European Investment Fund

EIF Equity Barometer Survey *Q2 2026*

EIF Market Assessment & Research
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The EIF Equity Barometer Survey Q2 2026

The European equity markets have recently been hit, yet again, 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 zoom in AI investing, identifying key opportunities but also some of the greatest investors' concerns.

The EIF Equity Surveys represent the largest regular survey exercise among GPs in Europe. In this barometer edition, 538 VC and PE mid-market fund managers contributed their insights.

Key highlights

Market sentiment

In Q2, the recovery in the European VC market resumed – but its resilience is about to be tested. All market sentiment indicators improved during Q2 returning to – or exceeding – the levels recorded at the end of 2025.

Expectations also strengthened across all surveyed dimensions, suggesting that confidence has begun to recover after the setback observed in Q1. Yet, around **70%** of respondents reported that the escalation of the conflict in the Middle East negatively affected their business during the quarter. This may suggest that confidence recovered as tensions eased, but with the ceasefire now again under pressure, the coming quarters will test whether improving market fundamentals are sufficiently robust to withstand renewed geopolitical uncertainty.

Investment activity and deal flow strengthened during Q2. Fundraising, however, remains the weakest market indicator despite improving expectations. Conditions are highly uneven across strategies, with AI-focused fund managers reporting significantly fewer fundraising challenges. Exit conditions show early signs of stabilisation but remain constrained. While sentiment has improved, exit opportunities are still limited, with IPO activity still insufficient to fully address LP liquidity pressures.

Valuations recovered in Q2 and expectations point to further increases. However, this trend is highly concentrated in AI and deeptech companies, while valuations in most other sectors remain much more conservative.

This raises an important question for the quarters ahead: whether capital is returning across the market, or primarily to the strongest managers and most attractive investment opportunities as highlighted in some latest market reports. The current results point to a recovery, but one whose breadth remains uncertain.

In focus: Investing in Artificial Intelligence

Investors have stopped debating whether AI matters – they are now debating where the value will accrue. AI has become firmly embedded in investment strategies. More than **70%** of respondents invest in AI, with 1 in 2 identifying AI as either a core strategic priority or an important growth area. A similar proportion expects AI investment to increase over the next **2–3 years**.

Funding is viewed as broadly available across the entire investment lifecycle, with some fund managers even pointing to an oversupply of capital, particularly in venture. At the same time, nearly **90%** believe global AI valuations are overheated, including **56%** who consider them highly overvalued. Investors appear increasingly willing to distinguish between the long-term importance of AI and the attractiveness of today's entry prices.

In the light of this, fund managers become more selective in their approach. Business fundamentals are overtaking technology as investment differentiators. Compared with two years ago, respondents report the largest increases in the importance of revenue generation, scalability, proprietary data, customer retention and profitability. Model performance and management quality have changed comparatively little.

Respondents consistently identify Europe's comparative strengths in AI adoption and industrial applications – including healthcare and robotics. At the same time, AI companies are eyeing international (non-EU) exits, particularly IPOs, much more frequently than in other sectors, echoing concerns that AI investors in Europe may not see the exit opportunities and valuation premiums observed in other jurisdictions such as the US. Almost half of respondents identify value concentration among a small number of global AI winners as their principal concern. Europe risks creating AI value without capturing AI returns.

Market sentiment

Market perception rebounds from the downturn

In Q2 2026, market perceptions rebounded after the Q1 setback. All sentiment indicators improved, with several returning to – or exceeding – the levels recorded at the end of 2025.

Expectations also strengthened across all surveyed dimensions. However, fundraising remains difficult, exits are still fragile and geopolitical uncertainty continues to weigh on the market. The results therefore point to a recovery in sentiment, but one whose resilience will be tested in the coming quarters.

The breadth of the recovery remains uncertain. The overarching message is that there has been a clear rebound in market sentiment in Q2 and that this trend holds across the entire spectrum of survey respondents. This said, for some market indicators – discussed where relevant below – variations are observed depending on, for example, sector focus. This raises an important question for the quarters ahead: whether capital is returning across the market, or primarily to the strongest managers and most attractive investment opportunities.

