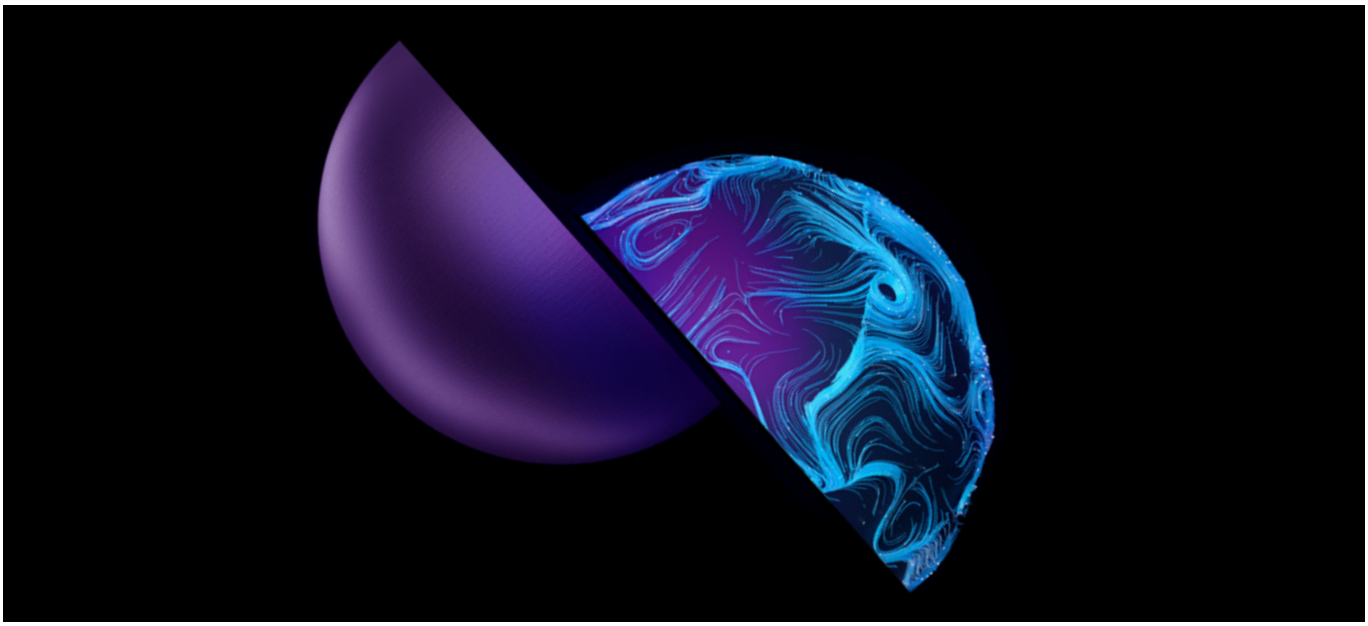

The architecture of asymmetry

How the rules were built so the valley wins, and members pay

Daniel Liptak

The real question is not whether AI is a bubble, but who constructed the system surrounding it and who will ultimately bear the losses when it unravels.

Both institutional and retail investors are now crowded into a single, correlated trade. The mechanisms that allow the most aggressive actors to extract value while shifting risk onto superannuation members are deliberate. They reflect intentional design and regulatory consent. The SpaceX float is simply the most conspicuous example of a broader pattern, and that pattern itself warrants examination.

At the outset, it is important to be clear: 'gaming the rules' in this context does not mean breaking the law. Almost everything described here is legal, disclosed, and often foreseen by the very regulators who wrote the rules. This is the heart of the problem. The asymmetry is not an accident; it is built in. Owners capture the upside and consolidate their control, while members are left to absorb volatility and valuation risk. The regulatory framework treats this as a matter for disclosure, not prevention.

The mega-float as a one-way option

Begin with the structure of the SpaceX listing, because the numbers make the asymmetry unmistakable.

The combined SpaceX-xAI-X entity listed at a valuation of approximately US$1.75 to US$1.8 trillion, raising about US$75 billion, the largest initial public offering (IPO) on record. Yet the float accounted for only about 4.3% of the company's equity. Around 95% remained in private hands.[1] The shares sold to the public were mostly newly issued, not insider stock being cashed out, so the founder's economic stake of roughly 42% in the consolidated entity was barely diluted by the listing.

Then comes the control mechanism. Through a dual-class structure, Class B super-voting shares carry ten votes each against one vote for the Class A stock sold to the public, leaving the founder with somewhere between 79-85% of the voting power while owning a minority of the economic interest. Public shareholders, which include every superannuation fund and pension fund that bought in and supplied a large share of the capital and, in governance terms, received almost nothing. Mergers, acquisitions, capital raises, executive pay plus strategic pivots all rest with the insider, who can approve them unilaterally. All of this was disclosed prominently in the S-1 as a risk factor. Disclosure was the entire defence: tell them it is asymmetric, and the asymmetry becomes permissible.

What is an S-1?

An S-1 is a registration statement. Under United States securities law, a company cannot sell its stock to the public until it files one with the Securities and Exchange Commission. The S-1 document that has to exist before an IPO can happen. It is also a company's first complete public disclosure.

The outcome for the founder is remarkable. They secure tens of billions in permanent capital at a record valuation, marginally dilute their own economic interest and retain absolute control. The consolidation of xAI and X into the listed entity transferred an annual loss of about US$5 billion, and a monthly cash burn of roughly US$1 billion, onto the public shareholders' balance sheet.

