

The evolution of investment

UK private equity report 2026

forv/s
mazars



Contents

01	Foreword	4
02	Introduction	6
03	Navigating choppy waters	8
04	Redefining performance and value creation	11
05	Differentiation as the decisive factor	15
06	Conclusion	21
07	Methodology	23

01 Foreword



Foreword

This report presents findings in the UK from Forvis Mazars' global private equity survey, featuring insights from over 100 respondents, captured in late 2025. The global survey sampled more than 800 people across all regions.

UK private equity has long been characterised by adaptability, resilience and persistence. The deals market continues to present challenges, in particular lower deal volumes, tough trading conditions, increasing price expectations and high cost of capital required to fund the deals.

The performance of UK PE shows encouraging signs, tracking slightly ahead of global peers, and there are positive signals of portfolio growth and fundraising despite ongoing pressures.

Discipline is still the watchword for deal-making and execution – but there are returns to be made, even if growth is harder to come by. A range of factors from turbulent global economics to nervy consumer markets are blunting organic portfolio performance. Consequently, those funds which focus on value creation are leading the field throughout the investment lifecycle.

These conditions have resulted in a market latent with substantial dry powder. This capital will need to find a home, suggesting we may see an uptick in dealflow during 2026.

Technology is a major focus, both as a sector in which to invest and in supporting growth of existing investments and portfolios. AI and cyber security are both hot topics, presenting new opportunities and risks in equal measure.

One thing is for sure, it's shaping up to be an interesting year for the sector. We look forward to how PE will continue to evolve and innovate as 2026 develops.



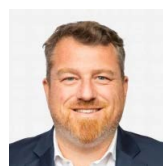
Fred Dearden
Head of Private Equity
Forvis Mazars in the UK

Globally, market conditions are entering a period of stabilisation, even as uncertainty remains. After an extended phase of constrained activity, deal-making is beginning to return, but in a more selective and disciplined form. Across private markets, there is a renewed willingness to close transactions as buyers and sellers gradually bridge valuation gaps.

This recovery is uneven and concentrated in sectors and assets where conviction is strongest, with value increasingly driven by organic growth rather than financial engineering. Technology has overtaken financial services as the most attractive investment sector, while energy, infrastructure and defence are gaining momentum.

Although fundraising remains challenging, capital is abundant. What matters now is not access to capital, but the ability to deploy it effectively, and firms are placing greater emphasis on operational improvement and long-term value creation.

Technology, including AI, is supporting better decision-making, but experienced judgement remains central. As interest rates stabilise, firms are adapting their approaches and preparing for what's next, with a more constructive environment for private equity emerging in 2026.



Matthieu Boyé
Partner & Head of Private Equity
Forvis Mazars Group

02

Introduction



Introduction

This year's global private equity survey highlights how investor priorities are adjusting as markets move into a new phase. Compared with 2025 results, sentiment around growth is stable but has declined for fundraising, while financing issues are having more of an influence on investments and exits.

Rather than a general increase in activity, findings point to concentration. Capital and attention are flowing towards assets, sectors and strategies where conviction is strongest, while less-differentiated opportunities face slower processes and tougher outcomes. This is reinforcing the importance of focus, specialisation and value creation.

Technology is the most frequently targeted sector in the UK, cited by 69% of respondents, even more than the global figure of 58%. The prominence of technology shows where investors believe long-term value creation is most achievable. Other major sectors of interest in the UK include financial services; healthcare; energy and infrastructure; pharmaceuticals and life sciences; and consumer.

The TMT (technology, media and telecommunications) trend aligns closely with findings from the Forvis Mazars C-suite market outlook 2026. Business leaders globally and in the UK continue to rank technology transformation as their top strategic priority over the next three to five years. More than half of UK executives cite transforming company IT and technology as their leading focus, well ahead of other concerns. Private equity firms appear to be responding to this opportunity, recognising that portfolio companies need to invest in, acquire or integrate tech-enabled capabilities to support resilience, growth and, potentially, transformation.

Fundraising conditions remain demanding, but capital availability is not the primary constraint. Instead, respondents stress the challenge of deploying capital effectively. Compared with last year, there is greater emphasis on differentiated strategies, deeper engagement with portfolio companies and disciplined decision-making as firms position themselves for the period ahead.

Key findings

- Investment strategies are becoming more execution-focused, with firms prioritising control, operational influence and clearly defined value creation levers over scale or deal volume.
- Portfolio performance shows continuity rather than disruption, with outcomes tilting just slightly to the positive – across portfolios, overperformance relative to expectations just outweighs underperformance both at three years and at exit.
- Globally, capital deployment is being shaped more strongly by financing conditions, with a growing impact on buy and build strategies, capital structures and exit timing across regions. This trend is affecting the UK, with a majority of firms having both inorganic growth and exits affected by financing issues.
- International investment remains a core driver of portfolio growth, with most firms reporting growth from both domestic and cross-border markets, and cross-border strategies highly salient – each of these trends being particularly relevant for active investors.
- Geopolitical and trade issues are affecting these cross-border strategies, again adding to the pressure on firms to be selective with their investments, manage exposure and diversify.

03

Navigating choppy waters



Navigating choppy waters

Private equity in the UK has faced a testing period. The pre-pandemic environment of low interest rates, ample liquidity and steady growth has given way to a materially different landscape shaped by inflation, rising interest rates and geopolitical instability following the outbreak of war in Ukraine.

Many also cite operational complexity at portfolio companies as a serious concern, while most seem confident that traditional M&A challenges such as the relationship with the management team and culture are under control.

Against this backdrop, firms have had to show agility and adaptability. Strategies built for a benign macro environment have been stress-tested, forcing greater discipline in pricing, capital structures and value creation levers. Rather than a broad-based recovery, activity is returning selectively, concentrated in assets and situations where conviction remains high and value creation can be underwritten with confidence.

Yet keeping an eye on performance remains key to value creation. Due diligence should show when a company's market position, culture or misalignment with management will be an obstacle to achieving the acquirer's goals. Implementing changes post-investment to tackle those findings is often critical to the assets' overall success.

