HOLT CAPITAL
PARTNERS, L.P.

FIRST QUARTER FINANCIAL MARKET COMMENTARY

"NINETY DAYS IN NINETY SECONDS"

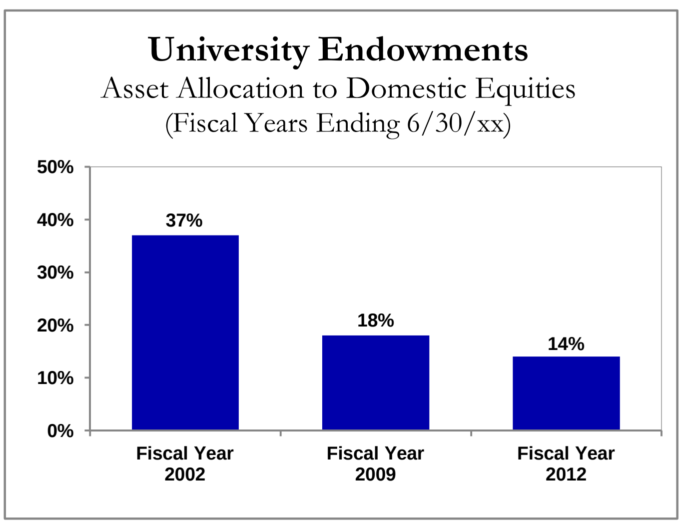
MARCH 31, 2013

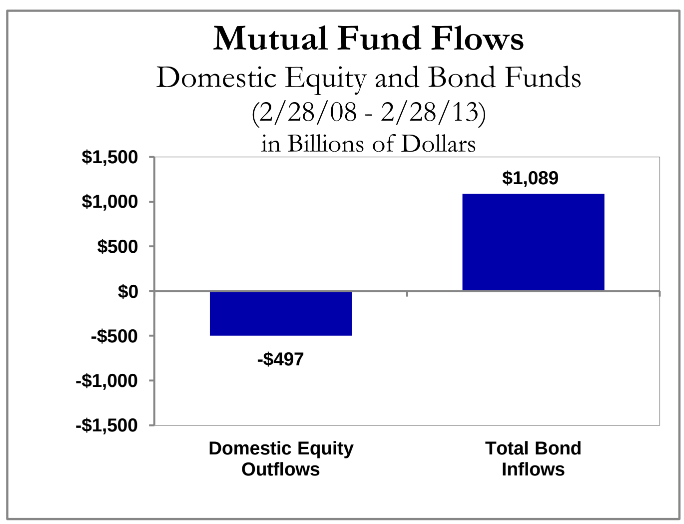
IT'S GETTING MORE CROWDED IN THE BULLISH CAMP

- We have consistently written about our bullish view regarding the prospects for long term investments in common stocks. We continue to believe that stocks will produce better returns than other asset classes over the remainder of the decade. However, it was easier to be bullish when it was a lonelier position. The rally of the past five months has driven bullish sentiment much higher. Broad-based enthusiasm for stocks is often a contrarian indicator and can be associated with an unexpected retreat in stock prices. We continue to view any *short term* decline as an opportunity to increase equity exposure for *long term* investors.

THE SMART MONEY AND THE RETAIL INVESTOR HAVE THE SAME PROBLEM

- Numerous articles have been written about the fact that retail mutual fund investors have missed much of the rally in stocks over the past several years due to a steady stream of net redemptions from equity mutual funds. A similar, but less visible, trend has occurred in the endowment portfolios of our nation's public and private universities. The asset allocation to domestic equities by endowments has fallen consistently over the past ten years. This means that the so-called "smart money" in the endowment community and the retail investor have something in common. They both missed a significant portion of the stock market's rally as a result of sub-optimal asset allocations. A reversal of these trends could drive increased demand for stocks for an extended period of time. The following graphs provide historical data for these two important groups of investors.





