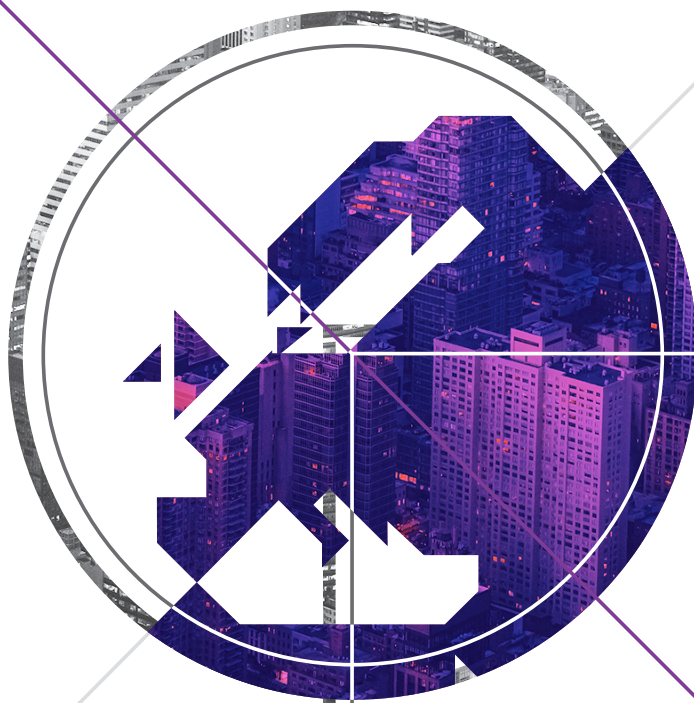


# When Public Meets Private: Rethinking the European Modern Market



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## Introduction

For decades, public equity indexes have served as trusted representations of “the market.” They have shaped how investors allocate capital, measure risk, and interpret economic change, effectively serving as a record of economic history.

While public equity indexes continue to play a central role in how investors understand and access markets, the growth of private markets has expanded the opportunity set available to investors. Companies can now raise substantial capital, scale globally, and achieve economic significance without ever going public. This shift has fundamentally altered the structure of global capital markets, increasing demand for benchmarks that provide a broader context across both public and private market leadership.

Last year, Morningstar Indexes and PitchBook introduced the US Modern Market 100 Index, a rules based benchmark designed to reflect the new reality, that many of the most economically significant US companies are found across both public and private markets. By integrating large public companies with late stage, venture backed private firms, the index offers a more expanded view of how value is created in the modern US equity market.

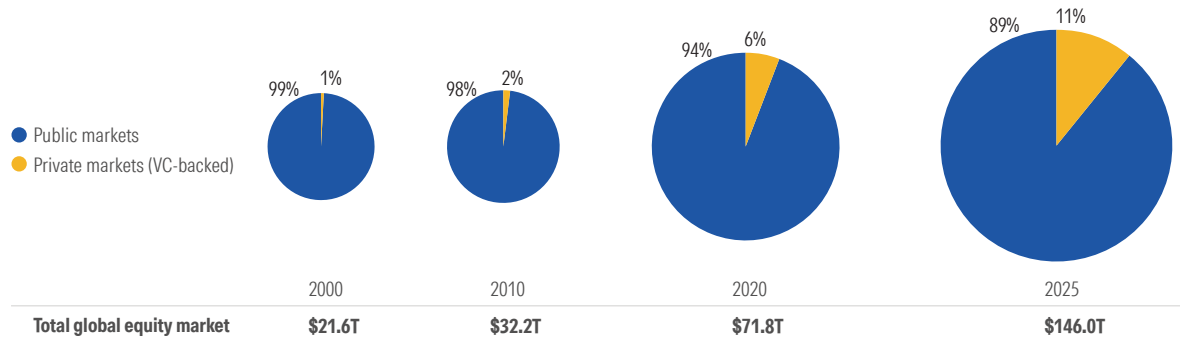
The same structural forces are also reshaping Europe. Europe’s equity opportunity set has expanded well beyond the boundaries of public markets. Many of Europe’s most influential and innovative companies now remain private for longer, reaching scale and market relevance once associated only with listed blue chip firms.

