Defining the Next Investment Landscape

US Private Equity Report: 2026 Insights

forvis mazars

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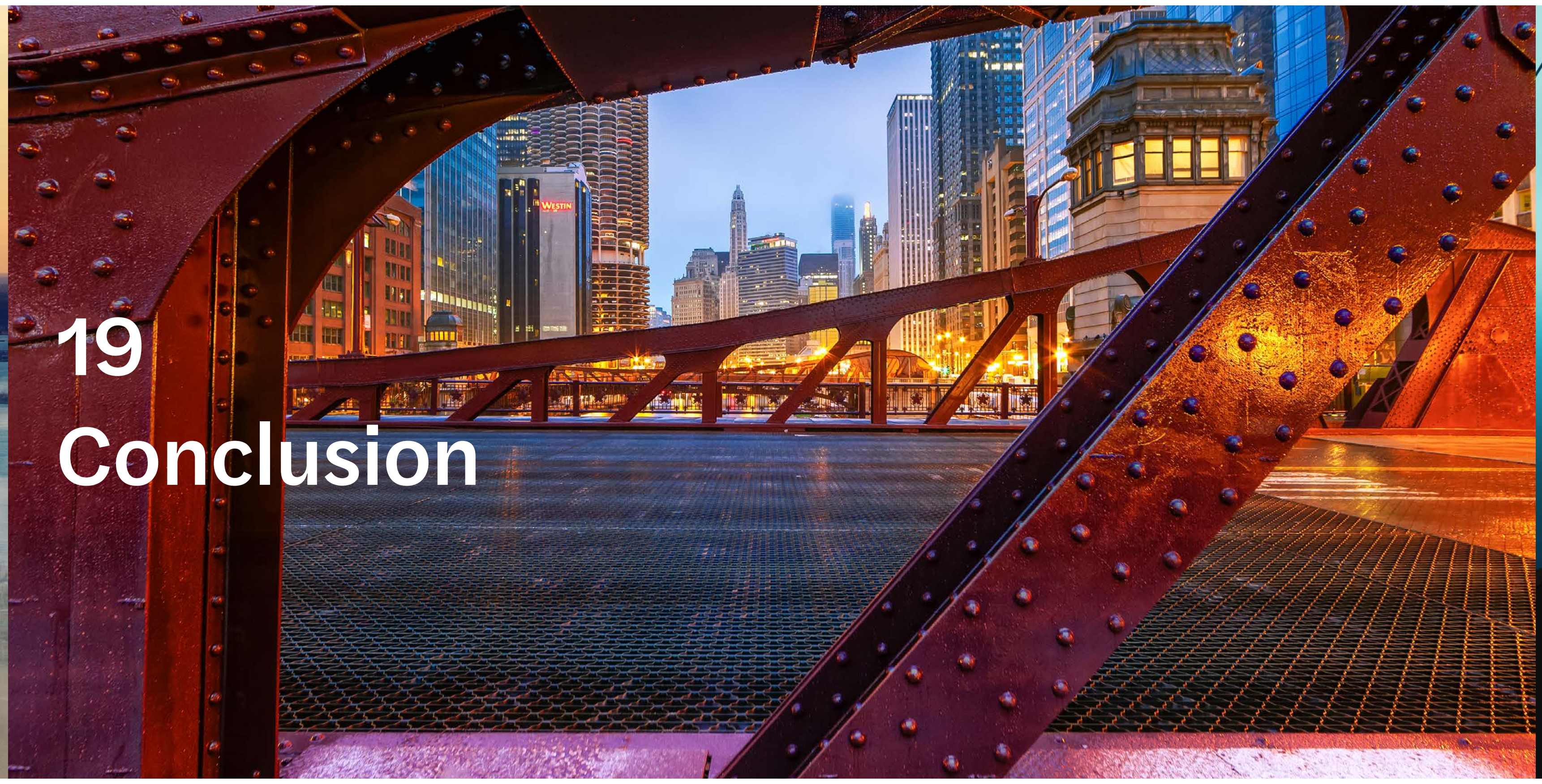


Foreword

In the U.S., private equity is moving into a phase defined less by market momentum and more by execution. While financing conditions remain tight and exits take longer, confidence in portfolio growth is holding up, and firms are increasingly focused on how value is created within their existing assets.

Capital remains available, but deployment has become more selective. Investors are prioritizing high-quality businesses, resilient sectors, and strategies where managers can demonstrate genuine operational influence. This is reinforcing the importance of sector focus, execution capability, and disciplined growth strategies, rather than scale for its own sake.

Cross-border activity is also becoming more prominent as firms look beyond domestic markets to access growth and diversification. At the same time, technology is playing a growing role in supporting operational efficiency, risk management, and decision making across portfolios.

In this environment, fundraising success is increasingly tied to clarity and credibility. Firms that can clearly articulate how they create value, and consistently deliver on that promise, are poised to succeed as the market continues to recalibrate.

Scott Linch
Managing Partner of Forvis Mazars Capital Advisors
Private Equity National Sector Leader

This report presents findings in the U.S. from our global private equity survey, featuring insights from more than 150 respondents in late 2025. The global survey sampled over 800 private equity professionals across all regions.

Introduction

Our 2026 Private Equity (PE) survey shows how firms are evolving their approach under shifting investor priorities. Compared to 2025, growth sentiment is stable while there is a decline for fundraising; meanwhile, financing issues are having greater impacts both at build-up and exit. Deals are facing greater scrutiny and there is a greater onus on firms' precision in execution.

As the M&A market shows signs of picking up, rather than a general increase in deals, we see concentration. Capital seeks assets, sectors, and strategies where confidence is greatest, while deals that lack such distinction move slower, toward less favorable results. In this environment, PE firms need to be able to demonstrate focus, specialization, and operational capability.

Globally and in the U.S., the survey shows the top sectors targeted by PE are technology, media, and telecommunications (TMT) as well as financial services (FS). Other major sectors of interest in the U.S. survey include energy and infrastructure; health insurance and healthcare provision; manufacturing; and consumer, while on the ground, Forvis Mazars is seeing significant activity in business services and residential services.

Introduction

The TMT trend aligns closely with findings from the C-suite market outlook 2026 from Forvis Mazars. Business leaders globally and in the U.S. continue to rank technology transformation as their top strategic priority over the next three to five years. More than four in 10 U.S. executives cite transforming company IT and technology as their leading focus, well ahead of other concerns. PE firms appear to be responding to this reality, recognizing that portfolio companies will increasingly need to invest in, acquire, or integrate technology-enabled capabilities to support growth and resilience.

Fundraising remains demanding, not because of a shortage of capital, but because it is more difficult to deploy capital effectively. To attract funding, firms are positioning around their differentiated strategies, ability to drive real change in portfolio companies, and discipline in decision making.

Key Findings

Scale & Deal Volume: are being de-emphasized in investment strategies, with firms instead looking to evidence a focus on execution, characterized by control, impact on operations, and a clear path to value creation.

Portfolio Performance: is generally consistent with last year's survey, with the exception of a slight reduction in overperformance at three years, which is largely recovered at exit.

Financing Conditions: are having greater impact on both buy-and-build strategies and exits. This is affecting capital structures and in some cases leading to delayed exits.

