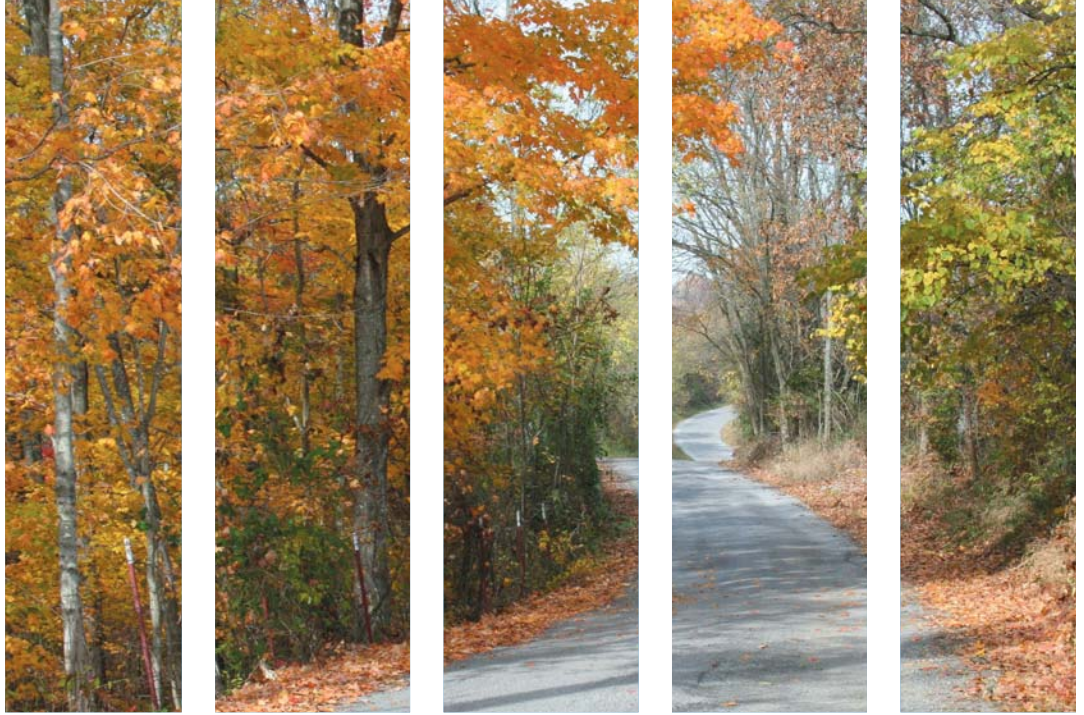


Navigating Risk and Reward

True Diversification Sets the Course



RISK MANAGEMENT FINANCIAL SOLUTIONS

True Diversification Sets the Course

Anticipate Your Needs; Set Your Goals

Planning for retirement is a journey filled with both rewarding opportunities and unexpected risks. Whether you are just now setting the course for this important journey or are on the trail, your investment portfolio should reflect the reality of who you are and what you seek to accomplish.

Thoughtful preparation as you plan and pursue your financial objectives helps build the confidence you need to live in retirement on your terms. The key is to align your resources, your risk tolerance and your retirement goals. So is ensuring your assets are properly diversified to manage life's hills and valleys.

Prudent investing requires balancing your risk tolerance with your goals. One approach to that balance is through diversification — the strategy of spreading your investment dollars among different asset classes that vary by risk. Diversification neither assures a profit nor eliminates the risk of loss. It may however help manage market volatility and yield a more stable portfolio over time.

Understanding how much risk you are willing to take is a primary consideration. Perhaps you are an aggressive investor who can tolerate short-term market ups and downs. Or maybe you are at the stage of your life where you are more comfortable with a conservative approach — something with stable returns and a predictable income stream.

Another way to think about diversification is through the familiar phrase, "Don't put all your eggs in one basket." Spreading the proverbial eggs among multiple baskets will not by itself increase their number. It will however protect against the loss of them all if one basket should fall. Diversification may preserve more of your precious "nest egg" to serve your future retirement needs.



Markets Change; Winners Rotate

Diversify for the Long-Haul

Diversification is critical because market conditions can — and do — change. Such changes may influence how some asset classes perform. Think about it this way: Does your favorite actor win an Oscar every year? Does your favorite team win the title each season?

The same holds true for asset classes. No matter its reputation or record (or how much you favor it), no one asset class outperforms all others every year. In fact, the same one may be a leader one year and a laggard the next.