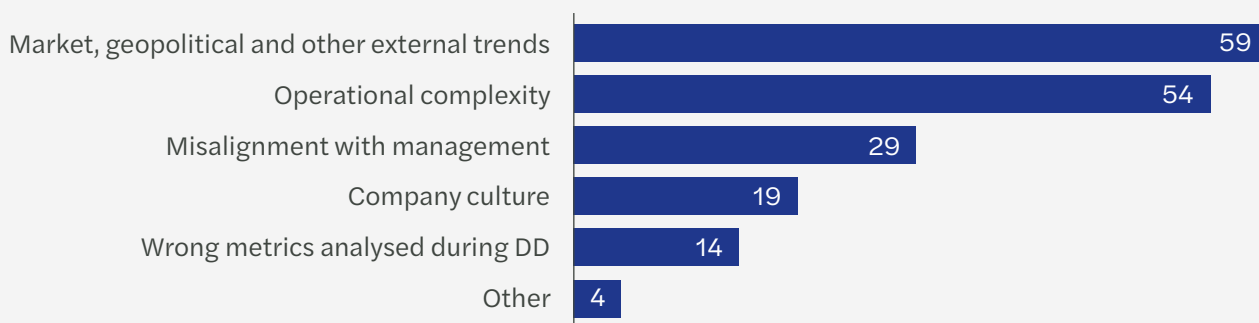
“There has been both challenge and opportunity. Valuations have tightened and some exit windows have shifted, but we have also seen new areas of growth emerge.”

Managing Partner, PE fund manager, UK

“The beauty of our sector focus is that these businesses tend to be fairly insulated from broader market swings. We are actually ahead of our original projections for several key investments this year.”

Director, PE fund manager, UK

Top challenges negatively impacting portfolio performance UK



Question: what are the top challenges that negatively impact the performance of your portfolio investment?

Navigating choppy waters

Adapting investment strategies

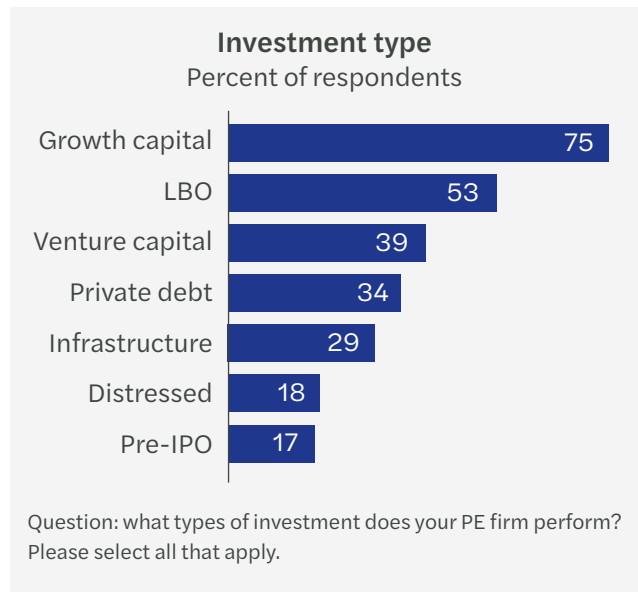
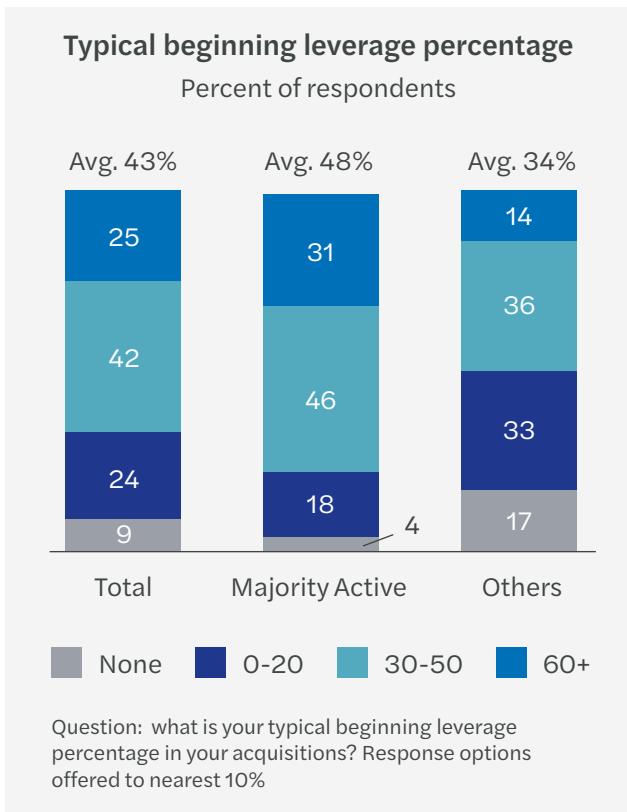
Survey data shows that growth capital remains the dominant strategy, with 75% of respondents focused on growth investments, well ahead of LBO (leveraged buy-out), venture capital, private debt and infrastructure. This reflects a continued preference for strategies that support expansion while preserving flexibility in a higher-cost capital environment. Adopting special situations strategies is one way a minority of firms (18%) are adapting their funds for distressed assets.

Leverage, control and selectivity

Despite the current environment of higher interest rates, leveraging remains a strategic tool for private equity firms seeking to deliver returns and support company strategies, particularly in financing build-ups. Given increasing uncertainty and reduced confidence in future cashflows from business plans, firms are exploring new financing approaches. These include adopting lower gearing at the outset with plans to refinance post a transaction as confidence in the assets' ability to generate cashflow improves.

“Markets currently have higher interest rates which are increasing the cost of debt. This reduces returns on leveraged deals and increases costs for our portfolio companies.”

Managing Partner, PE fund manager, UK



Significant build-ups present opportunities to refinance assets globally and align with historical gearing objectives. There is a clear distinction between investment strategies; majority active investors employ significantly more leverage (48% on average) than others (34% on average), with this bigger appetite for debt likely reflecting their level of control and the confidence this gives them in assets with strong fundamentals.

This emphasis on control and selectivity reflects a broader shift in how risk is assessed and managed in the current cycle. Firms are prioritising assets where visibility on cashflows, pricing power and execution risk is lower. Furthermore, capital structures can be actively managed as conditions evolve, enabling leaders to adapt strategies and operations to improve performance and address ongoing market demands.

