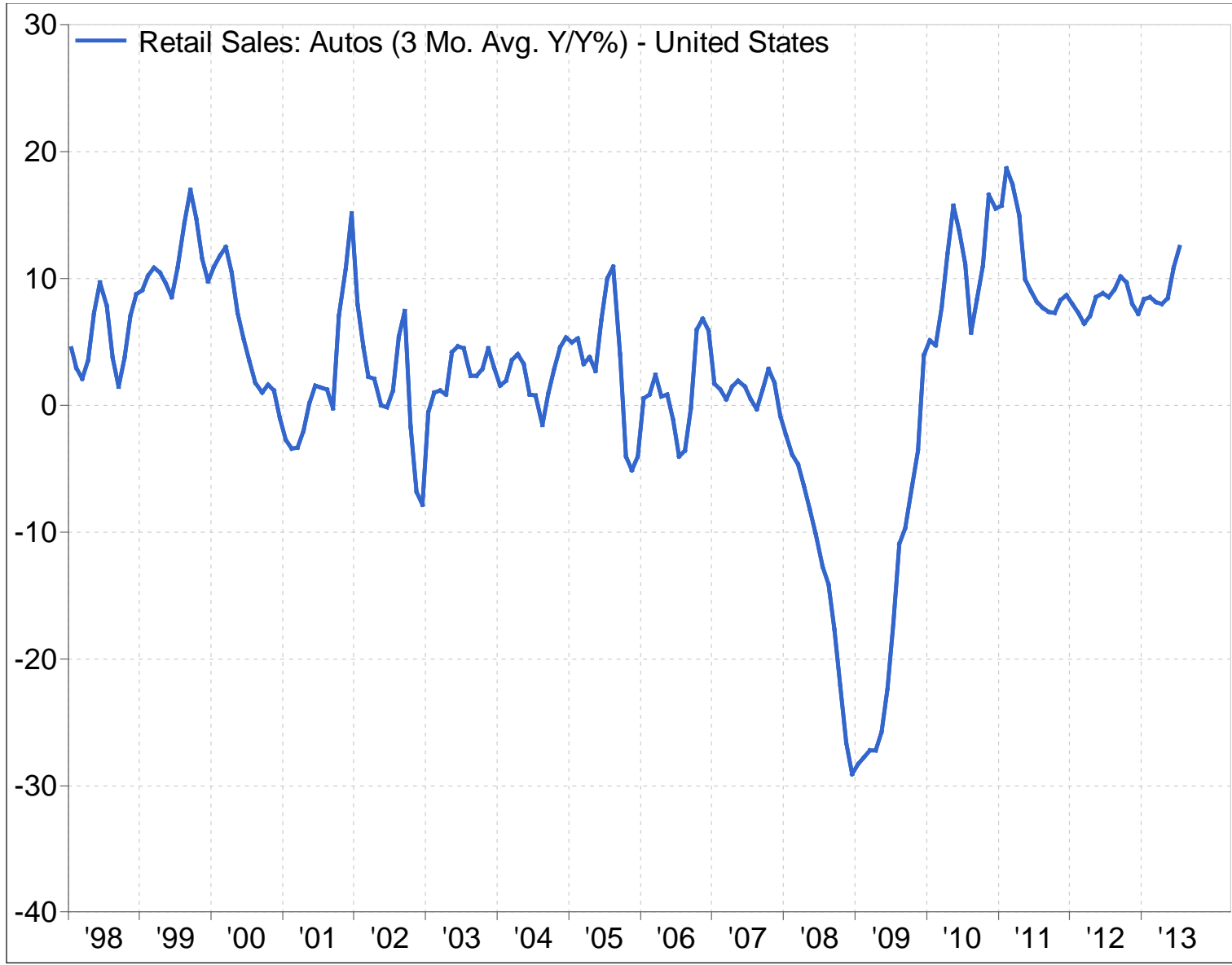
U.S. Housing Starts & Permits



Source: FactSet

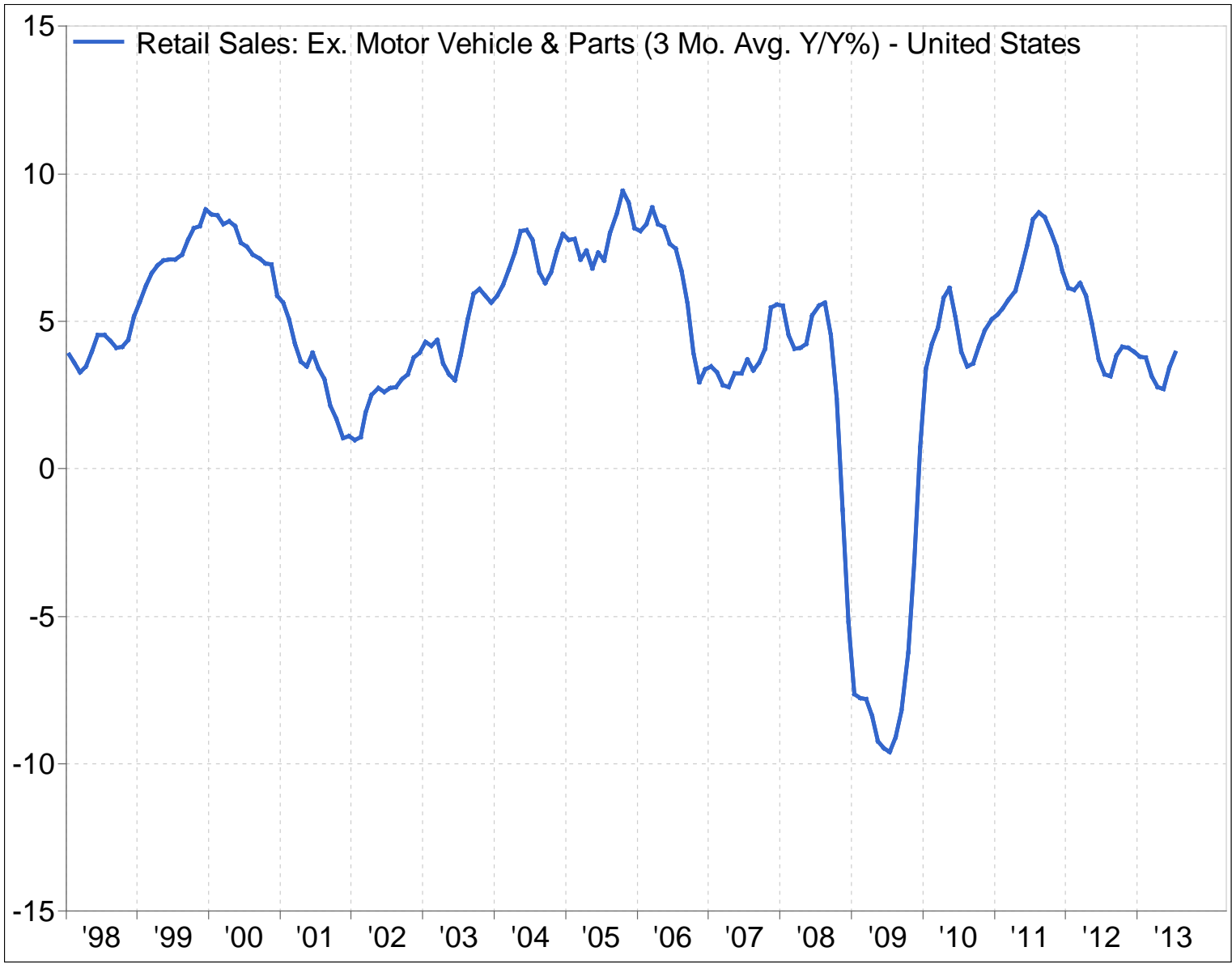
- ◆ The last four housing cycles have exceeded 2 million starts at peak – a double from current level
- ◆ After 17 months of double-digit gains, new home sales momentum stalled slightly over the summer due to a spike in mortgage rates
- ◆ Despite the summer stall, the pent up demand is bullish long-term for the U.S. economy; we expect that starts will reaccelerate next spring