In 2002, for example, bonds (as measured by the Lehman Brothers Aggregate Bond Index) performed the best of eight major asset classes. Small-cap growth stocks (as measured by the Russell 2000 Growth Index) performed the worst. In 2003, the exact opposite was true.*

Watch Your Step

2002



2003



* Source: Callan Associates, Inc. Bond returns 10.26% and 4.10% for 1/1/02-12/31/02 and 1/1/03-12/31/03, respectively. Small-cap growth returns -30.26% and 48.54% for 1/1/02-12/31/02 and 1/1/03-12/31/03, respectively. Performance displayed represents past performance, which is no guarantee of future results. Indices are unmanaged and not available for direct investment.

Change Expands Our Choices

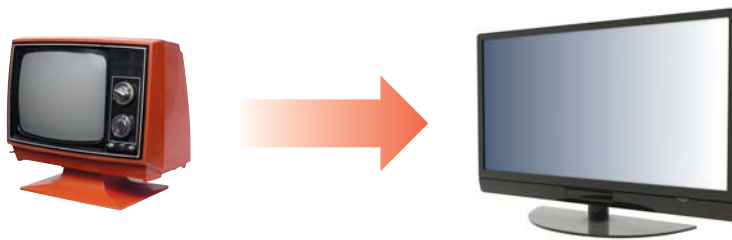
A Constant of Investing

Do you drive the same car you did 20 years ago? Watch the same television? Use the same telephone?

Hybrid cars, flat screen TVs and smart phones have advanced our traditional expectations in a very short time. It makes sense that our choice of investment options has advanced as well.

Opportunities now exist to spread our investment dollars among a wider array of options. An alternative (or nontraditional) investment is defined as one other than traditional stocks, bonds or cash. Alternative investing may include asset classes such as commodities and real estate. It also may include asset strategies such as absolute return, long/short and managed futures. When combined with traditional assets, alternative asset classes and strategies may provide an opportunity for greater portfolio diversification, help reduce overall portfolio risk and may lead to more consistent returns over time.

However, before adding commodities, real estate and other low-correlated assets to your portfolio, it is important to consider their special risks. They are not suitable for all investors. No investment strategy, including those with alternative investments, can guarantee a return. While the objective is to earn a profit, there is no guarantee against a loss. Discussing your objectives and your tolerance for risk with your financial professional is essential.



Correlation Is Key

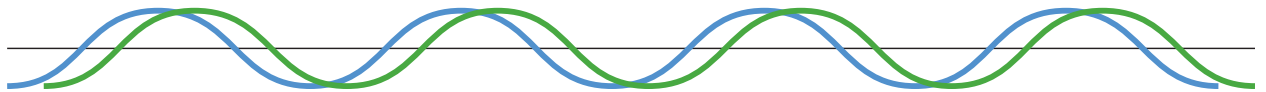
Diversification Is Relative

As you explore the potential benefits of diversification through alternative investing, consider correlation. Correlation measures how two asset classes (US stocks and corporate bonds, for example) move relative to one another. If they tend to move in the same direction at the same time, they're considered highly correlated. When one asset class is up, so is the other, and vice versa. Those with a low correlation are less likely to move in the same direction, and may even do the opposite.

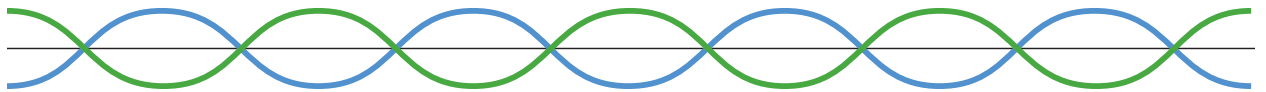
Diversification alone is not enough. Adding assets to your portfolio that exhibit low correlation may help manage volatility as markets swing up and down. A portfolio can hold many diversified assets but if those assets are closely correlated, the result is added risk in the portfolio. Below is an example.

