



Vector Money Management, Inc.

Talking Points: “What’s Hot – What’s Not” Discovery Luncheon – 21 July 2010

Intro: If there is one lesson I have learned from 30 years in the investment arena, it’s that paradigm shifts matter. Get on the right side of one and you can make above average returns – get on the wrong side and you can lose your shirt. New trends and hot products or services aren’t necessarily paradigm shifts themselves, but they can often be early indicators of paradigm shifts underway. With that in mind, here are 16 pairs worth contemplating.

What’s Hot – Developing Economies: Developing economies are rebounding nicely, growing at 5%, 6%, 7% and 8% depending on the country. These countries and their citizens (for many reasons) were not over-leveraged (too much debt) like the developed economies during the recent credit crisis, and, therefore, escaped relatively unscathed. Many of these countries are now experiencing falling interest and tax rates, as well as stable currencies – all good signs for future economic growth.

What’s Not – Developed Economies: Greece may be the best example of the problems that plague the Developed Economies. Unfortunately, most are weighed down by debt to GDP ratios close to 90% and heavy entitlement obligations.

What’s Hot – Mobile Broadband: Young consumers expect to be able to use their smart phones as a complete internet portal, getting all their favorite video applications, websites and email on the go. As a result, data has become the area of highest traffic growth.

What’s Not – Mobile Voice: Growth in voice minutes has flattened and carriers are now experimenting with new plans that may change the game from buckets of voice minutes and unlimited data plans to buckets of data and all you can eat voice.

What’s Hot – Electronic Media: especially e-readers.

What’s Not – Print Media: Print media is relatively self-explanatory. In a world where 24/7 TV news outlets scramble for anything newsworthy and news is reported real-time throughout the day on every internet site, it’s difficult to be timely with print. This has cut down subscribership which reduces advertising revenues – pushing print media ever closer to the brink.

What’s Hot – Mobile Devices: Smart phones, along with other light-weight, portable, internet ready devices, are supplanting the PC as the primary connection point to the world-wide-web.

What’s Not – Desktop Computing: Unfortunately for the desk top PC, today’s computer users prefer to be on the go, on the couch, or in the bed - and with so many options to fulfill these goals, fewer and fewer users are opting to be stuck at a desk.

What’s Hot – Graphic Processing Unit: Slide 10) GPUs or Graphic Processing Units focused on handling video.

What’s Not – Central Processing Unit: Slide 11) the CPU or Central Processing Unit.

What’s Hot – Solid State Drives: Slide 12) Solid State Drives

What’s Not – Hard Disk Drives: Slide 13) Hard Disk Drives



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What's Hot - Cloud Computing: With cloud computing, a myriad of applications and files can be accessed and run via the Internet. This drastically reduces hardware and software costs, reduces the IT staff, and allows users to access files from any computer, anywhere.

What's Not - Local Area Networks: Local Area Networks (LANs), where software applications and files are maintained on local servers, have been the backbones of businesses large and small, but are starting to show their age in the competition with the cloud.

What's Hot - LED Lighting: In a world focused on energy, ecologic and carbon footprints, LED lighting has stolen the show. Not only do they use less energy, they emit more light, have a longer life, better resist shock and vibration, and can be cycled on and off without degradation.

What's Not - Incandescent Bulbs: Under pressure from governments the world over to become more energy efficient, the incandescent light bulb's days are numbered - but hey, a hundred years is a pretty good run for a technology.

What's Hot - Solar Power: We chose Solar Power for this slide, but the underlying idea is a continued governmental focus on alternative, renewable energy. This theme is far from decided, but will continue to be in play until the world discovers a way to meaningfully reduce its use of fossil fuels.

What's Not - Global Warming: Global Warming

What's Hot - Biomass Wood Pellets: In Biomass wood pellets, we attempted to illustrate the magnitude of ideas in play for alternative energy sources - for more information on this contact Dr. Sumesh Arora at the Mississippi Technology Alliance (MTA).

What's Not - Corn Based Ethanol: Corn based ethanol is an illustration of how the push to quickly provide an alternative energy source can have unintended consequences and why the science is far from decided.

What's Hot - Holes in the Ground: Mining of base and precious metals is booming around the globe to meet the voracious demand of these minerals in the developing economies.

What's Not - Towers in the Sky: Unfortunately, during the recent real estate boom, houses were not the only thing being speculated in. Commercial real estate, too, was overbuilt. With too much space built and leases running off, lease rates will likely be under pressure. There are some who think commercial real estate may have another leg down.

What's Hot - Israeli Venture Capital: Israel is the current hot bed of venture capital. Israel has more companies listed on the NASDAQ than all of Europe.

What's Not - California Venture Capital: California is still the largest base of venture capital but its dynamism in 2010 pales next to Israel's.

What's Hot - Bottom-Up Content Creation: People not only want a say as to what, when, and where information is delivered to them; they want a hand in creating that very information. With the likes of youtube, twitter, facebook, and myspace, grassroots content creation has never been easier.



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What's Not - Top-Down Broadcasting: Top-down broadcasting has lost a lot of its allure. People are no longer captive to the programming they were once force fed by the major television networks. The networks would die for Facebook's nightly viewership, or, perhaps I should say, the networks are dying because of Facebook's nightly viewership.

What's Hot - Steve Jobs: Steve Jobs, founder and CEO of Apple Computer, is, arguably, the most admired CEO and business leader in America today. His company's stock price, over the past decade, has risen by 931%, and is now second in market capitalization (number of shares times price per share) only to Exxon Mobile - an amazing accomplishment for a company still run by its founder.

What's Not - Jack Welch: Jack Welch, the most admired CEO a decade ago. Ten years ago GE was the biggest company in the world by market capitalization but in the past decade its stock has fallen by 68%. Contrast that with what Steve Jobs (see above) has been able to accomplish at Apple.

What's Hot - Tea Party: The real energy in politics today is being generated by the tea party movement - another bottom-up phenomenon.

What's Not - Incumbents: The approval ratings for both major parties are near historic lows.

What's Hot - Ayn Rand: Ayn Rand, a believer in individual rights, laissez-faire capitalism, and limited government, is enjoying an amazing revival in popularity. Her most famous book, "Atlas Shrugged", first published in 1957, sold more copies in 2008 than it did in any previous year and then, in 2009, doubled the sales from 2008.

What's Not - John Maynard Keynes: John Maynard Keynes, the father of Keynesian economics (which holds, among other things, that government spending can, and should, be used to prop up economies during recessions) was hot 18 months ago as his policy of monetary stimulus was in vogue, but the effectiveness of government spending is now the center of great debate.

In conclusion, allow me to attempt to connect the dots between the last 4 "hot" items. They all revolve around the individual or, economically, the entrepreneur. Ayn Rand considered the entrepreneur as the key building block of the economy, which stands in stark contrast to Keynes' demand-side perspective and view that consumption is central. Posed another way: Does economic growth come from ideas in peoples' heads or money in peoples' pockets? The protagonists in Ayn Rand's books are entrepreneurs, a role in society she glorifies. Steve Jobs is far and away the most successful entrepreneur of our time and in many ways he has lived an Ayn Rand type narrative. Jobs started Apple Computer only to be fired in the early 90's, after which he started Pixar, only to sell it to Disney, after which he started Next Computing, only to sell it back to Apple, after which he retook command of his original company and lead it out of the wilderness and back to prominence. Finally, the Tea Party is a bottom-up, entrepreneurial political organization that seeks to have an impact in the political arena. Don't underestimate its influence on this coming November's results or on economic policy in the year ahead.

- If you have any questions or comments, please don't hesitate to contact me. Thanks for your time.

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