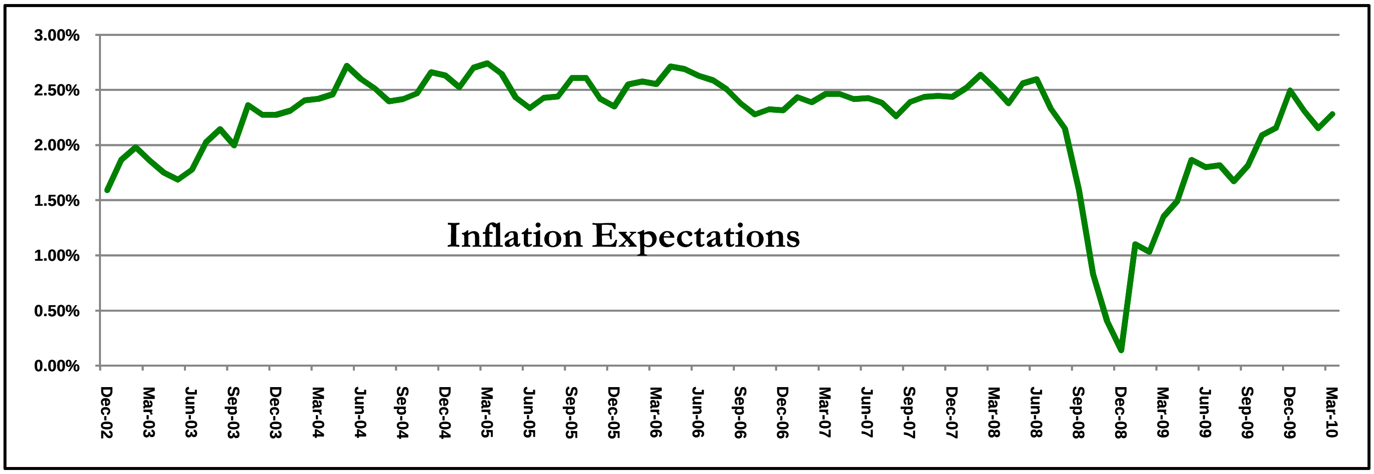
Holt Capital
Partners, L.P.

First Quarter Financial Market Commentary

"Ninety Days in Ninety Seconds"

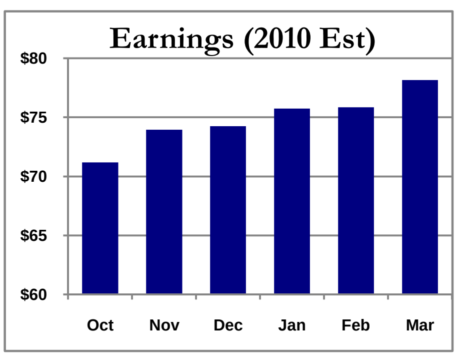
March 31, 2010

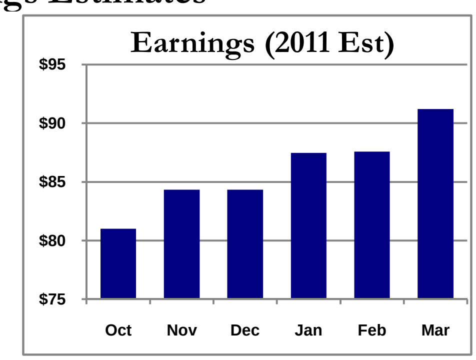
- The financial markets are signaling a rise in inflation expectations based upon the yield differential between traditional ten year U.S. Government Bonds and ten year Inflation Protected Bonds (TIPS). Rising prices for metals and crude oil, as well as recent indications of stability in the housing market imply that **asset inflation** could become apparent before **consumer goods inflation** resurfaces.



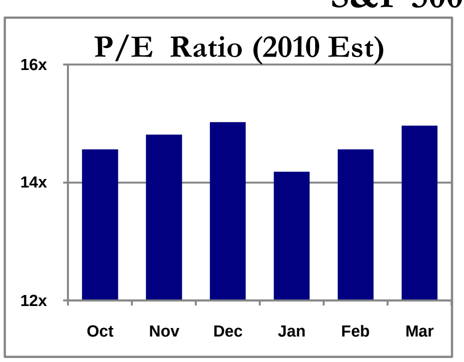
- Consensus earnings estimates continue to rise for the S&P 500 Index for both 2010 and 2011. Rising estimates have resulted in only a minimal change in valuation, despite the steady rise in stock prices.

