Q3 2020 INSIGHT

IKOVE
Startup Nursery

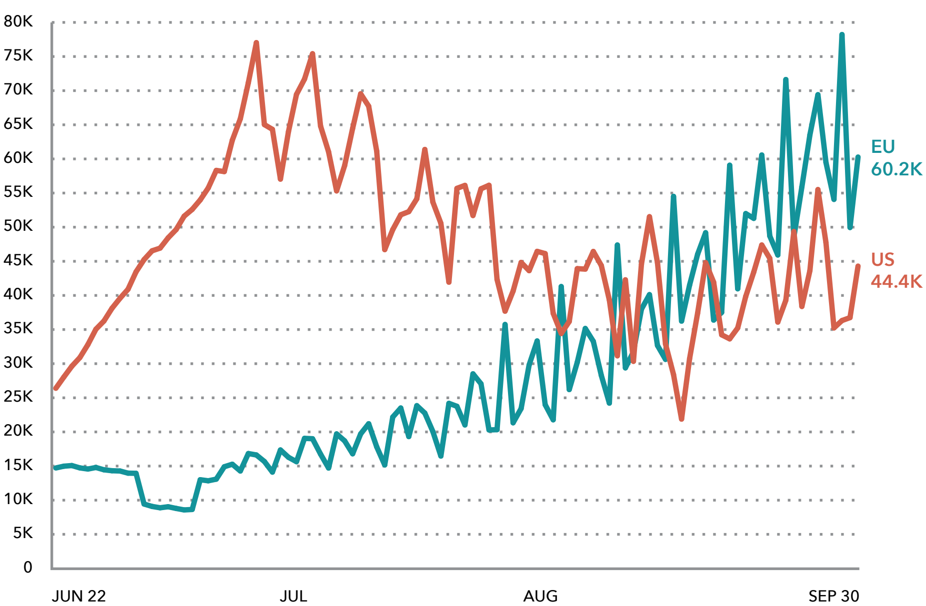
I. Macro Update

As we enter the last quarter of 2020, the US and the world have crossed grim milestones with COVID. With over eight million cases in the US and thirty-nine million worldwide, and over two hundred thousand deaths in the US and over one million worldwide, the human price of this pandemic is mind-boggling.

The US and the world have taken decisive steps to reopen and while we saw a strong resurgence of the virus in the US during the second quarter of 2020, we have now begun to see positivity rates dropping and the overall pace of infections and deaths to slow significantly, however, over the past few weeks we have seen strong reversals and fears of a fall surge are real.

TWO DIFFERENT PANDEMICS - EU vs US

SEVEN-DAY ROLLING AVERAGE OF NEW CORONAVIRUS CASES, 22 JUNE TO 30 SEPTEMBER



SOURCE: INTERNATIONAL SOS* WEBSITE, OUR WORLD IN DATA, CDC, ECDC, BLAVATNIK SCHOOL OF GOVERNMENT, STATISTA

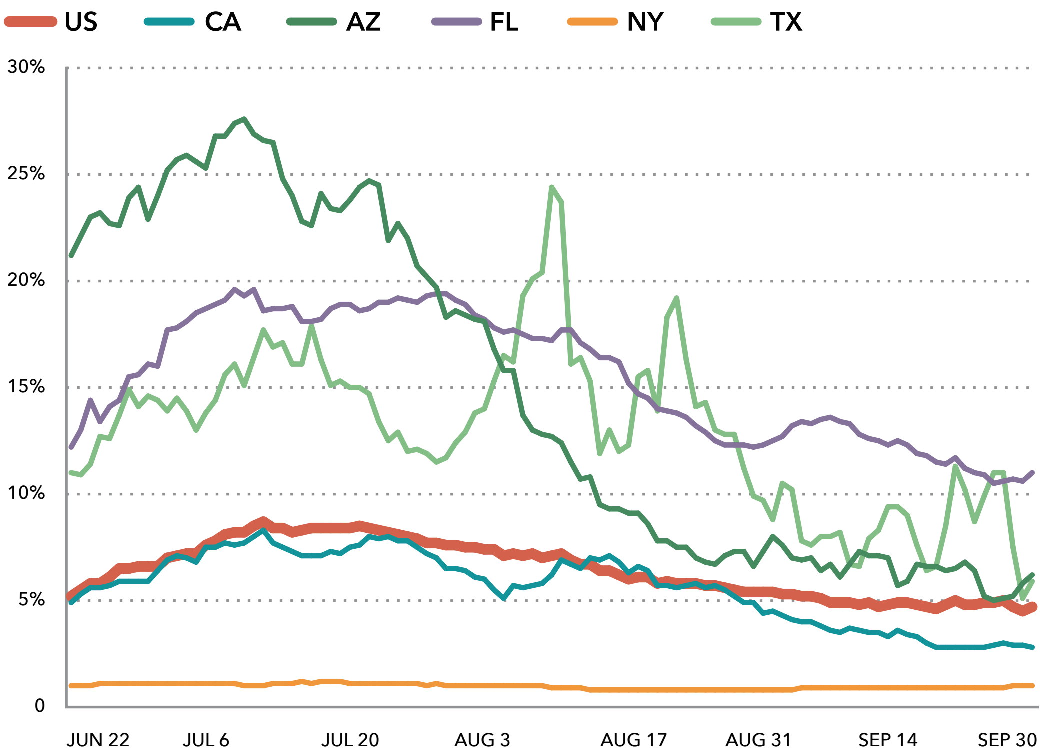
*INTERNATIONAL SOS: WORLD'S LARGEST MEDICAL AND TRAVEL SECURITY SERVICES FIRM, WHICH COUNTS NEARLY TWO-THIRDS OF THE FORTUNE GLOBAL 500 COMPANIES AS CLIENTS

As the race for a vaccine

continues at a frenetic pace, China has already started vaccinations with an unproven and untested vaccine. In the US, it is widely expected that we will have an FDA-approved vaccine by year-end.

US POSITIVITY RATES

SEVEN DAY ROLLING AVERAGE, 22 JUNE TO 30 SEPTEMBER



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This election will be a defining moment in history and will dictate the direction for the US for the years to come.

Let's go out and vote!

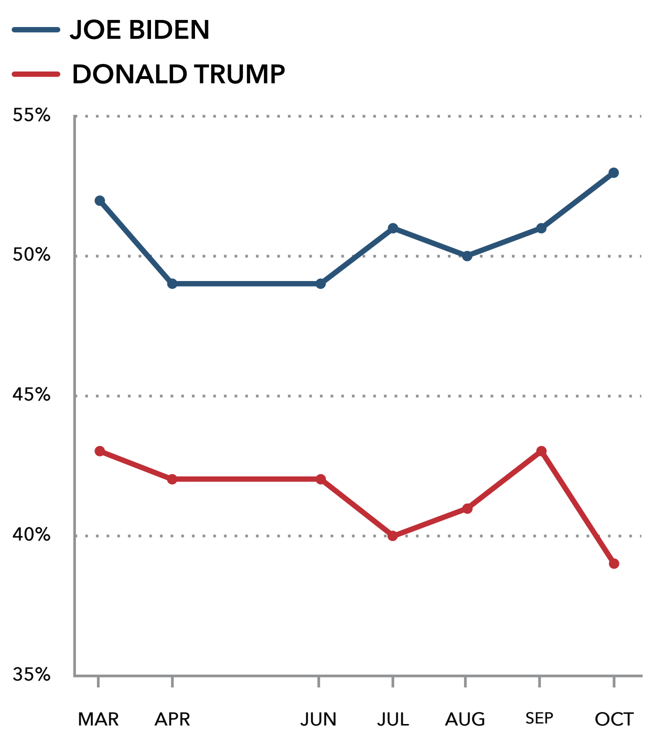
On the political front, the US elections

are now a few weeks away, and the choices could not be more different.

While Biden has a significant lead in the national polls, our internal intelligence of the underlying emotional undertones of the election show Trump-Biden in a virtual tie. Like in 2016, we believe closet Trump supporters are significant in number, and voter suppression via mail-in voting impacts Biden more than Trump, and his recent bout of COVID and speedy recovery have significantly energized and reinforced the Republican base.

We believe the current market views that this will not be a contested election are optimistic, and we expect the period between Election Day and January 20th to potentially bring strong bouts of volatility.

PREFERENCE FOR PRESIDENT

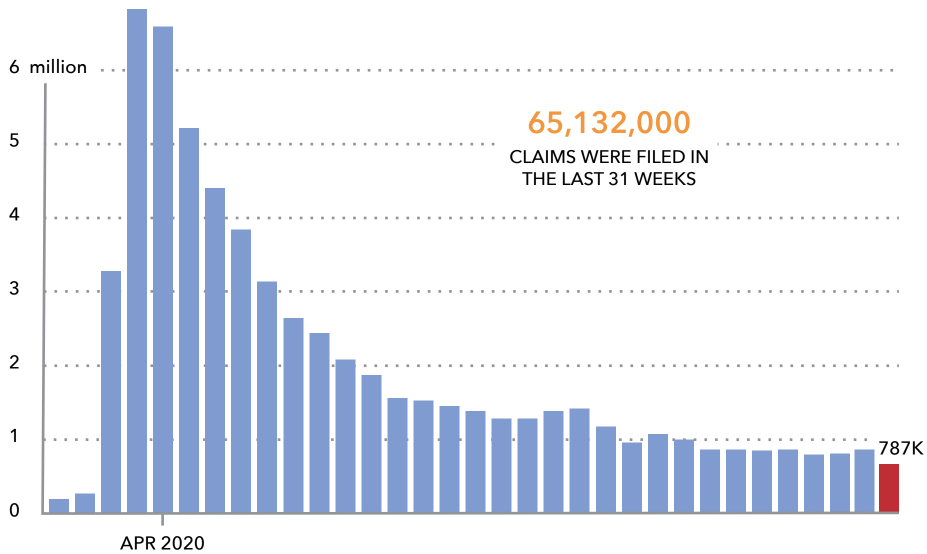


NOTE: NO DATA FOR MAY

SOURCE: WSJ/NBC NEWS TELEPHONE POLLS, MOST RECENTLY OF 800 REGISTERED VOTERS CONDUCTED SEP 30 - OCT 1, 2020; MARGIN OF ERROR +/- 3.5 PCT. PTS

INITIAL UNEMPLOYMENT INSURANCE CLAIMS

PER WEEK, SINCE MID-MARCH 2020



SOURCE: DEPARTMENT OF LABOR - SEASONALLY ADJUSTED

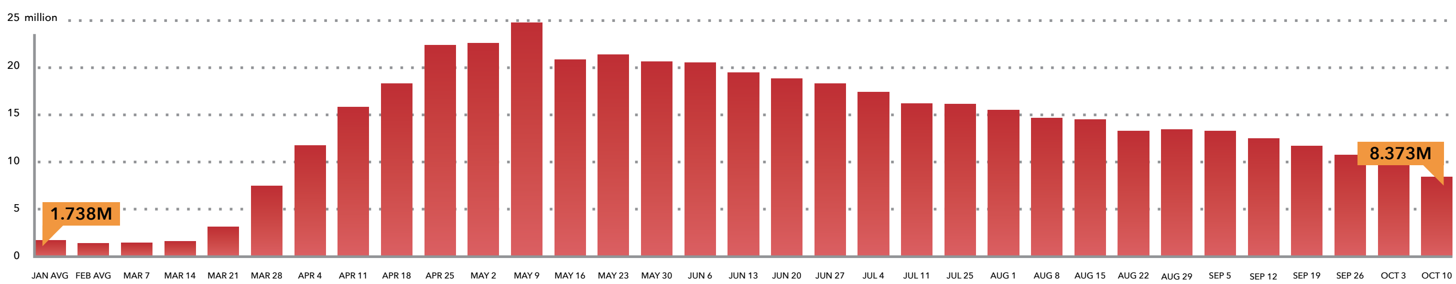
The early success of the

Cares Act has now faded, and initial unemployment claims still come in at very elevated levels.