Domestic & International Growth: Most firms report that their growth comes from a combination of domestic and international markets, consistent with last year. Cross-border strategies are particularly important for active investors.

Geopolitical & Trade Issues: are affecting these cross-border strategies, again adding to the pressure on firms to be selective with their investments, manage exposure, and diversify.

Artificial Intelligence: PE firms are making increasing use of artificial intelligence (AI) tools to support and enhance human judgment. For deal sourcing, screening, and research, AI can process large volumes of data quickly and systematically. In fundraising, reporting, and portfolio monitoring, automating elements of data analysis and reporting supports more scalable, centralized operating models. AI adoption is also linked to operational outcomes in portfolio companies, such as productivity gains, cost efficiency, risk management, and revenue growth.

Evolving Market Conditions

The current market is shaped by a testing set of trends emerging since the pandemic:

- Inflation
- Higher interest rates
- A range of geopolitical shifts, including new and changed tariffs on international trade, tougher immigration policies in the U.S. and abroad, and conflicts such as the Russia-Ukraine war

There is no imminent return to pre-pandemic conditions of low interest rates, steady growth, and ample liquidity; PE in the U.S. needs to find ways of creating value under these new circumstances.

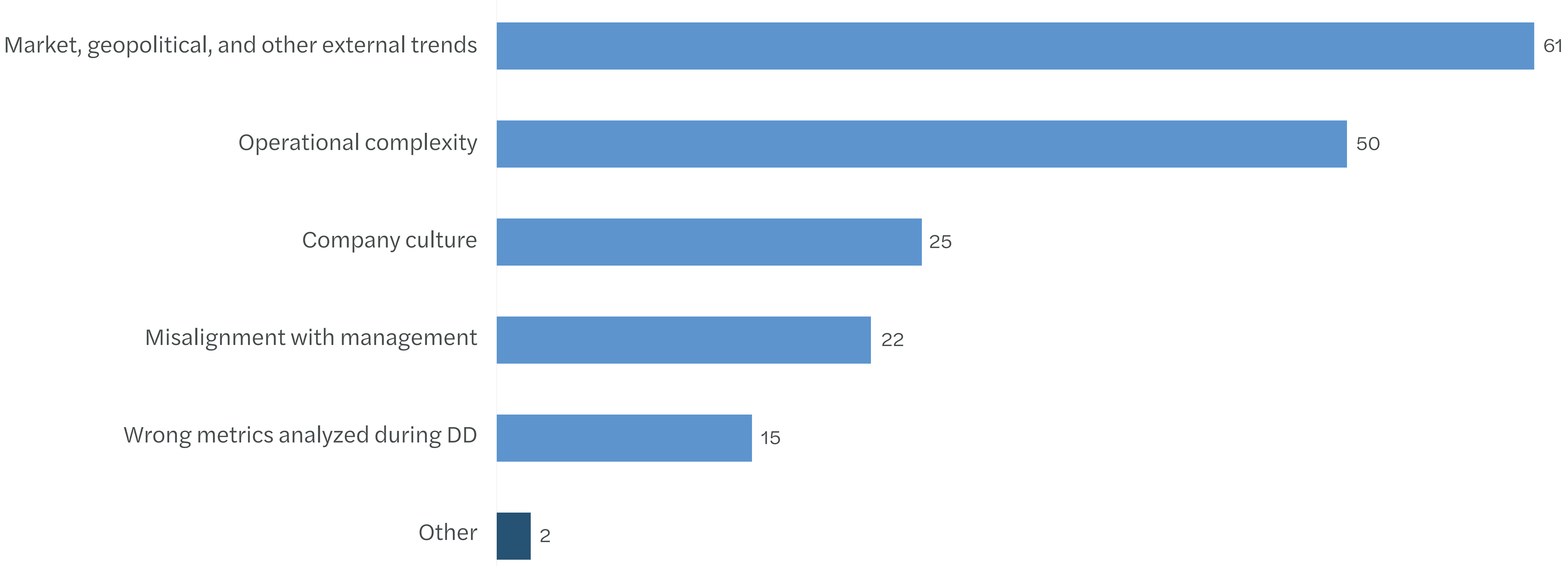
> "We are seeing the market be extremely rigorous right now."
>
> **Forvis Mazars**
> U.S. PE client interview

Evolving Market Conditions

The way these market conditions play out in deal activity presents a specific set of concerns for PE firms. The latest middle-market deal flow insights from GF Data[1] show a slowdown in deal volume, which through Q3 2025 was down 27% on 2024; accompanied by higher price multiples (up to 7.5x from 6.9x in Q2). This indicates that rather than a broad-based recovery, activity is returning selectively, concentrated in assets and situations where conviction remains high and value creation can be underwritten with confidence.

Besides market and geopolitical trends, many PE firms also say operational complexity holds back the performance of their investments. Other concerns such as company culture and relations with management are less salient to performance.

Top Challenges Negatively Impacting Portfolio Performance (%), U.S., by Investor Profile



PerformChall. What are the top challenges that negatively impact the performance of your portfolio investment?

The new environment produces new strategic pressures for PE firms, requiring more discipline when it comes to pricing, capital structures, and execution. This is not to take away from the need to improve performance in portfolio companies.

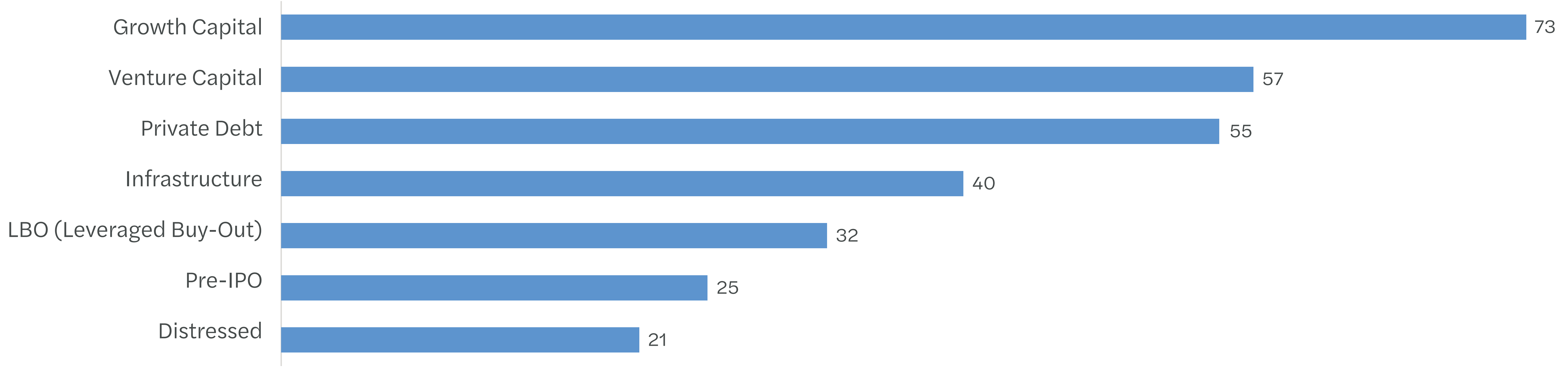
[1] GF Data Q3 2025 M&A Report

Evolving Market Conditions

Investment Strategies

Growth capital is the most prevalent type of investment among survey respondents at 73%, well ahead of venture capital and private debt in the mid-50s. This shows the attraction of strategies that enable both expansion and flexibility when the cost of capital is high. A minority of firms (21%) are focused on distressed assets.

