



EIF Equity Barometer

Survey Q1 2026

EIF Market Assessment & Research
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The EIF Equity Barometer Survey Q1 2026

The European equity markets have recently been characterised by high uncertainty and volatility levels. The EIF aims at increasing transparency in the VC/PE markets by providing regular market insight. In this report, we present the results of a new issue of EIF's quarterly EIF Barometer Survey, a part of the long-running EIF Equity Survey series.

EIF's barometer surveys offer a comprehensive view of market dynamics and forward-looking expectations, gauging fund managers' perspectives across key indicators – including fundraising, exits, valuations, new investments, and deal flow. Each edition also features an in-depth focus topic. This quarter, we examine VC/PE investors' level of interest – or lack thereof – in areas related to European Strategic Autonomy, defence and cybersecurity.

Key highlights

Survey respondents

- **The EIF Equity Surveys represent the largest regular survey exercise among GPs in Europe.** In this barometer edition, 693 VC and PE mid-market fund managers contributed their insights.

Market sentiment

- **After cautious optimism in late 2025, market sentiment softened in Q1 2026** amid heightened geopolitical uncertainty linked to the escalation of the conflict in the Middle East. The impact was most visible in fundraising and exit conditions, which deteriorated further and turned negative for the first time in a year.
- **This notwithstanding, investment activity has remained resilient.** Both incoming investment proposals and completed investments increased on balance. This was supported by previously fundraised capital (“dry powder”), and reflects investors continued belief in strong investment opportunities.
- **Looking ahead, expectations have become overall more cautious,** but respondents also highlight strong investment potential in particular in the area of energy resilience, defence, and AI, underscoring the VC/PE markets capacity to adapt to challenging conditions.

In focus: EU Strategic Autonomy and Defence

- **The discussions around European sovereignty have become particularly relevant in the context of recent geopolitical developments.** This edition of the EIF Barometer zooms in on one relevant area in this respect: defence investments.
- **Overall, the survey points to increasing openness among both GPs and LPs to the sector.**
- **On the GP side, almost 1 in 2 do currently consider some form of defence-related investments.** As VC/PE investments in the sector used to be an exception a few years ago still, this reflects impressive progress. Approximately one-third of GPs state that they are open to go beyond pure dual-use cases for their investments.
- **To date fund managers still favour selective investments in defence- and cybersecurity-related companies over launching specialised funds.** This reflects how nascent the sector is and positions it more as a complementary theme within diversified portfolios in most cases rather than a standalone investment strategy (yet).
- **Cybersecurity and critical digital infrastructure, robotics, energy resilience, and AI-based defence software are the top sectors for VC/PE defence investments,** while “hard” defence products rank much lower. Geographically, defence investments are overwhelmingly concentrated within the EU (even if the wider investment focus of many funds also include non-EU countries).
- **LP interest in defence-related investments is cautious but increasingly present.** Motivations are primarily driven by geopolitical tailwinds and return considerations.
- **Regulatory barriers and complexities remain a key issue.** LP reservations to the asset class overall, ESG concerns and reliance on public-sector demand further constrain capital allocation to the sector.
- **In this context, policy levers remain critical to support investment resilience.** Reducing regulatory complexity, strengthening capital market integration and improving support at the scale-up stage are essential to increase fund and (thereby) ticket sizes and to sustain long-term investment capacity.

Market sentiment

New crisis tempers rising optimism

Results from our two previous surveys conducted in Q3 and Q4 2025 had pointed to cautious optimism among VC/PE fund managers, supported by easing market volatility and gradually improving monetary and financing conditions.

In Q1 2026, this positive trend moderated as geopolitical uncertainty increased. Compared with Q4, indicators related to the current equity market environment softened, particularly with regard to exit opportunities. The fundraising environment is also perceived as subdued.

