

U.S. LARGE-CAP CORE EQUITY

DATA AS OF OCTOBER 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

WestEnd Advisors

Two Morrocroft Centre
4064 Colony Road, Suite 130

Charlotte, NC 28211

Phone: (704) 556-9300

Toll Free: (888) 500-9025

Website: www.westendadvisors.com

Email: info@westendadvisors.com

Performance vs. Benchmark*

	WestEnd Composite		S & P	Russell
	Gross*	Net*	500	1000
October	-18.24%	-18.37%	-16.80%	-17.46%
Qtr-to-Date	-18.24%	-18.37%	-16.80%	-17.46%
Year-to-Date	-32.59%	-33.01%	-32.84%	-33.55%
1 Year	-36.23%	-36.63%	-36.10%	-36.80%
3 Year	-3.38%	-3.94%	-5.21%	-5.51%
5 Year	3.89%	3.30%	0.26%	0.37%
7 Year	5.05%	4.49%	0.55%	0.89%
10 Year	6.70%	6.14%	0.40%	0.75%
Inception	12.12%	11.52%	5.36%	5.43%

*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%	8.2%
Consumer Staples	10.0%	12.9%
Energy	0.0%	13.1%
Financials	0.0%	14.9%
Health Care	15.0%	13.9%
Industrials	0.0%	11.0%
Information Technology	35.0%	15.7%
Materials	0.0%	3.1%
Telecommunications Services	15.0%	3.3%
Utilities	0.0%	3.8%
Cash	0.0%	0.0%

Source: standardandpoors.com

Portfolio Characteristics

	WestEnd	S & P 500
Number of Stock Holdings	20	500
Average Market Cap (\$ billions)	\$52.4	\$17.0
Price to Earnings: Trailing Reported	17.6x	18.5x
1-Year Projected Earnings Growth	9.6%	33.8%
Price to Book	3.5x	2.4x
Dividend Yield	1.5%	2.5%

Source: Telemet, standardandpoors.com

ECONOMIC AND MARKET REVIEW

We recently sat down with Robert L. Pharr, WestEnd Advisors' Chief Investment Officer, to hear his outlook on the economy, the markets and the Large-Cap Core Equity portfolio. Here are the highlights of that conversation.

Have the government's actions to address the financial crisis had an impact on the economy and the financial markets?

It will take time to see the full effects of the proposed government programs in the economic data. But we *are* beginning to see the impact from several steps — the U.S. Treasury Department's purchases of bank equity, for example, as well as other actions in the short-term credit markets by the Federal Reserve. Three-month London Inter-Bank Offering Rate (LIBOR), a key rate for inter-bank lending as well as corporate and consumer lending, has declined to 2.2% from its peak of 4.8% in mid-October. Banks' perception of lower risk among other lenders contributed to the decline in three-month LIBOR. Additionally, the Fed's Commercial Paper Funding Facility (CPFF) has rejuvenated short-term corporate lending. Commercial paper issuance rebounded after the CPFF began operations in late October. The healing of short-term credit markets is critical because the disruptions in these markets led to many of the difficulties in the general economy.

What are the implications of the significant decline in energy and other commodity prices for the economy?

Consumers will directly benefit from lower energy and commodity prices through increased discretionary income. The average price of a gallon of regular gas fell over 45% to \$2.22 through last week from \$4.11 at its peak in July. Similarly, the prices of key commodities such as corn and copper, which serve as inputs for a variety of consumer goods, have each declined over 50% from their peaks earlier this year. Companies were often unable to fully pass on rapidly increasing commodity costs earlier this year. In the current environment, however, lower input costs will provide a benefit to profit margins.

When oil prices spiked earlier this year we did not believe that the increase in energy prices would have quite the dire consequences that many analysts predicted. Similarly, we don't see lower energy and commodity prices *alone* driving an economic recovery. Nevertheless, lower energy prices *will* have a positive impact. But because falling gas prices make for boring headlines, the story has only received limited coverage.

Lower energy and commodity costs should also remove the key driver of recent inflation pressures. Some of the many positive implications of lower inflation are more flexibility for the Fed's monetary policy, as well as a lower threshold for the rate of economic growth that we might consider attractive.

What is your view of the economic data from recent economic releases?