Investment Type
Percent of Respondents



InvesType. What types of investment does your PE firm perform? Please select all that apply.

> "The biggest headwind is weak consumer and business sentiment, driven by policy uncertainty, tariffs that pressure input costs, affordability issues, and an interest-rate environment that remains elevated compared with the prior decade."

Forvis Mazars
U.S. PE client interview

Evolving Market Conditions

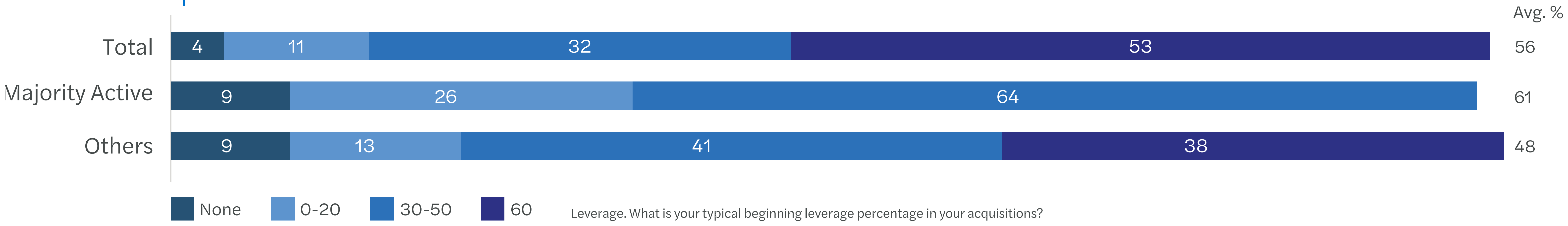
Use of Leverage

Even under higher interest rates, leverage is a strategic tool for PE firms, particularly when financing buy-and-build strategies: the average leverage percentage adopted by surveyed firms is 56%. However, varying investor profiles imply varying attitudes to leverage: majority active investors employ significantly more (61% leverage on average) than others (48% on average), with this bigger appetite for debt likely reflecting their greater level of control and co nfidence in their assets.

Firms are also exploring new financing approaches under current market conditions, such as using lower leverage at the outset and planning to refinance later as cash flow improves.

Typical Beginning Leverage Percentage

Percent of Respondents



Navigating Changing Geopolitical Conditions

Geopolitical developments have become more salient to many PE firms during the 2020s. Notable changes include shifts in migration patterns and the often-restrictive policy responses to them; changes in tariffs on international trade; and the ripple effects of the ongoing conflict in Eastern Europe.

Our data shows the effects are highly uneven across PE firms, and dependent on exposure to specific markets and sectors. For example, sectors like agriculture that employ significant migrant labor have seen costs affected by migration policies, while autos have seen tariff effects.

While shifting conditions and policies led to some slowdown in dealmaking in affected sectors during 2025, PE firms have rapidly developed playbooks for navigating new regimes. General partners (GPs) that factor in the necessary diligence around political exposure in international markets, and plan for potential disruption to supply chains or revised pricing strategies in response to changing tariffs, are positioned well.

"The cost of capital has increased due to persistently high interest rates, which has affected the profitability of new investments and leveraged buyouts. On the other hand, growth equity investments tend to be less leveraged and focus more on operational enhancements rather than financial engineering."

Director

PE fund manager, U.S.

Performance & Value Creation in the New Market

PE firms are:

- Adapting to the new market conditions
- Updating their investment strategies
- Capital structures
- Time horizons

Higher interest rates, greater selectivity in capital allocation, and often delayed exits mean that value creation increasingly relies on firms’ ability to transform operations through their strategies and execution expertise, not just market momentum.

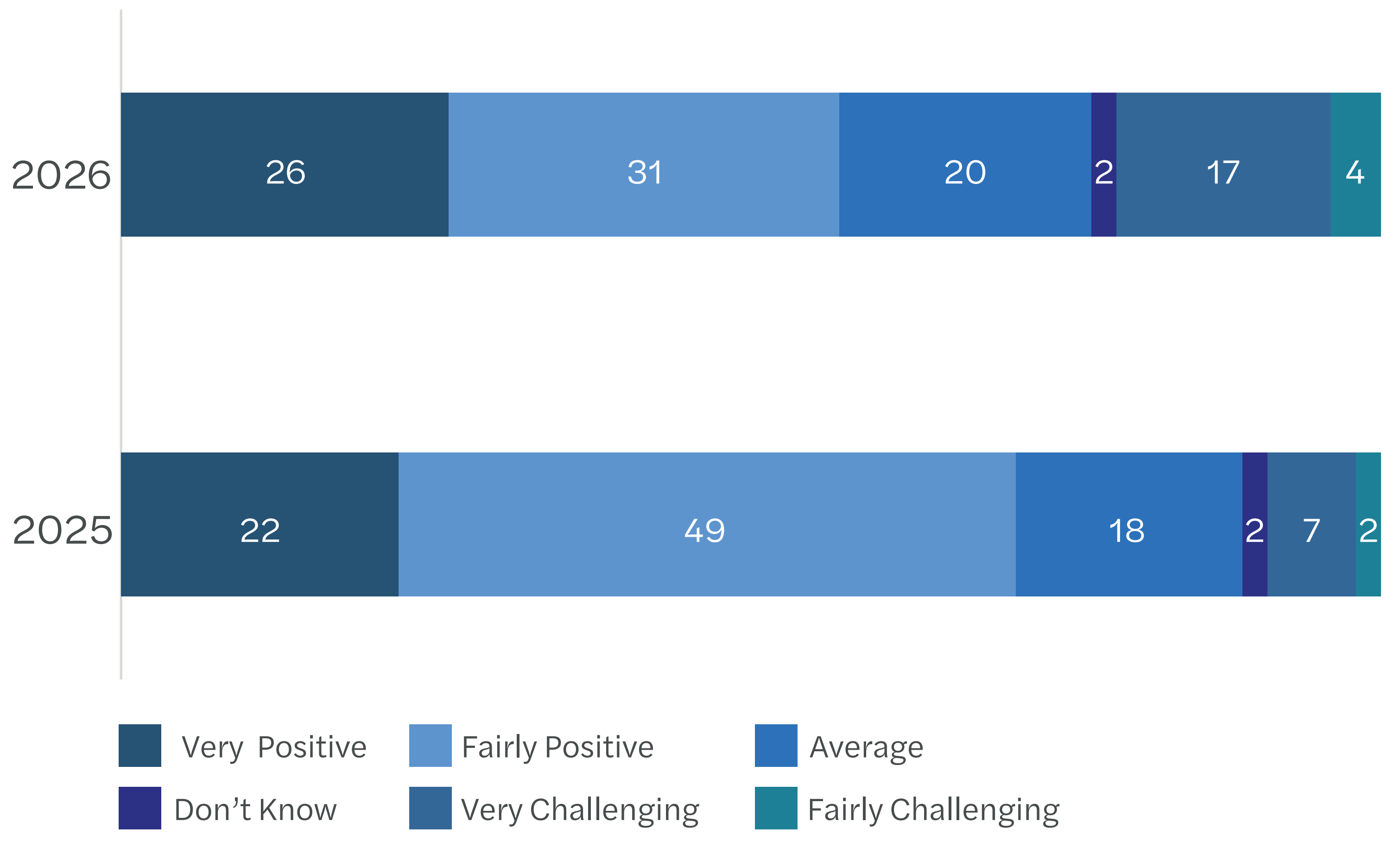
Performance & Value Creation in the New Market

Financing & Deal Dynamics

Financing remains tight even after the growth in private credit and gradual return of banks to the market. This year sees a 14-point drop in the percentage of firms describing market conditions for fundraising as "positive." Meanwhile, 67% of firms in the U.S. say their build-up strategies have been affected by financing issues, an 18-point increase over 2025 and well above the global figure of 58%. There has been a similar (19-point) increase in financing issues impacting exit strategies.

