

Garrett Van Wagoner

June 15, 2007

The following commentary provided is for informational purposes only and is not intended as a recommendation to buy or sell any security.

What do you think is pushing the markets higher?

We see a combination of factors that are contributing to the market's rise. It appears we have a classic situation with investors climbing a 'wall of worry'. Meaning many professional and institutional investors are very cautious about the market and are being forced to enter at higher prices as they chase performance towards the end of the second quarter. More importantly, if we look at global liquidity, the Federal Reserve has stepped up the money supply a little bit in anticipation of a slower summer given mortgage rates and gasoline prices. There appears to be a lot of liquidity 'sloshing' around in global markets. Lastly with buyouts, mergers, etc. the equity shrink continues. We believe those factors – bearish institutional investors, accommodative Federal Reserve relative to growing the money supply and equity shrinkage with buybacks and private equity deals – are all contributing to the market's continued rise.

Will the trend continue if the Federal Reserve does not lower rates?

The trend can continue we think we'll see some backing and filling through the summer. We're probably going to add some volatility as we've been relatively benign on the volatility side of the equation for quite awhile and expect to see that start to pick up a little bit. But we believe the market can keep going up and expect the next move from the Fed will be to lower interest rates, although we don't expect to see that move anytime soon.

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We're in the summer period now, how is the outlook for technology?

We believe we're going to surprise people this year. The surge of technology we normally see begins near the end of July and continues through the end of the year - sometimes it begins as late as the end of September. But we think we're going to get an earlier cycle this year from our research and speaking with companies and industry peers. There is very little exposure to technology and there are a lot of growth drivers. Dell is trying to get itself back on its feet and pursuing a retail strategy. The company will need to build up inventory for some of those channels that will 'soak up' some of those parts. Apple has some great new products out there which are causing attention. And Chinese government is implementing a brand new protocol and strategy for their wireless area and adding a lot of equipment strength. So we're very enthusiastic about our companies and where they are positioned in the technology business and think we're going to have a very strong summer.

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Small and mid-size company stocks are generally riskier than large company stocks due to greater volatility and less liquidity.

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