

U.S. LARGE-CAP CORE EQUITY

DATA AS OF MAY 31, 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

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Performance vs. Benchmark

	WestEnd Composite		S&P	Russell
	Gross	Net	500	1000
May	4.70%	4.70%	3.49%	3.60%
Year-to-Date	9.04%	8.74%	8.77%	9.27%
1 Year	21.37%	20.70%	22.79%	22.93%
3 Year	17.98%	17.31%	13.03%	13.74%
5 Year	13.84%	13.27%	9.45%	10.06%
7 Year	11.02%	10.46%	2.77%	3.22%
10 Year	15.05%	14.47%	7.78%	8.19%

Returns greater than one year are annualized.

Source: standardandpoors.com, russell.com

Model Sector Weightings

	WestEnd	S&P 500
Consumer Discretionary	35.0%	10.2%
Consumer Staples	0.0%	9.3%
Energy	0.0%	10.4%
Financials	0.0%	21.3%
Healthcare	0.0%	11.9%
Industrials	20.0%	11.2%
Information Technology	35.0%	15.2%
Materials	0.0%	3.1%
Telecommunications Services	10.0%	3.8%
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)	\$80.7	\$27.4
Price to Earnings: Trailing Reported	23.6	18.4
1-Year Projected Earnings Growth	16.7%	7.4%
Price to Book	4.8	2.8
Dividend Yield	1.0%	1.8%

Source: Reuters, standardandpoors.com

ECONOMIC AND MARKET REVIEW

May was a good month for the equity markets and for the WestEnd Advisors' Large-Cap Core Equity portfolio. The S&P 500 Index was up 3.49% in May, while the Large-Cap Core Equity portfolio gained 4.70% net of investment management fees. This performance put us roughly even with the S&P 500 Index year-to-date through May 31.

If growth started to bud in April, it began to bloom in May. The main ingredient for this strong performance was that Q1 earnings ended up much better than expected. According to Reuters, earnings growth for the quarter came in at very healthy 8.60%. While the string of 14 consecutive double digit quarterly earnings increases may be over, high single-digit earnings growth is nothing to sneeze at, especially when the consensus estimate for Q1 earnings growth at the beginning of the reporting period was for a paltry increase of 2.8%.

Interestingly, the Large-Cap Core Equity portfolio also delivered better than expected earnings for the first quarter. Our analysis indicated that expectations for the twenty names in our portfolio were for average earnings growth of 8.7% for Q1. Thanks, however, to strong operational performance backed by currency tailwinds, our portfolio companies delivered average earnings growth of 21.0%.

Strong earnings were not the only economic nutrient feeding the stock market gains. A slew of data released in May added to investors' optimism. Jobless claims continued to average historically low levels throughout the month, giving investors comfort that the economy must be strong. A whole host of other indicators, including consumer sentiment, some housing numbers (which we discuss below), and consumer incomes, came in better than expected. This helped fuel growing optimism about the economy and a steady rise in markets throughout the month.

Not surprisingly, there are still some brown-thumb bears out there focused on whatever negative data they can find. The final GDP revision for the first quarter turned out to be just the downer the bears needed to make their presence felt. Q1 GDP was revised downward from 1.3% to 0.6%, with the revision attributable entirely to contractions in automobile inventories.

Our take on this weak number is not that it is a harbinger of bad times ahead. Quite to the contrary, we believe that this spring will mark the end of the twelve month-long mid-cycle slowdown, and that for the foreseeable future we expect a resumption of the economic strength normally seen during the Mid-Phase of the economic cycle. Our primary reason for calling an end to the growth slowdown is

a turnaround in the main headwinds which have been buffeting the economy since the second quarter of last year.

In order of the size of their drag on the economy, these key headwinds have been: the slowdown in residential real estate construction, draw downs of business inventories (including autos), and relatively slow growth in corporate capital expenditures. Each of these GDP components' average contribution over the last three quarters was significantly below their long-term average contributions.

The first of these components, housing, is widely known to be in the midst of a major and unsurprising hangover from its big bash that began in 2003. Egged on by historically low interest rates and loose credit standards, the residential construction industry built at an obviously unsustainable pace for several years. Around the beginning of 2006, demand, which had been whipped into a speculative frenzy, began to subside. Builders quickly reacted and reduced their new housing starts in an attempt to control inventories, while additionally cutting prices of their existing inventory of homes in order to spur sales.

What was the result of this rapid ebb and flow in the housing market? The worst slump in the housing industry since the severe economic recession of the early 1980s. Housing, after contributing 0.16 percentage points annually to real GDP growth during the 1970 - 2005 period, subtracted about 1 percentage point from GDP over the last four quarters. Quite the hangover indeed!

Fortunately, we have probably experienced the worst of this housing headache. If you don't believe us, check out what several leading experts have said: Secretary of the Treasury Henry Paulson recently stated that the housing correction is largely over and "contained." National Association of Realtor (NAR) economist Lawrence Yun wrote this month that existing home sales "should be fairly stable in the months ahead" while new "home sales will probably fluctuate in a narrow range in the short run, but gradually trend upward...by the end of the year." Last but not least, Fed Chairman Bernanke said this week that "fundamental factors, including solid growth in incomes and relatively low mortgage rates, should ultimately support the demand for housing."

In addition, recent data point to a bottom and coming upturn in the housing market. First, new home sales in April rebounded to 981,000 annual units, a normal rate last seen before the start of the irrational building bubble. Second, NAR's Pending Home Sales Index in April had a similar year-ago comparison as the March reading, suggesting that the "housing market...appears to be leveling out." Third, the Office of Federal Hous-

ing Enterprise Oversight reported that US home prices (as measured by repeat sales/refinancings of the same house) increased 4.3% in the first quarter. While we do not believe that housing will help fuel GDP growth as it did recently, we do believe that its days of detracting from GDP growth are over.

After housing the second largest headwind to GDP growth has been inventory trimming by businesses, including the auto industry. The negative impact from inventory reduction over the last two quarters was the worst since mid-2005. Companies reduced their inventories in part to clear out excess goods built originally in anticipation of stronger growth and in part as a defensive move against a potential further slowdown. Fortunately, businesses are again building their inventories as evidenced by an increase in U.S. wholesalers' inventory of 0.3% in April, even as wholesalers' sales grew a strong 1.3% year over year.

The third major drag on GDP was reduced capital expenditures by businesses on equipment and software. While not a negative contributor to GDP growth over the last three quarters, this GDP component contributed at only 25% of its long-term average, as businesses cut major purchases likely for the same defensive reasons that they reduced inventories.

The good news is that recent data indicates that capex spending is picking up. One of the key leading indicators of business capex -- non-defense capital goods excluding aircraft -- recently posted strong increases in both March and April. This upturn in capex suggests that businesses are increasingly optimistic about future growth and therefore more comfortable making large investments.

If residential housing really has leveled off and businesses are building inventories while picking up the pace of capex spending, economic growth should continue to reaccelerate in the near term and through the rest of the year. Many economists have raised their estimates for GDP growth to 3% (or higher!) for the second quarter, and we believe that these estimates are on the mark. Accordingly, we think that equity markets and the Large-Cap Core Equity portfolio are well-positioned for this upturn in growth. Investors who hung tough through the recent slowdown should now be rewarded.

Robert L. Pharr, Chief Investment Officer

William L. Bachrodt, Investment Analyst

Edmund N. Durden, Investment Analyst

June 13, 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.