



**WHM Capital Advisors
2nd Quarter 2011
Client Report
Investment Review and Commentary**

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<i>Index Performance:</i>	<i>Index</i>	<i>2nd Quarter</i>	<i>YTD 11</i>	<i>12 mth</i>
<i>Dow Jones Industrial Average</i>	12414.34	0.77%	7.23%	27.01%
<i>Standard & Poor's 500</i>	1320.64	-0.39%	5.01%	28.13%
<i>Salomon Bros Govt/Corp Bond</i>	1201.74	2.11%	2.43%	3.78%

Complete WHM Capital Advisors Composite Data is available by contacting the firm.

"Plenty of items to debate"

Equity markets pulled back in the 2nd Quarter of 2011 as worries mounted over the potential for slower global economic growth. The slowdown fears though may not manifest when all factors are considered. At last quarter's close, the question was posed about how much further could equity markets run. Now as questions mount about future economic growth, investors may have their convictions challenged in the short-term.

Commodity prices fell generally in 2Q, spurred by a release of oil reserves by major western governments associated with the International Energy Agency. Although this was in response to the Libyan crisis putting pressure on oil production, this also helped to force speculators out of the futures markets in the short-term, leading to a drop in oil prices. Some of this drop was interpreted as a sign of a decrease in demand due to a slowing global economy, but the effect is not likely to show that cause in the remainder of the year.

In fact, producer prices decreased with lower commodity prices, but inflationary pressure did not pull back significantly in food and energy prices. As a result, consumer confidence continued to fall. Jobs data in the US drove this negative sentiment as well. Data on job creation continued to be weak as private employment has shown little year-over-year gain.

Interestingly though, sentiment among institutional money managers has risen over the same period. Job production is not a factor that drives the sentiment of professional investors over time; corporate profit growth does, and corporate profits have continued to rise significantly. It seems that corporations in the US as well as globally have become more efficient in producing profits with fewer workers. This is likely to lead to earnings surprises that aren't expected by those who watch consumer confidence as an indicator of market performance.

There are a couple of pieces of good news that also add to the positive sentiment of investors. First, over 50% of small- to medium-size employers expect to add jobs in the second half of 2011, indicating positive sentiment about their business growth. Second, durable goods orders are up 10% year-over-year. Additionally, bank lending seems to be

picking back up. These factors show an economy that is continuing to grow despite the continued high levels of unemployment.

Housing markets in the US continue to be sluggish, and until there appears to be a true bottom, banks will continue to have problems. In 2Q, major banks saw their share prices drop substantially and community bank failures continued to pile up. Global debt markets too, are shaky at best as sovereign debt problems in Greece and Portugal spook investors. Even the US has seen its debt face a potential downgrade to "D" by Standard & Poors as the debt ceiling is reached without a solid plan of how to get spending under control. These issues have an effect on investor confidence, but it seems, again, that businesses continue to grow in spite of these concerns. Investors willing to take advantage of the squeamish markets may find good deals in the midst of the fear.

Global growth in emerging markets continues to be strong and corporations continue to look for opportunities to use their strong balance sheets (lots of cash and little debt) to take advantage of those growth areas. China's growth seems to be slowing and the level of concern over the aging population may continue to force global companies to rethink their longer-term China strategy, but India and Brazil continue to see dramatic growth in the number of consumers with increasing incomes.

The lack of a consistent sentiment of good feelings about capital markets and risk will continue to produce volatile markets for the foreseeable future. While this volatility can be unnerving, it is also a natural function of a market and can provide opportunities for investors who have conviction about the future direction of asset prices. Indicators such as transportation services activity, levels of inventory relative to sales and the overall health of corporate cash flows and capital structures give us a sense of this conviction even as we eye the markets cautiously.

In the 2nd Quarter, portfolios benefited from exposure to the Health Care sector as those companies outperformed the overall market. In particular, Amgen (AMGN, NYSE) contributed most to that sector's performance with a 9.52% increase in price. Also, Financial sector holding, MasterCard (MC, NYSE) recovered from concerns over the Dodd-Frank legislation over fees and was up 20% for the quarter. Technology holdings Apple (AAPL, NASDAQ) and Google (GOOG, NASDAQ) pulled back as investors took gains and concerns were voiced over the future of product development at both firms.

In Fixed Income we continue to maintain very short durations given the anticipation for rate increases and declines in bond prices. Municipal credit is of concern also as governments are yet to come up with solutions to budget crises.

WHM Capital Advisors is a financial advisory firm providing research, analysis and advice to a diversified global client base that includes institutions, corporations and high net worth individuals. Founded in 2002, the firm's areas of expertise are in valuation consulting, succession planning, mergers and acquisitions advice and investment management. In addition, the firm has a related technology company that designs applications to analyze complex financial issues for clients.

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