



KPMG Private Markets Pulse

The certainty of uncertainty: Navigating the shifting private landscape

KPMG. Make the Difference.

The private company investment landscape continues its profound transformation, shaped by a complex interplay of macroeconomic pressures, geopolitical uncertainty, and rapid technological acceleration.

This environment has created a fundamental duality in investor sentiment: a cautious approach to the near term, set against a backdrop of powerful, long-term optimism. To understand how investors are navigating this shifting landscape, this report presents the findings from our latest survey of investors, which polled key decision-makers across private equity, venture capital, and other asset managers.

The results reveal a strategic pivot in response to current market dynamics. While near-term concerns are prompting investors to prioritize companies with strong

financials and demonstrated resilience, the long-term outlook remains robust, fueled by a deep conviction in the sustained impact of technology – most notably, artificial intelligence (AI). Concurrently, the role of AI has evolved from a simple capability to a critical component of investment due diligence. Our findings highlight that investors now expect portfolio companies not only to possess AI capabilities for growth but also to operate within a formal AI governance framework, signaling a new premium on tech-driven risk management and strategic foresight.



Tarek Ebeid
KPMG Private Audit and Assurance Leader, KPMG US



George Hayes
KPMG Private Tax Leader, KPMG US



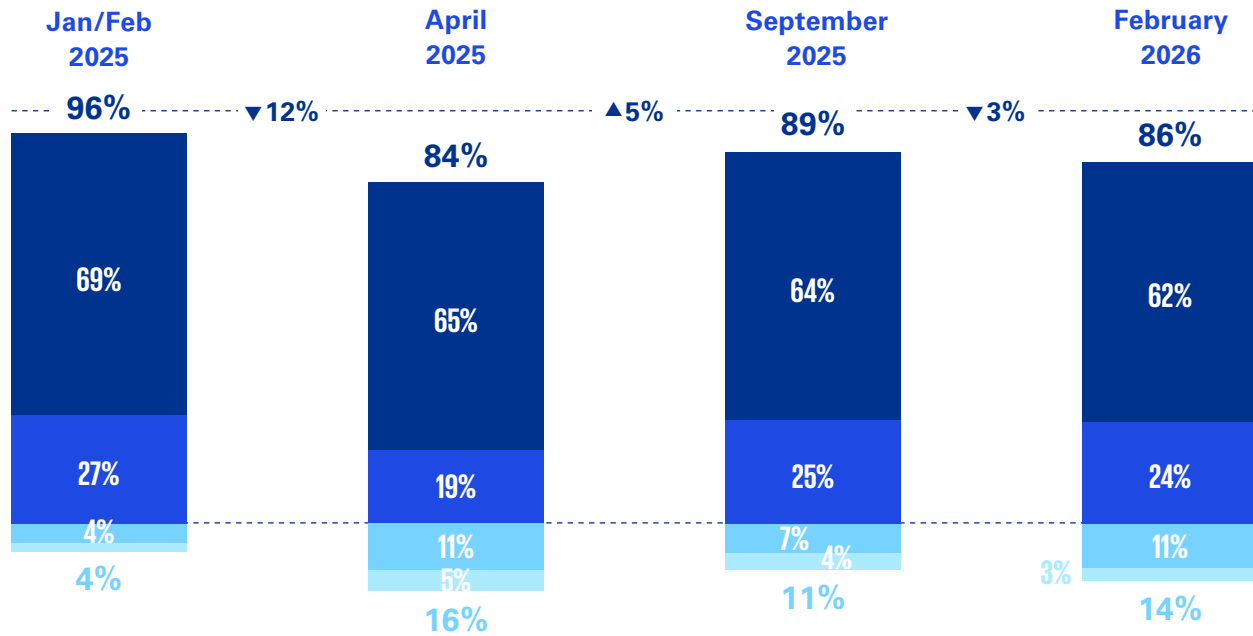
Carol Streicher
Asset Management and Private Equity Advisory Practice Leader, KPMG US



With all of this as a backdrop, we find that the 'certainty of uncertainty' is compelling investors to calibrate their strategies by prioritizing resilience and fundamental value, while betting decisively on the power of technology as a growth engine.

This latest edition of the KPMG Private Markets Pulse, which gathered insights from 302 institutional investors in the U.S., reveals a market in transition. While optimism for the next 18 months has eased since early 2025 (from 96% to 86%), confidence in the three-year outlook remains robust at 93%. This long-term conviction is overwhelmingly driven by a belief in the sustained impact of technological advances, specifically AI.

