

The Decline of 60/40: Why Venture Capital Matters in Private Portfolios

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Abstract: The democratization of financial information and the evolution of capital markets in the 21st century have reduced the effectiveness of traditional portfolio allocation strategies, particularly the 60/40 model of equities and bonds pioneered by Harry Markowitz. This paper explores the limitations of the 60/40 portfolio for high-net-worth individuals (HNWIs) and evaluates the potential benefits of adopting allocation strategies similar to institutional investors, specifically emphasizing allocation to venture capital. Using historical performance data from public equities, fixed income, and private markets, especially venture-backed companies that have gone public between 2005 and 2025, the analysis in this paper demonstrates that value created for investor during the private stage of a company's lifecycle outsizes the value creation in the company's public stage. By comparing traditional 60/40 portfolio returns with institutions like the Yale Endowment, this paper argues that strategic inclusion of venture capital and other alternatives enhances diversification and risk-adjusted returns for the portfolio. The findings suggest that HNWI investors seeking to generate alpha and remain competitive in an evolved and dynamic investment landscape should consider incorporating private markets as a core component of their wealth allocation.

Keywords: HNWIs, Institutional Investors, Venture Capital, 60/40 portfolio.

1. Introduction

The traditional 60/40 portfolio, allocating 60% to public equities and 40% to fixed income, has long been regarded as the foundation of portfolio construction for high-net-worth individuals (HNWIs). Rooted in Modern Portfolio Theory (1, Markowitz, 1952), this model emerged in an era marked by limited access to asset classes, delayed information flow, and relatively stable correlations between equities and bonds.

Over the past two decades, however, the investment landscape has changed profoundly. The democratization of financial data, real-time global market access, and the emergence of diverse alternative asset classes have upended many of the assumptions underlying traditional portfolio construction.

Recent academic and practitioner literature has increasingly questioned the effectiveness of the 60/40 allocation in this new environment. Studies from the CAIA Association (2, 2023) and State Street Investment Management (3, 2024) point to rising stock-bond correlations, suppressed yields, and prolonged periods of macroeconomic stress as key drivers eroding the diversification and return potential of this conventional model. Research by Acropolis Investment Management (4, 2021) further highlights that traditional portfolios have not kept pace with institutional strategies that actively incorporate alternative investments.

While these critiques acknowledge the weaknesses of the 60/40 framework, many remain theoretical or fail to provide empirical comparisons with modern alternatives, particularly the role venture capital could play in a private investor's allocation. As the CAIA Association aptly notes, *"Finding the right alternative for a safe, secure, and attractive investment, like the historical 60/40 portfolio, is a huge challenge."*

This paper seeks to address that gap by empirically examining value creation across the private and public investment lifecycle of venture-backed companies. Using a dataset of 420 U.S. IPOs between 2005 and 2025, we analyze pre-IPO and post-IPO valuation dynamics to determine where and when investors generate outsized returns. Our findings suggest that the majority of value has increasingly been captured during the private stage of a firm's lifecycle, while the public stage often yields more modest returns or even value erosion in certain cases.

In doing so, we build on and extend previous research by offering a quantitative framework that directly compares the wealth-generation potential of venture-backed investments to both traditional 60/40 portfolios and institutional models such as the Yale Endowment. Unlike earlier work, this paper provides a sector-diverse, data-driven analysis of where capital can be most effectively deployed in today's dynamic markets particularly for HNWIs seeking long-term alpha.

While venture capital is inherently illiquid and carries elevated risk, we argue that its thoughtful and strategic inclusion can serve as a key driver of portfolio diversification and growth. This research contributes to a growing body of literature advocating for the evolution of HNWI portfolio design and provides a practical, evidence-based rationale for expanding exposure to private markets.

As a limitation, our analysis is subject to survivorship bias. It does not account for failed or abandoned startups that never reached IPO, which may understate the risk profile of early-stage investing. Nonetheless, the results offer compelling insight into the shifting dynamics of capital markets and the growing need to rethink legacy approaches to wealth and portfolio management.

Materials and Methodology

This study adopts a mixed-methods approach combining empirical data analysis and comparative portfolio evaluation to assess the effectiveness of venture capital allocation relative to the traditional 60/40 investment strategy. The objective is to analyze where value is created in modern capital markets. By specifically comparing the private and public investment phases while also benchmarking the performance of institutional portfolio models.

Data Sources

The analysis draws on multiple credible data sources:

- **Public Market Data:** S&P 500 index performance and U.S. bond market indices obtained from financial databases including Yahoo Finance, S&P Capital IQ, and Morningstar.
- **Institutional Portfolio Benchmarks:** Historical return data and asset allocation reports from the Yale Endowment, sourced from publicly available Yale Endowment annual reports.
- **Venture Capital and Private Market Data:** Venture capital performance metrics, post-money valuations, and IPO data sourced from PitchBook.

- **Macroeconomic Indicators:** GDP and asset class size figures obtained from the Federal Reserve Economic Data (FRED) and World Bank open datasets.

IPO Dataset Construction

A primary dataset was created from U.S.-based IPOs between 2005 and 2025. The process began with a universe of 2,297 IPOs identified through PitchBook. This was filtered down to 570 companies with complete and verifiable early-stage (Seed or Series A) post-money valuations. After excluding companies with inconsistent IPO pricing, dual listings, or poor data integrity, the final dataset consisted of **420 companies** across sectors such as:

- Technology and Software
- Biotech and Lifesciences
- Financial Services
- Consumer Goods
- Manufacturing
- Media, Education, and Transportation

Each record includes:

- Early-stage post-money valuation (Seed or Series A)
- IPO valuation
- Market capitalization as of June 10, 2025
- Time to IPO and time since IPO

Key Metrics Analyzed

1. Private Valuation Uptick

Private Uptick = $\text{IPO Valuation} / \text{Early-Stage Valuation}$

This metric captures value creation during the private phase and represents returns to early investors like VCs and angels.

