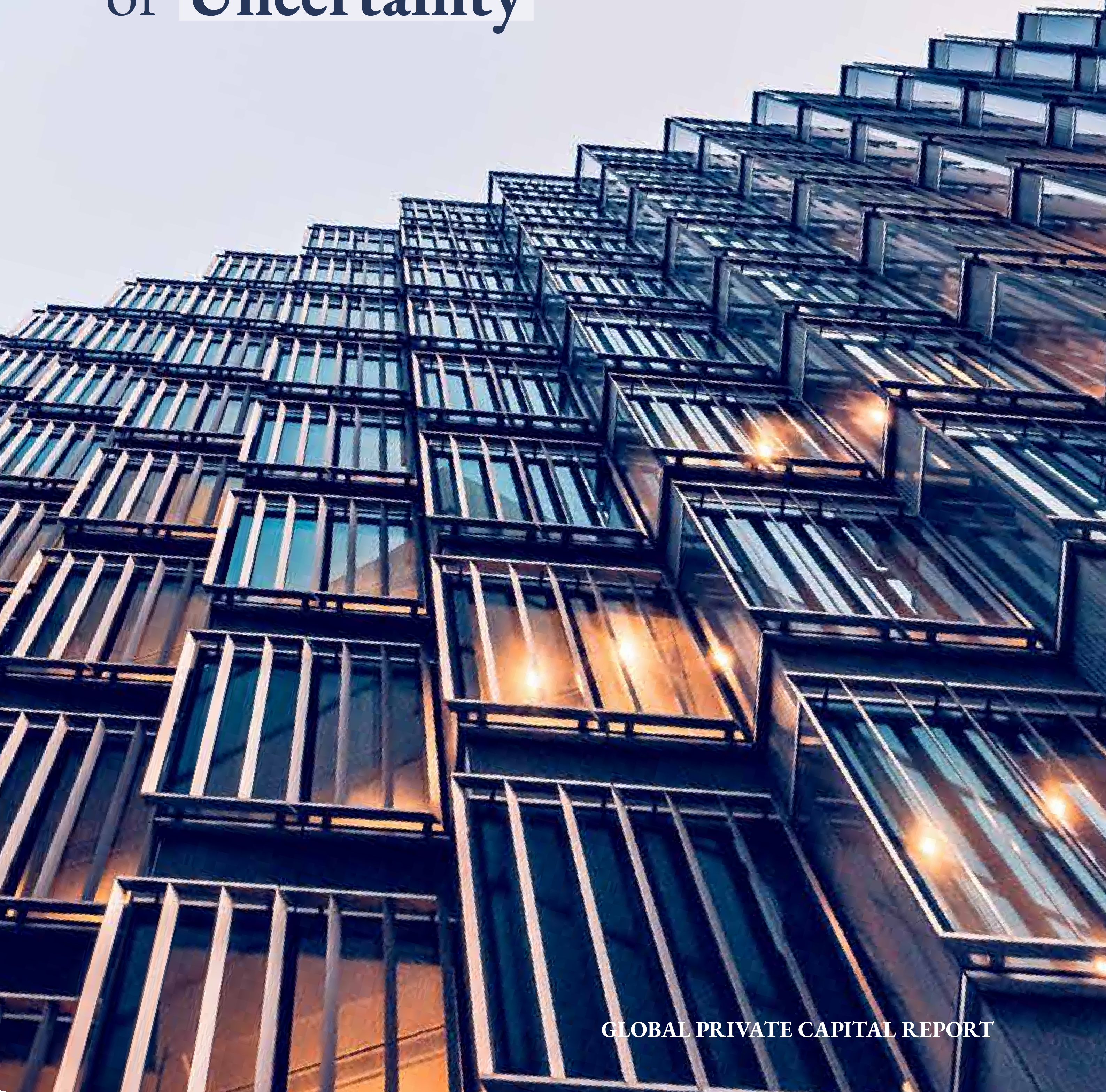
ROPES & GRAY

Cautious Optimism:

How Private Equity Is Navigating a New Era of **Uncertainty**



GLOBAL PRIVATE CAPITAL REPORT

The U.S. remains the deepest and most efficient private capital market globally.

Europe, however, continues to offer some of the most compelling value-creation opportunities, not because of valuation differentials, but because many sectors remain structurally fragmented and therefore suitable for consolidation.

Asia presents a different profile altogether, combining exceptional growth potential with a more complex geopolitical and execution environment.

Alessandro Capogrosso
Partner (Milan), Ropes & Gray

Introduction

Last year, our research identified six themes set to shape the private equity market in 2026: high levels of confidence, increased U.S. investment into Europe, regulatory drag, a constrained exit environment, LP/GP tensions, and increased consolidation and specialization.

At the midpoint of the year, we revisit those themes to assess the extent to which they are playing out in practice, highlighting both trends and differences across the U.S., Europe, and Asia.

What we have observed to date is that a central tension is shaping the market. While confidence in private equity remains broadly resilient, the traditional mechanisms for deploying and realizing that confidence, particularly exits and fundraising, continue to face meaningful constraints. The result is a market that is not retreating, but recalibrating—capital is available and appetite remains, but execution is more selective, timelines are longer, and outcomes are more uncertain.

The first half of 2026 began with some momentum and a generally supportive macroeconomic backdrop for the global private equity market, underpinning a tone of measured confidence in dealmaking. However, this has not translated consistently into activity or outcomes and conditions remain challenging. The onset of the conflict in the Middle East has introduced a new layer of uncertainty, prompting a shift toward greater caution as market participants reassessed risk and pricing. In parallel, regulators are increasingly taking a more active and, in some cases, more political role across jurisdictions.

