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Accounts managed by Hangar 4 Partners, LLC finished the year up about 18% net of all fees, while the NASDAQ Composite closed the year up just over 28%. What started out as a very narrow stock participation early in the year with the index performance being dominated by a very small group of large capitalization stocks, began to broaden by the fourth quarter before the rally stalled out in late December. The accounts posted gains of just under 7% for the fourth quarter, while the NASDAQ Composite returned about 6%. If 2024 marked the year of the start of the artificial intelligence race (AI) characterized by enormous capital expenditures for the basic building blocks of the technology, 2025 should be the year of implementation, earnings acceleration, and investment returns.

The transformative nature of this technology will become self-evident with personalized agents allowing individuals to control various aspects of their professional and personal lives, think versions of Siri or Alexa that are much more useful; followed by applications like autonomous driving and robotics. When applied to analyzing large data sets, heretofore impossible, new avenues for drug discovery, healthcare diagnostics, and the like become possible. AI technology will be imbedded in most everything, changing all sorts of user experiences and profoundly impacting the economy. The world is about to change over the coming 24 months perhaps like nothing we've seen in our lifetimes, creating all sorts of investment opportunities.

Yet headwinds do also exist. Perhaps the most notable is the continuing rise in longer-term interest rates. These rates could cause several short-term dislocations in various parts of the economy. Moreover, Federal Reserve policy miscues would impact the economy as well. But the Fed is not alone in its ability to throw a wrench at things. Fiscal policy errors might also impede the progress of these secular trends. With that said, we believe these trends to be so powerful that the issue will be timing of implementation rather than whether they have impact at all.

We are making a bet that 2025 will be the year of the start of real AI investment returns, earnings acceleration, and new/changing applications. We are already seeing the amount of infrastructure being

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built to support these changes- data centers, power requirements, and the like. There is very much a “land grab” going on among players. We anticipate near term volatility as the new administration and its policies are installed in January 2025. How it all shakes out is open to debate but feel confident in the investment environment ahead.

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