



KPMG private markets pulse

Reshaping investment
strategies amid
economic uncertainty

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In a rapidly evolving economic landscape, tariffs are significantly influencing investment decisions and prompting institutional investors to reassess priorities as they navigate geopolitical tensions, inflationary pressures and the growing influence of Artificial Intelligence (AI).

KPMG US surveyed more than 300 institutional investors, including private equity (PE), asset management (AM), and venture capital (VC) across various industries and sectors in the first quarter of 2025 and then again in the second quarter, to capture changes in investor sentiment around economic growth and deal market outlook, including factors influencing investment decisions both before and after the announcement of new tariffs and the resulting effects.



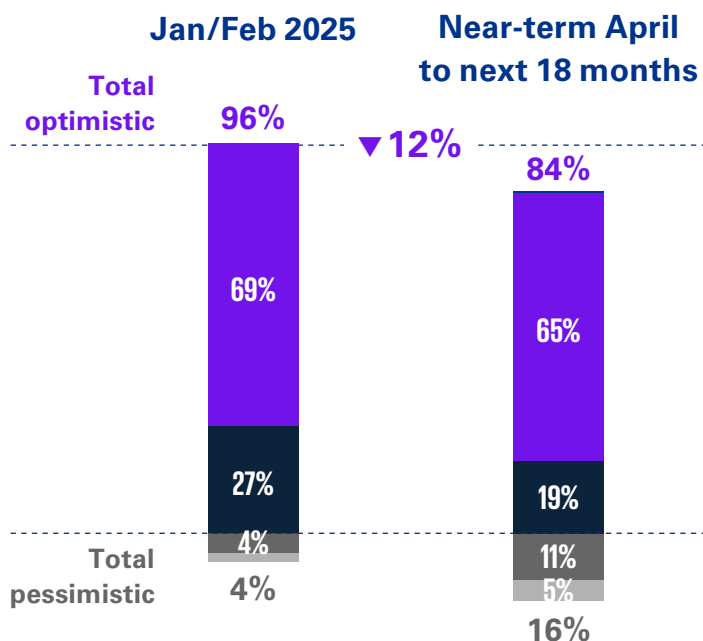
Tariffs—both the downstream impacts and mitigation of them—are challenging institutional investors to rethink their investment strategies and risk appetite. While they maintain an optimistic view of long-term growth, in the near-term, their focus has shifted to domestic companies in industries experiencing less uncertainty due to the current market environment.



Tarek Ebeid
KPMG Private Leader and Partner in Charge –
Northern California Audit Practice, KPMG US

Optimism for near-term economic growth in the next 18-months has tempered since early 2025 (in the near term)

● Very optimistic ● Somewhat optimistic ● Somewhat pessimistic ● Very pessimistic