With over 8 million people continuing to collect unemployment, it is a daunting process for a full recovery to take hold.

PEOPLE COLLECTING UNEMPLOYMENT BENEFITS

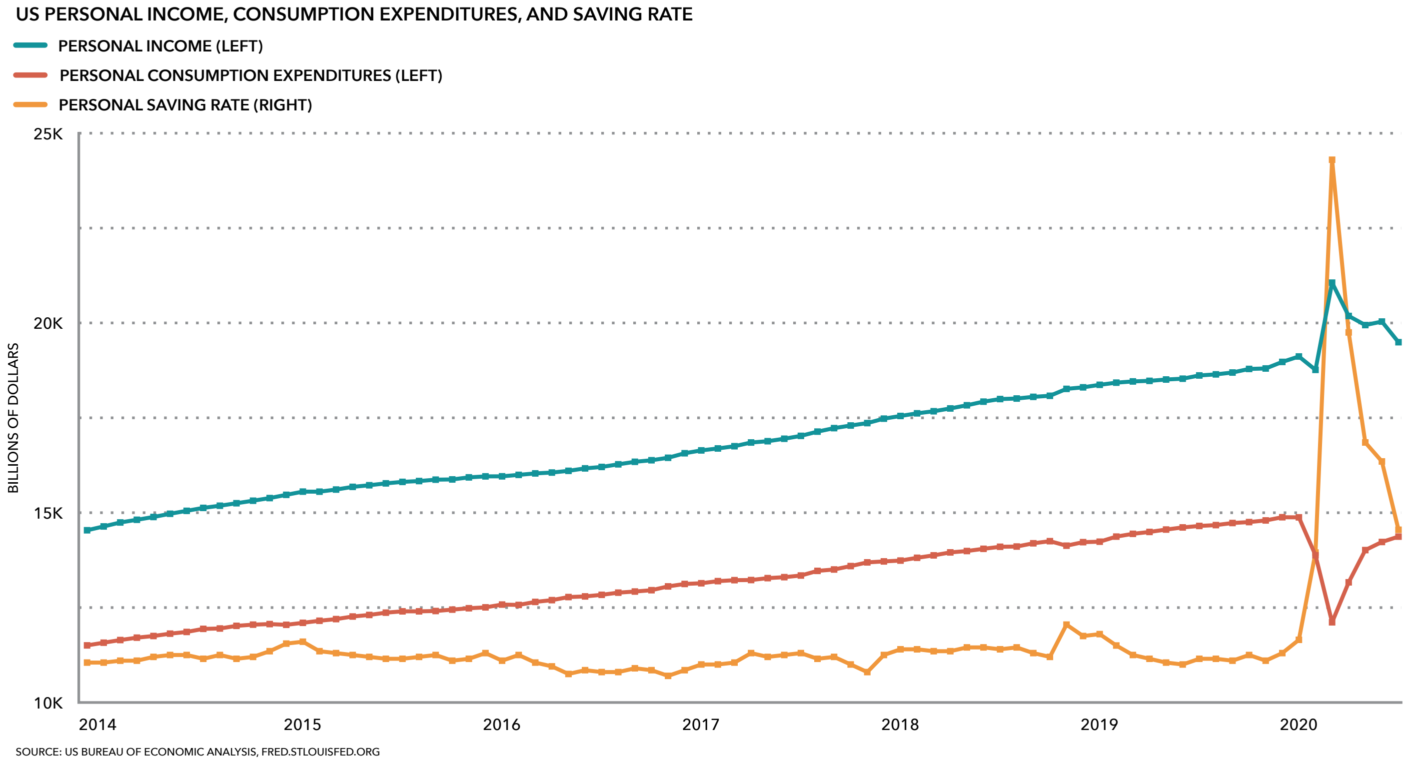
CONTINUING JOBLESS CLAIMS FILED THROUGH STATE PROGRAMS - UNADJUSTED



SOURCE: FEDERAL RESERVE ECONOMIC DATA, DEPARTMENT OF LABOR

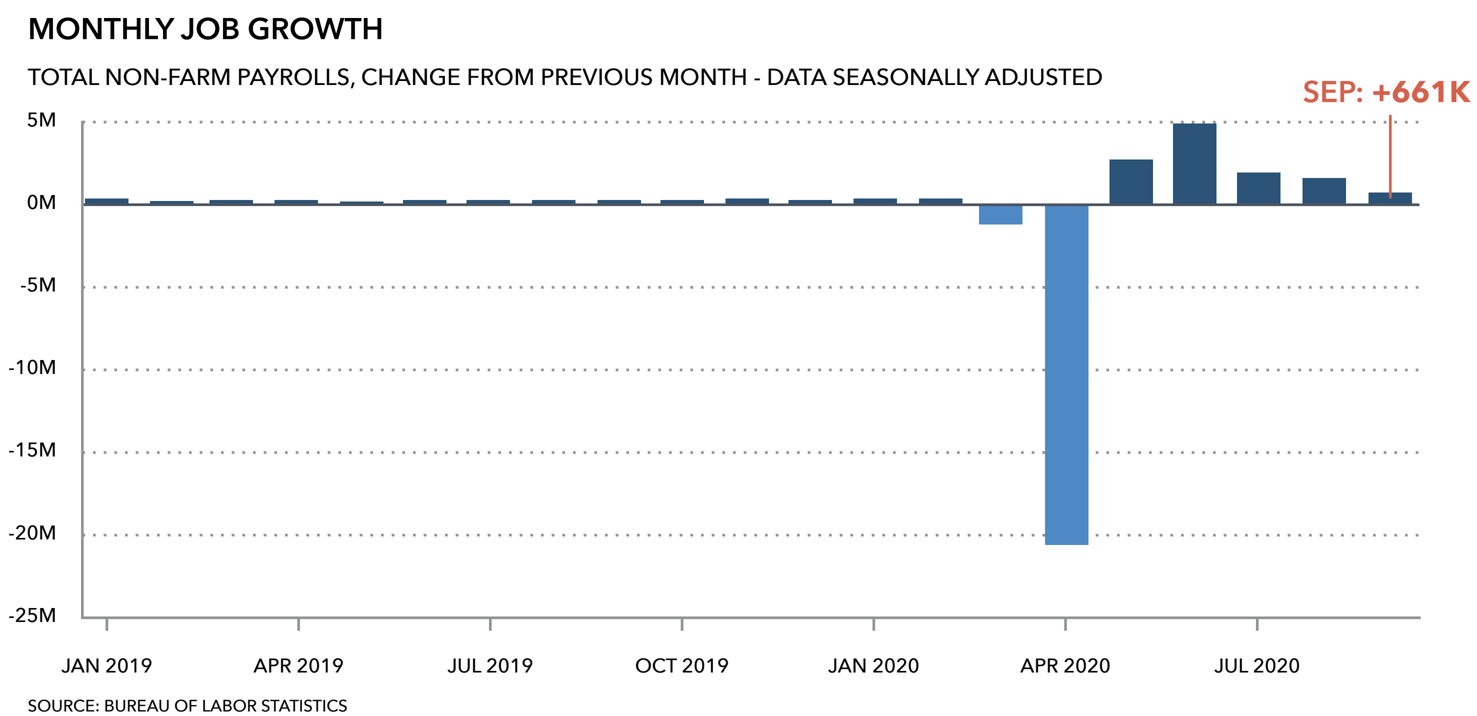
We wrote in our previous letter that the significant support to small businesses and taxpayers was a key element for stabilizing the significant hit to the economy caused by COVID.

Signs of stress have already started to show. US personal income dropped by 2.7 percent in August, after emergency benefits expired, stoking fears of lower consumption. The drop in personal income was worth $543.5B and larger than economists were predicting.



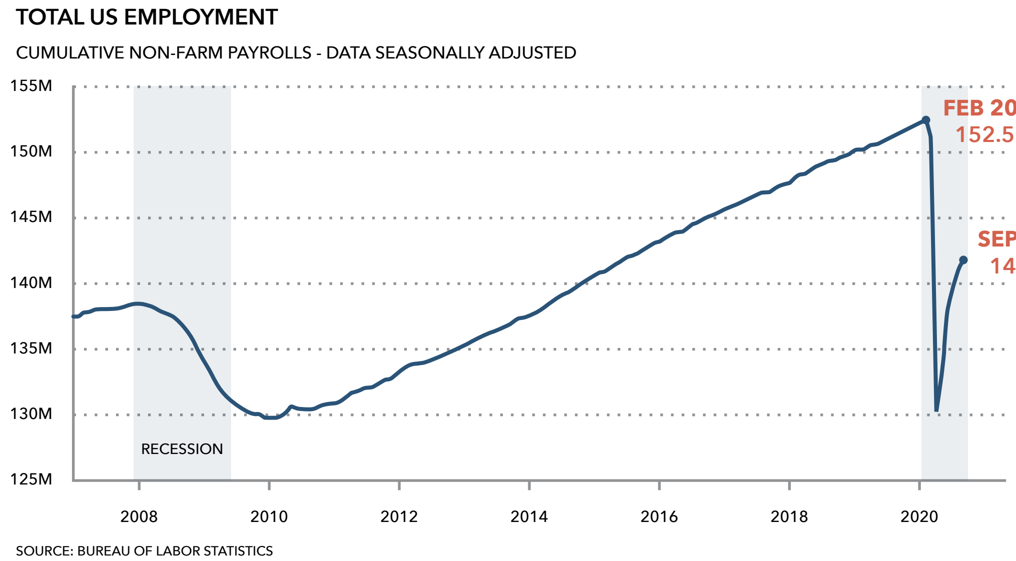
It was accompanied by a slowdown in consumption growth from 1.5 percent in July to 1 percent in August, and a drop in the savings rate to 14.1 percent in August, as Americans were continuously forced to dip into their savings to keep spending.

