MEKETA

# Unicorns Reconsidered:

## Four Open Questions for Institutional Allocators


**CONTRIBUTORS**
Luke Riela, CFA
Alison Adams, PhD
Ethan Samson, JD


**WHITEPAPER** | JUNE 2026

## Key Takeaways

- **The unicorn label has lost much of its usefulness as an analytical category.** What began as a term for rare outliers now covers roughly 1,700 companies worldwide, ranging from pre-revenue startups valued on narrative alone to AI ventures generating tens of billions in revenue. Allocators should treat unicorn status as a starting point for analysis, not a conclusion, and focus on what lies behind the label: valuation methodology, ownership percentage, growth profile, and cash burn.

- **A substantial share of the unicorn population carries stale, unsubstantiated marks.** Roughly 60% of US unicorns were last valued during the zero interest-rate period, and an estimated 93% carry billion-dollar marks with no liquid secondary trade to support them. These "ZIRPicorns" and "papercorns" represent a fundamentally different risk proposition from the AI leaders dominating recent fundraising, and the reckoning for some of them has yet to appear in aggregate performance data.

- **The near-term IPO pipeline is qualitatively unlike any prior listing cohort,** and the historical record is more favorable for large tech issuers than headline post-IPO statistics suggest. While IPOs as a class have trailed the broad market by roughly 20 percentage points over three years, tech companies with $100 million or more in revenue have historically outperformed post-listing. The combined private valuations of SpaceX, Anthropic, and OpenAI are anticipated to exceed $3 trillion, with revenues and growth trajectories that may support a terminal-value case unlike prior cohorts.

- **The boundary between private and public markets has thinned in both directions.** Companies stay private far longer while public and retail investors gain access through crossover funds, brokerage platforms, and evergreen vehicles. At the same time, recent changes to index inclusion rules at Nasdaq and FTSE Russell now allow mega-cap IPOs to enter benchmark indexes within days of listing, meaning passive investors will be exposed to the largest newly listed unicorns faster than ever before.

- **Late-stage venture has been less distinct from early-stage** than its positioning implies, and its signature advantage has deteriorated. The two strategies have tracked each other closely in aggregate returns, with the strongest winners shared across both universes. Late-stage funds historically returned capital to LPs meaningfully faster, but that edge has collapsed for 2020 and later vintages. Manager selection remains consequential, with the spread between top- and bottom-quartile outcomes staying wide enough to make GP selection the critical variable.

When Aileen Lee coined the term "unicorn" in 2013, she was naming a rarity: a US-based VC-backed company[1] valued at over $1 billion, a threshold reached by roughly 0.07% of start-ups founded in the prior decade. The threshold was meant to flag outliers. Yet by the first quarter of 2026, the label applied to roughly 1,700 private companies worldwide carrying an estimated $8.6 trillion in combined value.[2] The same word may now be applied both to a pre-revenue company valued on narrative alone and to Anthropic, which is generating $47 billion in run-rate revenue and recently raised its Series H at a $965 billion valuation.[3] And up until very recently, the label also applied to SpaceX, which completed the largest IPO in history on June 12, 2026, raising $75 billion at a $1.75 trillion valuation and opening above a $2 trillion market cap on its first day of trading.[4] Hence a label that once flagged outliers now spans a population too varied for aggregate statistics to carry much meaning.

This paper examines four questions on the minds of institutional allocators increasingly invested in the proliferating unicorn class: whether the $1 billion threshold remains a useful analytical distinction; how unicorn-backed IPOs have performed historically and what the next wave of listings may deliver; what the thinning boundary between private and public markets means for allocators on both sides; and how late-stage venture, the strategy most directly built around unicorn investing, has performed relative to early-stage venture.

## Is the "Unicorn" Label Still a Useful Distinction?

Lee's 2013 threshold was calibrated to identify companies that had achieved standout venture outcomes. Even though the unicorn title has become synonymous with private startups, the majority of companies highlighted in Lee's original piece had already gone public or had been acquired. Among the 14 private companies in the original 2013 paper fitting today's popularized unicorn definition, there is an impressive array of success stories. Most were valued in the $1 billion to $3 billion range and none were above ~$10 billion back in 2013. As shown in Figure 1, the top four companies from the cohort are now valued at nearly $600 billion combined.

Over the last decade, unicorns have become much more common. Therefore, aggregate statistics about unicorn formation, valuation, and exit performance, no longer describe a small and well-defined group. The $1 billion bar today could be cleared by a pre-product start-up valued on team and narrative, a six-year-old company reaching the end of its cash runway, or an AI venture valued at more than $100 billion able to

**Figure 1**
Current Valuations of 2013 Unicorns

| Company | Status | Current / Estimated Acquired Valuation ($B) |
|---|---|---|
| Palantir | Public | $322.9 |
| Uber | Public | $148.3 |
| Airbnb | Public | $82.5 |
| Block (fka Square) | Public | $41.4 |
| Twitter | Acquired | $33.0 |
| Hulu | Acquired | $27.5 |
| Pinterest | Public | $12.0 |
| Dropbox | Public | $6.1 |
| Box | Public | $3.5 |
| Zulily | Acquired | $2.4 |
| Lending Club | Public | $2.1 |
| Gilt Groupe | Acquired | $0.3 |
| Evernote | Acquired | $0.3 |
| Fab.com | Failed | $0.2 |

List sourced from Aileen Lee, "Welcome to the Unicorn Club: Learning from Billion-Dollar Startups." Acquisition data sourced from Associated Press, Business Wire, TechCrunch, CNBC. Current valuation data as of June 15, 2026, sourced from S&P Global Capital IQ.