The Morningstar PitchBook Europe Modern Market 50 Index extends the modern market framework to Europe. Built on the same principles as its US counterpart, it combines the region’s largest public companies with its most significant late stage, venture backed private firms, offering an expanded view of European market leadership.

### A changing landscape and the expanding investment opportunity set

Driven by advances in capital formation, late-stage venture funding, and the growth of secondary markets, companies can now raise significant capital, scale globally, and exert economic influence without going public. Venture backed private companies now account for a meaningful and growing share of the global equity opportunity set, approaching 11% of total market value today, up from roughly 1% 25 years ago.

**Exhibit 1: The evolving composition of the global equity market, 2000–2025**



“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.

“Late stage” private companies now trade more frequently in secondary markets, while crossover investors hold positions before and after IPOs within a single strategy.

At the same time, the traditional distinction between public and private markets is blurring. Institutional investors increasingly move across both, allocating capital based on opportunity rather than listing venue.

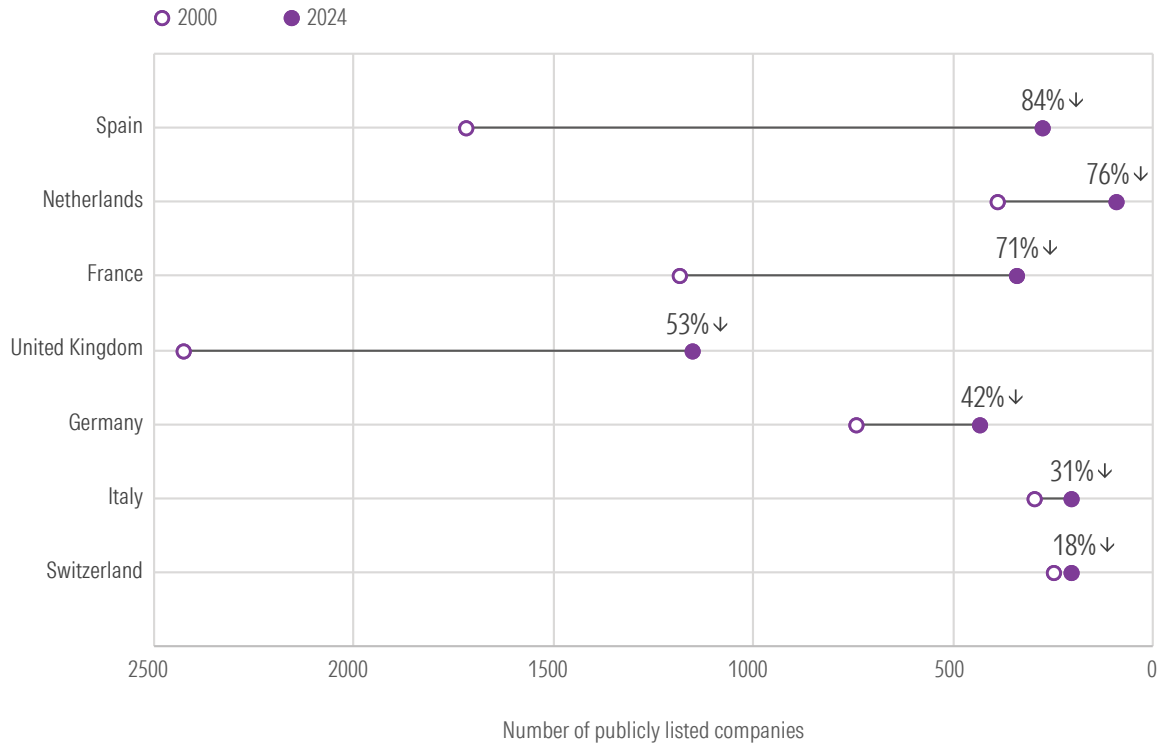
This convergence has important implications for benchmarking. While public equity benchmarks remain foundational, evolving market structures expand the equity opportunity set beyond public markets alone. Index providers, therefore, must adapt and offer innovative solutions that reflect the evolving structure of equity markets.

### Europe's evolving public and private equity landscape

While the US pioneered large scale venture capital and deep private market liquidity, Europe has followed a distinct but increasingly consequential path. Historically, Europe’s private markets were smaller, more fragmented, and more reliant on bank financing than those in the US. However, that gap has narrowed materially.

