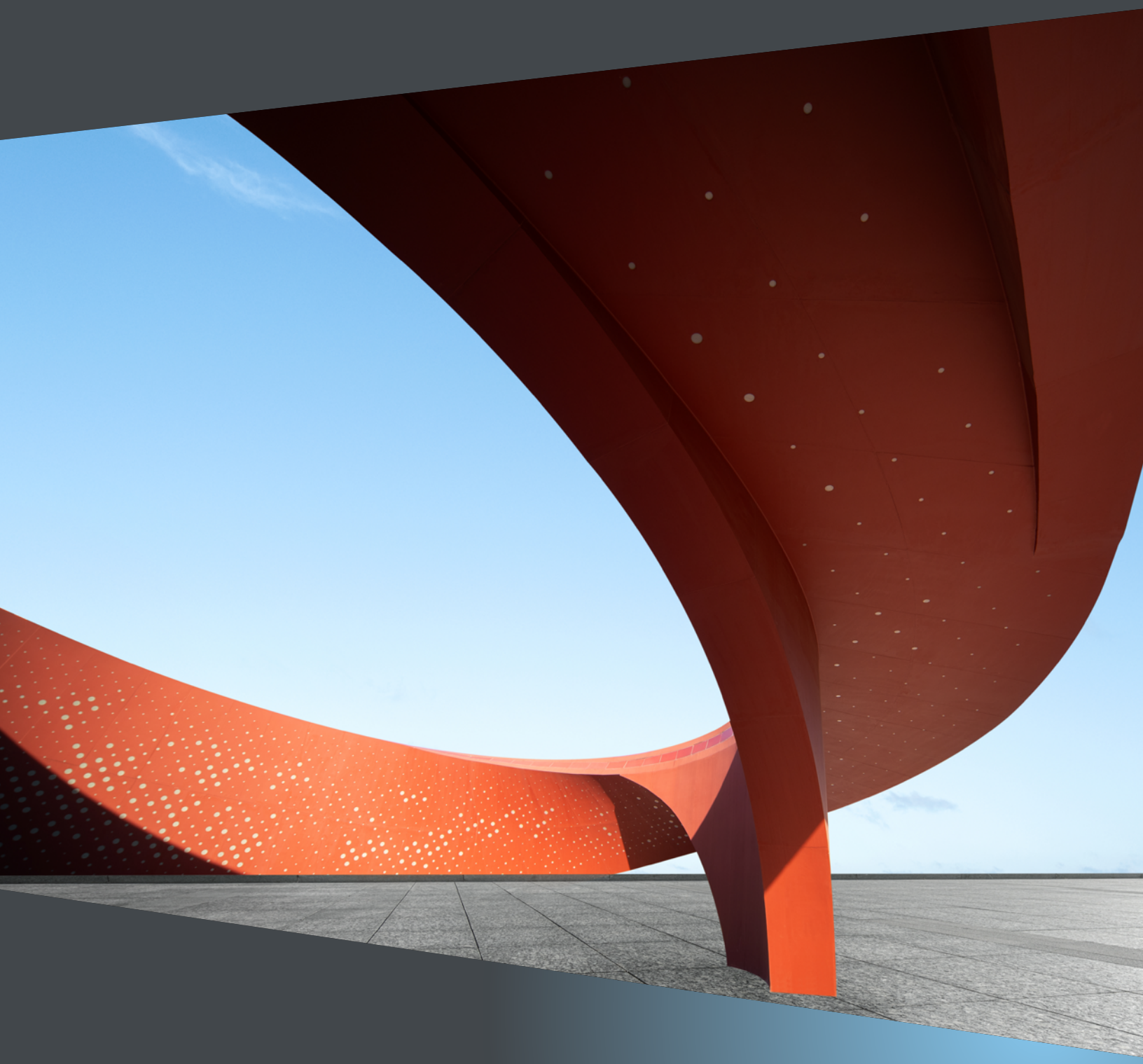


The age of convergence

Capturing alpha across public and private markets via hybrid investing

J.P.Morgan
ASSET MANAGEMENT



Key takeaways

01

The private-public divide has faded

Companies historically took a linear path to IPO. Today, they are raising capital across a continuous spectrum. As companies stay private longer and reach greater scale before listing, the historical boundary between private and public markets has become artificial.