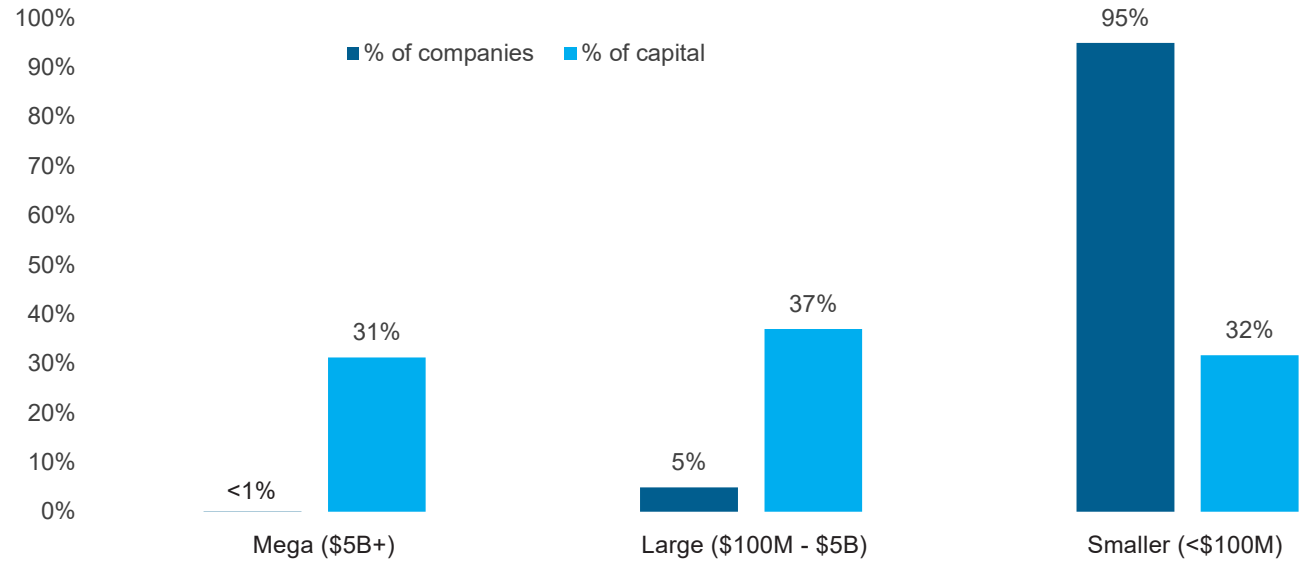
successfully raise sufficient capital in the private markets. These are not variations on a single phenomenon; they differ in business model, cash-flow profile, investor base, and the probability and form of any eventual exit.

The variety of unicorns in 2026 is extreme and the universe is growing. In the United States, the ten largest names accounted for roughly 52% of all unicorn value at the end of 2025, a level of concentration that was starker even than public equity markets.[5] Of the roughly $288 billion of US venture capital deployed in 2025, close to a third of the total was invested in just one-tenth of one percent of financed companies, while more than 6,000 smaller companies shared a comparable slice (see Figure 2).

The level of concentrated venture capital funding has been increasing since ChatGPT's release in late 2022. The share of venture dollars raised in rounds of $500 million or more climbed from less than 20% in 2021 to nearly 50% in 2025 and to roughly 80% year-to-date through April 2026 (see Figure 3). This shift has been driven overwhelmingly by a small number of AI-related financings.