EARNINGS AND VALUATIONS

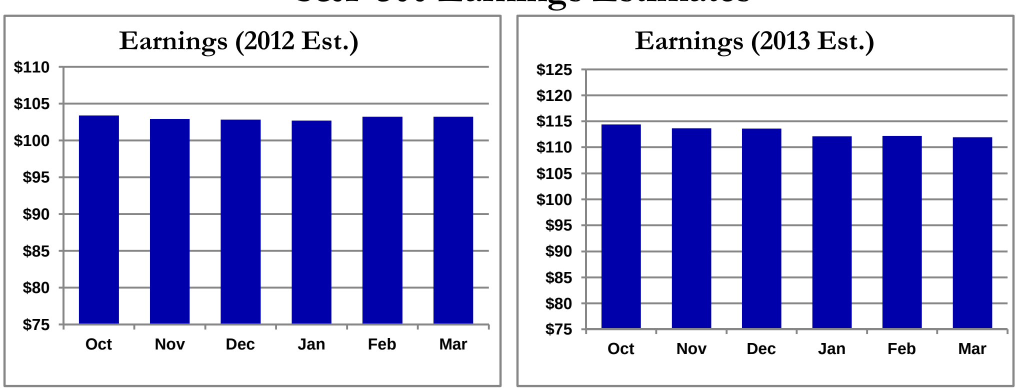
- Much has been written about the S&P 500 returning to its 2007 peak. This singular focus on the *price level* of the index misses significant underlying growth in the *financial characteristics* of the underlying companies. In spite of the impact to the global financial crisis, earnings will be 32% higher in 2013 than 2007 and dividends have increased 16%. Clearly, stocks are supported by much more attractive valuation metrics today than in 2007.

- Although it is common to cite a single price-to-earnings ratio to represent all large cap stocks, valuations at the sector level are often more illustrative of the breadth and diversity of valuation trends within the stock market. Sectors that are typically viewed as more defensive, such as telecom, consumer staples and utilities, are valued at much richer P/E ratios today than at year end 2011. Likewise, industrials and technology, which are more cyclical, are trading at almost the same P/E as fifteen months ago. In a recovering economy, it is uncommon for a strong bull market to bid up valuations for defensive stocks faster than for more economically sensitive companies.

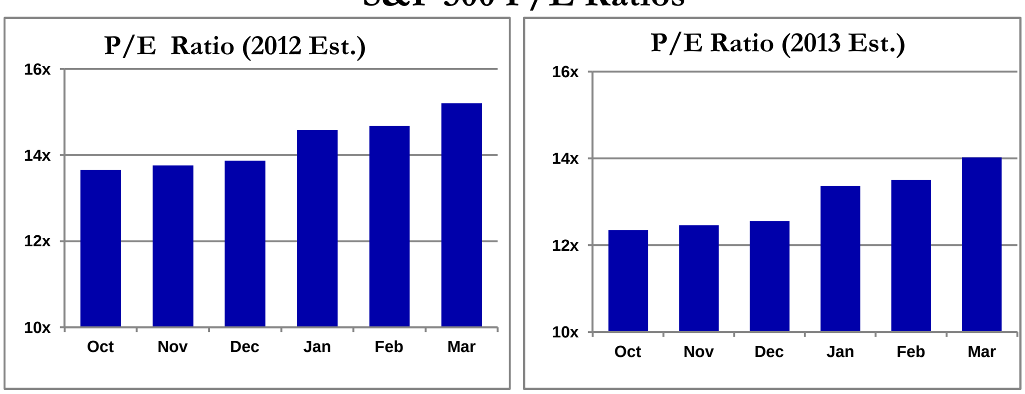
- Earnings estimates for 2012 were fairly stable as companies reported fourth quarter results. Estimates for 2013 have drifted modestly lower over the past three months.

- It is important to remember that earnings are not static and generally rise from one year to the next. As time passes, this roll forward of earnings estimates produces a lower price-to-earnings ratio when next year's estimate is used to calculate the P/E ratio. Valuations remain near historically low levels with a P/E ratio based on 2013 estimated earnings of about 14.0x.