Still very challenging fundraising environment, but deal flow and investments hold firm

Fundraising remains the weakest market indicator: it is still evaluated negatively on balance and improved only marginally versus Q1. Expectations have nevertheless strengthened.

Despite the difficult fundraising, dealmaking activity across Europe has been resilient. Deal flow and new investments remain positive, supported in part by the deployment of existing dry powder.

Market data point to concentration rather than a broad-based recovery. European fundraising appears to be growing in value but not breadth: total capital raised and median fund size are picking up, but fund count continues to fall. An increasing share of GPs are raising smaller successor funds, while LP capital is becoming more concentrated among more established fund managers. Investment activity is also characterised by fewer but larger deals, with AI penetration reaching new record-highs.

The survey results echo many of these points. Indicatively, fund managers primarily investing in AI & Deeptech currently report facing fundraising difficulties to a much lesser extent and are also more optimistic about fundraising conditions in the future than GPs focused in other sectors. Similarly, AI & Deeptech investors report a stronger deal flow over the last quarter as well as a larger increase in dealmaking, both currently and in the near future.

Overview of sentiment on key market indicators (net % of respondents)	Current perception		Expectations	
	Net % *2026 Q2* [1]	Difference *vs. Q1 2026* [2]	Net % *2026 Q2* [3]	Difference *vs. Q1 2026* [4]
Fundraising environment	-39%	↑ 6 p.p.	12%	↑ 33 p.p.
Exit environment	0%	↑ 23 p.p.	20%	↑ 30 p.p.
Valuations	8%	↑ 14 p.p.	24%	↑ 28 p.p.
New investments	16%	↑ 10 p.p.	31%	↑ 12 p.p.
Deal flow	35%	↑ 14 p.p.	29%	↑ 6 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 Q2 2026 and the one in Q1 2026. 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.

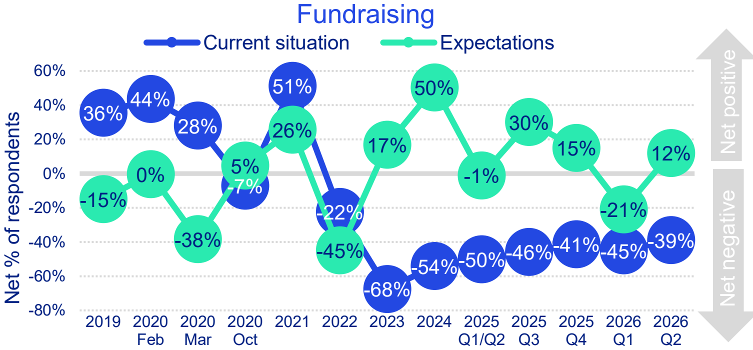
Current exit environment largely unchanged

Fund managers, on balance, report that exits have remained broadly the same in Q2. As highlighted in other reports, despite a gradually re-opening exit window, exits – IPOs in particular – remain subdued and below the levels needed to alleviate LP liquidity pressures. Discussions surrounding recent mega-IPOs have nonetheless reinforced expectations that public listings could help revive investor confidence in late-stage technology exits globally.

Valuations rise, but mainly on AI exuberance

Following a substantial downward shift in Q1, valuation trends recovered, on balance, in Q2. From a market perspective, this is also reflected in the fact that Europe saw one of the highest numbers of new unicorns minted in H1 2026. In line with market data, the survey shows that the valuation expansion is highly concentrated around AI and Deeptech companies, while outside of these sectors, companies continue to face much more conservative valuations.