04

Redefining performance and value creation



Redefining performance and value creation

Uncertainty and more consistent market ‘shocks’ are seemingly here to stay. In response, private equity firms are adapting strategies, capital structures and time horizons to operate effectively in a more complex and demanding environment.

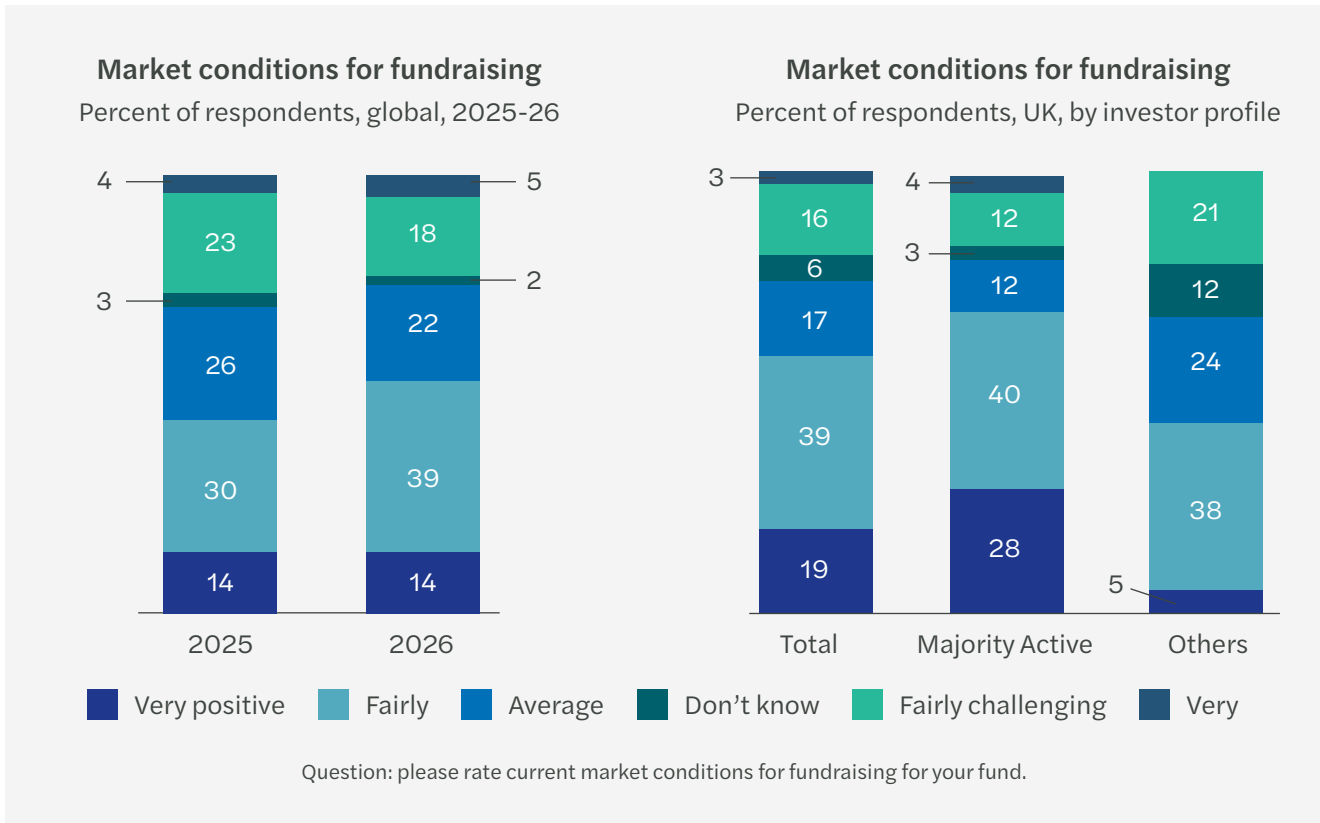
With higher interest rates, selective deployment and longer exit processes, value creation is increasingly shaped by operational depth and differentiation rather than market momentum alone.

Financing constraints and shifting deal dynamics

Despite the growth in private credit, and the cautious return of banks to the market, financing can still present challenges. The 9-point increase globally in perceptions that market conditions for fundraising are “positive”, including 58% positive in the UK, shows the shift toward more benign conditions. Meanwhile, the 59% of UK firms who say their buy and build strategies have been affected by financing issues, and 51% saying financing issues impact their exit strategies, illustrates the challenges that remain.

“With interest rates going up, the cost of debt has increased, which has made new acquisitions more expensive and has put pressure on the capital structures of our existing portfolio companies.”

Managing partner,
Asset Management firm, UK



Redefining performance and value creation

Globally, fundraising dynamics are beginning to reward clarity and conviction. While conditions remain selective, capital continues to flow towards managers with a clearly articulated value proposition. Investors are increasingly focused on performance differentiation, favouring funds that can demonstrate resilience, specialisation, and a compelling strategic edge.

The new year also brings new hope for growth. 78% of UK investors are confident in the market conditions for portfolio growth, and as a result, attention is shifting from navigating market disruption to a more fundamental question: how value is created and sustained over longer holding periods. With exits taking longer and deployment more selective, operational depth, strategic growth and disciplined execution are increasingly key to success.

The portfolio performance picture in the UK is somewhat stronger than we observe globally: in the UK, both at three years and at exit, overperformance relative to expectations outweighs underperformance. Globally, portfolios are tracking expectations (overperformance and underperformance almost exactly balanced), both at three years and at exit.

“Although the companies in our portfolio have strong recurring revenues even after Covid, we focus on sectors that are not too risky. That said, you can’t deny that higher interest rates sometimes cause financing issues, which could slow down the funds or deals.”

