

FAIRTREE ELEVANT VENTURES

The de-equitisation of public markets

By David Evans, Managing Director: Fairtree Elevant Ventures

For the last two decades, global capital markets have been undergoing a silent but aggressive transformation known as "de-equitisation". The number of publicly traded companies has more than halved, while the pool of private capital is exploding.

The pool of privately held companies has always vastly outnumbered the public universe (3,000 to 1), providing the widest range of opportunities to source great investments for those willing and able to do the work. Private market companies also outgrow their public counterparts, providing by far the bulk of exciting growth opportunities that drive returns. But it is now also the case that the most attractive high-growth companies are choosing to remain unlisted for longer. As they do so, traditional public equity investors are increasingly locked out of the steepest phases of corporate value creation.

Consequently, Private Equity (PE) and Venture Capital (VC) are increasingly larger allocations in developed-market institutional portfolios but are also beginning the transition from exclusive institutional domains into essential components of a diversified, modern portfolio, opening a wave of "democratisation" in alternative investments.

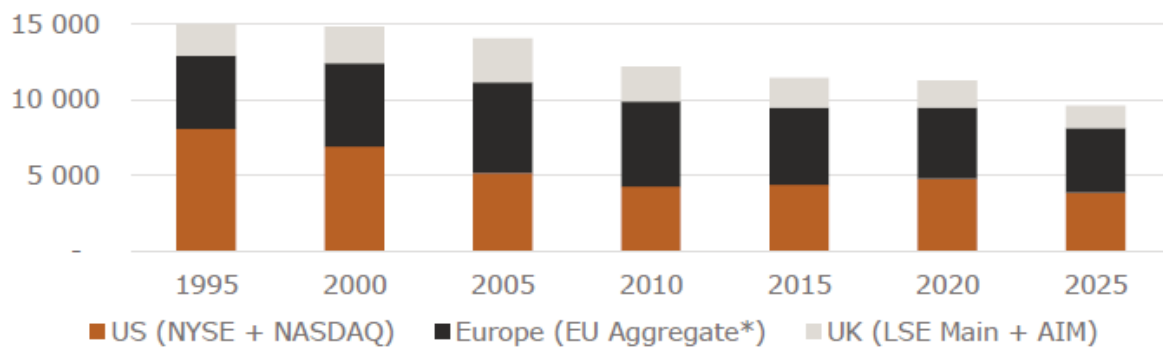
The shrinking public pool

De-equitisation refers to the shrinking supply of publicly available equity, driven by increases in shares being removed from the market (M&A and "take-private" buy-outs), as well as reductions in IPOs.

Since 1995, the universe of listed investment opportunities in developed markets (the US, EU and UK) has declined by 36%, with the US universe more than halving (52%). The London Stock Exchange has faced a severe liquidity trap over the last five years, with a 15% reduction in the number of trading companies in the FTSE 250, a 25% drop in the FTSE SmallCap, and a staggering 48% reduction in the FTSE Fledgling index.



Graph 1: Count of domestically incorporated companies listed on major exchanges (excluding mutual funds or other collective investment vehicles)



Source: Analysis by Fairtree*. As at the end of 2025.

Based on recent 2024/2025 data, only 14% of US companies generating over US\$100 million in annual revenue were publicly listed. The remaining 86% are privately held. Since 2000, the number of PE-backed companies has grown by more than 600%.

Why are companies fleeing the public sphere?

1. **The burden of being public:** Regulatory costs, relentless quarterly earnings pressure, and intense public scrutiny have made public listings arduous and expensive for management teams, and difficult to manage, especially for those teams striving for transformational outcomes.
2. **Abundant private capital:** Companies no longer need to go public to raise billions. The global PE Assets Under Management (AUM) surged from under US\$1 trillion in 2000 to over US\$10 trillion today, fuelled by both institutions and sovereigns increasing capital allocations to the private market. This provides significant firepower for companies to stay private and still source capital for growth and provide liquidity for their investors.
3. **M&A and take-privates:** Private equity firms hold record amounts of "dry powder" (uninvested capital) and are actively buying out undervalued public mid-cap companies, permanently removing them from the stock exchange. Meanwhile, the largest listed companies have strong cash flow, relentless