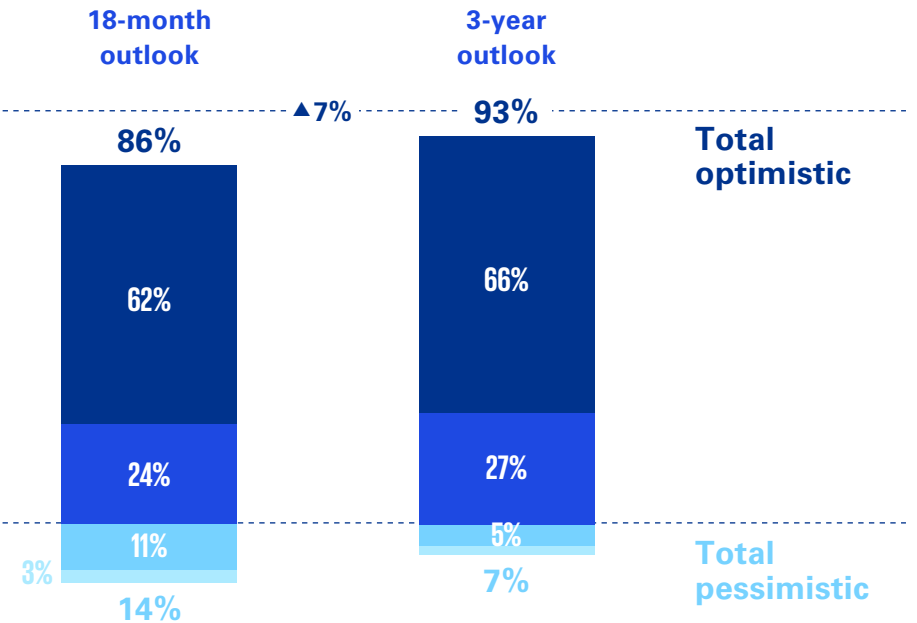
Expectations for economic growth



Q1: What are your expectations for economic growth in the next 18 months? (Base: Total, n=302)

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

Expectations for economic growth (February 2026)

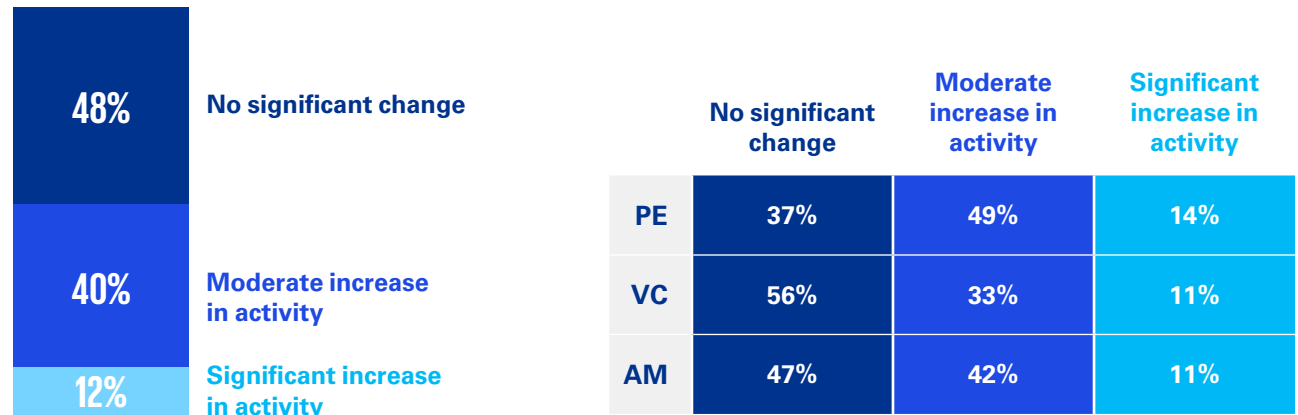


Q2: What are your expectations for economic growth in the next 3 years? (Base: Total, n=302)



As investors continue to navigate long-standing volatility and uncertainty across tariffs, interest rates, and geopolitical issues, they are increasingly focusing their efforts on the elements they can directly control. Consequently, they are focusing on companies with strong financials and demonstrated growth (54%), positioned for growth in the current economic environment (45%) and resilient supply chains (44%). This is also reshaping the exit landscape, with M&A (47%) solidifying its position as a preferred pathway while sentiment toward the IPO market cools.

