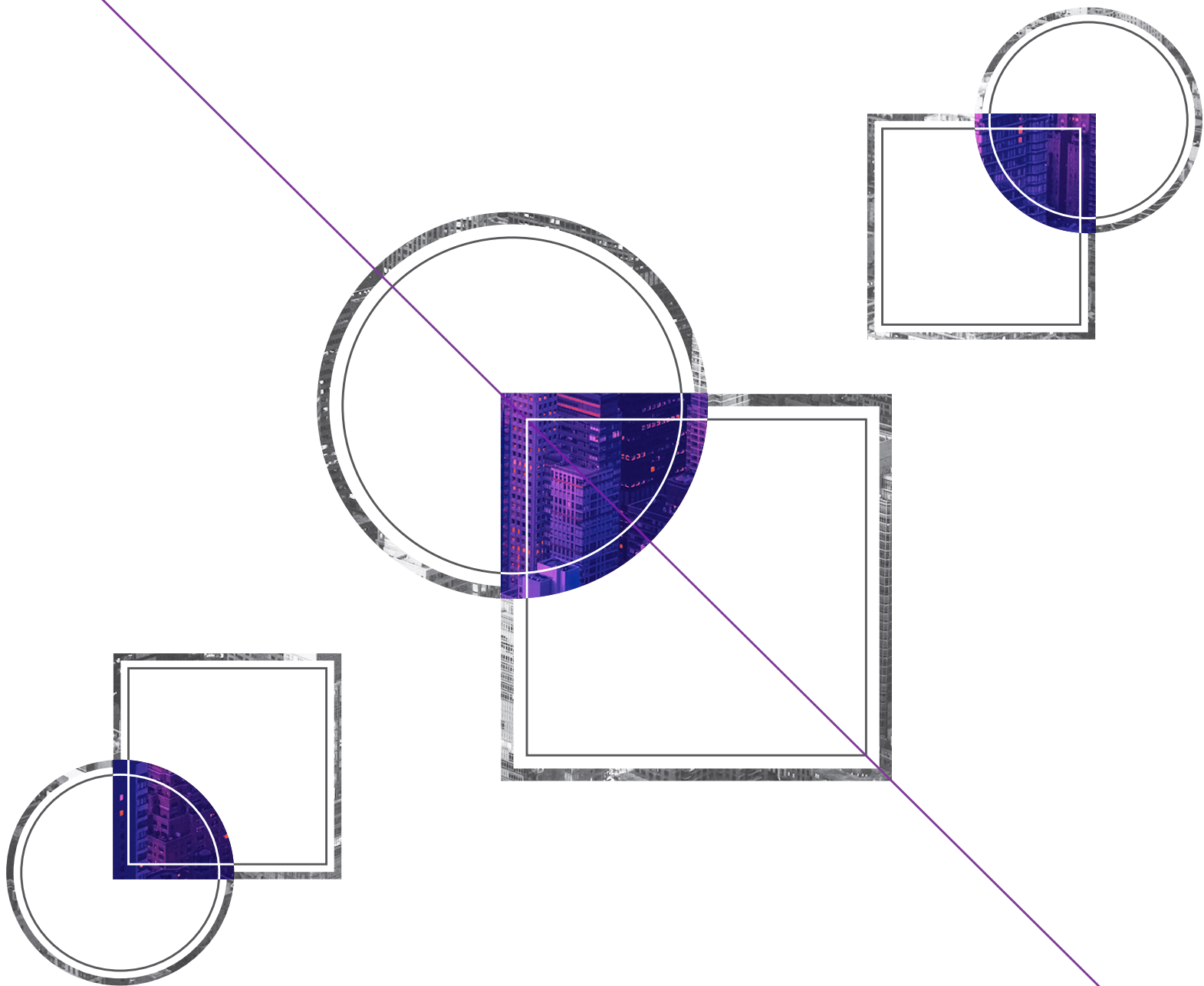


When Public Meets Private: Rethinking the Modern Market



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Introduction

For decades, equity market indexes have served as trusted barometers of markets. These benchmarks offer more than just performance snapshots—they tell the evolving story of structural shifts in commerce, innovation, and capital formation. They also capture the irrational exuberance that has marked successive bull and bear markets. In many ways, an index serves as a record of economic history, continually reshaped by new industries, emerging leaders, and disruptive technologies.