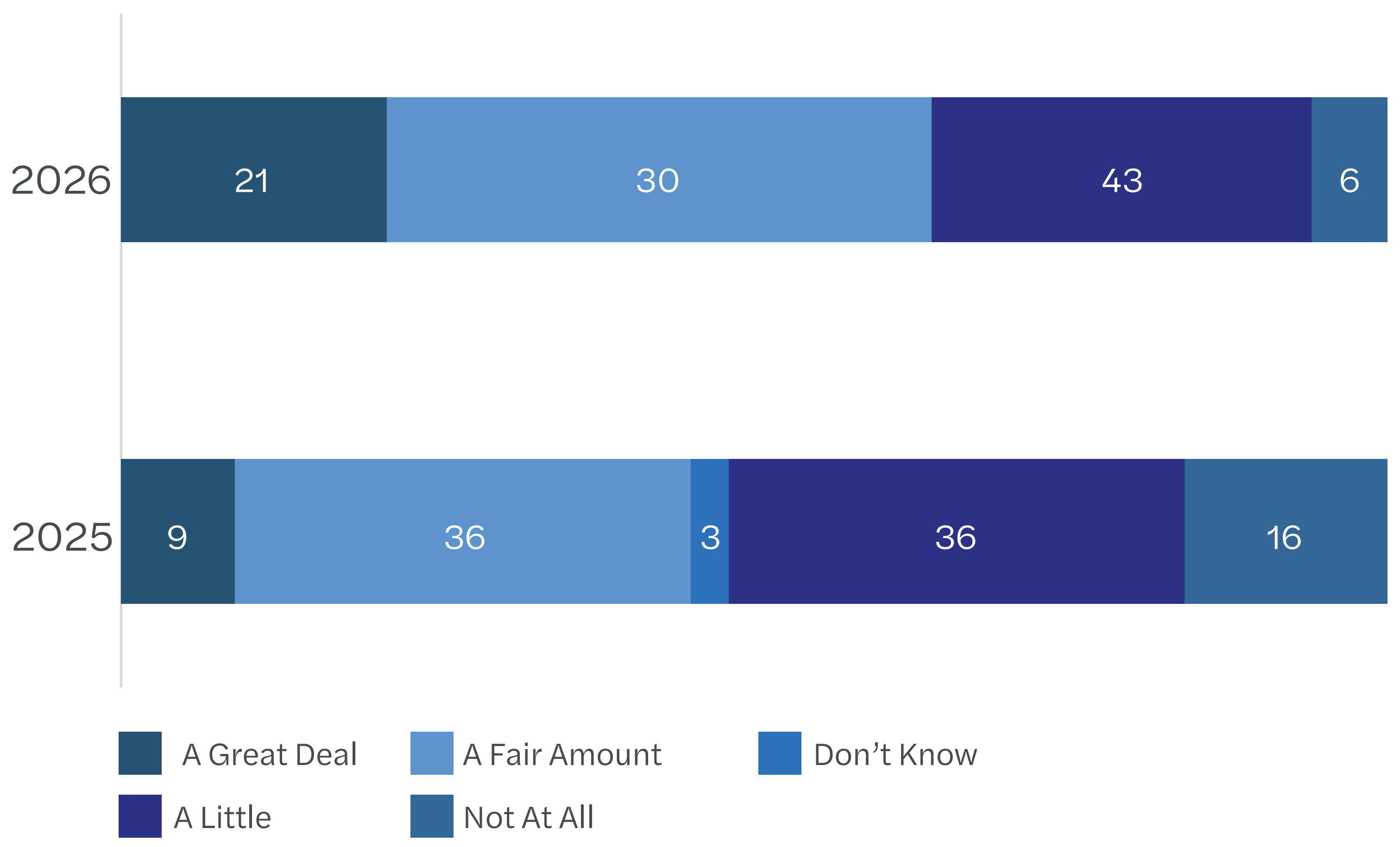
Firms best positioned to attract capital are those that show clarity and conviction. Managers who have a clear value proposition and can point to a record of delivering returns on capital see funds flowing toward them. Investors look for distinctive performance, favoring funds that show resilience, specialization, and a strategic edge, along with strong exits.

Market Conditions for Fundraising
Percent of Respondents, U.S., 2025-6



MktFund. Please rate current market conditions for fundraising for your fund.

Impact of Financing Issues on Exit Strategy
Percent of Respondents, U.S., 2025-6



FinExit. To what extent have financing issues impacted your exit strategy?

"Some exits, where there is a clean story, easily understandable business, and a specific buyer set with owning the business, are happening on schedule as expected. For stories with more complexity, we're seeing a lot of buyer fatigue and discernment."

Forvis Mazars

U.S. PE client interview

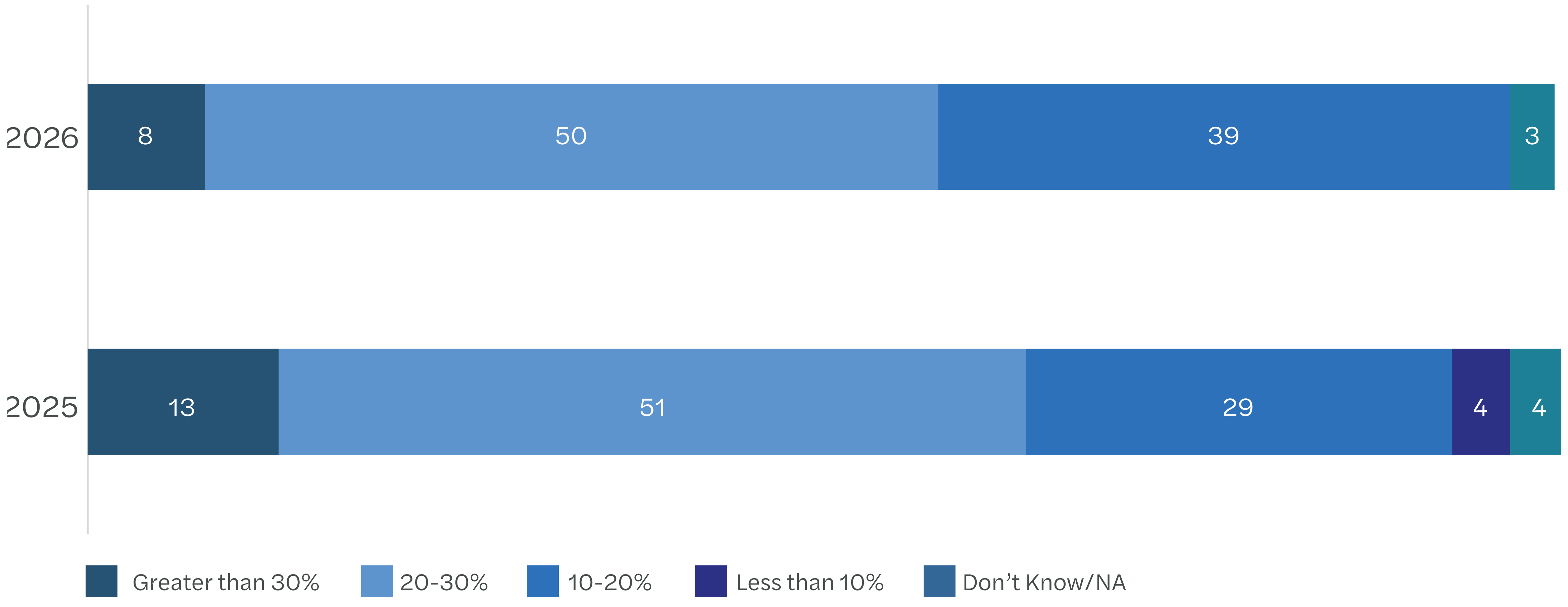
Performance & Value Creation in the New Market