2. Public Valuation Uptick

Public Uptick = Market Cap (2025) / IPO Valuation

This reflects the returns to public market investors post-IPO.

3. Portfolio Comparisons

- 60/40 portfolio returns were modeled using S&P 500 for equities and Bloomberg US Aggregate Bond Index for fixed income.
- Yale Endowment returns were taken from annual reports.
- Venture capital performance was analyzed through the constructed IPO dataset and compared in terms of average upticks and volatility.

Statistical Techniques

We have used descriptive statistics, mean, median, standard deviation, and percentile analysis to examine the distribution and central tendencies of value creation across private and public phases of a company. Data visualization tools (e.g., bar charts, pie charts) were used to present allocation breakdowns and performance comparisons. The study is primarily exploration in nature and is intended to highlight investment trends rather than test a specific hypothesis.

The Legacy Portfolio Management Model

The 60/40 model, 60% equities and 40% fixed income, is typically the first portfolio construction method taught in academic finance courses. I remember studying it in Portfolio Management 101. Motivation for the original 60/40 portfolio came from a group of researchers including Harry Markowitz and William Sharpe, both of whom received Nobel Prizes for their work, when they created Modern Portfolio Theory (“MPT”). Its popularity stems from its simplicity and accessibility. Investors can construct a simple 60/40 portfolio using publicly listed securities, with equities targeting capital appreciation and bonds offering income and downside protection in periods of uncertainties.

Public Equity (Stocks):

Public equity represents an ownership interest in a publicly listed company. Returns are generated through appreciation of the price of the stock traded. This is usually driven by corporate earnings and market sentiment. Investors can potentially earn through dividends as well. However, dividend payments are at the discretion of a company's board and may be inconsistent.

Fixed Income (Bonds):

A bond in simplest form can be explained as a debt instrument representing a loan made by an investor to a borrower (typically corporate or government). Bonds are often considered lower-risk assets due to their fixed return structures, interest and principal payments, and seniority in the capital stack. They vary across issuers such as corporate, municipal, government, or agency and carry varying degrees of risk and reward.

Historically, the 60/40 mix has provided a balanced risk-return profile. During periods of equity market volatility, bonds theoretically offered a hedge against the volatile equities. This inverse relationship, however, has weakened significantly over the past decade.

The shortcoming of the 60/40:

60/40 portfolio has been regarded as a foundational model in investment management for a long time. Developed in the mid-20th century, this allocation strategy was well-suited for a financial environment which was characterized by limited access to asset classes, slower information circulation, and relatively stable correlations between equities and bonds. However, the evolution of global financial markets, technological advancements in information flow and trading execution, and the emergence of new investable asset classes have significantly altered the investment landscape. These shifts call into question the continued relevance and effectiveness of the traditional 60/40 model in delivering optimal risk-adjusted returns in the modern era. Below we have discussed some of the shortcomings of 60/40 portfolio allocation:

Universe of Accessible Assets: In the early 1900s, when Modern Portfolio Theory was first introduced, investors were largely restricted to constructing portfolios using only public equities and bonds, as these were the most and for some the only accessible asset classes at

the time. For instance, in 1996, U.S. equities and fixed income securities represented 105.05% and 80.48% of the nation’s GDP, respectively, with the total GDP standing at \$8.1 trillion (5, FRED). Over the decades, the range of investable assets has broadened significantly. Today, investors can access a diverse array of asset classes beyond just stocks and bonds, including private equity, real estate, infrastructure, hedge funds, and digital assets, each offering distinct risk and return characteristics. Even retail investors can access these through ETFs. As seen in Figure 1 as of 2023, the global market capitalization for fixed income reached \$141.5 trillion, while public equities stood at \$108.1 trillion. While alternatives accounted for approximately \$20 trillion, a figure that was nearly equivalent to the combined GDP of China and Germany in 2023. The traditional 60/40 portfolio is rooted in an era when investors had a much narrower set of choices. Today, excluding alternatives means overlooking a substantial and growing segment of the global investment landscape, a segment that represents \$20 trillion in value. Investors are potentially missing out on diversification and return opportunities that were simply not available to previous generations of investors.

	Full global market portfolio		Free-float adjusted	
	Market cap (in USD trillions)	Relative size (in %)	Market cap (in USD trillions)	Relative size (in %)
Total	270.7	100%	213.3	100.0%
Fixed Income	141.5	52.3%	115.6	54.2%
Public Equity	108.1	39.9%	76.6	35.9%
Private Real Estate	8.4	3.1%	8.4	3.9%
Listed Real Estate	4.8	1.8%	4.8	2.3%
Private Equity	3.5	1.3%	3.5	1.7%
Listed Infrastructure	3.3	1.2%	3.3	1.5%
Private Credit	0.6	0.2%	0.6	0.3%
Unlisted Infrastructure	0.4	0.2%	0.4	0.2%

Figure 1: Market size of investable global market portfolio (in USD trillions) as of end of year 2023. Source: Bank of International Settlements, MSCI (6)

Access to information through the development of Media technology: The 60/40 portfolio was an effective portfolio strategy in the 20th century when access to information was limited, lagged, and financial markets moved at a much slower pace. Back then, delays in information flow, via print media, delayed financial statement via mail, and slower trade execution, meant there were inefficiencies to exploit due to the timing difference. Today, real-time news feeds, ultra-low-latency execution, algorithmic trading, and AI have compressed those frictions. For example, high frequency trading execution latency fell from seconds in

the late 1990s to sub-microseconds by 2024. (7, Shobhit Seth, 2024). As per Figure 2, it is also estimated that in 2018 algorithmic trading in the US occupied 60% percent of trading. This shows that majority of trades in US and global equities were executed by computer algorithms rather than human traders, reflecting a higher level of automation and reliance on technology. While globally more than 60% of equity trades were executed by computer algorithms which suggest that this innovation was not limited to US but a global phenomenon. Based on this we can conclude that investors are competing not only with institutional capital but also with machines and now AI.