The Increase in Consumer Wealth has Spurred Car and Truck Buying



Source: FactSet

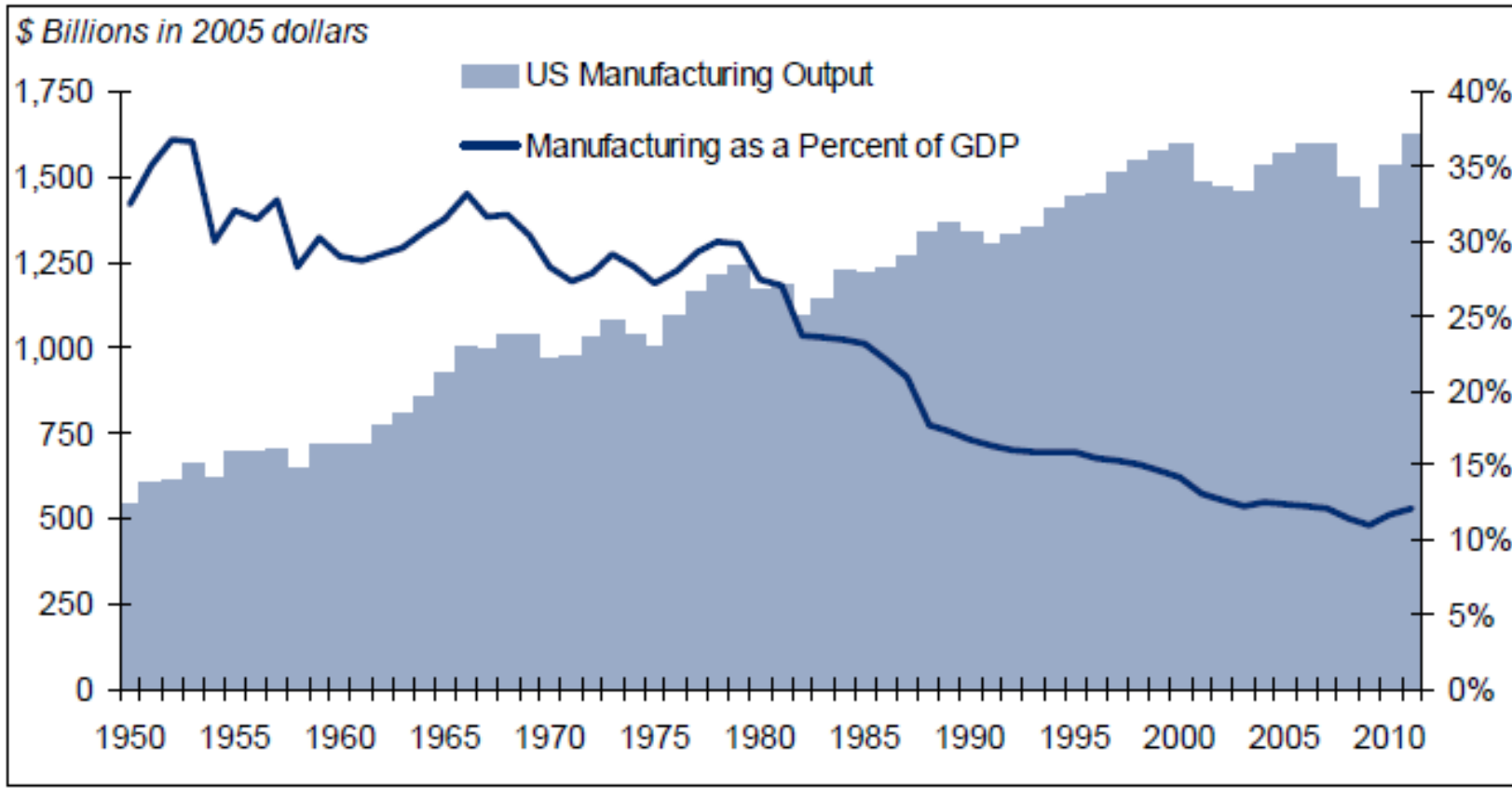
But Spending Improvement is Not Yet Broad Based