Portfolio performance is fractionally weaker after three years than it was in 2025, reflecting market disruption, investment costs, and operational change. Internal rate of return (IRR) performance also falls back slightly, with fewer firms achieving IRRs above 30%, and more seeing rates of return below 20%. Nonetheless, market conditions for growth remain steady in the U.S., with 83% saying they are “very” or “fairly” confident that conditions will facilitate growth across their portfolio.

This raises the key question: How, in a market favorable for portfolio growth, can firms create and sustain differentiated value over longer holding periods? Given exits are taking longer and capital is deployed more selectively, success must come from operational depth, international growth, and disciplined execution.

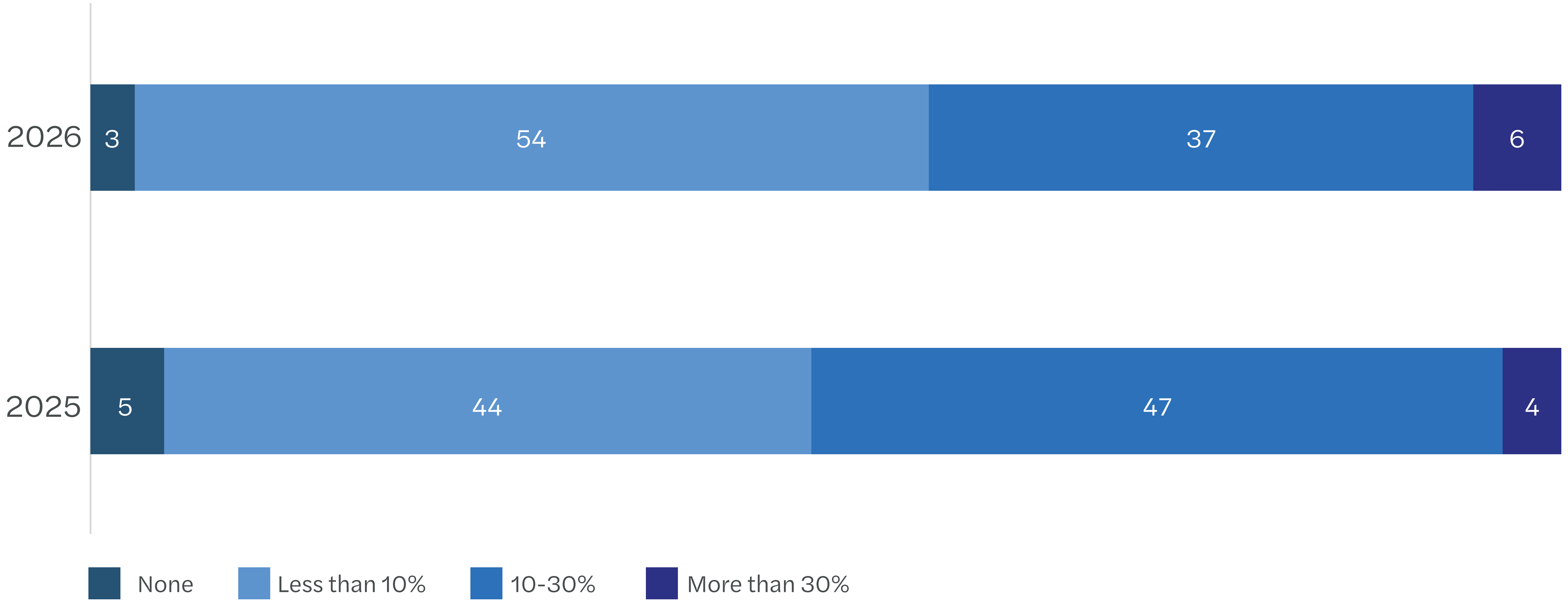
Given the uncertainty around exits, there is greater emphasis for firms on the value of existing assets. In reviewing their portfolios with hindsight, 57% of survey respondents would have walked away from less than 10% of their deals, an increase of eight percentage points over last year. This suggests greater confidence in underwriting and generally positive assessments of the potential for value creation.

Average IRR: Tracking
Firm’s Average IRR at Exit, Percent of Respondents, U.S., 2025-6



PortIRR. What has been the average internal rate of return (IRR) (%) for your company’s portfolio when you have exited?

Portfolio Deal on Hindsight: Tracking
Proportion Respondent Would Have Walked Away From, Percent of Respondents, U.S., 2025-26



WalkAway. With hindsight, what proportion of deals from your current portfolio would you have walked away from?

Performance & Value Creation in the New Market

Managing Longer Holding Periods

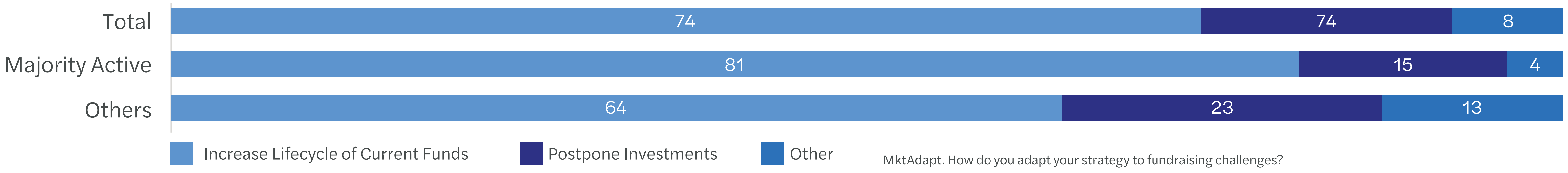
The market is now characterized by longer holding periods, reflecting the valuation gaps and financing constraints that make exit conditions tougher, and introducing more complexity and uncertainty to the process of selling and reinvesting capital.

Firms report that, as standard 10-year funds near their end of life, they often see more value in retaining high-quality assets and continuing to build value than in pursuing exits. Some are looking to make longer-term structures the standard rather than the exception.

As a growing number of M&A processes fail to complete on acceptable terms (the transaction stalls, valuations are below expectations) firms are retaining assets, not forcing sales. A lack of exits holds up the process of raising new funds, meaning sponsors must continue to work with existing portfolios.

