

Index	Asset Class	2026		2025
		May	YTD	
<b>Equity Indexes</b>		<b>Total Returns</b>		
NASDAQ 100	Mega Cap U.S. Growth Equity	10.6%	20.5%	21.0%
S&P 500	Large Cap U.S. Equity	5.3	11.3	17.9
S&P 400	Mid Cap U.S. Equity	2.5	13.3	7.5
S&P 600	Small Cap U.S. Equity	1.0	15.5	6.0
MSCI All Country World	Global Equity	5.2	12.4	22.9
MSCI All Country World (Ex U.S.)	International Equity	5.1	14.7	33.1
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	3.2	9.7	31.9
MSCI Emerging Markets (EM)	International Emerging Market Equity	9.7	25.7	34.4
<b>Fixed Income Indexes</b>				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	0.3	0.4	7.3
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	0.4	1.3	3.8
S&P Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	0.8	2.4	3.3
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	0.5	1.7	8.6
<b>Index Blends: Stock/Bond</b>				
80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		4.2	10.0	19.8
60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		3.3	7.6	16.6
40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		2.3	5.2	13.5
20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.3	2.8	10.4
Data as of 5/31/2026. Source: Morningstar, and blended benchmark returns are based on monthly rebalancing.				

Please see important disclosures at end of this report.

## Overview & Economy

**They Call it a Blessing.** A group of lions are called a “pride” and a group of whales a “pod.” Did you know that a group of unicorns are called a “**blessing**?” A blessing is what equity markets will encounter over coming weeks and months to an unprecedented degree. In venture capital parlance, “**unicorns**” are privately held startups, valued at over \$1 billion, which are “expected to defy traditional growth metrics, leveraging cutting-edge or potentially ‘paradigm-shifting’ advances to achieve rapid market penetration and exponential growth.”<sup>1</sup> [Super large unicorns are referred to as “**hetcorns**” or other ‘corn derived names, but we’re sticking with unicorns for this writing.]

**SpaceX (SPCX)** is scheduled for its IPO in mid-June, pursuing an initial total market cap of at least \$1.8 trillion, and an IPO expected to approximate \$75 billion. That is expected to be closely followed by the IPOs of the two leading AI development firms **OpenAI** (maybe early September) and **Anthropic** (maybe in October). Based on recent private market capital raises both OpenAI and Anthropic could each launch with initial market caps approximating \$1 trillion, and potential IPO sizes upwards of \$60 billion each. Other notable AI-related unicorn IPOs include **Cerebras (CBRS)**, which completed a \$6.3 billion IPO on May 15, with a current market cap of about \$51 billion (down from an intra-day high of about \$83 bil. on its first day of trading), and **Databricks**, with a recent private equity value of about \$134 billion and an IPO expected but yet to be formally announced.

Let’s be clear here – this herd of unicorns coming to market is unprecedented by a significant degree! Up to now, the largest IPO in history was **Saudi Aramco**, which raised about \$26 billion in 2019, with an initial market cap of \$2.4

trillion; the second largest was five years before that when **Alibaba (BABA)** raised about \$25 billion with an initial market cap of about \$324 billion. To date, the largest IPO of a U.S.-based company was **Visa (V)** in 2008 – it raised about \$17 billion with an initial market cap of about \$122 billion. About all this, we offer a few observations:

- A. **Market Considerations** – Over the longer-term, Investment markets certainly offer the opportunity for organic value creation as companies prosper and grow. However, over the very short-term, within which exogenous factors don't have time to influence (such as interest rates, corporate results, etc.), investment markets are simply driven by basic supply/demand – an imbalance in favor of demand drives prices up, and an imbalance in favor of supply drives prices down. We're about to witness the impact of about \$200 billion of equity supply over the next few months. In our view, this will certainly impact the market somewhere – maybe by simply accentuating the Tech (i.e., AI) leadership which has already been apparent, and in that, by pulling capital away from less exciting sectors (like Financials and Consumer Staples, which have lagged miserably of late). And/or as many retail market participants may not have broadly diversified stock portfolios, the unicorn IPOs may pry capital away from other risk-on investments (e.g., crypto currencies). And even maybe the unprecedented magnitude of this IPO supply actually presents somewhat of a headwind for the overall market trajectory – at least in immediate near-term. Regardless of the net impact, some increased volatility appears likely, as these companies will top the headlines and be the focus of investor attention, and will be fast-tracked for inclusion in the major indexes (see below), during time periods when these stocks are still treading through their initial discovery periods finding equilibriums for both valuations and shareholder bases. As a student of investment markets, I think this will all be very interesting to watch!
- B. **Index Implications** – Managers of the major equity indexes (i.e., S&P Dow Jones, FTSE Russell, and NASDAQ) have recently introduced new “fast-track” rules to enable the near immediate inclusion of the herd of unicorn IPOs, as market cap and liquidity criteria are expected to be easily satisfied. (By the way, Cerebras was already been added to the S&P indexes on May 25.) For S&P, the most meaningful accommodation has been the waiving of long-standing profitability requirements; the NASDAQ 100 does not have a profitability requirement, but it is waiving its standard 3-month waiting (‘seasoning’) period. With the exception of Databricks, all the mega unicorn IPOs we reference in this commentary are of companies not yet profitable -- neither in GAAP terms nor even cash flow terms. As a comparison, **Tesla (TSLA)** went public in 2010 and it didn't make it into the NASDAQ 100 until 2013, and it wasn't added to the S&P 500 until 2020 after it satisfied the GAAP profitability prerequisite.

