Market Commentary U.S. Equity

As of December 31, 2009

HOLLAND CAPITAL MANAGEMENT

Portfolio Performance

For the Quarter

The portfolio outperformed the Russell 1000 Growth Index during the fourth quarter by a decent margin. Sector allocation negatively impacted performance due to the portfolio's longstanding overweight in energy. Stock selection, however, was solid and was led by strong performance in energy, financial services, and producer durables, partially offset by the negative impact of weak selection in materials & processing, technology, and consumer staples.

During the quarter, XTO Energy announced that it had agreed to be acquired by Exxon Mobil, paving the way for solid stock selection within energy. The acquisition is bittersweet in that it boosts performance near term, but doesn't allow for future participation in what appears to be many more years of solid growth. The upside is that Exxon Mobil, a current portfolio holding, will be the beneficiary of XTO's fine natural gas properties in the U.S. Visa lifted performance in financial services as the company is seeing a rebound in volumes and, additionally, nice margin expansion. Burlington Northern gave a boost to the portfolio's producer durables holdings as it too announced that it would be acquired. Berkshire Hathaway's offer of $100 a share is a fair price, although we feel that Berkshire Hathaway may get the better end of this deal over the long run.

Praxair dragged down returns within materials & processing. The company continues to perform well in a tough global economy, but the shares appear to be taking a breather after a strong rebound earlier in the year. Technology holdings modestly underperformed benchmark holdings as technology investors have recently gravitated to faster growing companies of late, hurting the relative performance of companies like IBM, which has more consistent but less robust growth. Stock selection in consumer staples was sub par largely due to poor performance from CVS Caremark. The company's retail drug store business is doing quite well; however, the PBM (Pharmacy Benefits Management) business is underperforming. In recent months, the company lost several large clients and this has brought into question whether the marriage of CVS (retail drug stores) and Caremark (PBM business) is working. We continue to analyze the situation at CVS Caremark, recognizing that the shares appear undervalued, but business fundamentals remain challenging.

During the quarter, we initiated a small position in Amazon. The strength of the company's business model is compelling as is its long-term growth potential. We hope to bolster the position in the future during periods of transitory weakness in the shares.

For the Year

The portfolio significantly outperformed the Russell 1000 Growth Index for the year, led by strong stock selection in technology, health care and energy. This was partially offset by unfavorable stock selection in consumer discretionary, consumer staples, and producer durables. Sector allocation also had a positive impact on performance as an underweight in health care and an overweight in technology more than offset weakness from the portfolio's overweight position in energy.

Returns from the portfolio's technology holdings were off the charts, so to speak, with a greater than 70% return in aggregate for the year. Citrix Systems, Apple, and Adobe Systems, were major contributors as each company continues to innovate and release novel products for consumer and corporate usage. Hospira and McKesson bucked the trend within health care, also experiencing strong appreciation during the year. Hospira continues to benefit from their Project Fuel initiative, a company-wide plan to increase efficiency and margins, while McKesson had a strong year in both their drug distribution business as well as their health care IT business. Virtually all of the portfolio's energy holdings performed well on a relative basis. Standouts include Halliburton, Southwestern Energy, Occidental Petroleum, and Range Resources.

Consumer discretionary holdings performed great during 2008, but produced more temperate returns in 2009 as the market rewarded beaten-down consumer discretionary stocks with suspect fundamentals which did not match our high quality growth approach. Wal-Mart, for example, performed well operationally, but was a major anchor during the year. In addition, our lack of exposure to Amazon, which saw tremendous gains during the year, also hurt relative performance. Procter & Gamble and PepsiCo weighed down consumer staples performance as investors shunned defensive companies in favor of more cyclical companies. Lastly, UPS dragged down returns within producer durables; with its largely fixed cost structure it had trouble adapting to an economic environment where volumes were much lower than in previous years.