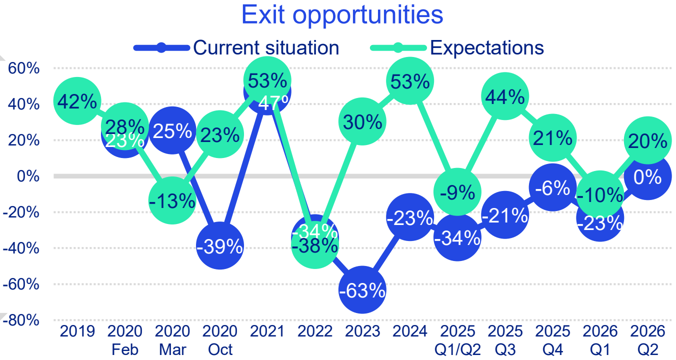
Fundraising



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

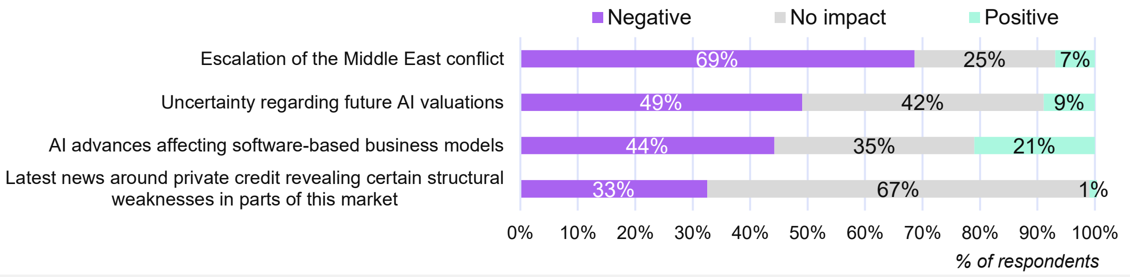


Q. Over the last months*, how has the exit environment developed?/ Over the next months*, how do you expect the exit environment to develop?

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

Several recent developments have also influenced market situation and GPs' sentiment. In particular, around 7 in 10 fund managers (same as in Q1) stated that their activities continue to be negatively impacted by **the Middle East conflict**. In parallel, developments linked to the AI boom continue to be a point of concern among fund managers. Almost half of the survey respondents are negatively affected by **uncertainty regarding future AI valuations**, while 44% worry about how AI advances affect more traditional software-related value propositions. With regard to the recent difficulties in certain private credit market segments, these affect around one-third of VC/PE fund managers.

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

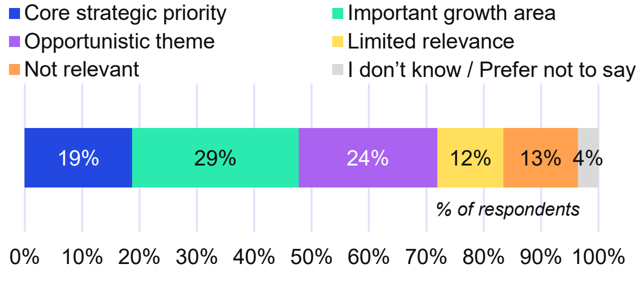


Q. To what extent has each of the following recent developments affected your VC/PE business?

In focus: Investing in Artificial Intelligence

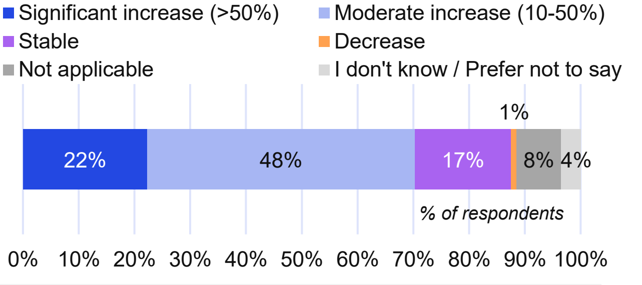
AI is now firmly embedded in VC/PE investment strategies. More than 70% of respondents invest in AI, with 1 in 2 identifying AI as either a core strategic priority or an important growth area. Most GPs expect AI-related investments to increase over the next 2–3 years. A minority of respondents still report limited or no relevance of AI as an investment theme for their funds.