Regionally, although the U.S. continues to dominate in terms of deal size and volume, this has been accompanied by a notable decline in aggregate value. Europe, as highlighted in last year's research, remains a key focus for U.S. investors, driven by attractive valuations and sector opportunities, albeit more subdued and with fewer transactions. Asia is also attracting investor interest, although firms are approaching the region with more targeted, country-specific strategies.

Exits continue to be challenging globally, with secondaries and continuation vehicles now established as mainstream tools. Delayed exits, constrained fundraising conditions, and slower liquidity are continuing to shape LP/GP dynamics, increasing scrutiny on transparency, performance, and alignment.

Finally, the market remains in flux. AI is reshaping valuations across sectors, while pressure to specialize has intensified, particularly among small-to-midsize firms. In response, platform and consolidation strategies are becoming more prevalent.

Despite these challenges, the market continues to demonstrate underlying resilience. Industry participants consistently describe a tone of cautious optimism, with many identifying new opportunities and strategies in response to global disruption.

Taken together, these dynamics point to a defining question: in a market characterized by measured confidence but constrained execution, which firms will be able to translate opportunity into outcomes, and how?

1. Market Confidence Remains, But Is More Conditional

> *I was optimistic. Now I'm much more cautiously optimistic.*
>
> **Steve Zaorski**
> Partner (New York), Ropes & Gray

> *We were pointing toward a more robust recovery in deal activity for North Asia, but it is stumbling from the double blow of oil disruption and currency depreciation.*
>
> **Jaewoo Lee**
> Partner (Seoul), Ropes & Gray

Confidence in the Face of Uncertainty

In our 2025 report, 94.6% of senior leaders in private equity across the UK and Europe described themselves as confident in the health and resilience of the sector.[1] That confidence has remained intact, but it has become more conditional.

Globally, private equity leaders have had to navigate a more complex operating environment this year. Geopolitical instability, including the ongoing[2] conflict in the Middle East, has introduced uncertainty into capital markets.[3] This has weighed on confidence in certain regions, particularly in Europe and Asia, where firms are more exposed to energy costs and supply chain disruption.

While recent events, including tariffs and global conflict, have undoubtedly affected sentiment, uncertainty is no longer viewed as an exception—it is embedded in market expectations. As a result, private equity leaders say they are increasingly adopting a more targeted, "risk-on" approach. This is not a return to broad-based confidence, but rather a shift toward selective, opportunity-led risk taking.

Sector-Based Confidence

Investment and dealmaking are more directed toward sectors that are benefiting from structural and policy support, such as infrastructure, energy, and defense. These areas tend to offer more resilient investments, giving greater visibility of returns and making opportunities easier to underwrite. While this has long been a feature of European investment strategies, industry leaders suggest that U.S. investors are now moving in a similar direction.

The Picture in Asia

In Asia, where geopolitical shocks and supply chain disruption can have a more immediate impact on market dynamics, a degree of caution has taken hold, with many firms adopting a "wait-and-see" approach.

Capital is gravitating toward jurisdictions where regulatory frameworks are clearer and underwriting assumptions are more stable. Japan has emerged in recent years as a relative bright spot, having undergone favorable governance and policy reform.

Other countries in the region are experiencing a boom in investor confidence from the rise in AI—South Korea and Taiwan, for example, have benefited from their position as the dominant manufacturers of semiconductors.[4]

Conditional Confidence

Globally, these dynamics point to an environment best described as "conditional confidence". Risk appetite has not disappeared, but it has become more discerning. At the same time, the pressure to deploy capital continues to build. With dry powder reaching approximately $1.7 trillion globally at the end of 2025, firms face increasing urgency to put capital to work.[5]

This more selective, conviction-led approach to investment is influencing the flow of capital globally, with investors directing funds toward regions that can offer greater clarity on returns.

> *Infrastructure is hot in Europe, defense is hot in Europe, and both are reflective of Europe's changing posture in light of the geopolitical situation in which Europe currently finds itself.*
>
> **Steve Zaorski**
> Partner (New York), Ropes & Gray

> *Geopolitical events are certainly influencing sentiment and introducing a degree of caution for the sector. We're very attuned to this as we see market participants recalibrate in Asia and take a more selective approach.*
>
> **Chune Loong Lum**
> Partner (Singapore), Ropes & Gray

2. Increased U.S. Investment Abroad—Europe Remains Primary Target, Asia Is Attracting Selective Investment

> *The U.S. remains the deepest and most efficient private capital market globally. Europe, however, continues to offer some of the most compelling value-creation opportunities, not because of valuation differentials, but because many sectors remain structurally fragmented and therefore suitable for consolidation. Asia presents a different profile altogether, combining exceptional growth potential with a more complex geopolitical and execution environment.*
>
> **Alessandro Capogrosso**
> Partner (Milan), Ropes & Gray

U.S. Momentum in 2026

Ropes & Gray's U.S. Private Equity Market Recap for May 2026 identified that despite a strong start to the year, dealmaking in the region has become increasingly selective. While activity has remained robust, with deal count rising by 18%, total deal value has declined by 51% compared to Q4 2025.[6]

AI-induced market volatility in sectors such as Software as a Service (SaaS), alongside broader geopolitical disruption, has contributed to a more uneven landscape. Though megadeals at the top end of the market suggest resilience, they mask a narrower market underneath.

Europe as a Primary Target for Cross-Border Investment

Against this backdrop, U.S. investors continue to look outward, deploying capital into international markets. In Q1 2026, cross-border U.S. investment continued its upward trajectory with private equity deals involving U.S. investors and European assets increasing 19% year over year (YoY), and deal value increasing 87% YoY.[7]

This builds on the trend identified in our research last year, where U.S. investor interest in EU and UK markets was fueled by a combination of attractive relative valuations, perceived political and regulatory stability, and a desire to diversify capital beyond USD-denominated assets.