Asset Manager, UK

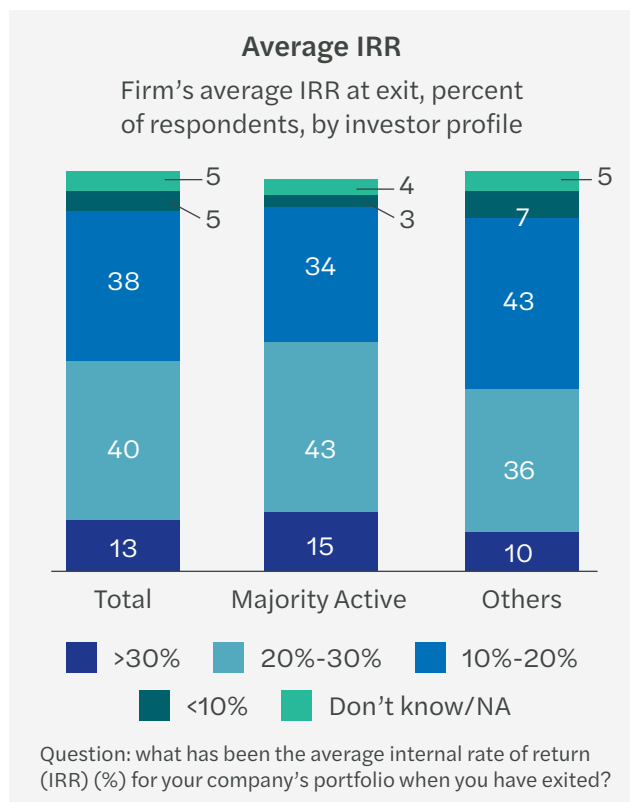
A healthy 53% of UK firms are seeing internal rates of return above 20%, again slightly outperforming global peers. Firms with a majority/active strategy notably outperform those with passive and/or minority approaches.

Exploring value creation and hold horizons

Extended holding periods are now a structural feature of the market. This shift reflects tougher exit conditions, valuation gaps and financing constraints, which have made selling and reinvesting capital more complex and uncertain. In many cases, firms report that it has become more effective to retain high-quality assets and continue building value than to pursue exits at suboptimal conditions as a standard 10-year fund nears the end of its life. Some PE firms are moving away from the 10-year fund model altogether, in favour of longer-term structures - including raising continuation vehicles or individuals adopting the independent sponsor model.

However, a growing number of M&A processes are failing to complete on acceptable terms. Where transactions stall or valuations fall short of expectations, firms are opting to retain assets for longer rather than force a sale. For as long as a lack of exits remains a barrier to raising new funds, sponsors are finding ways to work with the portfolios in hand.

A tried-and-tested method is to ask limited partners (LPs) to extend the life of a fund. When asked how



Redefining performance and value creation

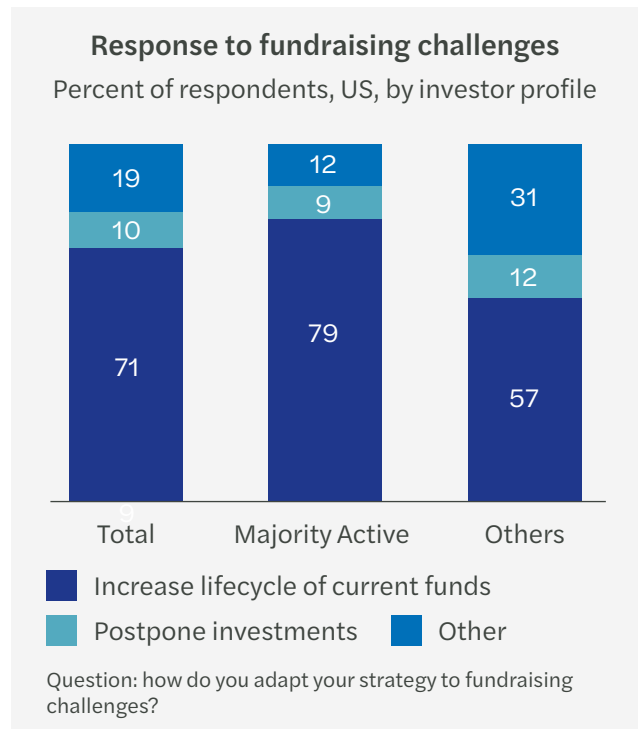
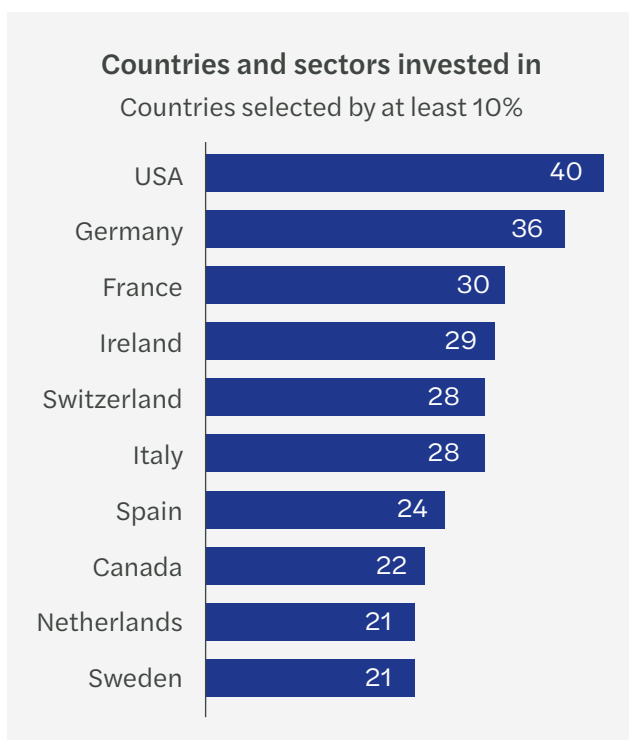
they adapt to fundraising challenges, 71% of UK respondents said they would increase the lifecycle of current funds, just above the 69% who would do so globally.

However, longer holds are just one strategic approach, and value creation often involves knowing when to retain and work assets, and when to disengage.

International expansion as a value creation lever

International exposure is increasingly embedded in value creation strategies, even where growth is anchored at home. For private equity firms, the ability to support portfolio companies in navigating cross-border expansion, partnerships and market entry is becoming a more important contributor to sustained value creation over longer ownership periods.

For UK PE firms, value creation is typically driven by a combination of domestic and international investment, although there is a substantial minority of 31% focused purely on domestic growth. Data suggests that larger GPs increasingly find that framing value creation through a purely domestic lens is limiting, the more so as holding periods extend and firms look to compound growth over time.