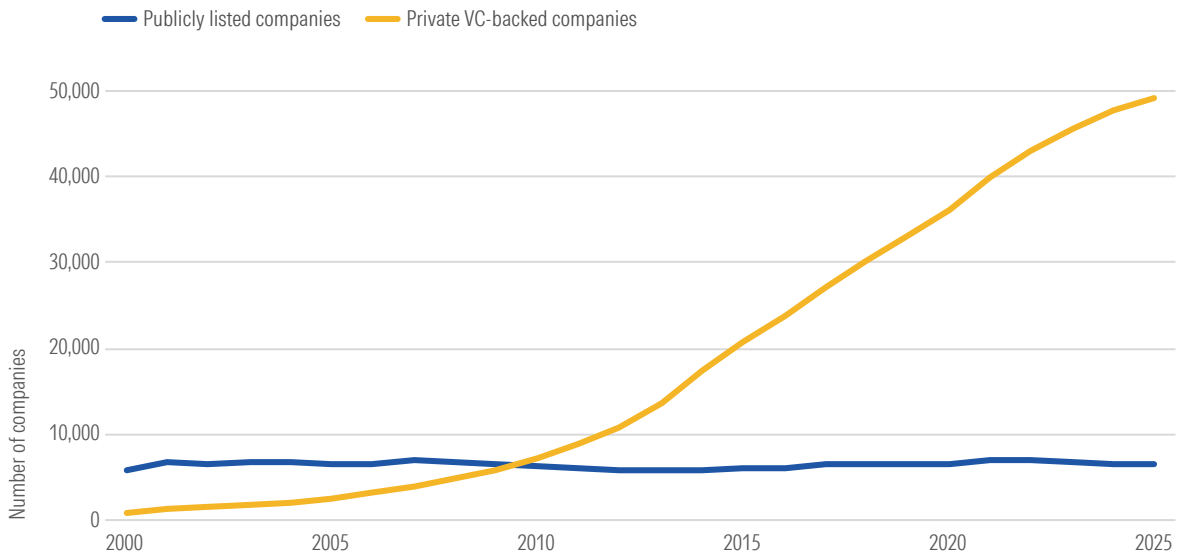
Over the past 25 years, Europe’s equity markets have undergone a structural shift. Across major economies, the number of publicly listed companies has declined (Exhibit 2), while private capital backed firms have grown in both scale and economic relevance (Exhibit 3). This divergence illustrates how the European equity opportunity set now extends across both public and private markets.

### Exhibit 2: Shrinking number of publicly listed companies in major European economies, 2000–2024



Source: World Bank, national stock exchanges, Morningstar. Counts reflect domestically listed companies. Labels show percentage decline. Countries ordered from largest to smallest percentage decline in number of listed companies (2000–2024). 2024 data as of year end.

### Exhibit 3: European public versus private companies, 2000–2025



Publicly listed European companies are sourced from the World Bank Group and Morningstar. Private venture capital-backed companies are sourced from PitchBook Data, which defines VC-backed companies as those with one or more venture capital funding rounds within the past 6 years.

Europe is now home to 211 venture-backed companies valued at \$1 billion or more. This growth has been driven in part by crossover investors, including mutual funds, sovereign wealth funds, private equity firms, and hedge funds, who are participating at unprecedented levels, with nearly 4,000 deals, totaling \$154 billion since 2021.<sup>1</sup>

Companies such as Spotify, Klarna, and Adyen emerged from the European venture ecosystem to become global stalwarts—demonstrating that Europe can produce category defining businesses at scale. They showed that European companies could use private capital to build category-defining global franchises, shape consumer and enterprise behavior, and compete head to head with the largest public incumbents.

This pattern is accelerating. A new generation of late-stage, venture-backed European companies now rivals large cap public firms in scale and economic relevance. Revolut has reshaped retail banking across Europe. Mistral AI anchors Europe's push into foundational artificial intelligence. Monzo has set new standards for digital banking in the UK. And Helsing, a company at the intersection of AI and defense, highlights Europe's expanding role in strategically critical industries.