**Figure 2**

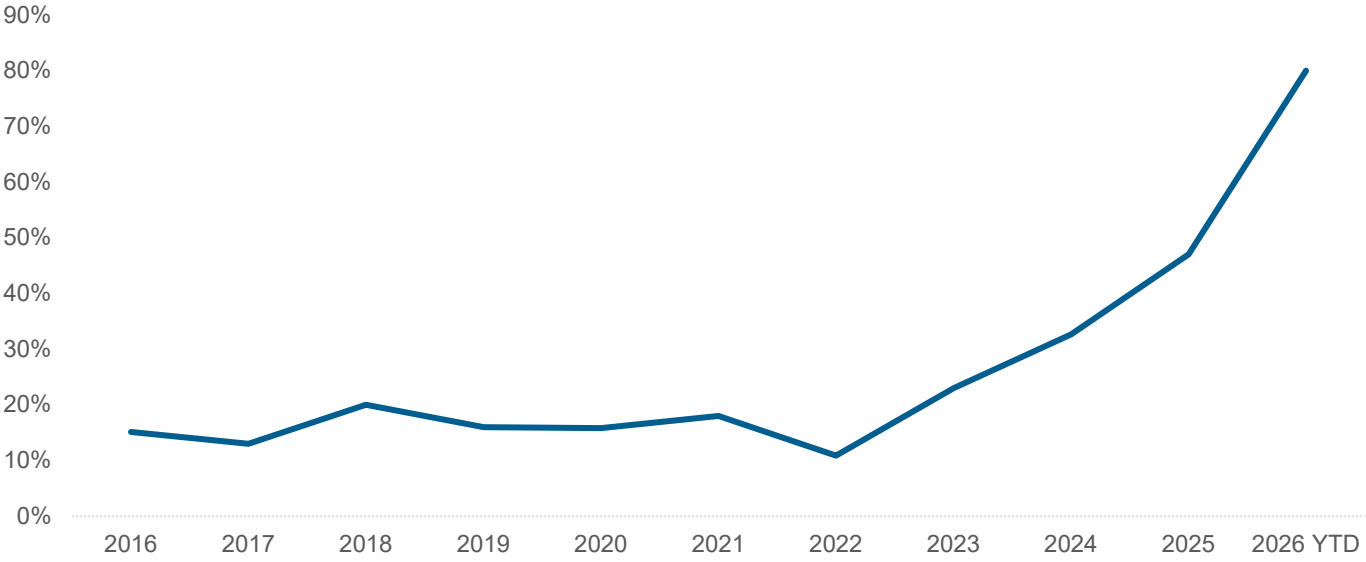
2025 US Venture Capital Fundraising by Tier




Source: Crunchbase (2025), Meketa Analysis.

**Figure 3**

Share of US Venture Dollars Raised in Rounds of $500M+




Source: Crunchbase, "Venture Capital is Concentrating Faster Than Ever. What Happens To Everyone Else." Year to date data as of April 2026. Only includes rounds $1M and over.

Outside the companies raising those mega-rounds, many of the other unicorns have not raised capital in years. In her 2024 retrospective, Lee estimated that about 60% of US unicorns were "ZIRPicorns," companies last valued during the zero interest-rate period (ZIRP) between early 2020 and early 2022, and that nearly 93% were "papercorns" carrying a billion-dollar mark with no liquid secondary trade to substantiate that valuation.[6] A ZIRPicorn surviving on cash raised before the launch of ChatGPT may be a very different proposition from a leading AI lab raising billions across several rounds in a matter of months.

The implication is not that the term should be abandoned. The $1 billion mark will remain a focal point in fundraising and LP reporting regardless. It is that the category label should be treated as a starting point rather than a conclusion. What matters far more than membership in the unicorn club is the context behind it: the valuation, methodology used to set it, percentage ownership, growth profile, and the cash burn and runway of the business. Allocators would be well-served by seeking more information when hearing the term unicorn thrown about as it may represent a potentially expensive entry price and not an impressive outcome.

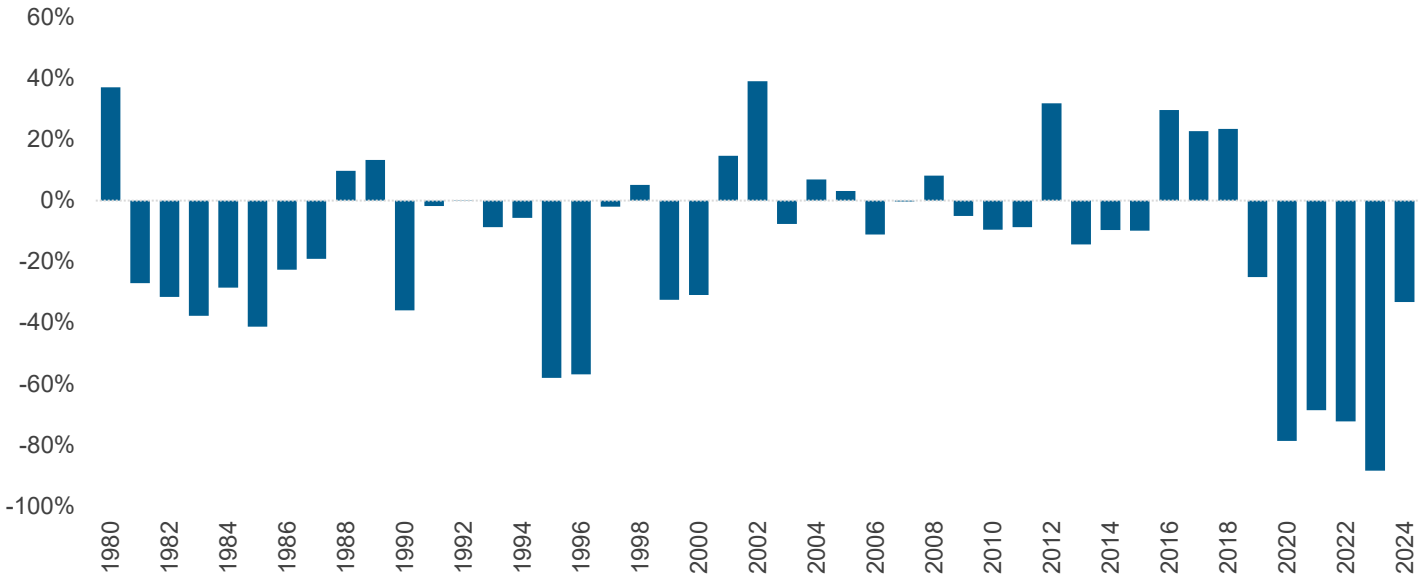
## How Have IPOs Performed Historically?