Cross-border activity for UK firms covers the whole globe, with the most prominent destinations combining the largest English-speaking markets of the US and Canada (a target for 40% and 22% respectively); neighbours Germany (36%), France (30%) and Ireland (29%) and other major European markets Switzerland, Italy (each 28%); Spain (21%), the Netherlands and Sweden (each 21%).

With international expansion comes increased sustainability regulations and considerations for business which are now embedded in how firms create value. Rather than being treated as a standalone consideration, sustainability factors are increasingly integrated across people strategies, operational processes and supply chains. Over longer ownership periods, the embedding of strong governance, responsible operations and resilient supply chains can support growth, reduce risk and enhance long-term value.

Taken together, findings point to a clear redefinition of value creation in private equity. Longer holds, international growth, operational depth and embedded sustainability are shaping how firms generate returns in a more complex environment. As ownership horizons extend and markets remain selective, firms are increasingly focused on building portfolios that remain resilient and adaptable.

05

Differentiation as the decisive factor



Differentiation as the decisive factor

Differentiation has become the defining factor in performance. Capital remains abundant across private markets but deploying it effectively has become harder.

Competition for high-quality assets is intense, pricing remains elevated for the most attractive opportunities and LPs are increasingly selective in where they commit capital. In this environment, firms that cannot clearly articulate how they differ are finding it harder to compete, both for assets and for investor support.

Capital abundance with constrained deployment

There remains a persistent imbalance between available capital and deployable opportunities. Dry powder remains available, yet respondents consistently highlight the difficulty of finding assets that meet return expectations. Good assets are scarce and highly competitive, often commanding premium multiples, while less attractive opportunities trade at lower valuations but carry greater execution and downside risk.

“The dry powder is still there, so cash is still available. But investor institutions are waiting on more clarity, so times are longer for us to actually strike a deal. The cycle takes a lot longer than it used to.”

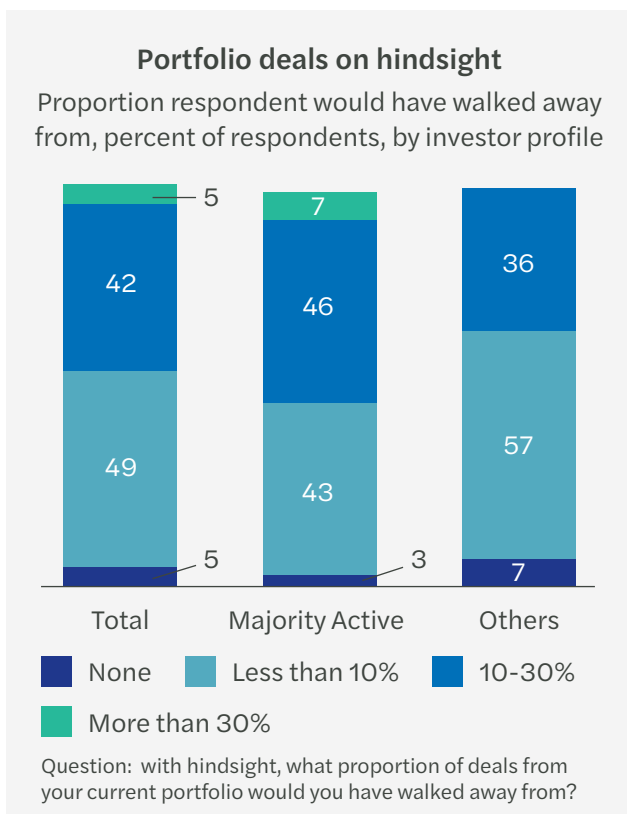
PE fund manager, UK

This bifurcation is reinforcing the need for sharper focus on assets and sectors. Firms are spending more time on fewer opportunities, increasing pre-deal work and walking away from processes where pricing or risk-return dynamics do not align. This point is reinforced by our finding that most firms would, in hindsight, walk away from less than 10% of their deals: confidence in underwriting has improved, but so has realism around where value can genuinely be created.

Firms with a majority/active strategy have taken on a notably higher proportion of deals that they might now walk away from, which could indicate both that such firms have a more informed perspective on portfolio companies’ workings, and that they have a higher appetite for risk.

Strategic focus and operational execution

Against this backdrop, strategy clarity and sector focus are becoming more important sources of differentiation. Data shows that, globally and in the UK, TMT and financial services remain the most attractive sectors for investors, reflecting their growth potential and scalability. TMT pulled ahead of FS globally this year, and is ahead by a wider margin in the UK. These sectors continue to draw the highest levels of competition, reinforcing the importance of deep sector expertise rather than generalist approaches.



Differentiation as the decisive factor

At the same time, firms are beginning to position around emerging industries to differentiate themselves. While current insights indicate relatively limited investment activity in aerospace and defence, there is growing interest driven by geopolitical uncertainty and increased government spending, alongside other growing sectors such as healthcare. Many GPs expect this to become a more prominent area of focus in future cycles, even as TMT and financial services continue to dominate in the near term. The UK government’s announcement of its Industrial Strategy in November 2025 provides another lens through which UK PE firms may assess investment opportunities. Top sectors targeted for investment by UK PE already align quite closely, with four of the top five (tech, FS, energy, life sciences) sitting among the government’s “IS-8” high-potential sectors.

