



PE Pulse 2026

What's next for private capital? Read our annual outlook.



Contents

Executive summary	3
Deal activity outlook for 2026	4
Adapting to continued macro uncertainty	8
Maturing deal strategies in secondaries and co-invests	10
Critical success factors for 2026	13
About Torys	14

Thank you to our contributors

We would like to thank all those who shared their time and insight to create this report. Several participating organizations requested anonymity, while others are listed below.

AIMCo, AlpInvest Partners, Antin Infrastructure Partners, ARC Financial, BMO Capital Partners, DW Healthcare Partners, Fengate Asset Management, Imperial Capital, Maverix Private Equity, New 2ND Capital, Ontario Teachers' Pension Plan, OPTrust, Overbay Capital Partners, Peloton Capital Management, PillarFour Capital and Wittingham Investments.

Executive summary

In our sixth annual industry survey, we spoke with leaders from private equity, infrastructure, secondaries and venture capital fund managers, and institutional investors to survey their predictions for the year ahead. The prevailing sentiment for 2026 appears to be one of guarded optimism, particularly for key sectors. While many unknowns remain that could stifle deal activity (including the pending Canada-United States-Mexico Agreement [CUSMA] negotiations, the U.S. midterm elections, and other geopolitical developments), dealmakers are motivated to source investment opportunities and complete transactions.

Five main takeaways:

1. **Key sectors will continue to see strong activity levels:** Momentum that picked up in H2 2025 appears likely to continue throughout 2026, especially within the sectors that our respondents identified such as technology, AI, infrastructure, and energy. Despite continued geopolitical and macro-level uncertainty, market participants are keen to get dealmaking underway in 2026, with choice assets in the right industries enjoying strong buyer demand. Stabilizing interest rates and improving credit markets are also anticipated to ease deal financing constraints and may support a rebound in deal activity.
2. **A growing need to transact amid ongoing liquidity crunch:** Across sectors, pressure from investors for liquidity is going to push sponsors to take action to clear their backlog of portfolio investments, including by lowering prices (or bridging valuation gaps through the use of earn-outs) and turning to the secondaries market.
3. **Changing trade relationships are reshaping capital flows:** While the U.S. remains a top investment destination, one consistent theme among our Canadian respondents was the desire to diversify trading partners, with the majority of our participants citing a tilt towards Europe due to a relatively stable macroeconomic environment, as well as increased interest in certain regional markets (such as India and Japan) for opportunities in technology, industrial and manufacturing, and healthcare.
4. **The secondaries market continues to grow and mature:** Secondaries are widely predicted to outpace 2025 levels this year, according to our respondents. In addition, GP-led secondaries are favoured to outpace LP-led secondary transactions, as GPs look to hold on to outperforming assets for longer.
5. **Assuming a favourable macro environment, the co-investment market is expected to have another strong year:** Our survey participants universally expect another strong year for co-investments in a brightening macroeconomic environment for leveraged buyouts, and as LPs continue to retain negotiating leverage in a competitive fundraising environment.

Deal activity outlook for 2026

The resurgence in deal activity in Q3 and Q4 of 2025, buoyed by easing interest rates, has bolstered dealmakers' confidence. Many of our respondents indicated that they expect to see ample opportunities in their key sectors this year and that even non-choice assets will see renewed momentum amidst pressure to generate liquidity. While some market uncertainty remains, the industry leaders we spoke with were generally optimistic that 2026 would see increased dealmaking.

Higher market confidence at the start of 2026 seems to be based on the belief that 1) stabilizing interest rates and improving capital markets will help ease financing constraints and 2) pressure from investors for realizations is going to push sponsors to bring more assets to the market. Respondents were mixed on whether 2026 will be a buyer's or seller's market, but the general sentiment seems to be that dealmakers will find ways to close valuation gaps, whether by lowering prices or through the use of earn-outs.

Secondary exits will continue to play a critical role in dealmaking this year as well. By November 2025, 16% of total private equity exits in 2025 were driven by continuation vehicles (CVs), compared to just 5% in 2019¹. As such, our respondents expect to see the sustained growth in the use of CVs in the coming year.

“[The b]iggest challenge has been a lack of [M&A, exits, and LP liquidity], which has created a logjam in the market. For recovery, we need to see the machine start to move again. The hope for the year is that optimism in M&A market proves to be true—and that will start to create opportunities.”