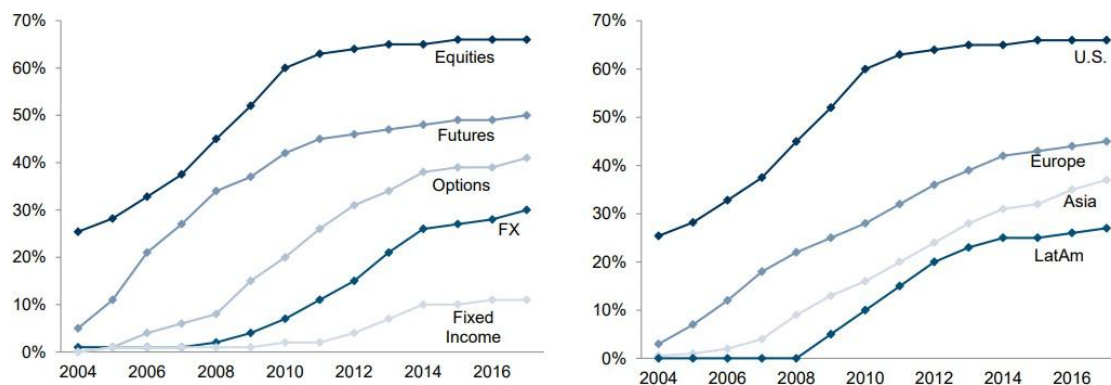


Figure 2: Growth of Algorithmic trading across asset classes and regions. Source: Aite Group and Goldman Sachs Global Investment Research. (8)

Stock Bond Correlation has become unreliable: The correlation between equities and bond hasn't remained consistent over time, especially during the time of stress they have demonstrated to converge, diminishing the diversification benefit of the portfolio allocation. Figure 3 indicates that the inverse relationship between equities and bonds held stable for large part of 21st century but has weakened significantly over the past decade. It shows the rolling correlation between equities and bonds has always risen during the period of stress and uncertainties. Especially, with the correlation rising above 20% between 2007 and 2010 and rising above 50% in 2022, which represents the most recent stress periods in the economic cycles. As a result of this positive and rising correlation the assets returns tend to move in the same direction and thus reduces the hedging benefit and resulting in decline of the risk-adjusted returns of such portfolios. This should prompt investors and their advisors to seek alternative approaches to manage risk and returns.

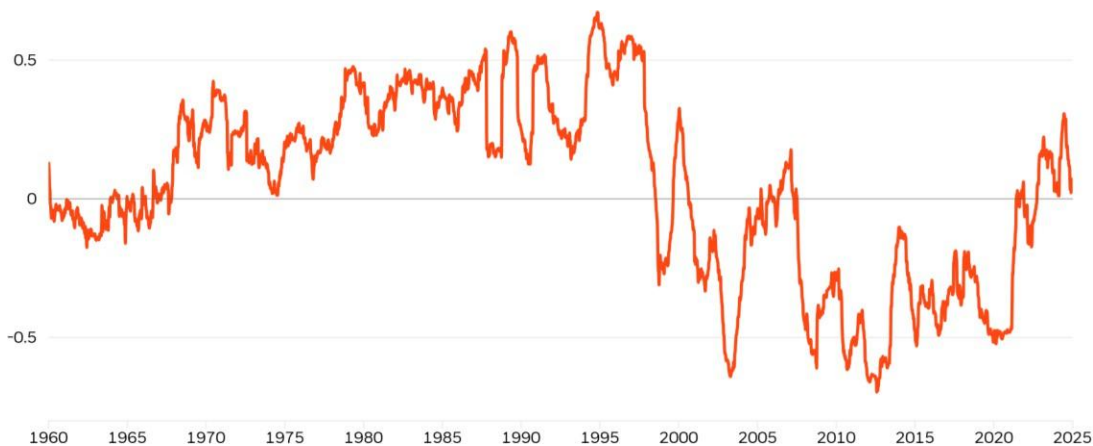


Figure 3: Rolling one-year correlation between equities and bonds, Source: Blackrock, 2025 (9)

In light of these structural shifts, we observe that the traditional 60/40 portfolio, which was once a reliable asset allocation strategy, has now become increasingly outdated and unreliable. We can clearly see that it was built for a world with fewer investable assets, slower information flow, and less volatile correlations between equities and bonds. Today, markets are much faster, more complex, and globally interconnected. The breadth of accessible assets has expanded dramatically as well. This allows investors to tap into private markets, alternatives, and digital innovations. Simultaneously, advances in media and technology have leveled the playing field for all investors in terms of access to information and also intensified competition through the rise of algorithmic and AI-driven trading. Most critically, the historical diversification benefit of the stock–bond relationship has weakened, particularly during periods of market stress, undermining the risk mitigation that the 60/40 strategy was designed to offer. It is now time for investors and financial advisors to look beyond traditional models, embracing a more adaptive, multi-asset framework to navigate the ever-evolving investment landscape.

