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IS NOW THE TIME FOR GROWTH?

Technology investors have to be wondering if a new growth cycle will ever emerge following the extended digestion period after the spending binge of the late 1990's. Having suffered through years of investment stasis, traditional growth companies began performing materially better in 2007, only to be derailed by the emerging credit crisis in the back half of the year. These stocks were further buffeted by investor fears over a general financial calamity, highlighted by the collapse of Bear Stearns, in the first part of the new year. Now, investor concerns are centered on an energy crisis yielding dramatic declines in consumer confidence. Yet despite these macro-issues, many new technologies continued their respective gestation periods and now appear ready to emerge into full view, impacting how people will interact, communicate, receive entertainment, and even change work habits.

To gain an appreciation for the potential prospects of some of these technologies, one only need examine the influence new products and services have had on today's teenagers, where the adoption curve of these new products indeed has been staggering- who among them doesn't text message, use various social networking sites, or use cell phones in ways never dreamed of just a few years ago. So what should investors expect too see later this year? New platforms (better smart phones), new infrastructure (the ability handle multiple data types in a location independent manner), new applications (the merger of portability and information availability any time anywhere will be profound), and new customers (an emerging middle class in what were heretofore considered third world economies) to name a few areas of focus.

While the naysayers have focused on each impending disaster for the US economy, our portfolio performance has been quietly discounting these factors and may be suggesting improvement just ahead. More to the point, following the disappointments of January and the relative stability of February and March, the months of April and May have shown substantial gains even in the face of the latest energy and consumer spending concerns. Thus we believe companies capable of delivering growth in this environment will reward investors, leading us to recommend that investors increase their exposure to select technology shares now. Furthermore, should the environment change for the better as it relates to energy and commodity prices, we would expect a very rapid migration into these growth-related issues.

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The Hangar 4 Investment Fly-By is an ad hoc publication intended to give our partners, and prospective partners, some insight into various themes that factor into our investment posture. Hangar 4 Partners LLC is an equity growth manager focused on technology, consumer product, and service companies. Michael P. De Santis and Bruce M. Lupatkin are the portfolio managers. For information regarding Hangar 4 Partners, please contact Michael P. De Santis, mpd@hangar4partners.com or Bruce M. Lupatkin, bml@hangar4partners.com.