

WEEKLY MARKET COMMENTARY

June 8, 2026

WHAT SPACEX REVEALS ABOUT INDEX INVESTING

SpaceX is expected to become one of the most valuable companies in the world, with valuations reportedly approaching \$1.5 to \$2 trillion. At that size, it would rank among the largest companies in the U.S. equity market. Yet even at that scale, it may not immediately appear in widely used market indexes such as the S&P 500.

More importantly, SpaceX is unlikely to be alone. Several large private companies are expected to come to market in the coming years, raising similar questions about how and when indexes incorporate new market leaders.

This highlights an important but often overlooked point for investors: index funds do not automatically own the “most important” companies in the market. Index inclusion depends on specific rules, not just company size. As a result, the absence or delayed inclusion of large companies, including SpaceX and others that may follow, can create differences in returns, risks, and performance comparisons that many investors do not expect.

The scale being discussed is not theoretical. At recent reported valuations, SpaceX would immediately rank among the largest companies in the U.S. equity market.

Company	Approx. Market Cap*
Nvidia	\$4.968T
Apple	\$4.509T
Alphabet	\$4.430T
Microsoft	\$3.096T
Amazon	\$2.647T
Broadcom	\$1.827T
SpaceX (Projected IPO Valuation)	\$1.750T
Meta	\$1.504T
Tesla	\$1.468T

*Public company values as of 06/05/2026. SpaceX reflects reported IPO valuation.

INDEXES ARE BUILT ON RULES, NOT JUST SIZE

Many investors assume that broad market indexes simply hold the largest companies. In reality, index construction is more selective.

For example, the S&P 500 requires companies to meet profitability standards, maintain a minimum level of publicly available shares, and typically trade for a period of time before being eligible. Other indexes, such as the Russell 1000 or Nasdaq 100, follow different methodologies and may include companies more quickly.

This raises a broader question for investors: are indexes designed to represent the market as it exists, or to apply certain quality or investability screens? The answer varies by index, which is why seemingly similar benchmarks can behave differently over time.

Because of these rules, indexes can also introduce subtle biases. Screens related to profitability, liquidity, or float can tilt an index toward certain types of companies, even if that is not the stated objective. In that sense, even “passive” exposure reflects a series of active design choices.

As more large private companies approach the public markets, these differences in index methodology are likely to become increasingly important for investors to understand.

WHEN A MAJOR COMPANY IS MISSING

When a company reaches a significant scale but is not included in an index, it creates a gap between the real economy and the benchmark investors use to measure performance.

First, the index may no longer fully represent the investable opportunity set. If one of the largest companies is absent, investors tracking that index are effectively underexposed to an important part of the market.

Second, return differences can emerge. Some indexes or actively managed portfolios may gain exposure earlier, while others may wait months or even years. Over time, this timing difference can lead to meaningful performance divergence, even among strategies that appear similar on the surface.

Finally, this creates tracking differences. If a portfolio holds a company that its benchmark does not, its performance will naturally deviate. These gaps are not necessarily the result of better or worse decision-making, they are often driven by differences in what is included in the benchmark itself.

In simple terms, if an investor holds a position that is absent from the benchmark, that position introduces its own independent source of volatility. Even at modest weights, this can contribute meaningfully to performance differences over time.

WHEN INCLUSION FINALLY HAPPENS

The story does not end when a company is added to an index. In many cases, inclusion creates its own set of challenges.

Because passive funds are designed to track indexes, they must purchase newly added stocks, sometimes in large quantities and within a short period of time. For large IPOs, where the portion of shares available for trading may be limited, this demand can put pressure on prices and create short-term market distortions.

This is one reason index providers apply liquidity and float requirements and are often cautious about adding newly public companies too quickly.

For large companies, these flows can be significant. As a result, index inclusion is not always a smooth process, and it can temporarily impact both individual stock behavior and index performance.

In this way, the issue is not just whether a company is included, but how and when that inclusion occurs.

WHY THIS MATTERS FOR INVESTORS

For clients, the key takeaway is that not all index exposure is identical. The choice of benchmark can influence both return outcomes and risk characteristics.

Differences in index construction can affect:

- When new companies are added
- How much weight they receive
- How portfolios react to those changes

This also raises a broader question: What is a portfolio actually trying to track?

In many cases, investors use indexes as proxies for areas of the market, such as U.S. large-cap stocks. However, when index construction rules lead to meaningful differences in holdings, the benchmark may not fully capture the exposure an investor intended.

As more large private companies move toward the public markets, allocators will need to become more aware of differences in index construction to ensure their benchmark exposures align with the opportunity set they are seeking to capture.

In those situations, tracking differences between a portfolio and its benchmark may not reflect investment decisions alone. In some cases, they reflect differences in how the benchmark itself is constructed.

FINAL THOUGHTS

SpaceX is not just a story about a single company. It is part of a broader shift in which some of the largest companies in the economy are reaching public markets later and on a much larger scale.

As this trend continues, questions around index construction, inclusion timing, and benchmark differences are likely to become more relevant. Understanding how an index works, and what it includes or excludes, is an important part of building and evaluating a portfolio. In today's market, knowing your benchmark is just as important as knowing your investments.

ENDNOTES

Echo Wang and Milana Vinn, "SpaceX Sets \$135 Price for Blockbuster IPO, Upending Wall Street Convention," Reuters, June 3, 2026, <https://www.reuters.com/legal/government/spacex-sets-135-price-blockbuster-ipo-upending-wall-street-convention-2026-06-03/>.

This content was developed by Cambridge from sources believed to be reliable. This content is provided for informational purposes only and should not be construed or acted upon as individualized investment advice. It should not be considered a recommendation or solicitation. Information is subject to change. Any forward-looking statements are based on assumptions, may not materialize, and are subject to revision without notice. The information in this material is not intended as tax or legal advice.

Investing involves risk. Depending on the different types of investments there may be varying degrees of risk. Socially responsible investing does not guarantee any amount of success. Clients and prospective clients should be prepared to bear investment loss including loss of original principal. Indices mentioned are unmanaged and cannot be invested into directly. Past performance is not a guarantee of future results.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange.

Securities offered through Cambridge Investment Research, Inc., a broker-dealer, member FINRA/SIPC, and investment advisory services offered through Cambridge Investment Research Advisors, Inc., a Registered Investment Adviser. Both are wholly-owned subsidiaries of Cambridge Investment Group, Inc. V.CIR.0626-2106