Institutional Models of Portfolio Allocation

Given the shortcomings listed above, it is helpful to examine the strategies used by large institutions, such as pensions, endowments, and sovereign wealth funds, which often outperform their private wealth and retail counterparts. As per a research by Prequin (figure

4), institutional investors in 2023 allocated only 30.4% to equities and 39.5% to fixed income, while allocating a substantial 19.6% to alternatives, including 6.9% to private equity and venture capital, 6.4% to hedge funds, and the remainder to private credit and real estate. This clearly indicates that institutional portfolios today reflect a more curated, diversified portfolio construction strategy. One that intentionally puts all its eggs in different baskets, spreading risk across a broader array of return streams which goes beyond the public markets.

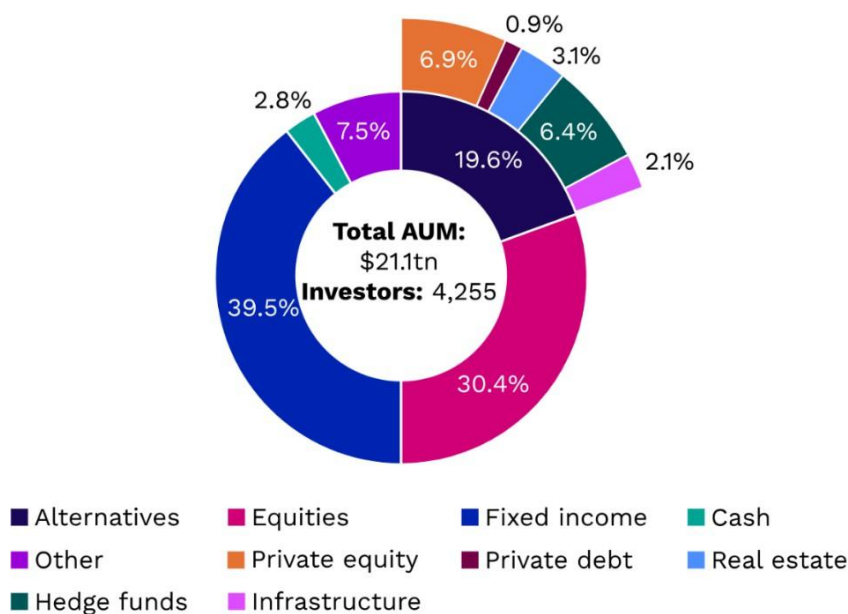


Figure 4: Portfolio Allocation by Asset Class for Institutional Investors, Source: Prequin (10)

Let’s now look at one of the top University endowments in the US, the Yale Endowment. Managed for decades by David Swensen who is credited with revolutionizing how university endowments manage their large portfolios. When Swenson took over the Yale Endowment (his alma mater) in 1995, it had about \$1 billion in assets and was a traditional 60/40 stock/bond allocation. Before his passing in 2021, the endowment stood at a staggering \$31 billion and had returned 12.4 percent per year over the last three decades when Swenson was the chief investment officer, which was on average 2.7 percent more per year than the S&P 500. (David Ott, 2021, 11)

Since Swensen’s arrival Yale’s investment philosophy started championing diversification into non-traditional assets. Swenson saw the value in private markets and realized that to generate alpha it is necessary to deviate from the traditional 60/40 and move to a more diversified approach. As seen in figure 5, Yale began allocating a portion of its portfolio to alternative investments in the 1990s. Starting with ~5% of its portfolio to private markets assets and growing to more than 50% of the endowment’s portfolio in 2020. The share of traditional asset classes like Domestic US equities and Fixed Income reduced over the same period.

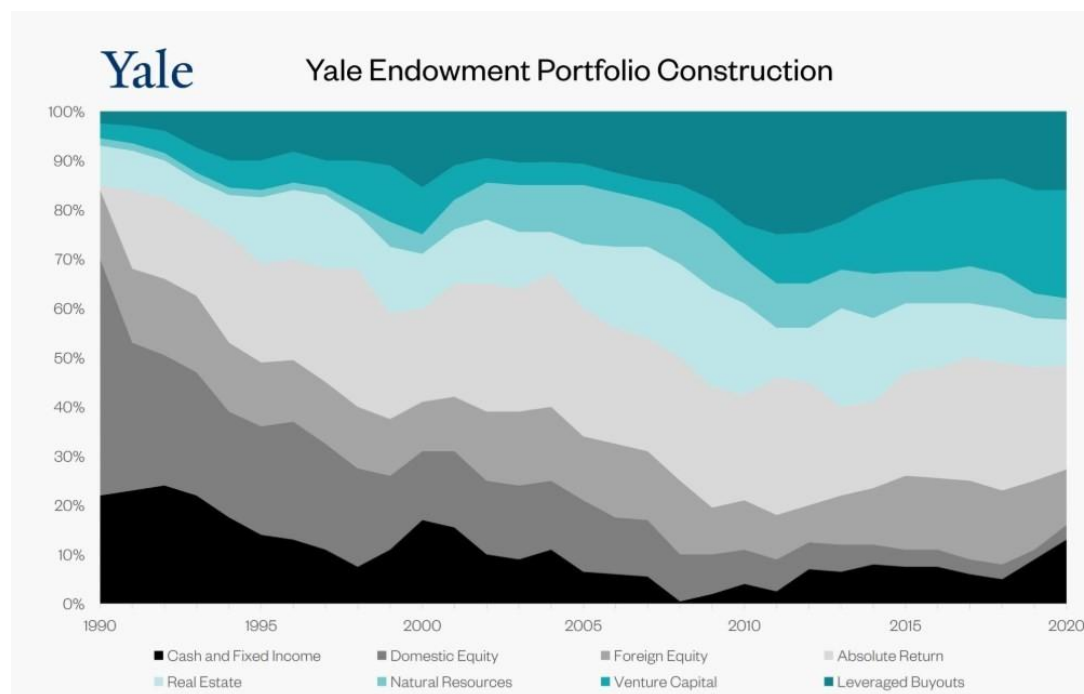


Figure 4: Yale Endowment Portfolio Allocation over 1990-2020, Source: Chronograph (12)

As of a more recent portfolio allocation shown in figure 5, Yale’s endowment has taken an increasingly bold stance on alternative investments, with 66% of its portfolio allocated to alternatives and only 34% to traditional assets as per their 2024 Annual Report. Within this alternatives pie, private equity and venture capital alone make up over half, at 26% and 25%, respectively. The remaining allocation includes 15% to marketable alternatives, such as hedge funds. In stark contrast, Public Equities, fixed income and cash now only make up 20%,

1% and 0%, respectively, underscoring a significant departure from conventional portfolio theory.

