HANGAR 4 PARTNERS LLC

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Investor Note: What to Expect in the Final Month of the June Quarter

The AI trade delivered two exceptional months of performance in April and May, but June may introduce a more measured tone. As the old Wall Street adage reminds us, *trees don't grow to the sky*. The long-term secular strength of the AI theme remains firmly intact, yet a period of consolidation appears likely as investors gain a clearer understanding of the real economic impact of today's AI technologies—particularly inference and agentic models.

Corporations are beginning to see tangible returns on their AI investments, with some reporting accelerating growth. Hardware providers have been the standout beneficiaries so far. Their March-quarter earnings and revenue results were extraordinary, and guidance generally pointed to continued acceleration. The market reaction was equally striking, with several hardware leaders experiencing near-historic single-day moves—essentially compressing a year's worth of performance into hours. Software providers lagged initially, though late May showed early signs of catch-up.

Looking ahead, the next phase of this bull market may feature broader participation. A key swing factor is the flow of oil through the Strait of Hormuz. A normalization in energy supply would likely ease inflationary pressures, support lower interest rates, and help untangle supply chain bottlenecks. These dynamics could lift consumer confidence and spending, providing a catalyst for sectors beyond AI leaders to reengage.

June should also see what will perhaps be the largest IPO ever, Elon Musk's SpaceX. Investors will likely sell some of their May investment winning to fund new investment in SpaceX creating a bit more volatility.

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The secular AI story remains powerful, but June may be defined less by vertical surges and more by rotation, digestion, and broadening market leadership.

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