

U.S. LARGE-CAP CORE EQUITY

DATA AS OF MAY 31, 2008

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 500	Russell 1000
	Gross*	Net*		
May	3.87%	3.87%	1.30%	1.83%
Qtr-to-Date	8.55%	8.39%	6.23%	7.00%
Year-to-Date	-0.11%	-0.42%	-3.80%	-3.15%
1 Year	0.49%	-0.11%	-6.70%	-6.25%
3 Year	11.55%	10.93%	7.57%	8.03%
5 Year	15.18%	14.55%	9.77%	10.40%
7 Year	8.57%	8.00%	3.39%	3.95%
10 Year	11.90%	11.32%	4.21%	4.66%
Inception	16.18%	15.57%	8.65%	8.88%

*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	35.0%	8.5%
Consumer Staples	0.0%	10.5%
Energy	0.0%	14.3%
Financials	0.0%	15.9%
Healthcare	0.0%	11.5%
Industrials	20.0%	11.7%
Information Technology	35.0%	16.6%
Materials	0.0%	3.7%
Telecommunications Services	10.0%	3.5%
Utilities	0.0%	3.7%
Cash	0.0%	0.0%

Source: standardandpoors.com

Portfolio Characteristics

	WestEnd	S&P 500
Number of Stock Holdings	20	500
Average Market Cap (\$ billions)	\$77.1	\$24.4
Price to Earnings: Trailing Reported	20.2x	22.8x
1-Year Projected Earnings Growth	16.5%	8.2%
Price to Book	5.2x	2.8x
Dividend Yield	1.3%	2.1%

Source: Reuters, standardandpoors.com

ECONOMIC AND MARKET REVIEW

Several economic reports currently indicate deteriorating conditions for U.S. consumers. The Reuters/University of Michigan Surveys of Consumers reached a 28-year low this month, and the Standard & Poors/Case-Shiller Home Price Indices have set records for price declines each month this year. The Federal Reserve's Flow of Funds report showed recently that the average consumer's net worth declined because of a decline in real estate values. Many investors argue that these data indicate consumers will sharply curtail their discretionary spending. These investors often make a fundamental mistake when they interpret these economic data. They base their conclusions on data that report conditions for the *average* consumer, and they do not adequately consider the contribution of consumers with higher incomes and higher net worth. A closer examination of the data shows that the economic slowdown impacts *higher-end* consumers to a much lesser degree than the average consumer. And these *higher-end* consumers have a much greater impact on the economy.

The Reuters/University of Michigan Surveys of Consumers (also known as the University of Michigan Consumer Sentiment Index or CSI) came in at 56.7 in June, its lowest reading since 1980. The CSI is a monthly survey of approximately 500 randomly selected households across the country. Participants are asked to comment on their current economic situation and their outlook for the coming months and years. The CSI then calculates an average confidence index score for all participants. Scores have ranged from a low of 50.1 during the 1980 recession to a high over 112.5 during the end of the last economic expansion. The average score for the past 30 years is 88.0.

The survey also breaks out its results by income level. Participants in the upper third of income level are considerably more positive in their outlook compared to participants in the lower third of income level. The average survey result for those in the upper third of income level was about 23% points higher between 1979 and 2007.

Not only are higher-earning consumers more positive than lower-earning consumers, but high-earning consumers' impact on the economy is much greater. The Bureau of Labor Statistics Consumer Expenditure Surveys (CES) show that consumers who earn more spend considerably more and have a much

greater impact on the economy than those who earn less. CES data indicate that the upper 40% of income earners outspend the lower 40% by about 3 to 1. The difference is even greater for the upper 20% which outspends the lower 20% by about 5 to 1.

These data indicate that higher-end consumers not only have a much brighter outlook on the economy than the average consumer but a much larger impact on the economy as well. Consumer spending should therefore not decline as much as the CSI headline number might imply as CSI gives equal weight to lower-end and higher-end consumers' opinions.

The Standard & Poors/Case-Shiller House Price Indices (Case-Shiller) last month showed an average price decline of 14.4% year over year for homes in the markets which it covers. Case-Shiller attempts to "reflect the average change in all home prices in a particular geographic market," according to S&P. The OFHEO (Office of Federal Housing Enterprise Oversight) home price indices (HPI) are another measure of home prices. HPI grabs fewer headlines than Case-Shiller, perhaps because Case-Shiller has shown much larger home price declines than HPI over the last several months. OFHEO recently completed a study to determine what accounts for the large gap in price changes between the two indices.