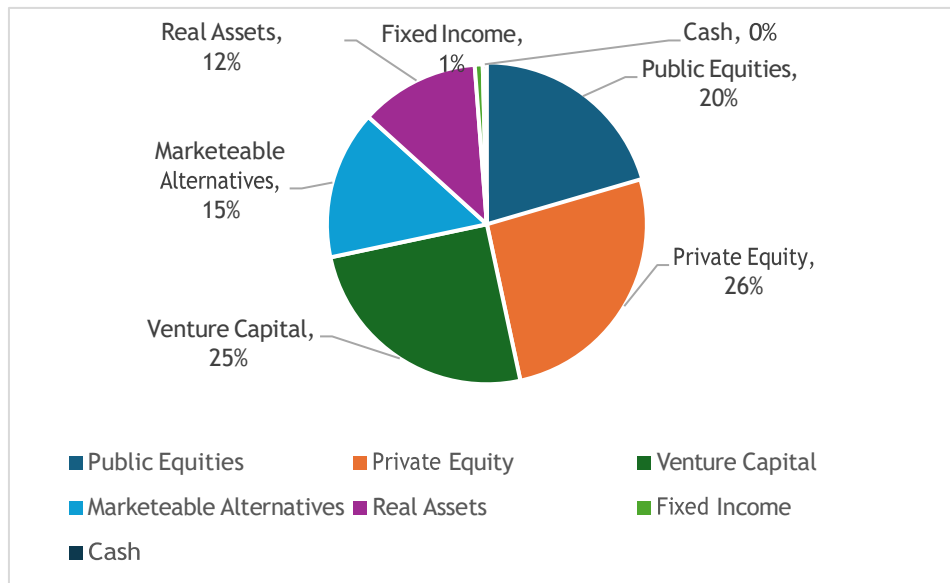


Figure 5: Yale Endowment Portfolio Allocation, Source: Yale Endowment 2023-24 Annual Report (13)

Yale's approach offers valuable insights for other investors into the strategic use of alternatives to drive performance and diversify risk. The results speak for themselves. As seen in Figure 6, over the past two decades, Yale Endowment has consistently outperformed major public benchmarks, including the S&P 500 and Bloomberg U.S. Aggregate Bond Index. To fairly compare Yale's model with traditional portfolios, we also constructed a hypothetical 60/40 portfolio using the S&P 500 as proxy for equities and Bloomberg U.S. Aggregate Bond Index as proxy for fixed income. Even over the past 10 years, when public equity returns have been particularly strong, Yale's more diversified and actively managed portfolio has held its ground, while clearly outperforming all the three over the longer 20 year term.

This comparison highlights a broader shift in institutional thinking: portfolio construction today demands broader exposure, intentional diversification, and less reliance on democratized traditional public markets. While we understand that not every investors can match Yale's access or scale. The underlying principle remains universal, in this increasingly competitive and complex investment landscape it is important to incorporate alternatives to materially improve long-term risk-adjusted returns.

	Yale Endowment	S&P 500 as Proxy for Public Equities	Bloomberg US Aggregate Bond Index as Proxy for Fixed Incomes	60/40 Portfolio (60% public Equities and 40% Fixed Income)
20-year Average Annual Return	10.3%	8.4%	3.1%	6.3%
10-Year Average Annual Return	9.5%	11.0%	1.6%	7.2%

Figure 6: Yale Endowment Outperformance over other portfolio and asset classes.
Source: Yale Endowment Returns: Yale (14), S&P 500: Investopedia.com (15), Bloomberg US Agg. Bond Index: upmyinterest.com (16)

Now, what Are Alternative Investments?

Alternative investments refer to asset classes and strategies that fall outside the realm of traditional publicly traded stocks (equities) and bonds (fixed income). These investments often offer unique risk-return characteristics, usually a low correlation to public markets, and access to sources of alpha or income that may not be available through publicly available stocks and bonds. Alternatives have increasingly been used by institutional investors to enhance diversification, hedge macroeconomic risks, and improve portfolio resilience. Alternatives investments include:

- **Private Equity (PE):** Investments in privately held companies, typically through buyouts, growth capital, or special situations. PE strategies aim to enhance company value before exiting via IPO, sale, or recapitalization.
- **Venture Capital (VC):** Usually referred as a subset of private equity, this focuses on early-stage and high-growth startups. VC seeks higher returns by backing innovative or disruptive business models at the seed, Series A/B, and growth stages.

- **Private Credit:** As the name suggests lending privately. These lending strategies sit outside the traditional banking system, and include direct lending, mezzanine debt, and distressed credit. These offer enhanced yields and better structural protections compared to public bonds.
- **Hedge Funds:** Pooled investment vehicles employing diverse strategies, such as long/short equity, global macro, event-driven, or arbitrage with the aim to generate absolute returns regardless of market direction.
- **Real Assets (Commodities, Real Estate):** Investments tied to physical assets, including real estate, infrastructure, farmland, and commodities (like gold or oil). Investors often use these as inflation hedges and to get steady cash flow.
- **Structured Products & Derivatives:** These are custom financial instruments derived from underlying assets (e.g., equity, credit, interest rates), for tailored exposure, risk management, or enhanced yield. Examples include CLOs, options, and credit default swaps.

