WESTEND ADVISORS

MONTHLY INVESTMENT UPDATE

U.S. LARGE-CAP CORE EQUITY

DATA AS OF FEBRUARY 28, 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

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Performance vs. Benchmark*

	WestEnd Composite		S&P	Russell
	Gross*	Net*	500	1000
February	-8.13%	-8.13%	-10.65%	-10.34%
Qtr-to-Date	-12.59%	-12.72%	-18.18%	-17.66%
Year-to-Date	-12.59%	-12.72%	-18.18%	-17.66%
1 Year	-39.16%	-39.54%	-43.32%	-43.62%
3 Year	-12.13%	-12.66%	-15.11%	-15.23%
5 Year	-2.53%	-3.07%	-6.63%	-6.38%
7 Year	0.96%	0.42%	-3.85%	-3.46%
10 Year	2.39%	1.85%	-3.43%	-3.02%
Inception	10.20%	9.62%	3.13%	3.26%

**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	25.0%	8.4%
Consumer Staples	10.0%	13.4%
Energy	0.0%	13.8%
Financials	0.0%	9.8%
Health Care	15.0%	15.6%
Industrials	0.0%	9.8%
Information Technology	35.0%	17.4%
Materials	0.0%	3.1%
Telecommunications Services	15.0%	4.1%
Utilities	0.0%	4.5%
Cash	0.0%	0.0%

Source: standardandpoors.com

Portfolio Characteristics

	WestEnd	S&P 500
Number of Stock Holdings	20	500
Average Market Cap ($ billions)	$40.3	$12.8
Price to Earnings: Trailing Operating	14.0x	13.9x
1-Year Projected Earnings Growth	-5.6%	-21.8%
Price to Book	3.0x	2.3x
Dividend Yield	1.8%	3.1%

Source: Telemet, standardandpoors.com, WestEnd Advisors

WestEnd Advisors claims compliance with the ***Global Investment Performance Standards (GIPS®).***

See following page for important Footnotes and Disclosures.

ECONOMIC AND MARKET REVIEW

The tumultuous equity markets of 2008 have spilled over into 2009. Despite this challenging environment, WestEnd's Large-Cap Core Equity portfolio outperformed the S&P 500 index through February. This outperformance is explained in part by the portfolio's 35% Technology Sector weighting, but also by the quality of the companies in the Large-Cap Core Equity portfolio. Our approach has always been to invest client portfolios in stocks of high quality firms, which we would describe as conservatively financed, industry leading firms with strong prospects for earnings growth. These characteristics are desirable in any economic environment. But this focus on quality companies gives us particular comfort in challenging equity markets like we have today.

We focus on multiple financial statistics to measure a company's strength compared to its peers and to the broader market. One effective way to measure the quality of a company's balance sheet is to calculate its *net debt (debt less cash) to market equity ratio*. This ratio measures the use of financial leverage, or the amount of debt relative to equity used to finance the firm's operations, and examines a firm's ability to deploy cash for strategic uses. Large-Cap Core Equity portfolio companies have cash and marketable securities on their balance sheets equal to 11% of their equity market capitalization. Non-Financial S&P 500 companies have on average about 13% of their market capitalization in cash and marketable securities. However, if we subtract a company's cash from its long-term debt to determine its *net debt*, the average net debt to market-cap for companies in the Large-Cap Core Equity portfolio is only 5%. The average net debt to market-cap for non-Financial companies in the S&P 500 is 53% or *over 10x that of companies in the Large-Cap Core Equity portfolio*. And if we include Financial companies in this calculation, the leverage inherent in Financial companies' operating models would increase the leverage profile of the S&P 500 even more. High levels of cash and low levels of debt not only provide companies with financial staying power in a challenging economic environment, but also give firms the necessary resources to capitalize on market opportunities.

