

LARGE-CAP CORE EQUITY

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 will experience economic **tailwinds**, and avoids Sectors we perceive to be untimely. We target **high quality, market leading** companies within favored Sectors.

The result is a **core investment style** that shifts portfolio Sector and style emphasis to remain properly oriented and timely over a full economic and market cycle.

Boutique Investment
Management Firm

Sector-Focused
Large-Cap Core Manager

18 to 20 Stock Holdings

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PERFORMANCE VS. BENCHMARK

	WestEnd Composite		S&P	Russell
	Gross*	Net*	500	1000
October	-2.60%	-2.73%	-1.86%	-2.21%
Qtr-to-Date	-2.60%	-2.73%	-1.86%	-2.21%
Year-to-Date	21.36%	20.72%	17.05%	18.41%
1 Year	14.84%	14.23%	9.80%	11.20%
3 Year	-4.81%	-5.35%	-7.02%	-6.84%
5 Year	3.23%	2.66%	0.33%	0.71%
7 Year	9.62%	9.04%	4.31%	4.77%
10 Year	5.10%	4.55%	-0.95%	-0.46%
Inception	12.32%	11.72%	5.68%	5.84%

*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%	9.1%
Consumer Staples	10.0%	11.9%
Energy	0.0%	12.4%
Financials	0.0%	14.7%
Health Care	15.0%	12.6%
Industrials	0.0%	10.1%
Information Technology	35.0%	19.0%
Materials	0.0%	3.4%
Telecommunications Services	15.0%	3.1%
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)	\$57.3	\$18.2
Price to Earnings: Trailing Operating	19.5x	26.5x
Price to Book	3.6x	1.9x
Dividend Yield	1.5%	2.1%

Source: Telemet, standardandpoors.com

ECONOMIC AND MARKET REVIEW

Many investors are concerned that the stock market has risen too far, too fast from its March low. Investors who worry about the sustainability of the stock market's rally point out that the S&P 500 Index (S&P 500) trades at a price-to-earnings (P/E) multiple of approximately 28 times earnings for the last twelve months. This measure of market valuation may look expensive, but investors must recognize that it is companies' *future* earnings that will drive stock prices. We believe the S&P 500's *forward* P/E of approximately 14, based on 2010 earnings estimates, is much more relevant than the Index's *trailing* P/E.

This *forward* P/E for the *market* looks reasonable, and arguably attractive, by historical standards. However, this market P/E is a collection of the valuations of 500 diverse companies from 10 Sectors and 68 Industries. This tremendous variability makes generalizations about the *market* only useful if an investor *owns the entire market*.

But investors rarely buy *the market*. Instead, investors buy stocks of individual companies. We believe there is a better approach to investing in stocks given this reality. In its simplest form, our investment process begins with a review of the macroeconomic backdrop to determine the most attractive Sectors of the market. We then evaluate companies' earnings growth, valuation and other key criteria compared to their peers in these favored Sectors. We believe this is a more effective investment approach as it forgoes an evaluation of *the market* and focuses instead on the outlook for companies in each Sector.

This Sector-based approach is particularly useful when we analyze earnings growth. Analysts expect that S&P 500 companies' earnings-per-share (EPS) will decline 8% from 2007 to 2010, for example, but the table above demonstrates that growth rates are expected to vary widely at the Sector level. Information Technology EPS is expected to grow by +28%, while Financials EPS is expected to decline by -43% for the same three-year period. In fact, only one Sector, Telecommunication Services, has an expected change in EPS that is close to the expected change for the entire Index. These estimates illustrate that there can be significant range and variability in earnings growth among the Sectors of the S&P 500, despite a relatively small change in the Index's overall earnings growth.

We do not just evaluate a company's earnings growth prospects compared to its Sector and Industry peers, however, we also examine a company's valuation versus its peers. In fact, we believe that the fundamental differences

among Sectors requires that each Sector have its own valuation approach.

Many Consumer Staples companies, for example, have consistent earnings growth rates throughout an economic cycle. Thus investors can forecast earnings for these companies with a high degree of certainty. That future earnings stream can be discounted back to a present value to which a P/E multiple can be applied. This makes interest rates critical to the valuation of Consumer Staples companies.

The table below illustrates that analysts broadly expect earnings for the Information Technology and Consumer Discretionary Sectors to reach new highs in 2010. But we believe actual results will likely eclipse analysts' estimates because of the stronger-than-normal economic growth immediately ahead, followed by trend-line growth beginning in the second half of next year.