In order to continue the work, GPs may ask limited partners (LPs) to extend the life of a fund: this is the approach taken by 74% of U.S. respondents when facing fundraising challenges (above the 69% globally who would do so). Majority and active firms favor fund life cycle increases more than others.

Response to Fundraising Challenges
Percent of Respondents, U.S., by Investor Profile



GPs may also create continuation vehicles, seeking new investors and giving LPs the choice of cashing out or reinvesting. Secondary funds created by GPs as continuation vehicles now account for a significant fraction of the overall secondaries market. The choice for LPs comes down to endorsing the GP's continuation solution, or proactively selling their holdings to a specialist secondaries fund.

GPs therefore have a range of choices to make as funds come to the end of their life, encompassing both whether and how to extend. Exiting remains an option, and differentiated value creation involves understanding when it makes more sense to disengage, and how best to retain and work assets if extending.

"Exit timelines are running behind plan due to a challenging M&A market and continued economic uncertainty, with processes delayed when near-term projections or recent performance showed dislocation."

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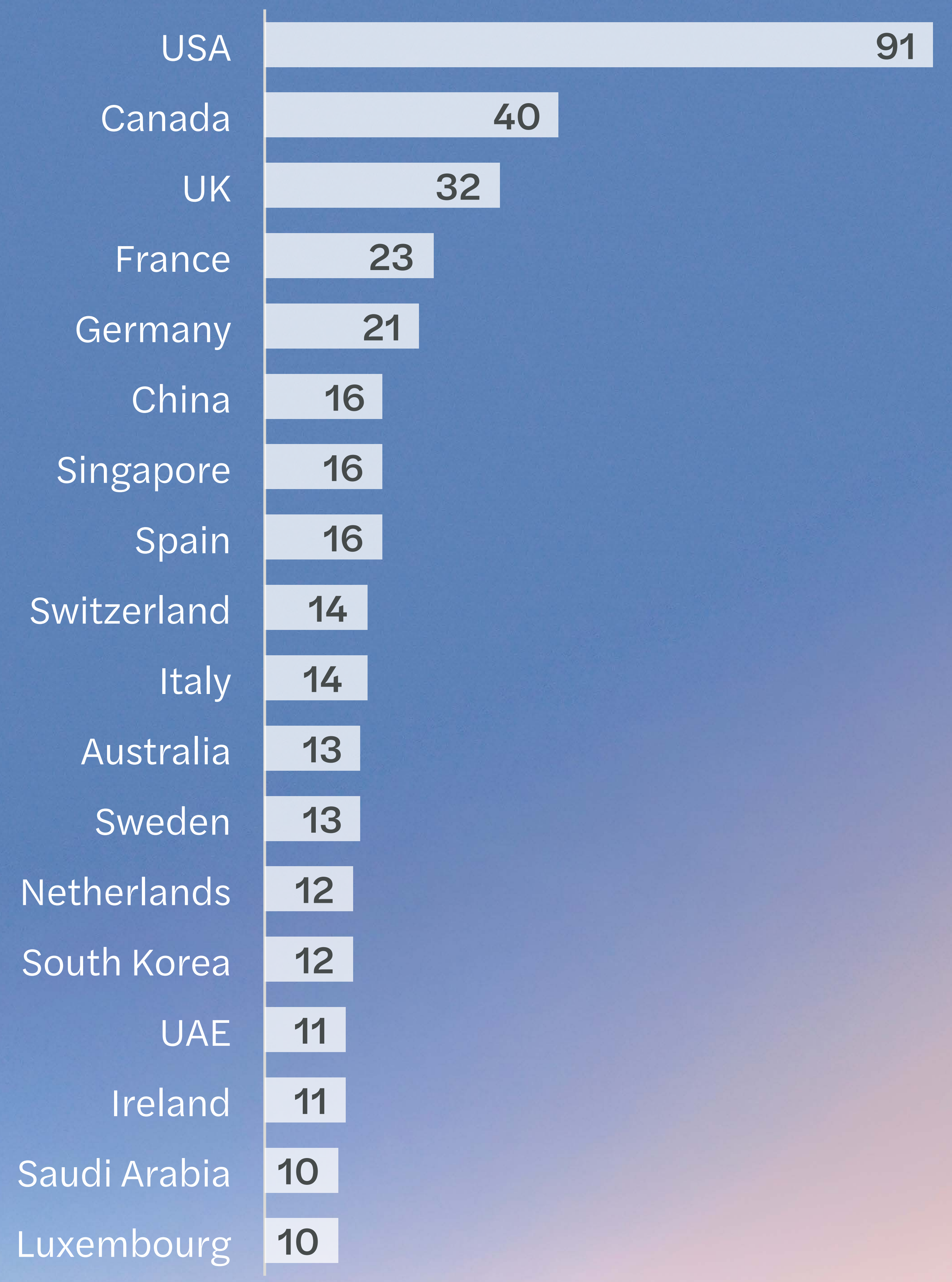
U.S. PE client interview

Countries Invested In
Countries Selected by at Least 10%



CntryInvest. Which countries does your PE firm invest in? Please select all that apply.

Performance & Value Creation in the New Market

Creating Value Through International Expansion

PE firms are increasingly including international expansion as part of their strategies, even if most growth will come domestically. Over longer ownership periods, having the ability to support a portfolio company through cross-border expansion, an international partnership, or new market entry can differentiate a PE firm's value creation strategy.

For U.S. PE firms, value creation is typically driven by a combination of domestic and international investment, although there is a substantial minority of 36% who focus purely on domestic growth. Data suggests that larger GPs increasingly find that framing value creation through a purely domestic lens is limiting, the more so as holding periods extend and firms look to compound growth over time.

Cross-border activity for U.S. firms covers the whole globe, with the most prominent destinations combining the largest English-speaking markets of Canada and the U.K. (a target for 40% and 32% respectively); other major European markets France (23%), Germany (21%), Spain (16%), Switzerland (14%), and Italy (14%); and East Asian markets in China (16%), Singapore (16%), and South Korea (12%).

A key challenge associated with international expansion is navigating a more complex set of sustainability regulations and considerations. Understanding how sustainability factors influence people strategies, operations, and supply chains across a multinational business can become a key part of how PE firms create value. Embedding governance, operational responsibility, and supply chain resilience can:

- Support growth
- Manage risk
- Enhance value, especially over longer holding periods

In this new more complex market, characterized by longer holds and international growth, PE firms able to use their operational depth, navigate cross-border complexity, and embed sustainability are well positioned to create lasting value. With extended ownership horizons and a highly selective M&A market, firms need to build resilient portfolios and remain adaptable.

How PE is Pursuing Differentiation

Performance is increasingly determined by differentiation. Private markets remain rich with capital, but those managing it are faced with greater challenges in deployment. There is intense competition for the best-quality assets, driving up prices, and LPs are increasingly selective in committing capital. Firms that struggle to show the difference they uniquely make are finding it harder to compete for assets and investor support.

Constrained Deployment Amid Capital Abundance

Although dry powder is available, respondents have highlighted that it remains difficult to match it with assets that deliver the expected returns. Good assets are competed for fiercely, while less attractive investments can be acquired for less, if buyers are prepared to carry greater risk.