The rate of growth in job creation has also slowed. September saw 661k jobs created, below the 800k expected, and was the slowest pace since the huge drop in April.



The unemployment

rate is down to 7.9 percent, and even with the solid job gains over the last five months, we are still 8 million jobs short from before the pandemic.



Congress and the White House have been at a stalemate since the last quarter. Hopefully, a toned-down aid package will soon be agreed upon to support the much-needed recovery efforts, however as the election approaches the chances of having an agreement pre-election is looking dim.

The third quarter developed two key themes that will impact the economy for quarters to come - **US FED Reflation Trade** and the **K Shaped recovery**.

The US Fed stunned markets in August as it dropped its long-standing 2 percent inflationary target and signaled that it would maintain interested rates on the floor until 2023. Chairman Jerome Powell formalized that stance, saying the central bank had dropped its longstanding practice of preemptively raising rates to head off higher inflation.

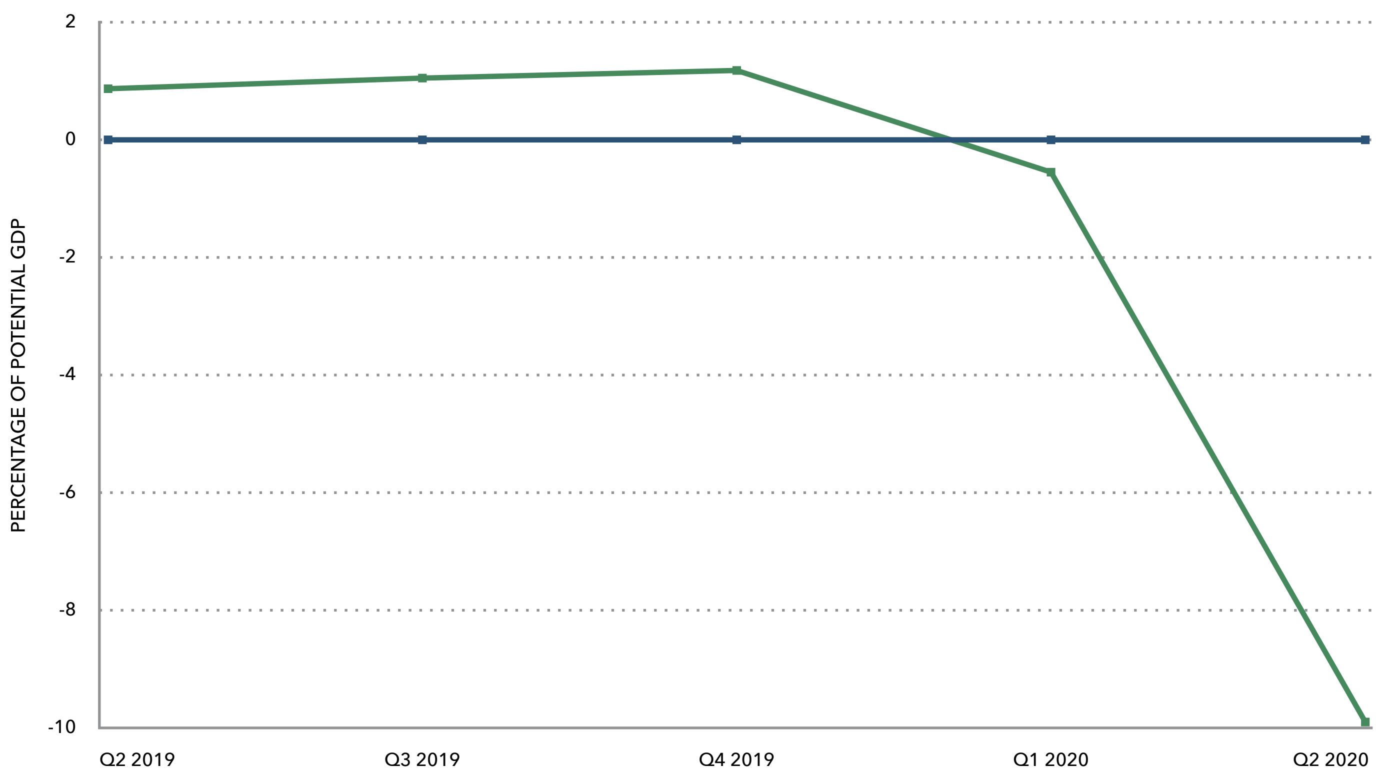
The US Fed operates under a dual mandate, to minimize inflation and achievement of full employment. The ECB for instance only has the goal of minimizing inflation, and even now it is moving to inflation target as well, so the Fed can be more aggressive than the ECB, once it is using the second goal of full employment and allow inflation to run hotter than usual to speed recovery.

The argument is that the US has created a very large output gap, currently around 10 percent. It took ten years for the output gap to recover from after the financial crisis. Since inflation has been running well below the 2 percent target for years, the thought process is to allow inflation to run above the 2 percent target to be able to close the gap quicker.

A large output gap is quite deflationary, and the problem with deflation is that it creates a growth death trap. With inflation, we expect prices to go up tomorrow and as a result, we are forced to consume today. With deflation, you expect prices to go down tomorrow, so you save and don't consume.

US GDP OUTPUT GAP

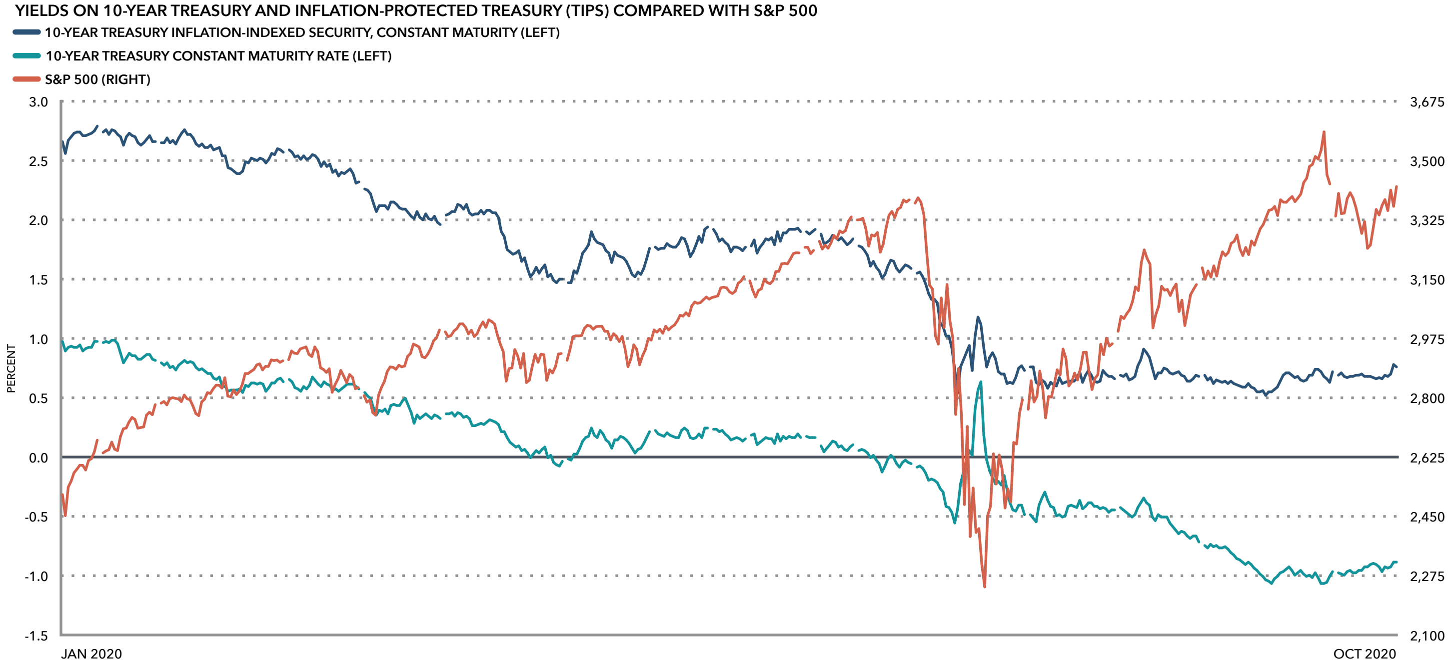
QUARTERLY



SOURCE: BEA, CBO, FRED.STLOUISFED.ORG

What the US Fed is doing is repricing future inflation expectations and allowing the economy to run hotter than it would otherwise, so we are able to escape the growth trap and close out the output gap.

YIELDS ON 10-YEAR TREASURY AND INFLATION-PROTECTED TREASURY (TIPS) COMPARED WITH S&P 500



SOURCE: BOARD OF GOVERNORS, S&P DJI, FRED.STLOUISFED.ORG

In effect, the Fed's monetary policy will be implicitly supporting the federal government's fiscal policy. By purchasing nearly $1 trillion of Treasury securities annually at the current pace, the central bank "monetizes" a significant portion of the debt issued to cover the federal government's budget deficits, keeping interest rates artificially low and allowing the government to spend and generate growth.

Gold has been a prime beneficiary of the Federal Reserve's determination to leave borrowing costs at historically low levels to spur the economy after the shock of COVID-19.

