

## U.S. LARGE-CAP CORE EQUITY

DATA AS OF AUGUST 31, 2009

### Investment Philosophy

The cornerstone of WestEnd Advisors' investment philosophy is that Sector and Industry performance is highly correlated with particular stages of the business cycle.

WestEnd Advisors overweights Sectors we believe are experiencing economic **tailwinds** while avoiding Sectors we perceive to be untimely. Within favored Sectors, we target high-quality, market-leading companies.

The result is a core investment style capable of shifting portfolio Sector and style emphasis to remain properly oriented and timely over a full economic and market cycle.

**Product Inception: January 1, 1996**

**Benchmark: S&P 500**

### WestEnd Advisors

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### Performance vs. Benchmark\*

	WestEnd Composite		S&P 500	Russell 1000
	Gross*	Net*		
August	-0.16%	-0.16%	3.61%	3.63%
Qtr-to-Date	9.61%	9.47%	11.45%	11.54%
Year-to-Date	20.31%	19.82%	14.97%	16.36%
1 Year	-18.10%	-18.56%	-18.25%	-18.39%
3 Year	-2.51%	-3.07%	-5.78%	-5.61%
5 Year	3.94%	3.37%	0.49%	0.94%
7 Year	8.53%	7.96%	3.59%	4.01%
10 Year	4.87%	4.32%	-0.79%	-0.27%
Inception	12.41%	11.81%	5.61%	5.78%

\*Returns are preliminary, not verified, and subject to change.

Returns greater than one year are annualized.

Source: [standardandpoors.com](http://standardandpoors.com), [russell.com](http://russell.com)

### Model Sector Weightings

	WestEnd	S&P 500
Consumer Discretionary	25.0%	9.1%
Consumer Staples	10.0%	11.5%
Energy	0.0%	11.7%
Financials	0.0%	15.4%
Health Care	15.0%	13.5%
Industrials	0.0%	10.0%
Information Technology	35.0%	18.5%
Materials	0.0%	3.4%
Telecommunications Services	15.0%	3.2%
Utilities	0.0%	3.8%
Cash	0.0%	0.0%

Source: [standardandpoors.com](http://standardandpoors.com)

### Portfolio Characteristics

	WestEnd	S&P 500
Number of Stock Holdings	20	500
Average Market Cap (\$ billions)	\$58.2	\$18.0
Price to Earnings: Trailing Operating	19.7x	25.6x
Price to Book	3.8x	1.8x
Dividend Yield	1.6%	2.1%

Source: Telemet, [standardandpoors.com](http://standardandpoors.com)

## ECONOMIC AND MARKET REVIEW

Investors have recently heard claims that the U.S. recession is nearly over. Many economists have revised their economic forecasts upward for the second half of 2009 as they see stabilization in significant portions of the economy and an improved outlook for production. Once investors become more certain that the recession is near its end, their focus will shift increasingly to the *post-recession pattern of growth*.

***The economy is poised for recovery...***

The *post-recession* period of economic growth likely will be characterized by two distinct environments. A rebuilding of inventories, fiscal stimulus and some improvement in demand will help fuel the initial economic recovery. We believe this economic bounce will be stronger than most expect, but it will also be *shorter lived*. The subsequent period of economic growth will be less dynamic, but more sustainable. Businesses and consumers will spend and consume more as sentiment improves. Lower leverage and the likelihood of higher taxes will temper economic growth and corporate profitability. High productivity, however, should make for *reasonable* corporate earnings growth (high single digit growth) and higher incomes for workers, even as earnings *growth rates* plateau.

***...and the initial portion of the recovery is likely to be stronger than most expect.***

The credit market turmoil late last year and early this year significantly undermined consumer and business confidence. Retail sales declined sharply and the savings rate increased beginning last September. Job security deteriorated and consumer sentiment weakened.