02

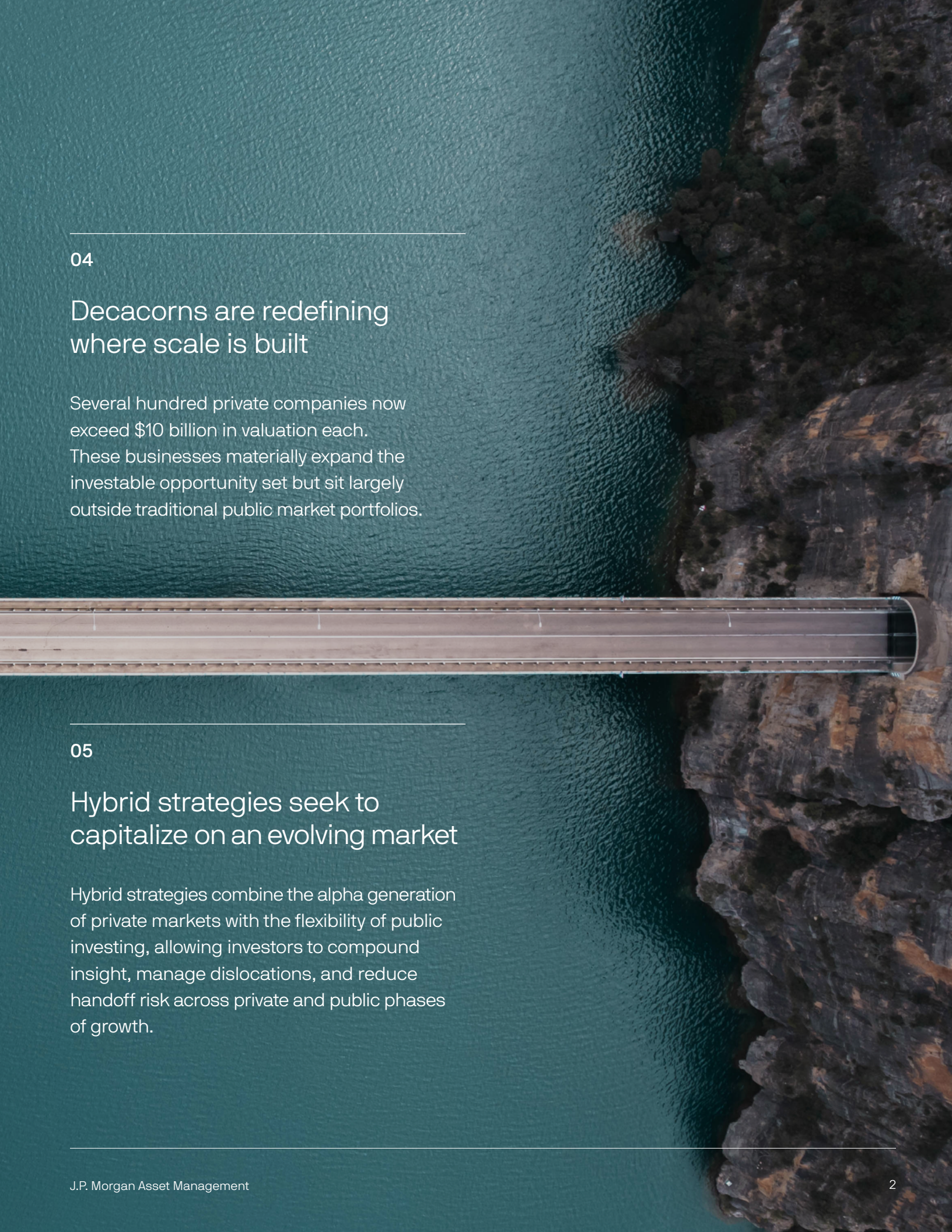
Private markets have grown substantially

Global private market assets have grown nearly 20-fold since 2000, supported by deep institutional capital and a mature liquidity ecosystem. Late-stage private companies are increasingly operating like public companies.

03

Public market indices offer an increasingly concentrated opportunity set

The number of publicly traded companies has decreased substantially over the past two decades. During the same time period, a small number of outlier companies have compounded value in the public markets leading to more concentrated indices. Looking ahead, venture-backed companies are staying private for longer and going public at larger absolute market capitalizations. Much of the growth that used to occur in the public markets has been pulled into the private markets.



04

Decacorns are redefining where scale is built

Several hundred private companies now exceed \$10 billion in valuation each. These businesses materially expand the investable opportunity set but sit largely outside traditional public market portfolios.

05

Hybrid strategies seek to capitalize on an evolving market

Hybrid strategies combine the alpha generation of private markets with the flexibility of public investing, allowing investors to compound insight, manage dislocations, and reduce handoff risk across private and public phases of growth.

Executive summary

The line between private and public markets is fading. For decades, going public was a defining milestone and a necessary path to signify a company's graduation to the global stage. Today, the divide is far less clear.