LONDON BULLION MARKET ASSOCIATION, 3PM

LONDON GOLD PRICES, MONTHLY AVERAGES - THROUGH SEP 28, IN AUG 2020 DOLLARS

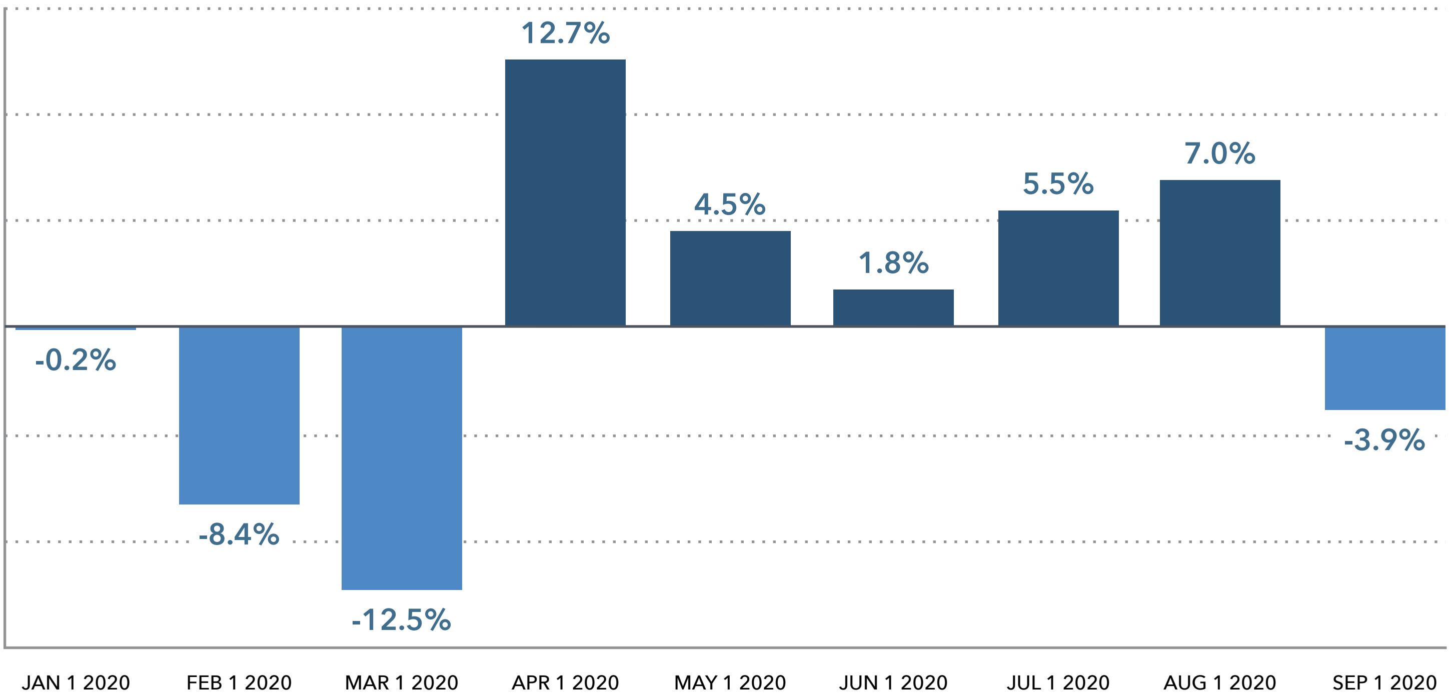
SOURCE: FEDERAL RESERVE BANK OF ST. LOUIS

Long-duration investments, such as startups, growth stocks, and interest-sensitive sectors, such as residential real estate, also should be beneficiaries of interest rates that are near zero and deeply negative after inflation (which isn't nonexistent).

Another key theme that continued to play out in Q3 was the incredible bull run in the stocks that few predicted back in March.

S&P 500 INDEX FIRST DOWN MONTH SINCE MARCH

MONTHLY PERCENT CHANGE FOR THE S&P 500 INDEX



SOURCE: FACTSET

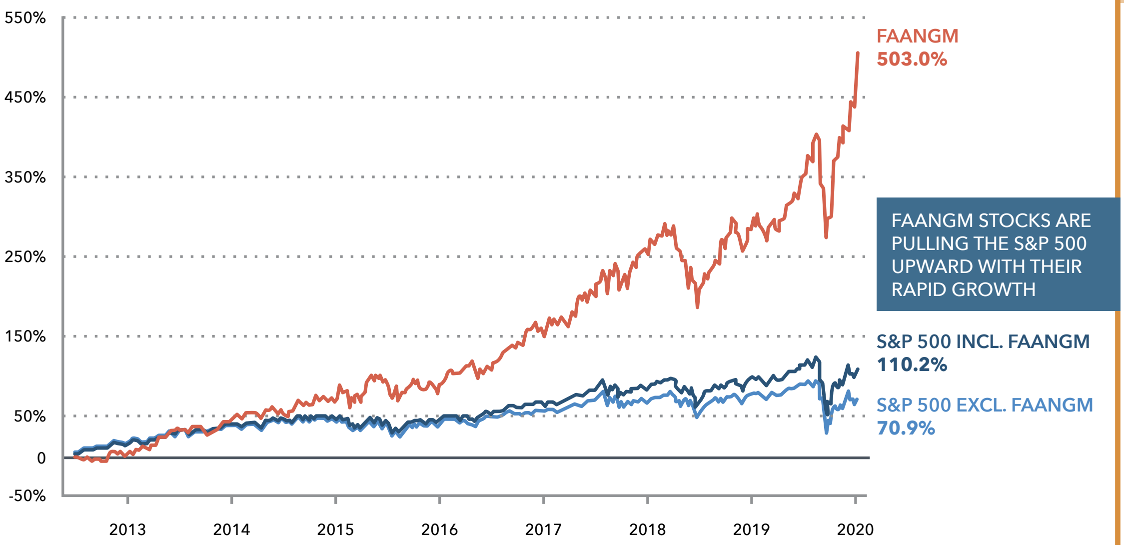
Despite the market's gains since March, stocks are essentially back to where they started the year. The S&P 500 is up 3.65 percent for 2020, while the Dow industrials are down 2.99 percent. Only the tech heavy Nasdaq Composite has clinched a meaningful gain for the year, up 23.5 percent.

INDICES		STOCK MARKET INDEX PERFORMANCE				
		YTD*	Q3 2020	Q2 2020	Q1 2020	2019
US	DJIA	-2.99%	7.35%	21.60%	-23.47%	23.76%
	S&P500	3.65%	8.28%	24.11%	-20.34%	30.43%
	NASDAQ	23.54%	10.97%	34.85%	-14.82%	37.89%
	RUSSELL 2000	-10.04%	4.46%	27.81%	-31.20%	23.95%
ASIA	NIKKEI 225	-0.58%	3.79%	19.28%	-18.88%	20.36%
	SHANGHAI	4.95%	7.58%	8.79%	-10.31%	22.11%
	HSI	-16.96%	-4.50%	4.54%	-16.45%	9.16%
EUROPE	DAX	-3.57%	2.98%	28.10%	-24.92%	26.45%
	FTSE 100	-22.23%	-4.92%	8.78%	-24.80%	12.10%
	CAC	-20.16%	-2.76%	15.87%	-26.93%	28.78%
BRAZIL	BOVESPA	-18.20%	-0.48%	30.19%	-36.86%	31.95%
VOLATILITY	VIX	95.91%	-14.83%	-46.97%	74.86%	-49.96%
COMMODITIES	GOLD	24.33%	4.93%	11.60%	4.91%	18.16%
	WTI CRUDE OIL	-34.71%	0.95%	90.61%	-67.21%	33.32%
BONDS	US10Y YIELD	-64.42%	-0.59%	7.05%	-63.32%	-27.64%
CURRENCIES	EUR/USD	4.64%	4.52%	1.90%	-1.70%	-2.54%
	GBP/USD	-2.92%	3.86%	-0.12%	-6.65%	2.85%
	USD/JPY	-2.78%	-2.15%	0.48%	-0.59%	-0.69%
	EUR/GBP	7.86%	0.66%	2.82%	5.35%	-5.24%
	USD/BRL	40.17%	3.10%	5.02%	29.27%	3.50%

* AS OF SEPTEMBER 30, 2020

GROWTH IN MARKET CAP: FAANGM vs S&P 500

DUE TO THESE INEQUALITIES, THE S&P 500 IS NOT GUARANTEED TO BE AN ACCURATE REPRESENTATION OF THE ENTIRE US ECONOMY



NOTE: INDEXED TO 0 ON DEC 28, 2012

SOURCE: YARDENI RESEARCH

HOWEVER, TECH'S DOMINANCE **ISN'T THE ONLY REASON** FOR THE MARKET'S DISCONNECT FROM CONSUMERS.

The market rally

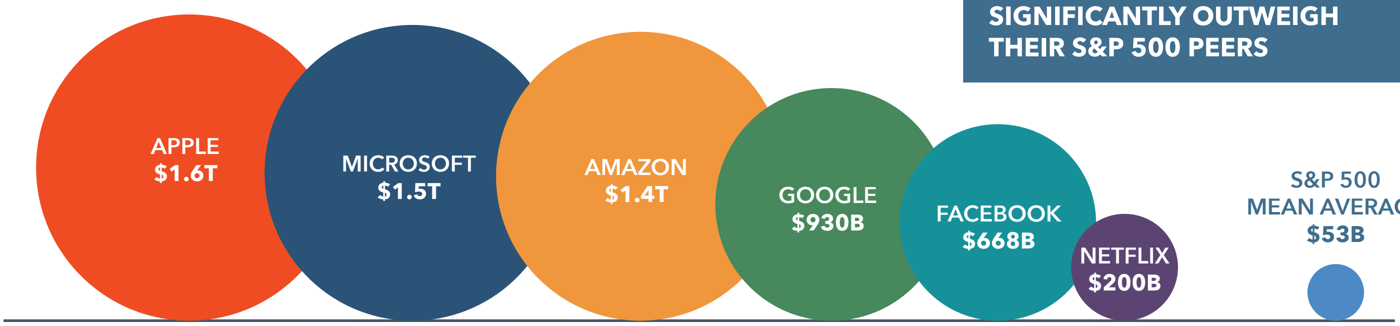
has been led primarily by technology stocks, more specifically by six technology companies, the so-called FAANGM, that have generated over 35 percent of the overall returns of the S&P 500 and around 5X the index return since 2013.

And boast some of the largest market capitalizations in the world, and several multiples of the average stock capitalization of the S&P 500.