Gross Domestic Product (GDP), which is the most comprehensive measure of economic activity, declined at an annual

rate of 0.3% in the third quarter. While this was the largest quarterly decline since Q3 2001, it was less than the 0.5% decline forecast by economists. Our review of the Q3 GDP report revealed some curious results. Nominal spending on groceries, or spending including the effects of inflation, increased only by 0.5% while prices increased nearly 10%. Therefore, spending on groceries *adjusted for the effects of inflation* declined at an annual rate of over 9%. This inflation-adjusted decline in spending detracted 0.6 percentage points from growth in Q3 GDP. This implies a significant decline in volumes purchased of these staple food products. And this apparent decline in spending looks even more dramatic when you consider that the credit crisis did not take hold until the last month of the third quarter. We believe there is a good chance that there will be a revision to Q3 real food expenditures, which would increase personal consumption expenditures on food, and thus positively impact overall Q3 GDP growth.

Despite any potential revisions to Q3 GDP, we remain in a difficult economic environment. The early data releases from October point to another very challenging month. It's human nature to focus on the most recent history, and instinctively we use this knowledge to draw conclusions about the future. However, it's not necessarily appropriate to extrapolate future periods' results based on what we have seen in the data from September and October. Economic activity dropped off severely in September and October, in contrast to the gradual deterioration of activity seen in most past economic slowdowns. This quick fall off in business activity is one factor, along with improvement in the credit markets, that leads us to believe there is potential for a sharper rebound in economic activity than others may consider possible.

What do you see as the drivers of a rebound in the economy?

The economy should benefit from the tailwinds of low interest rates, a need to rebuild inventories and a President-elect committed to additional fiscal policy initiatives. These tailwinds are consistent with previous economic slowdowns. Today, however, there are also huge sums of cash on the sidelines, which is an unnatural state for cash, and is distinctly different from past recessions. In addition, healthy profits for non-financial firms preceded the drop off in economic activity, which allowed companies to build significant cash reserves. Excluding financial firms, which hold cash as part of their operations, S&P 500 companies have approximately \$750 billion of cash and cash equivalents on their balance sheets. While corporate cash reserves could serve as a catalyst for the economy, investors also have record levels of money-market fund holdings. The equivalent of more than 40% of the market value of the S&P 500, *approximately \$3.0 trillion*, is currently held in money-market funds. The last peak for money-market cash was in 2002 when it reached 28% of the market value of the S&P 500. Much of this cash could return to the investment markets, providing a tremendous boost to

equities in particular.

All this corporate and investor cash does not account for the U.S. and foreign governments' ongoing initiatives to revitalize the credit markets. The \$250 billion in equity purchases of major and mid-sized banks alone by the Treasury Department, could result in trillions of dollars in new loans and spending.

What is your outlook for the economy beyond a rebound in economic activity?

We see the current situation as an exacerbated temporary slowdown in economic growth, rather than a more normal pattern of recession at the end of business cycles. This distinction is important because it impacts the shape of growth that we anticipate *post recession*. We see the economy returning to the mid-phase of the business cycle, which is characterized by positive earnings growth and healthy margins. *This period of strong profits could last for a number of years* and would likely coincide with some re-tightening of labor markets, and increased personal incomes. We also expect, however, that economic and profit growth rates will *plateau and begin to decline* as the economy advances further into the late stages of the mid-cycle growth phase.

What changes have you made to the Large-Cap Core Equity portfolio based on your outlooks for the equity market and the economy?

We made fine-tuning changes to the Large-Cap Core Equity portfolio in October to reflect the natural progression of the business cycle. We dialed back the portfolio's economic sensitivity to better fit the post-slowdown environment that we foresee. We sold the remaining holdings in the Industrials Sector, for example. This completed a move we began in January 2007 when 30% of the Large-Cap Core Equity portfolio consisted of Industrials. We purchased three companies in the Health-Care Sector with the proceeds. Each of the Health-Care/Biotechnology firms, *Amgen, Inc., Celgene Corp. and Genzyme Corp.*, are profitable companies with solid pipelines of new and important drugs. We also made some changes in the Consumer Discretionary Sector holdings by exiting *Walt Disney Co., Marriott International, Inc. and Nordstrom, Inc.*, and buying *Costco Corp., Nike, Inc. and Coach, Inc.* Collectively, these changes to the Large-Cap Core Equity portfolio further improved the quality of the balance sheets of our portfolio companies, and also enhanced the projected earnings growth of the portfolio.

Robert L. Pharr, Chief Investment Officer

Edmund N. Durden, Investment Analyst

Frederick O. Porter, CFA, Investment Analyst

November 15, 2008

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** is 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 end 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 the investment decisions since creation of the 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 appropriate 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 large-cap 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 the Global Investment Performance Standards (GIPS) 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 through June 30, 2008 by Beacon Verification Services. WestEnd Advisors' **Large-Cap Core Equity Composite** has received a performance exam from composite inception through June 30, 2008. A copy of the verification report is available upon request.

Revised August 2008