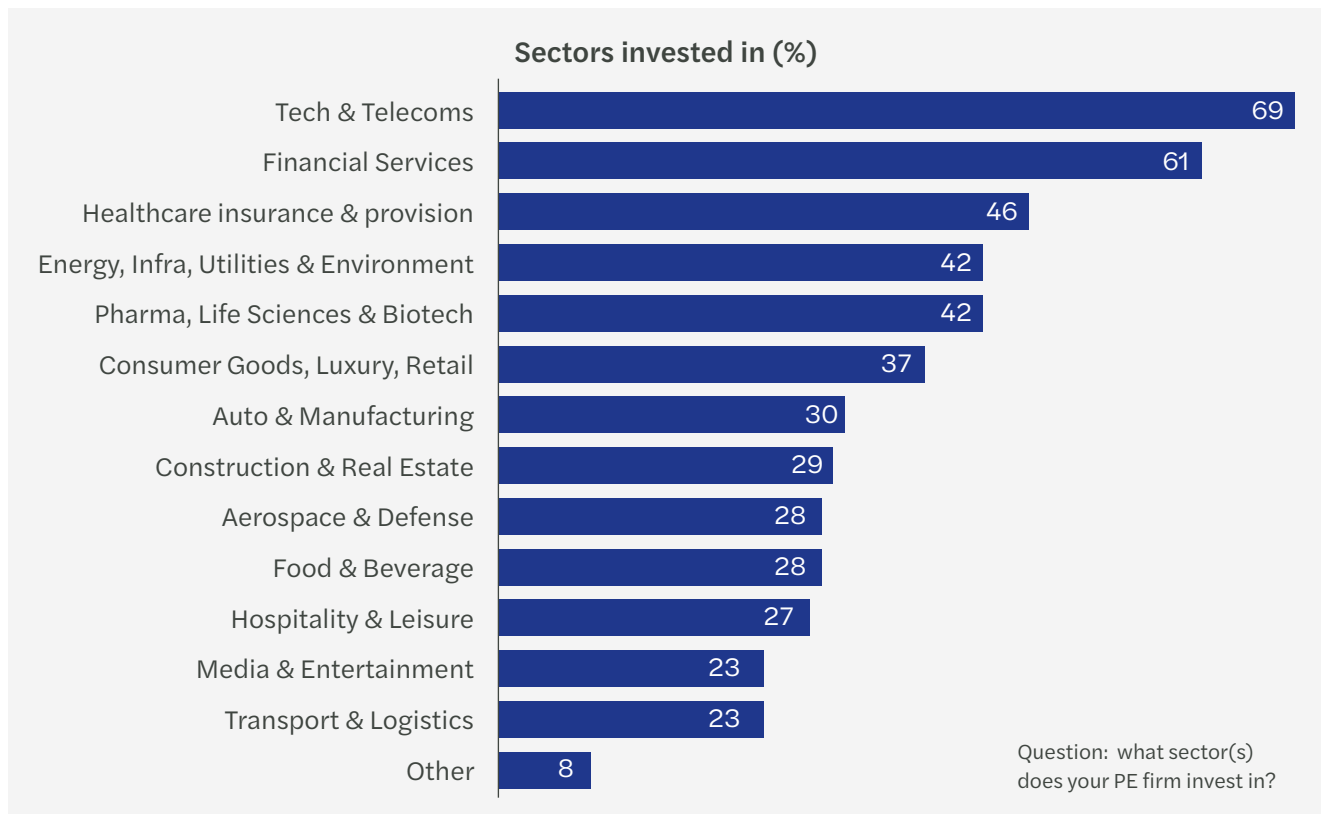
The ability to demonstrate a coherent sector thesis, supported by a credible pipeline of opportunity and operating capability, is increasingly important not only for deal sourcing but also for fundraising. LPs are placing greater weight on managers who can clearly explain where they invest, why they invest

“We’ve seen accelerated demand for digital transformation, payments, and fintech solutions, which is great news for our technology-focused investments and they’ve really been growing.”

Managing partner, PE fund manager, UK

there and how they consistently create value within their chosen sectors.

Beyond strategy and sector choice, execution capability is emerging as a key point of differentiation. With competitive auction processes pushing valuations higher, firms are placing greater emphasis on originating opportunities earlier, including pre-emptive offers and off-market transactions.



Differentiation as the decisive factor

Execution also extends into ownership. Firms that can demonstrate a track record of delivering organic growth, rather than relying solely on financial engineering, are better positioned to justify valuations and attract LP support.

Buy-and-build strategies remain a popular alternative, but expectations have shifted. Firms are under greater pressure to accelerate integration, deliver synergies quickly and prove that acquisitions translate into sustainable growth. Multiple arbitrage alone is no longer sufficient, and platforms that fail to integrate effectively risk underperforming over longer holding periods.

For LPs, differentiation is ultimately about confidence. LPs are gravitating towards managers who can demonstrate repeatability, clarity and execution strength. Fundraising conditions remain challenging, but capital continues to flow towards firms with a clear narrative supported by data and delivery.

Taken together, findings suggest that differentiation in today's private equity market is no longer about novelty. It is about focus, execution and credibility.

“We’re getting back to the basics of what private equity is all about: rolling up our sleeves, working with management teams, and really building something special from the inside out. It’s a slower, more deliberate process, but when you see the progress a company makes, it’s incredibly rewarding.”

Director, Asset Management firm, UK



“The key things that investors will be looking at are what I call the red-line issues. What are the things in this business that can hold you back? Often they’re intangible, it could be around alignment of the management team. It could be the breadth and the scale of the sales and the marketing expertise in the business. It could be internationalisation – that could be the growth opportunity. Or having the skill set of investing: I could bolt this on and that’s going to increase overall shareholder value with the synergies it brings.

And then it’s really understanding the key risks of the business, are they mitigating these risks? And a lot of that’ll be around financial reporting, and understanding what’s core and what’s non-core. Stop all the elements that will devalue the overall profit figure in the future.”

Gareth Jones,
Head of Growth: Mid-Market and Private Client,
Forvis Mazars, UK

Differentiation as the decisive factor

GPs need to show that they understand the real drivers of and constraints on portfolio companies' growth, and have deliverable plans to act on them; that they can bring the strategic and financial discipline required to divest from under-performing projects, lines and business models; and that they understand the risk profiles of portfolio companies.

Firms that can combine sector expertise, disciplined deployment, strong execution and a compelling growth story are better positioned to compete for assets and capital in an increasingly selective market.