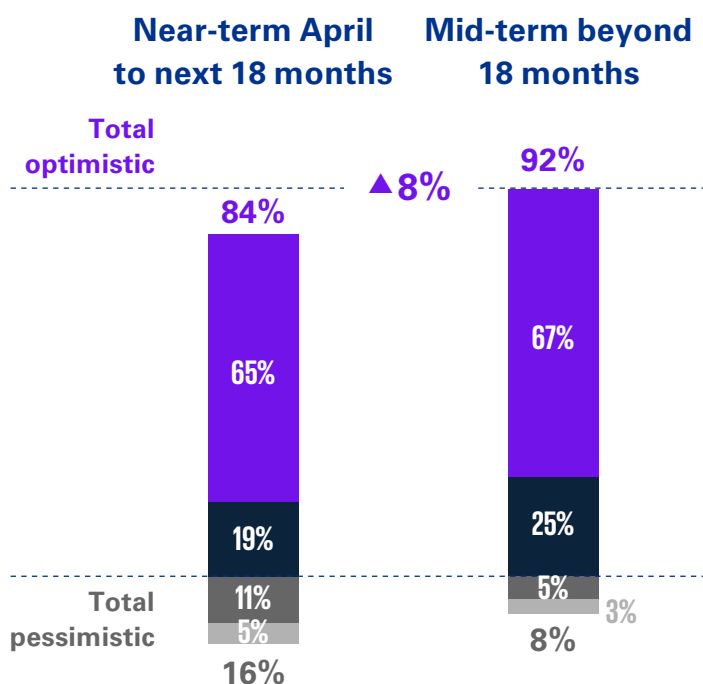
Total optimistic by investor class

	Jan/Feb 2025	April 2025	Change
PE	98%	86%	▼ 12%
VC	93%	86%	▼ 7%
AM	96%	83%	▼ 13%

Q1. What are your expectations for economic growth in the next 18 months?

However, optimism for growth bounces back to higher levels looking beyond 18 months.

● Very optimistic ● Somewhat optimistic ● Somewhat pessimistic ● Very pessimistic



Total optimistic by investor class

	Jan/Feb 2025	April 2025	Change
PE	86%	93%	▲ 7%
VC	86%	95%	▲ 9%
AM	83%	90%	▲ 7%

Q2. What are your expectation for economic growth in the mid-term (beyond 18 months)?



Investors view tariffs as both a near-term challenge and a driver of strategic shifts in investment priorities.

Investor views are mixed regarding tariffs' impact on economic growth in the near-term, while longer term (beyond 18 months) there is perceived optimism that the tariffs will be positive for the US economy. With 61% of institutional investors acknowledging the high impact of tariffs on investment decisions, there is a notable shift towards domestic companies and sectors less impacted by tariffs, particularly in technology and cybersecurity.

Overall impact of recent and potential tariff impositions on investment decision making

39%

of institutional investors say the recent and potential tariff impositions will have a **minimal impact on investment decision-making** ('moderate' or 'low' impact).

Those especially likely to say minimal impact:

44% Venture capitalists (n=86)

46% US-only investors (n=125)

61%

of institutional investors say the recent and potential tariff impositions will have a **high impact on investment decision-making** ('very high' or 'high' impact).

Those especially likely to say high impact:

67% Private equity investors (n=76)

66% US and international investors (n=175)

Q3. How has the recent actual and potential tariff impositions affected your investment decision-making? (Base: Total, n=300)

Fifty-four percent of investors are prioritizing domestic companies, 48% are focusing on sectors best positioned for economic growth under current economic conditions and 41% are prioritizing companies with strong financials, while 39% show favorability toward less import-reliant sectors. Likewise, more than half believe the tariffs will increase investments in private companies in the near-term (52%, next 18 months). Additionally, investors with higher capital levels are increasingly diversifying their portfolios to mitigate tariff impacts.

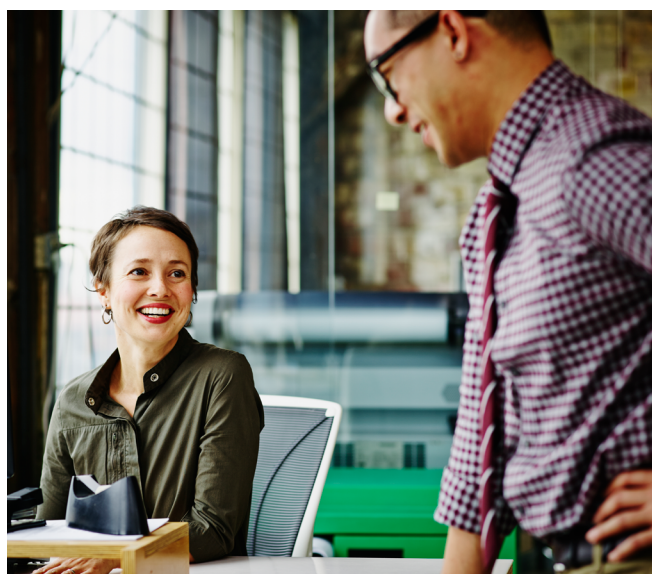
Impact of current economic conditions on investment strategy regarding private companies