But today, traditional equity market indexes tell an incomplete story.

The rise of private markets has fundamentally altered the structure of global capital markets. The traditional model, where companies largely relied on public markets as their primary source of growth capital, no longer represents economic reality. Increasingly, companies can access substantial funding at scale without ever going public, reshaping the composition and relevance of traditional benchmarks.

Globally, the growth of modern, knowledge-based economies has been accompanied by a surge in private market activity. Many of today's most dynamic companies—particularly in areas like artificial intelligence, biotech, and fintech—are choosing to remain private longer, driving innovation and economic expansion not fully reflected by conventional indexes.

To navigate this new landscape, investors need better tools—ones that capture the expanding opportunity set of the investable equity universe, across both public and private companies. The convergence of these two worlds is no longer theoretical—it's happening now. By harnessing advances in data, technology, and the expansion of secondary markets that have enabled wider access to late-stage venture-backed companies, investors can increasingly invest across the equity spectrum.

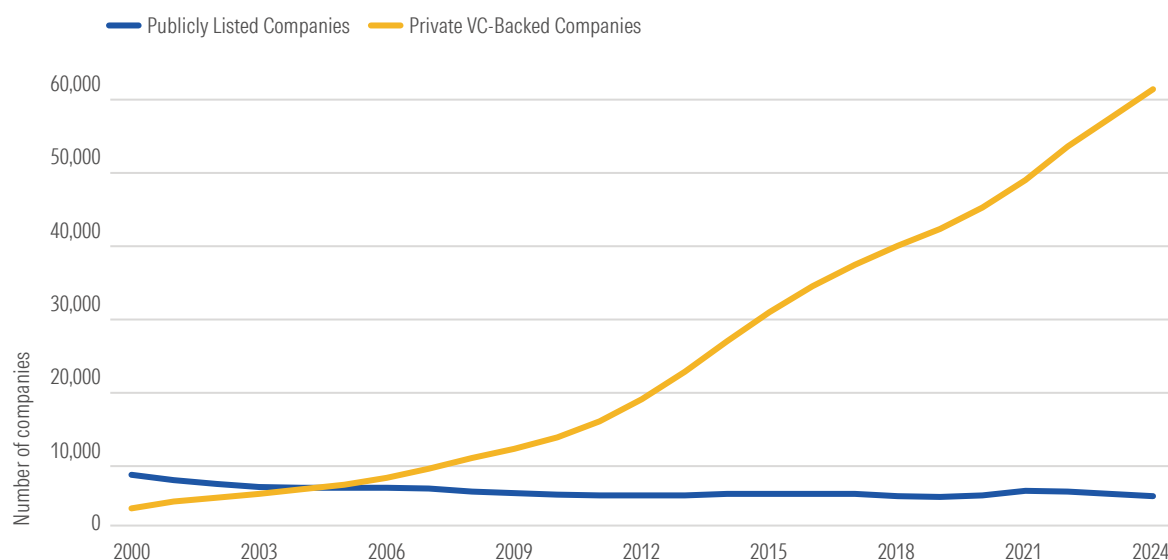
The Morningstar PitchBook US Modern Market 100 Index, or Modern Market 100, is built for today's evolving market landscape. The Modern Market 100 tracks the performance of 100 of the largest US-domiciled companies—comprising 90 public and 10 private businesses. For the first time, investors can access a single, transparent benchmark that provides exposure to both public and private pillars of the US economy.

The Modern Market 100 redefines how investors can track, analyze, and participate in an equity market that looks fundamentally different than it did a generation ago.

A changing landscape

Over the past 25 years, private markets have reshaped the structure of the US equity landscape. At the start of the new millennium, publicly listed companies in the United States outnumbered those backed by private capital. Today, that trend has reversed.

