INSIGHTS IN ACTION

August 2025

Capturing the Growth of Venture-Backed Companies

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The authors would like to thank Prudhvi Raj Datta Seelam for his contributions to this report.

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Executive summary

Venture capital (VC)-backed companies have emerged as pivotal drivers of innovation and economic transformation, especially in high-growth sectors like artificial intelligence and space exploration. However, the trend of companies remaining private longer has limited public market investors' ability to participate in this value creation. Addressing this gap, MSCI has launched a new suite of indexes to track the performance of venture-backed private companies using secondary-market data.

The MSCI All Country Venture-Backed Private Company Indexes bring transparency and structure to an otherwise opaque asset class. These indexes leverage data from brokers and platforms specializing in secondary-market transactions to ensure representativeness and liquidity. Index eligibility requires transaction activity, confirmed bids and asks and demonstrable pricing data, providing a robust foundation for benchmarking and for use in creating investment solutions.

The flagship MSCI All Country Venture-Backed Private Company Top 50 Index comprises the largest 50 venture-backed companies by estimated market capitalization, weighted accordingly. It is dominated by the information technology sector (45%) and more than three-quarters of its constituents are U.S.-based, highlighting the country's leadership in the VC ecosystem. Since its inception in March 2023, the Top 50 Index has delivered a 40% annualized return, outperforming most global public-equity benchmarks.

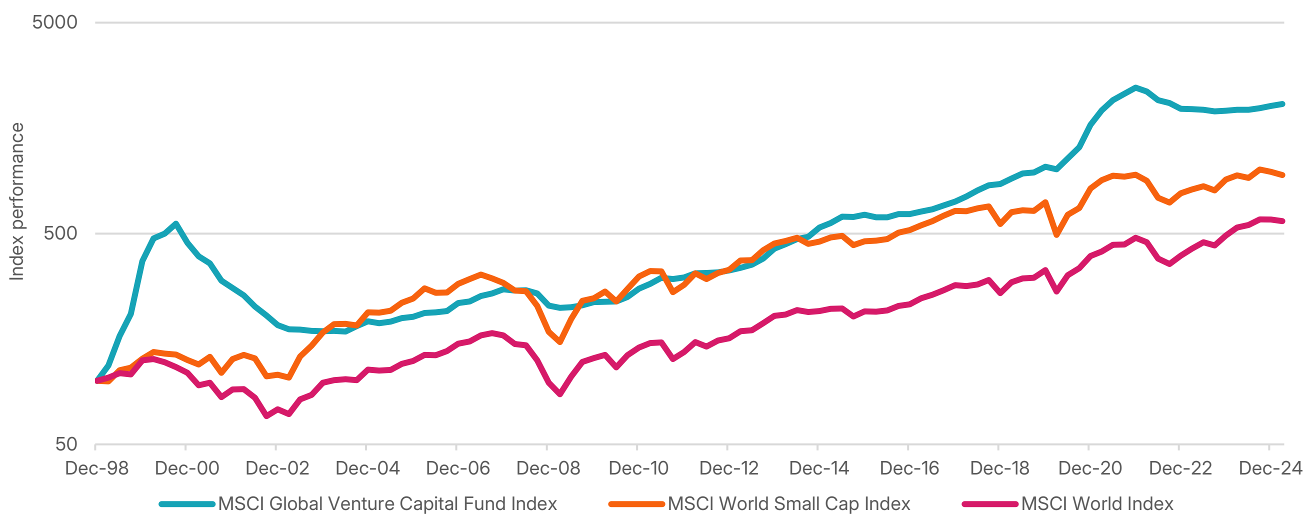
The MSCI All Country Venture-Backed Private Company Indexes provide a way for investors to access, benchmark and evaluate venture-backed opportunities. In doing so, it bridges a longstanding divide between public and private markets, enabling broader participation in the innovation economy.