MARKET CAPS

AS OF JUNE 30, 2020

WITHIN IT COMPANIES, A SUBSET OF STOCKS KNOWN AS **FAANGM SIGNIFICANTLY OUTWEIGH THEIR S&P 500 PEERS**



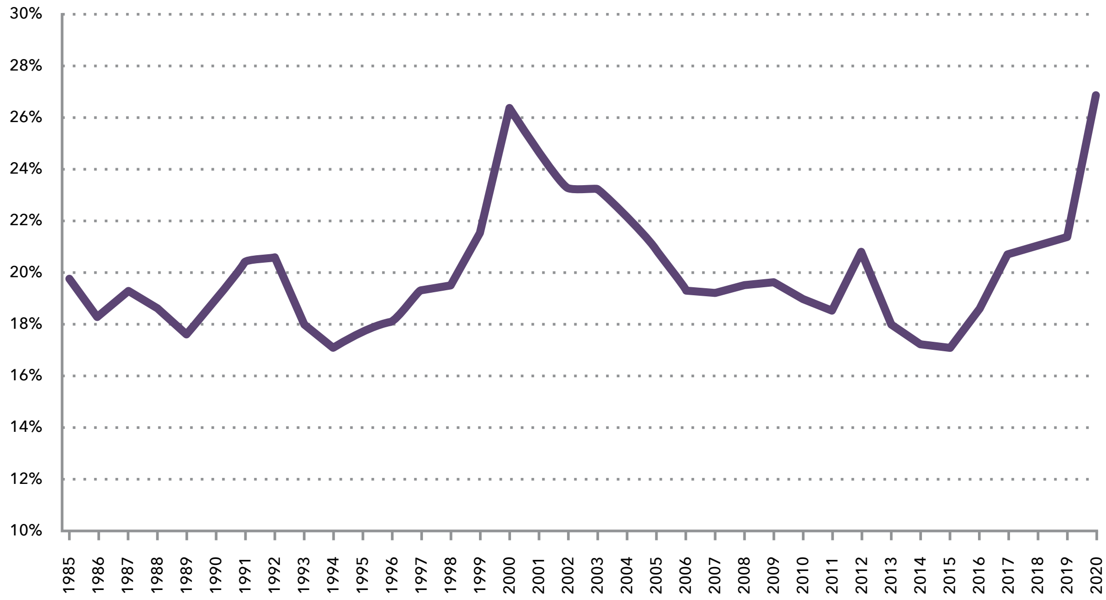
FAANGM STOCKS AREN'T JUST LARGER - THEY'VE ALSO BEEN **STRONGER PERFORMERS** THROUGHOUT THE PANDEMIC.

The top 10 stocks

of the S&P 500 index correspond to 26 percent of the index weighing, breaking the previous record set during the 2000 tech bubble. From a historical perspective, this does not bode well.

THE LONGER VIEW

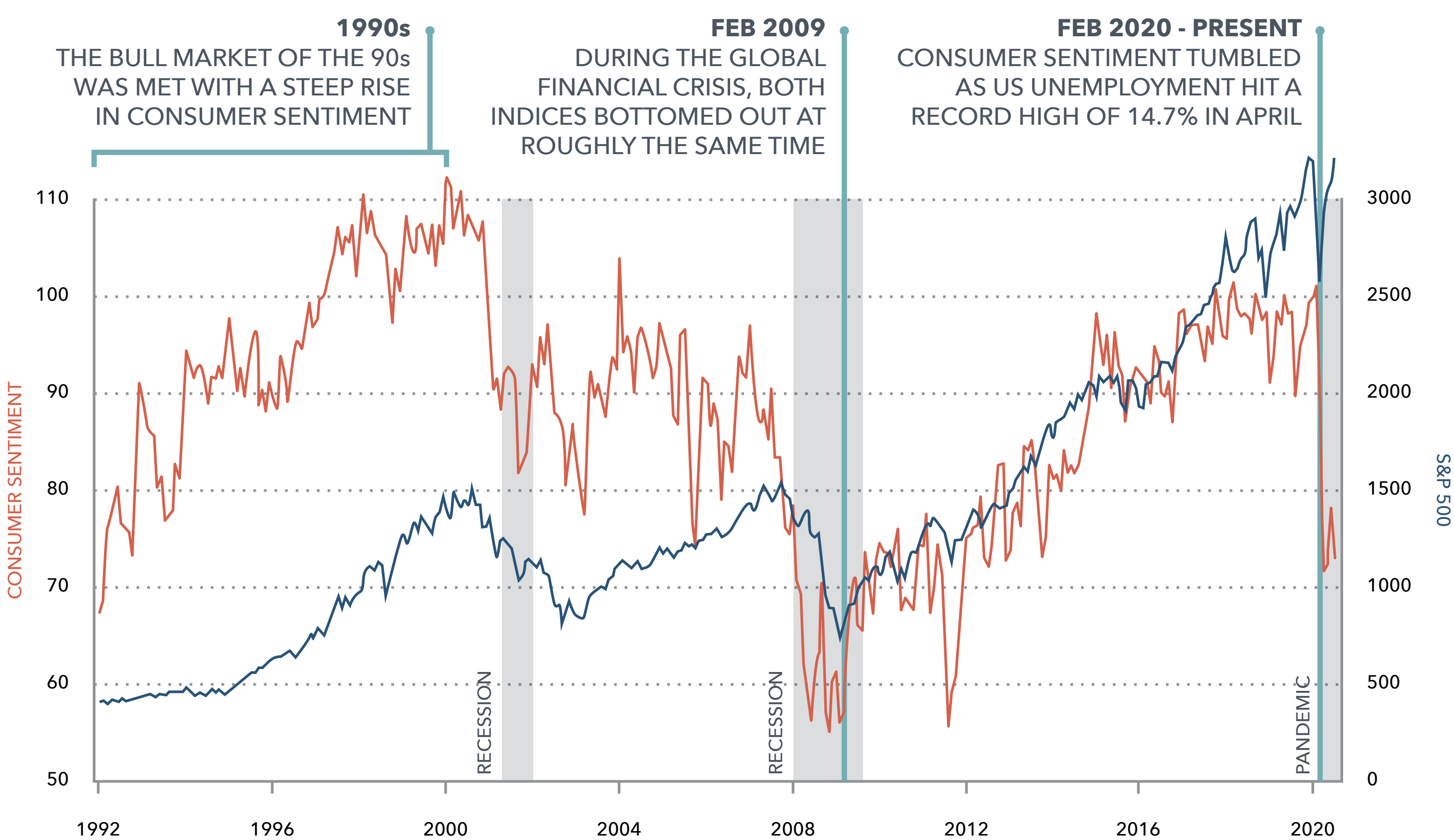
WEIGHTINGS OF TOP 10 S&P 500 HOLDINGS, 1985-2020



SOURCE: MORNINGSTAR DIRECT

CONSUMER SENTIMENT vs S&P 500

THE S&P 500 IS WIDELY REGARDED AS THE BEST REPRESENTATION OF THE OVERALL US STOCK MARKET



SOURCE: YAHOO FINANCE, UNIVERSITY OF MICHIGAN, TRADING ECONOMICS

BEFORE THE PANDEMIC REACHED THE US, THESE INDICES HAD GENERALLY MOVED IN THE **SAME DIRECTION** AS ONE ANOTHER.

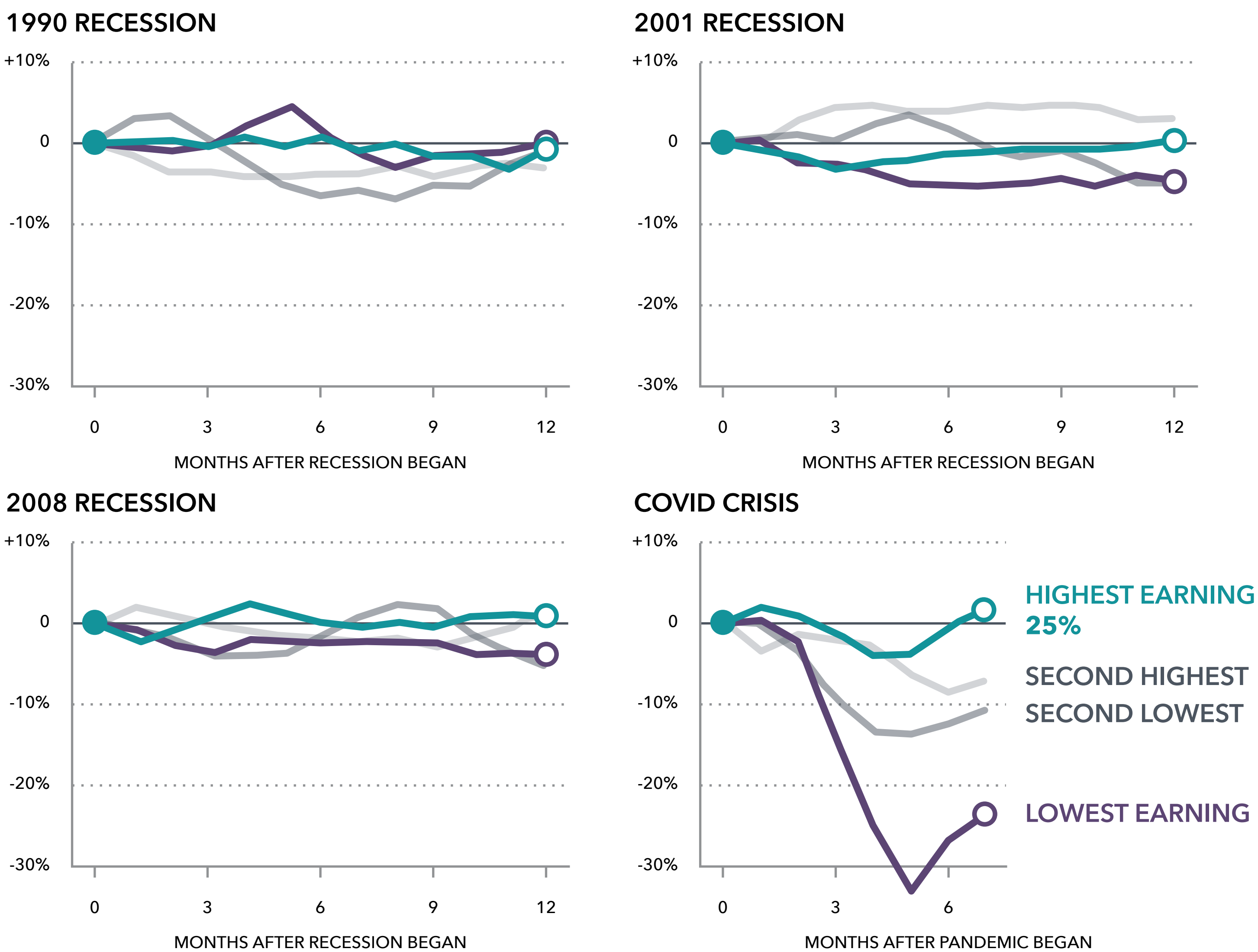
The overall performance of the market is misleading and paints a false picture of the underlying pain in the economy and a strong disconnect between Consumer Sentiment and Market Returns.