Importance of AI as an investment theme



Q. How important is AI as an investment theme for your funds?

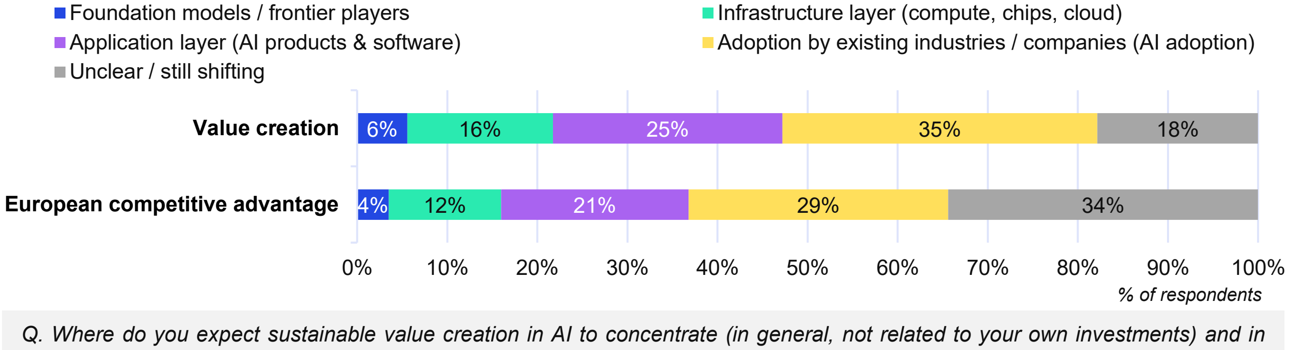
Expected evolvement of AI investments



Q. How do you expect your AI-related investments to evolve over the next 2-3 years?

Respondents expect sustainable AI value creation to be concentrated primarily in AI adoption by existing industries and the application layer. Europe's perceived competitive advantage is also strongest in these segments, although a sizeable share of respondents (34%) remain uncertain about where Europe can establish a lasting edge. By contrast, relatively few respondents expect value creation to concentrate in foundation models or the infrastructure layer, which are likewise not widely seen as areas of European competitive strength.

Value creation in AI and European competitive advantage

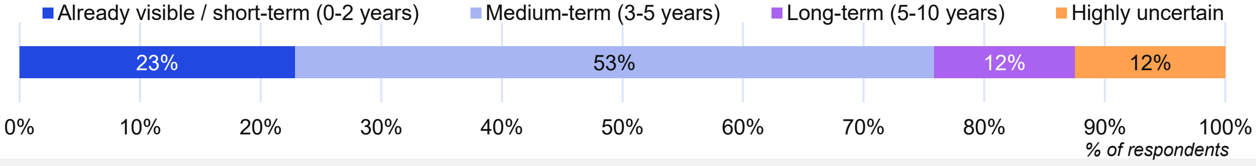


Q. Where do you expect sustainable value creation in AI to concentrate (in general, not related to your own investments) and in which areas would you see a competitive advantage for Europe?

In focus: Investing in Artificial Intelligence

AI investments are expected to translate into fund-level returns primarily over the medium term. More than half of respondents anticipate AI investments to generate material fund-level returns within 3–5 years. Almost a quarter of respondents describe returns from AI investments as already visible or expect them to materialise in the short term, within less than two years. By contrast, only 12% foresee a longer time horizon of 5–10 years, and an equal share consider the timing of AI-related returns to be highly uncertain.