Expected IPO activity (next 18 months)



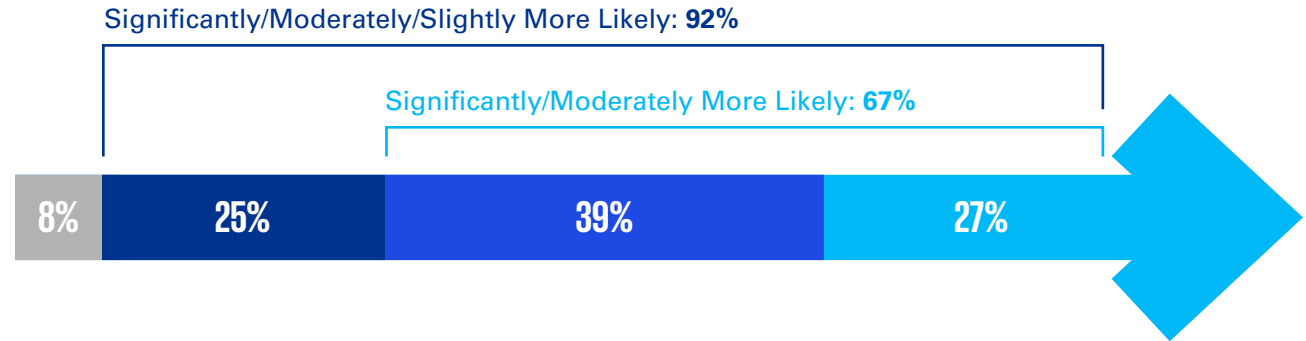
Q10: How do you expect IPO activity to change over the next 18 months? (Base: Total, n=302)

Momentum for public listings is building: 52% of respondents expect at least a moderate increase in IPO activity over the next 18 months. Among Private Equity respondents, who traditionally lead this space, confidence is even higher, with 63% anticipating increased activity.

Perhaps the most significant finding is that technology, specifically AI, has become critical in investment decisions. Investors now expect portfolio companies to possess not only AI capabilities for product or service development (56%) and operational efficiency (53%) but also a formal AI governance framework. Over 90% of investors report that strong AI governance makes them more likely to invest, signaling a new era of tech-driven diligence.

Q24: How would strong AI governance practices impact your likelihood of investing in or increasing investment exposure to a private company? (Base: Total, n=302)

Impact of AI governance on likelihood to invest



The duality of investor sentiment: Short-term caution, long-term conviction

A tempered near-term outlook

The survey data paints a clear picture of cautious optimism in the immediate term. While a significant majority of investors (86%) remain optimistic about economic growth over the next 18 months, this represents a notable decline from the 96% who expressed the same sentiment in early 2025.

This caution is rooted in a clear set of immediate challenges. Geopolitical issues (44%), inflation (43%) and interest rates (40%) were cited as top factors expected to have a significant impact on near-term growth (next 18-months).

When asked what they were most concerned about when evaluating investment opportunities, investors also pointed to macroeconomic factors including inflation (32%), interest rates (29%), and the possibility of a recession (32%). Despite media coverage on tariffs in early 2025, the same macroeconomic factors of inflation and interest rates topped the list of concerns when making investments, along with cybersecurity and a potential recession. For investors the focus is squarely on fundamental economic stability.

