

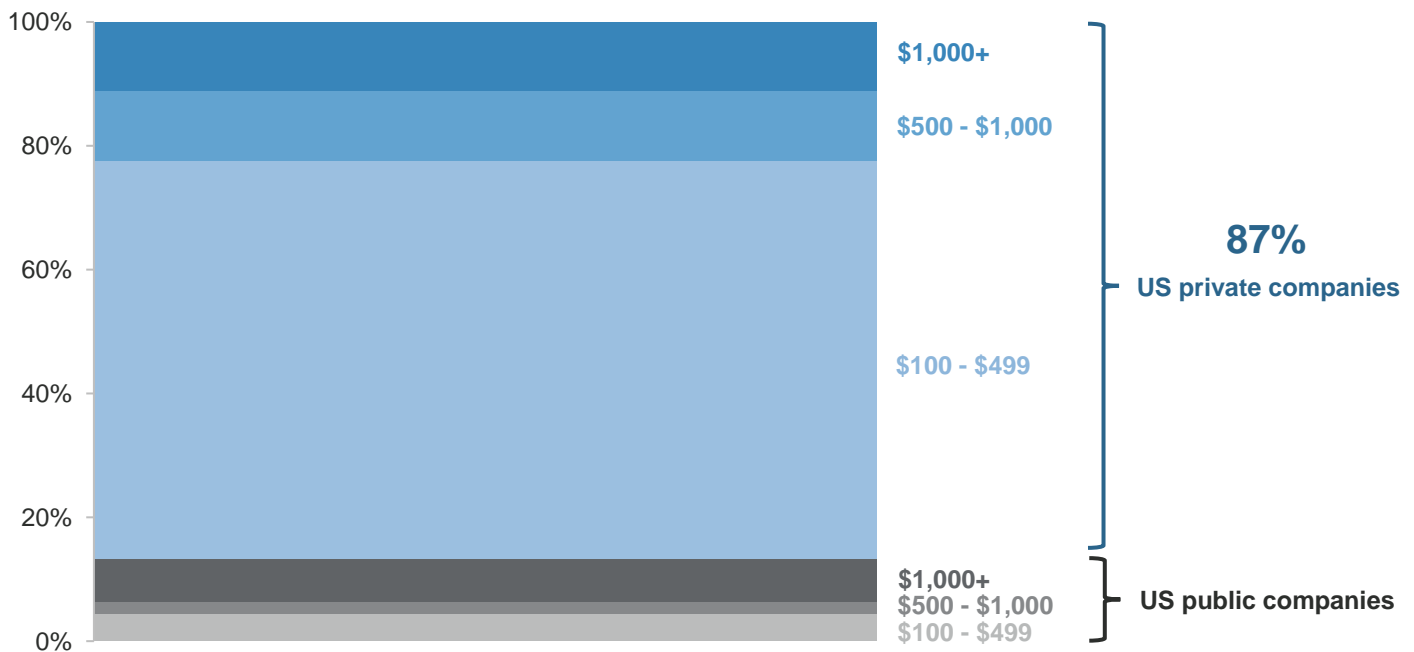
Accessing the growth of the US economy

By private market investment analysts [Dan Criscuolo](#) and [Kyle Leavitt, CFA](#)

The Federal Reserve's (Fed) ability to guide the economy to a soft landing has dominated the minds of investors throughout much of 2024. Despite concerns, the underlying health of the US economy remains resilient. After all, the staying power of the US economy prompted the Fed's cautiousness to adjust rates this year. And profit and balance sheet measures suggest that corporate America is generally in good health.

By all accounts, investors should be relatively satisfied with where the economy and market currently are, as the S&P 500 Index continues to hit all-time highs. However, the public markets only provide access to a subset of US economic growth. As seen in Exhibit 1, a staggering 87% of companies that produce \$100 million in revenue (or more) in the US are privately held. In other words, most corporations and these growth opportunities are not accessible through public stocks.