Exhibit 1: Growth in US public and private companies, 2000–24



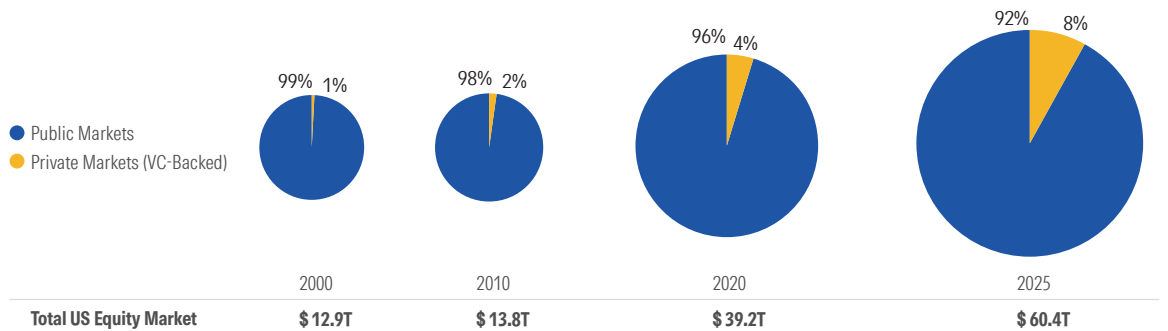
Publicly listed US companies are sourced from the World Bank Group and private US VC-back companies are sourced from PitchBook Data. PitchBook Data defines VC-backed companies as any company with one or more venture capital funding round.

During this period, the share of the US equity market held by venture capital-backed private companies has grown more than tenfold, increasing from less than 1% to 9%. Many private companies now rival their public counterparts in scale and market influence. SpaceX and OpenAI are two prominent examples—each valued at over USD \$300 billion, placing them among the world's most valuable businesses, regardless of listing status.

The rise of venture capital has reshaped how companies raise capital.¹ Going public is no longer the only path to scale. High-growth, innovative companies increasingly leverage private markets to access substantial funding while retaining greater ownership and control.

¹ Arya, Sanjay, Lefkowitz, D., Ananya, R., and Stanford, K. 2023. [Harnessing Unicorns: Demystifying the Venture Capital Market with the Morningstar PitchBook Global Unicorn Indexes](#). Morningstar Indexes, August.

Exhibit 2: The evolving composition of the US equity market– 2000–25

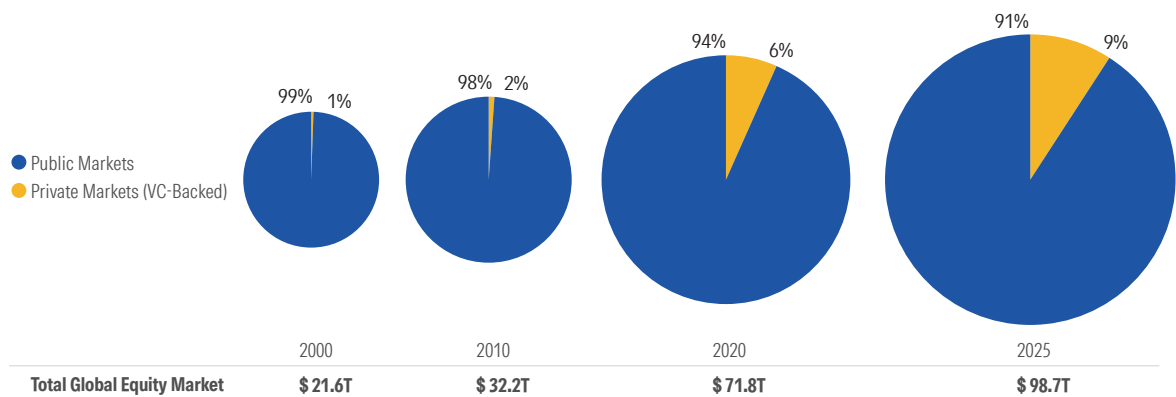


"Public Markets" refers to the total market value of firms in the Morningstar US Market Index, while "Private Markets (VC-Backed)" represents the total post-money valuation of companies in PitchBook's venture-backed database.