Opportunities in Asia

U.S. investor interest is also extending into selected markets across Asia. This diversification is being driven by a combination of favorable exchange rate dynamics and strong sectoral growth in the manufacturing sectors adjacent to technology and AI. In addition, emerging markets such as India, with its expanding economy and growing consumer base, offer compelling opportunities for long-term growth.

Global Capital Flows

The trajectory of the U.S. domestic market continues to shape global private capital flows. As firms navigate a more selective investment environment at home, they are increasingly looking to jurisdictions that combine opportunity with clarity, speed, and predictability.

While global capital continues to seek out new opportunities across regions, the ability to execute on those opportunities is increasingly shaped by the regulatory environment. As investment flows evolve, so too does the importance of understanding how different regulatory regimes influence deal certainty, timing, and risk allocation.

> “*There continues to be a sense among U.S. investors that there’s real opportunity in Europe, and that asset valuations remain comparatively attractive. Defense and digital infrastructure businesses, in particular, are benefiting from favorable tailwinds.*
>
> **Christian Westra**
> Partner (Boston), Ropes & Gray

> “*Asia remains highly diverse, allowing investors to allocate across different markets depending on risk appetite, DPI appetite, etc. Japan is really hot right now, and as more firms shift focus into Japan and India, the auction process is becoming increasingly intense.*
>
> **Yanyan Cai**
> Associate General Counsel, Asia Private Equity (Hong Kong), Bain Capital

> “*As Japan continues to attract the largest deal flow, the red-hot public equities market in South Korea and the innovation boom in China’s life sciences sector are presenting new opportunities for interested sponsors in the region. Meanwhile, Southeast Asia’s expanding digital economy and its green transition are attracting significant capital. The challenge is that each market requires a different playbook—what works in Singapore doesn’t translate to Seoul, and that complexity is filtering out the less committed investors.*
>
> **Jaewoo Lee**
> Partner (Seoul), Ropes & Gray

3. Regulation Drag and a Widening Transatlantic Gap

> *Globally, we're seeing regulators be more willing to use their authority to serve broader policy objectives, blurring traditional boundaries between regulation and political decision-making.*
>
> **Christian Westra**
> Partner (Boston), Ropes & Gray

> *EU regulation can still create uncertainty for transactions, with additional filings and review requirements adding time to the deal process. However, regulation isn't always a barrier—in more stable and pragmatic jurisdictions, it can provide the confidence and clarity needed to get deals done.*
>
> **Elizabeth Todd**
> Partner & Co-Lead of European Private Equity Transactions Practice (London), Ropes & Gray

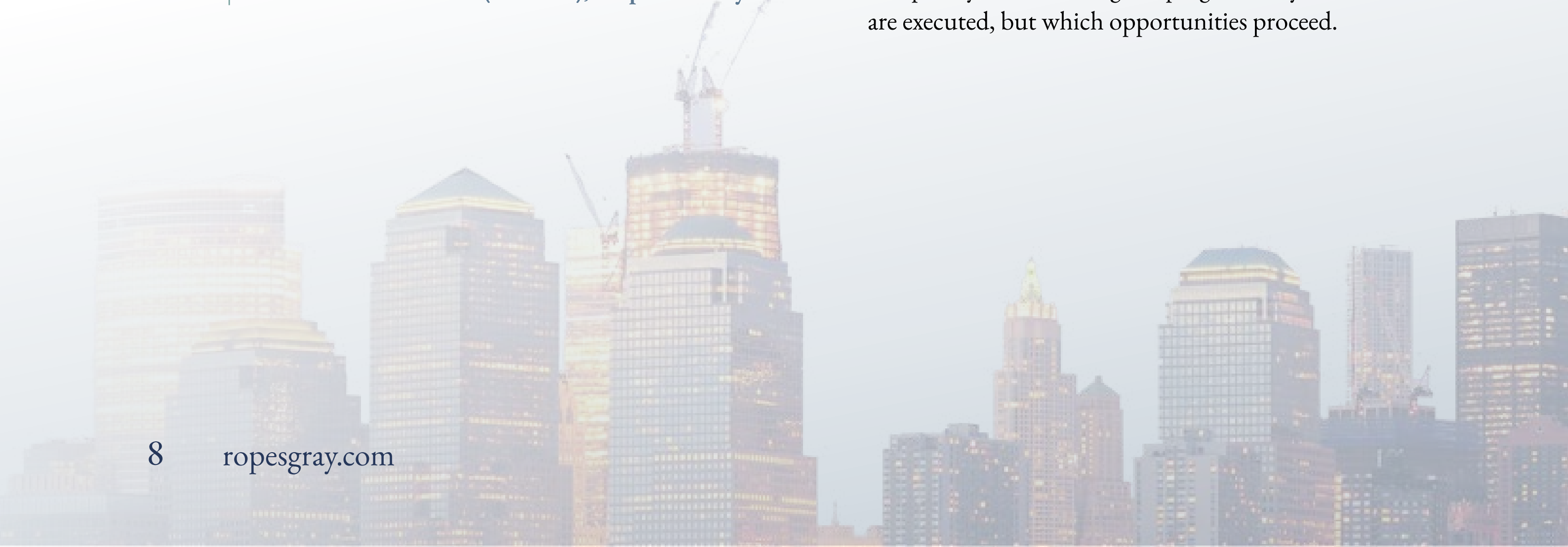
The drag effect of regulation identified in our 2025 report has become more pronounced in 2026. Regulation and policymaking are playing a more decisive role in private markets, shaping what is investable, how long deals take, and how risk is allocated.

The result is increasing divergence across regions, with the U.S. combining relative predictability with targeted intervention, Europe experiencing cumulative regulatory friction, and Asia representing a more fragmented and uneven regulatory landscape.