While historically limited to institutional or ultra-high-net-worth investors due to high capital requirements, many of these alternatives are increasingly available to individual accredited investors through structured products and private funds. Adoption of alternatives has increased over time as seen from the increase in AUM for the alternative asset classes in figure 7. We can observe that combined it has moved from \$2 trillion in 2006 to approximately \$13 trillion in 2024. This represents a CAGR of ~11%.

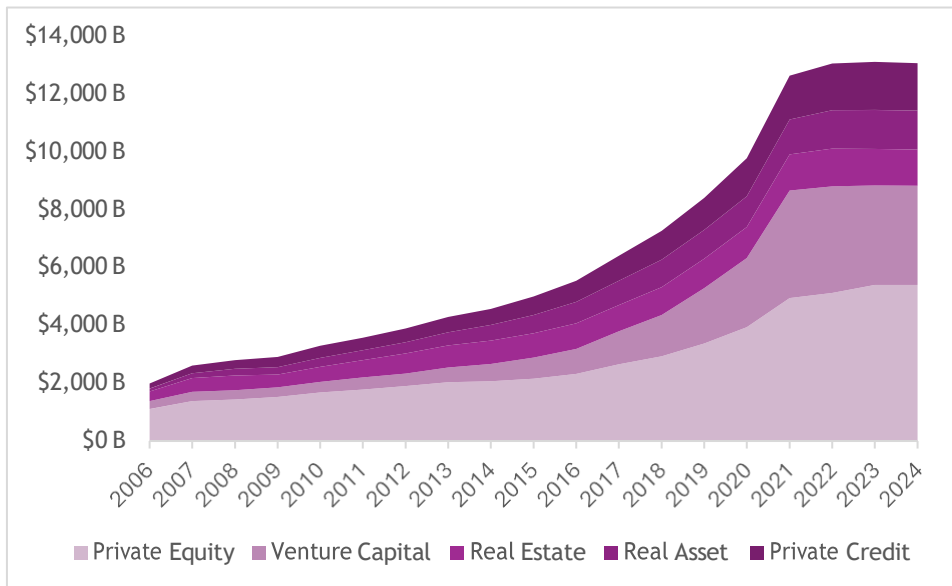


Figure 7: Global AUM for different alternative asset classes. Source: Pitchbook (17)

The Venture Capital Opportunity

Among alternatives, venture capital (VC) presents perhaps the most compelling case for transformational portfolio impact. Once viewed as the high-risk domain of visionary investors, it has now emerged as a strategic pillar that shapes innovation, competitiveness, and generation across industries and geographies. Venture capital is far more than financial arbitrage or speculative bets. It is the mechanism by which raw imagination is translated into scalable impact. From the garages of Silicon Valley to today’s globally networked startup ecosystems including accelerators, venture capital has served as the fuel for radical innovation. We can say that it is no longer a niche asset class but has evolved into a critical infrastructure for the 21st century.

We can also see its growth by observing that the number of VC funds have grown multi folds over the past decades and that too globally. The US has been at the forefront of venture capital investing, but other geographies have come strongly in recent years. Figure 8 shows how number of funds has kept increasing year over year, broken down by geography.

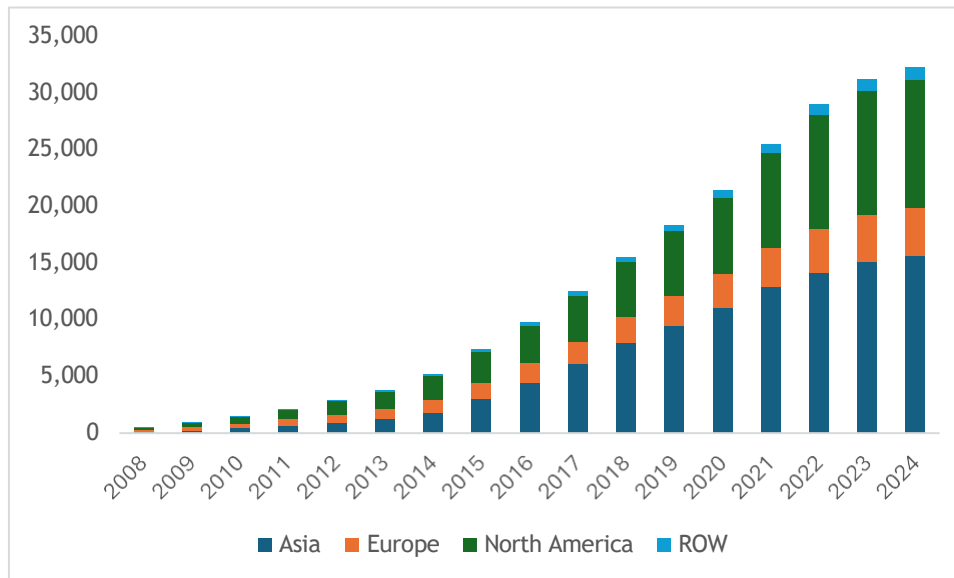


Figure 8: Cumulative new VC funds over the years. Source: Pitchbook (17)

Venture capital focuses on early-stage, high-growth startups, companies which are often at the forefront of innovation. Venture Capital doesn't only offer potential higher returns, but it also offers investors a chance at investing in the innovation economy, it offers them an opportunity to partner with innovators who are either trying to disrupt existing markets or create entirely new industries. Throughout history, innovation has shaped the arc of human progress, be it the innovative era of computer, mobile, internet, cloud or now Artificial Intelligence, venture capital has always been at the forefront supporting these transformational paradigm shifts.