Exhibit 2 highlights how venture capital-backed companies now represent a significant and growing share of the US market—a trend that shows no signs of slowing.

This is not just a US phenomenon. Similar dynamics are unfolding globally. As shown in Exhibit 3, venture capital-backed companies now make up nearly 10% of the global market.

Exhibit 3: The evolving composition of the global equity market– 2000–25



"Public Markets" refers to the total market value of firms in the Morningstar Global Markets Index, while "Private Markets (VC-Backed)" represents the total post-money valuation of companies in PitchBook's venture-backed database.

The traditional divide between public and private markets is blurring, and investors need a framework that captures the accelerating scope of opportunity across both.

² Stanford, Kyle. [High Valuations, Higher Returns](#). 2021. PitchBook Data, Inc., July.

By excluding over \$8 trillion² in privately held companies, conventional indexes underrepresent many companies fueling economic growth. Industries like artificial intelligence, biotech, and fintech dominate headlines and drive market disruption—yet many of the companies at the forefront of these trends are not captured by traditional public market benchmarks.

Expanding the opportunity set

The traditional barriers to investing in private equity are becoming less significant. At its core, equity is simply ownership in a business—an economic claim on current performance and future growth—regardless of whether shares are traded on an exchange or held in private hands. What distinguishes the two is not the nature of equity itself, but the mechanisms of access, liquidity, and transparency.

With multibillion-dollar valuations, broad investor bases, and active secondary market trading, late-stage venture backed firms resemble large-cap public companies far more than early-stage startups. Their scale, trading activity, and risk/return characteristics reflect the maturity of established enterprises.

This shift highlights a fundamental reality: listing status is no longer a reliable proxy for economic significance. Today, whether a firm is public or private reflects a strategic choice shaped by capital availability, ownership preferences, and regulatory considerations. For investors and index providers alike, this demands a rethinking of market definitions.

The opportunity set for equity investors is no longer confined to the public realm as reflected by the growth in crossover funds. As markets continue to evolve, benchmarks that integrate both public and private leaders offer a more complete, representative lens on enterprise value creation across the modern economy.

The convergence of public and private markets

The growth of private markets has dramatically expanded the spectrum of opportunities for investors, challenging traditional boundaries and reshaping capital allocation strategies. The lines between public and private markets are blurring—and the way investors access the expanding equity opportunity set is fundamentally evolving.

The main driver of this phenomenon is the extension of company lifecycles in the private market. There are 795 private, VC-backed companies in the US valued at \$1 billion or more.³ Crossover investors, such as mutual funds, sovereign wealth funds, private equity buyout firms, and hedge funds are participating in venture deals at unprecedented levels. Since 2021, they have been involved in nearly 5,000 private market transactions totaling \$450 billion.⁴

Another factor driving public/private convergence is the emergence of private share secondary markets.⁵ As traditional exit paths such as IPOs and acquisitions remain limited, secondary markets have become the practical alternative for shareholders to unlock gains, further cementing their role as a vital and expanding mechanism in the late-stage venture landscape. Private exchanges and brokers are generating new markets for shares of private companies, with a long runway of growth ahead.

Institutional investors are responding to this shift by transforming traditional fund structures. Fixed-life vehicles, typically spanning seven to 10 years, are being reconfigured. Open-ended models allow for greater flexibility to support portfolio companies through multiple financing stages and post-IPO growth. Prominent venture firms such as Sequoia Capital have registered as investment advisors, enabling them to move in and out of private companies with ease, and hold positions across private and public markets under a unified strategy. This convergence is not merely a trend, but a structural shift that is here to stay.

³ Data sourced from PitchBook, as of July 2025.

⁴ Data sourced from PitchBook, as of June 2025.

