

THE IPO WAVE THAT COULD RESHAPE THE MARKET

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KEY TAKEAWAYS

- Passive Indexes may not be as passive as investors think. It is important to understand the nuances of index construction and how they impact passive investment vehicles designed to replicate them.
- Index providers have reassessed their inclusion rules in response to a surge of highly anticipated public offerings. These changes may result in performance divergences amongst various benchmarks used to represent the broad market.
- Broad market index inclusion is likely to be relatively limited, as high insider ownership reduces the available free float.

Introduction

The unicorns have grown and are galloping towards the public market with disruptive potential. The most desirable AI and technology companies have remained private for far longer than during prior technology buildouts, increasing the anticipation and impact of the current wave of listings. Given the growing importance of indexing and ETFs, understanding changes to index inclusion rules—as well as the differences among major indexes—will likely be critical to explaining performance divergences over the coming year.

The Active Hand Behind Passive Investing

Passive investing rests on a comforting idea: that an index fund simply holds the market, free of anyone's opinions. However, some of the most well-known indexes in the world don't actually work that way. The S&P 500, for example, is a curated index, not necessarily a mechanical list of the 500 largest U.S. companies. A committee decides which eligible companies are included, weighs sector balance, and chooses when to act. Clearing every quantitative/rules-based metric earns a company a place on the eligibility list, but not necessarily a spot in the index. Even with more objective indexes such as the Nasdaq 100 and Russell 1000, committees can elect to modify the quantitative criteria for inclusion. So, when you buy "the market," you're also buying a set of subjective human judgment calls you never see—and when the rules around mega-IPOs and potential inclusion change, those calls start to matter a lot more.

Scale of the Impact on Key Indexes

The three big AI/space IPOs together are expected to raise more than \$200 billion from public markets, relative to just \$47.4 billion raised through U.S. IPO during 2025.¹ While this is a big increase in the amount raised, the low free float masks the full market cap impact of these IPOs and stresses the importance of understanding key differences between index rules.

Table 1.1, on the next page, outlines the big three IPOs that are anticipated to come to market in the next 12 months. Prior to the SpaceX IPO, the largest amount raised from an IPO globally was the Saudi Aramco IPO at around \$29.4 billion. SpaceX has set a fixed IPO price of \$135/share for a Nasdaq debut on June 12, selling roughly 555.6 million shares for about a \$75 billion raise at a ~\$1.77 trillion valuation.² The valuation would make SpaceX the seventh-largest company in the U.S., above Tesla. But this is a tightly controlled company, with only around 4% free float at the time of the IPO.



TABLE 1.1: IPOs COMING TO MARKET

	IPO date	Amount expected to raise	Valuation	Initial Free Float
SpaceX	June 12, 2026	\$75 billion	\$1.77 trillion	~4%
Anthropic	TBD – anticipated late 2026 or early 2027. Has filed confidentially	Base case is around \$60 billion.	Around \$965B - \$1T	6-8%
Open AI	TBD – anticipated to be late 2026 or early 2027. Has filed confidentially.	Base case is around \$60 billion.	Around \$850B - \$1T	5-8%

Sources: Reuters, OpenAI files for US IPO after Anthropic as AI giants head to public markets, 6/8/2026; Idlen, Anthropic eyes a \$900 billion valuation and an October 2026 IPO: Goldman Sachs, JPMorgan and Morgan Stanley line up for another \$60 billion, 5/2/2026; Forbes, 4 Things To Know As OpenAI Eyes IPO, 5/26/2026; Initial Free Float from Global X analysis

Index Rules and Timing of Inclusion

These mega IPOs are enormous, unprofitable and overvalued by any traditional valuation metric, tightly controlled, and offer a low free float – exactly the profile of companies that index rules were historically designed to avoid. Free float is a metric that indexes use to determine weight and essentially attempts to measure public liquidity. It excludes shares held by strategic partners, including restricted stock held by insiders that are subject to lock-up periods post-IPO. Free float is an important metric to understand in the context of index construction as it could result in two companies with similar profiles being weighted differently in a particular index. With the most anticipated IPOs in recent history – perhaps ever – approaching, indexes have revisited their inclusion rules. Some have relaxed requirements that have traditionally posed challenges for mega listings, while others have maintained their existing standards. As investors consider their portfolios, understanding these differences is critical to grasp the timing of when these key IPOs are likely to be included in various U.S. market indexes, and consequently into the various passive funds that attempt to replicate them. Table 1.2 outlines three major index providers and what, if any, their new inclusion criteria will be ahead of these IPOs.

