

U.S. LARGE CAP CORE EQUITY

DATA AS OF DECEMBER 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 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
December	-1.10%	-1.10%	1.40%	1.28%
Year-to-Date	14.71%	14.06%	15.80%	15.46%
1 Year	14.71%	14.06%	15.80%	15.46%
3 Year	14.44%	13.84%	10.44%	10.98%
5 Year	12.11%	11.55%	6.19%	6.82%
7 Year	9.44%	8.89%	1.13%	1.67%
10 Year	15.28%	14.69%	8.42%	8.64%

Returns greater than one year are annualized.

Source: standardandpoors.com, russell.com

Model Sector Weightings

	WestEnd	S&P 500
Consumer Discretionary	25.0%	10.6%
Consumer Staples	0.0%	9.3%
Energy	0.0%	10.0%
Financials	0.0%	22.3%
Healthcare	0.0%	12.0%
Industrials	30.0%	10.8%
Information Technology	30.0%	15.1%
Materials	10.0%	3.0%
Telecommunications Services	0.0%	3.5%
Utilities	0.0%	3.4%
Cash	5.0%	0.0%

Source: standardandpoors.com

Portfolio Characteristics*

	WestEnd	S&P 500
Number of Stock Holdings	19	500
Average Market Cap (\$ billions)	\$60.8	\$25.5
Price to Earnings: Trailing Reported	21.1	17.4
1-Year Projected Earnings Growth	13.5%	9.5%
Price to Book	4.6	2.7
Dividend Yield	1.2%	1.8%

Source: Reuters, standardandpoors.com

ECONOMIC AND MARKET REVIEW

2006 was a very good year...

The S&P 500 Index finished the quarter and year in strong fashion. Last quarter's 6.70% gain was the largest since Q4 2004. Investors continued to show their optimism for the broad economy by pushing most S&P 500 Sectors higher, with especially strong gains made in Telecom and Energy.

For the year the S&P 500 returned 15.80%, its fourth year in a row with a gain. During the summer the market certainly did not appear headed for double-digit returns. The swoon in June left the broad market up less than 3% year-to-date. However, investors regained their confidence and bid the market up over 12% in the second half of the year. Oil prices receded from their highs in mid-summer and the resulting reduction in inflation pressures played a large role in boosting the market's performance. Confirming the lower inflation outlook, the Federal Reserve in August decided to stop raising short-term rates, saying that "inflation pressures seem likely to moderate over time."

The top two S&P 500 Sectors in 2006 were Telecom and Energy. Telecom received a boost from the merger of the #1 AT&T and #4 Bellsouth (ranked by market capitalization in the Telecom Sector) as the industry continued to consolidate. Energy was probably the most volatile Sector in 2006, with the largest single-month gain and the largest single-month decline in back-to-back months: January at +13.85%, February at (8.14%). Sectors bringing up the rear were Health Care and Technology.

Our portfolio, while ahead of the market through November, suffered through a difficult December and ended the year up 14.09% after investment management fees. This represented slight underperformance versus the S&P 500 Index. Like the market we realized gains in all of the Sectors in which we were invested. Our strongest returns came from our positions in the Technology Sector.

...characterized by strong performance across virtually all markets and asset classes...

One point of interest is that in 2006 almost every asset class, S&P 500 Sector and global region posted positive returns, and that the range of returns was relatively tight. Even the lowest-return Sector in the U.S., Health Care, had a positive return last year. The 26 percentage point range between the best and

worst performing Sectors was the narrowest since the 1980's. This uniformity of performance across Sectors made it difficult to produce distinguished gains through Sector allocation. Consequently, achieving strong outperformance in U.S. equities during 2006 required moving in and out of Sectors to catch the ones that happened to be up in any given month (i.e., an active and very nimble trading orientation, unlike WestEnd's lower turnover approach).

Investors also saw strong, broad-based performance in different asset classes and geographies. Large caps as reflected by the Dow Jones Industrials were up over 17% for the year, while small caps as reflected by the Russell 2000 posted just over an 18% gain for the year. Markets world wide also enjoyed broad-based, positive returns as the MSCI EAFE Index of international markets was up 25.81% and the MSCI Emerging Markets Index was up 31.43%.

Several factors led to this unique investment environment where almost all S&P 500 Sectors, asset classes, and global regions produced tight ranges of positive returns at or above historical averages. In the U.S., the inability of investors to reach a consensus view on the economy throughout the year contributed to the tight range of positive performance across Sectors. The outlook on the economy fluctuated wildly in 2006 in short time spans as the housing market softened, oil prices hit record highs and then retreated, and investors attempted to get a read on new Federal Chairman Bernanke's outlook on inflation, rate hikes and the economy. This in turn led to fluctuations in the market and in the performance of individual Sectors and made it difficult for any Sector to outperform the rest of the market for an extended period of time. In fact, every Sector except for one (Consumer Staples) had at least one negative quarter during the year. By year end, however, each Sector had finished the year in positive territory.

Two other macro trends led to this narrow range of returns among different investments. First, large U.S. dollar currency reserves at Asian central banks (including \$1 trillion in China alone), and the \$500 billion current account surplus in oil producing nations, has resulted in large pools of capital that can be moved almost anywhere in the world. Second, the continued synchronous growth of economies around the world (worldwide GDP growth at approximately 5%) made for positive investment environments across the globe.

*2007 is likely to be much more discerning...**rewarding economically sensitive Sectors in response to strong growth in the U.S....*

Looking ahead, we believe that a consensus view on the economy will emerge for 2007 which calls for growth in the U.S. that is better than currently expected, but perhaps not as robust as it has been for the last two years. As we have mentioned in previous letters, we expect that economic growth will reaccelerate into the 2nd half of 2007 as the housing market either stabilizes or even begins to grow again. The 3.4% increase in existing single-family home sales for November (the third advance in six months) indicates that the housing market may have already hit bottom. A neutral or positive housing market in 2007 coupled with continued moderate growth in the rest of the economy could produce a rate of GDP growth in the second half that is at or above the historical trend rate of 3%. As we have indicated before, we expect just this sort of growth during the Mid Growth Phase of the economic cycle.

Additionally, in anticipation for this type of environment, we plan to make changes to the Large Cap Core Equity portfolio in January. We will reduce our exposure to Early Phase Sectors (Basic Materials and Industrials) and add exposure to Sectors that perform well in the Mid Growth Phase (Technology, Consumer Discretionary and Telecom). We will highlight these portfolio changes in future updates. Assuming that our economic outlook is correct, the WestEnd Advisors Large Cap Core Portfolio should be well positioned for 2007 and beyond.

Robert L. Pharr, Chief Investment Officer

William L. Bachrodt, Investment Analyst

Edmund N. Durden, Investment Analyst

January 16, 2007

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. The composite inception date is January 1, 1996.

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, 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 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 represents the extensive large-cap segment of the U.S. equity universe.