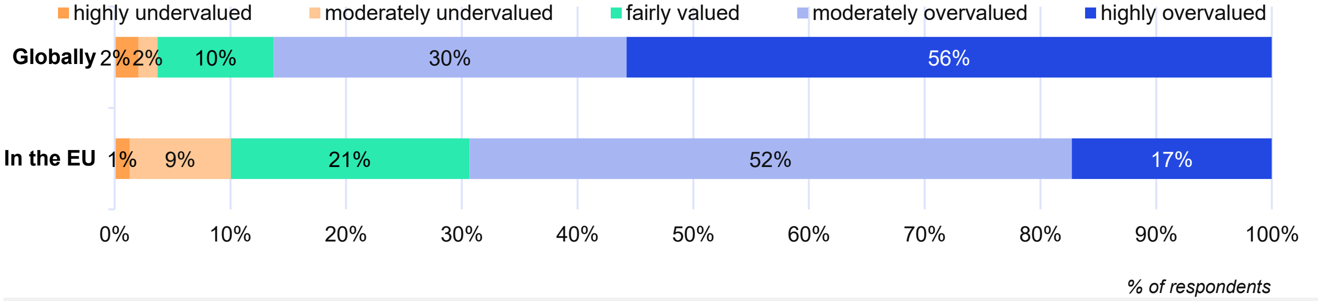
Time horizon for AI-driven fund returns



Q. When do you expect AI investments to materially translate into fund-level returns?

Fund managers see global AI valuations as significantly more stretched than those in the EU. Almost 9 in 10 GPs consider global AI assets overvalued, including 56% who see them as highly overvalued. EU valuations are more balanced, with 31% viewing them as fairly valued or undervalued, and 17% as highly overvalued. This supports the executive-summary message: investors recognise AI's long-term importance, but are increasingly selective about entry prices and exit prospects.

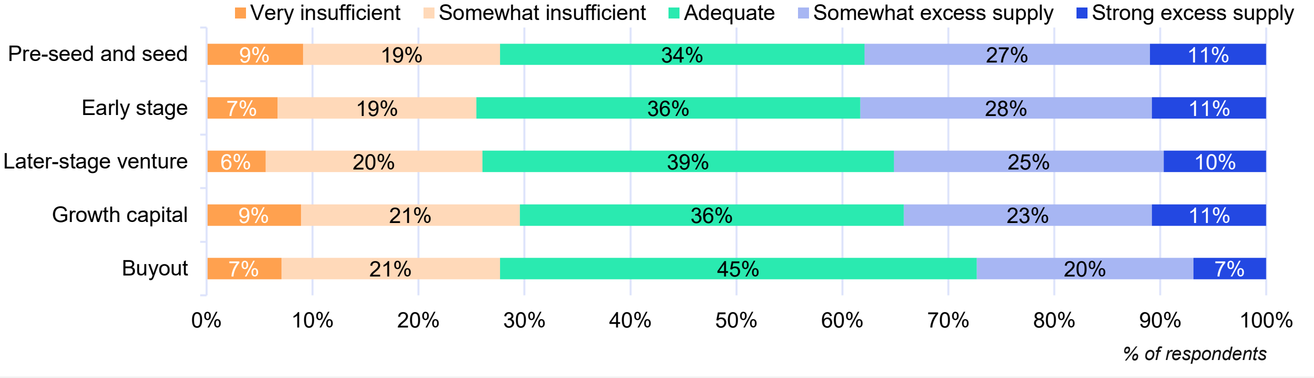
Perceptions of market valuations in AI-related assets in the EU and globally



Q. How do you assess current overall valuations in AI-related assets (in general, not in your own portfolio)?

Funding is chasing AI hard. Respondents generally perceive financing conditions for AI-enabled companies as balanced across all company development stages**.** Around one-third to nearly half of respondents consider funding availability to be adequate, with the highest share recorded for buyout investments (45%). At the same time, perceptions tend to lean slightly towards excess capital supply rather than funding shortages, particularly at the venture stages, where around one-third to two-fifths of respondents report some degree of oversupply. Overall, the results suggest that AI-related investment opportunities currently benefit from broadly available financing across the entire investment lifecycle.