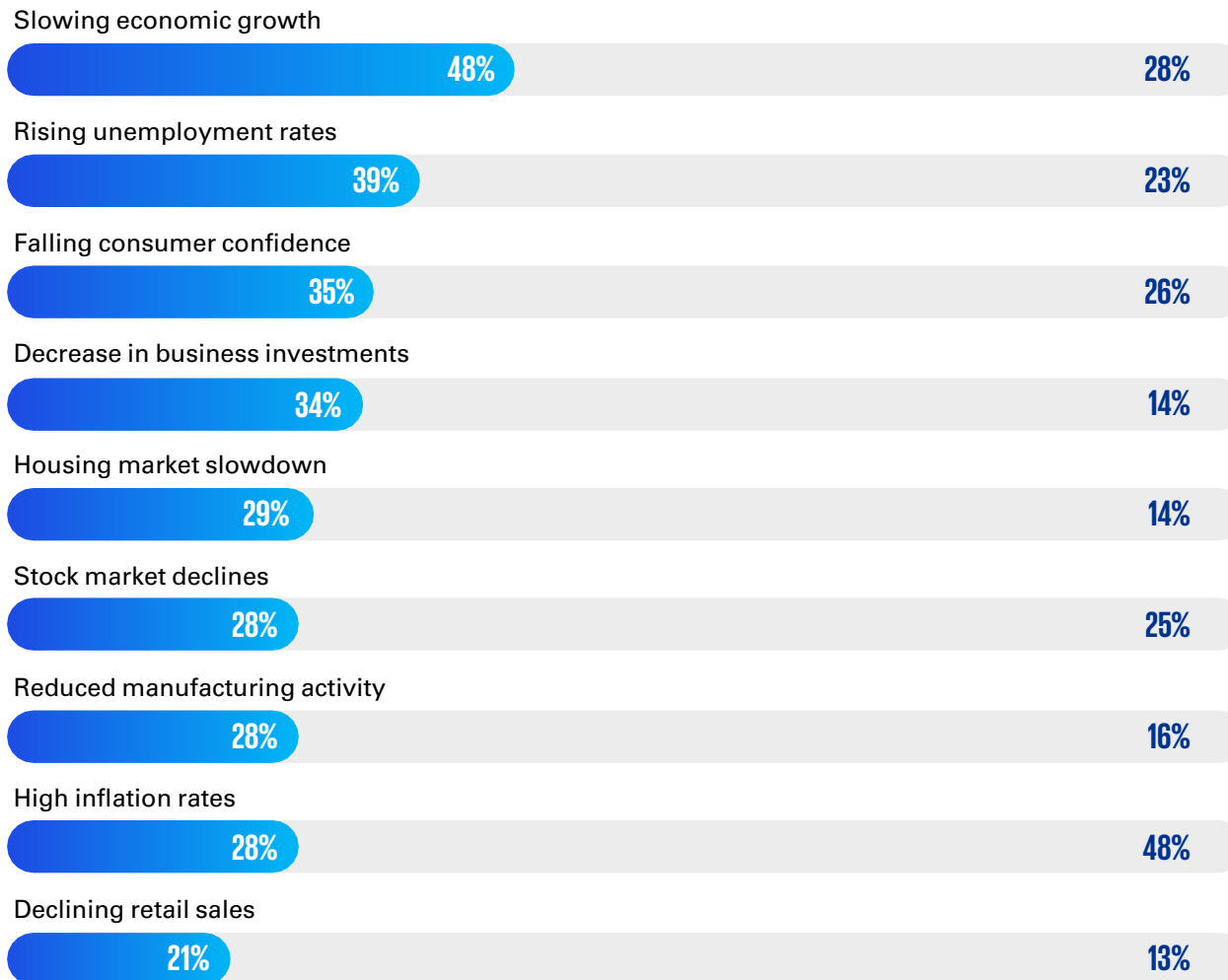
Q16. What are the most significant indicators that the U.S. economy is headed for a recession? Please choose up to three. (Base: Total, n=302)

*The option responses "High interest rates" and "Increases in consumer credit card and other debt" were included in April 2025 and not in Feb 2026