Market Performance

After a breather in October, stocks continued their climb higher in both November and December, with the S&P 500 Index returning +6.0% during the three month span, its third consecutive positive quarter. And while this performance seems modest when compared to the +15.9% and +15.6% returns achieved by the index during the 2nd and 3rd quarters, respectively, the moderation seems reasonable given the significant gains that stocks had already realized off their early 2009 lows. Additionally, while economic data was mainly encouraging and sentiment better, investors' underlying uneasiness about the sustainability of the multi-quarter rally was made apparent as news emerged of debt problems in Dubai in November and of an attempted bombing of a U.S. passenger plane in December. Yet, despite these concerns, stocks were able to extend the rally that began in early March to a gain of over +60%, bringing the S&P 500 Index's 2009 overall tally to +26.5%, its best annual performance since 2003.

During the quarter, large and mid capitalization stocks outperformed small capitalization stocks and growth had a clear advantage over value. During the early stages of the stock market rally, when investors began discounting an economic recovery, small caps dominated since they depend on and respond quickly to strong economic growth. However, in mid-October, larger cap stocks began to outperform as investors still remained concerned about credit and about the strength and sustainability of the recovery and whether the process would take longer than previous recoveries as the economy deals with the lingering after-effects of the financial bust. And while small caps attempted to reassert leadership in December, it will be interesting to see whether large caps are able to re-establish a favored position.

For the full year, mid caps did better than large and small caps, yet growth-oriented stocks across all cap ranges ended the year with the noticeable lead.

While all sectors were positive during the quarter, technology, producer durables, and consumer discretionary were the best performing Russell 1000 Growth Index sectors. Utilities, energy, and consumer staples were the worst performing sectors during the quarter.

For the year-to-date period, technology, financial services, and materials & processing were the best performing sectors with average returns of more than 45% each. The defensive areas of the market were the worst performing, including utilities, consumer staples, and health care.

Market Outlook

The stock market experienced a remarkable turnaround in 2009. After suffering a devastating bear market in 2008 that bled into early 2009, stocks rallied over +60% from their early March 2009 lows, resulting in a +26.5% return for the S&P 500 Index, its best annual gain since 2003. This rally was driven by enthusiasm that the worst was over for the housing, credit, and financial markets and that the economy was on its way to recovery. And while we agree that the worst is over and that the economy is on the mend, the recovery remains fragile. Additionally, it is typical for the equity market to experience a sharp rebound following a significant bear market. So, we believe that the biggest gains for stocks may be behind us.

We are of the view that stock valuations presently discount a best case scenario for what lies ahead for the economy and corporate earnings. Better economic data has been driven, in part, by low interest rates and the support of government programs. However, credit is still tight, housing remains weak, and high unemployment and consumer de-leveraging remain headwinds near term. The Fed is in a tough situation as it faces pressure to raise interest rates to unwind its balance sheet and to offset any inflationary risks while also remaining sensitive to the fragile state of the economy. Additionally, the ballooning Federal deficit may lead to higher taxes. Given these concerns, we believe that economic growth will be less robust on average than recent history. Assuming this scenario, earnings expectations

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currently reflected in stock prices may be aggressive. Recent corporate earnings growth has been driven by cost cutting as compared to top-line sales and revenue growth. And although this better operating leverage is good news for corporations in an improving economy, this low quality earnings growth is not sustainable. We believe that stock prices will remain vulnerable to these issues, resulting in volatility in stocks during 2010 as the economic issues continue to work themselves out.

In this uncertain environment, we believe investors should remain wary of lower quality stocks with lower quality earnings and focus on high quality stocks of companies with strong balance sheets, good managements, and that are able to generate high quality earnings, 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 29 years of financial services experience, including 22 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 19 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, a board member of the Illinois Mine Subsidence Insurance Fund, a member of the CEO Council of Chicago United and the International Foundation of Employee Benefit Plans. Ms. Walker 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) and the Economic Club of Chicago.

Carl R. Bhathena
Co-Portfolio Manager - Equity &
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Mr. Bhathena is Co-Portfolio Manager of the firm's large cap and mid cap growth equity strategies. As a Senior Equity Analyst, Mr. Bhathena 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 17 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. Bhathena 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. Bhathena 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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