

U.S. LARGE-CAP CORE EQUITY

DATA AS OF JANUARY 31, 2008

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

Two Morrocroft Centre
4064 Colony Road, Suite 130
Charlotte, NC 28211
Phone: (704) 556-9300
Toll Free: (888) 500-9025

Website: www.westendadvisors.com
Email: info@westendadvisors.com

Performance vs. Benchmark*

	WestEnd Composite		S&P	Russell
	Gross*	Net*	500	1000
January	-5.27%	-5.41%	-6.00%	-6.00%
Qtr-to-Date	-5.27%	-5.41%	-6.00%	-6.00%
Year-to-Date	-5.27%	-5.41%	-6.00%	-6.00%
1 Year	0.87%	0.30%	-2.31%	-2.45%
3 Year	10.36%	9.71%	7.28%	7.77%
5 Year	17.95%	17.33%	12.04%	12.59%
7 Year	8.85%	8.29%	1.88%	2.30%
10 Year	13.01%	12.43%	5.14%	5.46%
Inception	16.15%	15.53%	8.69%	8.86%

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

Returns greater than one year are annualized.

Source: standardandpoors.com, russell.com

Model Sector Weightings

	WestEnd	S&P 500
Consumer Discretionary	35.0%	8.8%
Consumer Staples	0.0%	10.3%
Energy	0.0%	12.3%
Financials	0.0%	18.6%
Healthcare	0.0%	12.1%
Industrials	20.0%	11.7%
Information Technology	35.0%	15.6%
Materials	0.0%	3.4%
Telecommunications Services	10.0%	3.5%
Utilities	0.0%	3.6%
Cash	0.0%	0.0%

Source: standardandpoors.com

Portfolio Characteristics

	WestEnd	S&P 500
Number of Stock Holdings	20	500
Average Market Cap (\$ billions)	\$74.9	\$24.1
Price to Earnings: Trailing Reported	19.6	18.3
1-Year Projected Earnings Growth	16.6%	15.7%
Price to Book	4.7	2.9
Dividend Yield	1.2%	1.9%

Source: Reuters, standardandpoors.com

ECONOMIC AND MARKET REVIEW

We frequently receive questions about the economic data that we follow and use to help us make our investment decisions. We recently posed some of these questions to Robert L. Pharr, WestEnd Advisors' Chief Investment Officer. The following is a summary of that conversation.

Rob, you look at a wide variety of economic data, are there some data that are more important than others?

Objective economic data are certainly more reliable than data that attempt to measure businesses' or investors' psychology and sentiment, but timeliness can be an issue with objective data. The more timely the data, the better the snapshot they give of the current economic situation. Unfortunately, many objective data reports are not very timely.

Are there any reports that contain data that are both objective and timely?

The *Unemployment Insurance Weekly Claims Report* is a good example of a report that is both objective and timely. It comes out every Thursday morning and contains actual data about the number of people who filed for unemployment insurance in the previous week. The numbers are subject to some interference with extraneous events like holidays and the weather, but these tend to smooth out over time.

What about the quarterly Gross Domestic Product (GDP) report? Is that a report that you use?

The quarterly GDP report contains a variety of objective data, but the Bureau of Economic Analysis releases the report 30 days after the end of the calendar quarter. The report contains a wide range of data from the previous quarter, but many of those data points are one to four months old, so they are not very timely.

How much value does the GDP report have then?

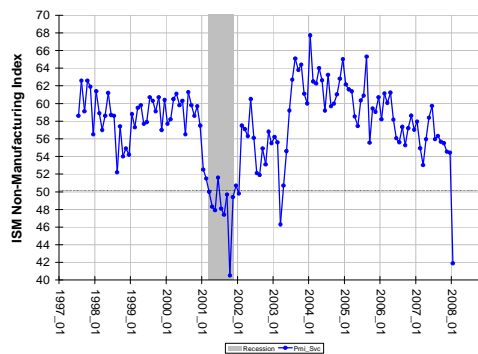
It gives us our first look at some data that are not released until the GDP report comes out, such as foreign trade and inventories. We also look at the GDP report to confirm our understanding on how different pieces of the economy are contributing or detracting from economic growth. This, in turn, helps us understand what data is important to watch closely going forward. If the GDP report indicates that certain parts of the economy contributed or detracted from economic growth, then we need to pay particular attention to those areas of the economy. The GDP report confirms our understanding of the current economic backdrop and then focuses our attention on strengths, weaknesses and swing items within the economy.

It sounds like objective data, while preferable, is at best current, but more often it is lagging in its timeliness. What about leading economic indicators? Are they useful?

Leading economic indicators clearly sound like a good thing, but the problem is that they are unreliable. They are usually measures of *sentiment* and *psychology* as opposed to *objective data*. And you can have instances of people saying one thing and then doing or acting another way. The presumption is that over enough time and with enough people this will even out, but this is not necessarily the case.

Can you give us an example of a recently released sentiment based survey that illustrates this point?

The *Institute for Supply Management's Non-Manufacturing Report on Business*, often called the *ISM Services Report*, is a good example. This report comes out on the third business day of every month and is supposed to give an indication on the state of the services portion of the economy for the month before. As you probably recall, this is the report that was much weaker than expected recently and led to a 3% sell-off in the markets on the day it was released. We think this sell-off was an over-reaction, based on a basic misunderstanding of what the



survey actually is and what it actually measures.