Businesses reacted even more dramatically than consumers to the uncertain economic environment -- with reduced production, and thus inventories, which they feared were too high and therefore too risky for the highly uncertain outlook. Business inventories declined more than \$157 billion, or greater than 10%, from their peak last year. Similarly, during the first half of 2009 the decline in private inventories was nearly three times greater than any previous two quarters of inventory drawdown. This decline had a substantial negative impact on economic growth as reduced inventories accounted for over a third of the 6.4% decline in GDP in Q1 2009.

Managers have likely cut inventories about as far as possible without increasing the risk of lost sales. We

expect that businesses will order more of their products to prevent further reductions in inventories, which will positively impact production. And four consecutive monthly increases in factory orders indicates that the pick-up in production should be broad based. We see the substantial reduction in inventories over the last year as the equivalent of compressing a *spring* -- the sharper and deeper that inventories decline, the stronger and sharper the economy will rebound.

End demand will determine the extent to which this economic *spring* responds. While we don't know exactly what may trigger a pick-up in demand, we believe that there is a real possibility that pent-up demand from businesses and consumers will spur spending more quickly and sharply than most foresee. Many investors recognize that production will likely pick-up in the second half of 2009 with an end to inventory reductions. But few investors anticipate an additional boost to the broad economy from further increases in demand as sentiment improves. This pick-up in demand would have a much more sustained economic impact than the end of inventory declines alone.

Revised end demand, together with a production bounce and fiscal stimulus, will likely deliver an initial post-recession recovery that is stronger than investors expect. This period of above average growth, however, will likely be *shorter lived*. It is the economic growth *after* this bounce that will drive stock market performance for the next several years.

***The subsequent period of economic activity will be characterized by moderate earnings growth rates...***

Lower corporate and consumer financial leverage, and less risk taking, should characterize the period after the initial post-recession rebound. These changes from pre-recession times will contribute to less dynamic economic growth than some investors will like. Corporate earnings will benefit from reduced cost structures, but higher taxes may lessen some of this improved profitability. The unemployment rate should fall, but fall slowly, as companies will be reluctant to hire additional workers soon after a sharp economic downturn. Workers' incomes will rise, however, as employers compensate workers for increased production from more hours worked and higher productivity. Moderate but attractive economic and earnings growth will define this post-rebound, post-recession period, and the growth could continue for a number of years.

This *pattern of growth* we foresee is consistent with the economic environment normally experienced during the growth phase of an economic cycle. This may seem curious as we obviously just experienced a serious recession. However, this sharp and *shorter lived* initial rebound in growth we expect is atypical of an early post-recession environment, but it is consistent with what we would expect following a sharp decline in economic activity after a sudden, financial markets meltdown-driven downturn. Corporate earnings growth following recessions normally develops excruciatingly slowly, but ultimately accelerates. We instead anticipate a post-recession economic environment, following the initial economic bounce, in which growth resumes and businesses deliver healthy profits, although with growth that is substantially less than pre-recession rates. Sectors that normally perform well in the early stages of a new economic cycle, like Materials and Energy, will likely face headwinds from the plateauing growth rates that we envision, and thus deliver disappointing earnings.

Company managements will try to enhance profit growth in the environment we foresee through productivity initiatives, including the purchase of enterprise-wide technology. Consumer spending will grow as workers have an increased sense of job security and experience income growth as corporate profits improve.

***...and the Large-Cap Core Equity Portfolio is positioned for this pattern of growth ahead.***

Analysis to understand the position of the economy in the economic cycle has always been a fundamental aspect of our investment process. The ultimate purpose of this work, however, is to help us better anticipate the *patterns of growth* ahead. We need to understand these characteristics of *future growth* to build well-positioned client portfolios. Today, we believe that the Consumer Discretionary and Information Technology Sectors are best positioned to benefit from the *pattern of growth* we anticipate. Accordingly, stocks in these Sectors currently comprise 60% of the Large-Cap Core Equity portfolio.