Europe's Constrained Environment

Europe is increasingly seen as a constrained deal environment—a viewpoint underpinned by how multiple regulatory regimes now intersect in practice. The Foreign Subsidies Regulation (FSR) has evolved from being a new regime to an actively enforced one. EU antitrust, FSR, and Foreign Direct Investment (FDI) screening are increasingly considered together as part of a single deal-friction story.

These overlapping requirements contribute to a regulatory environment that increases the cost and complexity of transacting, shaping not only how deals are executed, but which opportunities proceed.



Greater Predictability in the U.S.

In the U.S., regulatory constraint is more about an enforcement stance that can materially affect certain strategies and sectors, particularly where regulators see consolidation risk.

The Securities and Exchange Commission (SEC) is undergoing a purposeful "course correction" toward core investor protection,[8] prioritizing a more selective, risk-based enforcement posture.[9]

The new approach resulted in the SEC filing its lowest number of enforcement actions in decades in the 2025 fiscal year, a trend that has continued in the first half of 2026.

In addition, the heightened antitrust scrutiny of private equity "roll-up" strategies seen during the Biden administration appears to have lessened under new leadership of the Federal Trade Commission (FTC) and the Department of Justice (DOJ), reflecting a more business-friendly approach to antitrust enforcement.[10]

Asia's Diverging Trajectories

In Asia, regulatory predictability is uneven, encompassing "sharply diverging regional trajectories".[11] Capital tends to flow more readily to mature markets where rules are perceived as clearer and more consistently enforced, such as Singapore or Japan, while developing markets, such as India, require bespoke structuring and more conservative risk discounting.

While regulation is often described as complex and burdensome, Ropes & Gray's experts are clear that it can be an enabler of dealmaking when it is predictable, pragmatic, and well-designed.

As firms navigate increasingly divergent regimes, the practical challenge is not only getting deals done but ultimately realizing value. This helps explain why exits remain under pressure globally, and why the industry is turning with greater conviction to secondaries and continuation vehicles.

> *"Overall, U.S. regulatory processes, such as HSR and CFIUS, tend to operate within more clearly defined statutory timelines, even if substantive outcomes have become, in some cases, harder to predict.*
>
> **Christian Westra**
> **Partner (Boston), Ropes & Gray**

> *"Japan was able to change their policies to help boost their capital markets. Korea is trying to go down that route, but with a slightly more interventionist regulatory approach.*
>
> **Jaewoo Lee**
> **Partner (Seoul), Ropes & Gray**

4. Secondaries and Continuation Vehicles Become Mainstream

> *Globally, exits have been suppressed and have become more complex. That is a trend we see continuing in the short term.*
>
> **Édouard Chapellier**
> Partner (Paris), Ropes & Gray

> *I don't think there's a week that goes by that I don't talk about a continuation vehicle with a client as a potential exit solution.*
>
> **Steve Zaorski**
> Partner (New York), Ropes & Gray

> *If GPs still see strong growth potential, it is a sector and theme they still have conviction in, and they don't believe there's a better asset to acquire in that space—then it makes sense to retain that asset within their platform (whether in a continuation vehicle or in a more recent fund) rather than exit.*
>
> **Elizabeth Todd**
> Partner and Co-Lead of European Private Equity Transactions Practice (London), Ropes & Gray

The constrained exit environment remains a defining structural feature of the global private equity market.

Continuation vehicles and secondaries are no longer treated as measures of last resort but have instead grown into a mainstream and rapidly expanding feature of private markets.[12] Globally, secondaries transaction values reached new records in 2025, growing 48% to $240 billion.[13] These structures increasingly act as a liquidity valve for the industry, helping to generate distributions and sustain deal activity even when traditional exit options are limited.

Structural Rather Than Cyclical

Importantly, this growth appears structural rather than cyclical—GP-led continuation fund volumes reached record levels in 2025 despite an improving M&A and IPO environment, with this trend continuing into 2026.[14]

As 2020-21 vintages approach initial term and extension windows open, outcomes are likely to shape LP appetite for continuation vehicles and accelerate the push for clearer guardrails in documentation and process for these structures. Industry professionals also report seeing early discussion of "CV squared" structures, where LP sensitivity may increase if assets are rolled repeatedly without a clear path to an ultimate exit.

Regional Differences

These structures appear more developed in the U.S., reflecting the greater depth and maturity of its secondaries market. While adoption is increasing in Europe, it remains at an earlier stage, with greater focus on governance and execution discipline.

The secondaries market is growing in Asia but is still nascent, at a comparatively early stage compared to the U.S. and Europe. Exit conditions vary significantly by market maturity, with some jurisdictions benefiting from more active IPO markets, while others face more persistent structural constraints.

Mixed Opinions

While sentiment remains mixed, many GPs highlight that continuation vehicles enable them to retain high-quality assets for longer, unlocking additional value creation opportunities and providing greater flexibility over exit timing in a constrained market.

A key issue emerging is governance and repeatability. As earlier-vintage funds approach extension periods and more complex structures come into play, particularly in the U.S., LP scrutiny on process, pricing, conflict management, and disclosure is likely to increase.

While evolving liquidity solutions are helping to sustain deal activity, they are also reshaping the dynamics between LPs and GPs, bringing questions of governance, alignment, and transparency more sharply into focus.