Looking ahead, expectations have become more cautious, especially concerning fundraising and exits. Both indicators moved into negative territory for the first time in a year, reflecting continued uncertainty around future macroeconomic and financial conditions.

At the same time, investment activity remains resilient. New investments and deal flow are still considered to increase both over the last quarter as well as over the next three months, albeit at a more moderate pace. In a difficult fundraising environment, this points to a continued commitment by funds to deploy existing capital (“dry powder”) and support companies, underlining their underlying strength.

Muted fundraising at the start of 2026

Fundraising remained subdued in the first quarter of 2026, with expectations for the coming three months softening further. At the same time, GPs’ assessment of current fundraising conditions remains notably stronger than in 2023 and 2024, when sentiment reached a record low in the survey time series. This resilience broadly aligns with “hard” market data pointing to a gradual recovery in PE fundraising since 2023, which got interrupted by a marked slowdown in Q1 2026.

Weak exit conditions

Perceptions of the exit environment have softened in the first quarter. The difficult market situation also fed into expectations, which moved into negative territory for the first time in a year. As reflected in other market reports, sentiment is particularly challenging for public offerings.

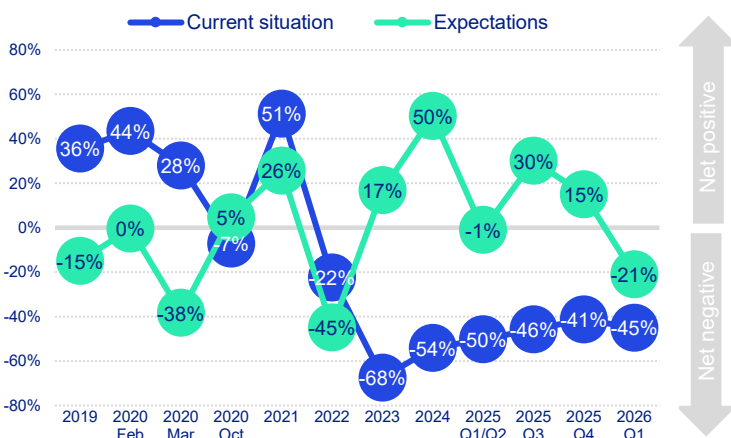
Overview of sentiment on key market indicators (net % of respondents)	Current perception		Expectations	
	Net % 2026 Q1	Difference vs. Q4 2025	Net % 2026 Q1	Difference vs. Q4 2025
	[1]	[2]	[3]	[4]
Fundraising environment	-45%	↓ 4 p.p.	-21%	↓ 36 p.p.
Exit environment	-23%	↓ 17 p.p.	-10%	↓ 31 p.p.
Valuations	-6%	↓ 18 p.p.	-4%	↓ 25 p.p.
New investments	6%	↓ 12 p.p.	19%	↓ 14 p.p.
Deal flow	21%	↓ 10 p.p.	24%	↓ 11 p.p.

Note: “Net %” in columns [1] and [3] reflects the net balance of respondents, i.e. the percentage of respondents expressing a positive sentiment vis-à-vis the respective market indicator (currently, see “current perception”, or for the next months, see “expectations”) minus the percentage of respondents expressing a negative sentiment. Positive (resp. negative) net balance values are highlighted in green (resp. red) font colour. “Difference” in columns [2] and [4] reflects the percentage point (p.p.) difference between the net balance value in Q1 2026 and the one in Q4 2025. An increase (resp. decrease) is marked with an upward green (resp. downward red) arrow. Please refer to the Annex for the detailed wording of the questions vis-à-vis the aforementioned market indicators.

Deal flow and investments still hold firm

Despite challenging conditions following a renewed crisis, dealmaking activity across Europe has remained resilient. On balance, both incoming investment proposals and completed investments are reported to have increased and are expected to continue growing, albeit at a slower pace. Looking ahead, this may imply a stronger focus on enhanced value propositions and improved performance in the medium to longer term. This implies that fund managers become more selective in their investment decisions, which may induce downward pressure on valuations for follow-on financing rounds. The survey results indeed show a substantial downward shift in valuations for both the current situation and expectations for the coming months.