This leads firms to spend more time pursuing fewer opportunities, adding to the pre-deal workload and driving up the proportion of deals that one party walks away from.

How PE is Pursuing Differentiation

Demand for Focus & Execution

Succeeding against this backdrop puts greater demands on PE firms' strategic clarity, including differentiating through deep sector experience and focus. In our global survey data, TMT and FS are the sectors of greatest interest to PE firms, reflecting potential for growth and scaling, with TMT pulling ahead of FS this year. These sectors continue to draw the most competition, reinforcing the demand for sector knowledge over generalist approaches.

Firms are also beginning to position on emerging-industry expertise. Current insights indicate somewhat limited investment activity in aerospace and defense, but below the radar we see growing interest as a result of geopolitical uncertainty and higher government spending, alongside growth for other sectors including healthcare, business services, and residential services. Many GPs expect greater attention to fall on these industries in future, even if TMT and FS dominate the near term.

PE firms' sector expertise, backed up by their pipeline and operating capabilities, influences fundraising as well as deal sourcing. LPs are showing greater interest in managers able to explain where and why they invest, and a repeatable approach to creating value in those sectors.

A further point of differentiation is execution capability. Competitive auction processes push up valuations, so firms are aiming to originate opportunities earlier, including through pre-emptive offers and off-market transactions. The onus on execution continues during ownership. Delivering organic growth, not just relying on financial engineering, positions firms for strong valuations and further LP support.

A similar shift in expectations applies to buy-and-build strategies. Firms that can show accelerated integration and synergies, demonstrating that further acquisitions deliver sustainable growth, are better positioned than those relying only on multiple arbitrage, especially over longer holding periods.

For LPs, differentiation is what builds confidence. They are attracted to managers showing clarity and the ability to execute repeatedly. Despite the challenges fundraising, capital is available for firms with clear narratives that they can back up.

Differentiation is not about novelty; it means credibility built on focus and execution. Firms combining sector knowledge and focus, disciplined deployment, execution, and a strong growth story are positioned to compete for assets and capital in this selective market.

"We are sector focused in industrials and healthcare because our team has deep, differentiated expertise and long-term, innovation-driven tailwinds create opportunities to build strategically important companies."

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U.S. PE client interview

How PE is Pursuing Differentiation

Exploring the Potential of AI

Technology plays an increasingly important role in execution, particularly within portfolio companies. Investments to build modern IT systems, data infrastructure, and new digital capabilities help deliver growth as well as managing risk and delivering more visibility to operations.

Alongside leadership selection, the key tools PE firms employ are increasingly focused on strategy execution and transforming performance, which is supported by effective technology adoption.

Most Important Tools/Approaches for Managing Challenges (%)

ManageTools. Which of the following are MOST important in helping you apprehend and manage those challenges? Please choose up to 3.

Over the past three years, AI has moved from novelty, to buzzword, to on-the-ground implementation. In the implementation phase, firms have found that AI is able to accelerate processes, delivering faster insight and more efficient operations, without replacing human experience or judgment. Bigger firms already deploy AI tools at scale, and small-cap players are testing use cases and adopting the tools that are right for them.

How PE is Pursuing Differentiation

Applications of AI at the GP level include deal sourcing, screening, and research: a key advantage is in processing large volumes of data quickly and systematically. In a competitive deal environment, quick insights leading to early decisions can be crucial.

Fundraising, reporting, and portfolio monitoring are further applications. AI can automate some data analysis and reporting, supporting more scalable, centralized operating models. This is especially useful for larger firms with big, geographically diverse portfolios.

AI adoption can help drive operational outcomes in portfolio companies as well. Firms are seeking to use AI to:

- Boost productivity and efficiency
- Improve risk management
- Support revenue growth, forecasting, pricing strategy, and process optimization

Increasingly, AI is being used as a practical lever to drive performance.

As with any new technology, adoption is uneven, with smaller businesses and those lacking data maturity less likely to be exploiting it. This is an opportunity for GPs to use their education, set realistic targets, and allocate investment to translate AI potential into value for portfolio companies.

AI adoption comes with risk as well as opportunity. It increases the salience of data security, intellectual property, and regulatory compliance. The in-depth report, "Cybersecurity in 2026: A Strategic Road Map for US Businesses," explains the risk of "shadow AI," when employees adopt AI tools ad hoc, lacking proper oversight. Especially when these employees have access to sensitive data, this can have serious consequences.

PE firms looking to leverage AI can manage these risks through practices including clear governance, robust data controls, and security-by-design principles. These need to be applied consistently both within the GP and portfolio companies.

AI will be an increasingly important enabler for PE, without substituting for core capabilities or human experience and judgment. Successful firms will combine the efficiencies achievable through AI with their own judgment, operational know-how, and governance.

"Our primary use case right now is with ChatGPT, specifically working through custom use cases within ChatGPT. We are also piloting other software for various use cases. A core focus for the firm is advancing the collaboration and best practices with AI, beyond just figuring out where it can add the most value."

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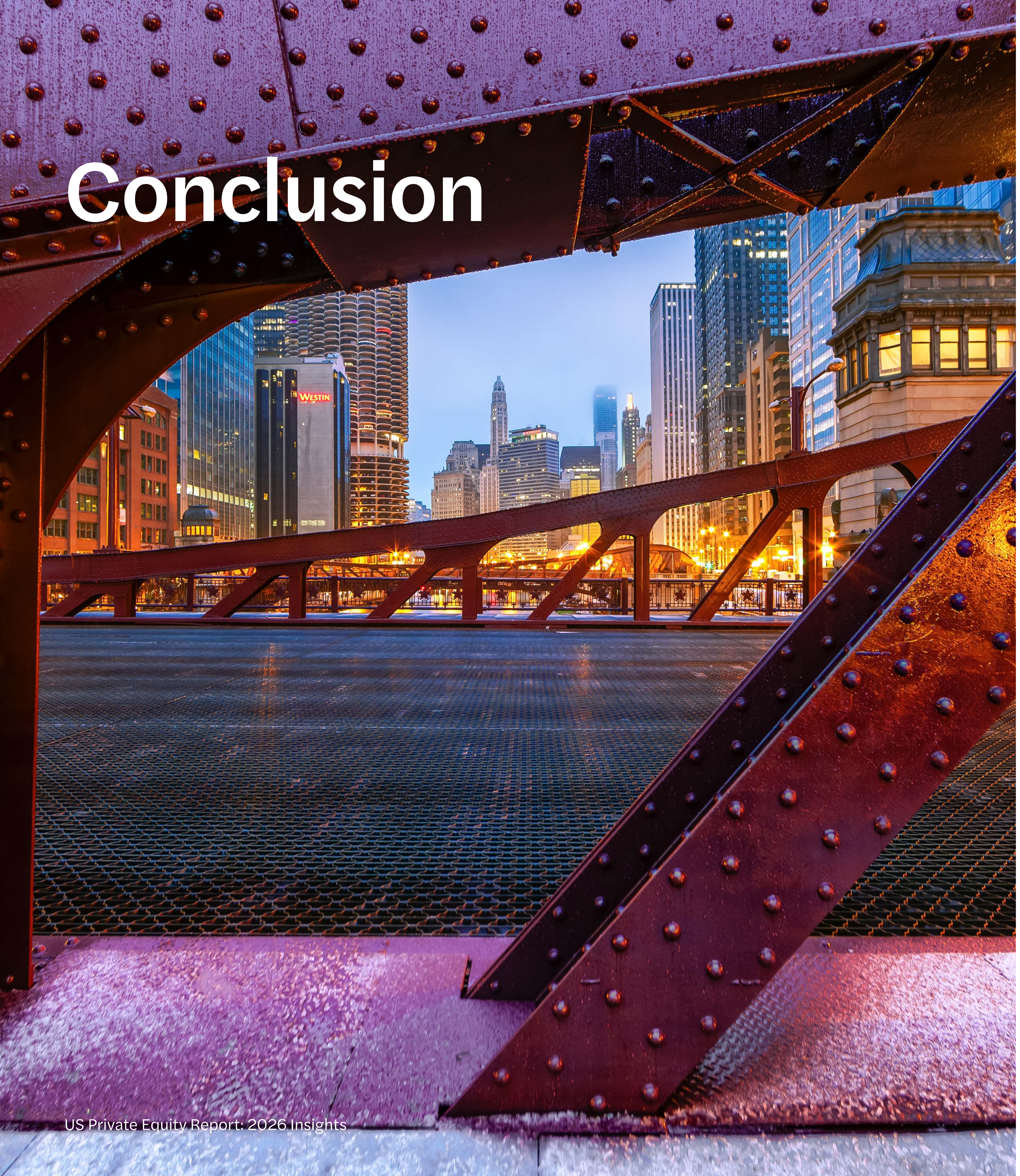
U.S. PE client interview