A listing status only reflects a financing and governance choice, not a company's importance to the real economy. A framework that seeks to represent Europe's equity markets can incorporate both public champions and private leaders, offering a broader perspective on value creation in the modern European economy.

### **A modern bellwether for Europe's equity markets**

The Europe Modern Market 50 is designed to serve as a modern bellwether, tracking the companies that are most central to Europe's economy, regardless of whether they are publicly listed or privately held. As the financial landscape evolves, new frameworks have emerged to expand perspective beyond traditional market indicators.

The index includes:

- Forty-five of the largest publicly traded, Europe domiciled companies, representing established market leaders across sectors.
- Five of the largest venture backed private companies, selected from a universe where secondary market activity provides observable pricing and liquidity.

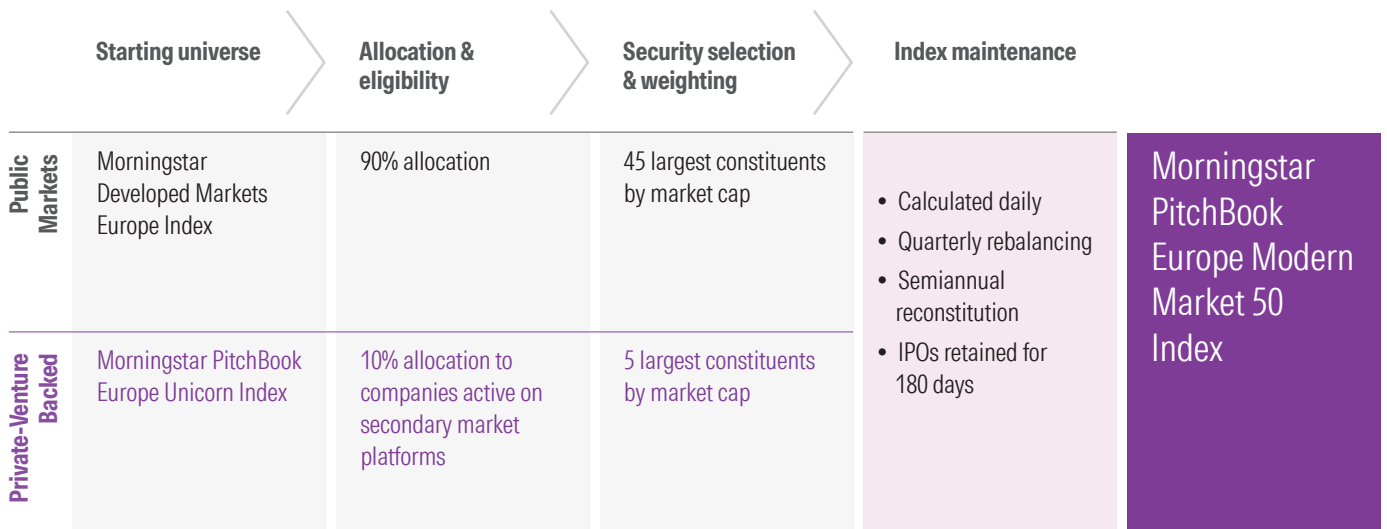
Ninety percent of the index weight is allocated to public companies and 10% to private companies, reflecting their relative economic footprint. The public/private split is reviewed biennially, with tolerance bands in place to limit unnecessary turnover.

### Index construction and methodology

The Europe Modern Market 50 is rules-based, transparent, and grounded in observable market data. Key design principles include:

- **Dual parent universes** draw from an established public market index and PitchBook's private market data.
- **Market size-based weighting** balances public and private exposure in line with their relative market size.
- **Liquidity-aware selection criteria** for private companies reflect the realities of secondary market trading.
- **Disciplined reconstitution and rebalancing** ensure the index adapts as markets evolve without excessive turnover.
- **Daily pricing and calculation:** The index is calculated daily using official public market closing prices and verified private market secondary transactions, with IPOs, mergers, and delistings reflected in real time.