S&P 500 Earnings Estimates

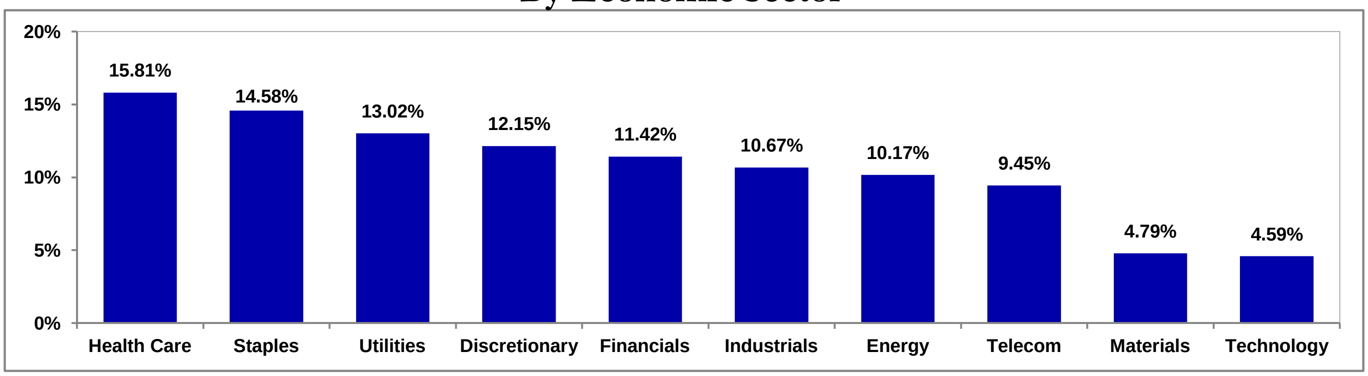


S&P 500 P/E Ratios

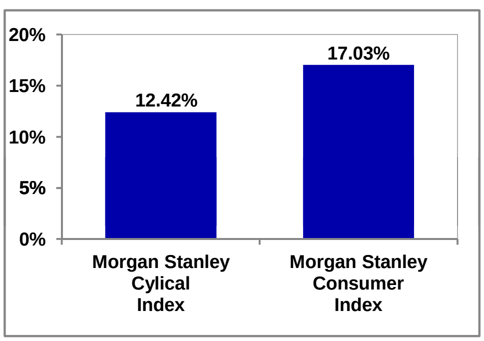


First Quarter Investment Performance (including income)

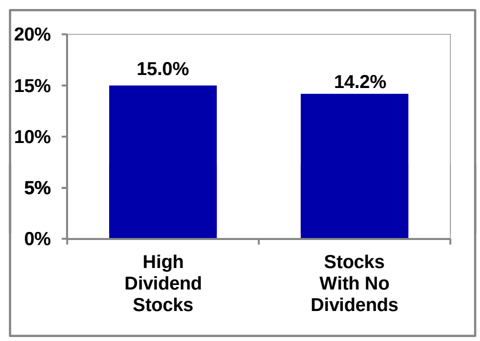
By Economic Sector



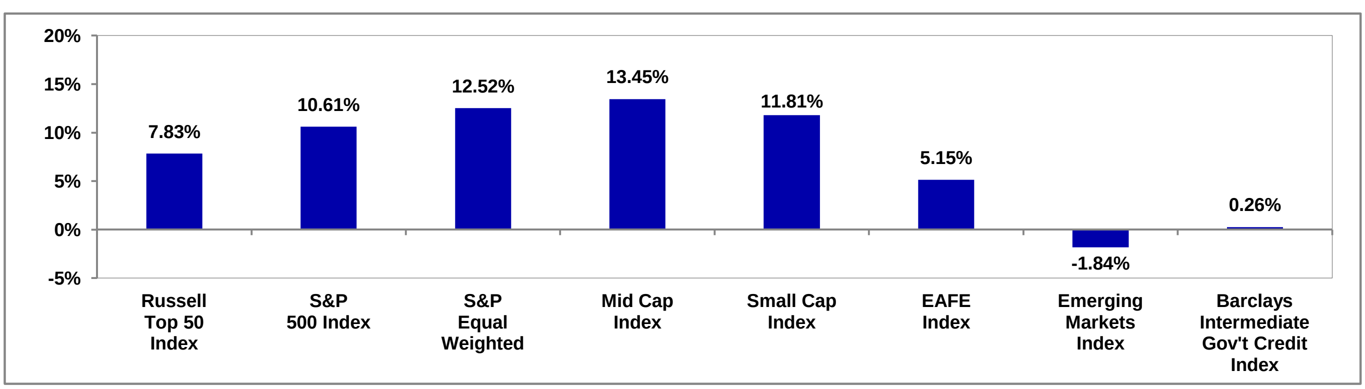
By Economic Sensitivity



By Dividend Yield



By Market Capitalization, Geography and Asset Class



- The continuing demand for stable and rising dividend yields was evident at the sector level with health care, consumer staples and utilities generating the best total returns for the quarter. Similar trends can be observed in the data that is categorized by economic sensitivity and yield level.

- Domestic stocks outperformed foreign shares and the bond market generated a modest positive return.