In 2000, the average U.S. company went public roughly six years after incorporation, typically valued at \$1.7 billion at the time of IPO. By 2025, the median age at IPO had doubled to 14 years and valuations of those companies almost tripled to nearly \$5 billion.¹ During the same period, global private market assets expanded 20-fold to \$20 trillion.² Meanwhile, the number of listed U.S. companies fell by nearly half—the lowest level since 1984.³

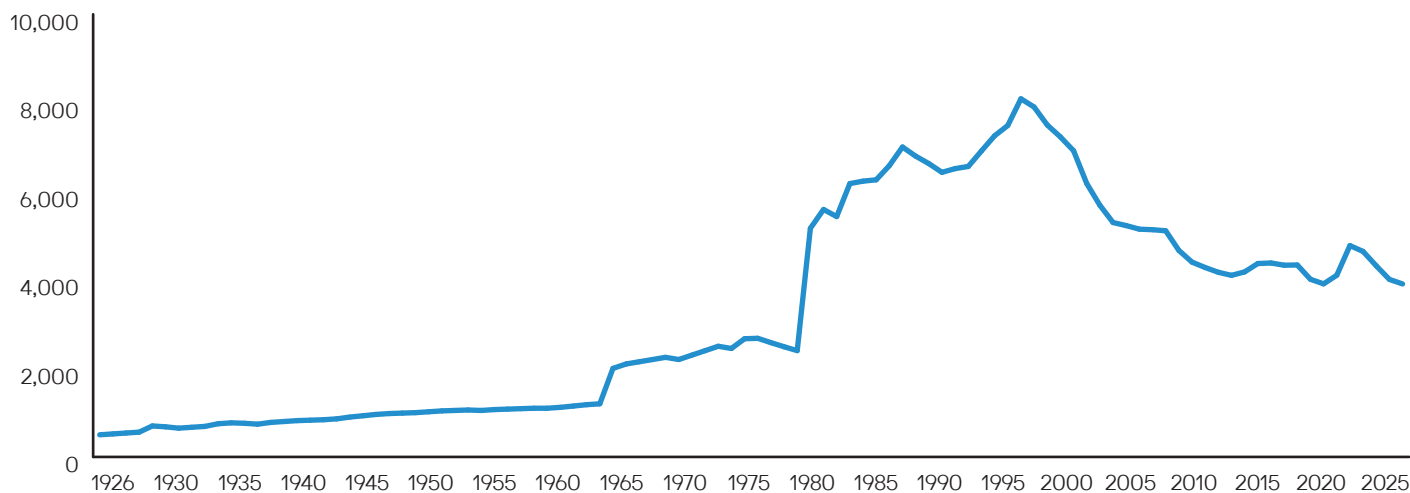
Hybrid strategies have emerged as a natural response to this shift. These strategies combine the long-term perspective of private capital with the liquidity and transparency of public investing. The model has become particularly prevalent in technology and healthcare, two high-growth industries where new entrants constantly threaten entrenched incumbents.

Powerful structural tailwinds are reinforcing this evolution. A new generation of mega-private “decacorns,” valued above \$10 billion, now operate with the scale, governance and global reach of large public corporations. For investors, these companies expand the opportunity set and heighten the need for flexible capital that can span markets.

Hybrid strategies may offer notable advantages across stakeholders. General Partners (GPs) seek to generate alpha by taking advantage of short-term market dislocations, Limited Partners (LPs) can benefit from strong performance and shorter lock-up periods associated with semi-liquid vehicles and portfolio companies enjoy working with sophisticated, well-capitalized investors who can support their full lifecycle from private to public.

This paper traces how the financing landscape has evolved, defines the hybrid model and explains why these vehicles are likely to define the next decade of investing.

of stocks in the U.S. equity market



Source: World Bank Center for Research and Security Prices (CRSP), 2025. There can be no assurance historical trends will continue, or that any forecasted results will be achieved.

¹ J.P. Morgan Asset Management, *Guide to the Markets*, May 2026.

² Prequin, 2025.

³ World Bank, 2025.

The rise of hybrid strategies

Hybrid strategies have emerged as both investors and companies recognized that the boundary between private and public markets has become artificial. For investors, separating private and public mandates meant missing opportunities. For companies, switching investors during an IPO disrupted long-term alignment.