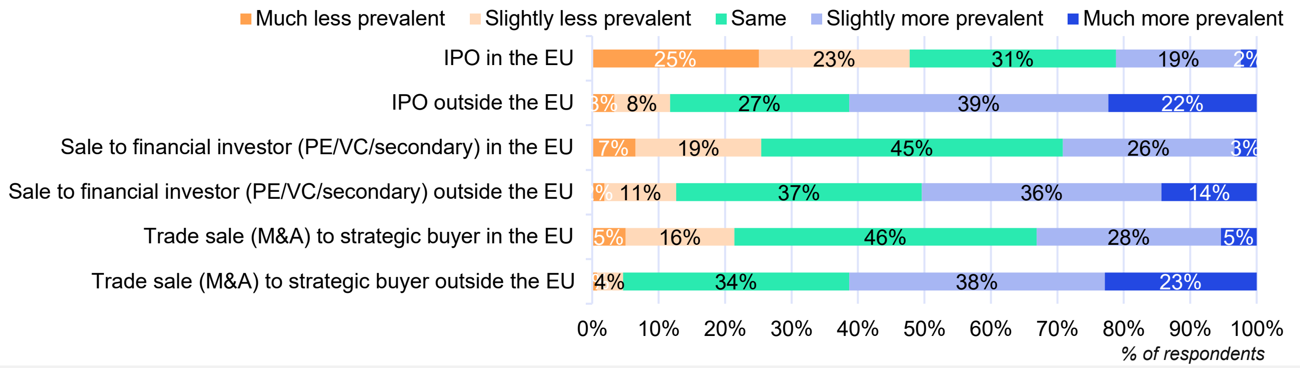
Perceptions of financing availability for AI-enabled companies at different stages



Q. How would you assess the availability of financing for AI-enabled companies at different stages?

AI companies are relying more heavily on non-EU exit routes than companies in other sectors. The strongest patterns are observed for trade sales (M&A) to strategic buyers outside the EU as well as for IPOs outside the EU, with more than 6 in 10 respondents viewing these exit routes as more prevalent for AI companies. Sales to financial investors outside the EU are also widely seen as occurring more frequently for AI companies than for companies in other sectors. By contrast, exits within the EU (with the exception of IPOs) are broadly perceived almost as common as for non-AI sectors. Overall, the findings point to AI companies eyeing international exits much more frequently than in other sectors, perhaps not unrelated to the earlier discussion about the much lower valuations for AI companies in the EU.

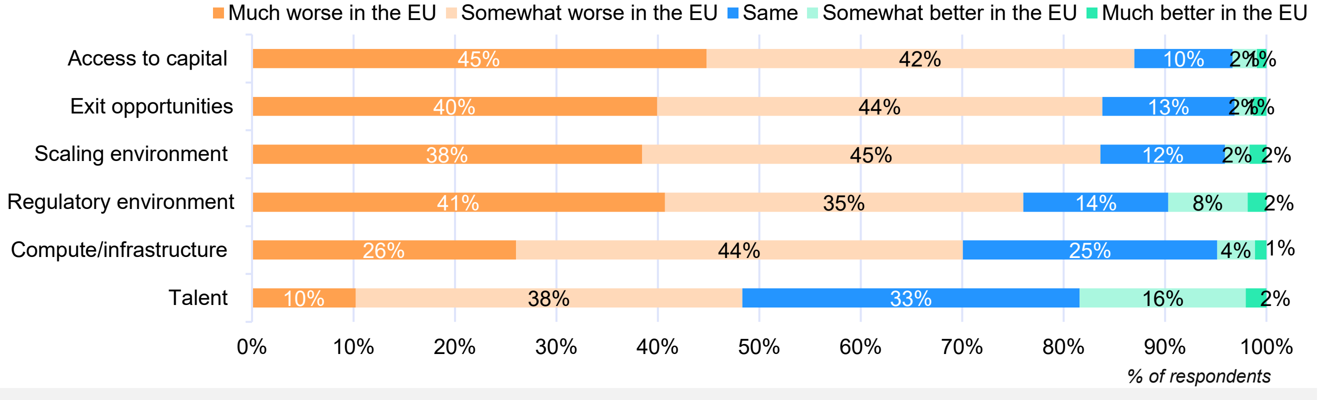
Prevalence of exit routes for AI companies relative to non-AI sectors



Q. Thinking about the market overall (not only your own portfolio), how common are the following exit routes for AI companies compared to non-AI sectors?

