

# Market Commentary

## U.S. Equity

As of March 31, 2011

H O L L A N D  
C A P I T A L M A N A G E M E N T

### Portfolio Performance

#### *For the Quarter*

The portfolio outperformed the Russell 1000 Growth Index during the quarter due to favorable sector allocation which was principally driven by the portfolio's overweight in the strong performing energy sector. In addition, stock selection in the sector was additive. Good stock selection was also achieved in health care and materials & processing. However, this was more than offset by the impact of weak selection in consumer staples, technology, and consumer discretionary.

In 2010, the portfolio's exposure to energy and weakness in energy holdings acted as a drag on performance. However, energy has been the best performing market sector so far during 2011 and the portfolio's overweight in the sector has had a positive impact on performance. In addition, a number of energy holdings have performed well, making positive contributions. Range Resources, Southwestern Energy, Halliburton, Noble Corporation and Occidental Petroleum benefited from a confluence of issues facing the energy space, namely pressure on the energy complex due to activities in the MENA region (Middle East and North Africa), heightened anxiety about the future of nuclear as a result of the nuclear crisis in Japan, and general tightness in the oil market which is building momentum for the U.S. to start using more of its natural gas.

In health care, Covidien was a significant contributor. The company's management suggested that their previous guidance for FY 2011 may have been too conservative and this news was greeted positively by the street. In materials & processing, solid performance from Praxair and an overweight in the security added

value.

In producer durables, Waters Corp. had good Q4 2010 results and their products are being used for increasingly more applications. In technology, QUALCOMM benefited from strong mobile segment growth and further penetration in next-generation chipsets for cell phones, while Cisco Systems continued to be hampered by downwardly revised guidance, concerns about profit margin erosion, and the perception of gains by competitors. NIKE, in consumer discretionary, and Greenhill & Co., in financials, also fell prey to disappointing results. Several consumer staples holdings, including Mead Johnson, experienced general sell offs during the quarter.

During the quarter a number of securities were purchased and sold. Genzyme was sold after Sanofi-Aventis upped their offer to \$74 per share plus a contingent value right. A new position was initiated in Greenhill & Co. due to its focused business model, disciplined expense control, and the ability to benefit from trends in an improving mergers and acquisitions cycle. A position was also established in Advance Auto Parts, a defensive retailer that is benefiting from the current economic environment in which consumers defer car purchases and focus on maintaining their existing cars. Kohl's Corporation and Wal-Mart Stores were sold to fund this purchase.

### Market Review

Despite the occurrence of a number of unexpected events impacting the global financial markets, the S&P 500 Index ended the quarter up +5.92%. The equity market's move

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higher was mainly driven by continued enthusiasm that the economic recovery is slowly gaining momentum. However, while economic news continues to generally be good, the unrest in the Middle East, the sovereign debt problems in the Eurozone, and the devastating earthquake and tsunami in Japan all created an undertone of caution within the financial and equity markets by the end of the quarter. Commodity prices had already been trending higher. However, worries about supply disruptions in the oil-rich Middle East and renewed uncertainties about nuclear power as an energy source because of the nuclear disaster in Japan, pushed crude prices even higher. The energy sector was the main beneficiary of this reaction and was the best performing market sector by far during the quarter. Yet, investors remain anxious overall since higher energy costs could thwart the economic recovery and possibly fuel unwanted inflationary pressures.

While all market capitalization and style indexes turned in positive returns during the quarter, small and mid cap stocks outperformed large cap stocks. In the small and mid cap ranges, growth performed better than value. However, in the large cap arena, value was the winner.

## Market Outlook

Stocks are off to a strong start in 2011. The S&P 500 Index is already up +5.9% in the first quarter, continuing the positive momentum that began during the last half of 2010. This strong equity market action has been the result of investors' enthusiasm about an improving economy. And while data continues to suggest that the recovery is gaining traction, the recent

unexpected geopolitical events and devastating natural disasters have made investors nervous, as evidenced by the volatility in the equity market during the latter part of the quarter. The overall impact of the Japanese earthquake and tsunami will likely be temporary. Yet, the turmoil in the oil-rich Middle East and increasing concerns about the risks associated with nuclear energy (due to the nuclear power plant issues in Japan) have resulted in higher crude oil prices. This is on top of commodity prices that had already been trending higher. Investors are concerned about the dampening impact that higher energy and other commodity costs could have on the economy. And, in addition, some economic metrics remain headwinds; the housing sector continues to experience home price declines and slumping sales and, despite better momentum in job growth, unemployment remains high. Overall, we believe the economic recovery will continue. However, with the near-term headwinds the economy continues to face, there will be times that the recovery feels uneven at best. Given this dynamic, we would expect stock market action to be reactive, particularly as we near the end of government stimulus and/or until economic data signals an economy that is free of these headwinds and able to grow on a self-sustaining basis.