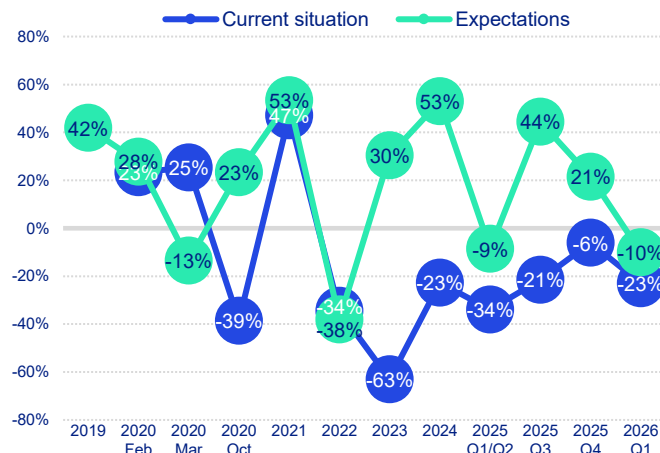
Fundraising



Q. How would you rate the current fundraising environment? / Over the next months, how do you expect the fundraising environment to develop?

* 3 [12] months for the quarterly barometer [annual] survey

Exit opportunities

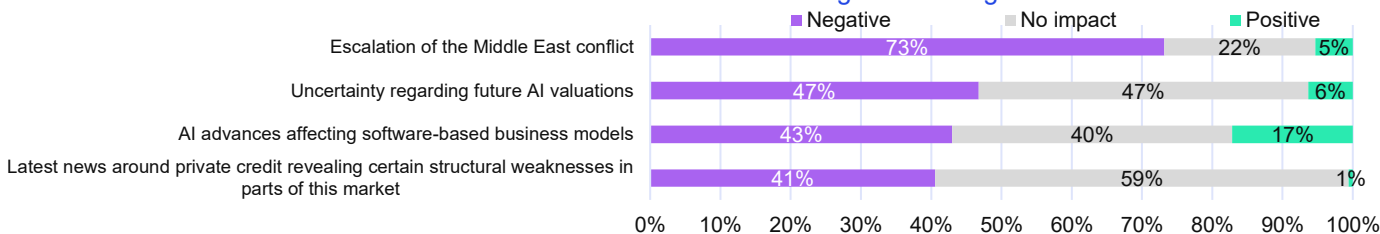


Q. Over the last months, how has the exit environment developed? / Over the next months, how do you expect the exit environment to develop?

* 3 [12] months for the quarterly barometer [annual] survey

Several recent developments have also influenced market situation and GPs' sentiment. In particular, more than 7 in 10 fund managers stated that their activities are negatively impacted by the **escalation of the Middle East conflict**. In parallel, developments linked to the AI boom have raised concerns among fund managers. Almost half of the survey respondents are negatively affected by **uncertainty regarding future AI valuations** and 43% worry about how AI advances affect more traditional software-related value propositions. With regard to the recent difficulties in certain private credit segments, almost 60% of VC/PE fund managers stated not to be affected. With respect to the four recent developments covered in this survey question, respondents specified in free-text follow-up questions that fundraising is negatively impacted, mainly caused by uncertainty, lower risk appetite, and higher energy costs.