Conclusion



Following disruption, PE is entering a new phase. Some challenging market conditions, as well as geopolitical developments, are disrupting specific markets and sectors, but confidence is improving. Deal activity is returning, if now more selective, and PE firms have developed playbooks to manage shifts in the international context. Success in this market environment is less about deal timing and more about a clear strategy, operational capability, and delivering sustainable growth.

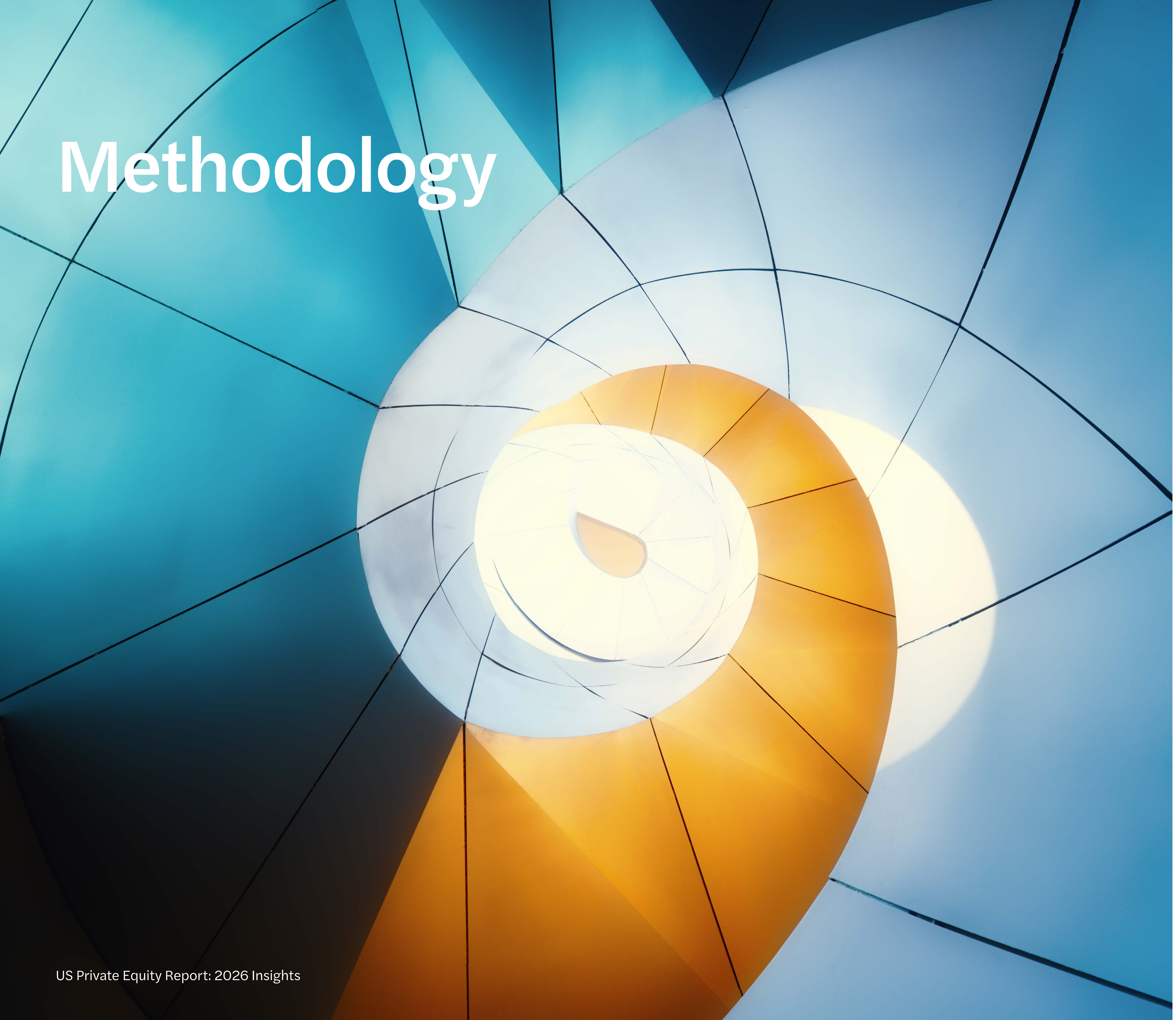
The constrained exit environment and longer holding periods ask new questions of how firms create value. Less able to rely on quick exits or financial engineering, firms need to draw on their operational depth and ability to deliver organic growth through active ownership over longer time horizons. There is a shift in where value is created and how it is realized.

This drives firms to adapt their fund structures and exit strategies. More GPs are using continuation vehicles, to give themselves and LPs flexibility, and international expansion is an increasingly important avenue to pursue portfolio growth.

Differentiation is now more salient. With dry powder available but greater demands on deployment, investors look for managers to show they have a clear investment thesis, can execute effectively, and consistently deliver value across cycles.

AI is enabling firms to move faster and more effectively in investment decision making, portfolio oversight and driving operational efficiency in portfolio companies. Realizing AI's full potential will require not just expertise and investment, but the robust knowledge and governance to keep on top of its risks.

With markets adjusting further as interest rates stabilize, PE firms are continually reviewing their approaches. Those that combine strategic focus, operational execution, and disciplined innovation are poised to succeed in the years to come.



Methodology

Responses

Sourced via telephone interviews and an online survey.

Participants

Currently work in a PE fund, family office, or other investment organization.

Sample Size

Was 159 respondents in the U.S. among total of 806 respondents worldwide.

Fieldwork

Occurred from September to November 2025.

Firm Type	Sample
Private Equity	109
Family Office	42
Other Investor	8

Investor Profile	Sample
Majority Active	95
Majority Passive	9
Minority Active	28
Minority Passive	11
No Preference*	16

*Neither majority nor minority

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