

U.S. LARGE CAP CORE EQUITY

DATA AS OF OCTOBER 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
October	2.60%	2.46%	3.26%	3.40%
Year-to-Date	12.93%	12.30%	12.06%	11.62%
1 Year	20.10%	19.43%	16.34%	16.02%
3 Year	17.24%	16.58%	11.44%	11.90%
5 Year	13.45%	12.88%	7.26%	7.92%
7 Year	9.66%	9.10%	1.77%	2.40%
10 Year	15.70%	15.11%	8.64%	8.87%

Returns greater than one year are annualized
Source: bbots.on.russell.com

Sector Weightings

	WestEnd	S&P 500
Consumer Discretionary	25.0%	10.4%
Consumer Staples	0.0%	9.5%
Energy	0.0%	9.5%
Financials	0.0%	22.1%
Healthcare	0.0%	12.3%
Industrials	30.0%	10.8%
Information Technology	30.0%	15.4%
Materials	10.0%	2.9%
Telecommunications Services	0.0%	3.5%
Utilities	0.0%	3.5%
Cash	5.0%	0.0%

Source: Standard & Pools

Portfolio Characteristics*

	WestEnd	S&P 500
Number of Stock Holdings	19	500
Average Market Cap (\$ billions)	\$45.3	\$24.8
Price to Earnings: Trailing Reported	18.5	18.5
1-Year Projected Earnings Growth	14.6%	10.4%
Price to Book	3.7	2.7
Dividend Yield	0.5%	1.8%

* Sources: Standard & Pools, Miltex, Thomson Financial

ECONOMIC AND MARKET REVIEW

Continued strong performance in the stock averages...

The strong uptrend in the stock market continued in October, as the S&P 500 returned 3.26%, its best monthly performance of the year. The advance was broad-based last month, with every Sector of the S&P 500 producing positive returns. Counter to historical seasonal tendencies, the S&P 500 delivered an impressive total return of 5.84% during the combined months of September and October, and to the surprise of many market participants, is now on track to deliver solid double-digit returns in 2006. Although stocks have clearly come a long way in a relatively short period of time, we continue to be bullish towards the equity markets as we look ahead to 2007. The domestic and global economies are in good shape, earnings show no signs of weakening, valuations are reasonable, and interest rates are supportive. We do not expect there to be a significant negative market impact from the Democrats gaining control of both the U. S. Senate and the U. S. House of Representatives - after all, any hints of a deadlocked Congress and the resulting difficulty in passing major spending programs will likely be cheered!

...stemming from continued strength from consumers...

Although the economic data have been mixed recently, we remain convinced that Q3 GDP growth of +1.6% represented a temporary soft patch and that growth is going to reaccelerate in Q4 and in 2007. Consequently, we continue to view a hard landing next year as a very low probability event. The weakness in Q3 GDP growth was a function of a sharp 17% drop in residential construction (which in and of itself sliced 1.1 percentage points from GDP growth) and a temporary widening in the trade deficit, which has already begun to reverse in the fourth quarter. While it is true that home construction is now contracting, and home prices

are lower on a year-over-year basis, the much-feared spillover effect on consumption is simply not occurring. In fact, consumer expenditures accelerated in the third quarter, growing at 3.1% annualized rate, compared to 2.6% growth in the second quarter. The simple reason that the downturn in housing has not led to a retrenchment in consumer spending is that employment and income gains, which have been gathering strength, are more important determinants of spending patterns than house prices. The unemployment rate has now dropped three months in a row to 4.4%, its lowest level in over five years. And in addition, wages and benefits rose in the third quarter at the fastest pace in more than two years. Although housing most likely will correct further to bring supply and demand back into balance, we expect consumer consumption to remain firm. The combined tailwinds from low unemployment, rising incomes, rallying stock prices, and lower longer-term interest rates and energy prices will more than offset the headwinds to consumption from a downturn in the housing market.

...and corporations alike.

One of the best indications that the economy remains in a healthy expansion is the continued strong growth in corporate profits. Corporate profits in the third quarter once again surprised on the upside. Two-thirds of the companies in the S&P 500 met or exceeded expectations, and aggregate operating earnings for the S&P 500 grew at a double-digit annual pace for an unprecedented 13th consecutive quarter. Importantly for the economic and profits outlook, upward revisions continue to run significantly ahead of downward earnings revisions for both Q4 2006 and full year 2007. The fact that earnings estimates continue to be in a rising trend is a critical piece of evidence against the idea of a recession developing. If the economic and earnings outlook for 2007 were truly deteriorating, we would be seeing estimate cuts exceed estimate increases, which has invariably been the pattern prior to previous recessions.

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The end to this attractive environment for equities is not yet in sight, although there are some clouds to be aware of...

Tight labor markets and loose credit and financial market conditions have all but eliminated expectations for a Federal Reserve easing in the first quarter of 2007. Because we have regarded inflation rather than weaker economic growth as the predominant risk, we had thought such hopes were misplaced in the first place, and we are still not convinced that the next Fed move is a cut rather than a hike in rates. Our expectation is that the Fed will remain on hold for the foreseeable future in deference to the weak housing market but retain its bias towards tightening. On a year-over-year basis, core inflation is still accelerating, but on a three month annualized basis, core CPI has fallen to 2.7% from a level of 3.6% prior to the Fed pausing in August. This recent easing in core CPI has vindicated the Fed's decision to pause, but there is a very real risk that tight labor market conditions and rising unit labor costs, which are the largest single factor in core CPI, will force the Fed to tighten interest rates further.

Clearly the gloom-and-doom environment of the summer has passed. We remain optimistic regarding the intermediate term outlook for equity markets.

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

November 13, 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: Standard & Poors 500 Index – a market capitalization-weighted index of 500 major U.S. Corporations: 29 energy companies, 30 materials companies, 52 industrial firms, 86 consumer discretionary firms, 39 consumer staples firms, 56 health care companies, 89 financial firms, 78 information technology firms, 10 telecommunications companies, and 31 utilities. The Index provides a broad snapshot of the overall U.S. equity markets. Annualized Standard Deviation of quarterly Composite returns for the trailing 5 years through 12/31/2005: 19.73% vs. 18.17% for the Standard & Poor's 500 Index.

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.