IPOs, as a class, have tended to underperform the broad market after listing. Jay Ritter's data on more than 9,000 US IPOs from 1980 to 2024 show an average first-day gain of about 19% followed by a three-year return that trails the market by roughly 20 percentage points cumulatively (see Figure 4).[7] This negative relative performance trend experienced its worst stretch of returns from 2019 through 2024. There are several notable reasons for this including the COVID-19 pandemic and the rising interest rate environment that began in 2022.

The pandemic introduced distortions at both ends of the cycle. COVID-19 suppressed revenues and earnings broadly in 2020, with particularly sharp declines in travel, hospitality, retail, and commercial real estate, making the financials of many prospective public issuers difficult to evaluate on a normalized basis. The policy response, however, involved near-zero interest rates and large-scale fiscal stimulus that flooded private markets with capital and compressed the discount rates underpinning growth valuations. Many companies went public in 2020 and 2021 at elevated multiples that implicitly assumed cheap capital would persist. When the Federal Reserve began raising rates in early 2022 and lifted the federal funds rate from near zero to over 5% over the following 18 months, the repricing of growth assets was swift. Long-duration assets with little or no current earnings were hit hardest, a description that fit a large share of the companies listing in those years.

**Figure 4**

Three-Year Post-IPO Relative Return by IPO Year (1980–2024)




Source: Jay R. Ritter, University of Florida, "Initial Public Offerings: Updated Statistics." Performance through December 2025. Returns of 2023 and 2024 IPOs are shown through December 2025 and thus don't represent three full years of relative returns.

The SPAC boom added a further layer of distortion.[8] Special purpose acquisition companies proliferated in 2020 and 2021 as an alternative route to the public markets that bypassed much of the underwriting scrutiny and disclosure rigor of a conventional listing. The economics of most SPAC structures created incentives for sponsors to complete deals regardless of target quality, and many of the businesses that merged with SPACs were unprofitable, capital-intensive, or not yet prepared for public ownership. SPACs accounted for roughly half of all US IPO activity by deal count in 2021 and have substantially underperformed the already underwhelming returns of traditional IPOs.

What has historically been predictive of forward three-year returns is the level of company sales and its industry, specifically the technology[9] ("tech") vs non-tech divide.

**Figure 5**
Three-Year Relative Returns by Sales ($ adjusted to 2024) and Sector (1980–2024)

| | Tech | Non-Tech |
|---|---|---|
| Sales <$100M | -15.6% | -42.6% |
| Sales >$100M | 13.7% | -9.0% |

Source: Jay R. Ritter, University of Florida, "Initial Public Offerings: Updated Statistics". Performance through December 2025.

An analysis of the historical data (which begins after the dot-com bubble period) shows that tech companies with $100 million in sales (adjusted for inflation) have gone on to outperform the market post-IPO over the next three years if purchased at the first day of trading's closing price. This categorization describes a large proportion of the most highly valued unicorns today.

More importantly, relative to the majority of companies that listed earlier in the 2020s, the prospective pipeline of unicorn IPO candidates appears to represent a meaningfully different proposition. The recent IPO of SpaceX, along with the prospective IPOs for OpenAI and Anthropic, would together represent the largest IPO pipeline in history, with combined private valuations likely above $3 trillion and revenue in the $10s of billions. Their recent growth and path to profitability arguably support a terminal-value case that could not be made for any previous.

## What Does the Blurring Private and Public Boundary Mean for Allocators?

Large companies stay private far longer than they once did, and the public market they eventually join has shrunk: the number of US-listed domestic operating companies peaked at over 7,000 in 1997 and stood at about 3,244 as of April 2026, roughly half the peak.[10] Over the same period, a new class of investors, including crossover funds, mutual funds, hedge funds, and sovereign wealth funds, moved into late-stage private rounds at scale.[11] As more companies that used to be of large enough scale to go public continue to find financing solutions in the private markets, public market investors have increasingly been able to access the expanding private markets.

In advance of SpaceX's IPO, index providers began widening the on-ramp from the other direction, helping to accelerate retail investment in newly-public companies of considerable size (e.g., unicorns). In May 2026, Nasdaq and FTSE Russell both adopted fast-entry rules that admit the largest newcomers within days of listing, even as S&P Dow Jones declined to change its seasoning and profitability requirements.[12] MSCI did not make changes to its listing criteria, which was already sufficiently accommodative that SpaceX is set to be added after ten trading days based on its qualification as a fast-track eligible IPO.[13] The practical consequence is that public investors may increasingly own mega-IPOs within days of listing.