TABLE 1.2: MAJOR INDEX INCLUSION CRITERIA CHANGES

	Nasdaq 100	S&P 500	Russell 1000
Rule change to provide fast entry for mega listings	Yes	No	Yes
Number of trading days after listing before inclusion	<p>Before Rule Change Previously, index had a typical seasoning requirement of at least 3 months for IPOs</p> <p>After Rule Change</p> <ul style="list-style-type: none"> - This fast entry is only available for the largest 40 companies. - 15 trading days - SpaceX is likely eligible for inclusion late June / early July 	12-month seasoning window and 4 quarter profitability test.	<p>Before Rule Change Quarterly additions dependent on IPOs taking place within specified window</p> <p>After Rule Change</p> <ul style="list-style-type: none"> - Fast track entry is available for companies with a market cap greater than \$17.5 billion. - 5 trading days - SpaceX is likely to be eligible for inclusion in late June.



TABLE 1.2: MAJOR INDEX INCLUSION CRITERIA CHANGES CONTINUED

	Nasdaq 100	S&P 500	Russell 1000
Free Float and Profitability Criteria	<p>Before Rule Change 10% minimum free float, no profitability criteria</p> <p>After Rule Change None. Nasdaq 100 removed its 10% float minimum and replaced it with a weighting modification.</p>	<p>SpaceX currently fails the profitability test and 10% minimum free float.</p> <p>However, inclusion is subject to index committee vote.</p>	<p>Before Rule Change Minimum free float requirement of 5% with no exemptions</p> <p>After Rule Change Minimum free float requirement of 5%. Float restriction waived if lockups comply within 12-months.</p>
Weighting in the index	<p>Before Rule Change Eligible companies weighted by market cap, subject to caps to limit index concentration</p> <p>After Rule Change Modified market cap; includes a scaled inclusion for companies with free float below 33.3%³:</p> <ul style="list-style-type: none"> - Weighting based on a fraction of the company's market capitalization, rising as free float grows. - Once free float exceeds the 33.3% threshold, the company is represented at its full market capitalization. 	<p>Float-adjusted market cap</p>	<p>Before Rule Change Float-adjusted market cap</p> <p>After Rule Change Float-adjusted market cap</p>
Expected weight	<p>Around 0.5% - 0.7% under the standard weighting, but could be higher under float-multiplier rules.</p>		<p>Around 0.08% - 0.12%</p>

Source: Nasdaq, Nasdaq-100 Index® Methodology Update: Why Now, and What it Means, 6/8/2026; Nasdaq, Index Methodology, 2026; Barron, What Will SpaceX's IPO Mean for Your Index Fund?, 6/8/2026; Business Insider, Here's when SpaceX could show up in major indexes and popular ETFs after its IPO, 5/24/2026; S&P Dow Jones Indices, S&P U.S. Index Methodologies, June 2026; Russell US Equity Indexes, Construction and Methodology, May 2026

Conclusion

Subjective decisions surrounding inclusion criteria for major equity indexes may lead to performance divergence amongst various broad market benchmarks. While inclusion in key indexes such as the Nasdaq-100 and Russell 1000 provides some exposure to highly anticipated IPOs such as SpaceX, free-float weighting methodologies can underrepresent innovative companies that maintain significant insider ownership. For investors looking to capture innovation trends more directly, dedicated thematic allocations that are designed to provide these types of exposures, such as Space Tech or more focused technology funds, may offer a more targeted and deliberate approach for investors.



CLOSING CALL

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Please reach out to the Model Portfolio Solutions Team at ModelPortfolioSolutions@globalxetfs.com

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Footnotes:

1. EY, 2025 US IPO activity fuels confidence for 2026, 1/28/2026
2. The New York Times, SpaceX Sets Price for the World's Largest IPO, 6/3/2026
3. Nasdaq, Nasdaq-100 Index® Methodology Update: Why Now, and What it Means, 6/8/2026

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