

U.S. LARGE-CAP CORE EQUITY

DATA AS OF SEPTEMBER 30, 2007

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
September	3.94%	3.94%	3.74%	3.82%
Qtr-to-Date	6.05%	5.91%	2.03%	1.98%
Year-to-Date	17.18%	16.70%	9.13%	9.30%
1 Year	22.11%	21.45%	16.44%	16.90%
3 Year	17.50%	16.87%	13.14%	13.77%
5 Year	23.23%	22.60%	15.45%	15.98%
7 Year	12.25%	11.68%	2.60%	2.75%
10 Year	14.49%	13.91%	6.57%	6.86%
Inception	17.84%	17.23%	9.84%	10.01%

Returns greater than one year are annualized.

Source: standardandpoors.com, russell.com

Model Sector Weightings

	WestEnd	S&P 500
Consumer Discretionary	35.0%	10.6%
Consumer Staples	0.0%	9.3%
Energy	0.0%	10.0%
Financials	0.0%	22.3%
Healthcare	0.0%	12.0%
Industrials	20.0%	10.8%
Information Technology	35.0%	15.1%
Materials	0.0%	3.0%
Telecommunications Services	10.0%	3.5%
Utilities	0.0%	3.4%
Cash	0.0%	0.0%

Source: standardandpoors.com

Portfolio Characteristics*

	WestEnd	S&P 500
Number of Stock Holdings	20	500
Average Market Cap (\$ billions)	\$87.4	\$25.5
Price to Earnings: Trailing Reported	24.6	17.9
1-Year Projected Earnings Growth	17.1%	12.8%
Price to Book	5.5	2.8
Dividend Yield	1.0%	1.8%

ECONOMIC AND MARKET REVIEW

This month our commentary will be another interview with Robert L. Pharr, WestEnd Advisors' Chief Investment Officer. Rob answers some of the questions that we seem to get over and over from investors these days, and also offers his outlook on the economy and the markets in the near term and long term as well.

What did you make of the markets in the third quarter?

Markets in the third quarter were tossed around by concerns about the subprime mortgage market and other esoteric credit markets that froze or seized up. There were obviously bad things going on in certain specialized credit markets, and the concern was that these events would spread to other markets and even to the rest of the economy. Our view was that these difficulties were largely isolated to those specialized credit markets and would not extend to the rest of the economy. Thus far we've found little evidence that they have.

That said, there's been an obvious psychological impact that has toned down consumer spending, corporate investment, new hirings, etc. This is a natural but temporary fallout from these kinds of market difficulties, and time will be the cure for the negative psychological impact that this difficult period has had. We believe we are already on the backside of that difficult period, and the idea that those difficulties might be passed over to the broad economy is on the wane as well.

What is your outlook for the rest of the year?

Our outlook is positive, especially as investors begin to focus on more traditional kinds of considerations for equity markets, earnings in particular. We're entering earnings season currently, and we believe that earnings will come through again better than expected. Current earnings expectations are for very low-single digit earnings growth in the third quarter. We believe mid-to-upper single digit earnings growth is a possibility. In any case, earnings are likely to be decidedly higher than current expectations.

In addition to earnings data, what other economic data are you watching closely?

We pay close attention to a number of data that are in turn driven by corporate profit patterns: employment, demand for workers, and consumer incomes. So far, we continue to see strength on the consumer income front. We certainly have some concern that the continued strong growth in consumer income hasn't recently translated into strong consumer

spending. But we firmly believe that if consumer incomes continue to grow, the spending will come.

Consumer spending patterns are driven by a number of factors, the primary one being changes in consumer incomes. But, there are also psychological factors that contribute to consumer spending patterns. We're coming off a period of very negative psychology as a result of problems in the credit markets, but we believe with the passage of time, the psychological impact on consumers will wane.

So what did you make of the Fed's rate cuts, and what do you think the Fed will do next?

We thought the first move the Fed made in August, a 50 basis point cut in the *discount rate*, which is the rate that the Federal Reserve lends directly to banks, was very appropriate. Even more important than the cut in the *discount rate* was the change in terms for accepting collateral from banks by the Fed. The Fed essentially said: *We will take whatever your collateral is, even fixed income securities in those credit markets which are seized and frozen.* Not only did the Fed agree to take those kinds of securities as collateral, they agreed to do it on very favorable terms. That change in credit terms by the Fed in August was largely responsible for breaking the logjam in the credit markets.

We believe the cutting of the *Fed funds* rate in September was actually not needed, although it has certainly been welcomed by the equity markets. The Fed acted in a preemptive way to forestall any potential carryover from the difficulties in the credit markets into the broad economy. In hindsight the Fed will understand that move may not have been necessary, and they may have to take it back quickly. The Fed essentially took a low-risk approach by doing something that the data may not have called for, but it was a safer path for them to take.

Now there are potential negative implications of dropping the Fed Funds rate. It's raised concerns about increases in inflation from interest rates that are too low and an over-abundance of credit and cash available in the system. The people with these concerns also share our view that the economic backdrop is stronger than most generally believe and more insulated and less effected by credit market problems. Our view is that higher inflation is not an immediate concern, but it could be a concern in the future.

The Consumer Discretionary Sector has not performed that well this year. Are you still comfortable with your positions there?

We are. In fact we feel even better about them now because we believe we are potentially at the end of some of the difficulties that have held back that Sector. Energy

price increases have certainly slowed. Residential real estate looks like it is beginning to bottom. And credit market difficulties are waning. It has obviously been a difficult environment for the Consumer Discretionary Sector because of the presumption that consumer spending would take a hit with those difficulties and that consumers were largely over-leveraged and tapped out. We haven't agreed with that evaluation. We think instead that with the continued strong growth in consumer incomes, consumers have an underappreciated capacity for increased spending. And we believe that stronger spending from consumers will resume shortly.

What has you worried about the economy and the equity markets currently?

Our outlook is generally very positive. We think that we'll resume higher growth in GDP and continue to see higher than expected profit growth. I think that the biggest concern for the economy in the long run is the potential for protectionism that's creeping into the market. Political risk, including protectionism, as a response to our dependence on trade with Asia and China in particular is, for me, the biggest worry in the 2008-2012 time frame, and one that could be a significant risk to U.S. economic growth.

...and what has you excited?

The U.S. economy is remarkably resilient. We have been through some difficult challenges in the last year or two: higher energy prices, flattening and, in some cases, declining home values; and of course the difficulties in subprime and other related credit markets. Those difficulties would have had very serious consequences for an economy that was not as robust, dynamic and diversified as ours.

So I think we have to be excited about the underlying strength of the U.S. economy. The fact that we have not seen signs of a substantial down shift in growth for the economy is good news. And given the negative views about the economic backdrop that so many investors have had for the past year or so, I think it's exciting that we might soon resume the path of stronger growth in the U.S.

Robert L. Pharr, Chief Investment Officer

Edmund N. Durden, Investment Analyst

William L. Bachrodt, Investment Analyst

October 12, 2007

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.

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.

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.

Unless otherwise indicated, performance results are presented *after* investment management fees as well as after brokerage or other commissions actually paid by clients in the management of their investment advisory account, but excluding any deductions for custodial fees. The current management fee schedule is described in WestEnd's Form ADV Part II.

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 large-cap segment of the U.S. equity universe.

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).

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 June 30, 2007 by Beacon Verification Services. WestEnd Advisors' **Large-Cap Core Equity Composite** has received a performance exam for the same time period. A copy of the verification report is available upon request.

Disclosure revised August, 2007