VC market structure

The VC market is a key component of financial markets that generally provides funding and support to early-stage companies with high growth potential. VC investors often invest in startups and emerging businesses, often in exchange for equity stakes, to finance growth plans. Such investments are typically higher risk than public equities, but can yield substantial returns if the companies succeed.

Institutional investors, such as pension funds, endowments and insurance companies, play a crucial role in the VC market by acting as limited partners (LPs) in VC funds. They provide the capital that VC funds invest in promising startups. In return, LPs may benefit from potentially high returns generated by successful companies held in such funds. However, many other market participants, including wealth managers and their clients, often do not have the opportunity to contribute capital to VC funds.

Venture capital has shown attractive returns compared to listed equities



Data range: Dec. 31, 1998, to Dec. 31, 2024. For the MSCI Global Venture Capital Fund Index, the chart shows the accumulated quarterly time-weighted return (TWR) and is calculated net of fees. The index represents the entirety of VC funds in the MSCI Private Capital Solutions database; it is not a replicable index.

Private companies are drivers of innovation

The rise of emerging technologies such as private space exploration and artificial intelligence (AI) is transforming many economic sectors. For example, private companies like Space Exploration Technologies Corp. (SpaceX) and Blue Origin are displacing long-standing government agencies and their historic traditional aerospace partners. Similarly, much of the direct revenues from the adoption of AI technologies are accruing to private companies like OpenAI.

Largest AI-themed companies in the MSCI venture-backed private company universe

Company name	Estimated market capitalization (in USD bn)
OpenAI	381.9
X.AI	82.8
Anthropic	71.9
Databricks	63.1
Perplexity AI	9.9
Scale AI	9.6
Figure AI	9.0
Shield AI	5.6
Cohere	4.6
Hugging Face	4.5

The list is constructed from the MSCI venture-backed private company universe which includes all the venture-backed private companies which are covered by MSCI data partners and have sufficient data to be considered for inclusion in MSCI indexes. Estimated valuations as of April 30, 2025.

Public markets are hence an incomplete representation of the full growth-equity opportunity set. While large public companies with a heavy focus on AI like Alphabet Inc., Meta Platform Inc. and Microsoft Corp. are well known and widely held, many private companies may offer a more pure-play exposure within the AI value chain.

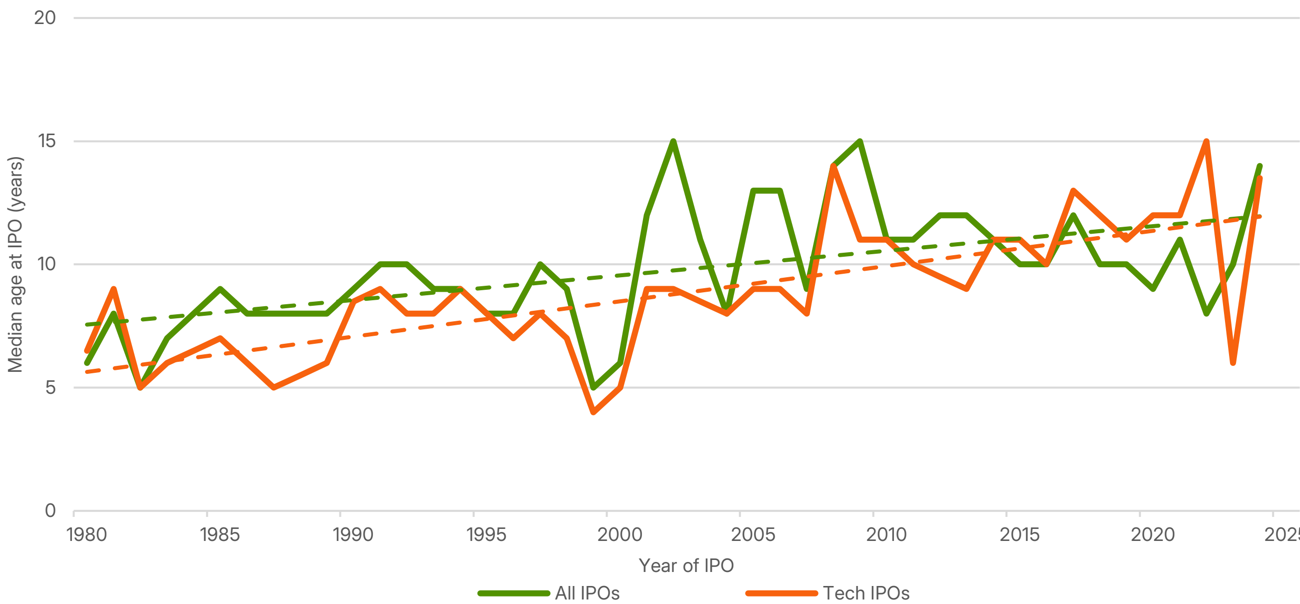
Companies are spending more time "in private"