> “*The Asian private capital landscape is becoming more dynamic, and sponsors are becoming more sophisticated when assessing how to generate liquidity. While Asian capital markets have been strong, an IPO is not the best exit route for every company, driving greater focus on alternative liquidity solutions. We expect Asia to be a busy market over the next 12–18 months, with continuation vehicles and secondaries playing a more prominent role alongside traditional exits like strategic trade sales, which will remain the primary route for buyout funds.*
>
> **Kirti Hariharan**
> **Global Head of Legal M&A (Singapore), EQT Partners**

> “*From a Limited Partner’s perspective, they are looking for a GP-led secondary process that is competitively priced through an auction process led by a reputable placement agent and then independently validated by a third-party valuation provider. Critically, the process must offer true optionality with respect to selling their interest or ‘rolling’ into the new continuation vehicle. LPs also expect a meaningful GP commitment, which is typically a 100% roll of the GP’s capital and carry with respect to the asset into the continuation vehicle, together with a specific value-creation plan and timeline for the next phase of the asset’s life. Finally, LPs want an LP Advisory Committee that they believe will adequately vet the conflicts of interest involved in the transaction and ultimately stand up for the Limited Partners’ interests.*
>
> **Steve Zaorski**
> **Partner (New York), Ropes & Gray**

5. LP/GP Tensions—Amplified by Fundraising Pressure and Delayed Liquidity

The issue is not confidence; it is liquidity. LPs remain committed to private equity, but slower distributions have intensified the focus on transparency, alignment, and liquidity management. At the same time, exits are becoming more engineered and less event-driven. We are seeing increasing use of continuation structures, seller rollovers, and other solutions that allow sponsors to deliver liquidity while preserving exposure to high-quality assets and supporting valuation discipline.

Alessandro Capogrosso
Partner (Milan), Ropes & Gray

LPs really do feel that they are in a position of strength at the moment. Given they are getting so many investment and co-investment opportunities, they can be selective and say to GPs: 'these are things we've been asking you for five, ten years, and we will be prioritizing those who are delivering on them.'

Elizabeth Todd
Partner and Co-Lead of European Private Equity Transactions Practice (London), Ropes & Gray

Tensions between LPs and GPs remain elevated in 2026, driven by delayed exits, slower distributions, and a persistently tight fundraising environment.

Last year's report found that, in 2025, across the UK and Europe, issues in "transparency and reporting" were noted by 36.6% of LPs and 25.4% of GPs as the biggest source of tension in their relationship. At the core this year is a familiar issue: as liquidity is deferred, LPs sharpen their focus on transparency, performance, and alignment. These conditions are now shaping behaviors globally.

Power Shift

A tighter fundraising environment is reinforcing LP bargaining power. Slower capital formation and increasing concentration of commitments among top-tier GPs are driving heightened LP selectivity.

The impact is most visible in the U.S. Investors are continuing to deploy capital but with greater discipline as deal volumes fall. In 2025, amid declining distributions, 40% of North American institutional LPs reported they were overallocated to private equity—up from 22% in 2019.[15] Global distributions are also declining, and fell to approximately 6% of AUM by June 2025, eight percentage points below the 10-year average of 14%.[16] This has increased focus on realized returns (DPI) and reduced commitment capacity, intensifying tensions between LPs and GPs.[17]

Regional Differences

In the U.S., the scale and sophistication of the LP base gives investors strong influence over fund terms, including co-investment rights, fees, and governance. In Europe, priorities are shaped more by regulatory frameworks driving a bigger emphasis on disclosure and reporting, such as the EU's Sustainable Finance Disclosure Regulation (SFDR).[18] Asia's greater reliance on cross-border capital means global LPs often play a key role in expectations around governance, transparency, and conflicts.

LPs are using this leverage to secure improved terms, particularly in relation to co-investment and information rights.

Continuation Tension

LP/GP tensions are especially visible in continuation funds. This is because the GP often sits on both sides of these transactions, making conflicts inherent, and prompting heightened scrutiny from LPs. Investors are demanding stronger process discipline, including independent valuations, fairness analysis, clearer disclosure, and more active Limited Partner Advisory Committee (LPAC) involvement. In a handful of cases, these deal structures and the inherent tension have led to litigation.

More broadly, LP scrutiny is expanding beyond performance to encompass governance and organizational stability. In a market defined by constrained liquidity and selective fundraising, adherence to "good process" is emerging as a critical differentiator. For GPs, team stability, transparency, and alignment are becoming less optional and a more explicit determinant to sustaining LP support and maintaining fundraising momentum.

As capital is deployed more selectively and investor scrutiny intensifies, firms are reassessing how they position themselves within the market to remain competitive.

> *Fee- and carry-free co-investment participation and customized reporting have become hard requirements across the private equity landscape—GPs are now conceding them as a cost of doing business. It's not uncommon for LPs to refer to their 'blended' economics, taking into account the expected co-investments, rather than the overall fund economics. And it's not just the largest LPs either; smaller institutional investors and even Ultra-High-Net-Worth investors are arriving with increasingly sophisticated expectations.*
>
> **Lindsey Goldstein**
> Partner (New York), Ropes & Gray

> *Valuation practices vary across the industry, and LPs have understandably called for greater consistency and transparency in how firms mark their assets to market. As an industry, we have a shared responsibility to meet that standard.*
>
> **John DiCola**
> Managing Director (Boston), Advent International