	Total	PE	VC	AM
Increasing focus on US-based companies	54%	50%	56%	55%
Focusing on sectors best positioned for economic growth under current economic environment	48%	49%	44%	49%
Prioritizing those companies with strong financials and demonstrated revenue growth	41%	42%	31%	46%
Favorability toward less reliant sectors	39%	39%	37%	41%
Increasing emphasis on companies with resilient supply chains	31%	30%	30%	32%
Pausing new investments in private companies	26%	28%	28%	24%
Increasing focus on companies outside the US	22%	28%	16%	22%

*Not showing values less than 5% including "minimal or no changes to investment strategy," 4% and "none of the above," 2%.

Q18. How has the current economic conditions impacted your investment strategy regarding private companies? Please select all that apply. (Base: Total, n=300)

52% indicate increased investments in private companies.



Investors cite financial services, banking, insurance and fintech (51%), blockchain and cryptocurrency (46%), cybersecurity (43%), real estate and proptech (43%) and technology, software and AI (42%) as industries best positioned to attract investments in the next 18 months due to the continuation of technological advancements.

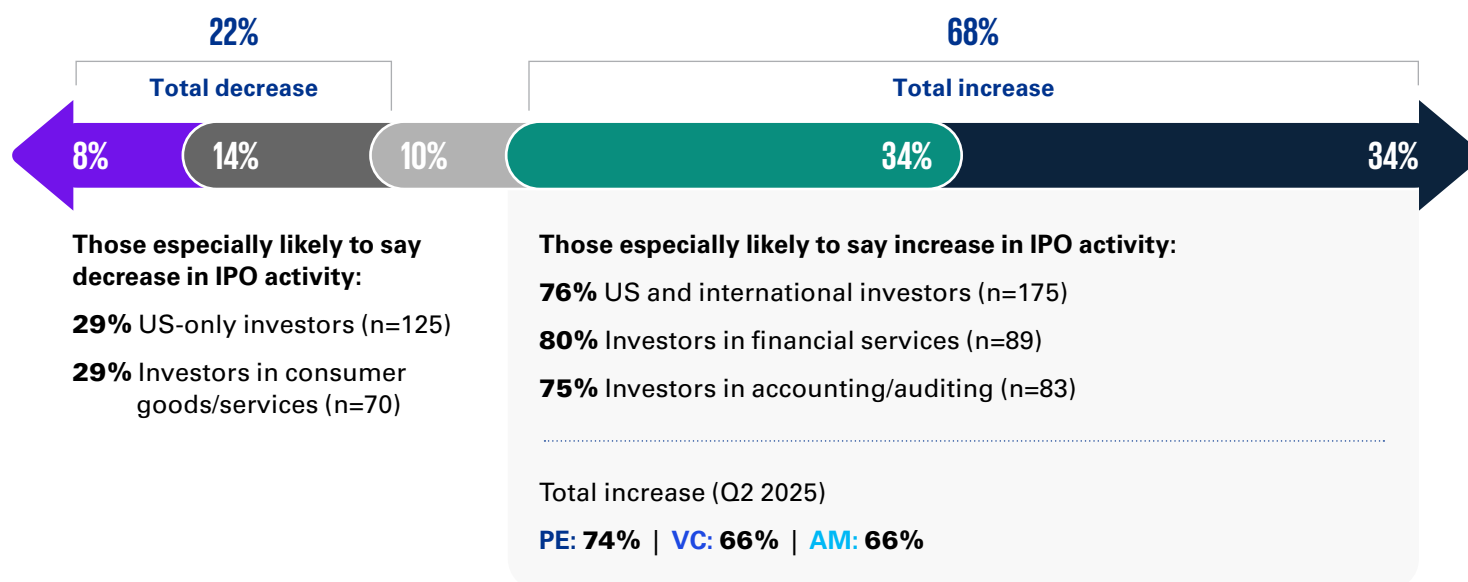
Investors are holding out hope for the IPO window to open as capital deployment plans see a slight uptick.