**Figure 6**
Index Providers Inclusion Criteria

| Provider | Seasoning Requirement Before | Change Effective Date | Seasoning Requirement Now |
|---|---|---|---|
| Nasdaq (Nasdaq 100) | At least three full months of trading before eligibility, typically added only at the December reconstitution. | May 1, 2026 | Mega-cap IPOs ranking in the top 40 constituents can be added after 15 trading days, with seasoning and liquidity requirements waived. |
| FTSE Russell (Russell US Indexes) | IPOs reviewed quarterly and added at quarter-end, a practical one-to-three-month seasoning window. | May 26, 2026 | IPOs large enough for the Russell Top 500 can be added after the fifth trading day. No change to minimum free float or voting rights rules. |
| MSCI | IPOs qualify for fast-track eligibility if float-adjusted market cap exceeds 1.8x the interim size-segment cutoff (~$13B for the US); standard three-month history required for non-fast-track IPOs. | N/A | Same as previous |
| S&P (S&P 500) | 12-month seasoning requirement. | N/A | Same as previous |

Source: Sources: Financial Times, 'Fast entry' SpaceX, OpenAI, and Anthropic IPOs to ignite Wall Street trading frenzy". Nasdaq fast-entry rule effective date, 15-trading-day window, and three-times weighting multiplier cited therein. FTSE Russell five-day entry rule cited therein. Entry dates of approximately July 3 (Nasdaq 100) and June 22 (Russell 1000/3000) are calculated from SpaceX's June 12 trading commencement and are approximate. All three companies would remain outside the S&P 500 for at least 12 months of trading plus four cumulative profitable quarters; the earliest theoretical S&P 500 eligibility for SpaceX is mid-2027.

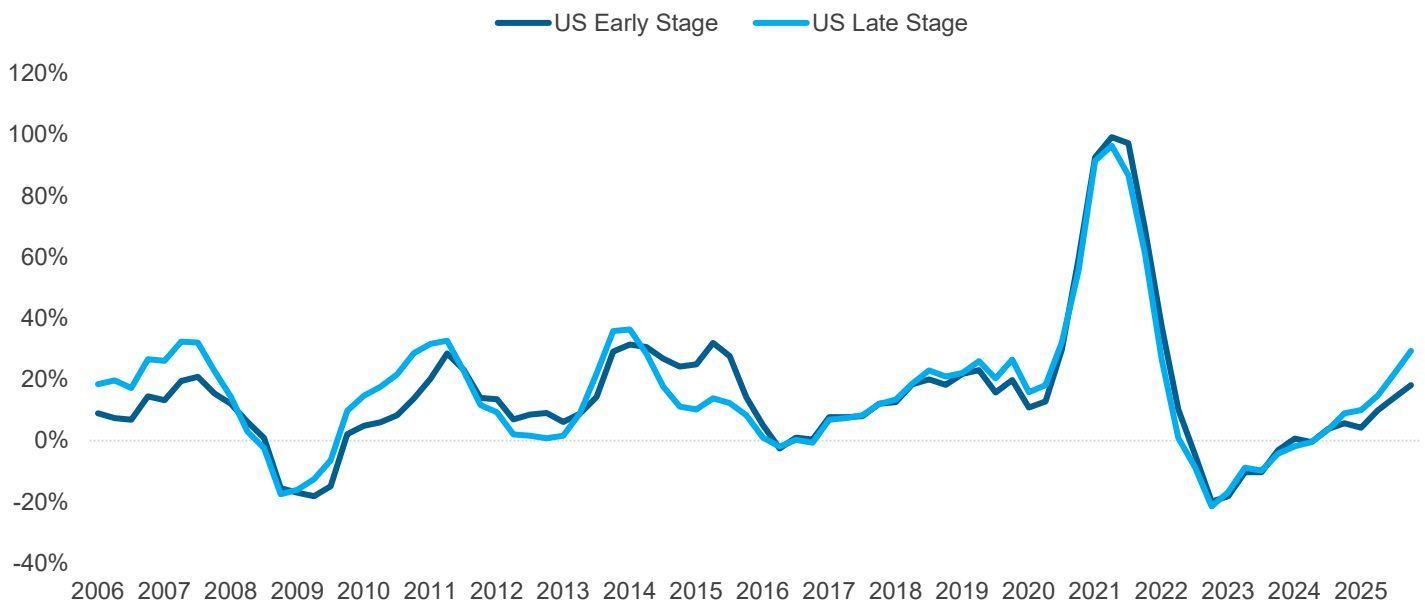
One persistent narrative is that public market investors are, for the most part, shut out of the period of greatest wealth creation for many companies by not being able to invest in them until they go public. While the size of the largest unicorns has grown to allow for even greater wealth creation while remaining private, the size of the largest public companies has also continued to balloon, increasing the feasible upside to unicorns post-IPO.

