HOLT CAPITAL
PARTNERS, L.P.

THIRD QUARTER FINANCIAL MARKET COMMENTARY

"NINETY DAYS IN NINETY SECONDS"

SEPTEMBER 30, 2010

- The stock market resembled a roller coaster during the third quarter as economic and political uncertainty dominated the financial markets. In the midst of all of this volatility, both the equity and fixed income markets rallied broadly and produced positive returns.

- It is interesting to note how large non-financial companies are taking advantage of the current environment. Many of these firms cut expenses early in the downturn and are now issuing debt at record low yields, acquiring competitors and repurchasing their own shares. Clearly corporate treasurers understand Federal Reserve policy.

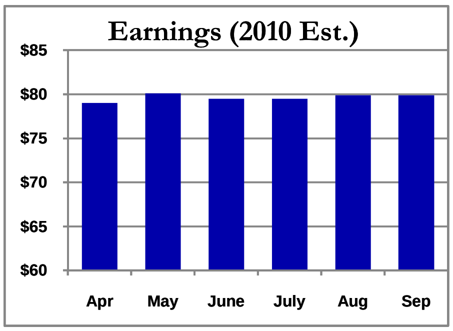
- A common observation is that investors are too focused on short term issues. I would like to offer a long term forecast to use as a roadmap for successful investing over the next several years. Let's fast forward to 2013 and then review some of the events that are likely to have transpired during the period between 2010 and 2013.

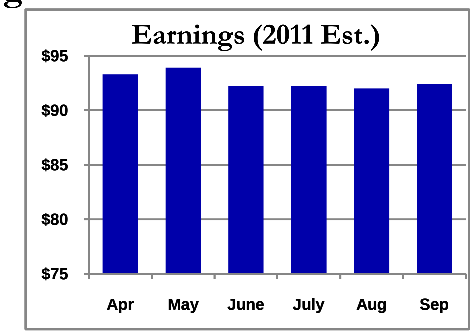
  - The unemployment rate has fallen and consumer confidence has rebounded.
  - The recovery has continued at a moderate pace, but with unexpected longevity.
  - Corporate profits have continued to rise.
  - Valuations returned to historically normal levels.
  - Merger and acquisition activity accelerated and has continued at a record pace.
  - Cash inflows into bond funds have reversed and record amounts of cash have flowed into stock funds.
  - Stock prices have staged a multi-year rally.
  - Leveraged real estate transactions, as well as credit constrained businesses, have been refinanced or restructured, which resolved the uncertainty around the sizable leveraged loan maturities in 2011 and 2012.
  - Emerging market economic growth has continued to be a global driver of economic activity.
  - Increased fiscal restraint and a more pro-growth, pro-business environment in Washington has acted to promote domestic economic growth…*hope springs eternal.*

- This vision of the future is admittedly optimistic, but it is also largely supported by historical patterns or recent data. The biggest difference between this forecast and the more negative consensus viewpoint is one of perspective. I firmly believe that the glass is half full, rather than half empty.

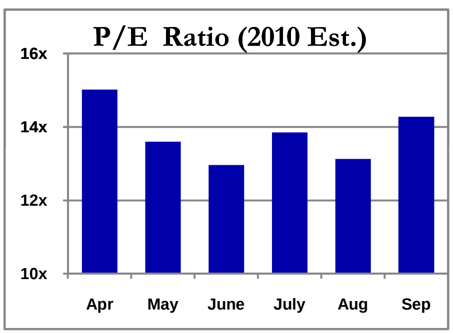
- Earnings expectations for the S&P 500 Index have stabilized over the past six months, but continue to reflect a strong outlook for growth. The fact that stock prices have exhibited a high level of volatility in a stable earnings environment is a function of shifts in investor psychology, not changing expectations for corporate profitability. Even after September's strong rally, today's valuations remain very attractive.

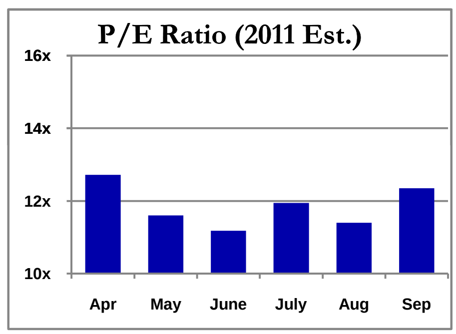
S&P 500 Earnings Estimates





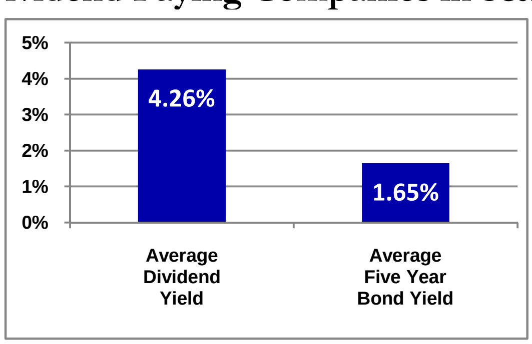
S&P 500 P/E Ratios





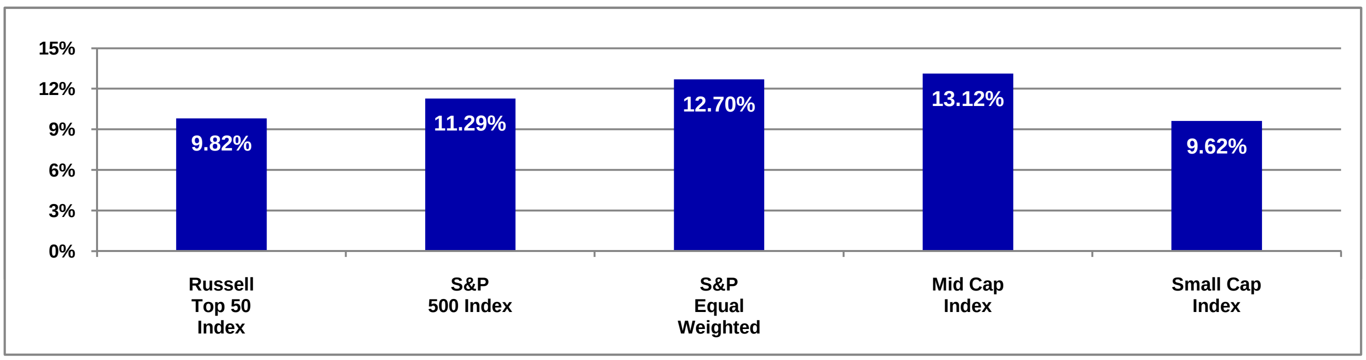
- The search for a reliable source of income is ever present in the current environment. This is especially true with interest rates often providing negative real returns, after taxes and inflation are taken into account. A different look at income can be found in the chart below. These ten companies represent the largest dividend payers in the S&P 500 and include ExxonMobil, AT&T and Johnson & Johnson. The average dividend yield on these ten stocks is 4.26% and dwarfs the average yield on five year bonds issued by these same ten companies. This relationship is historically rare and certainly favors equity ownership.

Top Ten Dividend Paying Companies in S&P 500 Index



- Performance trends within the stock market were universally positive during the quarter and marked a distinct reversal from the second quarter. Across market capitalizations, investment performance generally increased as company size decreased. For both the third quarter and year-to-date periods, the mid cap index was the standout performer. At the sector level, the more economically cyclical sectors tended to provide leadership during the quarter. The financial sector was the laggard as it continued to struggle with asset quality, regulatory issues, and fears of dilutive equity offerings.

Third Quarter Performance by Market Capitalization



Third Quarter Performance by Economic Sector