6. A Market in Flux —Repositioning, Specialization, Consolidation

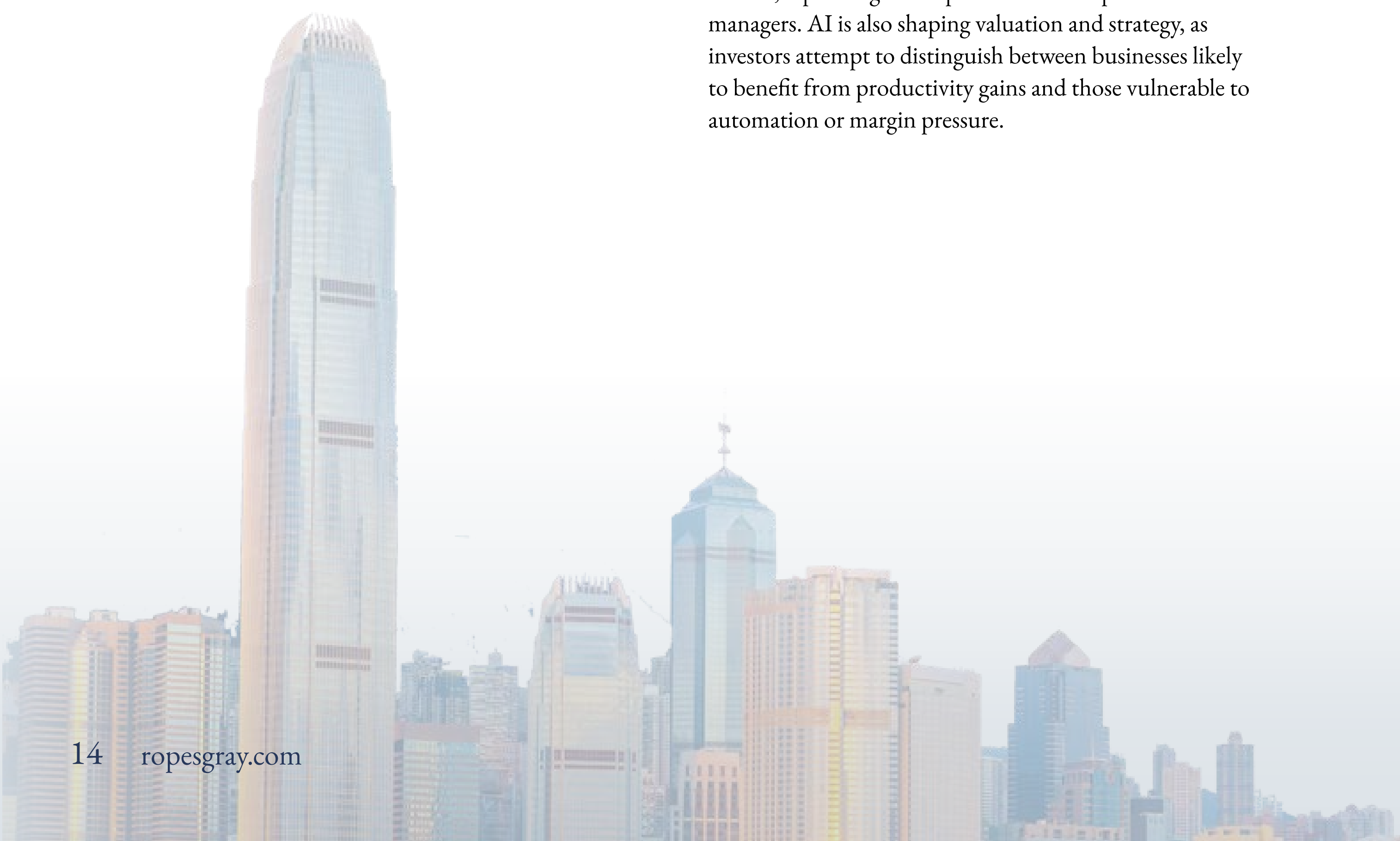
> *If firms want to exist in the current environment, you need to be more agile in terms of adaptation to the moving environment. This could involve raising private funds targeting more focused areas that attract the attention of the moment.*
>
> **Édouard Chapellier**
> Partner (Paris), Ropes & Gray

In 2026, the private equity market remains in a state of flux as firms adapt to macroeconomic conditions as well as structural shifts in regulation, liquidity,[19] and technology.

In the U.S., these pressures are particularly apparent[20] with similar dynamics being felt across Europe. In Asia, the pace of change varies more significantly by market.

Adapting for Survival

The traditional cycle of raising a flagship buyout fund has become less predictable due to longer hold periods, valuation challenges, and closer LP scrutiny. These factors are pushing firms beyond single-strategy models, with many expanding into private credit, secondaries, and other attractive specializations. The result is a more segmented market, separating scaled platforms from specialist managers. AI is also shaping valuation and strategy, as investors attempt to distinguish between businesses likely to benefit from productivity gains and those vulnerable to automation or margin pressure.



Differentiation and Consolidation

Smaller firms, in particular, face the challenge of success becoming more dependent on clear differentiation as access to capital tightens. Sub-scale generalists are under the greatest pressure, unless they can demonstrate a credible path to growth and returns. As a result, market consolidation is likely to continue.

The drivers of consolidation are not purely economic. At smaller and mid-market funds, the next generation of talent is questioning whether there is a credible pathway to growth and reward. Fundraising hurdles, access to capital, and regulatory and compliance burdens are all making the operating environment more demanding.

The search for scale is also driving more collaborative models. Instances of smaller managers partnering with larger platforms are increasing as firms seek to enhance fundraising capabilities, strengthen credibility, and maintain market relevance through strategic alignment rather than outright mergers. However, regional differences remain, with pressure most acute in the U.S. and Europe where markets are mature and competition for capital is strongest.

The direction of travel is toward a market defined by scale, specialization, and adaptability. Longer fund cycles are likely to keep pushing firms toward multi-strategy models and solutions capability, while AI will add further scrutiny to sector selection and business model resilience.

For many firms, repositioning is no longer just a response to current conditions. It is becoming an important statement of how they intend to compete in the next era of private equity.

