WESTEND ADVISORS

MONTHLY INVESTMENT UPDATE

U.S. LARGE-CAP CORE EQUITY

DATA AS OF NOVEMBER 30, 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 Gross*	WestEnd Composite Net*	S&P 500	Russell 1000
November	-10.39%	-10.39%	-7.18%	-7.56%
Qtr-to-Date	-26.74%	-26.85%	-22.77%	-23.70%
Year-to-Date	-39.59%	-39.97%	-37.66%	-38.58%
1 Year	-39.70%	-40.08%	-38.09%	-38.98%
3 Year	-8.67%	-9.20%	-8.67%	-9.10%
5 Year	1.50%	0.95%	-1.39%	-1.43%
7 Year	2.35%	1.81%	-1.56%	-1.29%
10 Year	4.71%	4.16%	-0.93%	-0.63%
Inception	11.09%	10.51%	4.72%	4.76%

**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%	8.0%
Consumer Staples	10.0%	13.1%
Energy	0.0%	14.3%
Financials	0.0%	13.4%
Health Care	15.0%	14.0%
Industrials	0.0%	11.0%
Information Technology	35.0%	15.1%
Materials	0.0%	3.0%
Telecommunications Services	15.0%	3.8%
Utilities	0.0%	4.2%
Cash	0.0%	0.0%

Source: standardandpoors.com

Portfolio Characteristics

	WestEnd	S&P 500
Number of Stock Holdings	20	500
Average Market Cap ($ billions)	$48.8	$15.7
Price to Earnings: Trailing Reported	15.6x	19.5x
1-Year Projected Earnings Growth	2.2%	19.5%
Price to Book	3.0x	2.4x
Dividend Yield	1.5%	2.5%

Source: Telemet, standardandpoors.com

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

See following page for important Footnotes and Disclosures.

ECONOMIC AND MARKET REVIEW

In January of this year we said that we saw economic and market improvements on the horizon and that certain Sectors of the S&P 500 would show improved performance in the second half of 2008. Despite investors' concerns about prolonged housing weakness, labor market softening and an increase in oil and commodity prices leading to higher inflation, we contended that we were most likely in the middle of a mid-cycle slowdown rather than in the midst of a true recession. We acknowledged economic growth might slow further, but we believed the economy would likely not deteriorate significantly. At that point we stated that higher oil prices, for example oil at $200/barrel, or financial market difficulties spreading to the broader economy were the two obvious overhangs that could derail our outlook.

Economic signals remained mixed during the first six months of the year. Export growth was strong. Corporate profits excluding Financials were resilient. Consumer incomes continued to grow. GDP growth was positive in both the first and second quarters. Housing, however, continued its decline. Employment markets slowly weakened further. And oil and other commodity prices continued to increase through the middle of the year, eliciting inflation concerns.

We remained optimistic at mid-year, however, that an economic recovery lay ahead. We said in our June *Monthly Investment Update* that we believed oil prices would most likely plateau, or even move lower. We expected this change would help drive an improvement in consumer sentiment and consumer spending – all of which would in turn contribute to stronger economic growth. Equity markets rose in the latter half of the summer as these positive developments came to fruition.

In September the world changed.

Major financial institutions failed. Credit markets froze. Banks and other financial institutions quit lending. Equity markets collapsed.

The events of September and October pushed the economy over the edge. Prior to that time the evidence of weakness, we believed, was limited in its economic impact. The rapid deterioration of credit market conditions which began in September, however, has led to pervasive weakness across the economy. The current credit crisis has proven to be much deeper than we had anticipated, and has ultimately led to cash hoarding by lenders, and fears among investors about the financial system and the economy. We are in the throws of a recession characterized by ugly data.

Orders of durable goods declined 12% from July to October. Housing starts, which were already at depressed levels in August, fell an additional 27% through November to a record low. Payrolls declined by 1.3 million in the three months ended November, accounting for two-thirds of the year-to-date losses in payrolls. And real GDP growth turned negative in the third quarter and is expected to be significantly weaker in the fourth quarter.

To address this severe economic pullback the U.S. and foreign governments have taken unprecedented steps to address the challenges in the financial markets and the general economy.

As we discussed in detail in September's *Monthly Investment Update*, the U.S. Treasury Department and the Federal Reserve have made a wide range of extraordinary moves to address the situation. The most significant action taken up to that point was the establishment of the $700 billion Troubled Asset Relief Program (TARP) which the U.S. Treasury has used to invest directly in financial institutions to strengthen bank balance sheets. The Treasury also temporarily guaranteed existing holdings of money-market funds while the Federal Deposit Insurance Commission (FDIC) increased the limit on federally insured bank deposits from $100,000 to $250,000 to protect consumer savings and banks from a flight of deposits. The impact of both of these moves has been to stabilize short-term investing and funding markets.

Additionally, the Fed established the Commercial Paper Funding Facility (CPFF) to provide corporations access to Fed dollars on an unsecured basis, a move that helped thaw the commercial paper market. And the Fed provided unlimited reciprocal currency arrangements to a number of key economic partners which addressed dollar funding pressures worldwide with foreign central banks. The Federal Housing Finance Agency (FHFA) put Fannie Mae and Freddie Mac into conservatorship to lower mortgage rates and to prevent further disruptions in the mortgage markets.

Since mid-October, the Federal Reserve and the U.S Treasury have enacted a host of additional measures to address the economic situation. The Fed announced plans to purchase $500 billion of agency-backed mortgage securities, and to create a facility to support asset-backed securities derived from consumer loans. The move to purchase mortgage debt has significantly lowered rates on conforming mortgage loans. In addition, reports have circulated that the Treasury may initiate a program to target mortgage rates as low as 4.5% for home purchases. The Fed also recently announced that it will begin operations to directly purchase long-term Treasuries in the open market. This program should bring down long-term interest rates on Treasuries. Monetary policies have been eased aggressively as the Fed and other central banks have continued to cut interest rates. This orchestrated strategy among the leading industrialized economies has helped reduce the risk of destructive cross-border capital flows. The Fed in its latest action speaks to the extent of that aggressiveness as it lowered the target range for Fed funds to an unprecedented 0% to 0.25%.

We believe that these significant and rapid responses were necessary given the systematic risks to the U.S. and overseas economies, and that these steps will improve the chances for a more positive economic and equity-investing environment going forward.

Equity returns for 2008 have obviously been disheartening. In summary, everything is down. Performance by company capitalization, by economic Sector, and by global geographic location has moved lower in lockstep. Important questions remain – what, for example, might the post-recession environment be? In anticipation of the changes that we believe lie ahead, including a move back to wider ranging and more positive equity returns, we have made changes in the Large-Cap Core Equity portfolio to reposition it for the post-recessionary environment. We discussed these changes in detail in last month's *Monthly Investment Update*. In next month's *Monthly Investment Update*, we will discuss our outlook for the economy and the markets in 2009. Until then, all of us at WestEnd Advisors would like to wish you Happy Holidays and a Happy New Year.

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