**Exhibit 4: Index construction process**



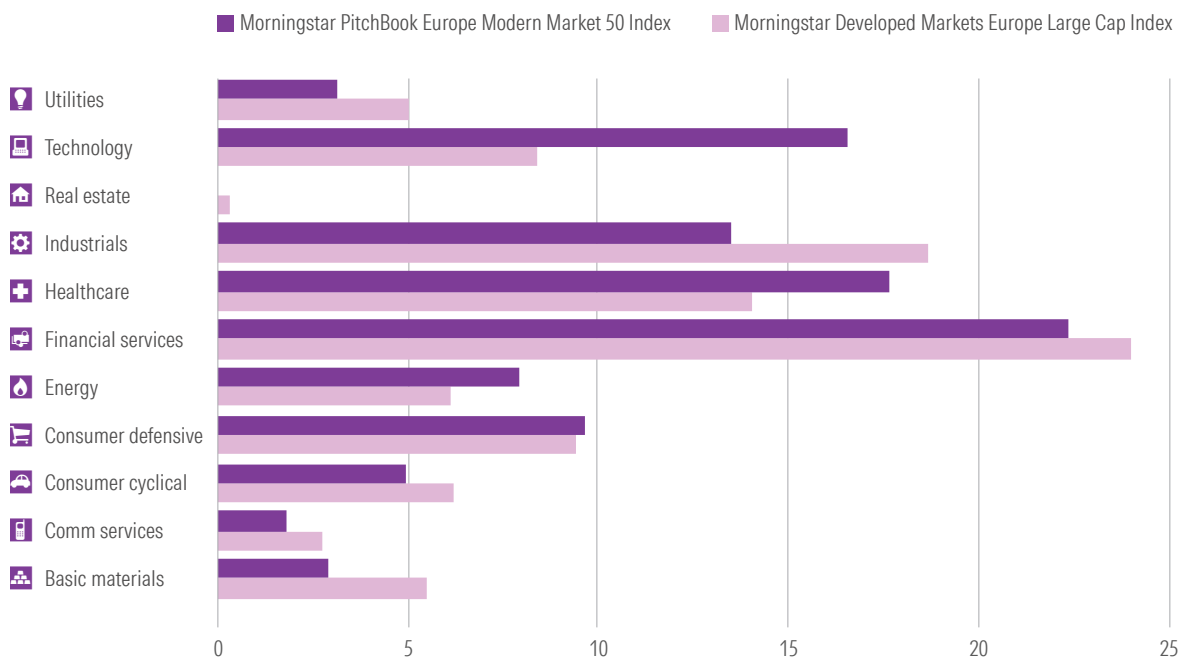
The Morningstar Developed Markets Europe Index measures the performance of large-, mid-, and small-cap companies in developed markets in Europe, representing the top 97% of the investable universe by market capitalization and the Morningstar PitchBook Europe Unicorn Index tracks privately held, late-stage venture capital-backed companies in Europe 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.

### Modern Market 50— Extending equity exposure beyond public markets

Expanding equity market exposure by including 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 50 diverge meaningfully from traditional public benchmarks. In particular, the Modern Market 50 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 global venture-backed universe are tied to technology-related verticals.

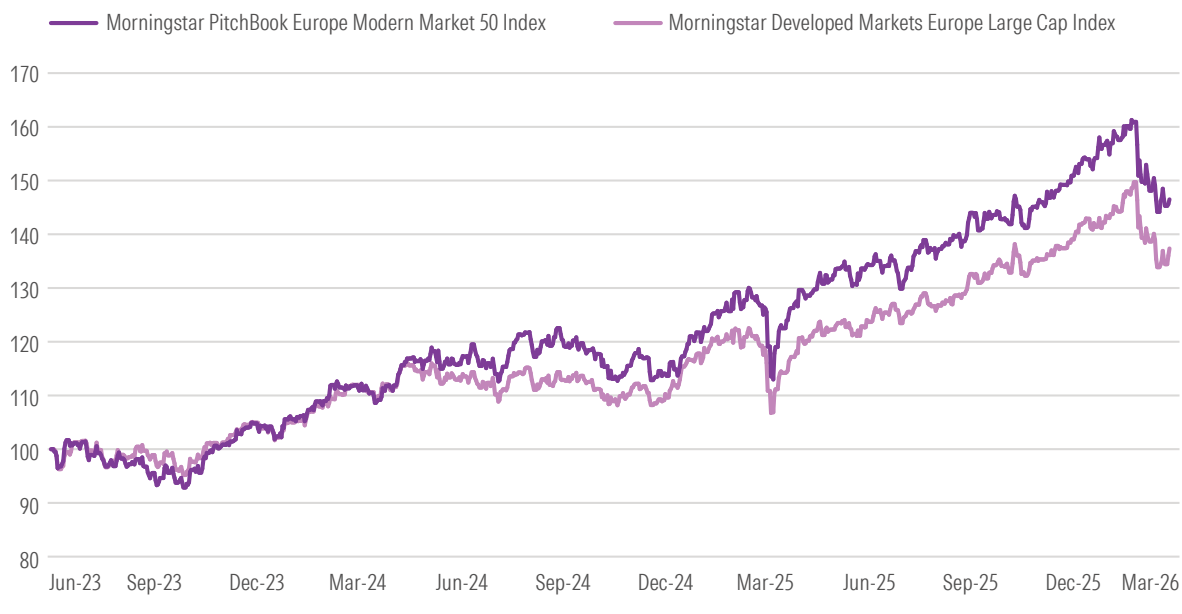
**Exhibit 5: Sector exposures— Morningstar PitchBook Europe Modern Market 50 Index versus Morningstar Developed Markets Europe Large Cap Index**