Used by the wealthiest for creating generational wealth, VC offers access to value creation beyond the reach of public markets. This is now essential to a long-term portfolio strategy as private markets continue to expand.

Beyond being a return driver, VC builds an infrastructure for innovation. Most importantly venture is powered by belief, a belief in future. A conviction in people and possibilities they bring. It is not just a capital source but a bet on vision that demands courage. Rebellious engineers left Shockley Labs to launch Fairchild Semiconductor, laying Silicon Valley's foundation; Steve Jobs built Apple and redefined consumer tech forever; chip designers founded Intel and fueled the PC revolution; students at Stanford built routers and launched

Cisco, wiring the internet of today; a portable PC idea led Compaq to challenge IBM; and at the intersection of all of this sits Venture. Providing fuel to conviction, and creativity, helping actively construct the economic and social foundations for the next generation.

Venture has always been the catalyst for breakthrough innovation, the kind traditional finance often overlooks as too risky or too early. Unlike banks or public markets, early-stage venture backs vision before strong financial fundamentals. Funding ideas long before validation, long before product market fit. Scaling solutions before incumbents even react. These weren't always obvious bets; many start as fringe ideas, dismissed by mainstream institutions and a lot of large VCs as well. But investors willing to embrace uncertainty are able to make the early moves that helped turn improbable concepts into industry-defining companies.

In our opinion, the dynamics of wealth creation are shifting. Increasingly, greater value is being generated not in public markets but in private domains, through venture-backed startups, high-growth startups, and privately held unicorns. For forward-looking investors, venture is no longer a niche allocation, it has become a core component of their portfolio strategy.

Venture Brings Access: Venture unlocks exposure to parts of the economy that public markets simply can't reach. From frontier technologies to capital-starved sectors and emerging markets, venture provides a pathway to growth areas beyond traditional equities even notices it. There are more than 140,000 private companies globally with annual revenues above \$100 million, compared with just 19,000 public companies at the same revenue level (Hamilton Lane 2023, 18). Many high-growth firms are remaining private longer, delaying IPOs and thus keeping their outsized growth potential within the private market. "The influx of capital into the private markets in recent years has given private companies greater flexibility to stay private longer - in some cases indefinitely. This trend, coupled with uncertainty in the public markets, has led more private companies to delay their IPO plans and reallocate the resources they would have spent on public listing and regulatory requirements toward continued innovation, growth, and business optimization" (Morgan Stanley, 2024, 19)

As seen in figure 8, The number of private, venture-backed companies valued over \$1 billion, also referred to as “Unicorns”, has grown more than from 68 in 2016 to 1,286 in 2025. The implication is clear: investors who ignore private markets are sidelining a big portion of the value creation.

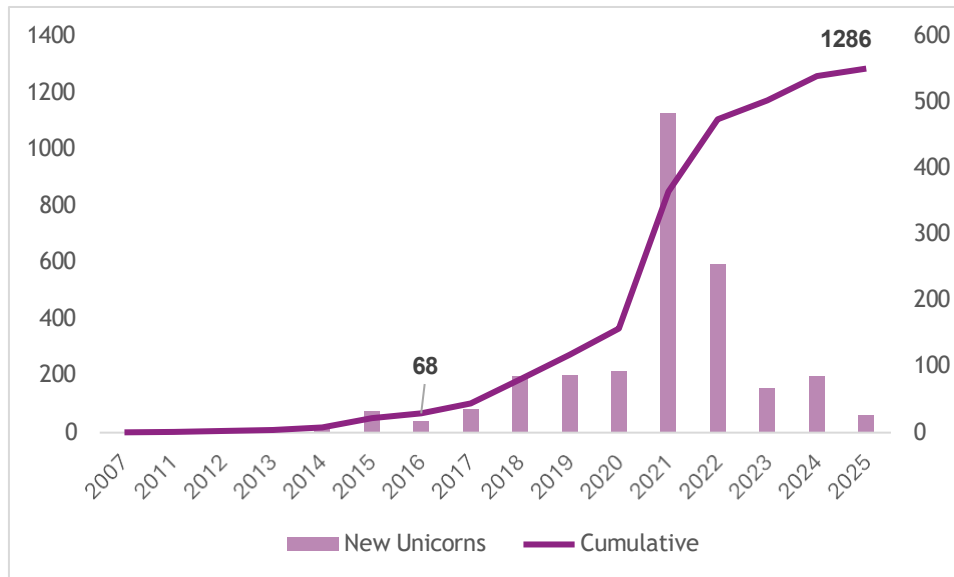


Figure 9: Number of New and cumulative Unicorns (Private Companies valued over \$1B) over the years. Source: CB Insights (20)

Early access outsized returns: A substantial portion of unicorn value is created before IPO. For those looking for next Apple or next Nvidia from ground zero, venture is the way in. Public market investors enter after the steepest portions of the value curve have already passed.

Private vs Public Value Creation: Evidence from 400+ IPOs (2005–2025)

We are now going to test if the most substantial wealth generation actually occurs before companies go public. In past IPOs used to mark the beginning of high-growth value creation, but today they often represent just a late-stage liquidity event or a milestone that companies want to achieve. The research below investigates this using a robust dataset of over 400 companies that went public between 2005 and 2025. The objective of our research is to compare the value multiple companies generated while being private versus after they become publicly traded. The results of our research offer compelling evidence for investors considering greater exposure to private markets, especially venture capital.

Key Observations

1. Private valuation uptick is significantly higher

- The **mean private uptick** was **314x**, with a **median of 22.5x**.
- However, this average is skewed by a few mega-outliers with >10,000x growth (e.g., companies like Natera).
- Even the **75th percentile** saw over **100x** returns for early investors.
- This highlights that, on average, early-stage investors were rewarded with much larger multiples than public market investors.