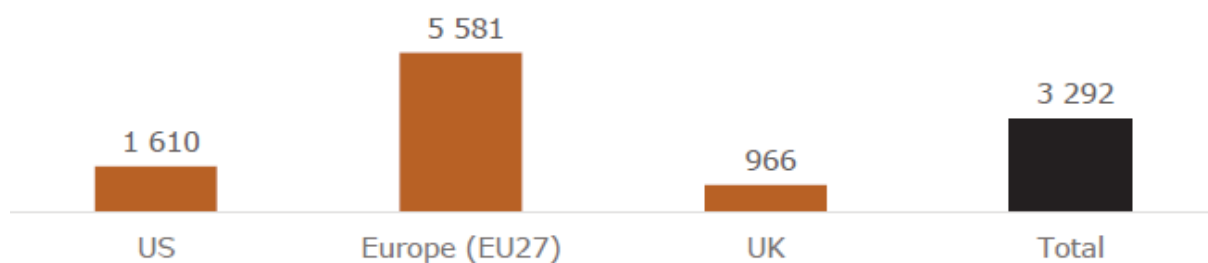


growth targets, and are aggressively adding capabilities through acquisition, removing opportunities from the market.

The staggeringly large private pool

It is often overlooked how large the private market is. Well over 99% of firms are private, even across all developed markets and despite extremely well-functioning public exchanges. Public companies represent a tiny fraction of the total business landscape, with private market opportunities outnumbering public market ones by over 3,000 to 1. In Europe, this disparity is even higher, with many multi-generational firms operating quietly under the radar and powering local economies and employment.

Graph 2: Private market opportunities outnumber public by over 3,000:1



Source: Analysis by Fairtree. As at the end of 2025.*

The growth differential

Private market companies are growing faster than public market companies: On aggregate, it is estimated that annual revenue growth rates of private companies are between 2.2x (US) to 6x (EU) higher than public companies.

Not only are growth rates higher in the private market, but also the total value of growth created sits in the private market. It is estimated that ~65-70% of corporate revenue growth (new dollars generated) in the US now occurs in the private market. Companies now wait until they have massive revenue (US\$1 billion +) before listing, and all that "hyper-growth" phase (0 to US\$1 billion) happens privately. In Europe, it is even more extreme: Almost 80% of net new revenue creation in the European mid-market comes from unlisted firms. European public stocks are heavily weighted to low-growth "Old Economy" sectors (Banks, Energy), while the growth (Tech, Services)



stays private. The public market is effectively a "dividend machine", not a "growth engine".

The impact on investors

This structural shift has fundamentally altered the risk-and-reward dynamics for both institutional and everyday retail investors.

1. The "Growth Phase" lockout

Historically, public markets democratised growth. Amazon went public in 1997 with a valuation of roughly US\$440m, allowing public investors to capture virtually all of its hyper-growth. Today, companies like SpaceX, OpenAI, and Stripe are valued at well over US\$100B, while remaining entirely private. By the time modern tech "unicorns" finally IPO, their highest-growth phase is often behind them, leaving public investors to buy into mature, slower-growing businesses.

2. Extreme market concentration

Because new, innovative companies are not replenishing the public indices, the market has become dangerously top-heavy, reducing portfolio diversification.

- By late 2025, the top 10 stocks in the S&P 500 accounted for over 40% of the index's total market capitalisation, far exceeding the previous historical peak of 34% seen during the "Nifty 50" era of the 1970s.
- For a retail investor buying a "diversified" passive index fund, a disproportionate amount of their wealth is now tied to the performance of just a handful of mega-cap tech companies.

3. The yield vs. growth divide

Public markets are increasingly becoming venues for "yield" rather than "growth". Mature public companies return capital to shareholders via dividends and massive stock buybacks. Meanwhile, the actual top-line revenue expansion and disruptive innovation are occurring out of sight, locked inside PE and VC portfolios.