Escalation of the Middle East conflict is affecting fund managers the most

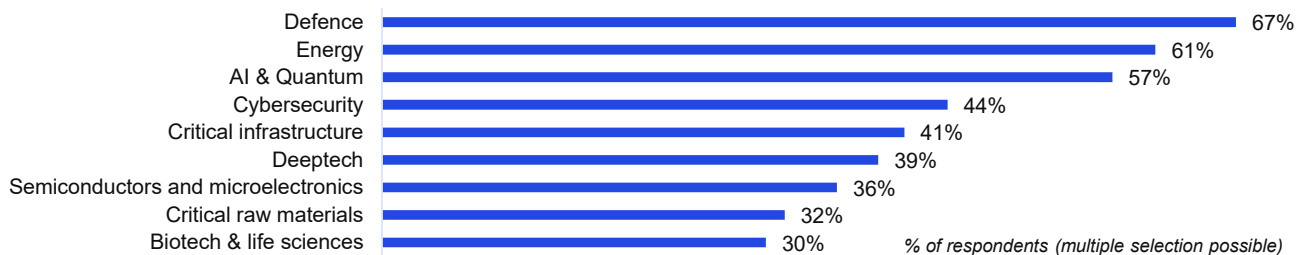


Q. To what extent has each of the following recent developments affected your VC/PE business?

In focus: EU Strategic Autonomy and Defence

Geopolitical developments and a large dependence on non-European countries in key technologies have intensified discussions around the need to strengthen European Strategic Autonomy, including defence. Increasing defence capabilities is indeed an area where Europe has seen impressive progress in terms of capital allocation over the last few years. VC/PE funding in defence-related sectors reached an all-time high in 2025, according to latest market activity data. A large majority of surveyed VC/PE fund managers indeed consider defence, but also opportunities linked to energy resilience and to AI & quantum technologies as the most relevant areas to strengthen the strategic autonomy of the EU.

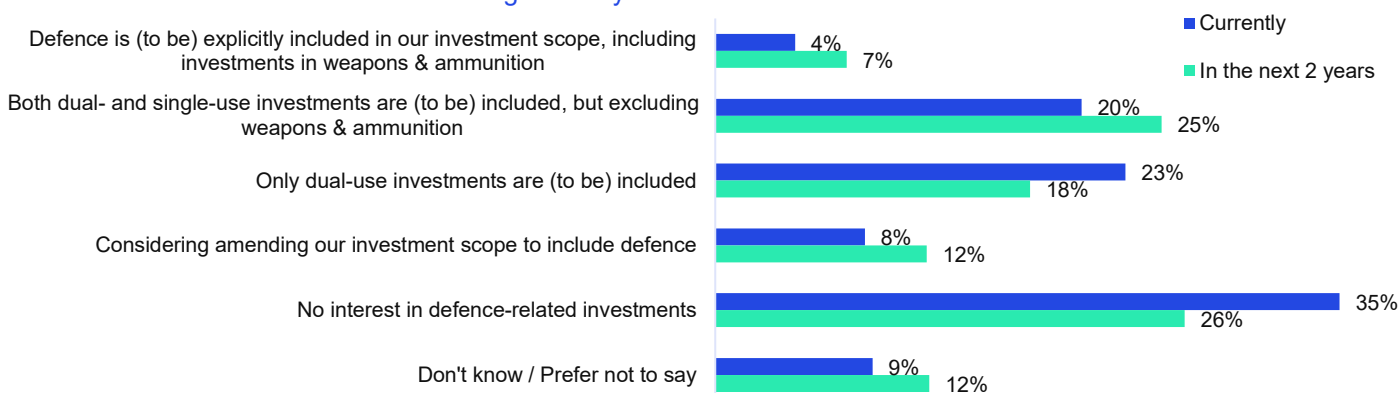
Defence, Energy, AI & Quantum considered most relevant sectors to strengthen EU Strategic Autonomy



Q. Which sector(s) would you consider most relevant to strengthen the EU Strategic Autonomy?

Fund managers show increasing interest in defence investments. Almost half of the respondents (47%) do currently consider some form of defence-related investments, while approximately one-third state that they would go beyond pure dual-use investments in the next two years. The share of fund managers who consider amending their investment scope to include defence is also expected to increase in the near future.