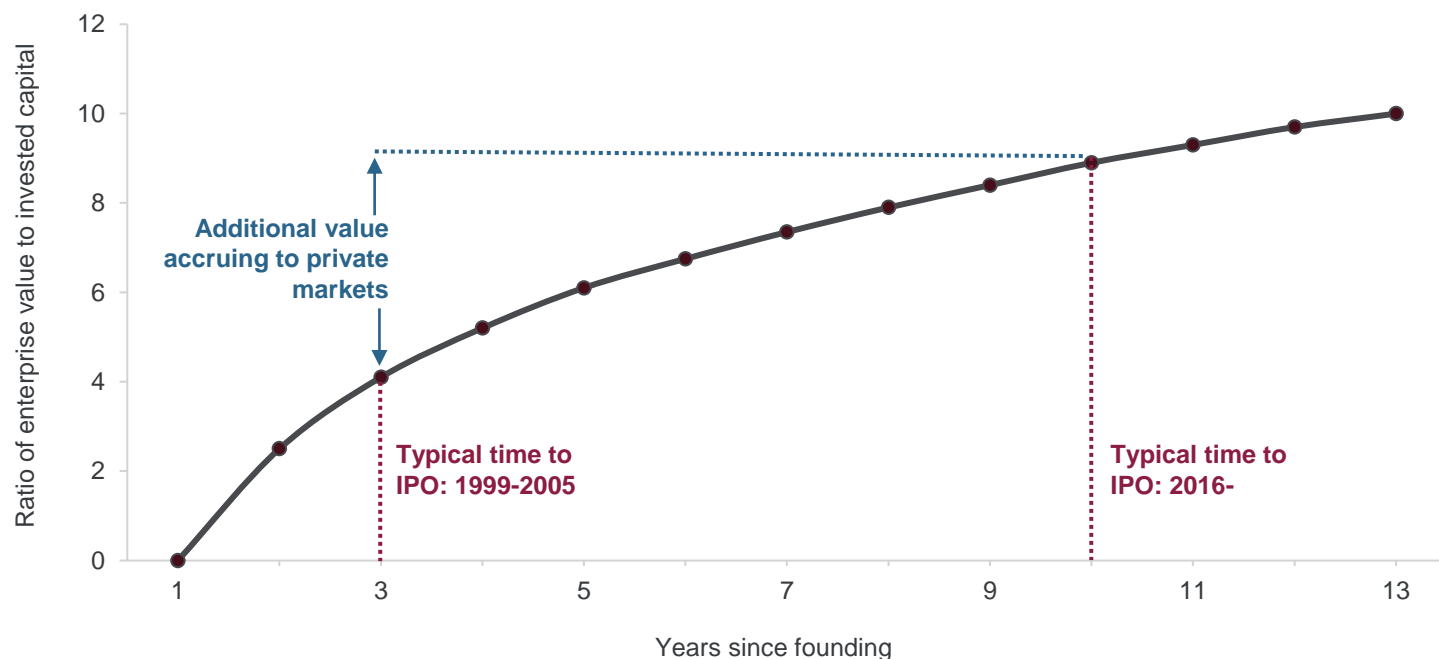
Exhibit 1: US public vs. private market comparison, company revenue in millions



Source: Capital IQ, as of January 2022.

Setting aside the fact that small- to mid-sized businesses ranging from \$100 million to \$1 billion in revenue—the backbone of the US economy—make up most of the investable landscape, why wouldn't an investor simply wait for the private company to go through the initial public offering (IPO) process before investing? First, not all companies intend to go public. Second, exposure to private markets complements a public portfolio for diversification and risk management purposes. And third (and perhaps most importantly), companies are staying private longer. As seen in Exhibit 2, the typical time for a private company to list on a public exchange increased from approximately three years in the early 2000s to approximately 10 years today. This means that during the seven or so additional years that a company remains private, it is creating and increasing its value.

Exhibit 2: Private vs. public value creation



Source: The Carlyle Group, analysis by Brown, Keith C., Wiles, Kenneth W., "The Growing Blessing of Unicorns: The Changing Nature of the Market for Privately Funded Companies," published in Journal of Applied Corporate Finance, 2020. This study analyzed companies that have conducted an IPO and does not account for those that remain private. This is the last year this analysis was completed. There is no guarantee any trends will continue.

On average, these companies **more than double in value** during the extra time spent as a private company. Many recognizable names such as Airbnb, Lyft, Dropbox, Affirm and Coinbase serve as well-known businesses that spent longer periods private—an average of 10 years among the five of them—and ultimately utilized an IPO as a liquidity event for early backers. This strategy created massive returns and incredible wealth for private investors but left little value left over for public investors to enjoy.

While investors may find it challenging to put new money to work, one option to consider is tapping into private companies. These companies typically experience approximately 80% of value creation pre-IPO, and their illiquid nature helps protect and diversify investors from short-term public volatility. Investors can unlock the power of private markets by using capital to foster innovation, boost productivity and profitability, and access tightly held businesses. They can also significantly contribute to—and benefit from—the growth of the US economy.

For more information on private market investment opportunities, please reach out to a member of your CIBC Private Wealth team.

CIBC Private Wealth Management includes CIBC National Trust Company (a limited-purpose national trust company), CIBC Delaware Trust Company (a Delaware limited-purpose trust company), CIBC Private Wealth Advisors, Inc. (a registered investment adviser)—all of which are wholly owned subsidiaries of CIBC Private Wealth Group, LLC—and the private banking division of CIBC Bank USA. All of these entities are wholly owned subsidiaries of Canadian Imperial Bank of Commerce. This document is intended for informational purposes only, and the material presented should not be construed as an offer or recommendation to buy or sell any security. Concepts expressed are current as of the date of this document only and may change without notice. Such concepts are the opinions of our investment professionals, many of whom are Chartered Financial Analyst® (CFA®) charterholders or CERTIFIED FINANCIAL PLANNER™ professionals. Certified Financial Planner Board of Standards Inc. owns the certification marks CFP® and CERTIFIED FINANCIAL PLANNER™ in the U.S. There is no guarantee that these views will come to pass. Past performance does not guarantee future comparable results. The tax information contained herein is general and for informational purposes only. CIBC Private Wealth Management does not provide legal or tax advice, and the information contained herein should only be used in consultation with your legal, accounting and tax advisers. To the extent that information contained herein is derived from third-party sources, although we believe the sources to be reliable, we cannot guarantee their accuracy. The CIBC logo is a registered trademark of CIBC, used under license. Approved 3325-24. Investment Products Offered are Not FDIC-Insured, May Lose Value and are Not Bank Guaranteed.