The other shift in this market is that, historically, venture-backed private companies would go public relatively early in their growth trajectory, often debuting as small-cap stocks. However, the current trend sees companies staying private for much longer periods, fueled by multiple funding rounds and substantial VC investment. As a result, many of these companies are able to achieve significant milestones and build robust business models before considering an IPO. This shift has led to a scenario where many companies bypass the small-cap phase entirely.[1] Today, there are more than 1,200 venture-backed enterprises valued at USD 1 billion or more worldwide. The number of these so-called "unicorns" has grown significantly over the last two decades, according to CB Insights (there were fewer than 10 in 2005 and only 142 in 2015), and they have a total valuation in aggregate that is larger than every developed equity market except the U.S. and Japan.[2]

[1] As of May 30, 2025, the smallest company in MSCI World Large Cap Index was approximately USD 5 billion and in the MSCI EM Large Cap Index USD 1 billion.

[2] Based on the aggregate total market cap of the constituents of MSCI World IMI Index (an index of large, mid and small cap companies in developed market countries).

Companies are staying private for longer



Source: University of Florida, Warrington College of Business. "Jay R. Ritter. IPO Data." The dashed line shows the long-term trends.

The extended private phase can leave behind investors who focus solely on public markets, as well as the employees of such private companies, who may be seeking liquidity via an IPO to release the value of stock-based compensation packages. As a result, the demand for alternative liquidity venues has grown.

The secondary market for shares of venture-backed companies, facilitated by brokers and alternative trading platforms, has grown in recent years and provides the marketplace where private-company shares can be traded, offering liquidity to those who might otherwise be locked into their investments.[3] The secondary market also offers an opportunity for both institutional and individual investors who may not have access to traditional private-market investing through VC funds.

[3] Hans Swildens and Eddie Meyercord, "2023 – 2025E: How Big Is the Secondary Market for Venture Capital?" Industry Ventures, Jan. 16, 2025.

Introducing the MSCI Venture-Backed Private Company Indexes

Indexes tracking the performance of the VC asset class have been around for some time. The history for the MSCI Global Venture Capital Fund Index, for example, begins in the 1970s.[4]

The material growth in secondary markets for venture-backed companies and the availability of secondary-market transaction data, however, is a relatively new phenomenon. This expansion points to the growing need for standardization within this marketplace, including more reliable data, transparency, and different types of benchmarks.

The MSCI All Country Venture-Backed Private Company Indexes are designed to bring more transparency to the opaque market for venture-backed private-company stock, while increasing standardization in this market segment.