The role of technology

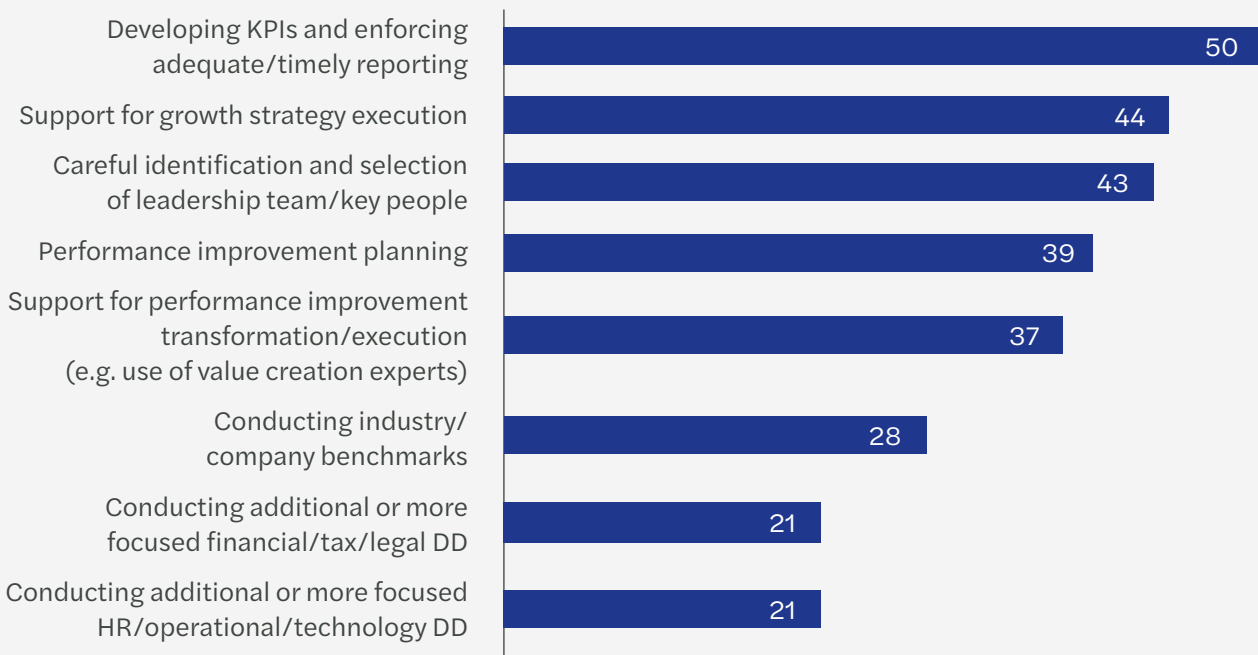
Execution enhancements now go hand in hand with technology, where it plays an increasingly important role in supporting differentiated execution, particularly within portfolio companies. Investments in systems, data and digital capabilities are helping firms manage risk, improve operational visibility and support more robust growth.

“If you can change how the business is run, you can move to a sector that’s got a higher multiple. Tech is a really good example: I’ve seen that using apps in recruitment – you move from being a people business to a people-and-tech business, with a higher multiple.”

Gareth Jones

Head of Growth: Mid-Market
and Private Client,
Forvis Mazars, UK

Most important tools/approaches for managing challenges



Question: which of the following are MOST important in helping you apprehend and manage those challenges?
Please choose up to 3.

Differentiation as the decisive factor

The data shows that firms are increasingly focused on performance tracking and transparency, which are supported by improved technology adoption. This focus strengthens the overall investment proposition and drives more consistent outcomes across portfolios.

Technology as a category shifter

Where technology adoption may deliver the strongest returns is in its ability to redefine a portfolio company's business model sufficiently to achieve a valuation associated with a new category. What was acquired as, for example, a manufacturing business can, through technology transformation, come to be seen as a tech or tech-adjacent business, leading in some cases to valuations at significantly higher multiples. PE firms pursuing such transformations need to be able to demonstrate that the tech implementation delivers a genuine shift in in the portfolio company's potential, requiring deep sector as well as technology expertise.

The rise of artificial intelligence

Just as the last business decade was shaped by data and digitalisation, the next phase will be defined by artificial intelligence. Rather than replacing experience or judgement, AI is increasingly acting as an accelerant across the private equity ecosystem, supporting faster insight, more efficient operations and more informed decision-making. Client perspectives suggest that AI adoption is moving from experimentation towards more purposeful use. The biggest firms are already deploying AI tools at pace, with small-cap players now examining use cases and adopting the most suitable tools.

At the GP level, AI is being used to improve efficiency and consistency across core activities. Firms are testing applications in deal sourcing, screening and research, where large volumes of data can be processed more quickly and systematically. This is particularly relevant in a competitive deal environment, where speed and early insight can provide an advantage.

AI is also being applied to fundraising, reporting and portfolio monitoring. Automating elements of data analysis and reporting reduces manual effort and supports more scalable, centralised operating models, especially for firms managing larger and more geographically diverse portfolios. Importantly, respondents consistently view AI as a support tool, enhancing human judgement rather than replacing it.

Within portfolio companies, however, AI adoption is more closely linked to operational outcomes. Use cases typically focus on productivity gains, cost efficiency, risk management and revenue growth. From improving forecasting and pricing to streamlining processes, AI is increasingly seen as a practical lever to support performance.

However, adoption remains uneven, particularly among smaller businesses or those with limited data maturity. GP education, realistic expectations and targeted investment are therefore critical to translating AI potential into measurable value.

Alongside opportunity, AI introduces new risks. Increased use of AI tools raises questions around data security, intellectual property and regulatory compliance. Our report: [Cyber security in 2026: UK companies buckle up for global threats](#) highlights the growing risk of "shadow AI", where employees use AI tools without formal oversight, often inputting sensitive data without understanding the implications.

For private equity firms, managing these risks requires clear governance, robust data controls and security-by-design principles, applied consistently across both the GP and portfolio companies.

Overall, the findings point to AI becoming an increasingly important enabler for private equity, but not a substitute for core capabilities. Firms that succeed will be those that combine AI-enabled efficiency with strong investment judgement, operational expertise and governance, using technology to support better decisions rather than to replace them.