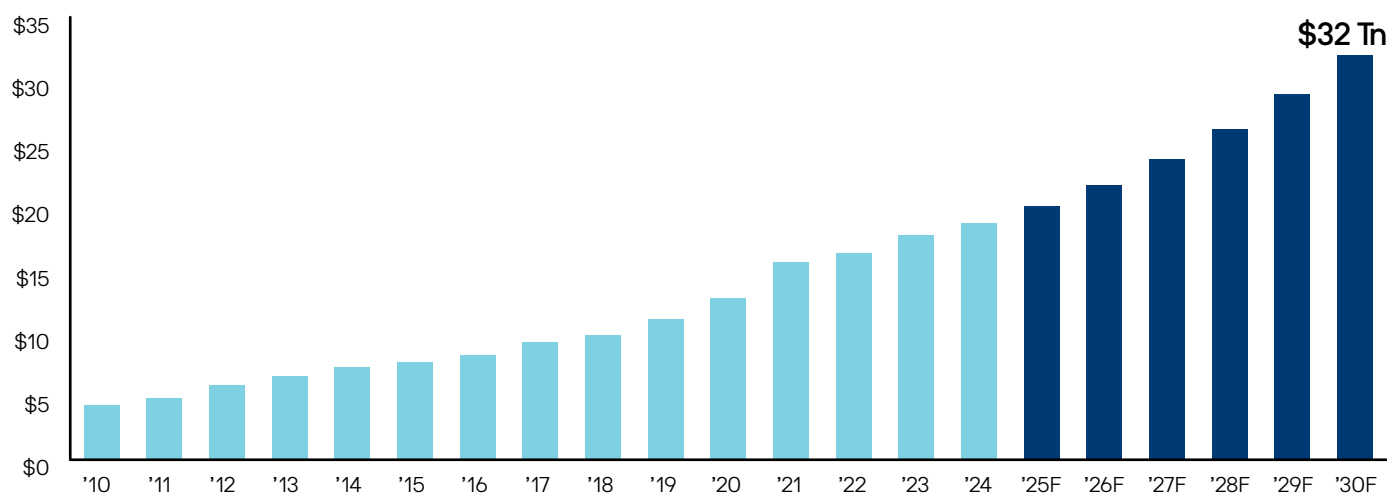
Today, it is increasingly rare to find a technology-focused investment organization that is not investing across the private to public spectrum. Some firms have chosen to separate their private and public investment teams, whereas others work as one integrated organization that evaluates potential opportunities with a single, consistent investment process.

The latter hybrid approach, when executed effectively, offers significant advantages to key stakeholders:

- **GPs** gain more shots on goal to generate alpha through differentiated sector-driven insights, taking advantage of value dislocation in real-time. This flexibility of design is less constrained than traditional private-only drawdown strategies or open-ended public strategies. Within innovation-driven sectors like technology and healthcare, flexibility of mandate may lead to outperformance.
- **LPs** benefit from exposure to the entire corporate lifecycle. A single, risk-balanced structure captures both private growth and public compounding. It also may help reduce the “handoff risk” of missing performance during the IPO or early public phase. Lastly, flexible hybrid approaches de-risk exposure to less attractive vintages and allow for greater liquidity when needed.
- **Portfolio companies**, whether public or private, seek out long-term oriented investors who offer stability, differentiated insights, and continuity. Working with the same investment team through both private and public phases enables a smooth transition, which may lead to stronger performance in the public markets.

There are several key factors driving the rise of hybrid strategies, including the expansion of private markets, convergence of public and private equity, and the rise of decacorns — some of which are generating billions of dollars in annualized revenues.

Global alternatives AUM (\$Tn)



Source: Preqin, 2025. There can be no assurance historical trends will continue, or that any forecasted results will be achieved.

The expanding depth of private markets

Over the past two decades, private markets have transformed from a niche allocation into a core pillar of the global financial system. From 2000 to 2025, global private markets AUM grew 20-fold to \$20 trillion. Preqin estimates the asset class will surpass \$30 trillion by 2030.⁴

This expansion was first driven by institutional demand. As yields in traditional public markets compressed following the dot-com bust and Great Financial Crisis, long-term allocators, including endowments, pension strategies, and sovereign wealth funds, sought alternative sources of return. Private assets offered longer investment horizons, differentiated risk profiles, and access to growth increasingly unavailable in public markets. Over time, these allocations shifted from opportunistic to structural.

At the same time, the profile of private companies themselves has fundamentally changed. Late-stage growth companies increasingly resemble their public peers in terms of scale, talent, financial sophistication, and governance. Many companies generate hundreds of millions or billions of dollars in revenue while remaining private. The historical rationale for early public listing has weakened as companies have gained the ability to fund growth, attract talent, and build global businesses outside the public markets.