Data as of March 31, 2026. Sectors are based on Morningstar Global Equity Classification Structure.

The result is differentiated exposure to the frontier of innovation, offering investors access to segments such as AI and fintech 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—Morningstar PitchBook Europe Modern Market 50 Index versus Morningstar Developed Markets Europe Large Cap Index**



Date as of March 31, 2026.

Exhibit 6b shows that, despite the three-year short time horizon, a portfolio that combines public and private European companies has outperformed a benchmark of public equities.

**Exhibit 6b: Index performance—Morningstar PitchBook Europe Modern Market 50 Index versus Morningstar Developed Markets Europe Large Cap Index**

Index name	1-Year return (%)	3-Year return (%)	Standard deviation (%)	Sharpe ratio	Max drawdown (%)
Morningstar PitchBook Europe Modern Market 50 Index	17.2	14.7	11.5	0.8	-13.1
Morningstar Developed Markets Europe Large Cap Index	16.8	12.4	10.4	0.7	-12.9

Date as of March 31, 2026.

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## Exhibit 7: Index constituents—Largest 5 public and private holdings

	<b>Name</b>	<b>Country</b>	<b>Industry</b>
<b>Public holdings</b>	ASML	Netherlands	Semiconductor Equipment
	AstraZeneca	United Kingdom	Drug Manufacturing
	Novartis	Switzerland	Drug Manufacturing
	HSBC	United Kingdom	Banking
	Roche	Switzerland	Drug Manufacturing
<b>Private holdings</b>	Revolut	United Kingdom	FinTech (Retail)
	Mistral AI	France	Artificial Intelligence
	Celonis	Germany	Enterprise SaaS
	Monzo	United Kingdom	FinTech (Retail)
	Qonto	France	FinTech (Enterprise)

Date as of March 31, 2026.

### Implications for investors

Indexes have always evolved alongside markets. What began as simple averages evolved into capitalization-weighted benchmarks, then measurements of market segments by sector, size, style, and factor.

Today, the next phase is clear. As public and private markets converge, investors need tools designed to span the full equity opportunity set.

The launch of the Morningstar PitchBook Europe Modern Market 50 Index reflects a simple conviction: As the structure of equity markets continue to evolve, the frameworks used to measure them should evolve alongside it. This index represents a step toward a broader view of equity market leadership and a new way of understanding and investing in the modern equity market.

### 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 major asset classes, styles and strategies. In February 2026, the acquisition of CRSP brought the CRSP Market Indexes—benchmarks for over \$3 trillion in US equities—into the Morningstar Indexes family. Additionally, CRSP's Research Data Products, renowned for their academic rigor, historical depth and accuracy, will further enhance Morningstar's equity research and data capabilities. This integration unites two trusted sources of market insight, reinforcing a shared commitment to transparency, quality, and investor-focused solutions. Please visit [indexes.morningstar.com](https://indexes.morningstar.com) for more information.

## MORNINGSTAR Indexes

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