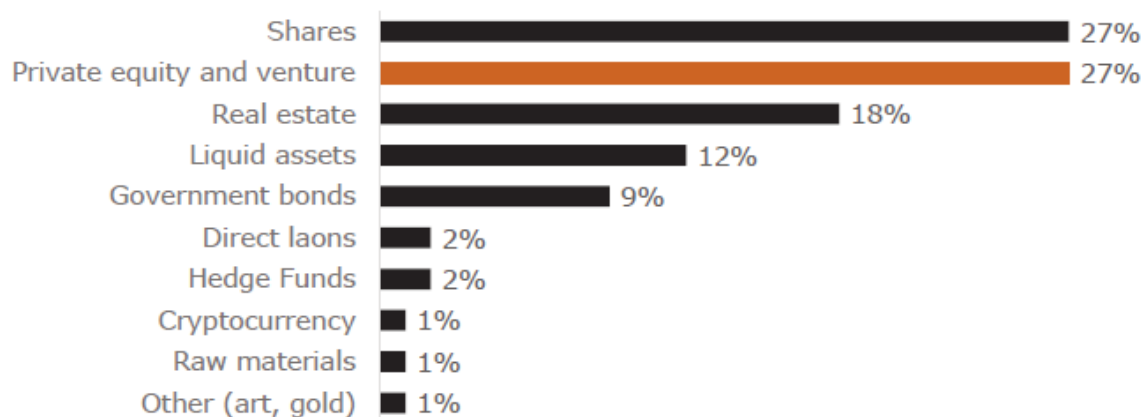


Evolving regulatory landscape in response to investor demand

If 86% of mid-to-large companies are private, investors must adapt to regain access to the full investable universe. The alternative investment industry is currently undergoing a massive "democratisation" phase to provide private market opportunities to the estimated US\$80 trillion in individual investor capital.

As of early 2026, institutional investors have continued to increase their allocation to alternative assets, like private equity and venture capital, to approximately 30% of their total portfolios, rising from 10% in 2000. Family offices have followed a similar trend, with Dutch family offices recently reported to allocate 27% to private equity and venture capital, roughly in line with public equity allocations.

Graph 3: Dutch family offices: average investment portfolio by asset class



Source: Analysis by Fairtree. As at the end of 2025.*

Individual investors are beginning to follow, and regulators are attempting to accommodate the demand to facilitate access. In Europe, the ELTIF 2.0 (European Long-Term Investment Fund) framework is working to remove barriers to access. ETFs are being trialled that embed private market strategies, blurring the lines between daily public liquidity and private market yield. A 2025 executive order in the US instructed the Department of Labor to facilitate access to alternatives, paving the way for 401k retirement plans to incorporate private equity and venture exposure in portfolios. As this continues to evolve, individual investors are expected to represent 22% of total private market AUM by 2030.



Bridging the gap

At Fairtree Elevant Ventures, we have always seen our role as bridging the gap for investors to be able to access Private Equity structures by lowering minimum investment thresholds. This role is becoming even more critical as public markets consolidate and restrict access to opportunities. With the influx of capital into the private market, the range of exit pathways is becoming more diverse, and exit may not necessarily be an IPO, but we see that as a positive development.

We love our job of sourcing and nurturing companies that deliver high growth and returns through disruption in highly attractive markets. We value our ability to provide access to those opportunities for our investors, allowing them to get unique access, to bridge geographies, and to diversify portfolios. We look forward to continuing to do so for a long time to come.

*Sources:

- *Bain & Company: Global Private Equity Report*
- *World Bank, World Federation of Exchanges, LSE, Euronext*
- *Lincoln International Private Market Index*
- *S&P Global Private Market Reports*
- *State Street Global Advisors: Democratising Private Markets*
- *Peel Hunt: Reinvigorating UK Equity Markets*
- *UBS Asset Management: Democratisation and Enhancing Opportunities in Private Equity*
- *Het Financieele Dagblad*

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