Crucially, the supporting infrastructure has evolved alongside them. Liquidity for employees and early investors was limited in prior decades, often forcing companies toward IPO. Today, secondary markets exceed \$120 billion in annual trading volume. This volume represents an increase from \$60 billion five years ago and \$30 billion a decade ago.⁵ Specialized strategies, continuation vehicles, and digital secondary marketplaces can provide liquidity without requiring a public listing.

Taken together, private markets have developed an ecosystem that supports early-stage innovation, mid-stage growth, and late-stage maturity. Many companies spend their entire corporate life cycle within private ownership, by design rather than default. When companies do go public, they are doing so on their terms often as a branding event, to create public comps for their shares, or to access a lower cost of capital.

From two markets to one: The convergence of public and private equity

For much of the 20th century, the corporate growth path was straightforward. Entrepreneurs raised early funding from individuals, banks, or venture capitalists, then accessed institutional capital through an IPO. Expansion happened in the public markets, where investors found liquidity and companies gained legitimacy.

That framework began to change at the turn of the millennium. The rise of the Internet and globalization created new business models that required significant upfront investment but scaled far faster and to larger scale than companies from the prior generation. Venture capital and growth equity grew rapidly to support this innovation. As a result, far more capital became available to firms before they ever considered going public.

Regulatory and cost pressures also played a role. The Sarbanes-Oxley Act of 2002 increased compliance cost and personal liability for executives at public companies.⁶ The average cost of being listed rose significantly, especially for smaller issuers. For many management teams, staying private was simpler, cheaper, and offered more control.

A decade later, the JOBS Act of 2012 allowed companies up to 2,000 shareholders before they were required to file public financial reports.⁷ It also created the “emerging growth company” category, which reduced disclosure requirements and encouraged more private capital formation.

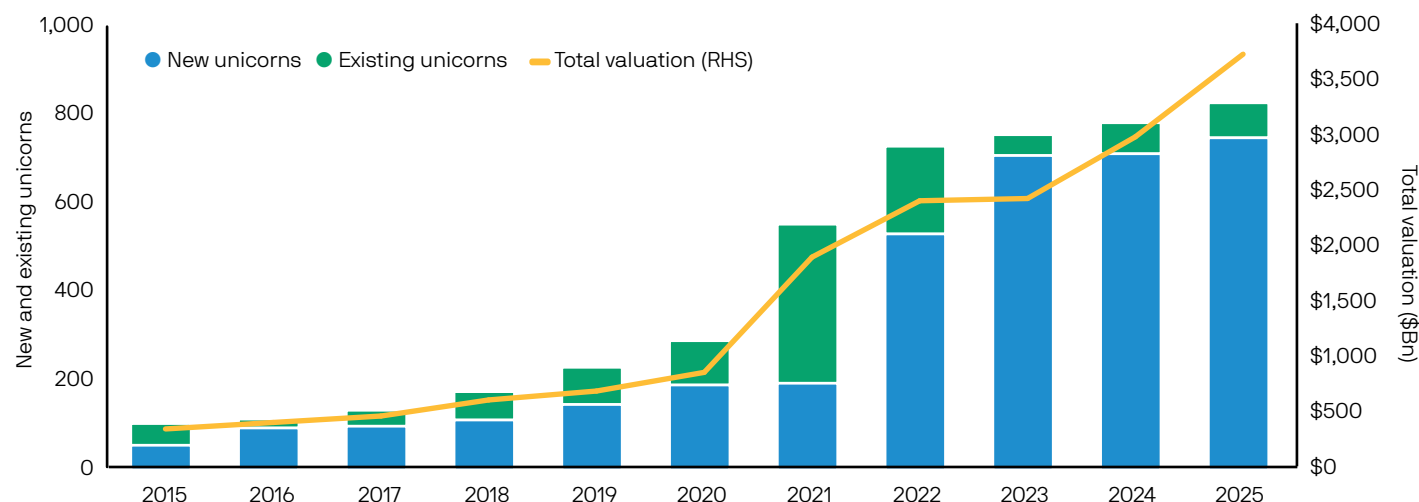
⁴ Preqin, 2025.

⁵ PitchBook, 2024.

⁶ U.S. Congress, Sarbanes-Oxley Act of 2002.

⁷ U.S. SEC, Public Law 112-106.2012.

and valuation of U.S. unicorns



Source: J.P. Morgan Asset Management, *Guide to Alternatives*, 4Q 2025. There can be no assurance historical trends will continue.