Construction of the indexes

Sourcing of representative share prices

For index construction, the sourcing of robust, reliable and representative secondary-market prices and corporate-events data is critical. MSCI sources data from two specialist firms focused on secondary-market data collection for transactions related to venture-backed private companies: Caplight and PM Insights. Both firms operate broker-contributor networks to collect and analyze indications of interest (IOIs) and closed transaction information across a broad cross-section of secondary-market participants in the venture-backed private-company market.[5]

Liquidity is key

When it comes to purchasing shares in the secondary market, the number of companies realistically available is only a fraction of the 1,200 unicorns referenced above. That is, liquidity remains concentrated in a small subset. While the secondary market is growing in both the volume and types of companies, investors looking to source investments today are likely limited to fewer than 100 companies.

An index, whether designed to represent the market's performance and value, or as the reference for a financial product, should have constituents drawn from the most liquid part of the market where the prices are most representative of the current clearing price of the companies. Additionally, more liquidity with such constituents offers investors the best opportunity to access shares using the secondary - market trading platforms or brokers near such share-price levels.

[4] The MSCI Global Venture Capital Fund Index included around 450 funds as of December 1998. This number increased to more than 2,000 by the end of 2024.
[5] The evaluated prices are directly sourced from MSCI data partners. The inputs to the pricing models include VC funding rounds, secondary-market closed trades, secondary-market bid and ask orders, price events as well as public comparables.

Investability and tradability

To support the representativeness and liquidity of the indexes and the underlying components, MSCI applies filters to the universe of available companies based on trading activity in the secondary markets.

We designed these filters so as not to be too restrictive and they are applied to ensure that there have been confirmed transactions and indications of interest (both bids and asks) in recent history. While trading volumes are higher for many of the larger high-profile venture-backed companies, a comprehensive view of all trades for any one company is not available due to the fragmented nature of the secondary market. There is no centralized exchange, and secondary-market trading platforms observe only a fraction of the actual trades. Furthermore, shares trade over-the-counter between institutional brokers who are not obligated to report the transactions to any central source or regulatory authority.

In our index methodologies, all the constituents need to have sellers, buyers and completed transactions. Direct trades and trades through special purpose vehicles (SPVs) are acceptable as completed transactions as they reasonably represent that the ownership interest in a private-company share has changed hands. While forward trades are sometimes used in the secondary market, MSCI does not consider these as sufficiently reliable indications of completed transactions. These trades are ineligible and not considered in MSCI's assessment of a company's trading activity.

Breadth and weighting considerations

The level of diversification both in terms of the number of names in an index and their weights are important factors to consider. A larger number of constituents may better represent the broader venture-backed company market but will come at the cost of liquidity. A market-capitalization-weighted index may offer better capacity and liquidity but may also suffer from concentration in a small number of companies.[6] Capping the weights, or moving to an equal-weighted approach, reduces the concentration of an index.

Evergreen and vintage varieties

The MSCI All Country Venture-Backed Private Company Indexes include evergreen and vintage variations. Both types are constructed using comparable rigorous selection criteria based on transaction activity and the estimated valuation of companies.

The evergreen indexes include the most liquid private companies at each quarterly rebalance to reflect the then-current market dynamics, while the vintage series are launched at the rebalance date of the evergreen indexes and are designed to represent buy-and-hold strategies. As such, a fund tracking a vintage index would have minimum turnover as the index does not go through any active adjustments or

[6] Here, the market capitalization or market valuation is estimated based on the evaluated price per share and number of shares issued. This data point is directly sourced from data providers Caplight and PM Insights.

