Summary
• The SpaceX IPO instantly made the company one of the biggest in the world and began a kind of countdown for when – and how close to the top of the list – its shares would appear on the major indices.
• As big investors in passive funds, pensions are likely to become investors in SpaceX by default.
• The indices have taken different decisions on whether to allow SpaceX early entry, given its mammoth size, with S&P 500 standing out for its decision to stick to its standard regulations and only admit SpaceX when it fully meets its criteria.
• Large pension schemes in the US raised concerns over governance within Musk's firm before the float, while another major concern is concentration risk, with the top 10 firms on global equities indices all being big US tech firms.
• Pensions must manage all these risks with careful imprementation strategies.

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IPOs blasting off

Sandra Haurant considers how the SpaceX record-breaking IPO will impact indices, and in turn, pension funds' passive investments

One of the main selling points for passive index funds is the ability to offer diversification. Buying into a fund that tracks MSCI World, for example, instantly gives access to the highs, and of course lows, of 1,300 or more company constituents of that index. On the flipside, investors do not get to choose which companies win a place on those indices.

In June, Elon Musk's SpaceX launch immediately made the firm one of the top 10 biggest companies in the world. But the record-breaking initial public offering (IPO) also raised questions around the way in which indices, and the funds that track them, work, and how SpaceX's including on major indices would impact pensions.

SpaceX investors by default?

On the question of whether index funds will quickly become SpaceX investors, AJ Bell head of investment solutions, James Flintoft, says: "The answer depends entirely on which index underpins each fund, because the major providers have taken diverging approaches.

SpaceX's shares are listed on the Nasdaq stock exchange, but this is separate from the Nasdaq-100 index, which underpins a lot of passive funds (the firm was not yet listed there at the time of writing). "Effective 1 May 2026, Nasdaq revised its methodology to allow newly listed companies ranking among the top 40 by market capitalisation to enter the Nasdaq-100 within just 15 trading days of listing. Previously, the waiting period was around three months. SpaceX, at its near $2.7 trillion valuation at the time of writing, comfortably meets the threshold," says Flintoft.

FTSE Russell has also made amendments to its rules to allow fast entry for large newly listed companies its Russell US Equity Indexes and the FTSE Global Equity Index Series. Inclusion in the Russell 1000, an index underpinning many US equity tracker products in the UK, is expected around five trading days after listing, according to Flintoft.

"Meanwhile, MSCI confirmed on 9 June that it will apply its existing rules for early inclusion of large IPOs in its Global Standard Indexes. SpaceX is expected to clear MSCI's size and free-float thresholds without difficulty," Flintoff says. "Passively managed funds tracking MSCI indices hold around $5.8 trillion in assets globally – meaning structural buy orders from those products will flow within weeks of listing."

The notable exception here is S&P Dow Jones, which said ahead of the IPO that it would not change its criteria for the S&P 500. "A company must have traded publicly for 12 months before eligibility and be profitable under Generally Accepted Accounting Principles (GAAP) in the US," explains Flintoft, and he says, SpaceX "fails both tests". In 2024 it reported profits of $791 million, but in 2025 it reported a net loss of $4.94 billion. (It's worth noting, though, that some of S&P's smaller and less tracked indices will relax the rules, including the S&P Total Market Index and the Dow Jones US

Total Stock Market Index.)

Of course, as we know, past performance is not a reflection of future growth, and it is possible that the firm will see exponential growth, meaning that those not invested at the start because their index is not listing the firm could be forgiven for a touch of 'FOMO' (fear of missing out). As Hymans Robertson head of capital markets, Chris Arcari, says: "High-growth companies are often not yet profitable, with valuations reflecting expected future earnings rather than current profits. While we do not provide stock-specific advice, many of today's largest and most profitable companies were initially loss-making. More relevant is the valuation investors assign; elevated valuations have historically been associated with more subdued medium-term returns."

Concern and controversy

Pension schemes' consternation about SpaceX and index trackers began before the IPO took place. In May 2026, the trustees of large public pension schemes in the US wrote a letter to Musk and his executive team detailing "serious concerns" over the 'restrictive' governance structure of SpaceX, for example, the fact that Musk would effectively be "unfireable without his own consent".

Thomas P. DiNapoli, office of the state comptroller for the State of New York, Marcie Frost, CEO of the California Public Employees' Retirement System, and Mark D. Levine, of the City of New York public pension, wrote: "The signatories of this letter, like virtually all public pension funds, hold substantial passive allocations indexed to the broad US equity market. If SpaceX is admitted to the major US equity indices, following its offering, and the company's expected market capitalisation makes that admission a near certainty over time, the signatories and their beneficiaries become holders of SpaceX shares."

On 10 June, two days ahead of the IPO, DiNapoli, Levine, and their counterparts in Illinois and Maryland, wrote another letter, this time to FTSE Russell. Introducing its authors as the trustees for "millions of working and retired public servants"… whose "retirement security depends on the long-term health of the US public capital markets and stability of passive investment vehicles tracking indexes with reliable, tested inclusion methodologies" the letter urged index providers against a "race to the bottom".

"Each provider's decision to relax its standards makes it easier for the next provider to do the same, and the aggregate effect is that trillions of dollars in passive assets are forced to purchase securities that would not have qualified under the rules that existed six months earlier. This would expose clients of index providers and passive investors in the funds tracking those indexes to significant volatility risks," they wrote.

"Most UK DC assets are invested through index tracking global equity strategies, so where SpaceX enters those indices, members are likely to gain exposure automatically"

Balancing act

Whether SpaceX appears among the constituents the major listings quickly or after a wait, it certainly feels like this is a question of 'when' not 'if' stocks will appear as an underlying asset in pension funds' portfolios. XPS defined contribution investment partner, Callum Stewart, says: "Most UK DC assets are invested through index tracking global equity strategies, so where SpaceX enters those indices, members are likely to gain exposure automatically. Initial weightings are expected to be small, typically only a few tenths of a per cent, and will vary by index and implementation. Some approaches may delay or phase inclusion, but exposure is likely to build over time."

For passive funds, the rebalancing process of adding new listings and losing old ones has other implications, explains Acari: "The inclusion of large IPOs in indices requires passive funds to purchase the new entrant while rebalancing existing holdings. This mechanical trading can generate short-term volatility due to supply/demand imbalances, particularly where free float is limited relative to index-tracking demand (for example a around 3-5 per cent free float). It may also increase trading costs, which can be passed on to investors.

"However, the overall impact is likely to be modest, as initial index weights are typically small. Index inclusion is based on free float-adjusted market capitalisation rather than headline valuation, and many large IPOs float only a limited share of equity," Acari says.

The movement will have repercussions for wider pension portfolios, too, and concerns about volatility are understandable. While index funds are favoured for their inherent diversification, some looked less diversified even before SpaceX. The MSCI World Index lists 1,300 stocks in 23 different countries, but its top 10 holdings are already dominated by American technology giants, for example. Border to Coast Pensions Partnership (B2C) chief investment officer, Joe McDonnell, said at the Reuters Investment London conference on 16 June: "We're not comfortable with that level of risk, the sheer size of the US market in terms of concentration now." As a result, B2C said it plans to move up to 10 per cent of its portfolio weighting out of the US and into Europe and Asia. And of course, SpaceX will not be the only big tech float; Anthropic and OpenAI are waiting in the wings, which, Stewart says, "is why implementation choices matter now".

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