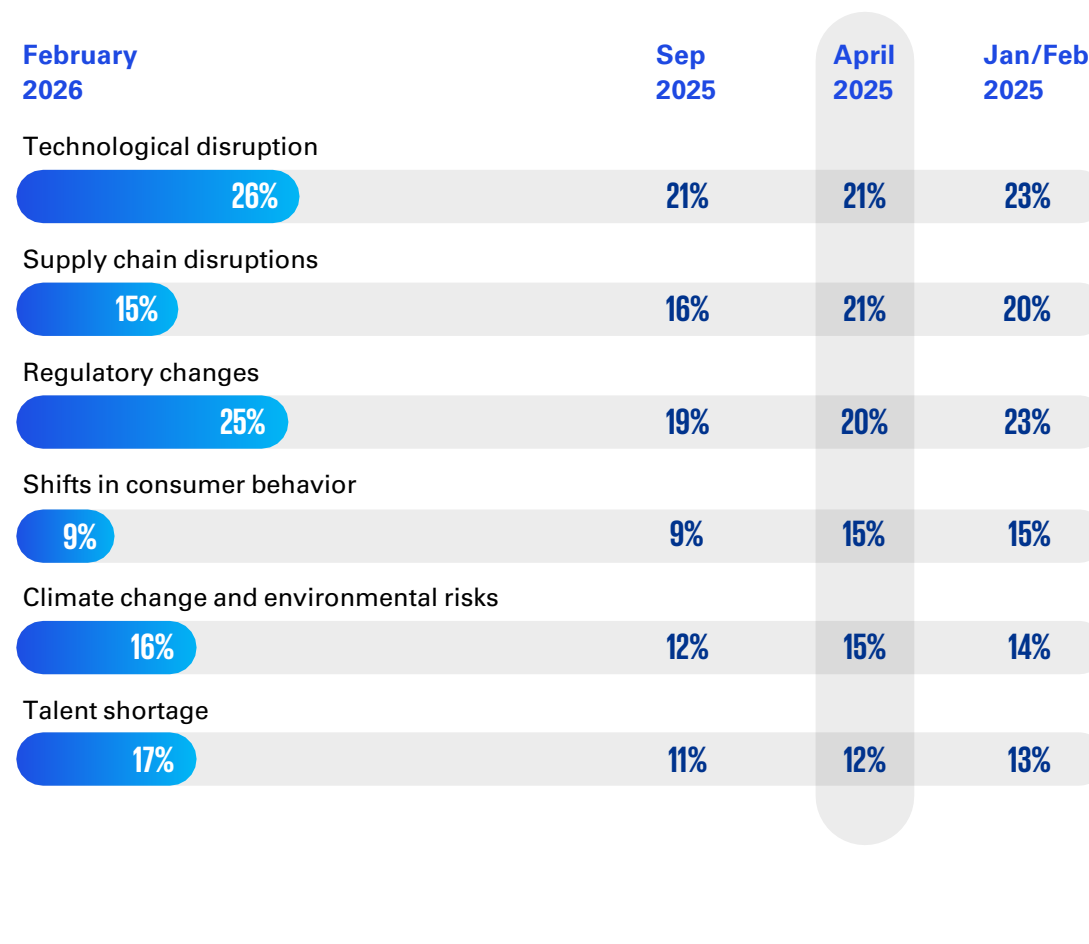
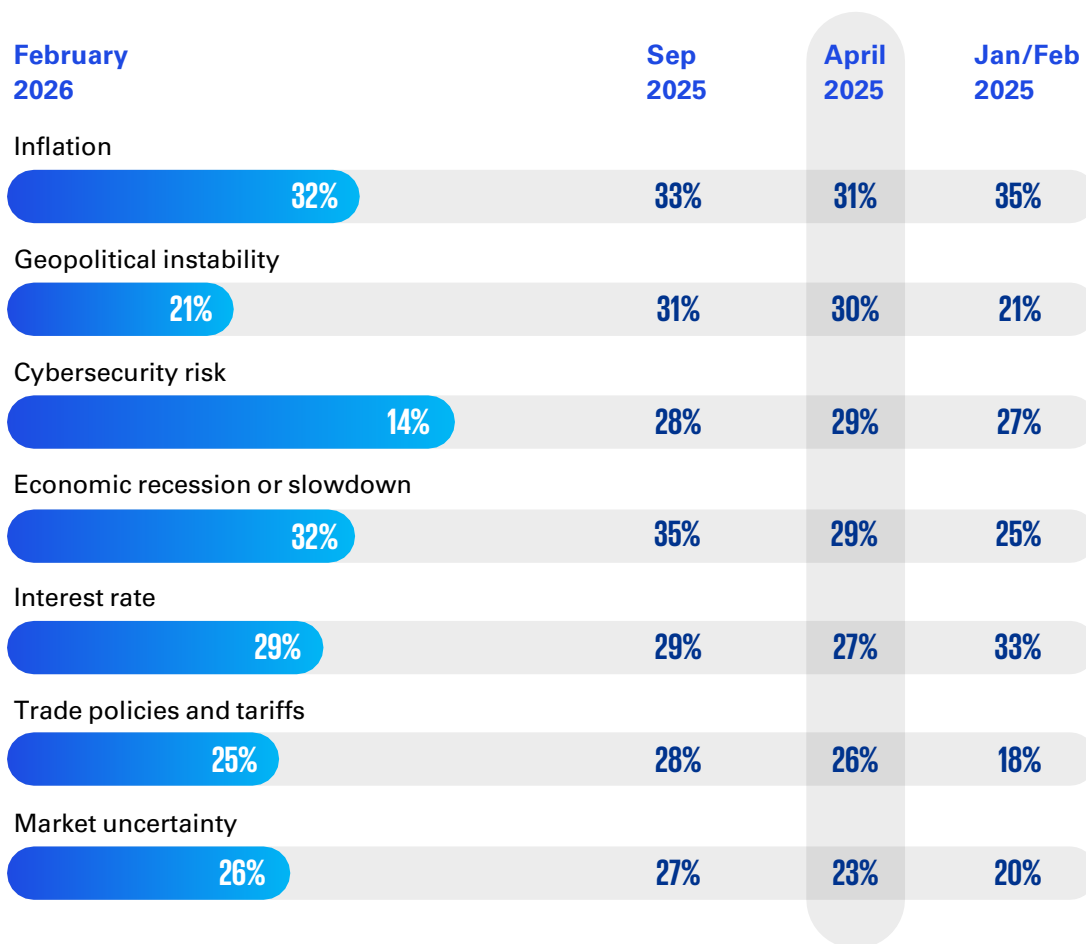
Perceived indicators of an impending recession

February 2026

April 2025



Concerns when evaluating investment opportunities



Q5: What broader market conditions are you most concerned about when evaluating investment opportunities? Please choose up to three. (Base: Total, n=302)

*The term "Market uncertainty" was updated from "Market volatility" in this wave



The three-year horizon: Continued optimism

The long-term outlook is one of confidence. Looking out three years, 93% of investors report feeling optimistic about economic growth. This suggests a broad consensus that current headwinds, while significant, may ultimately be temporary.