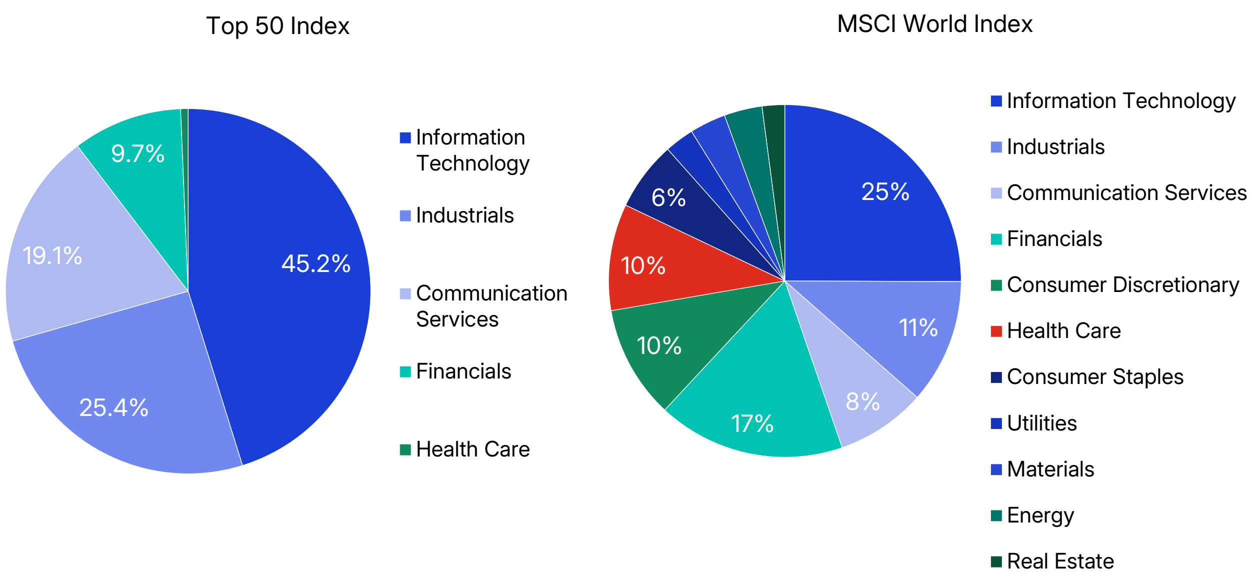
rebalances.[7] Companies are removed from vintage indexes at the time of exit events (e.g., IPO, acquisition), to align with the timing of a fund manager potentially returning cash proceeds to investors in a fund.

The MSCI All Country Venture-Backed Private Company Top 50 Index (from now on referred to as the Top 50 Index) is designed to represent the performance of the 50 largest venture-backed companies in the MSCI eligible universe. Its constituents are weighted in proportion to their estimated market capitalization on each quarterly rebalance date.[8] In addition to the Top 50, MSCI publishes Top 10 and Top 20 indexes, which target more-liquid companies. Vintage series versions of these narrower indexes are designed with the idea that they will form the basis of investment products.[9]

Top 50 Index characteristics

In the following charts, we detail the composition of the Top 50 Index. We first compare the sector weights of the Top 50 Index with the MSCI World Index, a broad global public-equity index. Information technology constitutes over 45% of the weight of the Top 50 Index, followed by industrials and communication services, largely driven by index constituents Space Exploration Technologies Corp. (SpaceX) and ByteDance Ltd., respectively.

Sector breakdowns of the Top 50 Index vs. the MSCI World Index



Data as of June 2, 2025.

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[7] In the MSCI All Country Top 50 Index (the evergreen index) and for the available history, on average six constituents are added and deleted on each rebalance. These tend to be smaller names that are added to or deleted from the index due to the changes in their valuations, liquidity or corporate actions.

[8] The eligible universe is the universe of all companies for which MSCI's data partners have the required data coverage.

[9] For the Top 50 index, if the number of constituents is below 50 due to liquidity constraints, the constraints are relaxed to achieve the target 50 names.