The OFHEO study found that low-moderate priced houses (i.e., below \$520K) was the biggest reason for the difference in reported price declines between HPI and Case-Shiller. Case-Shiller includes in its data sample low-moderate priced houses financed with non-Fannie Mae and non-Freddie Mac mortgages. People who cannot qualify for loans from Fannie Mae or Freddie Mac generally have worse credit due to lower down payments and/or lower credit scores than people that can get those mortgages. This reasoning suggests that Case-Shiller's inclusion of the low-moderate price homes purchased by buyers with poor credit and sub-prime loan financings skews the Case-Shiller indices lower than HPI.

The people with better credit (and therefore higher incomes) have a greater economic impact in terms of consumer spending, according to the CES data described above, and have experienced a smaller negative impact (if any at all) from home price declines. Consequently, home prices declines should impact overall consumer spending less than analysts who

look at the Case-Shiller indices might estimate.

The Balance Sheet of Households that the Federal Reserve publishes each quarter in its Flow of Funds report (table B.100) is a report that shows the values of households' assets, liabilities and net worth. The Wall Street Journal summarized the results of the most recent report, writing "The decline in wealth was led by a 1.6% slide in household real-estate values...Stock market performance has improved recently, but falling home values will continue to pressure household wealth."

The Federal Reserve publishes another report that examines the impact of home prices on a household's net worth called the Survey of Consumer Finances (SCF). The latest version of SCF, published in 2004, shows that households differ significantly in the composition of their balance sheets. The families in the bottom 20% of income category have more than two-thirds of their net worth in their primary residence. Families in the highest 20% of income category on the other hand have less than half of their net worth in their homes, with the remainder in financial assets. So any decline in home values will hurt high income families significantly less than low income families and consequently will impact overall consumer spending less than the average household data in the Flow of Funds report might indicate.

WestEnd Advisor's Large-Cap Core Equity portfolio has a heavy weighting in economically sensitive companies, including names in the Consumer Discretionary Sector. The Large-Cap Core Equity portfolio holdings in the Consumer Discretionary Sector are companies that focus on the higher-end consumer. These companies should benefit when the economic outlook brightens. Higher-end consumers have not only weathered the economic slowdown better than the average consumer, but their spending should outpace that of the lower income groups when the economy returns to more normal growth.

Robert L. Pharr, Chief Investment Officer
Edmund N. Durden, Investment Analyst
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WestEnd Advisors is an SEC-registered investment advisor. WestEnd is an independent investment management firm, 100% owned by its principals. WestEnd manages both equity and fixed income assets for individual and institutional clients.

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, net of withholding taxes, 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.

Composite performance results and percentage of firm assets from December 31, 1995 to December 31, 2002 were realized under WestEnd Advisors' predecessor firm Providence Capital Management, Inc. in the **Large-Cap Core Equity Composite**. 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 creation of this composite. The Large-Cap Core Equity Composite creation date is December 31, 1995, and the investment strategy for the **Large-Cap Core Equity Composite** has been consistent since creation.

Net-of-fee performance results are presented after investment management fees paid to WestEnd Advisors, as well as after brokerage or other commissions actually paid by clients in the management of their investment advisory account, but exclude any deductions for custodial fees. The current management fee schedule, as described in WestEnd Advisors' SEC Form ADV Part II, is as follows: 1.00% for accounts valued at \$1,000,000 to \$4,999,999; 0.90% for accounts valued at \$5,000,000 to \$9,999,999; 0.75% for accounts valued at \$10,000,000 to \$24,999,999; 0.65% for accounts valued at \$25,000,000 to \$49,999,999; and 0.50% for accounts valued over \$50,000,000. 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, our primary benchmark, 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 is used as our secondary benchmark and represents the extensive largecap segment of the U.S. equity universe.

The dispersion of annual returns is measured by the standard deviation of the asset-weighted portfolio returns represented within the composite for the full year. Dispersion is calculated based on gross returns and is not shown when there are five or fewer portfolios as the calculation is not statistically meaningful.

A complete list and description of all WestEnd Advisors' composites as well as a presentation that complies with the requirements of GIPS standards may be obtained by phone (888-500-7501) or email (info@westendadvisors.com).

Additional information regarding policies for calculating and reporting returns is available upon request.

WestEnd Advisors has been verified for its claim of firm-wide compliance with the Global Investment Performance Standards (GIPS) for the periods December 31, 1995 to March 31, 2008 by Beacon Verification Services. WestEnd Advisors' **Large-Cap Core Equity Composite** has received a performance exam from composite inception through March 31, 2008. A copy of the verification report is available upon request.

Revised June, 2008