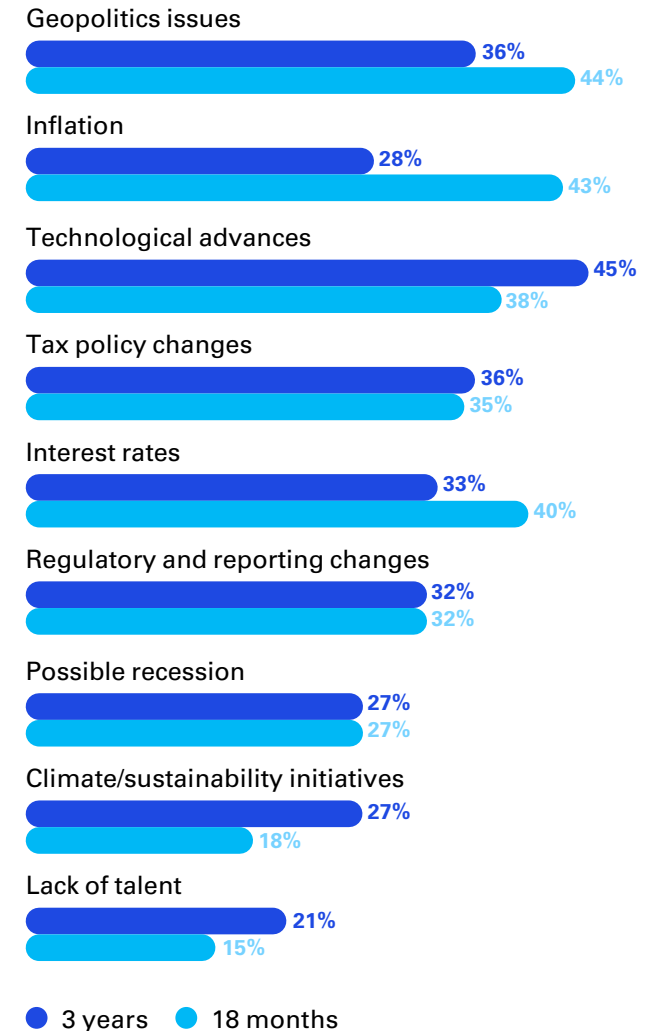
What is fueling this long-term conviction? The answer lies with technology. When looking at the three-year horizon, investors identify technological advances as the most significant factor that will impact economic growth (45%). Immediate concerns like inflation and interest rates, which dominate the 18-month outlook, recede in importance. This long-range view underscores a belief that technology will continue to be the primary engine of economic growth.

Q3: What factors do you believe will have the most significant impact on growth in the next 18 months? Please choose up to three.

Q4: What factors do you believe will have the most significant impact on growth in the next 3 years? Please choose up to three. (Base: Total, n=302)

Factors impacting economic growth

February 2026



Strategic return to fundamentals and resilience

The conservative shift in capital deployment

The current uncertainty is instilling, at least in the short-term, a discipline in investment strategy. Investors are becoming more conservative and selective. This is reflected in planned capital deployment, where there has been a 12% decrease in the number of investors planning to deploy over \$5 billion in the next 18 months.

This conservatism is not about inaction, but about a deliberate focus. When asked how market dynamics have influenced their strategy, investors prioritized:

- Companies with strong financials and demonstrated revenue growth (54%)
- Sectors positioned for growth in the current environment (45%)
- Firms with diversified and resilient supply chains (44%)

in an uncertain market, resilience has become a prerequisite for investment. This renewed emphasis on financial and operational health signals a clear demand for sustainable, efficient, and defensible business models—ones that can absorb shocks as risks evolve from tariffs to interest rates to geopolitical conflict.