## How has Late-Stage Venture Performed in Backing Unicorns?

Early-stage venture funds typically invest at the seed and Series A stages, backing companies before meaningful revenue or product-market fit is established, while late-stage funds deploy capital at Series B/C or later into businesses that have already demonstrated scale. Late-stage venture, which some investors may classify as growth equity, increasingly targets companies at or near the unicorn stage. Hence, the strategy is usually described as more exposed than early-stage to the IPO window. The performance of early- and late-stage funds in aggregate have tended to move in near lockstep. Both rose through the late 2010s, both spiked in the 2021 markup, and both turned negative in 2022 and 2023 before recovering (see Figure 7). The divergence between the two is far smaller than their different entry points would suggest. One reason is structural: as the strongest early-stage companies scale, they become the late-stage unicorns, so the biggest winners sit in both universes and pull their returns toward one another.

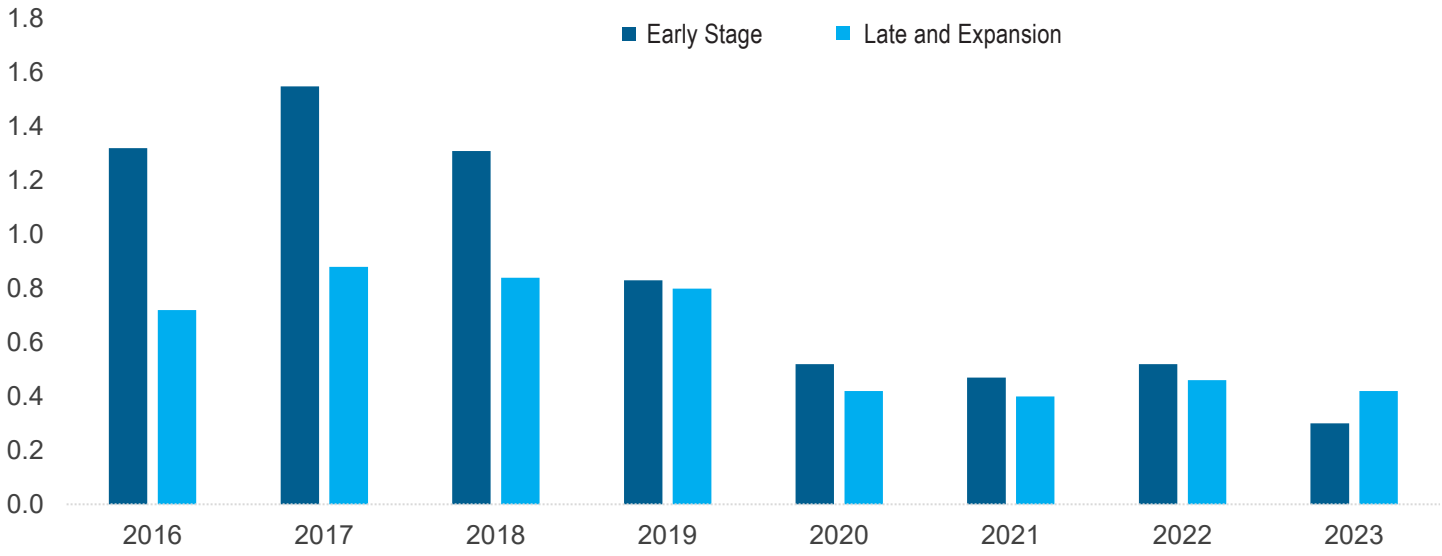
  

**Figure 7**
Trailing One-Year Pooled IRR




Source: Cambridge Associates data via S&P as of December 2025.

**Figure 8**
Interquartile TVPI Spread by Vintage




Source: Cambridge Associates data via S&P as of December 2025.