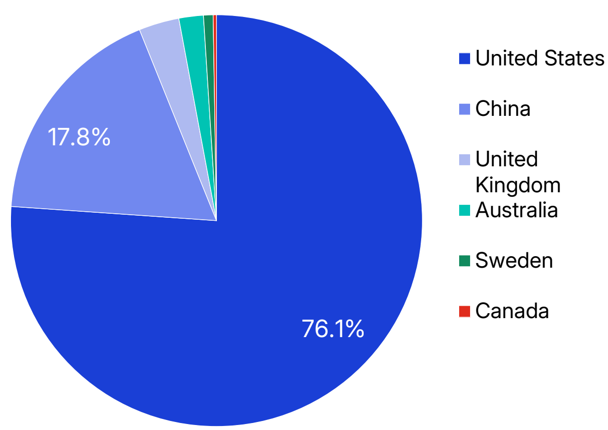
Largest constituents of the Top 50 Index

Company name	Estimated market capitalization (in USD billion)	Weight in the Index
OpenAI	381.9	21.8%
SpaceX	371.9	21.3%
ByteDance	311.4	17.8%
X.AI	82.8	4.7%
Stripe	82.7	4.7%
Anthropic	71.9	4.1%
Databricks	63.1	3.6%
Revolut	44.3	2.5%
Anduril	36.6	2.1%
Canva	33.6	1.9%

Weights as of June 2, 2025. Estimated market capitalizations are as of April 30, 2025.

In terms of country weights, we can see in the chart below that more than 76% of the weight of the Top 50 Index is U.S. companies. Other countries contributing to the index are China, the U.K., Australia, Sweden and Canada.

Country breakdown the Top 50 Index

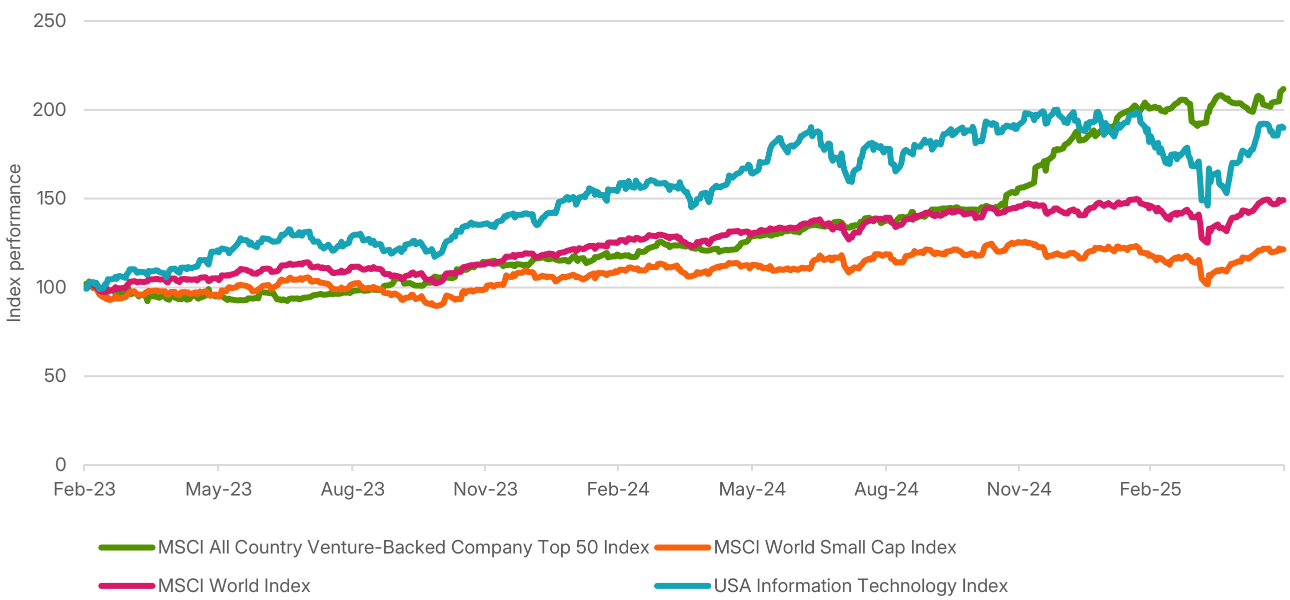


Weights as of June 2, 2025.