Economists have labeled this a K shaped recovery, with a concentrated number of companies that have done well during the pandemic, and a majority suffering significantly.

From an employment perspective, this crisis has been one of the most damaging to low-income earners, further exacerbating deep social divides and anxiety, and furthering the need for government support.

THE COVID CRISIS IS DIFFERENT

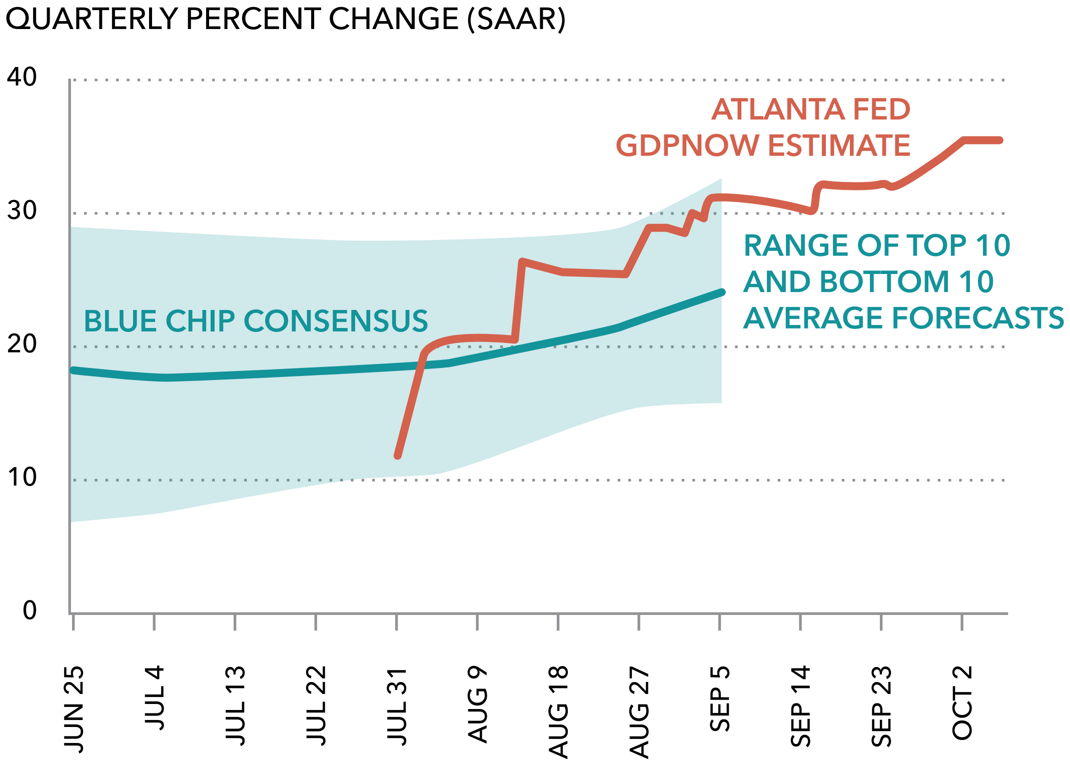
JOB GROWTH (OR LOSS) SINCE EACH RECESSION BEGAN, BASED ON WEEKLY EARNINGS



NOTE: BASED ON A 3-MONTH AVERAGE TO SHOW THE TREND IN VOLATILE DATA
SOURCE: LABOR DEPARTMENT VIA IPUMS, THE WASHINGTON POST

According to the Atlanta Fed GDPNow model, Q3 GDP is expected to grow by 36.4 percent during the quarter, a mirror image of Q2. However, the economic pain feels worse during Q3, and that is driven primarily by the lack of government support. The economic pain caused by COVID is real, with the service sector severely impacted. Without further support, we can expect continued significant layoffs and closures of restaurant, retail, hotels, and airline/transportation sectors. Recently Disney has said that it will lay off 28,000 furloughed employees. Without further support, airlines estimate 25k jobs will be cut during October, as the $25 billion support package ran out on September 30th.

EVOLUTION OF ATLANTA FED GDPNOW REAL GDP ESTIMATE FOR 2020: Q3



NOTE: THE TOP (BOTTOM) 10 AVERAGE FORECAST IS AN AVERAGE OF THE HIGHEST (LOWEST) 10 FORECAST IN THE BLUE CHIP SURVEY

SOURCE: BLUE CHIP ECONOMIC INDICATORS AND BLUE CHIP FINANCIAL FORECASTS

The downside

risks to the economy are real. In the U.S we have 8 million people on ongoing unemployment and new unemployment claims are still extremely high multiples of where they were pre-pandemic and higher than at the worst moment of the 2008/08 Financial Crisis.

Washington needs to act now.

II. Venture Activity

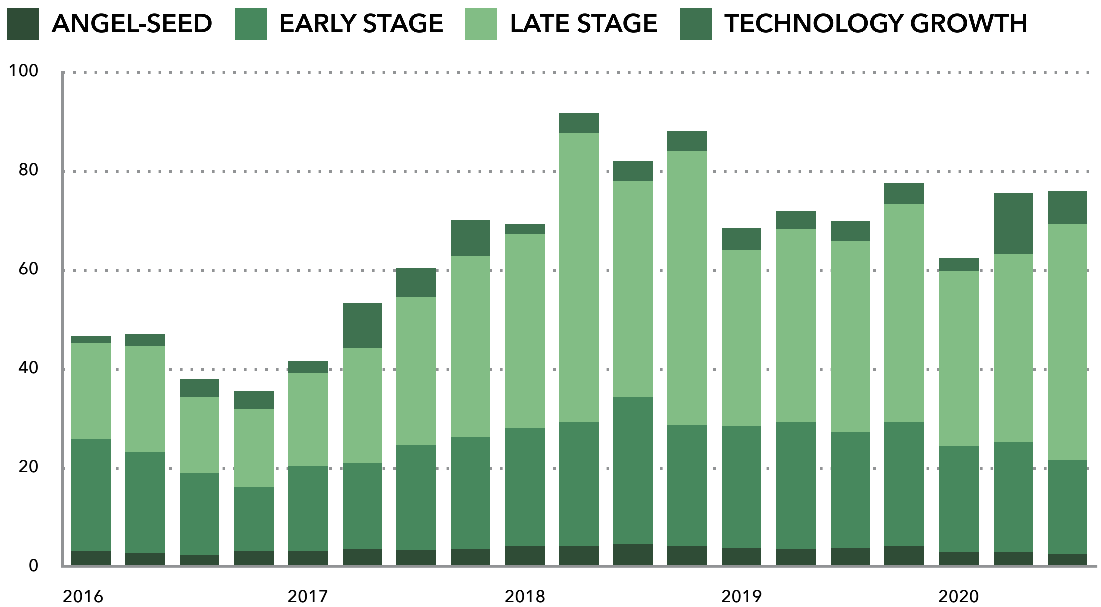
As we close out the third quarter of 2020 and find ourselves eight months into a global pandemic, many feared a severe downturn set to impact the venture and IPO markets. There have been observed negative effects, but we have also witnessed a surprisingly resilient environment for late stage venture fundraising as well as a booming IPO market.

Global venture

funding across all stages of investing has been upheld with $76.4 billion – a 1 percent increase quarter over quarter, and a 9 percent increase year over year.

GLOBAL VENTURE DOLLAR VOLUME THROUGH Q3 2020 BY STAGE

TOTAL INVESTED CAPITAL PER QUARTER (IN $B)

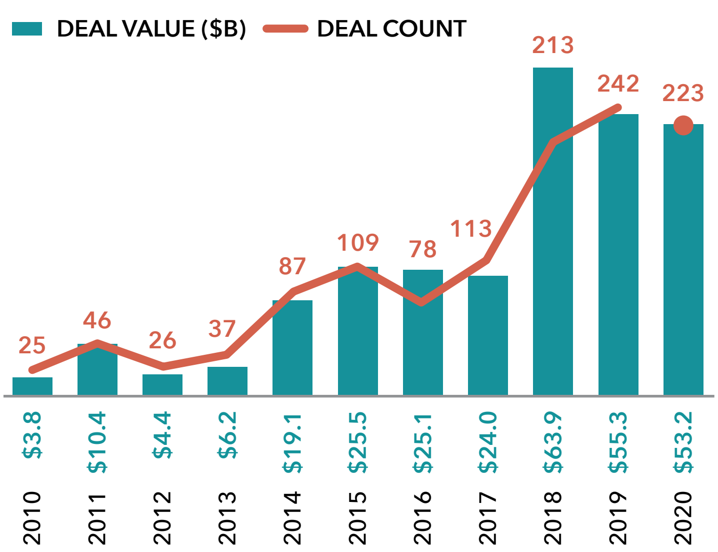


	QoQ CHANGE	YoY CHANGE
OVERALL DOLLAR VOLUME	1%	9%

SOURCE: CRUNCHBASE NEWS

MEGA-DEALS APPROACH 2019 FIGURES

US VC MEGA-DEAL ACTIVITY, AS OF SEPTEMBER 30, 2020



SOURCE: PITCHBOOK - NVCA VENTURE MONITOR

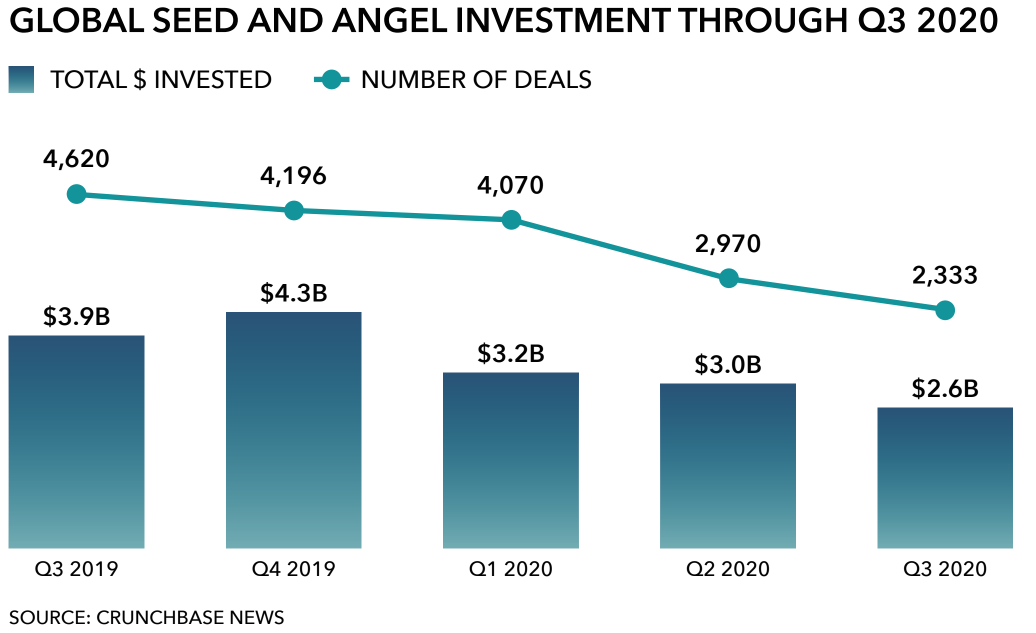
In the United States, $37.8 billion

was invested in Q3 with deal counts roughly in line with recent years. However, some of the dynamics have changed, with a slowdown in early stages and acceleration in late-stage funding from the support of VC mega-deals ($100 million+).

