

Venture's shifting landscape: Liquidity, selectivity, secondaries

Maribel Yoo (intro): The venture market today reflects a few important shifts that have been building over time. Continued growth in private company value, longer timelines to IPO, and a more fragmented and evolving set of paths to liquidity. At the same time, capital has become more selective and outcomes are increasingly concentrated in a smaller group of companies, making the question for investors less about broad exposure and more about where to focus.

Opening titles

Maribel Yoo: Welcome to RPM, the Stepstone Group podcast, where we share practical insights on trends shaping the private markets. I'm Maribel Yoo, and today I'm joined by Stephen West and Anthony Giambrone, two partners on the venture capital and growth equity team. Welcome, Anthony and Stephen. So, Stephen, starting with you, what's the headline for where venture sits in 2026?

Stephen West : Yeah, it's a great it's a great question. What we've seen really is venture moving from a bit of a boutique asset class to today, about half of the size of private equity in a nav perspective, um, unicorn market cap also moving from, you know, close to 8 trillion, and the timelines from IPO moving even in the last few years, up from seven years to well over 13. And so, we're VC used to be used to be a like nice to have now is a critical must have and really serves as a hedge against disruption across the rest of your portfolio.

Maribel Yoo : Now, Anthony, why does this feel different from prior cycles, would you say?

Anthony Giambrone: I mean, I think this cycle in particular is a very exciting one over what is the long arc of venture capital through the years and decades, it's really been a matter of hitting the right platform shifts. And, you know, the innovation cycle, the platform shift is really much more determinant of the size of the outcomes than necessarily the macroeconomic cycle that we may be in at any given time. And what's inevitably happening

with AI today is, is not hype driven, I mean, the demand is here and now. These are really a total reboot of infrastructure and support of all of this. And inevitably, we feel like we're in very early innings and what we think is exciting and attractive about this platform shift in particular, is that it's a really stacking and layering a few different things, AI being at the core of all of that, but really a broader shift towards reindustrialization in the US, the modernization of the military for the US and its allies are some other really big, key and important themes that we're seeing right now. And I think, you know, we're also just seeing outcomes today that are much larger than things that we've historically seen. You know, we're on the eve of what is potentially a multi-trillion-dollar IPO for SpaceX, Anthropic, OpenAI and some of these very elite companies are also likely to be trillion-dollar type IPOs. So, you know, we're just seeing venture grow to a scale that is much bigger than anything that we've ever seen historically. So, you know, we're certainly excited by the opportunity set and think, you know, there's going to be plenty of multi hundred billion dollar and hopefully trillion-dollar outcomes in the years to follow.

Maribel Yoo: Now, one of the defining features of this market is the scale of unrealized value, roughly 8 trillion of unicorn equity with IPO activity still well below what we would need, what would need to clear it. Secondaries have effectively become the release valve. Now Stephen, why is the liquidity gap so wide right now.

Stephen West : Yeah. As you as you said, I mean I think companies are staying private longer, and that's really a combination of increased private market capital that is more available than, than ever. Again, go back to what we said at the beginning. We're, we're kind of tying in terms of buyout or private equity. And from a Nav perspective. Also the requirements to go public are increasing. If you go back kind of ten years, a company like Zendesk in 2014 went public at 72 million in revenue. Today you need well over 500 million in revenue to go public. And many companies, as Anthony mentioned, with SpaceX or, you know, anthropic OpenAI are meaningfully above that.

And so both of those things are just causing these companies to, to stay private. Um, and you're seeing this liquidity gap emerge.

Maribel Yoo: Now, how are different liquidity tools, you know, tender offers, GP leads, LP sales. How are they all playing distinct roles in this environment?

Stephen West: Each of them are an important tool certainly. So, you know, from an LP perspective, they are more frequently today tapping the secondary market for, for interim liquidity, particularly to move large, diversified portfolios that some buyers see as de-risk. I would say we probably have some opposing thoughts there, though, on the diversified LP interests. GP LEDs are another story, these tend to be more strategic solutions where in particular fund life doesn't match the duration of the underlying assets, and GPS here can offer liquidity while moving exposure into a purpose built nonblind pool. The last one is tender offers, we think they actually remain really interesting as the GP can broadly provide support to a liquidity process again at scale, which is important, but effectively remain neutral. And I think scale is one of the pieces here that we like to hone in on, we do think having a scaled fund size is important going back to the size of VC Nav, sellers or GP typically want to substantially reduce transaction risk by partnering with a scaled platform to get a deal done.

Maribel Yoo: Now, Anthony stepping back, what does it mean for where capital flows next?

