

change by awareness, by leading by having a background in what's going on, and you see the kinds of things that occur that is where the growth really comes from. Right now, I read *The New York Times*, the *Wall Street Journal*, and *FD Magazine*. *Business Daily* (BD) has become one of the most important suppliers of information but a lot of it comes from observing public things and observing people and what they do. What they like and what they will do.

Some of the great successes we had, was in earlier than anybody else, was in the medical area. It was in the medical management area, picked up the cellular area before anybody else, picked up international telephones, but above all, picked up the Internet. One of my early, very successful investments in the Internet was a local company in the Boston area called GMDA. I said, "I don't know what it was and I don't know what it does, but it became the second largest company in the United States, who is finally being listed. Of course, they were 1000 times bigger than we, so it was more important (ous) though it is a public venture capital firm in the Internet, and as the Internet developed, the bubble developed, and the stock ultimately went from \$10 to \$160.

→ MEGATREND 4: DEMOGRAPHICS: SEEING IT COMING FROM A MILE AWAY

"Weather forecast for tonight: dark."

— GEORGE CARLIN

Generally, I don't pay any attention to the weather reports because I find them often wrong, and some general observation can basically prepare me for the day ahead. If it's raining outside, I'll grab an umbrella. If it's 40 degrees, I'll wear a coat. But a long time ago I quit planning my activ-

ities based on the weather forecast for the week ahead. I don't flip a coin to make decisions, and I don't listen to a meteorologist.

But, if I want to schedule a ski vacation in Colorado, I'll plan it for March. If I want to go waterskiing in Minnesota, I'll do it in July, and if I want to watch the cherry blossoms in Washington, D.C., I'll arrange my trip for April.

While day-to-day weather is random, the seasons are predictable. It's cold and snowy in the winter, warmer and wet in the spring, hot and drier in the summer, cooler in the fall. The days are longer in the summer, shorter in the winter. I know these things and I can plan around them.

Similarly, understanding demographics gives investors a very predictable window to the future.

An aging population is going to require more health care, travel more, and be looking for ways to enhance their retirements. Premium wines, beers, and coffees benefit. So do financial services.

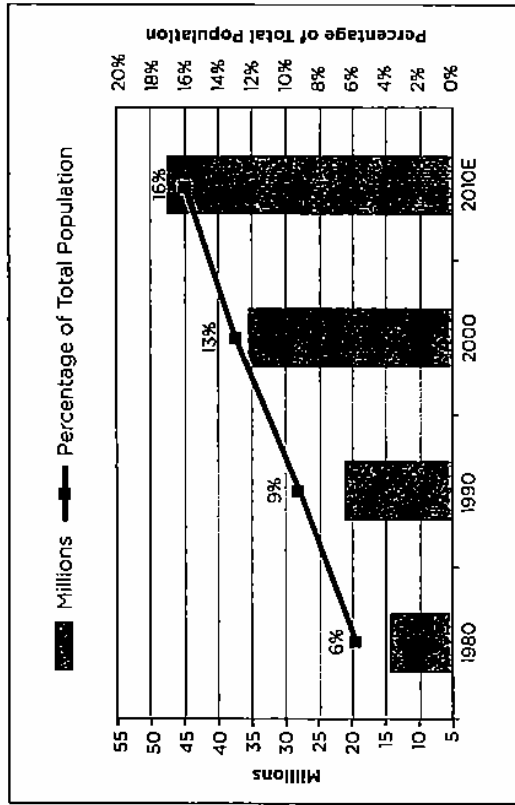
As women become a larger percentage of executives in business, nanny services and corporate child care become more in demand, and takeout food and premade dinners are trends, as are tutoring, maid, and gardening services.

In the I-Generation, most kids can't remember when the Internet wasn't always on. To them, the cell phone is like the automobile was to our parents—a way to exercise their independence and exhibit self-expression. Ring tones, text messaging, games, and movies are what the I-Generation expects in one smart device.

The Hispanic population is the fastest-growing ethnic group in the United States. Currently 14% of the U.S. population is Hispanic; it is expected to be 20% by 2020. With this growth comes great opportunities for targeted marketers, focused media, and smart retailers.

Immigration will continue to increase rapidly, though it will likely slow from some parts of the developing world as growth and liberalization in developing countries improve opportunities at home. In the United States, minority populations will continue to rapidly move into the mainstream. The Latino population's growth in numbers and purchasing power will make it the first minority group to meaningfully re-define the retail, media, and financial services industries in the United States.