***Robert L. Pharr, Chief Investment Officer***

***Edmund N. Durden, Investment Analyst***

***Frederick O. Porter, Investment Analyst***

***September 14, 2009***

WestEnd Advisors is an SEC-registered investment advisor. The firm is an independent investment management firm, 100% owned by its active principals. WestEnd manages both equity and fixed-income assets for individual and institutional clients.

WestEnd Advisors' **Large-Cap Core Equity Composite** is invested solely in U.S. Equity securities and/or high-grade money market instruments. Returns are achieved without the use of options, derivatives, or leverage of any kind. Results are time weighted, account size weighted, net of withholding taxes, use trade-date valuations, and include cash as well as the reinvestment of dividends, interest income, and other earnings, if applicable. Portfolio returns are weighted using end of prior month values plus weighted cash flows. Portfolios and composites are valued daily, are denominated in U.S. dollars only, and include all discretionary tax-exempt accounts with a minimum of \$1,000,000. Portfolios managed by WestEnd Advisors in any wrap-fee program are not included in the composite.

Composite performance results and the percentage of firm assets from December 31, 1995 to December 31, 2002 were realized under WestEnd Advisors' predecessor firm Providence Capital Management, Inc. in the **Large-Cap Core Equity Composite**. Providence Capital Management was a registered investment advisor founded October 1, 1995 by Robert L. Pharr. Mr. Pharr served as President and Chief Investment Officer, and made all the investment decisions since creation of the composite. The **Large-Cap Core Equity Composite** creation date is December 31, 1995, and the investment strategy for the **Large-Cap Core Equity Composite** has been consistent since creation.

Net-of-fee performance results are presented after investment management fees paid to WestEnd Advisors, as well as after brokerage or other commissions actually paid by clients in the management of their investment advisory account, but exclude any deductions for custodial fees. The current management fee schedule, as described in WestEnd Advisors' SEC Form ADV Part II, is as follows: 1.00% for accounts valued at \$1,000,000 to \$4,999,999; 0.90% for accounts valued at \$5,000,000 to \$9,999,999; 0.75% for accounts valued at \$10,000,000 to \$24,999,999; 0.65% for accounts valued at \$25,000,000 to \$49,999,999; and 0.50% for accounts valued over \$50,000,000.

Past performance is not indicative of future results. It should not be assumed that recommendations made in the future will be profitable. The information contained herein is not intended to be an offer to provide investment advisory services. Such an offer may only be made if accompanied by WestEnd Advisors' SEC Form ADV Part II.

The S&P 500 and Russell 1000 are used for comparative purposes only. The S&P 500, our primary benchmark, is considered an appropriate proxy for the overall U.S. equity market and is comprised of 500 leading companies in major industries of the U.S. economy. The Russell 1000 is used as our secondary benchmark, and represents the extensive large-cap segment of the U.S. equity universe.

The dispersion of annual returns is measured by the standard deviation of the asset-weighted portfolio returns included in the composite for the full year. Dispersion is calculated based on gross returns, and is not shown when there are five or fewer portfolios as the calculation is not statistically meaningful.

A complete list and description of all WestEnd Advisors' composites as well as a presentation that complies with the requirements of the Global Investment Performance Standards (GIPS) is available upon request by phone (888-500-7501) or email (info@westendadvisors.com).

Additional information regarding policies for calculating and reporting returns is available upon request.

Total firm assets do not include assets in any account where WestEnd Advisors does not execute trades on behalf of the account. These assets are sometimes referred to as "Advisory-Only Assets." As of June 30, 2009, WestEnd Advisors had approximately \$66 million of Advisory-Only Assets. This information is included as supplemental information only.

WestEnd Advisors has been verified for its claim of firm-wide compliance with the Global Investment Performance Standards (GIPS) for the periods December 31, 1995 through June 30, 2009 by Beacon Verification Services. WestEnd Advisors' **Large-Cap Core Equity Composite** has received a performance exam from composite inception through June 30, 2009. A copy of the verification report is available upon request.

Revised August 2009