06

Conclusion



Conclusion

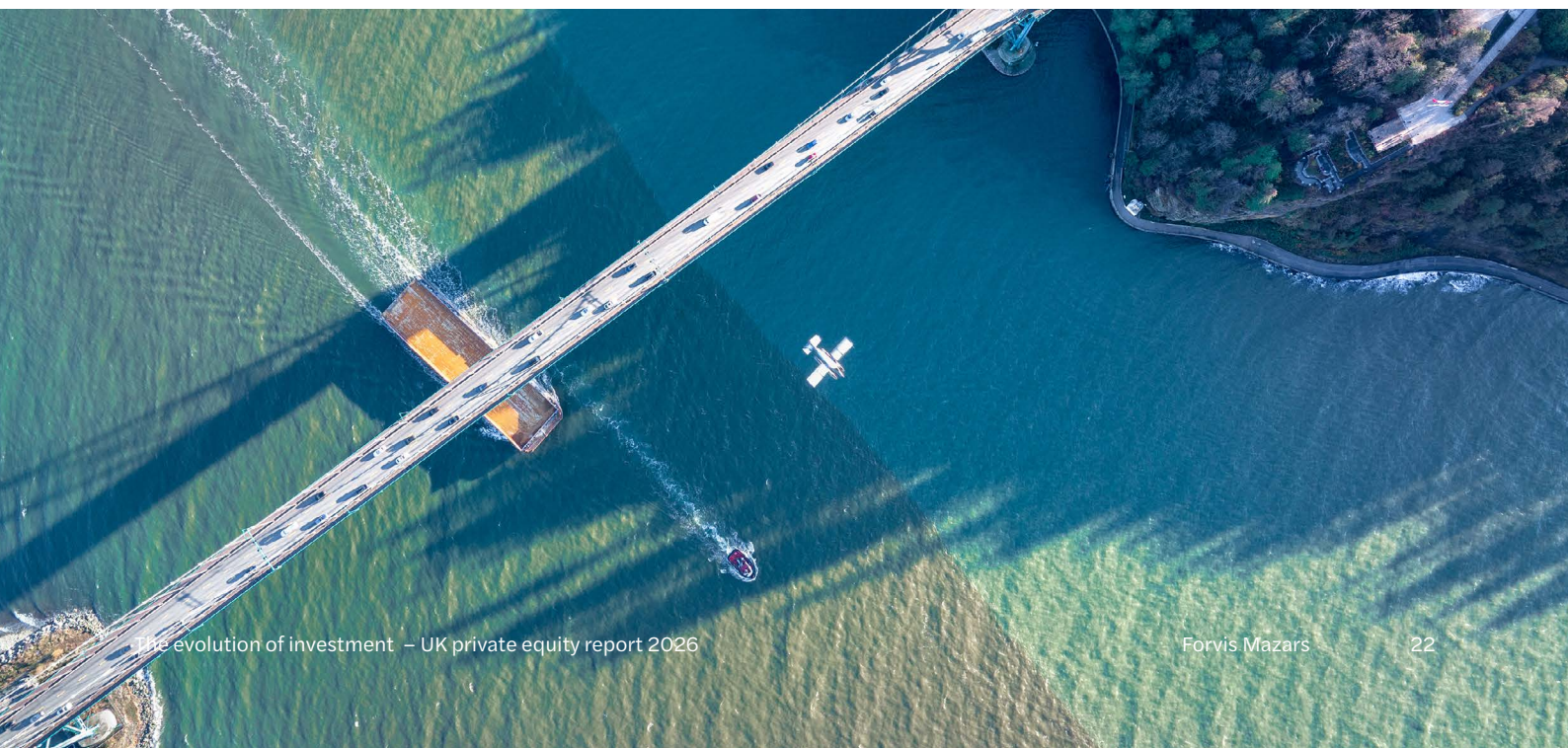
After an extended period of disruption, private equity has adjusted and now looks ahead to a new phase. Despite some challenging market conditions, confidence is improving and activity is ramping up, albeit in a more selective form.

A constrained exit environment has led to longer holding periods and new thinking on value creation. Continuation vehicles are becoming more established, providing greater flexibility for both GPs and LPs. With fewer opportunities for rapid exits, the onus falls on GPs to deliver value through more active ownership and value creation. This requires the sector knowledge, resource infrastructure and operational depth to generate organic growth over extended periods, often accompanied by technology transformations that can dramatically shift valuations. Meanwhile international expansion continues to be an important driver of portfolio growth, particularly through targeted add-on acquisitions beyond domestic markets.

Differentiation has become increasingly decisive. Capital remains available but deploying it effectively is more difficult. Investors are placing greater emphasis on managers who can articulate a clear investment thesis, demonstrate execution strength and show evidence of consistent value delivery across market cycles.

Technology, and artificial intelligence in particular, is emerging as a powerful enabler across the private equity ecosystem. From investment decision-making and portfolio oversight to operational efficiency within portfolio companies, AI has the potential to reshape cost bases and support performance. Realising this potential will require sustained investment, robust governance and careful management of associated risks.

As interest rates stabilise and markets adjust, private equity firms are adapting their approaches and preparing for what's next. Those able to combine strategic focus, operational execution and disciplined innovation will be best positioned to navigate the period ahead.





07

Methodology

- **Responses** sourced via telephone interviews and an online survey.
- **Participants** currently work in a private equity firm, asset management firm, family office or other investment organisation.
- **Sample** size was 109 respondents in the UK and 806 worldwide.
- **Fieldwork** from September - November 2025.

Firm type	Sample
Private Equity	68
Asset Management	12
Family Office	21
Other investor	8

Investor Profile	Sample
Majority Active	67
Majority Passive	2
Minority Active	12
Minority Passive	7
No preference*	21



Contacts

United Kingdom

Fred Dearden
Head of Private Equity
Forvis Mazars in the UK
fred.dearden@mazars.co.uk

Europe

Matthieu Boyé
Partner and Head of Private Equity
Forvis Mazars Group
matthieu.boyé@forvismazars.com

About Forvis Mazars

Forvis Mazars is the brand name for the Forvis Mazars Global network (Forvis Mazars Global Limited) and its two independent members: Forvis Mazars, LLP in the United States and Forvis Mazars Group SC, an internationally integrated partnership operating in over 100 countries and territories. Forvis Mazars Global Limited is a UK private company limited by guarantee and does not provide any services to clients. Forvis Mazars LLP is the UK firm of Forvis Mazars Group. Visit [forvismazars.com/global](https://www.forvismazars.com/global) to learn more about the global network. For all national news and expert commentary, visit our website at www.forvismazars.com/uk

© Forvis Mazars LLP 2026_02 R00119