Measuring performance

Since its inception in March 2023, the Top 50 Index has returned 40% annualized.[10] We launched the index with only two years of history due to data availability meeting MSCI's data standards and breath of coverage.

The VC-backed company index has outperformed listed equities since late 2024



Date range is Feb. 28, 2023, to May 30, 2025. Returns are gross total return in USD.

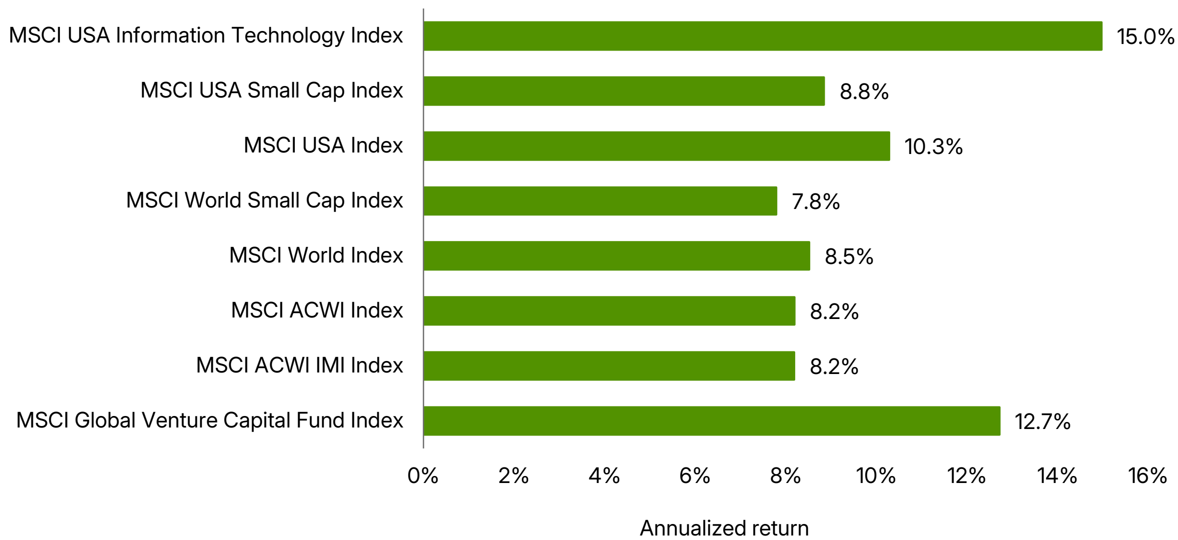
Long-term VC performance

To help us assess the long-term performance of VC as an asset class, we can review the performance of the MSCI Global Venture Capital Fund Index. This index tracks the performance (net of fees) of a large cross-section of VC funds in the MSCI private capital universe and is part of the suite of MSCI Private Capital Indexes. These indexes are created using the full history of cash flow and valuation of more than 14,000 funds across different private-asset classes and geographies.

Over the past 20 years (January 2005 to December 2024), the MSCI Global Venture Capital Fund Index returned, on average, 12.7% annually, compared to less than 10% for most global broad public-equity indexes. The U.S. market has shown better performance over this period, with the MSCI USA Information Technology Index standing out with a 15% annualized return.

[10] The index was launched in June 2025, and the history is simulated.

20-year performance of VC index compared to listed equity indexes



Performance in USD from December 31, 2004, to December 31, 2024. For public indexes, the returns are gross total returns; for the MSCI Global Venture Capital Fund Index, the returns are net of fees.

Conclusion

If private companies remain prime innovation incubators and if these companies continue to remain private longer and amass substantial valuations, then public-market investors risk missing out on capturing the full growth-opportunity set provided by these companies. The MSCI All Country Venture-Backed Private Company Indexes are designed to help address this investment challenge by offering a transparent and structured representation of such opportunities, shaped by a focus on liquidity and investability. Tools, such as these, that bridge the public-private divide are likely to be increasingly important.

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