Correlation Measures Zigs and Zags

High Correlation: Assets with high correlation move in the same direction



Low Correlation: Assets with low correlation move in opposite directions



Beyond Stocks and Bonds

Adopting a Wider Perspective

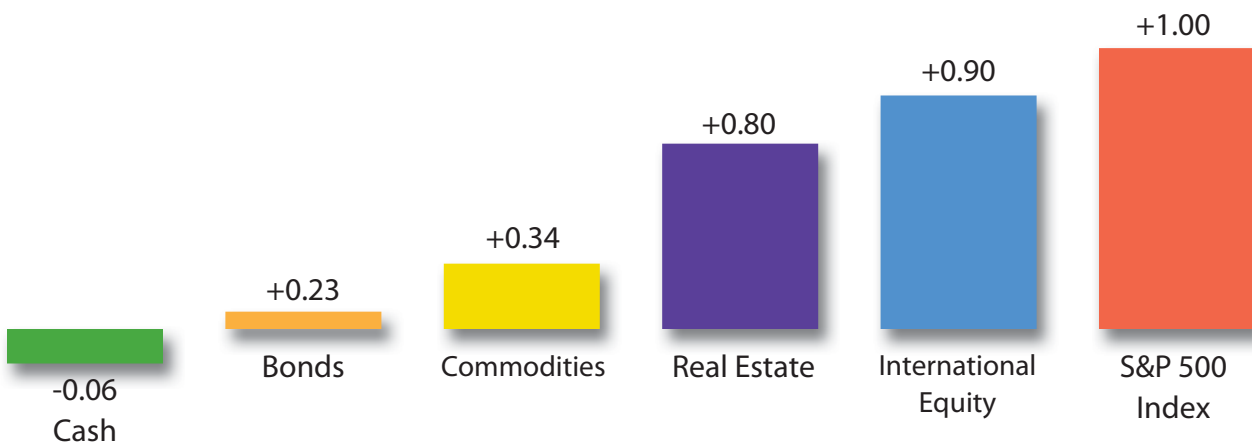
Historically, stocks and bonds may complement each other during up markets (one zigs, the other zags). However, they can move in the same direction during flat or downward markets. The result: more risk in a portfolio.*

Owning a portfolio diversified with low-correlated assets may lower its volatility. When returns on some assets decline, returns on others may either increase or decline less. In other words, poor performance in one investment may be offset by better performance in another investment. The result may be to increase your portfolio's stability.

Historical Correlation of Various Asset Classes vs. S&P 500®

January 2004–December 31, 2009

Correlation is a statistical measure of how two variables move in relation to each other. The measure ranges from -1 to +1, where -1 indicates perfect negative correlation and +1 indicates perfect positive correlation. If there is no relationship, the correlation is 0.



Created by Western & Southern Financial Group 2010 using information from Rydex|SGI. Bonds represented by Barclays Capital U.S. Aggregate Bond Index, commodities by S&P GSCI™, cash by Bloomberg 1-month CD Index, real estate by NAREIT (National Association of Real Estate Investment Trusts)® and international equity by MSCI EAFE Index. **Performance displayed represents past performance, which is no guarantee of future results.** Correlations are calculated using the monthly total returns of each index. All correlations are measured vs. the S&P 500 Index. The index returns do not include any management fees, transaction costs or expenses. Indices are unmanaged and not available for direct investment. This information is subject to change at any time, based on market and other conditions and should not be construed as a recommendation of any specific security. Data calculated by Rydex|SGI using information from Bloomberg.com, Barclays.com and standardandpoors.com. Special risk considerations accompany each of the strategies mentioned and they are not suitable for all investors. None of the investment strategies can guarantee a return in a declining market. Additionally, an investor could lose all or a substantial amount of an investment. For more information about these strategies and their risks, please consult your financial advisor.

* Source: Rydex|SGI 2010

A Closer Look

Examine Alternatives

Diversification means selecting investment options that suit your financial objectives; seeking the balance between risk and reward that's right for you. For true diversification you must have the ability to manage against volatility by spreading your risk over more diverse investment options.

Alternative investments may perform quite differently from the overall market. Because they may not be closely correlated to traditional securities — and also because they may be more volatile and less liquid than traditional securities — they are generally considered complements to a traditional portfolio.

Proceed with Caution

Institutional investors, such as pension funds, endowments and universities, may diversify among a wide range of asset classes in an attempt to cushion volatility and pursue more consistent performance. Now you may wish to do the same. Several of these new investment approaches are included in this discussion of true diversification. They may be potential components of a fully diversified investment portfolio. Review the details below and discuss your understanding of them with your financial professional.

Commodities – Commodity portfolios are invested in products that trade on a commodity exchange, such as agricultural goods, metals and petroleum, as well as financial instruments, foreign currencies and indexes. As such, portfolios with exposure to commodities markets may be exposed to increased volatility due to a variety of factors beyond an investor's control, including inflation, interest rate changes or factors affecting a particular industry or commodity, such as drought, livestock disease, embargoes and regulatory developments.

Real Estate – Portfolios that focus on real estate investing are sensitive to economic and business cycles, changing demographic patterns and government actions, as well as to risks related to the organization and operation of Real Estate Investment Trusts (REITs).