Source: FactSet

U.S. Manufacturing Renaissance / Energy Trends Intact

- ◆ U.S. manufacturing output as a percentage of national GDP fell to around 12% in 2011; the rate of decline has now bottomed out and is turning

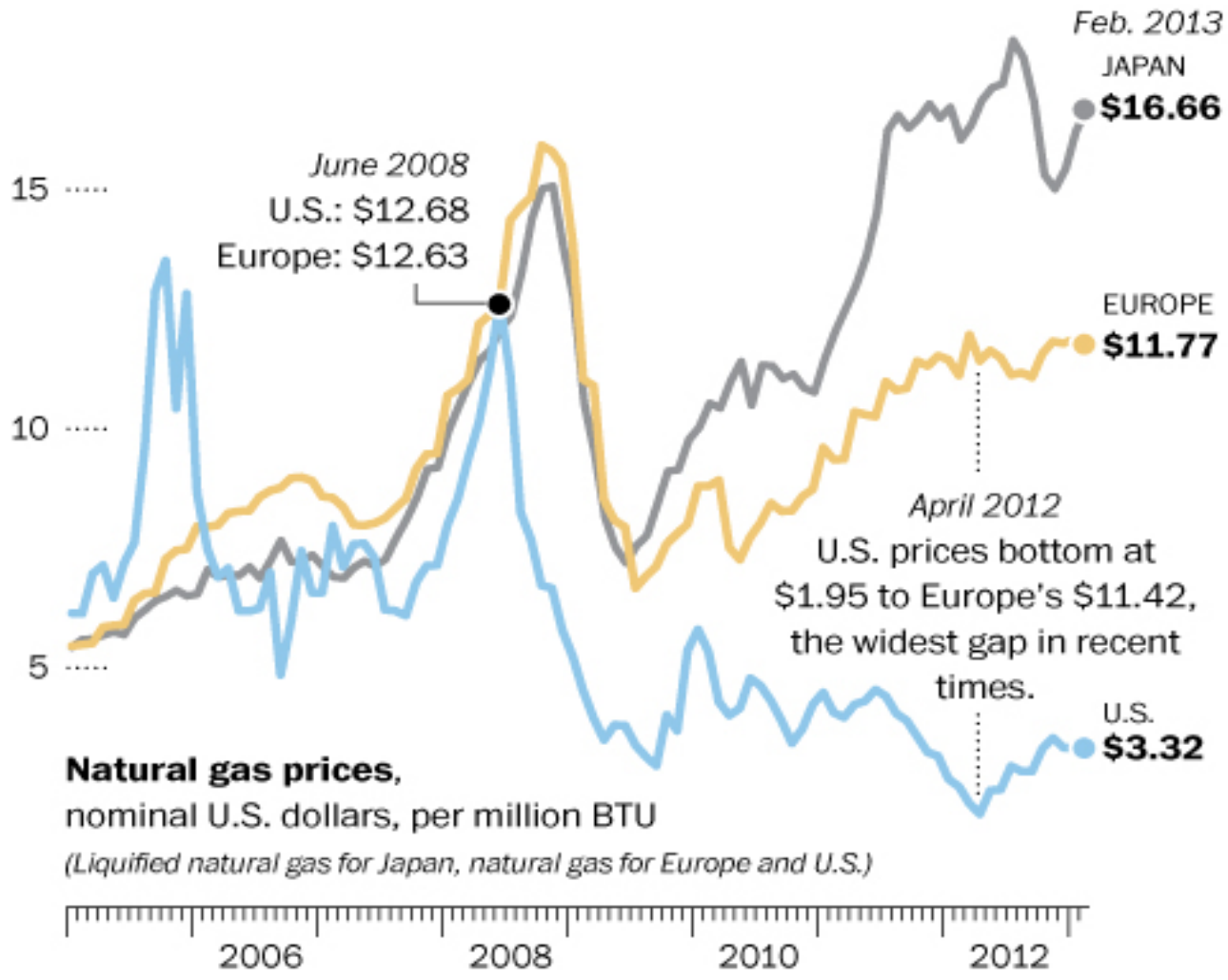


Note: US manufacturing output shown in 2005 dollars.