Increasing flexibility towards defence investments

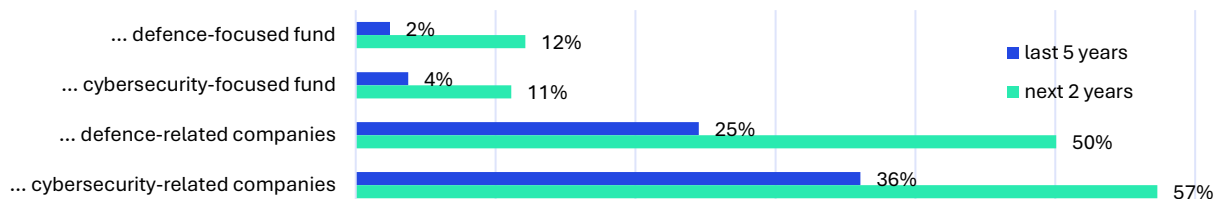


Q. What would best describe your investment approach towards defence?

In focus: EU Strategic Autonomy and Defence

Fund managers tend to prefer occasional investments in defence- or cybersecurity-related companies rather than raising dedicated sector-focused funds. At the same time, both equity investment activity and fundraising targeting defence and cybersecurity are expected to increase. While only 2% of respondents have raised a fund focused on defence (4% in the case of a cybersecurity-focused fund), a substantially larger share of respondents have invested in companies active in these sectors. This reflects how nascent the sector is and positions it more as a complementary theme within diversified portfolios in most cases rather than a standalone investment strategy (yet). Looking ahead, around one in ten respondents would consider raising a defence- or cybersecurity-focused fund over the next two years, while at least half could envisage investing in companies related to these activities.

Fundraising and investment related to defence and cybersecurity

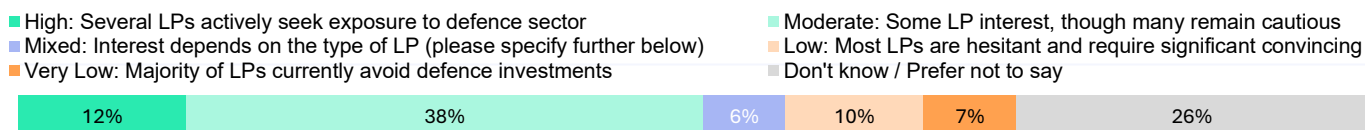


Q. In the last five years, have you raised a ... / invested in ... ?

Q: Going forward, in the next 2 years, would you consider raising a ... / investing in ... ?

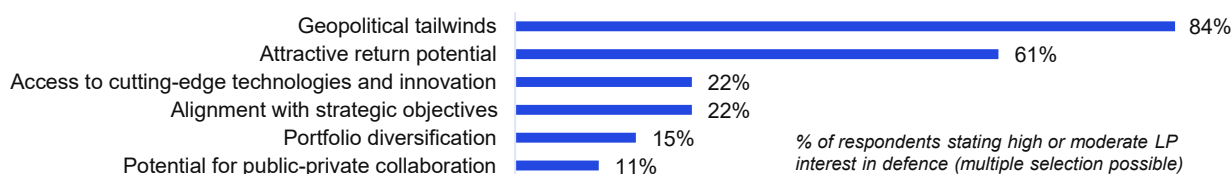
LP interest in defence-related investments is cautious but increasingly present. While one in ten respondents report high LP interest, four in ten indicate moderate interest, suggesting cautious openness rather than strong demand. At the same time, two in ten respondents characterise investor interest as (very) low, pointing to continued hesitancy among parts of the LP base. A further 6% report heterogenous interest depending on the type of LP, while a sizeable share of respondents (26%) are uncertain or prefer not to assess current LP sentiment. Market opportunities (i.e. geopolitical tailwinds) and return considerations dominate LPs' motivation for defence-related investments.