⁵ Sherman, Hans. 2022. [How Big Is the Secondary Market for Venture Capital?](#) Industry Ventures, July.

Capturing today's market reality: The Morningstar PitchBook US Modern Market 100 Index

Much like the bellwether sheep that leads the flock, the bellwether stocks—those large, influential companies—have been watched as barometers, their movement providing clues for broader shifts in economic climate and market sentiment. But as the financial landscape evolves, so too must the bellwether itself. Traditional markers—while still important—are incomplete. Today, some of the economy's fastest-growing and industry-defining companies remain private, beyond the scope of standard benchmarks.

The Modern Market 100 is built to reflect this new reality. The Modern Market 100 is a modern bellwether—guiding investors with a broader map of the investable market. By including both the 90 largest publicly traded US companies and the 10 largest venture-backed private firms, the index re-creates the lens through which we assess market leadership and economic momentum. Its composition mirrors the evolving structure of capital markets, where public and private equity increasingly operate in tandem. By blending these two realms, the Modern Market 100 acts as a contemporary compass—capturing the spirit of the current marketplace and ensuring that investors can track both established titans and emerging disruptors.

Below are the key features of the index methodology, pricing sources, performance and risk metrics, and how to access the data.

Eligibility and selection criteria

The Modern Market 100 derives its constituents from two distinct parent universes to ensure representative exposure to both public and private market leaders.

- **Private Constituents:** Private constituents are drawn from the Morningstar PitchBook US Unicorn Index, selecting the 10 largest US-based, venture-backed private firms valued at \$1 billion or more, subject to liquidity criteria.
- **Public Constituents:** Public constituents are the 90 largest US-domiciled companies from the Morningstar US Markets Index.

Coverage and market representation

In public markets, the 90 companies selected for the Modern Market 100 account for nearly two-thirds⁶ of the total US equity market, as measured by the Morningstar US Market Index.

In private markets, while thousands of venture-backed companies exist, only about 100 trade actively in secondary markets, with the majority of volume concentrated in the top 30 firms, as captured by the Morningstar PitchBook Unicorn 30 Index. Within this universe, the 10 private companies included in the Modern Market 100 represent approximately 66%⁷ of the total market capitalization of those top 30.

⁶ Data as of June 30, 2025.

⁷ Data as of June 30, 2025.

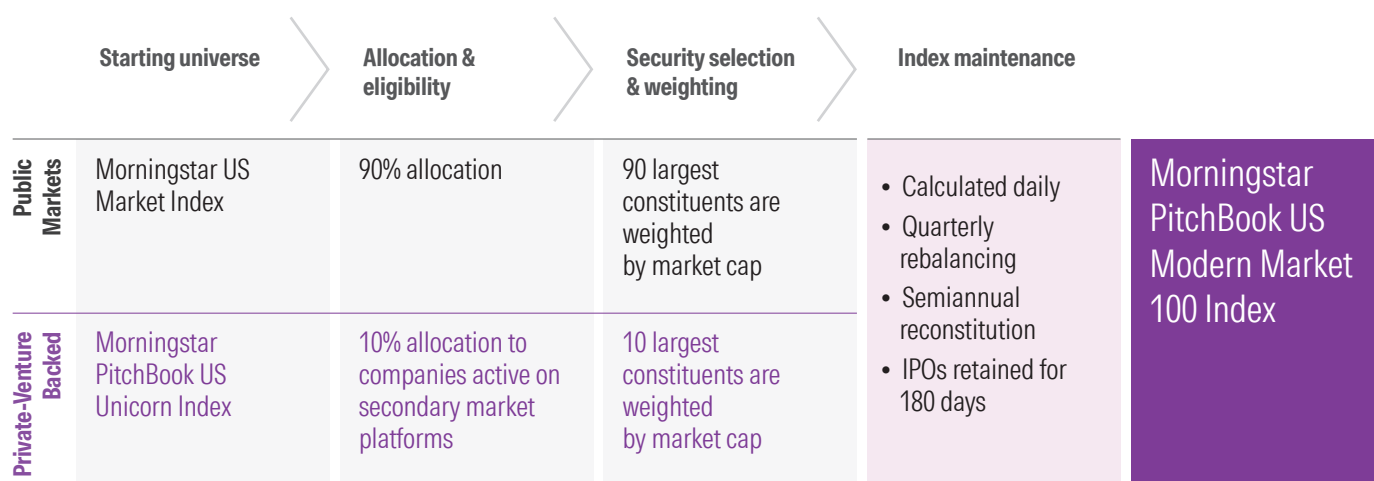
This selection methodology ensures a consistent level of market coverage across both public and private segments, enhancing the representativeness and balance of the index.