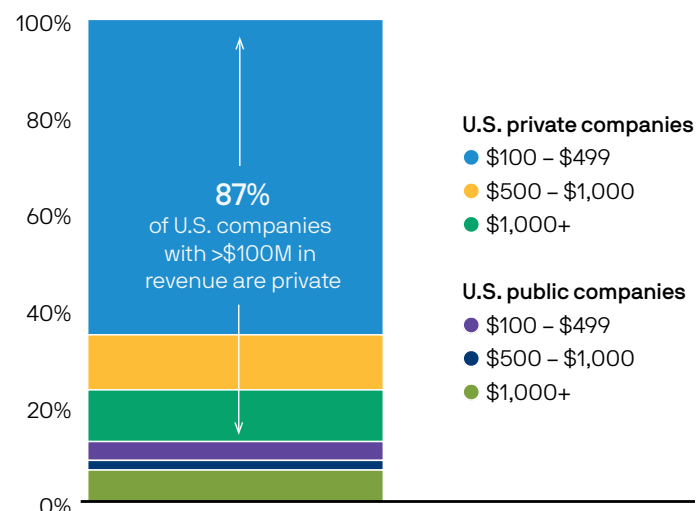
At the same time, the investor base within the private landscape itself was changing. Venture firms were raising larger strategies and writing bigger checks. Growth equity players built bridges between venture and buyout investing. Public equity investors began adding private positions to capture value by moving a step earlier.

By the 2010s, private markets were no longer a stepping stone on the way to an IPO. They had become a full-fledged ecosystem where companies could access capital, attract institutional investors, and achieve global scale without ever going public.

The rise of the decacorns

For years, unicorns were treated as outliers. A private company reaching a \$1 billion valuation once felt symbolic. Today, it is increasingly ordinary. There are now over 800 private technology companies valued above \$1 billion, together representing over \$3.7 trillion of aggregate value.⁸ By count, more companies of this scale now exist outside the public markets than within them. Taken together, their combined market capitalization totals over 7% of the Nasdaq.⁹

% of U.S. companies with revenue >\$100 million



Source: J.P. Morgan Asset Management, *Guide to Alternatives*, 4Q 2025.

At the top of the private market landscape sit the decacorns, or private companies valued over \$10 billion.¹⁰ PitchBook currently tracks 286 of these companies, including 15 above \$50 billion in value and eight exceeding \$100 billion.¹¹

⁸ J.P. Morgan Asset Management, *Guide to Alternatives*, 4Q 2025.

⁹ S&P, 2026.

¹⁰ CB Insights, 2025.

¹¹ PitchBook, 2026.

To appreciate the magnitude of this shift, consider the broader corporate landscape: 87% of U.S. companies generating more than \$100 million in annual revenue are private.¹² The vast majority of large-scale businesses now operate outside of the public domain.

This reflects a structural change in how enterprises grow and finance themselves. Many of these private companies would rank among the 30 largest constituents in the S&P 500 by market cap if they were public. They employ thousands of people, raise multi-billion-dollar funding rounds and operate with the governance, reporting and discipline once unique to listed firms.

Investors are forced to reckon with these new market realities by challenging their own assumptions around traditional asset allocation frameworks given the evolving opportunity set. Many allocators are structurally underweight growth and innovation and are eager to rightsize their exposure.

Why now: An inflection point

Several powerful and mutually reinforcing trends have converged to make this moment particularly compelling for hybrid strategies.

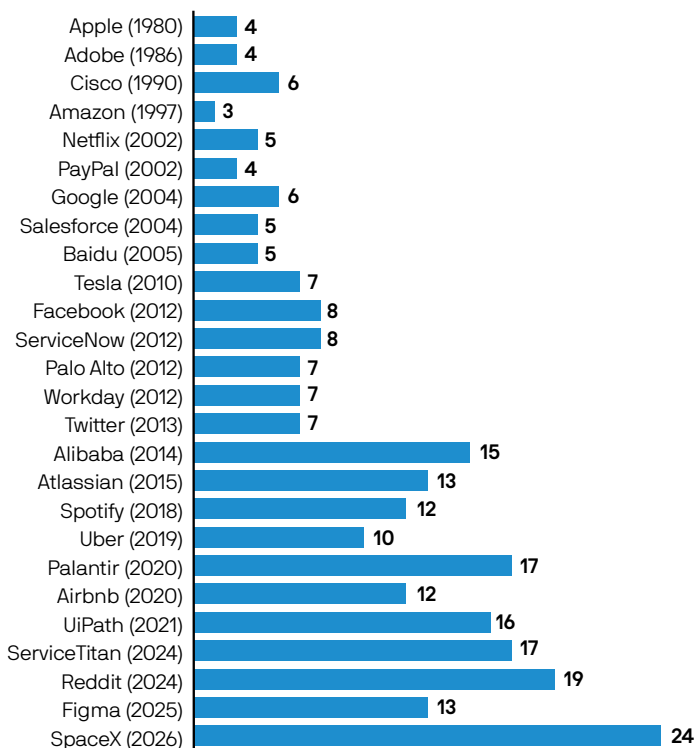
- **Public markets are becoming increasingly concentrated.** The number of listed companies has declined materially over the past two decades, while a record share of index returns is now driven by a small group of mega-cap names. Today, the top 10 companies in the S&P 500 account for roughly 40% of total market capitalization. This is more than double their share a decade ago and the highest level of concentration on record.¹³ This dynamic has changed the opportunity set inherent in public markets.
- **Companies are staying private longer.** In 2000, the average U.S. company went public six years after its founding, with less than \$50 million in annual revenue. By 2025, the median age at IPO had more than doubled to 14 years, with almost \$700 million in trailing revenues.^{14,15} The pool of privately held firms continues to expand: Today, there are 12,900 private