Despite reduced optimism about near-term economic conditions, investor confidence in IPO activity remains strong, with 68% expecting an increase in activity in the next 18 months. Investors in financial services and banking are particularly optimistic, with 80% anticipating heightened IPO activity. Similarly, a vast majority of investors (91%) remain confident that the transaction market will increase in the next 18 months. Growth equity investments and mergers and acquisitions (M&A) are seen as the most viable exit pathways outside of an IPO, consistent with the findings in our [Disruption Decoded](#) report from earlier this year.

Expected change in IPO activity

(Near-term next 18 months)

- Significant decrease
- Moderate decrease
- No significant change
- Moderate increase
- Significant increase



Q10. How do you expect IPO activity to change over the next 18 months? (Base: Total, n=300)

A growing number of investors are planning to deploy substantial capital, with 43% intending to invest over \$1 billion in the next 18 months. When surveyed in April, more asset managers and private equity investors reported plans to invest over \$5 billion in the same timeframe, compared to their responses in January and February.

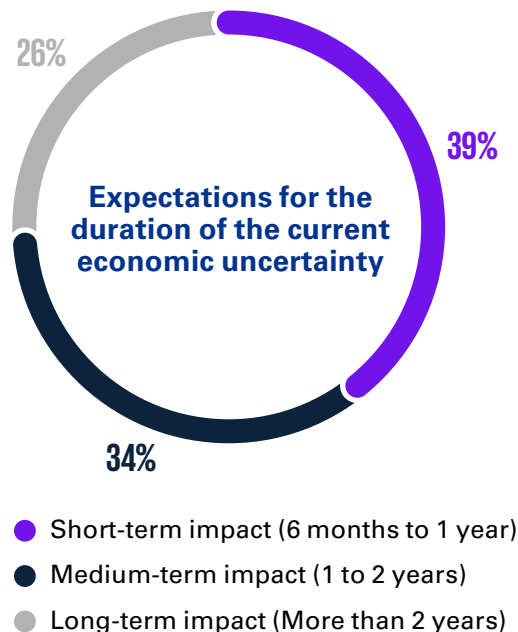


Investor confidence wanes in the near-term, with interest rate cuts and geopolitical tensions expected to shape economic outlook.

A 12-point decline in optimism about economic growth in the near-term (in the next 18 months) from January-February to April, is tempered by four in ten investors believing economic uncertainty is limited to the short-term (6 months to a year). Just one in four think it will last beyond two years.

Nearly half of investors anticipate a recession in the next 18 months, with private equity investors more likely to hold this view compared to their venture capital and asset management counterparts. Additionally, 72% believe there will be two or more interest rate cuts by the Federal Reserve this year. This partially aligns with the latest KPMG Economic Compass, in which Diane Swonk, KPMG Chief Economist, forecasts persistently high levels of uncertainty and uneven deregulation over the next two years, alongside two rate cuts by the Fed prior to the end of the year, starting in October.

Over the next 18 months, investors anticipate that several factors will significantly influence growth. Geopolitical issues top the list at 45%, followed closely by inflation, technological advances and changes in tax policy. Notably, investors in financial services/banking, accounting/tax/auditing, and blockchain/crypto place greater emphasis on tax policy changes compared to those in other sectors.



*Not showing "there is no market uncertainty," 1%.

Q15. How long do you think the current economic uncertainty will last?
(Base: Total, n=300)

Key findings by investor class



Asset Management

Amidst declining economic optimism and transaction market confidence, asset management firms are adopting a cautious approach to investments, with a strategic emphasis on domestic investments and resilient supply chains.



Compounding economic volatility is driving a mindset shift among asset managers, influenced by the dynamics of a difficult-to-forecast interest rate future, market turbulence, and a complex geopolitical environment. Rather than retreat, firms are recalibrating with optimism and intent. As global capital shifts, domestic players are finding room to move, innovate, and turn uncertainty into long-term advantage.”