Weighting methodology - Balancing market representation and efficiency

The Modern Market 100 assigns the weights of its public and private company components based on the relative size of their respective markets as shown in the earlier analysis of global public and private markets. Currently, approximately 90% of the index weight is assigned to public companies and 10% to private companies. This approach ensures the index reflects the actual structure of the modern equity landscape.

To stay aligned with the changing market dynamics, the public/private weight split is reviewed every two years. A tolerance band is built into the index to limit unnecessary turnover and operational noise. This design strikes a practical balance between accuracy and efficiency, keeping the index representative of market realities while avoiding excessive adjustments driven by short-term fluctuations or marginal valuation shifts.

Exhibit 4: Index construction process



Morningstar US Market Indexes measure the performance of large-, mid- and small-cap stocks in the U.S. representing the top 97% of the investable universe by market capitalization, and the Morningstar PitchBook US Unicorn Index tracks privately held, late-stage venture capital-backed US companies with post-money valuations of at least \$1 billion. Companies are held for 180 days post-listing to reflect the typical period when early investors begin to unwind positions, though timing can vary by investor.

Index maintenance

The index is reconstituted twice a year and rebalanced quarterly to ensure it remains aligned with the evolving market landscape.

Back history

Index performance is backcast to 2014 using historical pricing data.

Pricing and calculation

The index is calculated daily, using pricing sources tailored to each market segment:

- Private company valuations are based on verified secondary market transactions, reflecting real-world investor activity.
- Public company prices are taken from the official closing prices on their primary listing exchanges.

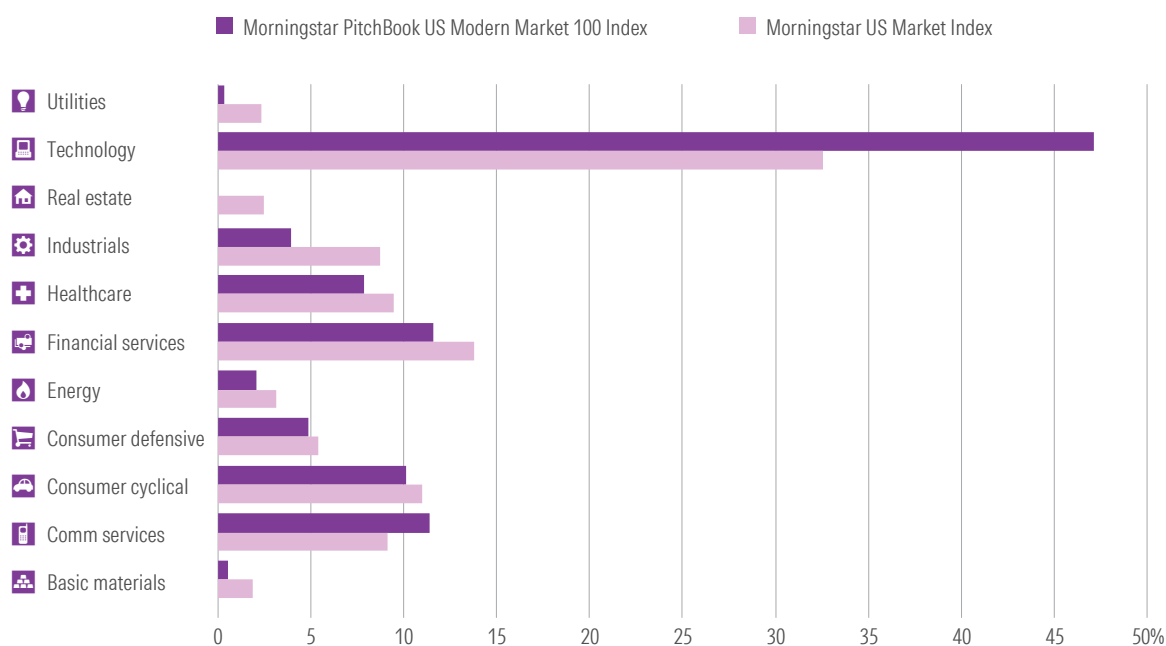
All relevant corporate actions affecting index constituents—such as IPOs, mergers, or delistings—are incorporated daily to ensure the index remains accurate and up to date.