> “*One driver for merger discussions is often succession planning and anxiety among the next generation of leadership at smaller firms. Where fundraising is constrained and compliance costs keep climbing, emerging leaders are questioning whether they can (and should) continue to build a franchise on their own or whether the scale of a larger platform would better serve their ambitions. That dynamic is accelerating the pace of mergers at the manager level.*
>
> **Elizabeth Todd**
> Partner and Co-Lead of European Private Equity Transactions Practice (London), Ropes & Gray

> “*The private capital landscape in Asia is still evolving and maturing and, as such, the consolidation dynamics shaping this market are distinct from those prevalent in the more established U.S. and European markets.*
>
> **Chune Loong Lum**
> Partner (Singapore), Ropes & Gray

Forward Look

> *The top priority of investment committees today is obsolescence risk. In practice, what that means is that sponsors are gravitating towards companies that are operating in ways that would be difficult to replicate, either because they have ownership of significant proprietary information or because their business is predicated on selling hard assets that cannot be easily replaced. SaaS businesses have been hit hard because many of them are viewed as providing services that can easily be replicated by AI tools, though the repricing has been indiscriminate in places.*
>
> **Christian Westra**
> Partner (Boston), Ropes & Gray

After a period of repricing, tighter financing, and constrained exits, private equity firms are now having to adjust to a market undergoing significant structural changes.

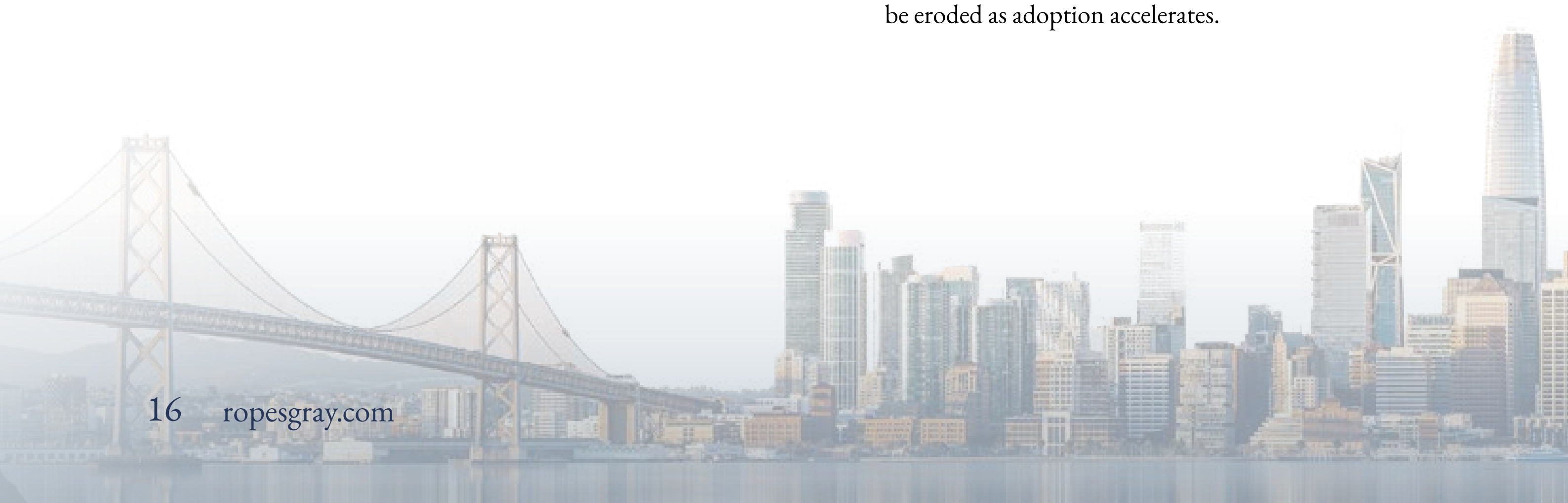
AI—Opportunity and Risk

AI sits at the heart of that adjustment and is viewed simultaneously as both an opportunity and a risk. On the one hand, it is driving tangible demand for new investable infrastructure, such as data centers, power, and network capacity. Its impact may result in a re-rating and increased value of investments across many industries. On the other hand, as a rapidly developing technological phenomenon, it is introducing valuation uncertainty and disruption risk across sectors, most notably in SaaS and the wider software industry.

The result is a market that is excited about the potential upside but cautious about an AI "bubble" and is placing greater scrutiny on sectors which are perceived to be more exposed to AI disruption.

That uncertainty is likely to persist. Industry experts agree that the full impact of AI across many industries has not yet been fully realized, and that the second- and third-order effects on productivity, pricing power, and the labor market will only become evident in the coming years.

As a result, a key challenge for investors will be distinguishing between assets that can sustain long-term advantage from AI, and those whose value may be eroded as adoption accelerates.



Retailization

Alongside technology, retailization is set to reshape how private markets function. The scale of potential inflows—particularly from U.S. retirement assets—could materially increase capital availability, easing fundraising pressures for leading sponsors and reducing dependence on institutional LPs. This, in turn, is likely to shift negotiating dynamics, as GPs gain greater flexibility over terms and strategy.

At the same time, retail capital brings different expectations around liquidity, risk, and return, driving greater segmentation in fund structures and investment approaches. These dynamics favor larger platforms with the infrastructure to access and manage retail flows and address any legal challenges, reinforcing consolidation trends and intensifying competition for assets.

If retail capital scales as expected, a central question will be how far it reshapes pricing, discipline, and return expectations across the asset class.

Private Wealth

Within this broader shift, greater participation from high-net-worth and mass affluent investors is changing how private market exposure is packaged, distributed, and governed. It is also accelerating innovation in product structures, including vehicles designed to reduce the cadence of fundraising cycles and soften the pressure of periodic revaluation. With that opportunity comes greater scrutiny: distribution practices, liquidity mechanisms, and disclosure standards are likely to remain under the microscope.

Firms will need to balance access to this capital with the operational demands it creates, particularly as investor expectations around liquidity and transparency evolve.