Source: Citi Research, Bureau of Economic Analysis

U.S. Manufacturing Renaissance / Energy Trends Intact

- ◆ U.S. manufacturing, as a contributor to GDP, should see a resurgence aided by a sustainable advantage in natural gas, related inputs, and improved labor competitiveness; the list of new factories under construction in the U.S. is growing daily



U.S. Manufacturing Trends Remain Intact

- ◆ U.S. capital project wave continues to build
- ◆ Capital investment has re-focused on the U.S. market after a decade-long hiatus; Inexpensive natural gas and natural gas liquids have served to reinvigorate U.S. capital project activity
- ◆ Industry consultant IHS Chemical projects that investments in U.S. petrochemicals will total nearly \$120 billion between 2013 and 2030, including \$48 billion during a 5 year period between 2013 and 2018
- ◆ Favor Cyclical over Defensives

Summary of Selected U.S. Petrochemical Projects

Product	Projections	Timing	Capex \$bn	Cost Per Ton
Ethylene + derivatives	15+	2013-2020+	\$38	\$1,000-1,300 ₁
Propane dehydrogenation (PDH)	7	2015-2018	4	800-1,000
Methanol	9	2012-2017	6	200-700 ₂
Nitrogen	14	2012-2019	22	
Total selected projects	45+		\$70	
Other projects			40-50	
Forecast to 2030			\$110-120	

Note 1: Per ton cost shown for ethylene only

Note 2: High end reflects green field project cost

Source: Bank of America Merrill Lynch Global Research, IHS Chemical, ICIS

Health Care & Technology Innovation

- ◆ Organic growth opportunities in both Health Care and Technology remain very strong
- ◆ In Health Care, we remain convinced that innovation is strong and pipelines are robust
- ◆ Technology is undergoing a period of creative deconstruction
- ◆ Opportunities in the next generation of cloud computing and cyclical and secular opportunities in telecom-related services continue to be of interest

