Benchmark Performance by Asset Class	Week-to-Date	Month-to-Date	Year-to-Date
U.S. Large Cap Equities	3.28%	7.42%	10.51%
U.S. Small Cap Equities	1.69%	6.73%	-4.55%
International Developed Equities	1.69%	5.17%	-4.58%
Emerging Markets Equities	2.76%	4.08%	2.28%
Global Equities	2.74%	6.40%	5.02%
U.S. Bonds	-0.51%	-1.04%	6.60%
Intermediate Municipal Bonds	-0.15%	-0.21%	3.11%
High Yield Bonds	0.75%	0.89%	1.61%
Oil	1.96%	4.48%	-36.87%
Gold	1.43%	-0.55%	26.45%
Key Rates	8/28/2020	12/31/2019	8/28/2019
U.S. 2 Year Treasury Note	0.14	1.58	1.50
U.S. 10 Year Treasury Note	0.74	1.92	1.47

Week in Review:

US equities continued their incredible rally last week as the S&P 500 and Nasdaq both reached record highs once again, and the Dow Jones turned positive for the year. Helping to lift stocks were announcements made by the FDA and Federal Reserve. The FDA approved emergency use authorization for convalescent plasma in COVID-19 patients, while the Fed presented a new inflation policy. Under the new strategy, the Fed will allow inflation to run higher than the traditional 2% target in order to support the economy and labor market, before raising interest rates. In the past central bank policy focused on the idea that low unemployment would lead to higher inflation requiring an increase in interest rates if inflation reached 2%. However, that has not been the case in recent history – both unemployment and inflation remained low for an extended period prior to the pandemic. The new policy will target an "average" inflation of 2%, meaning the Fed will allow inflation to run "moderately" above its 2% goal "for some time" following periods when it has run below that goal.

A slew of startup companies with $1 billion+ valuations, or unicorns as they're known in Silicon Valley, filed plans for public listings last week, hoping to cash in on frothy public markets. Notable names include:

- **Snowflake** - a cloud data warehousing platform designed to safely and efficiently store, transform, and analyze business data. The company, headquartered in San Mateo, CA, was valued at over $12 billion during its last funding round in February.
- **Unity Software** - a platform for video game developers led by former Electronic Arts CEO John Riccitiello. The San Francisco-based company's filing states that more than half of the top 1,000 mobile games on the Apple App Store and Google Play Store were made on its platform.
- **JFrog** - Sunnyvale, CA-based platform for software developers designed to transform the way enterprises manage and release software updates.
- Sumo Logic - a cloud-based machine data analytics platform designed to deliver real-time continuous intelligence, headquartered in Redwood City, CA.
- **Amwell** – founded in 2006, Boston-based Amwell operates a telehealth platform designed to improve patient outcomes.
- **Palantir** – data fusion platform designed to integrate, visualize, secure, and analyze information. The Denver-based company was founded in 2004 by PayPal co-founder Peter Thiel.
- **Asana** - workplace productivity startup led by Facebook co-founder Dustin Moskovitz and based in San Francisco.

The recent IPO boom comes as the Securities and Exchange Commission (SEC) is making it easier for companies to go public while foregoing traditionally cumbersome public offerings underwritten by Wall Street, which are full of conflicts of interest and charge extensive fees as high as 7% of proceeds. One alternative option for companies to go public is a direct listing, which has been utilized with increasing regularity since music streaming service Spotify used it to go public in 2018. Under a direct listing, a company's stock begins trading on an exchange and the market determines the price. This contrasts with Wall Street underwritten IPO's in which the investment banks are incentivized to underprice the IPO, allowing their banking clients to benefit from the first day "pop" that newly public companies frequently experience. The biggest problem with a direct listing, until now, has been that companies have not been allowed to raise new capital during the process. However, the SEC has recently approved a request allowing companies going public on the New York Stock Exchange (Nasdaq has filed a similar request) to raise new capital in a direct listing – a move that is expected to transform equity markets. The new rules could help reverse a decades long trend of companies staying private for longer – in 1996 there were 7,322 publicly listed companies in the US, a number that has steadily declined to less than 4,000 today.

The surge in private companies going public, which typically occurs during bull markets, has also been accelerated by the increased use of blank-check companies called Special-Purpose Acquisition Companies (SPACS): shell companies that go public promising to acquire private firms with the proceeds. More than 40% of 2020 IPOs by volume have been SPACS, according to Bloomberg. The new trend, or fad, has seen the likes of hedge fund boss Bill Ackman, Billy Beane (who the movie Moneyball was based on), and former US Speaker of the House Paul Ryan start their own SPACS. Online sports betting giant Draft Kings and electric truck maker Nikola, both with valuations above $10 billion, went public after merging with SPACS this year. The strategy does not come without criticism, however. Many SPACS have lost money for investors or been involved in fraud allegations with their underlying companies. The incentive structure for sponsors is also highly questionable. Founders earn a "promote" of 20% of the shell's company virtually for free, diminishing the returns of other investors. Regardless, as long as public market valuations stay elevated, and the traditional IPO process remains costly and complicated, expect direct listings and SPACS to continue to increase in prominence.

Economic Calendar:

- ISM Manufacturing Index - Monday, August 31st
- Weekly Jobless Claims - Thursday, September 3rd
- Unemployment Data - Friday, September 4th

This week's contributors: Dusko Jankovic, CFA

Indices Used: U.S. Large Cap equities: Russell 1000 Index, U.S. Small Cap Equities: Russell 2000 Index, International Developed Equities: MSCI EAFE Index, Emerging Market Equities: MSCI Emerging Markets Index, U.S. Bonds: Barclays Aggregate Bond Index, U.S. 10 Year Treasury Note: Bloomberg 10 Yr. Treasury Note, Municipal Bonds: Barclays Intermediate Municipal Bond Total Return Index, High Yield Bonds: Barclays U.S. High Yield Total Return Index, Oil: Bloomberg WTI Crude Sub-Index Total Return Index, Gold: Bloomberg Gold Sub-Index Total Return Index