The recent performance and actions of several Large-Cap Core Equity portfolio companies demonstrate how many of these companies are using strong market and financial positions to take advantage of today's difficult economic times to outpace their competition and drive earnings growth.

Intel Corp., the world's largest manufacturer of computer microchips, has not escaped the effects of the recession. But Intel, like many of the other companies in our portfolio, has a solid balance sheet that it plans to use to stay a step ahead of its competition. Intel recently announced plans to invest $7 billion of its $12 billion cash position over the next two years to upgrade three manufacturing plants in the U.S. These upgrades will not only enable Intel to manufacture next-generation microchips, but more importantly, these upgrades will strengthen its competitive position versus its chief competitor Advanced Micro Devices, Inc.

Interestingly, Advanced Micro Devices recently finalized a deal to spin-off its manufacturing division. This spin-off could hinder AMD's ability to quickly bring next-generation computer chips to market. Intel CEO Paul Otellini explained Intel's decision to expand its manufacturing capability using a statement from former Intel CEO Andy Grove who said, "bad companies are destroyed by crisis. Good companies survive them. *Great companies are improved by them*." We believe that Intel will improve with this move.

Best Buy Co., Inc. is the largest consumer electronics retailer in the U.S. with $40 billion in sales and 21% of the domestic consumer electronics market at the end of last June. The recession has negatively impacted Best Buy of course, but not nearly as much as it has some of its competitors. Best Buy not only increased its sales as the economy slowed in the second half of 2008, but also gained market share. In fact, the company increased its market share by 1.7 percentage points compared to the prior year for the quarter ended November 30, 2008. This was the third consecutive quarter that Best Buy picked up greater than 1.5 percentage points of market share compared to the year before.

How has Best Buy's competition held up during the slowdown? Circuit City, Co., its largest competitor, filed for bankruptcy in the fourth quarter of 2008. Best Buy's market share gains should accelerate with Circuit City's exit from the market, and we expect Best Buy to emerge from this downturn with considerably more share than it had going into the recession. The enhanced market share should in turn translate into increased sales and improved profitability for the retail consumer electronics leader.

Qualcomm, Inc. is an example of a company in the Large-Cap Core Equity portfolio that uses its financial strength to capitalize on attractive market trends despite the macro-economic downturn. Qualcomm, which manufactures microchips for use in wireless devices, including cell phones, laptops and other handheld devices, continues to benefit as the wireless industry transitions from systems built around second generation (2G) chips to systems built around third generation (3G) chips. The transition from 2G to 3G (and eventually next generation 4G technology) allows for the wireless transmission of more information including clearer audio, video and a variety of data intensive software applications.

The number of wireless subscribers using 3G devices should grow at a 20%+ annual rate for the next three years according to company estimates. The growth of the 3G market also allows Qualcomm to increase market penetration, as wireless device makers can only use Qualcomm chips in about 20% of 2G devices, but can potentially use Qualcomm chips in all 3G devices. Therefore, Qualcomm's potential market could more than double in size over the next several years as consumers embrace 3G devices, including smart phones. Of course, competition is fierce amongst chip makers as the world transitions from 2G to 3G. Qualcomm already has about 30% of the 3G market, and the company has the potential to capture more market share thanks a recent royalty and intellectual property agreement with Nokia Corp., the world's largest maker of mobile devices.

Intel, Best Buy and Qualcomm are examples of the industry leading firms with strong balance sheets and attractive earnings growth that we have always held in the Large-Cap Core Equity portfolio. These types of companies not only have performed well in robust economic environments, but their financial staying power has allowed these firms to stand out in difficult economic environments, like today. The portfolio continues to be overweight many of the economically sensitive Sectors in the S&P 500 Index in anticipation of improved economic conditions later this year. Regardless of the exact timing of an economic turnaround, the high quality of the Large Cap-Core Equity portfolio companies gives us confidence that these companies will weather the challenges from the current economic environment and continue to capitalize on opportunities in their markets.

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March 16, 2009