2. Public uptick is comparatively modest

- The **mean public uptick** was only **6.6x**, with a **median of 0.78x**.
- Over 50% of the companies lost value post-IPO, with a public uptick of <1.
- Only a small subset (top decile) achieved >10x growth in public markets.

3. High dispersion in private markets

- The **standard deviation** of private upticks is a staggering **1,597**, compared to **44** for public upticks.
- This reflects both the risk and the massive upside characteristic of early-stage investing. Outlier returns drive the average also called as the “Power Law”.

4. Wealth accrual skewed toward private holders

- Public investors largely saw modest or negative returns over the period largely impacted by the macro environment.
- This trend is even more pronounced in sectors like biotech and drug discovery, where post-IPO performance often stagnated due to long FDA timelines and large capital burn.

5. Implication of Timing

- Companies took an average of **7–9 years** from early valuation to IPO. However, we see this trend change as companies are staying private longer now. Companies are increasingly able to secure more funding while staying private and avoiding the scrutiny of public markets.
- Post-IPO durations averaged around **7 years**, suggesting both phases are similarly timed, yet vastly different in value creation. Its better to take this with a pinch of salt as the public companies which are active right now, the point of observation, won't cease to exist tomorrow.

Sector Highlights

- **Biotech and Drug Discovery** companies showed some of the highest private upticks, often going from sub-\$5M valuations to hundreds of millions at IPO. However, many of these same companies showed public upticks <1 , highlighting post-IPO stagnation or dilution once they come under public scrutiny.
- **Software & Internet** firms were likely to achieve positive public upticks due to their SaaS model of recurring revenue and faster scale-up post-IPO.

Caveats and Considerations

- Survivorship bias: Companies that failed before IPO are not in the dataset.
- Valuations are point estimates, and many were obtained during frothy or bearish market cycles.

Discussion

The analysis of over 400 IPOs from 2005 to 2025 reveals a fundamental shift in how and where value is being created in the capital markets. The results demonstrate that the most significant value generation occurs in the private stage of the company's lifecycle. We observed that early-stage investors captured a disproportionate share of value relative to those investors who are entering post-IPO. The median private valuation uptick was 22.5x, while the median public uptick was only 0.78x. This asymmetry supports the growing

argument that the traditional 60/40 portfolio model, once sufficient for diversified growth, is no longer optimal for long-term capital appreciation.

These findings echo the structural changes that have unfolded in institutional asset allocation over the past two decades. As discussed above leading endowments, particularly Yale, have shifted substantial portions of their portfolios into alternative investments, with venture capital occupying a major share. As per Yale's annual report 2024, Yale allocated more than 50% of its endowment to alternatives, producing consistent outperformance over both public equities and traditional 60/40 portfolios. Our thesis that diversification into less correlated, higher-growth alternative assets improves risk-adjusted returns for portfolios, is now empirically supported by both institutional track records and the data examined in this study.

Moreover, the convergence of public equity and bond correlations, particularly during periods of market stress, has further diminished the usability and popularity of 60/40 strategy. As observed in recent years (e.g., 2022), equity-bond correlations exceeded 50%, negating the diversification benefits the model first was designed to deliver. These periods of stress with positive correlation suggest that a portfolio which is limited to only traditional asset classes may become more vulnerable when diversification is needed the most.

Additionally, with the companies staying private longer and looking at IPOs as just another milestone, it implies that companies are generating the bulk of their growth in the private markets. This further locks out public market investors from early-stage value creation. This delay not only shifts capital and wealth accumulation to the private phase but also concentrates access in the hands of those with early exposure, which are primarily venture capitalists and accredited investors who believe in the ability of the early-stage companies.

In light of these observations, it becomes evident that private market exposure, particularly through venture capital, offers a viable solution for HNWI's seeking growth and diversification beyond the limitations of traditional portfolios. While venture investments are inherently illiquid and carry elevated risk, their inclusion in a broader allocation framework, similar to institutional models, can enhance long-term portfolio performance.

This study supports a growing body of evidence that suggests a structural evolution in private wealth management is both necessary and increasingly feasible. As access to private markets continues to expand through fund platforms, co-investment opportunities, and regulatory changes, HNWI's are now positioned to adopt more sophisticated allocation strategies which were once reserved only for large institutions.

Conclusion

This study provides compelling evidence that the traditional 60/40 portfolio, once considered the gold standard of wealth management, is now misaligned with the realities of the modern capital markets. In an environment characterized by open and quick access to information, prolonged private company growth cycles, and diminishing diversification benefits between public equities and bonds, the limitations of the 60/40 framework are hard to ignore.

Our analysis of over 400 IPOs between 2005 and 2025 reveals that the majority of the value creation now occurs during the private phase of a company's lifecycle. The median private valuation uptick far exceeded public market returns, with more than half of companies underperforming their IPO valuations by 2025. This shift in value accrual underscores the importance of gaining early exposure through venture capital. An asset class historically limited to institutional investors but increasingly accessible to high-net-worth individuals (HNWI's).

Institutions like the Yale Endowment have long demonstrated the effectiveness of diversifying into alternative investments, including significant allocations to venture capital. Their consistent outperformance further validates the role of non-traditional assets in enhancing long-term, risk-adjusted returns. Now it is essential for HNWI's to adopt certain elements of Institutional portfolio models, if they want to grow generational wealth.

As barriers to entry continue to fall due to financial innovation and regulatory evolution, HNWI's are now better positioned than ever to participate in private market value creation. Thoughtful, measured exposure to venture capital, whether through fund vehicles, co-investment structures, or direct investments, can significantly enhance portfolio resilience

and performance. In a world where public markets offer diminishing risk adjusted returns, the path to alpha generation increasingly lies in the private markets.

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