Absolute Return – Managers employing absolute return strategies aim to stem investment losses in volatile markets by playing the long, or bullish, side of the stock market, but also selling some shares short in case prices decline. Performance is independent of any stock index benchmark, which may mean forgoing some of a stock market rally as well as some of a decline.

Long/Short Strategies – Managers employing long/short strategies buy and hold stocks whose long-term prospects they view as favorable and sell short stocks whose prospects they view as unfavorable. Short selling is a way to profit from a stock's decline but involves increased risks and expense, including selling a position for less than its purchase price.

Managed Futures – Managers employing managed futures strategies seek to profit from price trends and movements in the financial and commodities futures market. Managed futures strategies involve a high degree of risk, and the potential for loss due to volatility, leverage, liquidity or other economic influences. High fees and expenses may offset trading profits and reduce returns.

As always, for a complete discussion of risks, read the product and underlying fund prospectuses.

Implementing Alternatives

Expanding Diversification May Reduce Volatility

Diversification with non-correlated assets may be significant. It may help reduce your nest egg's volatility, which in turn may better preserve its value and ability to provide retirement income. And putting alternative investments to work in a portfolio may be simpler than you realize.

At right are four hypothetical portfolios. The first consists of what many consider to be the traditional allocations of 60% stocks, 30% bonds and 10% cash.

Next is a portfolio of stocks, bonds and cash along with a 15% allocation to alternative investments. The alternative investment is divided equally among five types: absolute return strategies, long/short strategies, managed futures strategies, commodities and real estate investment trusts (REITs). The next portfolio increases that allocation to 20% and the final portfolio includes a 25% allocation to alternatives.

Note that in the three hypothetical portfolios with alternatives, the allocation to bonds never changes. The allocation to cash drops to 5% in all. For the balance of the change in each portfolio, the allocation to stocks decreases as the allocation to alternatives increases.

Each portfolio's "standard deviation" was calculated for the 6-year period beginning in January 2004 and ending in December 2009. Standard deviation is a statistical measurement of how far the value of a portfolio moves above or below its average value. The wider the range, the greater the standard deviation, meaning the riskier an investment is considered to be.

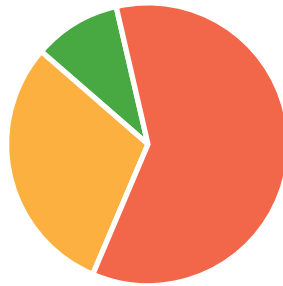
As the allocation to alternatives increases, the portfolio's standard deviation decreases. These examples illustrate how it may be possible to reduce a portfolio's risk with the inclusion of alternative investments.

Remember, past performance is no guarantee of future results. If an alternative investment does not perform in a manner that has a low correlation to the performance of a traditional investment or does not perform successfully, it will provide no diversification benefits.

Seeking a Smoother Ride

A Historical Example: January 2004–December 31, 2009

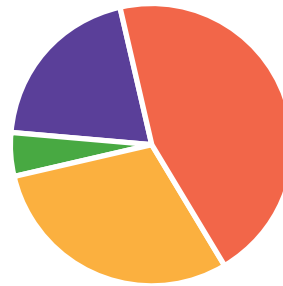
Portfolio without Alternatives



- 60% Stocks
- 30% Bonds
- 10% Cash

Standard Deviation:
9.28%

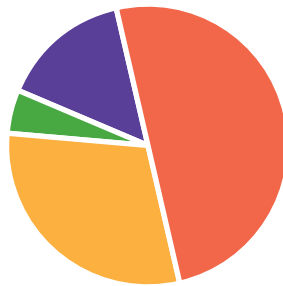
Portfolio with 20% Alternatives



- 45% Stocks
- 30% Bonds
- 5% Cash
- 20% Alternatives

Standard Deviation:
8.78%

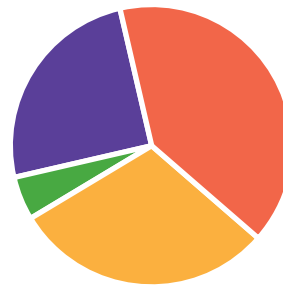
Portfolio with 15% Alternatives



- 50% Stocks
- 30% Bonds
- 5% Cash
- 15% Alternatives

Standard Deviation:
9.07%

Portfolio with 25% Alternatives



- 40% Stocks
- 30% Bonds
- 5% Cash
- 25% Alternatives

Standard Deviation:
8.52%

Performance displayed represents past performance, which is no guarantee of future results. Source: Created by Western & Southern Financial Group 2010 using information from Rydex|SGL. This is for illustrative purposes only and is not indicative of any investment. No assumptions should be made that similar asset allocations will be profitable, suitable or perform as indicated above. Allocations and their percentages should change based on an individual's needs. The indices used to determine the risks figures for the portfolios shown were: S&P 500® Index, Barclays Capital U.S. Aggregate Bond Index, NAREIT (National Association of Real Estate Investment Trusts)® S&P GSCI™ Commodity Index, Credit Suisse/Tremont Hedge Fund Index, Credit Suisse/Tremont Long Short Equity Index, S&P DTI and Bloomberg 1 Month CD Index. Indices are unmanaged and not available for direct investment.