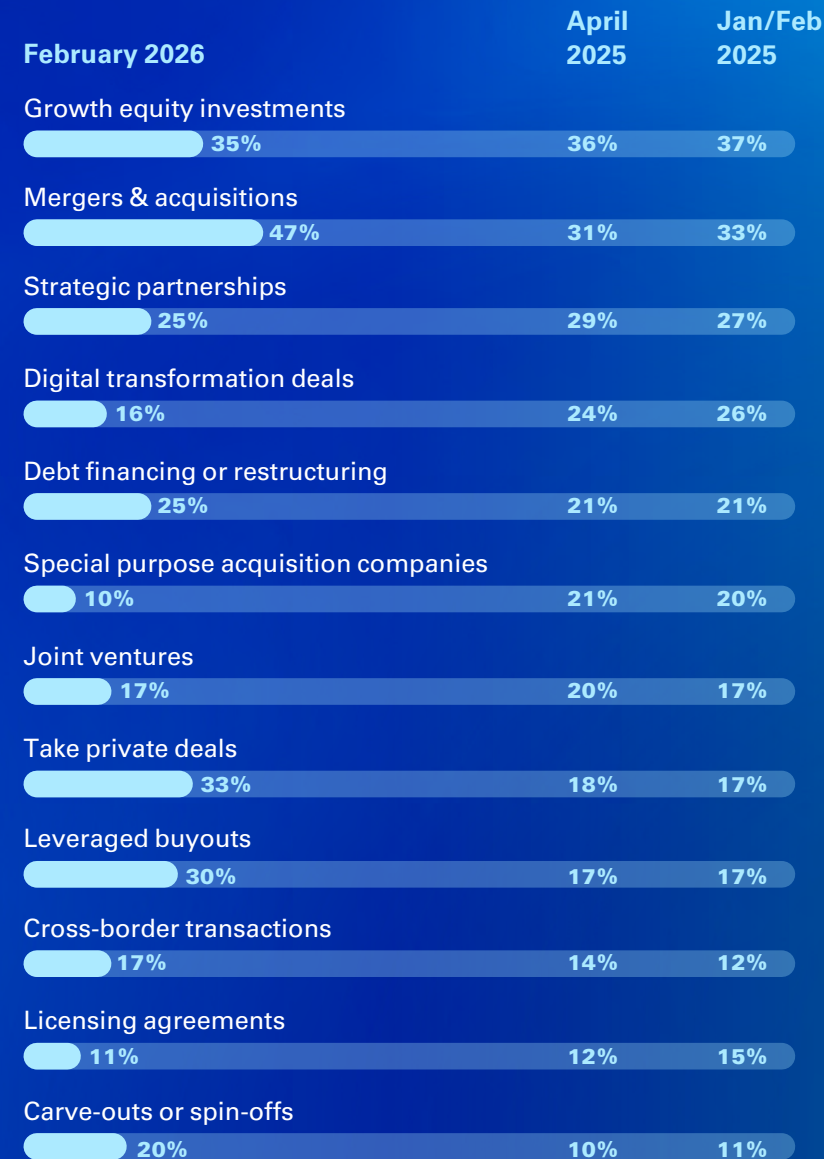
The evolving exit landscape

The cautious market sentiment has had a direct impact on exit strategies. Reflecting current market sentiment, a majority of investors (52%) anticipate an increase in IPO activity over the next 18 months. This optimism is particularly strong among Private Equity firms—the traditional leaders in public listings—where 63% expect an active IPO environment.

With mergers & acquisitions (M&A) solidifying its position as a viable exit pathway (cited by 47% of respondents), the nature of transactions is clearly shifting. Alongside a growing appetite for take-private deals and leveraged buyouts, a prominent trend we are also seeing today is the desire to execute carve-out deals. Given that these are often the most complex transactions in the market, they have become a major strategic focus. Even as 72% of investors remain confident in an overall increase in transaction volume, the pivot toward these intricate private transaction types is undeniable.

Q8: Outside of an IPO, which exit pathway/vehicle do you think will be the most viable over the next 18 months? Please choose up to three. (Base: Total, n=302)

Most viable exit pathways aside from IPO



The AI imperative: From capability to governance

AI as a growth engine

AI is no longer a speculative feature; for investors, it is now the foundational engine for long-term growth. The survey reveals that AI has become a core expectation at the time of investment. More than one-third expect AI to be either embedded across functions (24%) or central to an AI-first business model (11%).

Investor expectations are concentrated on tangible, value-driving applications. The top business areas where investors expect to see AI applied are:

- Product and service development (56%)
- Operations and efficiency (53%)
- Customer engagement and support (43%)

This focus on both top-line growth (new products) and bottom-line improvement (efficiency) demonstrates a sophisticated understanding of AI's dual role as both an innovator and an optimizer.

Business areas expected for AI investment

| Total | PE | VC | AM |
|-----------------------------------|-----|-----|-----|
| Product or service development | 67% | 65% | 52% |
| Operations and efficiency | 46% | 55% | 55% |
| Customer acquisition or retention | 49% | 40% | 42% |
| Risk management or fraud | 41% | 40% | 40% |
| Decision-making and analytics | 38% | 38% | 35% |
| Workforce productivity | 25% | 29% | 34% |

Q22: Which business areas do you expect companies you invest in to apply AI to? Select all that apply. (Base: Total, n=302)

The governance premium

Crucially, AI capability alone is not enough. As AI becomes more powerful and integrated, investors are placing an equally strong emphasis on oversight and risk management. Over 90% of investors indicate that a company with a formal AI governance framework would be more likely to receive their investment. Nearly a third (28%) go further, expecting formal governance with direct board-level oversight.