Anthony Giambrone: Capital flowing everywhere is, I think, very important, you know, we're in a period where we've had four consecutive years of net negative cash flows in the venture asset class totaling, you know, I think a cumulative -200 billion., so inevitably, we need a lot of liquidity in the venture asset class to perpetuate the cycle. You know, we do think we're going to see some really interesting IPOs in the coming months and quarters, but, you know, having exposure to those companies or not is going to be really critical. Uh, with respect to how you may experience liquidity as, as an LP in the venture ecosystem, I think it's one of the reasons we're probably very excited about the opportunity set in secondaries, because there is just such a huge need for secondaries, whether that's, you know, participating in the tender offers of some of these really elite companies or doing things on the portfolio side, you know, single or multi, you know, interest from LPs.

It could be the GP leads that Steven was describing, but that need for liquidity across the venture asset class, we think is very important, probably for the next decade and even beyond, I think secondaries and venture has really become more and more institutionalized, but, you know, we have kind of a point of view that the best risk reward is certainly in owning very selective exposure. You know, you need to be in the key companies that are going to anchor the waves of liquidity. You know, we think that, you know, broadly diversified baskets are a much harder way to generate interesting risk reward and venture secondary. So, you know, that's, that's our point of view., but one of the things that we think will emerge, you know, over the next decade ,is a really attractive opportunity set.

Maribel Yoo: Now let's, let's shift how we think about secondaries., more specifically, historically, the focus has been on buying at a discount, but our data suggests something different. Asset quality is really what we're driving, asset quality is really what drives returns over time. So Anthony, could you walk us through that perspective?

Anthony Giambrone : So we've now been doing venture secondaries for a few decades. We've done it out of a dedicated strategy for, for more than a decade. And what we've really seen over time is that it's a small number of assets in venture in a given cycle that generate not only disproportionate value for funds and the power law, which everybody would be very familiar with, but it's really even helping to define certain vintages. So more than anything, it's important to make sure that you're going to have exposure to these companies that you know are going to be the durable compounders that are going to be the future category winners, and doing that is really an exercise in stock picking or asset selection. Um, when we look at our data, we've seen more than 80% of our returns in venture secondaries have been from stock picking versus discounts. And it's, you know, a little bit of a paradigm shift for people to be thinking about that, that have had exposure to other asset classes where, you know, most of the value capture is in the discount and then also even leverage. So, you know, for us, we've actually seen that there's probably information in the pricing dynamics. And if you're going to be chasing a lead assets, sometimes that may mean you're paying par. Inevitably, you know, the exercise for us is really understanding time and

information and, you know, where we can kind of see disconnects in price and long-term value.

Maribel Yoo: So ultimately, it's the underlying company performance, not just the entry price relative to Nav that drives outcomes. Anthony how does concentration in the right company shape the portfolio?

Anthony Giambrone : Yeah. I mean, it's, it's, it's the power law dynamic. I think, you know, what we have seen play out time and time again is that even in our secondaries funds, you know, we've had single assets drive really meaningful proportions of the end of day returns, if not, you know, having the potential to return the entire fund. And so I think once you know, and you have conviction in some of these, you know, companies that are going to be the category winners or even our category winners that are emerging out of the private market. You know, you want to responsibly concentrate capital into those companies. I think the tail can be much longer and the ceiling can be much higher than what, you know, we may even underwrite when we're looking at some of these opportunities. And we've seen that play out, we think that that's one of the things that makes venture secondaries probably a unique opportunity set up, is that you kind of do have that potential for, you know, some really, really big outcomes even at the later stage. And, you know, that is that is something we think is really exciting as a risk reward trade off. You know, inevitably, many of these companies at the point where we may partner with them in a secondary are already at really significant scale, multi hundred-million-dollar revenue type companies that still are performing really strongly compounding at a, at a really interesting level. And also are, you know, going to have really strong balance sheets. You know, most of these companies have the luxury of choice for who they raise capital from, how much they may want to raise, whether it's primary or secondary, you know, so just aligning yourself to the best assets, the most elite companies in the venture ecosystem, you know, we think is, is the right long-term strategy.

Maribel Yoo : Speaking of strategy, Steven, can you walk us through what our sourcing model looks like in practice? And more specifically, how are you defining and accessing that next cohort of companies that have the potential to really anchor future liquidity?

Stephen West : Yeah. So we have the great privilege of being invested in well over 300 venture and growth GPS. And what this provides is really a differentiated relationship and information advantage in understanding what are going to be the outperforming companies of tomorrow.

We track these companies through our database, spy by steps down all the way back from their pre-seed rounds and build conviction into them over time. And we're typically having several of these GPS, again, which we're invested in, who are invested in these companies for many years before we consider and make a secondary investment.