equity-backed companies in the U.S., over three times more than the 3,700 in the public market.¹⁶

When companies do go public, they are doing so with increased clarity around the decision – aiming to generate shareholder liquidity, create a powerful currency for M&A, market the company to customers or potential hires, and achieve a lower cost of capital than what's afforded in the private markets.

Artificial intelligence (AI) serves as a powerful accelerant. Across industries, AI is reshaping cost structures, challenging competitive moats, and driving the emergence of new category leaders. Leading AI-native private companies are now reaching \$100 million in annual recurring revenue (ARR) more than five times faster than the median

of years from founding to IPO for tech leaders
Tech company (year of IPO)



Source: PitchBook, 2026.

¹² J.P. Morgan Asset Management, *Guide to Alternatives*, 4Q 2025.

¹³ S&P, 2025.

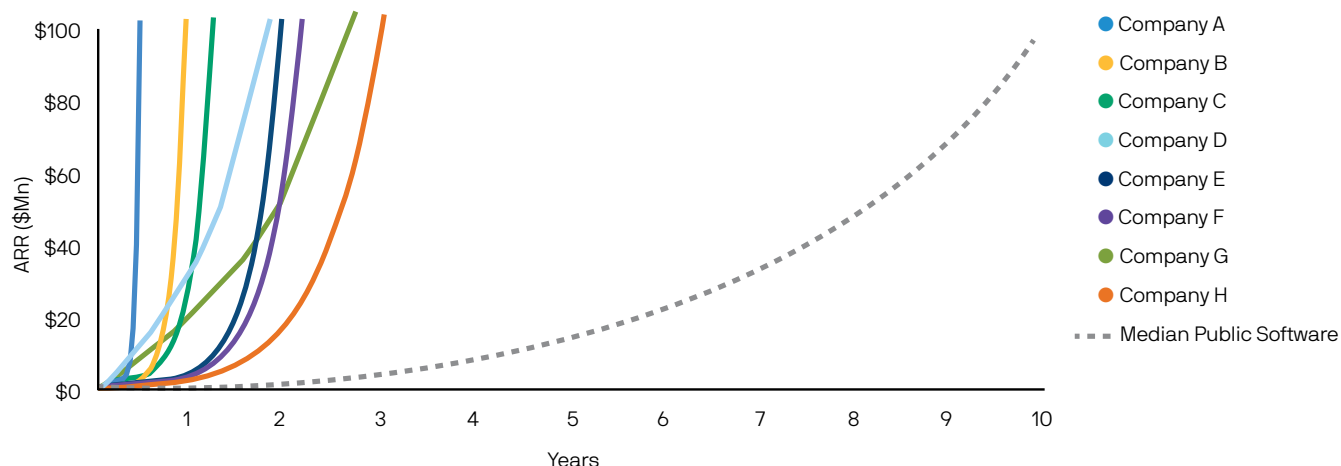
¹⁴ J.P. Morgan Asset Management, *Guide to Alternatives*, 4Q 2025.

¹⁵ J.P. Morgan Investment Bank, June 2026.

¹⁶ J.P. Morgan Asset Management, *Guide to the Markets*, 2025.

Time to \$100 million of annual recurring revenue (ARR)

Leading private software companies vs. median public



Source: Growth Equity Partners, J.P. Morgan Asset Management, 2026. There can be no assurance historical trends will continue.

public software company, compressing the value creation window and shifting a growing share of alpha creation into the private markets.¹⁷

- **Private late-stage valuations have normalized.**

After a period of exuberant pricing in 2020 and 2021, late-stage private valuations declined 40% – 60% on average through 2023.¹⁸ The companies that remain well capitalized now tend to have proven products and strong efficiency metrics. Many exhibit top-tier “Rule of 40” performance, with combined revenue growth and FCF margin together exceeding 40%. These are precisely the types of businesses that benefit from patient hybrid capital.