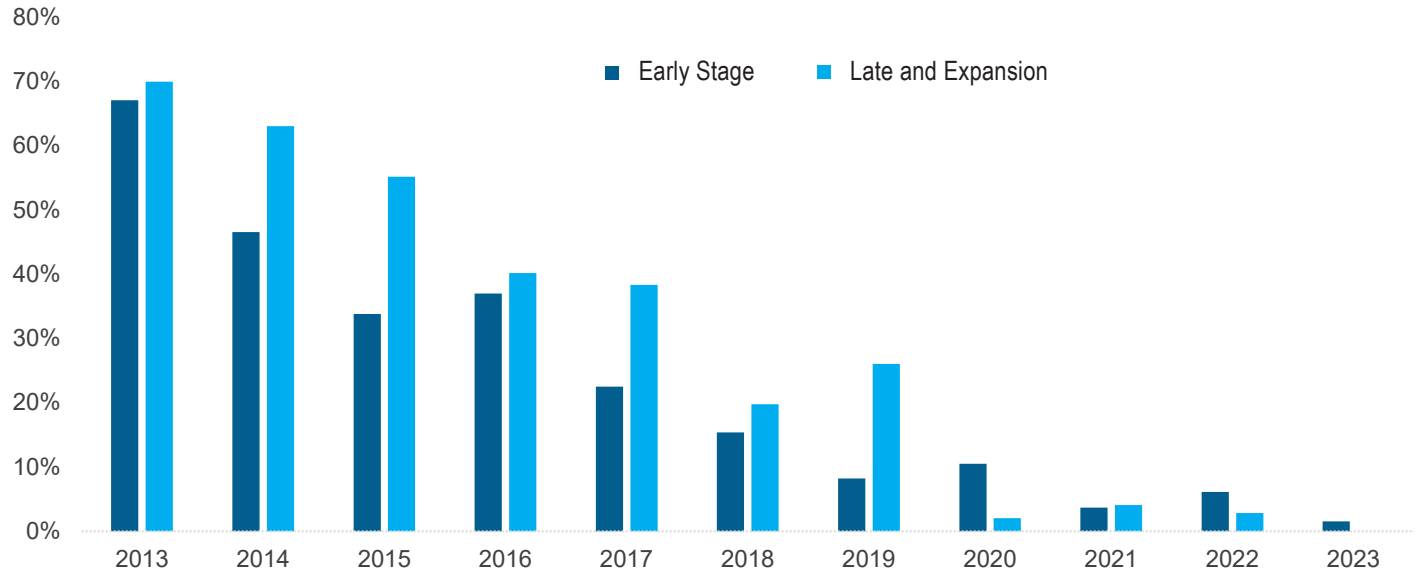
Where the two stages do differ is in the dispersion of outcomes among funds. The spread between top-quartile and bottom-quartile funds, a measure of how much fund selection matters, has historically been wider for early-stage than for late-stage funds across vintage years (Figure 8). That is consistent with late-stage managers investing in a more defined set of outcomes, namely companies that have already reached scale. As expected with less mature vintages, the interquartile spread for both early- and later-stage venture has been relatively small since the 2019 vintage.

The most notable difference historically is the pace at which capital comes back. Measured by distributed value as a share of total value (DPI divided by TVPI), late-stage funds historically returned cash to LPs significantly faster than early-stage funds, an intuitive result given their later entry and nearer exits (see Figure 9). That advantage broke down for the 2020 and later vintages, where realized shares for both stages collapsed toward zero. While late-stage venture funds have historically taken a few years to generate any meaningful distributions, the current lack of liquidity out of five- to six-year-old venture funds (often targeting three- to five- year holds from the outset) is a notable deviation from the norm. The figure is a direct measure of how little liquidity has emerged from the ZIRPicorns.

**Figure 9**

Distributed Share of Total Value (DPI/TVPI) by Vintage Year




Source: Cambridge Associates via S&P as of December 2025.

## Conclusion

The unicorn label began as a useful shorthand for an unusual achievement and has become something closer to a distraction. A category that once described a few dozen companies now encompasses nearly 1,700, ranging from cash-constrained businesses carrying stale ZIRP-era marks to AI ventures generating revenue at a scale no private company had previously reached. Aggregate unicorn statistics, taken at face value, conflate these very different companies into a single data point. The more useful unit of analysis is the individual company: its valuation relative to revenue, the methodology used to set that mark, the dilution and ownership structure behind it, and whether it has a credible path to liquidity that justifies its position in a portfolio. The $1 billion threshold will remain a fixture in fundraising conversations and LP reporting, but allocators should treat it as a prompt for further inquiry rather than a signal of quality.

The structural landscape for unicorn exits is also in transition, and in ways that cut in different directions. The historical post-IPO record for venture-backed companies is poor in aggregate, but it has been meaningfully better for large tech companies with established revenue, precisely the profile that describes the most prominent names in the current listing pipeline. The anticipated IPOs of Anthropic and OpenAI, following SpaceX's record-setting debut, if completed at valuations consistent with current private market valuations, would represent a break from the 2020-2021 cohort of underpowered SPACs and subscale growth names that produced the worst post-IPO relative returns in decades. At the same time, the private/public divide is narrowing on both sides: companies stay private longer while public investors reach into private markets through crossover funds and evergreen vehicles, and recent index rule changes at Nasdaq and FTSE Russell now pull mega-cap listings into passive benchmarks within days of trading. The practical consequence is that allocators on both sides of the public/

private boundary are increasingly exposed to the same companies at different points in their lifecycle.

The data on late-stage venture performance offer a final note of caution. The strategy has tracked early-stage closely in aggregate returns despite the differences in entry point, and its historical advantage of faster capital return has eroded sharply for funds raised after 2019. The ZIRPicorn cohort, marked at peak multiples and starved of exit opportunities since rates rose, remains the central unresolved variable in venture portfolio performance. For allocators what matters is not whether a company qualifies for the label but what assumptions underlie its current valuation, whether those assumptions remain defensible, and whether the GP backing it has the track record and access to distinguish durable winners from companies that simply survived the zero interest-rate era. Manager selection has always mattered in venture; the current environment makes it more consequential than ever.

