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Accounts managed by Hangar 4 Partners LLC finished the September quarter with gains of about 4%, bringing its year-to-date return to over 23% net of all fees. Over the quarter, the NASDAQ Composite and S&P 500 rose 2.5% and 2%, respectively, while the Dow Jones Industrial Average declined 2.7%. Their respective year-to-date gains were 15.6%, 11.8%, and 5.9%.

Our performance was driven by investments in companies powering the first phase of the AI buildout, particularly hardware, semiconductor, and data center firms. Software holdings lagged as concerns about AI cannibalization intensified, while inflation fears and high interest rates weighed on our consumer investments. By quarter-end, however, the trend had begun to shift: the hardware trade stalled, and software started to outperform. Investor skepticism about returns on massive AI infrastructure spending also eased as businesses moved from pilot programs to production and began realizing value from their AI implementations.

More recently, personal AI agents gained prominence with the introduction of Muse from Meta and Dots from OpenAI. Additional agents are expected from Microsoft, Apple, Google, and others. These tools will require greater computing power, generate more internet traffic, and place additional demands on hyperscalers and data centers. Together with business workflow automation and AI-native applications, they should continue to drive strong demand—we remain early in this economic transformation.

However, risks remain. Geopolitical tensions are widespread, including the wars in the Middle East and between Russia and Ukraine. Inflation also remains elevated and persistent, driven not only by energy prices but also by fiscal policy that predates the Iran conflict and by uncertainty surrounding the U.S. midterm elections.

So far, the broad-based productivity gains expected from AI implementation have been limited. Consumers are beginning to benefit from personal agents, and corporations should see similar gains as

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they move from pilot programs to production. In turn, these improvements could ease pressure on inflation and interest rates, allowing the dark clouds to pass relatively soon.

This is an extraordinary investment period, but it is also marked by volatility and risk. Even so, we remain enthusiastic about the opportunities ahead and look forward to the fourth quarter.

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