> “*AI is going to change the way we work (it already does!) but it’s still a very nascent technology and no one really knows where the valuation goes.*
>
> **Édouard Chapellier**
> **Partner (Paris), Ropes & Gray**

> “*From the U.S. perspective, we continue to see growth in the wealth channel’s appetite for private markets exposure as alternative allocations continue to become more mainstream. This growth has led to an evolution in how private market offerings are packaged and consumed, including more perpetual-style, diversified portfolios that reduce the need for annual re-evaluation and satisfy investor liquidity needs.*
>
> **Aliza Firestone Goren**
> **Managing Director (Boston), HarbourVest**

Conclusion —A Market Recalibration

Private equity in 2026 is best understood not as a market in recovery, but as one in recalibration. The six themes identified in our research are interconnected expressions of a single underlying shift: a move toward a more selective, disciplined, and structurally complex market environment.

In the U.S., private equity activity remains comparatively robust, with stronger momentum and more predictable execution supporting continued deal flow. However, confidence is increasingly selective rather than broad-based, with firms focusing on high-conviction opportunities amid sector volatility, regulatory scrutiny in specific areas, and ongoing exit constraints. The result is a market defined by scale, speed, and sophistication, but still shaped by the same structural pressures on liquidity, fundraising, and value realization seen globally.

In Europe, investor interest remains strong, driven by attractive valuations and policy-supported sectors such as infrastructure, defense, and energy transition. At the same time, cumulative regulatory complexity continues to act as a structural headwind, extending timelines, increasing costs, and shaping both deal execution and fundraising strategies. This has created a more deliberate and disciplined market where opportunity is clear, but outcomes are increasingly dependent on navigating regulatory friction and delivering strong execution.

Asia presents a more heterogeneous picture, with investment activity shaped by significant regional divergence in regulatory frameworks, market maturity, and exit conditions. Capital is becoming increasingly targeted toward jurisdictions offering greater predictability and structural growth, while a more cautious, “wait-and-see” approach persists in more volatile markets. As a result, the region reflects many of the same global themes, but with sharper contrasts and a stronger emphasis on country-specific strategy.

The next phase will be critical. As these structural shifts continue to play out, the market will test how well the private equity sector has adapted and how effectively firms are able to manage risk and translate pressure into performance. This report provides a snapshot of how these forces have taken shape at the midpoint of the year. In our second report later this year, we will explore these dynamics in greater depth, including how firms are responding in practice and which strategies are emerging as successful in this changing and demanding environment.

About the Research

Ropes & Gray commissioned research from thought leadership partner Luther Pendragon in March 2026. Between April and June 2026, Luther Pendragon conducted interviews with Ropes & Gray partners across the U.S., Europe, and Asia, as well as clients in the private capital and asset management sectors throughout those regions.

The 2025 Ropes & Gray European private capital markets report "Growth, Innovation and Resilience: What to Expect from Private Equity in Europe in 2026," which is referred to throughout this report, can be found by scanning the following QR code:

With Thanks to Our Contributors

We would like to thank our clients and partners who contributed to this research. Their insights and expertise were instrumental in shaping the findings and recommendations included within the report. We would like to extend particular gratitude to those who agreed to be interviewed as part of our research:

JOHN DICOLA
Advent International

YANYAN CAI
Bain Capital

KIRTI HARIHARAN
EQT Partners

ALIZA FIRESTONE GOREN
HarbourVest

PAUL LIU YEN-CHUN
Temasek

Footnotes

1. Growth, Innovation and Resilience: What to Expect from Private Equity in Europe in 2026 (Ropes & Gray LLP, 2025)
2. At the time of publication of this report.
3. Private Equity Buyouts Slump as AI Fears and War Dent Dealmaking (Financial Times, 2026)
4. Asia Pacific: Exports are Riding the AI Frenzy (Oxford Economics, 2024)
5. Pulse of Private Equity Q4 2025 (KPMG, 2026)
6. U.S. Private Equity Market Recap – May 2026 (Ropes & Gray LLP, 2026)
7. European Private Equity Market Recap – May 2026 (Ropes & Gray LLP, 2026)
8. SEC Enforcement Recalibrates Toward Core Investor Protection (Reuters, 2026)
9. On the Same Page: SEC Leadership Articulates Enforcement Priorities (Alston & Bird, 2026)
10. TK Elevator Sale Shows Private Equity's Elevator Pitch Still Works (Financial Times, 2026)
11. 2026 Asia Pacific Private Equity Almanac (Deloitte, 2026)
12. How Private Equity Became Hooked on Second-Hand Deals (Financial Times, 2026)
13. Global Private Markets Report 2026 (McKinsey, 2026)
14. Secondaries Fundraising Continues its Strong Run in Q1 2026 (Secondaries Investor, 2026)
15. LP Financing Solutions: A Creative Alternative for LPs (Institutional Investor, 2026)
16. Global Private Markets Report 2026 (McKinsey, 2026)
17. Private Capital in Focus: Trends to Watch for 2026 (MSCI, 2026)
18. Beyond the Rhetoric: Where is Investor Appetite for ESG in Europe Really Landing? (Langham Hall, 2025)
19. Private Equity's Exit Drought Claims Its Latest Victim – the IRR Metric (Wall Street Journal, 2026)
20. US PE Pulse: Q1 2026 Insights and Private Equity Outlook (EY, 2026)

About Ropes & Gray

Ropes & Gray, a preeminent global law firm, has been ranked in the top three on The American Lawyer's prestigious "A-List" for nine consecutive years. The firm has more than 1,500 lawyers and legal professionals serving clients in major centers of business, finance, technology, and government in New York, Boston, Chicago, Los Angeles, San Francisco, Silicon Valley, Washington, D.C., London, Dublin, Milan, Paris, Hong Kong, Seoul, Singapore, and Tokyo. The firm has consistently been recognized for its leading practices, including asset management, private equity, M&A, finance, real estate, tax, antitrust, life sciences, healthcare, intellectual property, litigation & enforcement, privacy & cybersecurity, and business restructuring.