

U.S. LARGE CAP CORE EQUITY

April 30, 2006

Investment Philosophy

The cornerstone of WestEnd's investment philosophy is that sector and industry performance is highly correlated with particular stages of the business cycle.

WestEnd overweights sectors we believe are experiencing economic "tailwinds" while avoiding sectors we perceive to be untimely. Within favored sectors, we target high-quality companies 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

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Performance vs. Benchmark

	WestEnd Composite		S&P	Russell
	Gross	Net	500	1000
April	1.24%	1.24%	1.34%	1.20%
Year-to-Date	7.31%	7.17%	5.60%	5.75%
1 Year	22.52%	22.04%	15.42%	16.71%
3 Year	22.69%	22.10%	14.68%	15.73%
5 Year	9.52%	9.01%	2.69%	3.38%
7 Year	7.93%	7.41%	1.30%	1.97%
10 Year	16.52%	15.95%	8.94%	9.14%

*Returns greater than one year are annualized

Sector Weightings

	WestEnd	S&P 500
Consumer Discretionary	25.0%	10.1%
Consumer Staples	0.0%	9.2%
Energy	0.0%	10.0%
Financials	0.0%	21.7%
Healthcare	0.0%	12.2%
Industrials	30.0%	11.6%
Information Technology	30.0%	15.7%
Materials	10.0%	3.1%
Telecommunications Services	0.0%	3.2%
Utilities	0.0%	3.2%
Cash	5.0%	0.0%

Source: standardandpoors.com

Portfolio Characteristics

	WestEnd	S&P 500
Number of Stock Holdings*	19	500
Average Market Cap (\$ billions)*	57.9	23.8
Price to Earnings: Trailing Reported**	21.6	18.7
5-Year Projected Earnings Growth***	14.1%	9.6%
Price to Book	4.5	3.8
Dividend Yield	1.1%	1.8%

*Source: standardandpoors.com month end data

**Source: Barrons

***Source: for S&P 500 use Yahoo analyst estimates (next 5 years)

Economic and Market Review

The stock market has recently begun its first sizable correction of 2006 due to the combination of (1) rising inflation pressures and interest rates; (2) indications of a slower rate of economic growth; and (3) uncertainty and diminished confidence in Federal Reserve policy. Last month we wrote that “*the principal risk for market participants is substantially higher inflation that will trigger additional Fed tightening, even beyond the 5.0% level.*” Until recently, investors largely accepted the Fed’s benign view of inflation risks which had kept the stock market on an upward path. But the market’s perception of inflation risks has grown due to the combination of negative surprises in reported inflation statistics and inflationary signals from the commodities and currency markets.

April’s overall and core CPI came in above expectations as rising labor costs (easily the largest component of the expense structure of U.S. businesses), and record energy and other input prices are increasingly being passed through to end consumers. In addition, the multi-year gains in housing prices are finally filtering down to the “owner equivalent rents” measurement of housing inflation in the CPI. The three-month annualized average of core CPI is now running at 3.2%, well above the Fed’s preferred upper limit of 2%.

Inflation pressures have pushed long-term bond yields to new multi-year highs and prevented the Fed from moving to the sidelines, which is

taking a toll on stock prices. After prematurely and ill-advisedly attempting to lay the groundwork for an end to tightening, the Fed hiked rates another quarter point to 5% on May 10th and retained its bias towards further tightening. The current stock market sell-off got underway in the wake of the Fed decision, as investors, who had bid stock prices up to new bull market highs based in part on expectations of a Fed pause, have had to adjust to the reality that there is still no definitive end of Fed tightening in sight.

At the same time that inflation pressures have intensified, there are indications that the U.S. economy is on a cooling path. Clearly there could be signs of softening in the housing sector. The National Association of Realtors reported on May 15th that the U.S. median home sales price declined 3.3% in the first quarter from the fourth quarter of 2005. Meanwhile, leading indicators for residential construction activity have weakened; housing starts declined in April for a third consecutive month to the lowest level since November 2004, while building permits fell to their lowest level since February 2004. The economic implications of this cooling in the housing sector, other than the direct impact of diminished fixed investment in housing, is that consumer spending, which is already facing headwinds from rising interest rates and energy prices, no longer has a tailwind from housing appreciation. These pressures were reflected in the University of Michigan’s consumer sentiment index declining in May to the lowest reading since the wake of Hurricane Katrina. Labor market tightness and rising wages are providing an important

support to consumer spending. Thus we do not expect a sharp fall-off in consumer spending despite some softness in housing. We expect business spending, which has been accelerating, to continue to rise and make up for any of the slack from consumers. In addition, the U.S. trade deficit should exert less of a drag on GDP as exports benefit from a weaker dollar and from stronger overseas economies.

We believe the net effect from these cross-currents is a return, at least temporarily, to trend-line GDP growth of approximately 3%. Growth is moderating from a high level, so the prospects for continued overall economic growth remain positive. The strong momentum in corporate earnings may slow due to the combination of higher costs and a moderation of economic growth, but corporate sector fundamentals are very sound and earnings growth is slowing from very high levels. With equity valuations quite reasonable, especially compared with bond yields, the medium to longer-term backdrop for stocks remains positive. We currently see what may be a shift in leadership from small-caps to large-caps. We would attribute this shift in part to valuation fundamentals strongly favoring large-caps and in part to diminished risk appetites as the economic expansion matures further.

Robert L. Pharr, Chief Investment Officer
J.D. Steinhilber, Director of Research
 May 19, 2006

Returns for WestEnd’s **Large Cap Core Equity Composite** include returns generated under its predecessor firm Providence Capital Management, Inc. 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 inception of this composite on January 1, 1996. 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 for the full historical period are time weighted, account size weighted, 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.

The Benchmark: the Standard and Poor’s 500 Index is a market capitalization weighted index of 500 major U.S. corporations. There are 400 industrial firms, 20 transportation firms, 40 utilities, and 40 financial firms. The index provides a broad snapshot of the overall U.S. equity markets.

Past performance is not indicative of future results. Sector weightings, portfolio characteristics and representative holdings are as of the date of this report and are subject to change.