

U.S. LARGE-CAP CORE EQUITY

DATA AS OF FEBRUARY 28, 2007

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
February	-1.48%	-1.48%	-1.96%	-1.72%
Year-to-Date	1.51%	1.37%	-0.47%	0.17%
1 Year	12.61%	11.93%	11.97%	12.25%
3 Year	13.42%	12.84%	9.10%	9.84%
5 Year	12.28%	11.73%	6.82%	7.57%
7 Year	11.56%	11.01%	2.08%	2.34%
10 Year	15.46%	14.89%	7.63%	8.00%

Returns greater than one year are annualized.

Source: standardandpoors.com, russell.com

Model Sector Weightings

	WestEnd	S&P 500
Consumer Discretionary	35.0%	10.6%
Consumer Staples	0.0%	9.3%
Energy	0.0%	10.0%
Financials	0.0%	22.3%
Healthcare	0.0%	12.0%
Industrials	20.0%	10.8%
Information Technology	35.0%	15.1%
Materials	0.0%	3.0%
Telecommunications Services	10.0%	3.5%
Utilities	0.0%	3.4%
Cash	0.0%	0.0%

Source: standardandpoors.com

Portfolio Characteristics*

	WestEnd	S&P 500
Number of Stock Holdings	20	500
Average Market Cap (\$ billions)	\$74.7	\$25.5
Price to Earnings: Trailing Reported	23.8	17.2
1-Year Projected Earnings Growth	16.9%	7.5%
Price to Book	4.7	2.7
Dividend Yield	1.0%	1.8%

Source: Reuters, standardandpoors.com

ECONOMIC AND MARKET REVIEW

February proved to be an interesting month for the markets to say the least. The S&P 500 looked poised to deliver another up-month, when suddenly, with two days left in the month, the market came down with a sudden case of the “Shanghai Flu.” After China’s Shanghai Composite Index closed down 8.80% on February 27, the S&P 500 followed suit and promptly gave up all of its gains for the year by closing down 3.47% for the day. Despite a small rally on the last day of the month, the S&P 500 ended February down 0.47% for the year. WestEnd Advisors’ Large-Cap Core Equity Portfolio was not immune to this “Asian Contagion,” finishing the month down a net 1.48%. However, we still maintained a 1.37% net gain for the year.

February 27 was a record setting day on several fronts. The S&P 500’s 3.47% decline for the day was the largest one-day drop in the market since the first day of trading after September 11th. Of the 500 names in S&P 500 Index, 497 were down on the day, which also is an all time record.

Days like these obviously lead investors to take pause and begin to question the underlying fundamentals of their portfolios, the markets and the economy as a whole. Indeed, pundits began to pontificate that surely there must be some underlying fundamental reasons for this correction. And to support their arguments they pointed to data that was coincidentally released around the same time that markets world-wide plummeted.

The U.S. government revised GDP growth for Q4 2006 from a robust 3.5% to 2.2%. New orders for durable goods fell 7.8% in January following a 2.8% increase in December. Surely, this data coupled with the collapse of the subprime mortgage market and former Fed Chairman Greenspan mentioning the “R” word in a speech right at the same time as one of the worst market days ever must signal that the economy is slowing, and that we are headed for a recession, right?

Our response to these pundits is, in the words of the great coach and commentator Lee Corso, “Not so fast my friends!” While we, like most others, did not enjoy the events at the end of last month, we firmly believe these were *market events* and *not economic events*. We still believe that the overall outlook for the economy and the markets is very good, and while there have been some negative data points, investors must continue to look at the en-

tirety of the data. As we have said in recent letters, an inflection point preceding the end of this economic expansion is not yet in sight.

Solid economic fundamentals are still the norm in the United States. Real GDP (i.e., adjusted for inflation) outside the retrenching residential investment and auto output sectors was up a strong 4.4% in Q4 2006. Companies reported strong profits last quarter, and analysts expect similar growth in corporate profits this quarter. Not surprisingly, company HR departments are busy hiring more workers to meet customer demand, adding over 460,000 jobs in the last three months. Strong demand for labor has led to strong wage increases for consumers, with personal income up at a 4.2% annual rate last quarter, helped by almost \$50 billion of bonus payments and gains on stock options.

Despite this positive data, bears are quick to point out that one result of worker’s strong wage gains is that productivity growth has slowed. The bears go on to indicate that this is a sign that inflation is on the rise which in turn could lead the Fed to raise rates which could exacerbate a slowdown. However, we believe that the recent slowdown in productivity growth could be a good thing for certain Sectors of the market, and not coincidentally, these are the Sectors in which our Large-Cap Core Equity portfolio is concentrated.

Productivity measures describe the relationship between real output and the labor time involved in its production – how much we all produce per hour. Recently wages have increased faster than output, leading to slowing productivity growth. Productivity rose on average 1.6% in 2006, after increasing for the previous several years at a rate above the long-term average of 2%. At first glimpse this downward shift might seem alarming. However, looking farther back we see that productivity growth last hit a slow patch in 1993-1995, right in the midst of the longest U.S. expansion on record. So while the productivity growth rate may have slowed in 2006, we fully expect that U.S. busi-

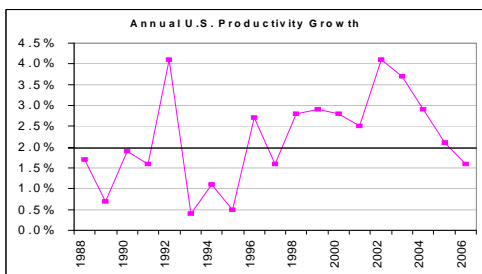
nesses are hard at work looking for ways to increase their efficiencies and boost their profitability.

We believe that businesses faced with paying higher wages for labor are actively exploring increased investments in capital expenditures (capex). These investments, such as factory automation, upgraded computer systems, and facility expansions, are largely designed to automate existing operations, allowing businesses to grow output faster than their labor force. One reason to believe that businesses will accelerate capex spending is that the total amount of equipment and software in the U.S. has been decreasing relative to GDP over the past four years. Businesses have been slower to boost capex during the early phases of this expansion, perhaps still smarting from the over-expansion of capex at the tail-end of the last expansion. In past economic cycles businesses might have been able to raise prices to cover higher labor costs and boost profits. However, globalization of commerce and the increased competition that has resulted has decreased any one company’s pricing power, making the case stronger for increased capex to overcome rising wages.

We continue to believe that as this scenario unfolds, WestEnd Advisors’ Large-Cap Core Equity portfolio will be well positioned. We also know that from time to time investors will have to suffer through challenging times like we experienced at the end of last month, and unfortunately, we can not anticipate when these will occur. However, we firmly believe that, assuming our fundamental outlook is intact (which it is), in order to generate good returns in the long run we need to ride out events like this (which we will).

Robert L. Pharr, Chief Investment Officer
William L. Bachrodt, Investment Analyst
Edmund N. Durden, Investment Analyst

March 15, 2007



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. The composite inception date is January 1, 1996.

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, 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 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 represents the extensive large-cap segment of the U.S. equity universe.