Maribel Yoo : Anthony, if we were to put it all together, you know, the market backdrop, the liquidity environment, focus on selectivity. What gives us confidence in the opportunity set ahead?

Anthony Giambrone : Yeah, I think it's really a handful of things. One of one of the really important ones is just this really exciting period of innovation that we're in. As we've discussed, AI at the core of that, but it really being a series of super cycles that are all stacking on top of one another. The size and scale that we're seeing many of these businesses reach, uh, is unlike anything that we've seen historically. You know, we're now seeing businesses reach 100 plus million in revenue in months, not years. Um, you know, we're seeing outcomes in the asset class that, you know, now, uh, some of which will be in the trillions. And, you know, I think if you actually study historical exits in venture, you know, the upper decile of, of outcomes has basically doubled every five years, going back from 2000 to 2024. I think we've gone from one and a half to ten plus billion. If you roll that forward, you know, I think it's likely that we'll continue to see even 20 and \$40 billion outcomes in the asset class with more regularity. So, you know, I think inevitably these are these are all really exciting things. And at the same time, I think we're still in very, very early innings. Um, you know, we're still kind of building this infrastructure out. Um, you know, we would say that we're probably maybe in the first or second inning of all of this, just seeing how much demand is still there.

Anthony Giambrone : You know, some of the companies can't even support all of the, all of the demand that exists for some of the AI products today, and so there's just really fundamental problems that we still need to solve around power and compute availability and think over the next few years, we'll continue to do that, but there's still bottlenecks that exist. There's not really any dark GPUs that are floating around out there. So, you know, it gives us a ton of confidence that, you know, this is going to be a very, very big thing. We're going to see the technology landscape really redrawn over the next several years.

And, you know, the emergence of new hyperscalers and new applications and new models that are going to make advancements that are critical, not just, you know, for day to day life, for the business and enterprise applications, but in life sciences and robotics and a lot of other categories that will have huge implications for, you know, for how we interact into the physical world. So I think we're very excited as a result of all of those things kind of coming together at one time. And, you know, I think that's, that's one of the things that makes the venture opportunity set across all stages today really, really exciting.

Maribel Yoo: And that kind of ties into my next question for Stephen. What themes are shaping what you're pursuing today as you look at the next set of value drivers?

Stephen West: Yeah. As I said, we're often watching and listening to our GP relationships. They understand the ecosystem and which impactful trends emerge best, broadly, however, we like AI. No surprise. Infrastructure and apps in particular, as a lot of the foundational layer has kind of gone beyond the venture ecosystem as well as deep tech across energy, defense, etc., things that really have a hardware element which makes it particularly difficult to disrupt by pure software.

Maribel Yoo: Maybe to close out, what's one takeaway you'd want listeners to keep in mind as they think about the venture market today?

Anthony Giambrone : I'd say one of the biggest things we try to coach, you know, our clients on is just it's a hard market to time. It's actually impossible to time, you know, similar to the

public market, you know, people will tell you don't try to time the public market. We would say ventures probably even harder to time. And if we go back a few years and think about the period of euphoria that existed in the asset class in 2021, and, you know, probably the first quarter of 2022. You know, and then we had the subsequent resets across those, those two years in 22 and 23, Those were actually great years to be leaning in to a lot of venture opportunity sets, but it was the same time a lot of investors were pulling back. And so the biggest thing is really just finding a way that you can consistently allocate to venture and into the private markets, really the innovation economy, because you never know when the next crop of disruptive companies is going to emerge. So we think, you know, over the past few years, the early-stage vintages are going to be very, very strong.

And at the same time, we've, we've seen a lot of great companies emerge from growth in later stages that will now drive the next wave of liquidity in the asset class at the same time, you know, inevitably, if you've missed some of these vintages, there's also ways to play that strategically. You know, secondaries are one of the things that we think are an exciting way to build that exposure that you may have missed. So to really help you kind of vintage diversify and fill in the gaps where you can get exposure to some of these really elite assets that maybe much closer to the liquidity window or to the ultimate exit. So, you know, we think that's a big thing to keep in mind. So just being really disciplined on, you know, being committed to a program, doing it cycle in and cycle out, and not really trying to time when is the optimal time to step into the asset class.

Maribel Yoo: Now stepping back. Today's venture market is less about broad exposure and more about selectivity, particularly in an environment where liquidity is more constrained and outcomes are more concentrated. That's where secondaries can play a role, offering a more targeted way to access companies that may be better positioned to drive future liquidity. So Steve and Anthony, always a pleasure. Thanks for taking the time to join me today. Appreciate the discussion, and thanks to everyone for listening. For more insights, visit stepstonegroup.com or explore the rest of our RPM series where you listen to your podcasts. I'm Maribel Yoo, thanks again for listening.

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