What does the ISM Services Report actually measure?

The *ISM Services Report* is a survey of approximately 400 Corporate Purchasing Managers from about 60 different service industries. The industries range from banking and finance, to mining, and to educational services. Respondents receive the survey in the first week of every month. They then are asked to rate conditions for the current month compared to the previous month for various aspects of their business including, for example, new orders, employment, prices, and deliveries.

There are several inherent problems with this survey. First, it asks if conditions are *better than, the same as, or worse than* they were in the previous month. There is no measure of the degree of change, so the response is the same whether conditions that are *slightly better or dramatically better*. And likewise for conditions that seem to be softening — that elicits a negative response regardless of the degree of softness.

After the responses are tabulated, the index is then calculated by adding the percentage of respondents who answered positively to half of the percentage of respondents that said business conditions were roughly the same. The number totaling these two figures is the ISM Services index reading for that month. Some people assume that a move in the number from month to month is a measure of the degree of change in business conditions for that month, when it actually just measures the change in the percentage of people who responded positively or neutrally in their evaluation of conditions for the month ahead.

The ISM tabulates these surveys around the 21st of the month, so at best managers are completing these surveys with only several weeks of data available to them. There is no way to determine if a manager's response is based on actual data or simply how he feels at the time. For instance, if a manager fills

out a survey in the first week of the month, he is guessing as to how the rest of the month will play out.

The ISM survey at its heart is a *sentiment* survey — that is, a survey based not on *what is happening currently*, but on *what might happen in the future*.

Does this mean that we should ignore its results?

No, but it does mean that you should know what you are looking at when the survey is released and not overreact to this or any other *sentiment* based report that can change quickly and swing in a wide range, in *either* direction.

Also, this survey has only been around since 1997. Its older related index, the *ISM Manufacturing Report* has been published for over 50 years, so we better understand its predictive power or lack thereof. We do not have enough experience with the *ISM Services Report* to understand what a single large move up, or down, might mean for the economy, if anything.

What did you think of the 3% sell-off in the markets on the day that the ISM Services Report showed that the index moved lower from a reading of 54 to 42?

We think the sell off was overdone. A 3% sell-off (or rally) on any piece of *sentiment* data is an overreaction and is even dangerous, as it gives undue influence to that sentiment. We typically pay less attention to *sentiment* data than we do to *objective* data. *Sentiment* data is inherently less reliable than *objective* data and has little pattern of predictability.

How did you look at that data release in relation to other data that you track?

We weighed it versus some of the other data points that were released about the same time including, for example, continued low levels of weekly unemployment claims, a better than expected *ISM Manufacturing Report* and strong corporate earnings reports outside of financial services. Our next step regarding the *ISM Services Report* specifically is to wait and to see if upcoming reports show continued weakness, or if the index rebounds. The index report has been volatile in its limited history, for example falling in March, 2003 from 56 to 46, only to bounce back to a reading of 51 the following month.

Do you believe it was a recession signal as some indicated?

Again, the index has a short history, and so any extreme reading should be treated as suspect. Readings for the *ISM Manufacturing Report* have moved through a wide range in its history, showing at times very weak readings that did not precede or coincide with a recession. In fact, relying on that report for recession calls would have predicted fifteen of the last three recessions. We will instead rely more heavily on *objective* data and information for our economic analysis.

Robert L. Pharr, Chief Investment Officer

Edmund N. Durden, Investment Analyst

William L. Bachrodt, Investment Analyst

February 15, 2008

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

Composite performance results and 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 investment decisions since creation of this 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.

WestEnd Advisors' **Large-Cap Core Equity Composite** is an institutional-only composite and does not include portfolios in any wrap-fee program managed by WestEnd Advisors. WestEnd Advisors' **Large-Cap Core Equity Composite** invested solely in U.S. equity securities and/or high-grade money market instruments. Returns were 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 were weighted using ending of prior month values plus weighted cash flows. Portfolios and composites were valued daily, were denominated in U.S. dollars only, and included all discretionary tax-exempt accounts with a minimum of \$1,000,000.

Unless otherwise indicated, performance results are presented *after* investment management fees as well as after brokerage or other commissions actually paid by clients in the management of their investment advisory account, but excluding any deductions for custodial fees. The current management fee schedule is described in WestEnd's Form ADV Part II.

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' Form ADV Part II Disclosure Document.

The S&P 500 and Russell 1000 are used for comparative purposes only. The S&P 500, our primary benchmark, is considered an ideal proxy for the overall U.S. equity market and is comprised of 500 leading companies in leading 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.

A complete list and description of all WestEnd Advisors' composites as well as a presentation that complies with the requirements of GIPS standards may be obtained by phone (888-500-7501) or email (info@westendadvisors.com).

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 to September 30, 2007 by Beacon Verification Services. WestEnd Advisors' **Large-Cap Core Equity Composite** has received a performance exam from composite inception through September 30, 2007. A copy of the verification report is available upon request.

Disclosure revised October, 2007