Health Care



Cloud Computing

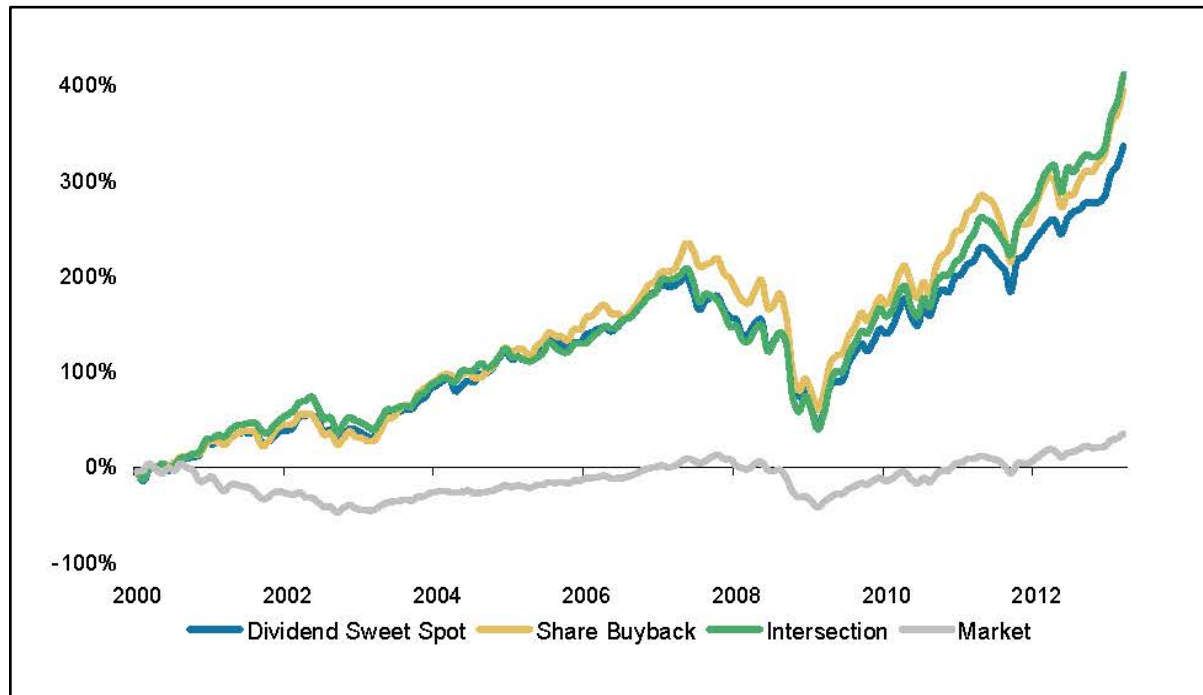


Telecom



Return of Capital Themes

Return of Capital Strategies Have Outperformed, Even Since the 2009 Lows in the S&P 500



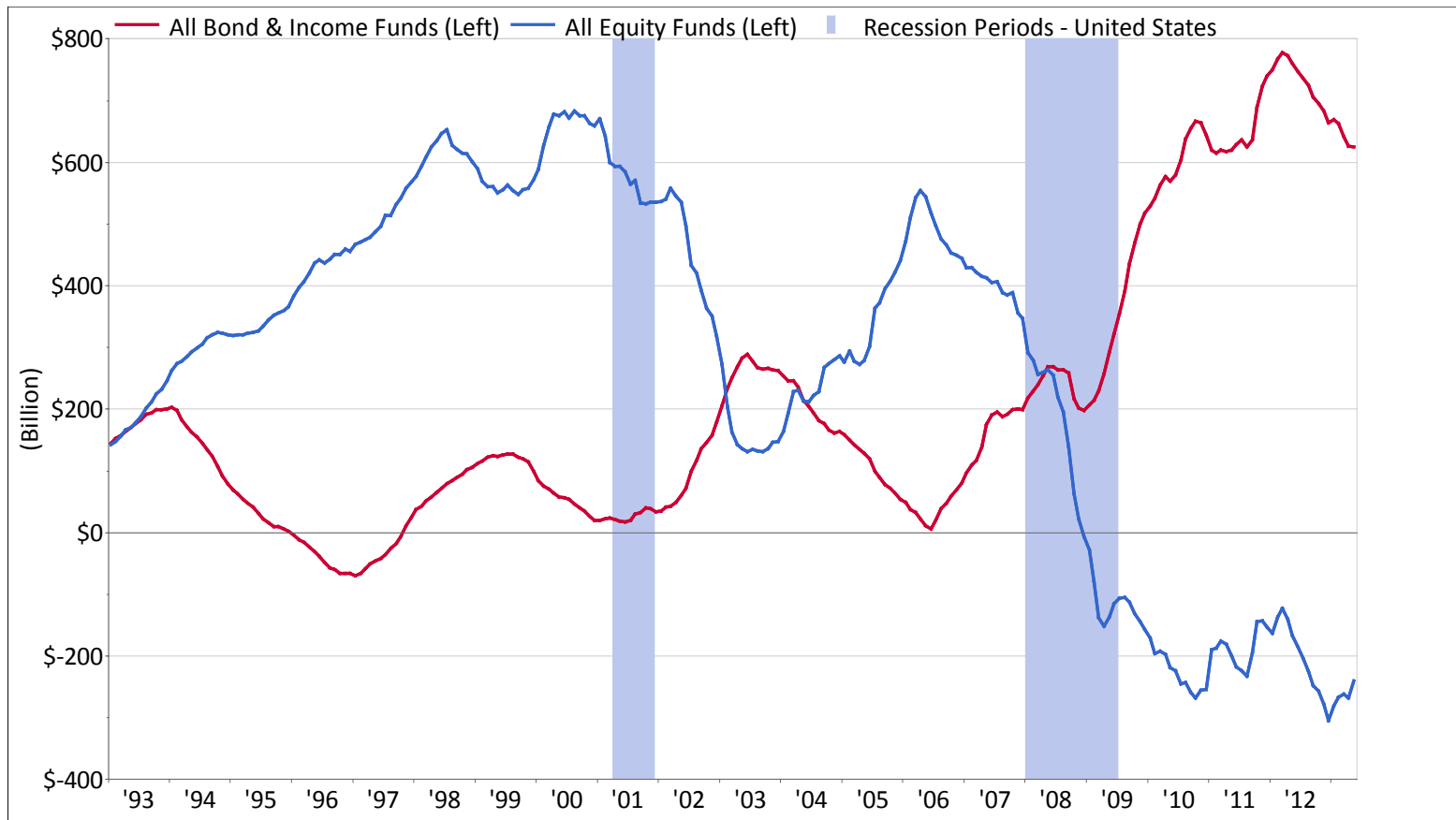
Source: FactSet, Morgan Stanley Research