Investors may have thought they were buying a space company; in fact, they acquired a sprawling conglomerate spanning rocket, satellite internet, a loss-making AI compute business and a social media platform, with no say over whether those businesses should be combined. For the owner, this is a one-way option: they keep the upside and control, while the public absorbs the valuation risk of a company trading at nearly 90 times revenue and posting generally accepted accounting principles (GAAP) losses.

The next phase is already set in the structure. The standard 90-to-180-day lockup opens the insider exit window between September and December 2026. At that point, early employees, the founder, venture investors and the underwriting syndicate can all sell into a public float that remains thin because so little equity was released at IPO. Scarcity drives prices higher as demand chases limited supply, but offers little support when the lockup ends, and stock floods the market. This sequence is deliberate. The roughly 25% decline in the share price within weeks of listing indicates the market is starting to price in the consequences.

This is not the creation of a single founder. Meta Platforms, Alphabet and Salesforce pioneered the dual-class model. Floating a minimal public tranche at a maximal valuation is now standard for the most sought-after listings. The issue is structural: regulation permits founders to monetise their holdings while retaining control, and to float only a small fraction at elevated prices. This produces a repeatable mechanism for turning public capital into private control, with the risks spread across the buyers. Increasingly, those buyers are pension and superannuation funds, which leads to the other side of the trade.

How the superannuation system was built to be the buyer

For a founder to extract value in this way, a counterparty is needed that is large, captive and structurally required to keep buying. Australia's $4.5 trillion superannuation system—as at quarter-end December 2025—fits this description with remarkable precision, not because of malice, but as the result of individually rational rules accumulating over time.

The first defining feature is compulsion and scale. Mandatory contributions ensure a constant flow of capital that must be invested with every payday, regardless of market conditions.

The Australian Prudential Regulation Authority (APRA) has accelerated consolidation, concentrating capital in a shrinking number of very large funds. Regulated funds now manage more than twice as many assets as they did a decade ago, even as the number of funds has dropped by a third. Large funds with global equity mandates are, by design, required to buy whatever dominates the benchmark, which is now the AI sector. The system's compulsory inflows, its defining trait, become its main vulnerability: the capital must be deployed, even when caution would advise restraint.

The second defining feature is the use of the benchmark as a regulatory instrument. The Your Future Your Super (YFYS) performance test measures funds against benchmark indices, publicly shaming and potentially closing those that underperform. The intention was to shield members from chronic underperformance and excessive fees.

In practice, it penalises any deviation from the index. A fund that prudently underweights an overvalued, AI-heavy benchmark and is wrong for even a year risks failing the test, triggering an official review and losing members. A fund that tracks the benchmark and rides the bubble down is, by definition, only following the index it is measured against. Regulation meant to protect members instead forces funds into the crowded trade and punishes the very caution that would protect retirement balances in a downturn. Australian Super has effectively admitted the tension, stating it will reduce its international equities overweight only if it determines there is a bubble, which amounts to a default to remain exposed until the damage is done.

Where the two structures meet

The founder's extraction mechanism and the superannuation system's structural compulsion are mutually reinforcing. One creates the means to externalise risk; the other ensures a buyer able to absorb it. The mega-float offers public investors a governance-light, loss-making, highly valued asset, complete with a predetermined post-lockup selling event.

The Australian superannuation system provides a compelled, benchmark-driven, scale-limited buyer that must deploy capital and is penalised for deviating from an index dominated by that asset. The owner secures permanent capital at the cycle's peak. The member supplies it by compulsion and holds it under benchmark pressure.

When the AI thesis unwinds, the order in which losses are distributed is the central issue. The insider has already secured permanent capital and retains control irrespective of the share price; a 50 or 70% decline affects only notional wealth. Early investors and the syndicate, if they time the lockup, will have begun selling before the worst materialises. Public shareholders hold Class A shares with no control, no preferential liquidity, and only residual economic exposure to a conglomerate worth a fraction of its purchase price.

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The quote

This is the final asymmetry: the retirement saver is the residual claimant in a chain of decisions made by others, each insulated from the full extent of the downside.

The most basic question is who selected the risk and who is left to bear it. The founder chose the structure and captured its rewards. Superannuation funds adopted a benchmark-tracking allocation because regulation required it. The member, whose compulsory contributions were invested in a benchmark dominated by governance-light mega-caps, chose none of it and stands last in line when the structure fails. This is the final asymmetry: the retirement saver is the residual claimant in a chain of decisions made by others, each insulated from the full extent of the downside.

What follows

Three implications will follow:

- *For members*, a diversified default option is not the same as a prudently managed one. The YFYS performance test protects against fee-driven underperformance but not against correlated bubble risk imposed by the benchmark itself.
- *For funds and their advisers*, benchmark-tracking under regulatory pressure is a governance decision, not a neutral default, and should be acknowledged as such.
- *For those e valuating the system*, asymmetry will not be fixed by disclosure, because disclosure is the very mechanism that enables it. The final lesson is clear: a risk factor in an S-1 protects the seller, not the buyer.

The honest conclusion is not that regulators are negligent. It is that a reactive, disclosure-based, benchmark-anchored rulebook is structurally outpaced by sophisticated actors who treat it as a set of permissions. Until the rules treat asymmetry as something to be prevented rather than merely disclosed, compulsory contributions will continue to finance founders' permanent capital, and members will remain last in line when the reckoning comes. **FS**

Note

1. Monteiro, T 'SpaceX Guide: Everything You Need to Know About the Biggest IPO in History' *Investing.com*, 2026.