The importance of governance signals a likely ongoing premium on risk management related to AI. Investors recognize that unregulated AI presents significant risks, from data privacy and security breaches to ethical and reputational damage. When evaluating returns on AI, the focus is less on immediate, fully quantified financial ROI and more on achieving early operational benefits within a structured and responsible framework. Companies that can demonstrate both AI innovation and strong governance will command an advantage in securing capital.

Evaluation of AI investment return

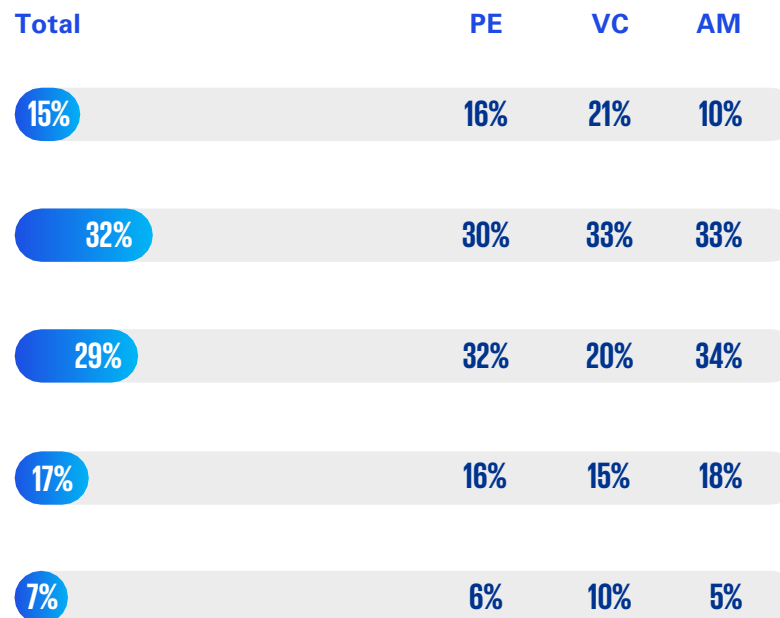
AI ROI is not a primary focus right now—I mainly want to see evidence the company is experimenting and staying technologically relevant.

I expect qualitative or early operational benefits (e.g., efficiency gains, improved processes), but not fully quantified financial returns yet.

I expect measurable financial impact (e.g., cost savings, revenue growth, margin improvement) tied to AI initiatives.

I expect AI investments to materially affect company valuation or long-term growth outlook.

I am skeptical of AI investments unless there is clear, near-term financial ROI.



Q25: How do you currently evaluate financial returns on a company's AI investments for private companies you invest in? Select the option that best reflects your expectations.
(Base: Total, n=302)



Thriving in an age of uncertainty

Fading concerns and enduring priorities

In this 'age of uncertainty', the investment landscape is defined by constant flux. While trade and tariffs remain on the radar, they are now part of a wider spectrum of 'new normal' challenges, including fluctuating interest rates, persistent inflation, and geopolitical tension. Investors have moved past reactive stances, instead adopting proactive mitigation strategies and building the operational readiness to thrive amidst continuous change.

Despite the headwinds presented by today's macro environment, a sense of optimism regarding growth prevails. This is due in large part to investors successfully recalibrating their short-term strategies to account for volatility. It is telling that when surveyed on complex issues like the economic impact of tariffs, investors were split almost into equal thirds—positive, negative, and neutral. This parity reflects a sophisticated, agile approach to risk, where investors are no longer deterred by uncertainty but are instead finding ways to navigate it across all fronts.

The path forward

The findings of the KPMG Private Markets Pulse crystallize the central challenge and opportunity facing investors today: The Certainty of Uncertainty. The current environment is not a temporary storm to be waited out, but a new climate to be navigated with skill and foresight.



About the Survey

The data in this report is based on an online survey of 302 U.S.-based private company institutional investors fielded in Q1 of 2026. All respondents are decision-makers at firms with over \$500 million in assets under management, representing a cross-section of private equity, venture capital, and other asset managers. The data and responses collected in this survey were finalized prior to two significant macroeconomic and geopolitical developments: the Supreme Court's decision to overturn the administration's tariffs policies, and the recent conflict in the Middle East.

Learn about us:



kpmg.com

The views and opinions expressed herein are those of the respondents and do not necessarily represent the views and opinions of KPMG LLP.

© 2026 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.