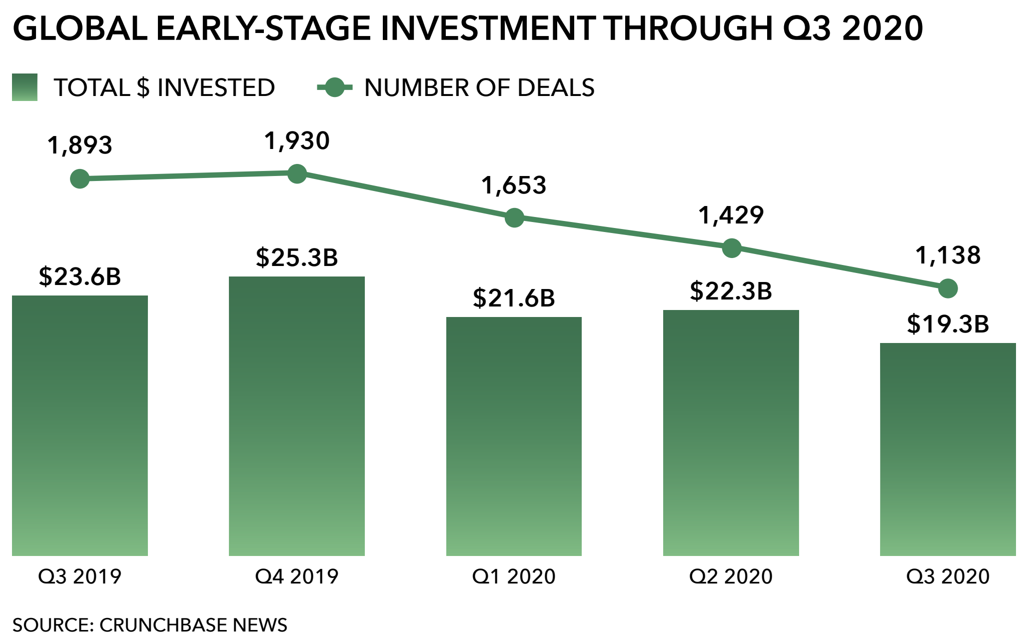
We saw 223 mega-deals closing at $100 million and above year to date, buoyed by the continuing trend of increasing amounts of capital allocated to venture, and resulting in larger funds needing to deploy larger checks. This dynamic has companies staying private for longer and going through much higher funding rounds, to the extent that over **47 percent of capital deployed year to date has gone to these mega-deals.**

Global seed

funding through Q3 has been greatly impacted, at $2.6 billion, **down 11% quarter-over-quarter, and 32% year-over-year**. Other effects at play may alter these numbers as we continue through the end of the year, with seed funding experiencing the highest level of reporting delays as well as much smaller seed funding often not even reported until a later date.



In the US, the seed market has continued its stagnating pace through Q3, although angel investments have experienced some resilience; in fact, when combined the number of seed and angel deals counted thus far in 2020 is in line with the amount observed in 2019. Ultimately, while experiencing a drop in activity, the decline might not be as bad as many feared.

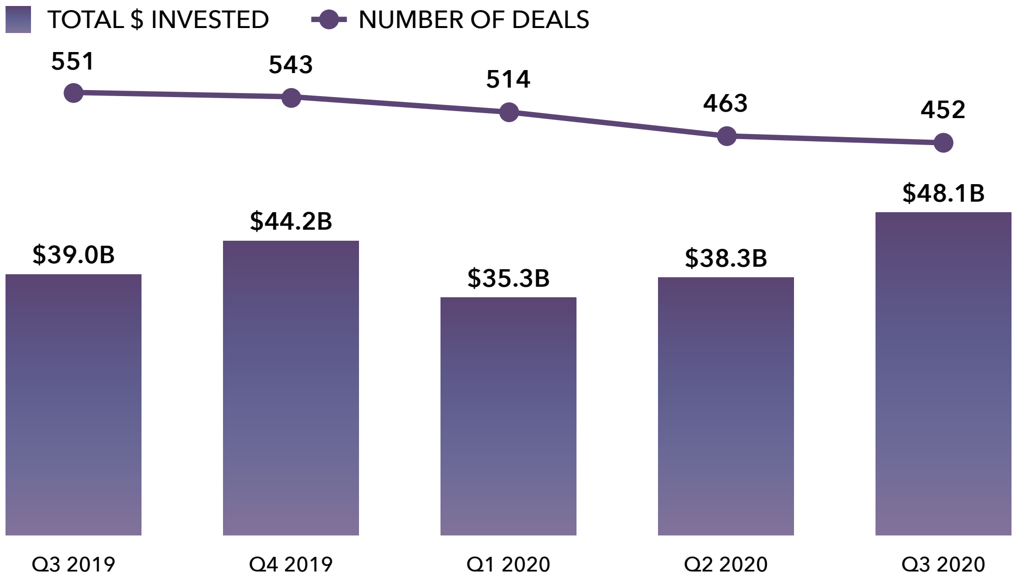


Global early-stage

funding has also experienced some hiccups, coming in at $19.3 billion for Q3, **down 18% year-over-year, and 14% quarter-over-quarter**. Early-stage funding will likely not reach the record levels of 2019, but in light of the current economic and health environment, this stage of fundraising has shown some resilience.

In the US, early-stage activity has shown some signs of stabilizing, raising $9.2 billion across 657 deals for the quarter. This activity points to a **year-over-year decline for 2020 of 20-25 percent**. Given the data observed in Q3, investors are showing signs of developing a higher degree of comfort with this new environment.

GLOBAL LATE-STAGE INVESTMENT THROUGH Q3 2020



SOURCE: CRUNCHBASE NEWS

Global late-stage

fundraising has demonstrated remarkable activity, ending the third quarter at $48.1 billion, **up 24% year-over-year and 26% quarter-over-quarter**, with the lion's share of funding, 71 percent, going to later-stage rounds including **61% for rounds above the $100 million mark**. This growth in late-stage funding has been pushed higher as investors eye strong acquisitions and IPO markets.

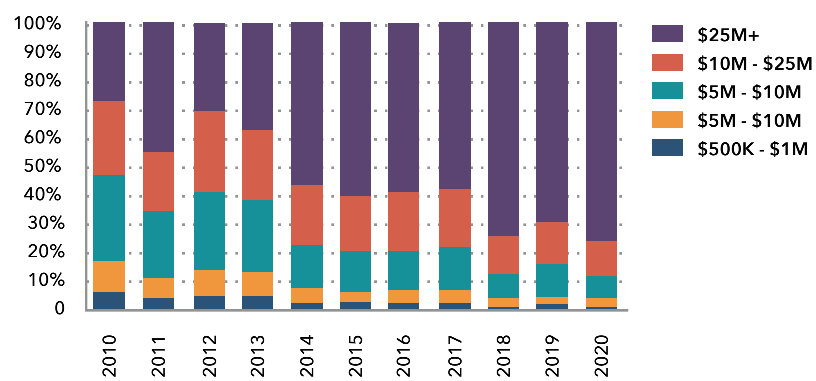
In the US, over 662 deals during the quarter, the total level of late-stage capital investment reached $26.6 billion, thus bringing the total for the year so far to $78.2 billion. Large amounts of capital being invested at the late-stage has become the norm, and this growth trend has been evident for the past several years due to the demographics of companies operating under venture backing. As investors continue to chase unicorns, and more money gets allocated to venture capital, companies are choosing to stay private for longer, resulting in larger funding rounds.

This trend continues to fuel the

growth in late-stage rounds, and in particular, deals of over $25 million.

MEGA-DEALS DOMINATE DOLLARS IN THE LATE STAGE

US LATE-STAGE VC DEALS ($) BY SIZE, AS OF SEPTEMBER 30, 2020

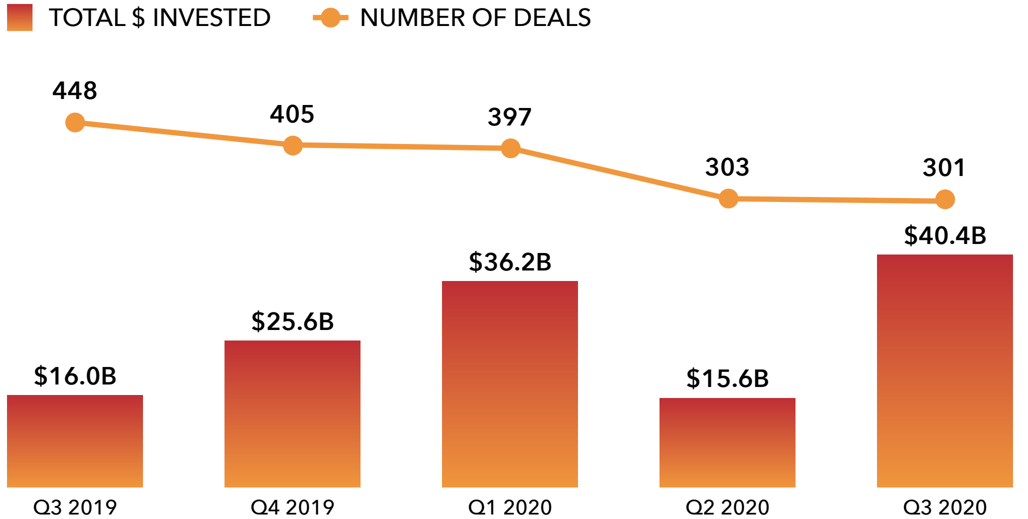


SOURCE: PITCHBOOK - NVCA VENTURE MONITOR

As we look toward

the acquisition markets, we can observe 9 VC-backed companies being acquired for a price upward of $1 billion; the highest amount in a single quarter since early 2019. As of Q3 end, 301 acquisition deals have been recorded, accounting for $40.4 billion – a massive increase from the $15.6 billion in exit value recorded in Q2.