- **Capital markets have converged.** Information now moves instantly, investor bases increasingly overlap, and companies actively toggle between private and public capital depending on cost and strategy. The historical distinction between the two markets has eroded. Insights derived in the private markets can lead to substantial alpha generation in the public markets especially as stock dispersion sits at record levels. At the same time, underwriting public market sentiment is critical to selection of late-stage private investment opportunities.

- **Allocator behavior is evolving.** In an environment defined by higher rates and uneven growth, allocators are moving away from a traditional 60/40 portfolio and placing greater emphasis on resilience, selectivity and flexibility. Some of the world’s largest institutions are shifting from strict public versus private portfolio distinctions toward evaluating investments based on their contribution to overall return, diversification, risk and liquidity objectives.¹⁹ This evolution is also beginning to surface in benchmarks, including MSCI’s launch of an integrated public and private equity index.²⁰
- **Access is beginning to democratize.** While institutional investors led the early adoption of hybrid strategies, the rise of semi-liquid and evergreen structures may soon extend participation to retail investors. For many, these vehicles represent a new way to gain exposure to innovation-driven growth that has traditionally remained out of reach. There are greater than 20 million accredited investors in the U.S., representing an estimated \$110 trillion in assets. Industry projections suggest the average single-digit private asset allocation could rise towards 10%, implying a notable \$5 trillion incremental inflow to the asset class.²¹

¹⁷ PitchBook, NYSE, 2025.

¹⁸ PitchBook, 2023.

¹⁹ Forbes, December 2025.

²⁰ MSCI All Country Public + Private Equity Index, December 2025.

²¹ SEC, DQYDJ, 2024.

- **Late-stage technology is underrepresented in portfolios.** There is nearly \$4 trillion of high- quality, late-stage private technology market cap globally.²² Over 50% of this is represented within the Forbes Cloud 100 Index (the 100 largest private cloud/ software firms, which have grown from \$99 billion in aggregate market value in 2016 to over \$2 trillion today).²³ If these businesses were public, they would collectively account for over 7% of the Nasdaq by market cap. Many asset allocators have not yet evolved their frameworks to match where value creation is occurring.

Hybrid investing reflects this new normal. It is not a tactical response to market dislocation but a 20-year-old structural evolution of how long-term investing works.

Looking ahead: A single continuum of capital

The next decade will likely redefine how companies raise and deploy capital.

Greater flexibility of mandate will be necessary to capture the alpha being generated in the private markets via vehicles that look increasingly more open-ended, with ability to toggle back and forth between public and private markets. At the same time, the universe of listed companies is shrinking while a small number of outlier public companies have continued to grow at high rates and compound equity value driving a record level of concentration among the mega-cap tech leaders.

Institutional allocators are deepening commitments to long-duration private and hybrid strategies. Preqin estimates that nearly \$900 billion in new institutional capital will flow into these categories by 2030.²⁴

This opportunity will continue to be most pronounced in technology and healthcare, where innovation cycles are enduring, capital needs are continuous, and the feedback loop between private and public markets is strongest. These sectors exemplify how hybrid capital can compound knowledge, extend ownership, and provide continuity across phases of growth.

As the ecosystem matures, we believe hybrid investing will likely become a cornerstone of modern capital markets. The companies that define the next generation will not be known for whether they are public or private, but for their scale, influence, and utility they drive across the global economy. The investors who back these companies may be those capable of bridging worlds—patient enough for private growth, disciplined enough for public markets, and aligned to thrive across both.

²² PitchBook, 2025.

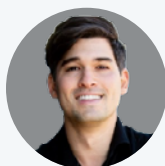
²³ Forbes, 2025.

²⁴ Preqin, "Private Markets by 2030," 2025.

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Authors



Paris Heymann
Managing Partner,
Technology Investing,
J.P. Morgan Asset
Management



Patrick McGoldrick
Managing Partner,
Private Capital,
J.P. Morgan Asset
Management



Jed Laskowitz
Global Head of
Private Markets and
Customized Solutions,
J.P. Morgan Asset
Management



Rand Araskog
Partner,
Technology Investing,
J.P. Morgan Asset
Management



Eric Ghernati
Partner,
Technology Investing,
J.P. Morgan Asset
Management

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