U.S. Hispanic Population

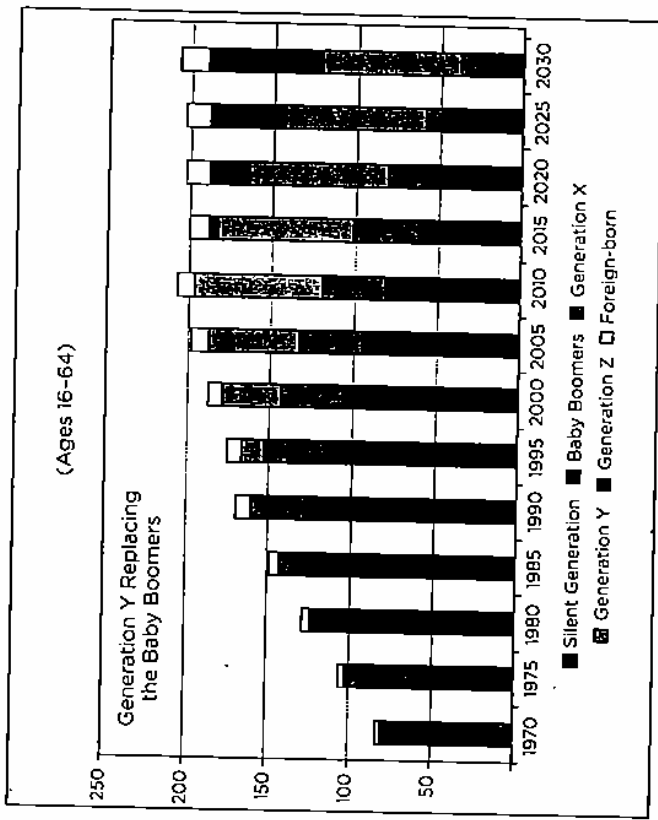


Source: U.S. Census Bureau.

The combination of an aging population and the events of 9/11 have provided a catalyst for a religious revival. In 1994, a Gallup Poll asked Americans whether they felt the need to experience spiritual growth, and 20% said yes. By 1999, 78% said yes, and this was before 9/11! Rick Warren has sold 25 million copies of *The Purpose Driven Life*, and *The Passion of the Christ* is one of the most successful movies of all time, grossing more than \$600 million (to the great surprise of “the experts”). With up to 80 million evangelicals, \$7 billion of Christian music and \$2.24 billion of Christian books were sold in 2004, according to *Billboard*. Christian music, books, and other media are obvious winners; family restaurants such as Potbelly’s, family entertainment such as Six Flags, and virtuous apparel retailers (the anti-Abercrombie & Fitch) win big too.

Demographic trends over the next 20 years will prove incredibly dynamic. The oldest of the baby boomer generation will begin to leave the workforce and enter retirement around 2008, but 90% of Generation Y (the echo boomers) will have entered the labor market by that time, and thanks to the size of Gen Y, the effects of the vanishing workforce will nearly be offset. Of course, replacing seasoned employees with new entrants will present new challenges for companies.

Generational Labor Force Composition



Source: U.S. Census Bureau, ThinkEquity Partners.

Generation Y will be the first generation to grow up with information technology—leap-frogging Generation X’s mere comfort with technology—as a result of the Sony Walkman, Atari, Apple 2E, Commodore 64, and VCR. Beyond using technology, Generation Y’s experiences will extend to understanding how information technology works, and can work, when applied to things so far untried by prior generations.

Across numerous industries, baby boomers and the younger generations will create polarizing forces: Boomers frequenting stores to shop (and spending more time shopping), Generations X and Y bypassing them almost completely; travel industries seeing sharp growth in leisure demand, while business travel wanes; financial services restructuring to cater to retirees, while commercial, merchant, and “venture banks” build out new capabilities to meet the explosion in new business ventures and restructuring of more mature industries.

Demographic Plays

- Health care
- Travel and leisure
- Minority marketing
- Womencentric services
- Wealth management
- Spiritual products

Politically, baby boomers will face their first real challenges from outside their own demographic, as the larger combined size of Generations X and Y begins to wield meaningful influence economically, technologically, and socially.

In short, emerging demographic shifts not only will play a primary role, but, given the size and scope of the changes taking place, will also prove disruptive to past technological, economic, and social legacies. Wise investors will find huge opportunities emerging where these legacies are falling away.

STAR GAZER

ED MATHIAS

managing director at the Carme Group. Ed has one of the rarer backgrounds among investors in emerging growth companies and is credited as an expert at the center of the market. Ed has been a general partner at the Carme Group since 1993. He has experienced financial at all levels, including as senior portfolio manager of New Horizons Fund, a hedge member of the board of directors at Power Prices, and as a partner in the investment firm of New Enterprise Associates. I spoke with Ed about his advice for growth

Mission: Go, go, go! You will never win if you wait for the right time to start. (www.winninginvestors.com)

Most people who want to be growth investors have to be willing to be the venture focus on their own, do their own research, and make their own decisions. They're not going to have as much information as the hedge funds or the money managers with huge research staffs, but they may have a dose of common sense which could be helpful. The people who really succeed as investors are those who have a passion and spend a lot of time and think you can do that as an individual. You just don't have to say the two key factors are to understand your own situation and also have control over your emotions. Understand how you make decisions, look at your record over time and sort out your strategy to that.

→ MEGATREND 5: CONVERGENCE— SEEING THE WHOLE FIELD

"Convergence is when your site finally loads just as your laptop's batteries die."

—STUART CHIRLS, EDITOR, *THE JOURNAL OF COMMERCE ONLINE*

Ten years ago, Bill Clinton was elected to his second term as president, Nicholas Cage won an Oscar for best actor in *Leaving Las Vegas*, O. J. Simpson was on trial for murder, Timothy McVeigh was on trial for the Oklahoma City bombing, and Atlanta hosted the 100th anniversary of the Olympic Games.

Do these events seem as though they happened just yesterday? My point is that 1996 wasn't that long ago. Yet, while most businesspeople were using a cell phone and many professionals were using a pager, no-