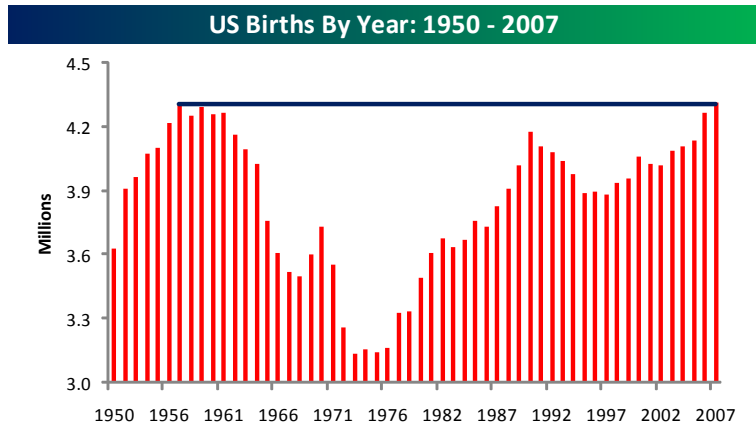


The New Baby Boom

While financials, oil, short sellers and earnings have taken up the bulk of news coverage lately, one notable story that has gotten lost in the shuffle is the fact that the US is experiencing another baby boom! In mid July, the National Center for Health Statistics (NCHS) announced that the number of babies born in the US during 2007 hit a record of 4.315 million.



While one would assume that the impact of population growth would result in a higher number of births almost every year, as the chart above shows, the previous high for the number of births was all the way back in 1957 at the peak of the baby boom. While it is true that the current record of births is building off a bigger population base, the increase is still notable. Over the last five years, US births have increased by 7.3%, which is the highest rate since 1991.

The implications of an acceleration in population growth are numerous. In the very long-term, more people ultimately means greater demand for goods and services. In the shorter term though, increased birth rates is a benefit for companies that cater to infants. Even during periods of economic weakness, parents tend not to skimp on their kids, especially when it comes to health, clothing, and education. With that in mind, we have created an index of companies which cater to children in each of these fields. As shown in the chart below, the performance of these companies reflects this trend. The stocks in our “Bespoke Baby Index” are up an average of 18.7% year to date, while the S&P 500 is down 13.1%. As this new trend gets more attention, the stocks in the index should continue to outperform.

Bespoke Baby Index: Year to Date Returns

Ticker	Name	Sector	Price	YTD Change (%)
SYUT	Synutra	Formula	35.3	16.9
MATK	Martek Bio.	Formula	38.2	29.2
BABY	Natus Med.	Med. Testing	23.6	22.1
KMB	Kim.-Clark	Diapers	57.9	-16.5
CRI	Carter's	Clothing	16.4	-15.5
PLCE	Children's	Clothing	39.2	51.1
LF	Leapfrog	Educat. Toys	9.4	39.5
Average				18.1
S&P 500				-13.1

Bespoke Baby Index: 2008