Even if yields begin to trend up, we like companies that:

- ◆ Generate free cash
- ◆ Buy back stock and/or increase dividends **as long as** the company grows core EPS at competitive rates

Cumulative Fund Flows, Net New Cash

Net New Cash Flow into Mutual Funds



Source: Furey Research Partners and ICI; as of May 31, 2013

China, Europe and the Rest of the World Stabilizing and Improving

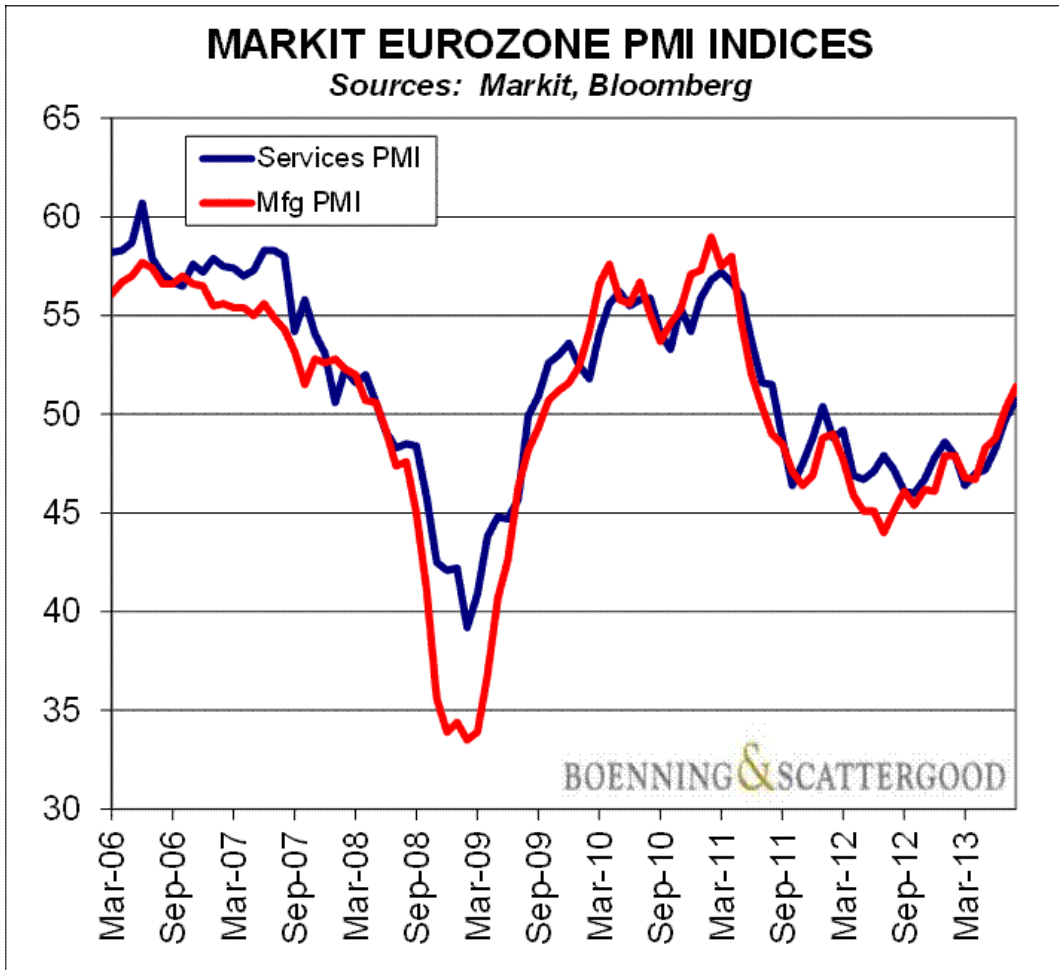
◆ Major ROW trends

- ◆ Global growth is improving
- ◆ Of 29 PMIs released in August, 26 improved and 19 are in expansion territory