Europe may have the use cases, but the US has the machine, as respondents overwhelmingly perceive framework conditions for AI development to be stronger in the US than in the EU across nearly all dimensions. The largest gaps are seen in access to capital, exit opportunities and the scaling environment, where more than four-fifths of respondents consider conditions in the EU to be worse. Regulatory conditions and compute infrastructure are also viewed less favourably in the EU. Talent is the most balanced category, although nearly half of respondents still perceive the EU as being at a disadvantage. Overall, the findings point to persistent structural weaknesses in the EU's AI ecosystem, particularly in areas critical for growth and commercialisation.

Framework conditions for AI development in the EU vs. the US

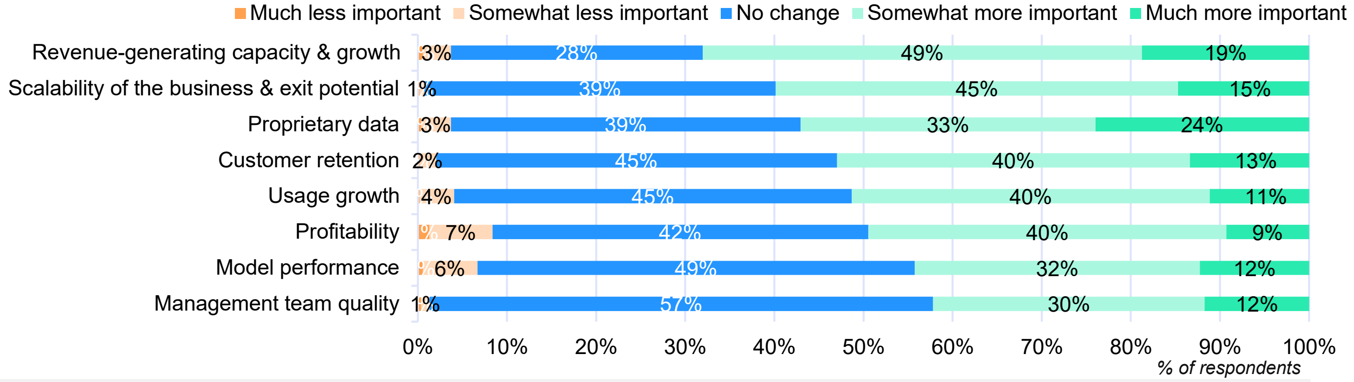


Q. How would you assess the overall framework conditions for AI development in the EU vs. the US?

In focus: Investing in Artificial Intelligence

AI investment evaluation has become increasingly focused on tangible business outcomes. Revenue-generating capacity and growth, scalability and exit potential, and proprietary data show the largest increases in importance compared with two years ago, with more than 60% of respondents assigning greater weight to each factor. Customer retention, usage growth and profitability have also gained prominence, reflecting a stronger emphasis on commercial traction and sustainable value creation. By contrast, model performance and management team quality are more frequently viewed as unchanged, suggesting that investors are increasingly differentiating AI opportunities on business fundamentals rather than purely on technological capabilities.