We do not attempt to predict the direction of the stock market, the economy, and interest rates, or the outcome of geopolitical events or activity. However, we understand that corporate profitability and earnings are affected by the pace of economic growth. Thus, we remain focused on using thorough, high quality, bottom-up research to identify companies that best meet our long-term fundamental investment criteria. We remain favorable toward companies with exposure to faster-

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growing products or markets, companies that are market share gainers, those with pricing power, and companies whose bottom lines can still leverage increased demand as the economy recovers. We continue to focus on high quality companies, with solid balance sheets and strong free cash flow and also favorably regard those using this time to take advantage of opportunities that strengthen their competitive positions and that create shareholder value longer-term. We are committed to a portfolio positioned to provide participation in sustained rising market environments and protection in

extended market downtrends.

In general, we believe that as the economy further recovers and corporate earnings growth normalizes, investors will remain cautious of lower quality stocks with lower quality or unsustainable earnings. Rather, we expect investors to shift their focus toward stocks of high quality companies with strong balance sheets and good managements, with the ability to generate high quality, sustainable earnings with achievable estimates, metrics consistent with our bottom-up fundamental investment criteria.

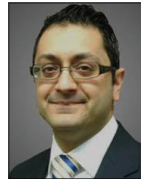
### PORTFOLIO MANAGERS



**Monica L. Walker, CPA**

*Chief Executive Officer  
& Chief Investment Officer - Equity*

Ms. Walker is a founding partner of the Holland Capital Management As Chief Executive Officer, she oversees the overall business and financial operations of the firm. With over 30 years of financial services experience, including 23 years of investment management experience, Ms. Walker also serves as Chief Investment Officer — Equity, responsible for execution of the firm's large cap growth and mid cap growth equity strategies with a team of equity research analysts. She has worked as a member of the firm's equity team and Investment Policy Committee since the firm's inception 20 years ago. Ms. Walker received a B.B.A. in accounting from the University of Texas at Arlington in 1980 and is a CPA licensed in Texas and Illinois. She serves as a board member of the YWCA Metropolitan Chicago, the Chicago Children's Choir, and of Chicago United. Ms. Walker is a member of the CEO Council of Chicago United and the International Foundation of Employee Benefit Plans' Investment Management Committee. She is a member of the CFA Society of Chicago, the Illinois CPA Society, the Texas Society of CPAs, the American Institute of CPAs, the National Association of Securities Professionals (NASP), the Executive's Club of Chicago, Women Investment Professionals (WIP), Alliance of Business Leaders & Entrepreneurs (ABLE) and the Economic Club of Chicago. Ms. Walker was honored by the Chicago chapter of NASP in July 2008 as one of five "Chicago Women Blazing the Path to Power" and was named in February 2010 as one of Black Enterprise's "75 Most Powerful Women in Business."



**Carl R. Bhatena**

*Co-Portfolio Manager - Equity  
& Senior Equity Analyst (Technology)*

Mr. Bhatena is Co-Portfolio Manager of the firm's large cap and mid cap growth equity strategies. As a Senior Equity Analyst, Mr. Bhatena is responsible for fundamental research and valuation analysis within the technology and telecom sectors of the market. He joined Holland Capital in 1998 and has 18 years of industry experience. He began his career with EVEREN Securities Inc. (formerly Kemper Securities Inc.) as an associate analyst in the company's investment strategy group. Mr. Bhatena was promoted to Vice President – Investment Strategist and performed aggregate fundamental qualitative and quantitative analysis on global financial markets, sectors, industry groups, and specific companies as well as economic and interest rate forecasting. Mr. Bhatena holds a M.B.A. with honors from the University of Hartford's Beatrice Auerbach School with an investment finance concentration, and earned a B.A. in economics from Baldwin-Wallace College.

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