GLOBAL ACQUISITIONS OF VENTURE-BACKED COMPANIES



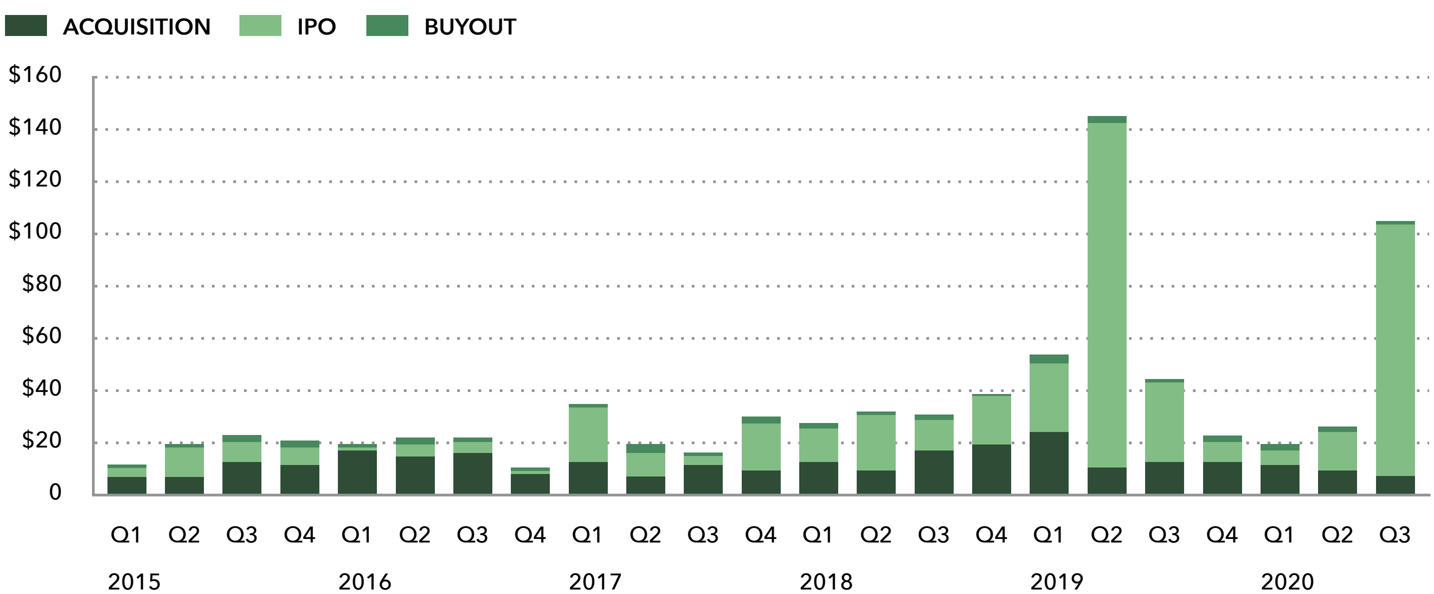
NOTE: EXCLUDES M&A FOR COMPANIES THAT PREVIOUSLY WENT PUBLIC - AMOUNTS INCLUDED FOR DEALS WITH REPORTED TRANSACTION VALUES

SOURCE: CRUNCHBASE NEWS

In addition to the strong activity in acquisitions, we are experiencing a booming IPO market on track to surpass 2019 by deal count and funds raised. This is demonstrated with six out of seven VC backed companies going public with an IPO valuation above $10 billion this quarter alone. This reopening of the IPO window for large technology companies drove the massive rebound in the exit market. In particular, the public listings of Snowflake, Palantir, Asana, and Unity, making up 64.8 percent of total exit value has pushed exit value to the second-highest quarterly total of $103.9 billion. Furthermore, in Q3 we saw 13 IPOs listed at a $1 billion+ valuation.

REOPENING OF IPO WINDOW FUELS REBOUND IN EXIT ACTIVITY

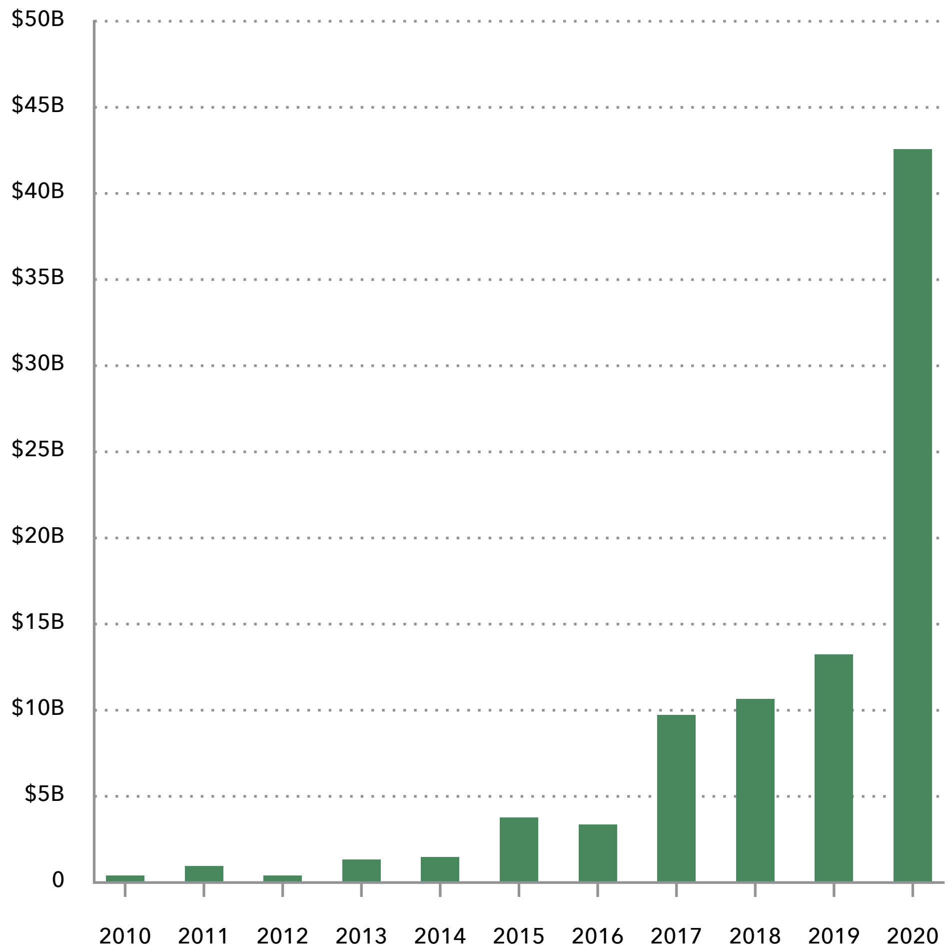
US VC EXITS ($B) BY TYPE, AS OF SEPTEMBER 30, 2020



SOURCE: PITCHBOOK - NVCA VENTURE MONITOR

MONEY RAISED ANNUALLY IN BLANK-CHECK COMPANY IPOs

2020 IS THROUGH SEPTEMBER 30



SOURCE: DEALOGIC

All of these events were thought impossible just 6 months ago. Furthermore, there are a handful of other multibillion-dollar IPOs, direct listings, or SPAC combinations lined up over the next couple of quarters, as VC-backed companies look to capitalize while the window remains open.

III. Looking Ahead

As we enter fall and winter, the fear of a double hit from COVID and the flu season will test the state of our health system, which is hopefully prepared for new surges. We don't expect the US economy to shut down, but there is a real possibility that the US death toll doubles before the year-end.

As the race for a vaccine continues at a rapid pace, the political pressures on the CDC and FDA have created significant mistrust that the administration is placing politics ahead of science. This lack of trust can negatively influence the dissemination of the vaccine and further delay recovery.

The hurdles for massive vaccination are daunting. We expect this process to take at a minimum of 18 months, so we will be dealing with COVID for quite some time.

On the economic front, assuming a new Cares Act deal is reached along with significant support from the Fed and other Central Banks, we should expect risky assets to continue to do well with potential bouts of volatility, as prices have gotten ahead of themselves. As the economy continues to reopen and life comes back to normal, we should expect sectors heavily impacted during the pandemic to outperform.

In terms of long-term opportunity, Michael Dell summarized a key theme we are quite bullish on the Nursery. “I think we're seeing this rapid emergence of a connected and intelligent world, where all the physical objects are becoming instrumented and connected and digitized. 5G is about connecting things; 4G was about connecting people. And if you think you have lots of data now, you'll have a thousand times more in a few years. And so the combination of 5G, AI, IoT all reinforce each other and I think are going to enable us to do more than we've ever imagined.”

Dell called the rollout of 5G a “generational opportunity” to help level the playing field on everything from healthcare to education. “In this digitally transformed world, the greatest opportunity is: how do we put all this data to work, to help the most people?”

Thank you for your continued trust and support. We are well-positioned to continue to navigate the current environment and capitalize on transformational themes that will play out over the next decade and beyond.

Flavio Lobato

Co-Founder and Principal, Ikove Capital

Flavio Lobato is Principal and Founder of Ikove Capital Partners, a Venture Development investment company focused on commercializing life changing technologies in partnership with leading research institutions.

Previously, Flavio was an Executive Director at Liongate Capital Management, a multi billion alternative investment manager based in London and New York which was sold to Principal Global Investors. Additionally, Flavio was a Founder, and CIO of Swiss Capital Asset Management in Lugano, managing over $1.5 billion in hedge fund investments for institutional clients. Flavio was a VP at Goldman Sachs & Co. and a Director at Credit Suisse First Boston.

Flavio received his MBA from Harvard Business School with honors, and his undergraduate degree in International Finance and Marketing from the University of Miami, cum laude. Flavio is Co-Head of Fintech for Harvard Angels of NYC. He serves as Chairman or on the Board for several high profile startups. He is a guest author at Venture-Beat, VC-List, Forbes and Alpha Week and has been featured in several podcasts.

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