Modern market 100—Extending equity exposure beyond public markets

Expanding equity market exposure to include late-stage venture-backed companies enhances diversification by offering access to innovative, high-growth segments not fully captured by public markets. These private firms often operate in entirely different industries, occupy earlier stages in the business lifecycle, and possess distinct valuation dynamics.

As shown in Exhibit 5, sector exposures within the Modern Market 100 diverge meaningfully from traditional public benchmarks. In particular, the Modern Market 100 has a much larger allocation to technology companies than the public markets index. While public “technology” indexes often reflect mature segments like desktop software or hardware, venture capital funding is heavily concentrated in emerging technologies. PitchBook data shows that 96% of post-money valuations in the venture-backed universe are tied to technology-related verticals. Nearly one-third of all US VC technology investments now target artificial intelligence, with fintech, e-commerce, biotech, and crypto also commanding substantial flows. These four sectors alone account for half of all US venture-backed firms.

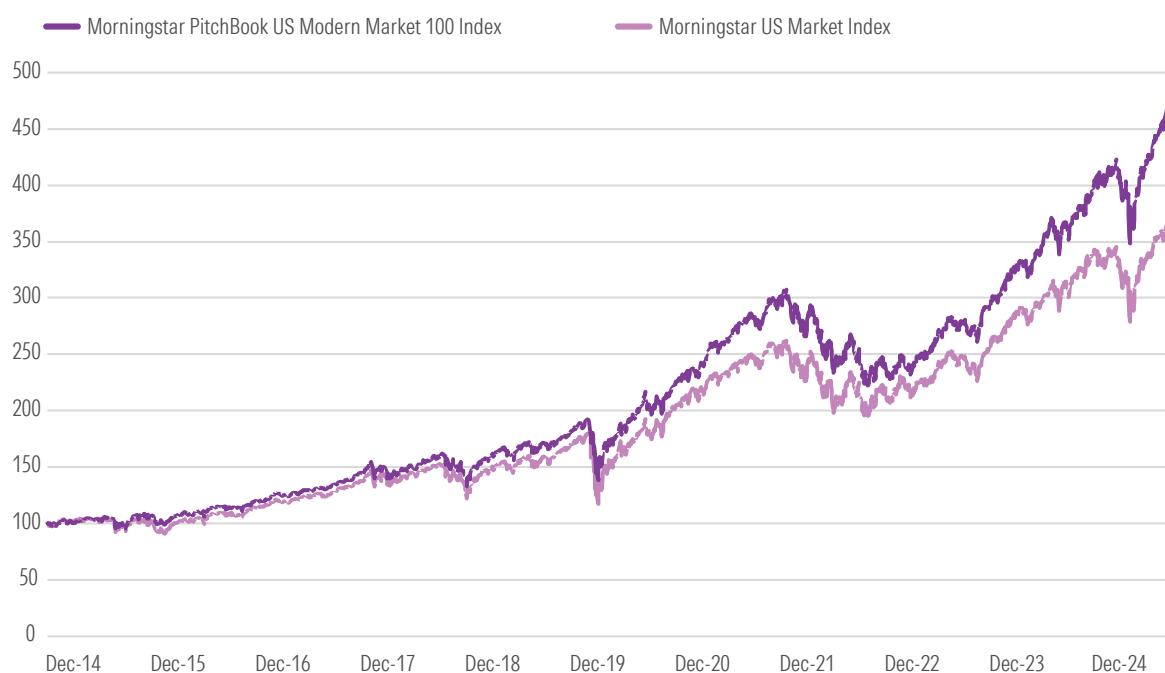
Exhibit 5: US sector exposures – Public Market vs. the Morningstar PitchBook US Modern Market 100 Index