◆ ROW themes

- ◆ Global telecom capex acceleration lead by China and Europe
- ◆ Global auto production improvement lead by Europe bottoming and a strong auto market in China and Korea
- ◆ Global energy and transportation infrastructure development

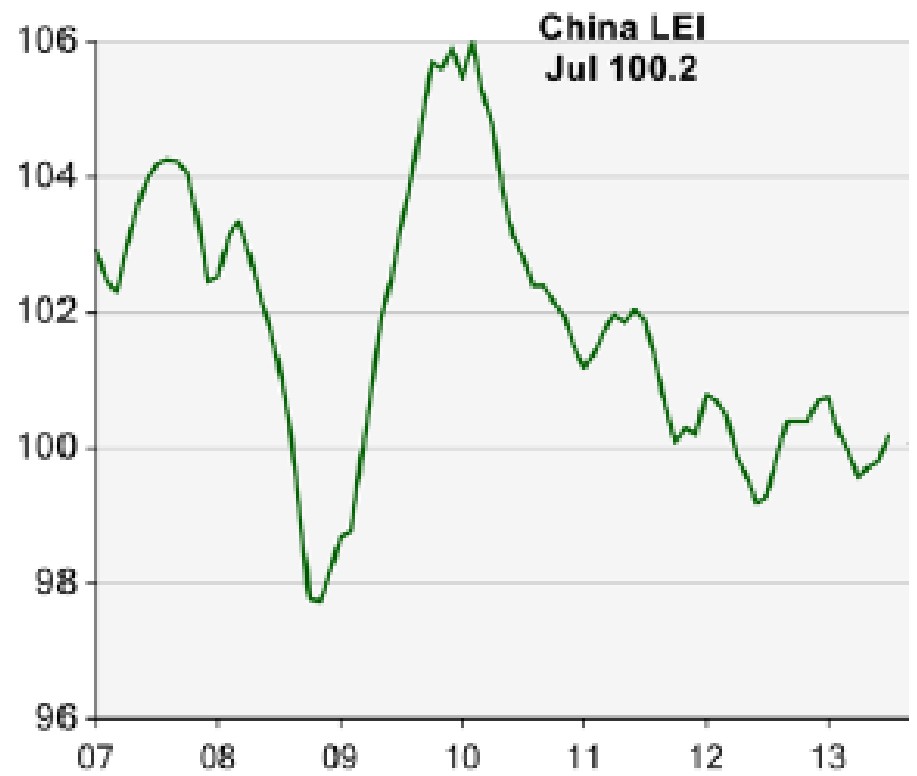
China, Europe and the Rest of the World Investing are Stabilizing



Source: Boenning & Scattergood

- ◆ The Markit Flash Eurozone PMI Composite Index increased +1.0 points to 51.5 in the month of August, which is the highest level since June 2011
- ◆ The Eurozone Services PMI index increased +0.9 points to 50.7 and indicated growth for the first time since January 2012, the highest level in two years

Some Better China Data



Source: Cornerstone

Outlook

China has “peaked”? Implications:

- ◆ Commodity demand in long term decline (commodity boom from 2002 – 2012 could be over)
- ◆ Inflation in long term decline
- ◆ Metal Prices in long term decline
- ◆ Stronger U.S. dollar
- ◆ P/E multiple expansion for the U.S. stock market
- ◆ U.S. Companies with foreign exposure saw best earnings growth 2003-2009... the tide is turning

Conclusions:

- ◆ U.S. equities outperform bonds
- ◆ U.S. equities outperform International and Emerging Markets
- ◆ Inflation stays low, P/E's expand in U.S., U.S. dollar strong

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