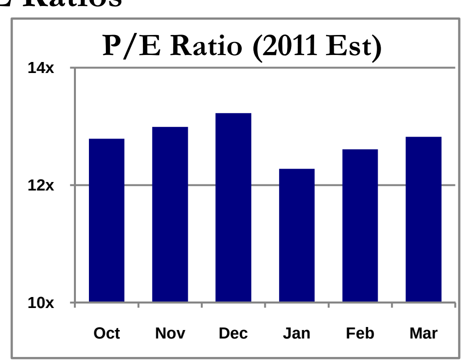
S&P 500 Earnings Estimates





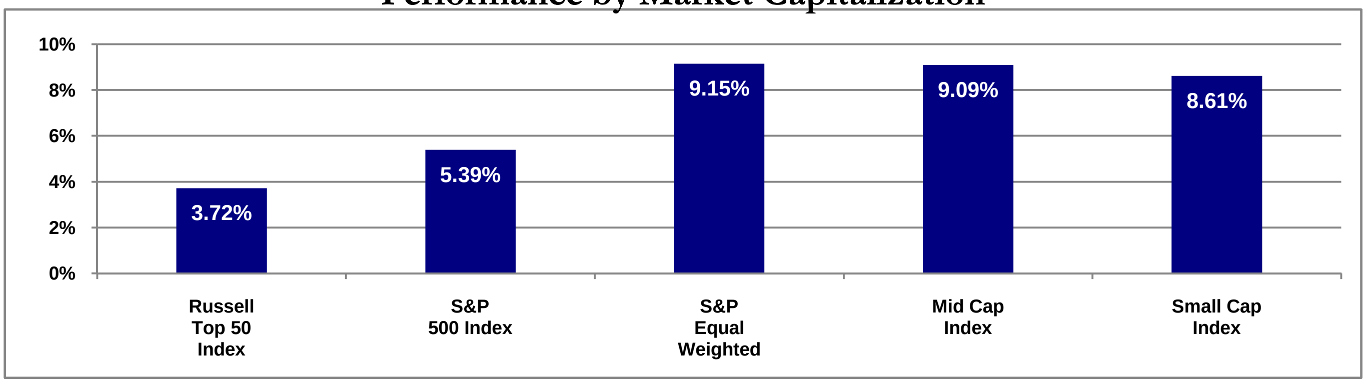
S&P 500 P/E Ratios



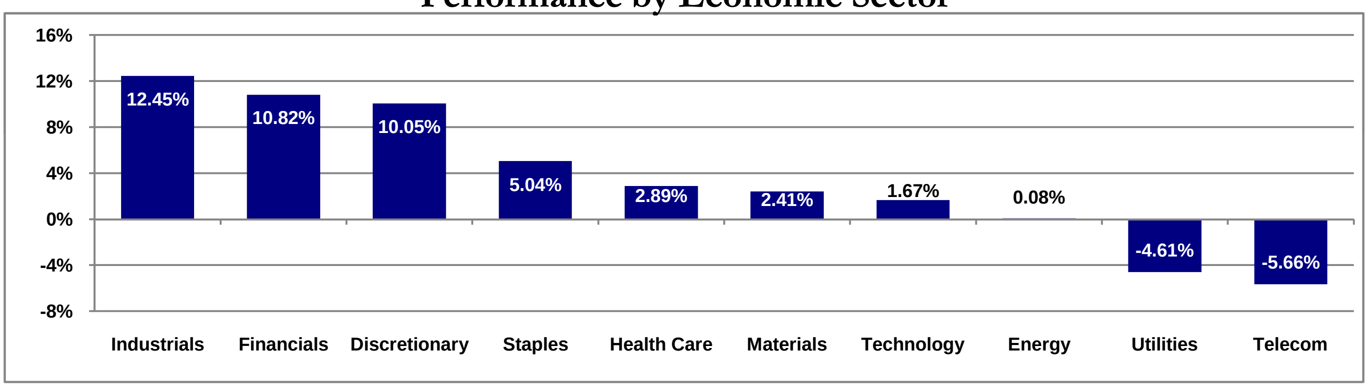


- Small and mid cap companies outperformed large caps during the first quarter. Likewise, more cyclical economic sectors, such as industrials, financials and consumer discretionary also outperformed sectors with more stable growth characteristics. Both of these trends are consistent with a market bias toward slightly speculative and lower quality companies.

Performance by Market Capitalization



Performance by Economic Sector



- Public companies are currently enjoying a significant competitive advantage over private companies due to their access to debt and equity capital. This is especially true in the real estate and energy industries. During the prior economic cycle, many good businesses and good assets were poorly financed. The current period of tighter credit conditions is presenting opportunities for public companies and distressed asset investors to make attractive acquisitions.

- Against a backdrop of rising earnings estimates and generally modest valuations it would be easy to get too optimistic in the short run. Ironically, investor optimism and high expectations for first quarter earnings probably represent the biggest near term risk to stock prices.

- Longer term, it is important to recognize that the current bull market is only one year old and historically bull markets have had about a four year duration.