Change in importance of investment evaluation criteria for AI companies

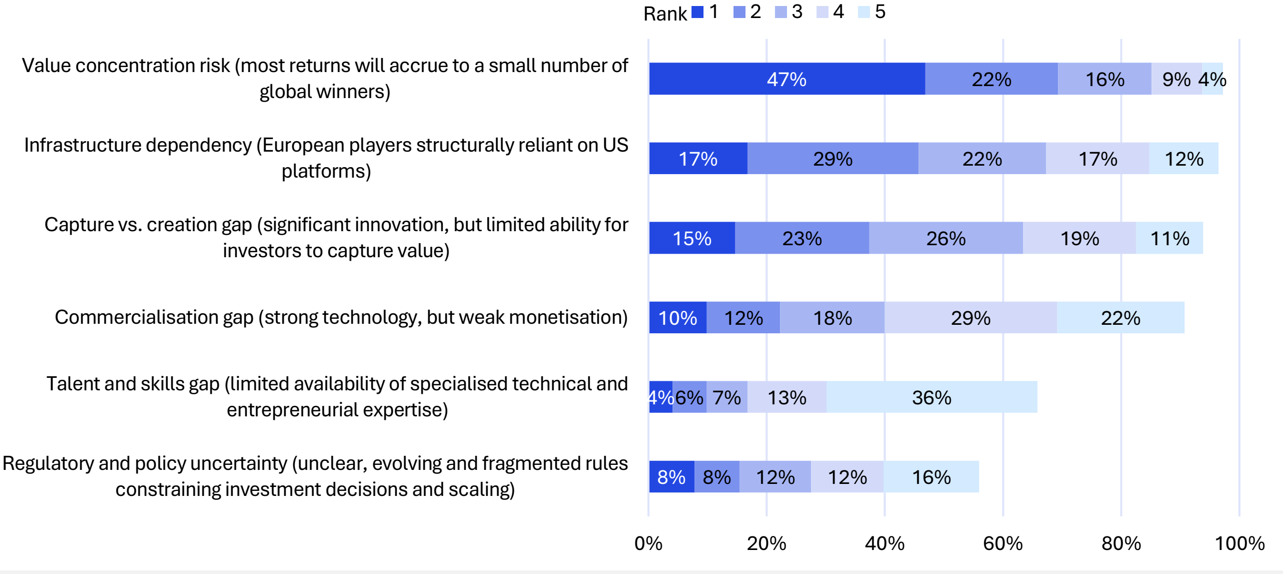


Q. Given increasing pressure for AI investments to generate tangible financial returns, how has the importance of the following factors changed compared to 24 months ago when evaluating an AI investment?

Investors view the distribution of AI-related value as the central challenge of this investment theme. Respondents identify value concentration risk – the possibility that most of investment returns accrue to a small number of global winners – as the most significant concern associated with AI investments, with nearly half ranking it as their top risk. Dependence on US-based infrastructure platforms and the gap between value creation and value capture also rank among the leading concerns. By contrast, talent shortages and regulatory uncertainty are generally perceived as less pressing. Overall, the results suggest that investors are more concerned about market structure and the distribution of economic value than about technological capabilities or regulation alone.

Respondents see Europe's strongest potential less in competing directly on frontier models and more in AI adoption, industrial applications, healthcare, robotics and infrastructure. At the same time, in free-text responses to this survey, respondents also repeatedly point to constraints around scale-up capital, compute and energy access, regulation, exit depth, valuation discipline, and the ability to access and retain specialised tech talent.

Key concerns about AI as an investment theme



Q. Which of the following tensions best reflects your current concern about AI as an investment theme?

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 Q2 2026 Barometer Survey was conducted between 16 and 30 June 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 538 VC and PE mid-market fund managers, of which 336 (62%) VC and 202 (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, the Netherlands, Germany, Italy, Spain, and Sweden, while 17% of respondents are headquartered outside the EU, predominantly in the UK (8%).
- 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*: How would you rate the current fundraising environment? / 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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… the European Investment Fund

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In this role, the EIF fosters EU objectives in support of innovation, research and development, climate and environment, entrepreneurship, growth, and employment. The EIF manages resources on behalf of the EIB, the European Commission, national and regional authorities and other third parties. EIF support to enterprises is provided through a wide range of selected financial intermediaries across Europe. The EIF is a public-private partnership whose tripartite shareholding structure includes the EIB, the European Union represented by the European Commission, and various public and private financial institutions from European Union Member States, the United Kingdom and Türkiye. For further information, please visit *www.eif.org*.

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