

Monthly Investment Update

U.S. LARGE CAP CORE EQUITY

Data as of May 31, 2006

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 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
May	-3.97%	-4.12%	-2.88%	-2.95%
Year-to-Date	3.05%	2.76%	2.57%	2.62%
1 Year	13.80%	13.22%	8.64%	9.38%
3 Year	18.46%	17.83%	11.64%	12.48%
5 Year	7.83%	7.29%	1.96%	2.62%
7 Year	8.20%	7.65%	1.22%	1.85%
10 Year	15.75%	15.16%	8.34%	8.56%

Returns greater than one year are annualized

Sector Weightings

	WestEnd	S&P 500
Consumer Discretionary	25.0%	10.4%
Consumer Staples	0.0%	9.6%
Energy	0.0%	9.9%
Financials	0.0%	21.5%
Healthcare	0.0%	12.3%
Industrials	30.0%	11.8%
Information Technology	30.0%	15.0%
Materials	10.0%	3.1%
Telecommunications Services	0.0%	3.2%
Utilities	0.0%	3.3%
Cash	5.0%	0.0%

Source: standardandpoors.com

Portfolio Characteristics

	WestEnd	S&P 500
Number of Stock Holdings	19	500
Average Market Cap (\$ billions)	56.4	23.1
Price to Earnings: Trailing Reported	20.6	17.5
5-Year Projected Earnings Growth	14.1%	10.6%
Price to Book	4.4	3.0
Dividend Yield	1.4%	1.9%

* Source: standardandpoors.com month-end data

** Source: Barrons

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

Economic and Market Review

Markets turned negative in mid-May, and stocks have experienced their first substantial correction in 2006. On a global basis, a major stock market downturn has obviously occurred, with declines of 20% or greater in a number of overseas markets. What we are seeing in this decline is a sudden re-pricing of market risk in the more speculative asset classes amid a backdrop of diminished liquidity due to global central bank tightening and rising risk aversion.

Recent spikes in U.S. reported inflation data, combined with an effort to combat the impression of a dovish Federal Reserve Chairman, may keep the Fed in a tightening posture longer than the markets previously expected. Meanwhile, central banks around the world are tightening monetary policy. This reverses the tide of liquidity that had lifted asset prices worldwide and has raised concerns, especially in the U.S., about the risk of the Fed "overshooting" and threatening the economic expansion.

Our assessment of the economic backdrop is that growth has slowed and that the economy is transitioning to a *temporary* phase of trend-line or perhaps even below-trend growth. The areas of recent weakness are obvious. For example, the weekly leading economic index from the *Economic Cycle Research Institute (ECRI)* has fallen to a 29-week low and its annualized growth rate has dropped to 1.5%. Other recent economic reports have been uninspiring -- with successive disappointments in monthly payrolls additions, and a pronounced weakening in residential construction activity. Retail sales growth is also off its highs of January.

Market-based indicators are *mixed* with respect to the economic outlook. For example, economically-sensitive commodities have corrected and stocks have sold off, with capital moving out of some of the previously best-performing cyclical areas and into cash or more defensive non-cyclical sectors. Perhaps the most controversial market-based signal of economic weakness is coming from the yield curve, which has now flattened and inverted to a degree that has historically been associated with downturns in growth that have eventually led to recession. However, we think the yield curve has lost its predictive value as a result of U.S. trade deficits and the need for foreign central banks to invest dollars from the sale of goods to the U.S. (making longer-term Treasuries lower yielding now and the curve substantially flatter than in past cycles).

Instead, we think the weight of the evidence argues against the idea that this economic expansion is in the very late stages. Corporate capital expenditures continue to grow strongly, corporate profits continue to surprise on the upside, and retail sales still defy pundits looking for consumer retrenchment. Assuming the Fed does not misjudge the shifting economic backdrop and overshoots on interest rates, we expect only a temporary slowdown in growth. We are mindful that the U.S. economy has slowed some, but from very robust, above-trend growth rates. In addition, the global economy is growing at its fastest sustained pace in three decades. Based on the assumption of an intact expansion (and continued strong profit growth in 2007), P/E ratios have become cheap enough and sentiment has become pessimistic enough to limit the downside risk in the S&P 500 from the recently

depressed levels. Moreover, we think capital leaving the more speculative areas of the markets will gravitate towards the large-cap U.S. stocks because of their lower risk profiles.

What the market likely needs in order to mount a sustained rally is either an indication that economic growth continues unabated, or an indication from the Fed that it is done raising interest rates. Given that this Fed has been accused of equivocation and has recently gone out of its way to sound tough on inflation, we expect that the earliest the Fed can deliver this message is at the end of the month following the FOMC meeting on June 28/29. When the stock market DOES begin to advance again, we expect leadership to come from the Technology sector. The Technology sector has been unduly punished and has become highly out-of-favor, which is bullish from a contrary opinion standpoint. More important, however, will be the continued growth in corporate capital expenditures (much of which will be directed to additional plant and equipment, and to new technology purchases) that we believe will be evident in the second half of 2006. Increases in capex will help make up for any sustained weakness in housing or other areas of strength in the earlier stages of the current economic expansion while boosting future sales and profits in key cyclical sectors such as Technology and Industrials.

We look for better news ahead, probably by late summer, from either better-than-expected economic reports or a secession of Federal Reserve interest rate increases. In either case, the market reaction is likely to be strongly positive.

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

June 20, 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.