

# The Triumph of Silicon Valley

## Chart of the Month - August 2017

The rise and fall in corporate America can be charted by how investors have valued firms at different points in time. Below are the largest global companies by market capitalization over the past 15 years.



In 2002, oil was about \$30/barrel\* and only one energy company (Exxon) made the list. A decade later, oil ran to over \$100/barrel\* and three energy companies crowded the list in 2012.

And today? Oil is back to approximately \$50/barrel\* and there are no energy companies to be found. They have been entirely replaced by tech companies including Apple, Alphabet (Google), Microsoft, Facebook and Amazon.

Walmart had more control over its destiny by building a better retail distribution system. They built thousands of stores and hired hundreds of thousands of employees. Eventually, Walmart reached a saturation point and growth stalled.

Technology, however, allows companies to scale and grow with fewer physical constraints. Amazon, for instance, can sell goods and services with far less need for physical facilities. Each of the tech titans listed have unique businesses that can grow in ways previous companies couldn't, which is why we believe technology companies will continue to dominate for the foreseeable future.

It's also hard not to notice that these are U.S. companies. A century ago, Calvin Coolidge said "the chief business of the American people is business". A strong rule of law coupled with an entrepreneurial spirit has long compelled those in the U.S. to pursue and create wealth. We suspect this will continue and it's a reason why we prefer U.S. assets in our Global Asset Allocation strategies.

\*Data Source: Bloomberg  
Market Cap Data 2002-2012: Financial Times. 2017 Market Cap data via Bloomberg, as of 8/18/2017.

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## Market Performance\*

Index	July 2017	Year to Date (1/1/17-7/31/17)	One Year (8/1/16-7/31/17)
S&P 500 Index	2.1%	11.6%	16.0%
MSCI EAFE Index	2.9%	17.1%	17.8%
Barclays U.S. Aggregate Bond Index	0.4%	2.7%	-0.5%
JP Morgan Global Aggregate Bond Index	1.5%	5.7%	-1.2%
Bloomberg Commodity Index	2.3%	-3.1%	0.8%
Gold (\$/oz)	2.3%	10.2%	-6.0%

\*Data Source: Bloomberg

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