LP interest in defence-related investments



Q. How would you evaluate current LP interest in defence-related investments?

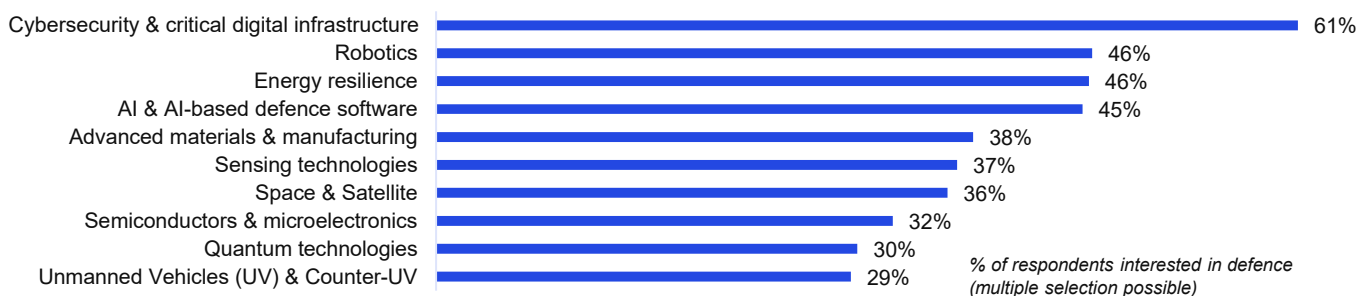
LPs' main reasons for pursuing defence-related investments



Q. What are LPs' main reasons for pursuing defence-related investments?

Fund managers expressing interest in defence-related investments were asked a series of follow-up questions, including which sectors they have invested in and/or would consider investing in going forward. **Cybersecurity and critical digital infrastructure, robotics, energy resilience, and AI** (incl. AI-based defence software) **emerge as the most prominent sectors for VC/PE defence investments.** By contrast, sectors more closely linked to "hard" defence products – such as weapon systems assembled as final products (3% of respondents) or air and missile defence (15%) – were cited by a smaller share of respondents only (and are therefore not shown in the diagram, which focuses on the top-10 sectors).

Top-10 sectors for VC/PE defence investments

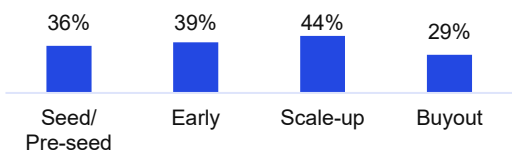


Q. In which sector(s) have you invested and/or would you consider investing in defence?

In focus: EU Strategic Autonomy and Defence

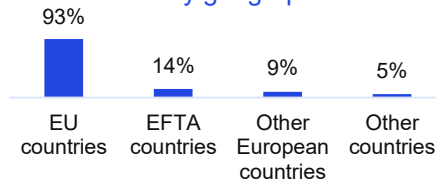
Defence-related investments span a broad range of investment stages, with a particular focus on scale-up and early-stage activity. Geographically, these investments are overwhelmingly concentrated within the EU (even if the wider investment focus of many funds also include non-EU countries)..

Defence investment stages



% of respondents interested in defence
(multiple selection possible)

Primary geographic focus

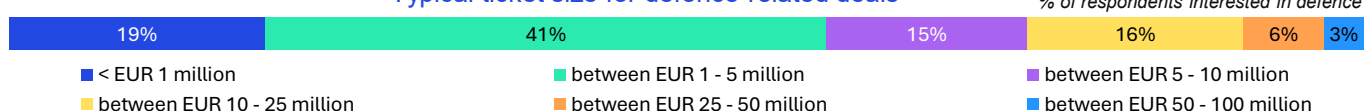


Q. In which stage(s) have you invested and/or would you consider investing in defence?

Q. What is (would be) the primary geographic focus of your defence-related investments?

The typical ticket size for defence-related deals is below EUR 5m, as confirmed by 3 in 5 respondents. Only 3% of fund managers said they usually invest more than EUR 50m, with no respondent stating to go beyond EUR 100m. Among the funds with defence-related portfolio companies, the approximate allocation to defence-related investments is, on average, 16% in terms of the share of portfolio companies and 17% in terms of AuM, with a median of 10% for both categories.