Fast-tracked index inclusions will, of course, accelerate and broaden the buying interest in these new IPOs to include passive index funds. But this also applies to active fund managers whose performance records are compared to these indexes, as they'll have to own more than the index weights in order to achieve net positive relative positions. In that regard, it is important to consider the comparative market cap methodologies that the index managers apply: S&P indexes reflect only the free-float market caps (which are based only on the shares available on the market), whereas the NASDAQ 100 generally relies on total market cap with some modifications. All this suggests that upon inclusion, the upcoming herd of IPOs will add only a fraction of a 1% to the weight of the S&P 500 Tech sector, by our estimates, but a meaningful 2%+ to the NASDAQ 100 Tech sector -- moving that sector's weight to about 60% from 58% presently (assuming SpaceX is categorized within Tech, and all else being equal). Remember, technically, those Tech weights are before we consider **Alphabet (GOOGL, GOOG)** and **Meta (META)** which are categorized in the Communications sector, and **Amazon (AMZN)** and **Tesla (TSLA)** which are categorized in Consumer Discretionary.

Interesting note related to categorizations and potential valuations - Elon Musk is said to be aggressively positioning to have SpaceX included in index Tech sectors, rather than Communications. At issue here is that over 60% of SpaceX's 2025 revenues were generated by its Starlink satellite-based internet connectivity business, and over 20% by the nameplate space/launch operations (which are akin to Boeing's (BA), a company categorized in the Industrials sector). Musk is seeking to get investors to focus on SpaceX's future growth potential, which he postures will be substantially driven by a multi-pronged AI-focused company targeting a \$26.5 trillion addressable market. Musk's

efforts are motivated by the much greater current investor excitement and higher valuations being attributed to publicly traded AI-related stocks. OpenAI and Anthropic will present simpler stories focused on their respective AI model development businesses. It will be interesting to see how the market discerns between the three.

In the event anyone still cares about traditional valuation metrics based on earnings... Adding some sizable and unprofitable companies to the indexes will, unavoidably, raise the P/E valuation multiples on those indexes – as we’re adding “price” and reducing “earnings” for those overall indexes, importantly the index P/E ratios will show upticks from already elevated levels within a historical context.

- C. **Rhymes with 1999/2000** – In the midst of the Dot-Com Bubble, the IPO window was also wide open. Over the course of 1999 and 2000, there were over 800 IPOs of U.S. companies totaling about \$117 billion.<sup>2</sup> Even after we inflation-adjust that to 2026 dollars (which comes to about \$222 billion), the three upcoming mega IPOs will approach that total value within a very contained period of time. Looking into the weeds a bit on the 1999/2000 IPOs, it’s interesting that **NVIDIA (NVDA)** came public in 1999 with a \$42 million offering, and in 2000 we saw the then record \$10.6 billion IPO of **AT&T Wireless**, with an initial market cap of \$68 billion. But we also saw less memorable IPOs – e.g., **Palm** (purveyor of the PalmPilot handheld device, which I used). Palm briefly saw a total market cap valuation of over \$54 billion on its first day of trading before that company stumbled and disappeared by 2011. Among the many morals from that period are that: (1) IPO windows can close with little warning, and (2) successful IPOs and initial valuations do not always translate to a successful company and profitable investment opportunity.

## Equity Markets

Global equity indexes logged another solid month in May, within which the leadership continued to narrow in favor of growth – as reflected by strong outperformance of the NASDAQ 100 and MSCI EM indexes. And even within growth, we highlight the narrow Tech/AI-leadership – with the S&P Tech Sector up 19.8% in May [as measured by the SPDR Tech ETF (XLK)], and Semiconductor stocks up 23.3% in May [as measured by the iShares Semiconductor ETF (SOXX)].

## Fixed Income Markets

Overall, the bond indexes provided steady although unremarkable total returns in May. Within that, Muni bond indexes continued to outperform and regain ground on taxable bonds, following their underperformance in 2025.

## Reference(s):

- 1) Investopedia, “Unicorn: What It Means in Investing, With Examples”, Updated April 27, 2025 – [Link](#)
- 2) TheStreet, “Michael Burry drops bombshell on SpaceX, OpenAI IPOs”, May 28, 2026 – [Link](#)

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