## End Notes

[1] Aileen Lee's original classification in 2013 included both private, public, and acquired VC-backed technology companies valued at $1 billion since 2003. The unicorn term has evolved over time to primarily encompass only private VC-backed startups across sectors.

[2] Source: PitchBook, Q1 2026 Global Unicorn Tracker.

[3] Source: Anthropic, "Anthropic raises $65 billion in Series H funding," May 28, 2026. Run-rate revenue ($47 billion) and valuation ($965 billion post-money) per Anthropic's own announcement, confirmed by CNBC and NBC News.

[4] Source: CNN Business, "SpaceX shares debut after biggest IPO in history." June 12, 2026.

[5] Source: PitchBook 2025 US VC Valuations and Returns Report. With the recent SpaceX IPO and anticipated IPOs of OpenAI and Anthropic, the trend of increasing unicorn value concentration may see a near-term reversal.

[6] Source: Aileen Lee, "Welcome Back to the Unicorn Club, 10 Years Later," Cowboy Ventures, January 2024.

[7] Jay Ritter's IPO research excludes SPACs as well as IPOs with an offer price below $5 per share, unit offers, ADRs, REITs, closed end funds, natural resource partnerships, banks and S&Ls, small best efforts offers, and IPOs not listed on CRSP within six months of the offer date.

[8] A SPAC (special-purpose acquisition company) is a shell company that lists through its own IPO and then merges with a private business, taking it public without a traditional underwritten offering.

[9] Jay Ritter classifies tech companies as those in computer hardware, communications equipment, electronics, navigation equipment, measuring and controlling devices, medical instruments, telephone equipment, communications services, and software. Notably, his definition does not include biotech.

[10] Source: Fama, Eugene F., and Kenneth R. French, Tuck School of Business at Dartmouth Kenneth R. French Data Library, accessed June 4, 2026. Based on the CRSP universe and includes common stocks listed on NYSE, AMEX, and NASDAQ.

[11] Sergey Chernenko, Josh Lerner, and Yao Zeng, "Mutual Funds as Venture Capitalists? Evidence from Unicorns," Review of Financial Studies 34, no. 5 (2021): 2362–2410. Note that "crossover funds" are investment vehicles that straddle public and private markets, typically managing capital that can be deployed across both.

[12] Sources: Financial Times, 'Fast entry' SpaceX, OpenAI, and Anthropic IPOs to ignite Wall Street trading frenzy". Nasdaq fast-entry rule effective date, 15-trading-day window, and three-times weighting multiplier cited therein. FTSE Russell five-day entry rule cited therein. Entry dates of approximately July 3 (Nasdaq 100) and June 22 (Russell 1000/3000) are calculated from SpaceX's June 12 trading commencement and are approximate. All three companies would remain outside the S&P 500 for at least 12 months of trading plus four cumulative profitable quarters; the earliest theoretical S&P 500 eligibility for SpaceX is mid-2027.

[13] Source: MSCI, "Large IPOs & Index Inclusion: Key Facts," 2026. MSCI index inclusion for large IPOs is 10 days if stock is listed on an exchange in that country. MSCI may waive 3-month liquidity screen rule for large IPOs for fast-track inclusion. These measures were not amended to accommodate SpaceX, Anthropic, or OpenAI this year.

# Important Information

This report (the "report") has been prepared for the sole benefit of the intended recipient (the "recipient").

Significant events may occur (or have occurred) after the date of this report, and it is not our function or responsibility to update this report. The information contained herein, including any opinions or recommendations, represents our good faith views as of the date of this report and is subject to change at any time. All investments involve risk, and there can be no guarantee that the strategies, tactics, and methods discussed here will be successful.

The information used to prepare this report may have been obtained from investment managers, custodians, and other external sources. Some of this report may have been produced with the assistance of artificial intelligence ("AI") technology. While we have exercised reasonable care in preparing this report, we cannot guarantee the accuracy, adequacy, validity, reliability, availability, or completeness of any information contained herein, whether obtained externally or produced by the AI.

The recipient should be aware that this report may include AI-generated content that may not have considered all risk factors. The recipient is advised to consult with their Meketa advisor or another professional advisor before making any financial decisions or taking any action based on the content of this report. We believe the information to be factual and up-to-date but do not assume any responsibility for errors or omissions in the content produced. Under no circumstances shall we be liable for any special, direct, indirect, consequential, or incidental damages or any damages whatsoever, whether in an action of contract, negligence, or other tort, arising out of or in connection with the use of this content. It is important for the recipient to critically evaluate the information provided.

Certain information contained in this report may constitute "forward-looking statements," which can be identified by the use of terminology such as "may," "will," "should," "expect," "aim," "anticipate," "target," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Any forward-looking statements, forecasts, projections, valuations, or results in this report are based upon current assumptions. Changes to any assumptions may have a material impact on forward-looking statements, forecasts, projections, valuations, or results. Actual results may therefore be materially different from any forecasts, projections, valuations, or results in this report.

Performance data contained herein represent past performance. Past performance is no guarantee of future results.