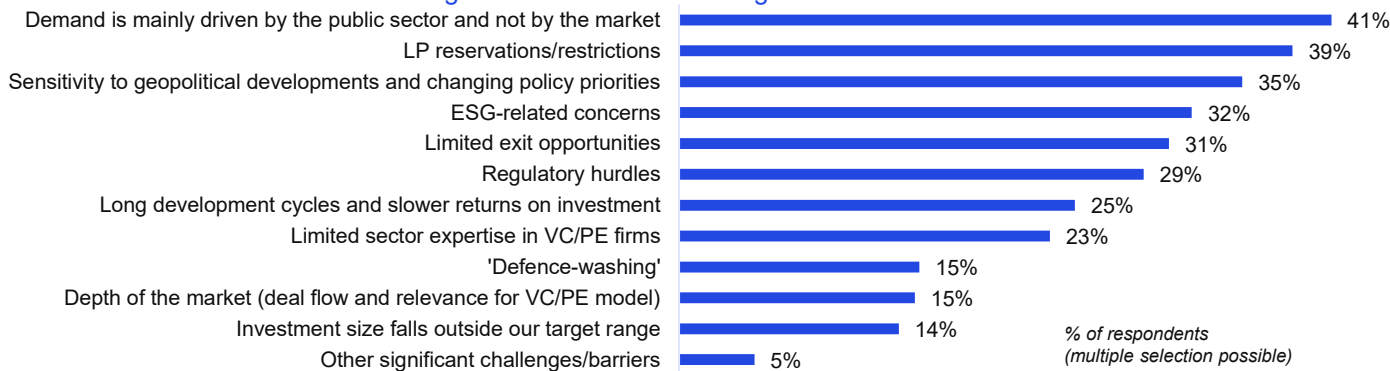
Typical ticket size for defence-related deals



Q. What is the typical ticket size for your defence-related deals?

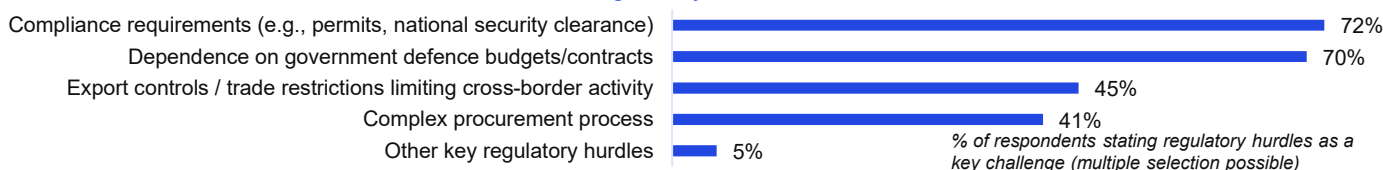
Notwithstanding the positive momentum, defence-related investments continue to face significant constraints, most notably strong reliance on public-sector demand, LP reservations to the asset class overall, and sensitivity to geopolitical and policy developments. Regulatory hurdles – particularly compliance requirements, dependence on government budgets, and export controls – further limit investment activity. Ethical concerns and LP restrictions on eligible defence activities play a central role, underscoring that regulatory and investor-related factors remain key barriers alongside economic considerations. As a result, many fund managers approach defence investments selectively, on an ad-hoc basis rather than as a core strategy.