Yesenia Scheker-Izquierdo

US Sector Leader for Asset Management, KPMG US

- Fifty-five percent of asset managers are increasing their focus on investments in US-based companies, while only 22% are expanding exposure outside the US. At the same time, 32% are focusing on companies with resilient supply chains, emphasizing operational strength in their portfolios.
- Roughly a quarter of asset managers are pausing new investments in private companies, indicating a more measured approach to deploying capital.
- While confidence in the transactions markets over the next 18 months remains strong, it too saw a slight decline, with expectations falling from 95% in February 2025 to 90% in the latest survey.
- Despite economic concerns, 36% of asset managers believe there will not be a recession in the US within the next 18 months.
- Asset managers are expecting multiple rate cuts this year, with 72% expecting two or more rate cuts in 2025, with similar expectations shared by VC and PE counterparts.
- Over the next 18 months, capital deployment plans among asset managers vary: 57% expect to deploy less than \$1 billion, 20% plan to deploy between \$1 billion and \$5 billion, and 23% anticipate deploying more than \$5 billion.

Key findings by investor class



Private Equity

Private equity investors are closely examining the American consumer and looking for signs that they are being impacted negatively by tariffs and economic volatility, with these insights feeding into their investment decisions.



Our survey confirmed that PE investors, through their holdings of consumer and retail companies, seem to be very much in touch with current consumer sentiment, and are using that sentiment as a gauge when evaluating investment opportunities.”



Glenn Mincey

US Sector Leader, Private Equity, KPMG US

- PE investors are more likely to be concerned about supply chain disruptions when evaluating investment opportunities as compared to all other institutional investors.
- PE investors are more likely to be concerned about shifts in consumer behaviors when evaluating investment opportunities as compared to all other institutional investors.
- Fifty-seven percent of PE investors expect a recession in the next 18 months, versus 47% for all institutional investors.
- Thirty-six percent of PE investors see falling consumer confidence as an indicator of recession, versus only 26% of all institutional investors.

Key findings by investor class



Venture Capital

While optimism for near-term economic growth in the next 18 months has tempered among venture capital investors since early 2025, VC investors have the highest optimism for economic growth when looking ahead beyond 18 months.



While tariffs, interest rates and global jitters are causing VC investors to pull back in the near term, there's more to it than meets the eye. Look past the fog, and VCs are the most bullish in the room. In fact, venture capital is playing the long game — and they've got the track record to back it up."



Francois Chadwick

Global & National Lead Partner, Emerging Giants,
Private Enterprise, KPMG US

Even as headwinds rise — tariffs, inflation, the specter of recession — VCs are adjusting, not retreating. They're sharpening their focus, tightening their grip, and staying in the game. They understand how to navigate compound volatility, and that's how they've been such huge contributors to the global economy."



Conor Moore

Global Head of KPMG Private Enterprise, KPMG International,
and Head of KPMG Private Enterprise, KPMG US

- Eighty-six percent of VC investors said they were optimistic for near-term economic growth in the next 18 months in April 2025, compared to 93% who were optimistic in January.
- However, 95% of VC investors said they were optimistic for economic growth when looking ahead beyond 18 months — the highest among all institutional investors.
- VC investors remain confident, 92% in April vs. 90% earlier this year, that the transactions market will increase activity in the next 18 months. Likewise, 66% of VC investors are confident IPO activity will increase in the near term.
- Fifty-six percent of VC investors said they are increasingly focusing their investments on US-based companies with less import-dependency in light of current global economic and trade conditions.

About the KPMG US Survey—KPMG Private Markets Pulse: Reshaping investment strategies amid economic uncertainty

The KPMG study surveyed 300 institutional investors in the US who are decision makers in their company's investment in private companies and work at companies with \$500M+ in total assets under management across various verticals, including asset management, venture capital, and private equity.

The survey was fielded in the second quarter of 2025 to explore changes in sentiment and optimism around the US growth outlook amid changing US economic policy and the introduction of actual and proposed tariffs, following an initial survey that was fielded in the first quarter of 2025. Topics explored include near and medium-term growth outlook, deal outlook and the impact of tariffs on investment decisions and strategy.

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