Retirement on Your Terms

Why True Diversification?

A key to enjoying a secure retirement is avoiding large losses and slow recoveries in your retirement savings, especially early in your retirement. As an individual investor you have more options than ever before, ones that previously were available only to institutional investors — such as alternative investments.

Keep these points in mind as you rethink your approach to risk management:

- Consider true portfolio diversification as you seek to smooth out market swings
- Consider current and future market conditions as you allocate your investments
- Regularly review your portfolio to make sure it's still aligned with your goals and risk tolerances

Limiting downturns is as important to investment performance as achieving advances. For investors seeking such potential, diversification with alternative options may represent a strategy to manage risk in volatile times.

“Low-risk” investing has its own risks

If your goal is to build a sizable nest egg for the future, a portfolio of low-risk investments may actually be riskier than you believe. That's because the guarantee of relative safety tends to limit the growth potential of these investments. On the other hand, more volatile investments may offer investors exposure to the potential growth opportunities they need to build wealth over time.

Diversification can balance risk and reward over time.

Make the Right Choices for Retirement

Now more than ever Americans are aware of the risks that threaten their financial security. Managing those potential risks is crucial for a secure retirement. Consider these four fundamental risks to your retirement well being.

Risks to the Life You Want to Live	
L ongevity	Outliving your money and having to depend on others to provide for you.
I nflation	Cost of living increases outpacing your money's growth and eroding its buying power.
V olatility	Sharp and unpredictable market fluctuations impacting your assets and your actions.
E vent	Lacking adequate investment flexibility to respond as you wish to life's challenges.

Get started today. Discuss risk management solutions for your personal situation with your financial professional.



Western & Southern: Our Strength. Your Future.

Built on a heritage dating to 1888, Western & Southern Financial Group (Western & Southern) has demonstrated resolve and resiliency throughout challenging economic cycles. We are a Fortune 500® company (*FORTUNE* magazine, May 2010) whose financial strength continues to be the cornerstone of our success. We're proud of our top-tier industry ratings, which you can check at WSFinancialPartners.com/ratings. Western & Southern remains committed to safeguarding your financial future with our strength, stability and full range of risk management financial solutions. Western & Southern's array of member companies includes Western-Southern Life Assurance Company, Integrity Life Insurance Company, National Integrity Life Insurance Company and **Touchstone Securities, Inc.***

A variable annuity is a long-term financial vehicle designed for retirement purposes. An insurance company accepts premiums and provides future income or a lump sum to the contract owner by contractual agreement. Contract limitations, fees and charges include, but are not limited to, mortality and expense risk charges, administrative fees, sales and surrender charges, and additional fees for optional benefits. Withdrawals of earnings and other taxable amounts are subject to income tax and, if made prior to age 59½, may be subject to an additional 10% federal tax penalty. Withdrawals reduce the death benefit and account value.

Payment of benefits under the annuity contract is the obligation of, and is guaranteed by, the insurance company issuing the annuity. Guarantees are based on the claims-paying ability of the insurer. There is no guarantee of the investment performance or safety of the variable investment options of a variable annuity.

Investment return and principal value of an investment in a variable annuity will fluctuate, so units, when redeemed, may be worth more or less than their original cost.

LIVE in Retirement concept used by permission. © 2008 Mitch Anthony.

The prospectuses for the underlying funds and the variable annuity contract contain more complete information. Read all prospectuses carefully before investing as they contain complete information on the variable insurance product and the underlying investment options' investment objectives, the risks associated with an investment and the fees, charges and expenses involved. These elements, as well as other information contained in the prospectuses, should be considered carefully before investing. For a variable annuity prospectus, visit WSFinancialPartners.com or call 800.325.8583. For a prospectus of an underlying fund, call 800.325.8283. Read the prospectuses carefully before investing or sending money.

Variable products issued by member companies of Western & Southern Financial Group are distributed by Touchstone Securities, Inc.

* A registered broker-dealer and member FINRA/SIPC.

No bank guarantee	Not a deposit	May lose value	Not FDIC/NCUA insured	Not insured by any federal government agency
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