Challenges/barriers when investing in the defence sector



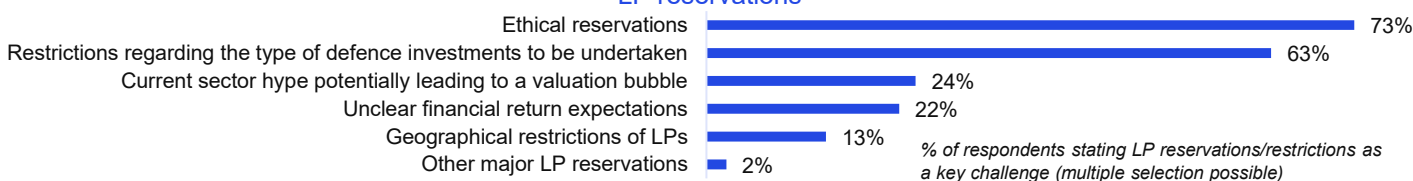
Q. What would you consider the most significant challenges/barriers when investing in the defence sector?

Regulatory hurdles



Q. What are the main regulatory hurdles when investing in the defence sector?

LP reservations



Q. What are the main LP reservations vis-à-vis investing in the defence sector?

ANNEX

Further information about this study and how to read the results

Survey approach and timeline

- The EIF Equity Surveys are online surveys of VC and PE mid-market fund managers investing in Europe.
- The surveys are conducted on an anonymous basis, and target both EIF-supported as well as non-EIF supported fund managers.
- The Q1 2026 Barometer Survey was conducted between 24 March and 7 April 2026.
- The surveys were introduced in 2018. Up until 2024 they were typically conducted once per year. In 2025, a new quarterly barometer survey was introduced to complement the annual survey. Even though the reporting periods might differ between the previously conducted annual survey waves and the new quarterly barometer survey, the time-series of these prior surveys is still used to provide some context for the latest market sentiment results.

Respondents

- Responses were received from 693 VC and PE mid-market fund managers, of which 431 (62%) VC and 262 (38%) PE mid-market fund managers.
- The vast majority of the respondents hold the position of CEO or Managing/General/Founding Partner, suggesting that their responses reflect the views of the decision-makers in the respective VC/PE firms.
- The headquarters of the participating VC/PE firms are predominantly in the EU 27 countries, most notably France, Germany, the Netherlands, Italy, Spain, and Sweden, while 14% of respondents are headquartered outside the EU, predominantly in the UK (6%).
- Results are shown for the pooled sample of VC and PE mid-market respondents, and cover the full spectrum of the investment universe, from (pre-)seed and early-stage investors to later-stage VC, growth capital, and other PE (mid-market) activities.

Net balance

- Results on market sentiment are reported on a “net balance” basis.
- The net balance refers to the percentage of respondents reporting a positive response minus the percentage of respondents reporting a negative response.
- For example, in the question “Over the next months, how do you expect the number of your new investments to develop?”, the net balance refers to the percentage of respondents expecting the number of their new investments to slightly/strongly increase minus the percentage of respondents expecting the number of their new investments to slightly/strongly decrease.

Questions used in the market sentiment section of the survey

- *On fundraising environment:* Over the last 3 months, how has the fundraising environment developed? / Over the next 3 months, how do you expect the fundraising environment to develop?
- *On exit environment:* Over the last 3 months, how has the exit environment developed? / Over the next 3 months, how do you expect the exit environment to develop?
- *On new investments:* Over the last 3 months, how has the number of your new investments developed? / Over the next 3 months, how do you expect the number of your new investments to develop?
- *On valuations:* Over the last 3 months, how have valuations of portfolio companies in your geographical market developed? / Over the next 3 months, how do you expect valuations of portfolio companies in your geographical market to develop?
- *On deal flow:* Over the last 3 months, how has the number of investment proposals to your firm (deal flow) developed? / Over the next 3 months, how do you expect the number of investment proposals to your firm (deal flow) to develop?

Response options are based on a 5-point Likert scale, e.g., ranging from [very bad ... to very good], [significantly deteriorate(d) ... to significantly improve(d)], [significantly decrease(d) ... to significantly increase(d)], etc.

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