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A Look at the Current IPO Landscape

QUICK TAKE

- By the time most companies reach the public markets, investors are typically buying mature businesses at elevated valuations, not early-stage growth opportunities. Increasingly, the IPO represents the end of a company's highest-growth chapter, not the beginning.
- Public-market IPO investors face a structural disadvantage relative to insiders and early private investors.
- Even exceptional companies can produce disappointing outcomes when purchased at extreme valuations.
- Periods following initial public listings are often volatile, and investors may have opportunities to purchase these companies at similar or more attractive valuations over time, rather than at the IPO.
- In today's market structure, investors often do not need to participate directly in IPOs to gain exposure to large, headline-driven companies; diversified portfolios frequently gain that exposure organically and sooner than expected.
- For most investors, exposure to companies approaching the public markets is better achieved through diversified, professionally managed private market vehicles than through individual IPO participation.

Positioning for Innovation with Discipline

High-profile IPOs capture attention for good reason. Certain organizations represent transformative technologies with the potential to reshape industries and economies. Investor interest in these businesses is understandable, and long-term optimism around innovation remains well founded.

At the same time, the way companies grow, raise capital, and eventually enter public markets has changed meaningfully. Understanding this shift is critical to making thoughtful investment decisions around IPOs and pre-IPO opportunities.

Where Value Is Created Has Changed

Over the past two decades, companies have remained private far longer than in previous market cycles. Rather than going public early in their development, many of today's most successful businesses raise multiple rounds of private capital over a decade or more before considering an IPO.

As a result, a substantial portion of total value creation now occurs before a company ever reaches public markets. By the time an IPO takes place, much of the company's rapid expansion, margin inflection, and valuation growth may already be reflected in the offering price.

For public-market investors, this means IPOs are less likely to represent "ground-floor" opportunities and more likely to mark a transition into slower, more normalized growth.

IPOs as Liquidity Events, Not Early-Stage Entry Points

Today, an IPO is just one of several potential exit paths for private companies, and in fact has become one of the least common, with many companies instead remaining private longer or exiting through strategic or financial transactions.

Traditional IPO exits largely faded for several years and, while activity has rebounded, IPOs still represent a relatively modest share of private-company exits. The highly visible "mega IPOs" capturing investor attention today are likely to be historically significant events that reflect a meaningful shift in the equity market landscape.

Historically, IPOs served as both growth catalysts and liquidity events. Today, they increasingly function as the latter.

When companies do go public, the IPO often provides liquidity for founders, employees, and early investors who have already benefited from years of private-market appreciation. While public investors gain access to high-quality businesses, they are frequently doing so at valuations that already embed optimistic assumptions about future growth.

This dynamic helps explain why IPO performance has often been uneven over longer time horizons, even when the underlying businesses are fundamentally strong.

Valuation Risk Matters — Even for Exceptional Companies

One of the most important considerations in IPO investing is valuation. High-profile offerings tend to attract intense demand, media attention, and narrative-driven enthusiasm, all of which can push prices well beyond what near-term fundamentals support.

This dynamic is particularly evident when companies are viewed as generational innovators. Their anticipated valuations often reflect expectations for future markets and long-dated opportunities that are difficult to model with precision. In such cases, even strong execution may not be enough to justify the price paid by late-stage investors.

> *Great companies do not always make great investments at the wrong valuation.*

Direct IPO Participation Is Often Unnecessary

Another important shift is how quickly large IPOs are now incorporated into broader market exposure. Changes in index construction and investment flows mean that large, headline-driven companies can enter major benchmarks relatively soon after going public. As a result, many diversified portfolios gain exposure naturally through passive and active strategies, without the need to participate directly in the IPO itself.

In some cases, buying IPO shares directly can actually lead to over-concentration, particularly if index inclusion and institutional demand follow shortly thereafter.

A More Effective Way to Access Innovation

For most investors, exposure to companies approaching the public markets is better achieved through professionally managed private market strategies rather than individual IPO allocations.

These vehicles are designed to:

- Access companies earlier in their lifecycle, when value creation is more pronounced
- Diversify exposure across multiple businesses and stages
- Apply disciplined underwriting and valuation frameworks
- Manage timing, volatility, and market transitions more thoughtfully

Rather than focusing on a single IPO moment, private market strategies seek to capture innovation across the full arc of growth, from late-stage private development through the public transition and beyond.

Closing Thought

Innovation remains one of the most powerful long-term drivers of investment returns. The question for investors is not whether to seek exposure to transformative companies, but how to do so in a way that aligns with long-term outcomes.

In today's market environment, disciplined access through diversified private market investments often provides a more balanced and durable approach than direct participation in IPOs. By focusing on where value is created and how it is captured, investors can participate in innovation while avoiding many of the risks that accompany the IPO spotlight.