The forward P/Es of portfolio companies in the Consumer Discretionary and Information Technology Sectors are attractive, especially given the prospect for earnings

S&P 500 Index and S&P 500 Sectors: Estimated Operating Earnings Per Share Growth from 2007 to 2010

	Economically Sensitive Sectors						Non-Economically Sensitive Sectors				
	S&P 500	Materials	Financials	Energy	Industrials	Consumer Discretionary	Information Technology	Telecom Services	Utilities	Health Care	Consumer Staples
2007 EPS	\$82.54	\$15.97	\$22.79	\$46.30	\$21.28	\$13.31	\$17.35	\$8.27	\$11.67	\$23.31	\$15.62
2010E EPS	\$75.60	\$11.20	\$13.02	\$32.99	\$15.04	\$13.99	\$22.20	\$7.74	\$12.38	\$28.85	\$19.51
% Change	-8.4%	-29.9%	-42.9%	-28.7%	-29.3%	5.1%	28.0%	-6.4%	6.1%	23.8%	24.9%

Source: Thomson Financial, S&P, WestEnd Advisors

Interest rates, on the other hand, are not as crucial in the valuation of stocks in economically sensitive Sectors, like Materials and Energy. Changes in growth in the broad economy lead to significant swings in earnings for companies in these Sectors. This variability in earnings in turn causes very large fluctuations in P/Es through the economic cycle. Materials stocks often have very high P/Es in the period immediately after a recession as their absolute earnings are very low. But at the same point in the economic cycle Materials companies' earnings growth *outlooks* are normally favorable compared to other Sectors. It may seem counterintuitive, but the best time to buy Materials stocks is when their P/Es are high.

Our economic outlook calls for outsized, but unsustainable, growth in economic activity over the next several quarters, followed by more trend-line (2% to 3% GDP) growth for an extended period. Companies in the Information Technology Sector and Consumer Discretionary Sector, which account for 60% of the *Large-Cap Core Equity* portfolio, should deliver strong results, both in the initial economic snapback and in the second stage of the recovery. In fact, these are the only economically sensitive Sectors that should establish *all-time highs* in earnings in 2010, and Information Technology and Consumer Discretionary earnings should continue to grow beyond

growth that will help many of these companies achieve record earnings next year. Our Information Technology stocks trade, on average, at only 15.7 times 2010 estimated earnings, while our Consumer Discretionary stocks trade on average at 15.1 times their forward earnings.

Many investors intuitively believe that they first need to determine whether *the market* is valued attractively before they decide to purchase stocks. This approach does not address the real question for investors: what are the prospects for the stocks of individual companies in the economic environment ahead? We analyze the economy to identify the most favored Sectors of the S&P 500, and perform fundamental stock analysis to find the most attractive stocks in those favored Sectors. The result is a portfolio that contains a limited number of stocks from select Sectors of the market, and thus is decidedly different from the market. And it is this differentiation that creates the potential for the *Large-Cap Core Equity* portfolio to outperform the market.

Robert L. Pharr, Chief Investment Officer

Edmund N. Durden, Investment Analyst

Frederick O. Porter, Investment Analyst

November 12, 2009

WestEnd Advisors is an SEC-registered investment advisor. The firm is an independent investment management firm, 100% owned by its active principals. WestEnd manages both equity and fixed-income assets for individual and institutional clients.

WestEnd Advisors' **Large-Cap Core Equity Composite** is invested solely in U.S. Equity securities and/or high-grade money market instruments. Returns are 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 are weighted using end of prior month values plus weighted cash flows. Portfolios and composites are valued daily, are denominated in U.S. dollars only, and include all discretionary tax-exempt accounts with a minimum of \$1,000,000. Portfolios managed by WestEnd Advisors in any wrap-fee program are not included in the composite.

Composite performance results and the 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' SEC Form ADV Part II.

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 major 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 included in 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) is available upon request by phone (888-500-7501) or email (info@westendadvisors.com).

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

Total firm assets do not include assets in any account where WestEnd Advisors does not execute trades on behalf of the account. These assets are sometimes referred to as "Advisory-Only Assets." As of June 30, 2009, WestEnd Advisors had approximately \$66 million of Advisory-Only Assets. This information is included as supplemental information only.

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, 2009 by Beacon Verification Services. WestEnd Advisors' **Large-Cap Core Equity Composite** has received a performance exam from composite inception through June 30, 2009. A copy of the verification report is available upon request.

Revised August 2009