Data as of June 30, 2025.

The result is differentiated exposure to the frontier of innovation—offering investors access to segments that remain underrepresented or absent in public markets. Given their distinct growth profiles and operating models, the performance of these private companies is only partially correlated with their public peers, making them a powerful complement in a modern equity portfolio.

Exhibit 6a: Index performance – Modern Market 100 Index vs. Morningstar US Market Index



Date range: December 31, 2014, to August 31, 2025. Private company performance data prior to December 31, 2020, is based on primary funding round data, sourced by PitchBook.

The Modern Market 100 has outperformed its public market equivalent over all trailing time periods with lower volatility.

Exhibit 6b: Index performance – Modern Market 100 Index vs. Morningstar US Market Index

Index name	1-Year return (%)	3-Year return (%)	5-Year return (%)	10-Year return (%)	Standard deviation (%)	Sharpe- ratio	Max drawdown (%)
Morningstar PitchBook Modern Market Index	28.2	24.1	17.2	16.8	14.2	1.0	-28.2
Morningstar US Market Index	16.0	19.1	14.1	14.1	15.6	0.7	-34.8

Date range: December 31, 2014, to August 31, 2025. Private company performance data prior to December 31, 2020, is based on primary funding round

The top 10 public companies in the index include the so-called 'Magnificent Seven' hyperscalers, while on the private side, notable innovators in AI, fintech, and space exploration are represented.

Exhibit 7: Index constituents

Top 10 public constituents

Microsoft

Nvidia

Apple

Amazon

Meta Platforms

Broadcom

Alphabet (Class A)

Tesla

Berkshire Hathaway

Alphabet (Class C)

Top 10 private constituents

SpaceX

OpenAI

xAI

Stripe

Anthropic

Databricks

Anduril

Rippling

Figma⁸

Epic Games

⁸ Figma is reflected in the June portfolio, as its IPO occurred on July 31, 2025.

Data as of June 30, 2025.

Conclusion

Equity markets have always evolved to reflect the changing opportunity set for investors, and the indexes that track them must evolve as well. We are entering a new era where the lines between public and private markets are increasingly blurred—and how a company raises capital matters less to investors than its role in the broader investment universe.

The launch of the Modern Market 100 marks an important first step toward redefining how we track, measure, and access the expanding scope of the US equity market. By leveraging advancements in data and technology, we can now capture a more comprehensive, real-time view of market behavior—one that reflects both public and private market leaders in a unified framework.

This is only the beginning. We are committed to developing a next generation of companion indexes designed to equip investors with more accurate tools, deeper insights, and better ways to navigate an evolving market landscape. Together, these innovations will help move the science—and art—of investing forward, enhancing transparency, access, and opportunity for the entire market ecosystem.

About Morningstar Indexes

Morningstar Indexes was built to keep up with the evolving needs of investors—and to be a leading-edge advocate for them. Our rich heritage as a transparent, investor-focused leader in data and research uniquely equips us to support individuals, institutions, wealth managers and advisors in navigating investment opportunities across all major asset classes, styles and strategies. From assessing risk and return with traditional benchmarks to helping investors effectively incorporate ESG objectives into their investment process, our range of index solutions spans an investment landscape as diverse as investors themselves. We help investors answer today's increasingly complex questions so that they can more easily reach tomorrow's goals. For more information, visit indexes.morningstar.com.



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