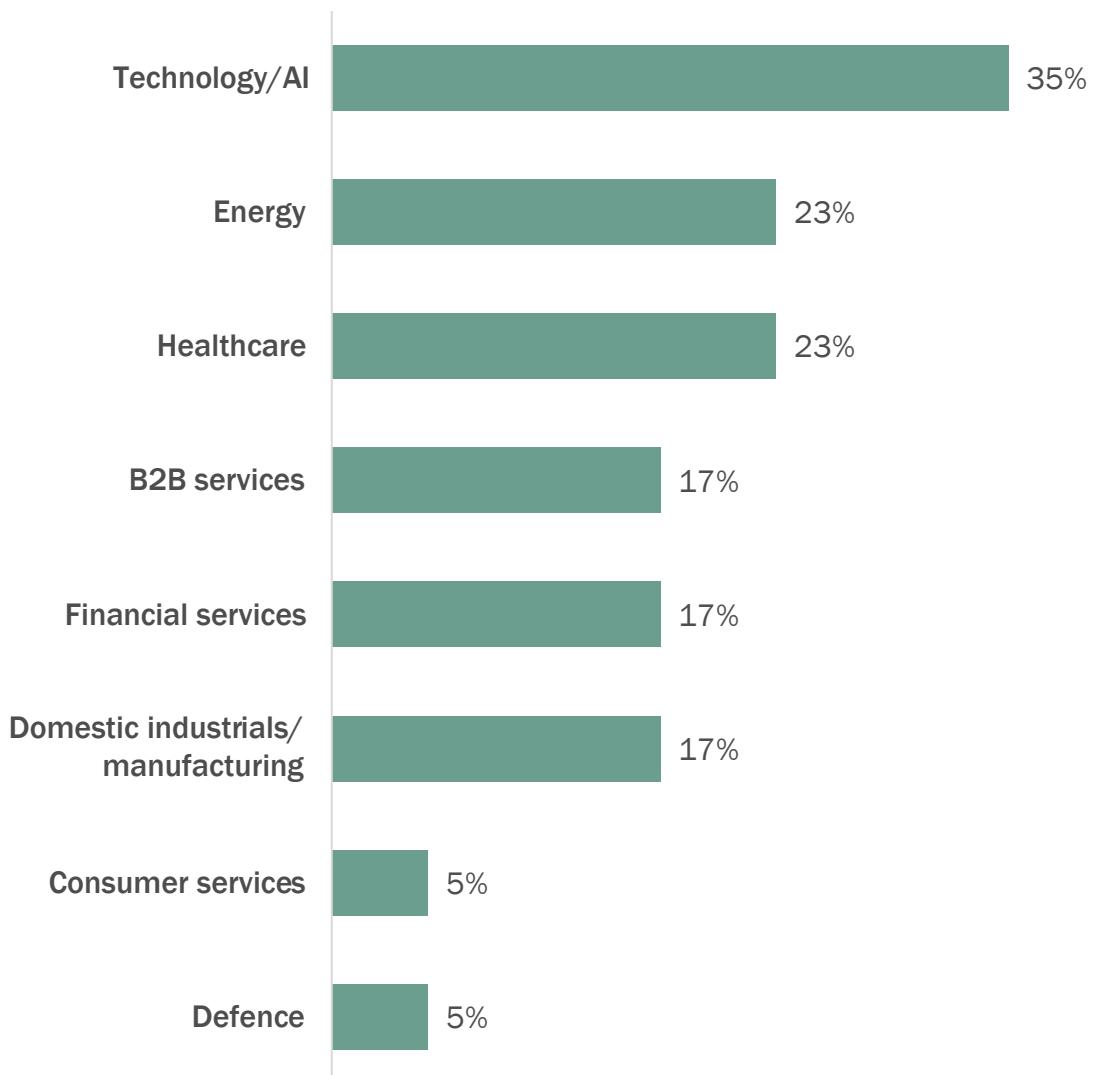
– Mike Murray, Peloton Capital Management

¹ Northleaf, “[Private Equity Market Update: Q3-2025](#)” (November 26, 2025).

Find your nearest exit: dealmaking conditions improve

The overall dealmaking outlook is promising for 2026, but recovery may be uneven and favour select sectors. While the investment priorities of those we interviewed varied, key themes emerged: 1) industries and services that are tech-enabled or have the potential for automation will be in high demand as participants look for cost efficiencies; 2) deglobalization has led to a resurgence of interest in domestic and near-shore companies, as well as energy and security; and 3) sectors that are more resilient to the general economic climate will continue to be sought after, such as core infrastructure and non-discretionary consumer services. In addition to sector-specific investments, our respondents continue to see outsized opportunities in the middle market.

Figure 1: Which sector(s) do you believe will be the most attractive to your group/fund in 2026?²



²Survey respondents were allowed to list more than one option.

Technology remains the sector of choice for dealmaking opportunities in 2026, remaining consistent with the results of our 2025 survey. Last year, software with AI-rich features and “acquihire” deals aimed at recruiting AI talent (or licensing) drove some of the largest transactions in this space. At the start of 2026, deal activity in the tech sector seems poised to capture more businesses with tech-enabled services and dual-use technologies. AI-driven IPOs are also rebounding from 2024 levels, pointing to the possibility of more IPO exits on the way in 2026. Healthcare is another area to watch in 2026, serving as a prime example of how the addition of AI and technology may create meaningful and robust realizations across industries. Approximately one-quarter of the private capital leaders we spoke with listed healthcare as an area of interest going into the year.

“Great assets will command all-time high valuations.”

– Maxim Tcherner, Fengate

Megatrends shaping capital deployment continue to follow broader geopolitical themes, with certain industries enjoying tailwinds from efforts to secure energy, expand digital infrastructure, scale defence, and meet rising power demands. We take a closer look at these industries in our next section on page 8; however, broadly speaking, we expect investors and sponsors to look to opportunities to limit tariff exposure in their supply chains, especially in manufacturing and industrial services.

“We see energy technology companies that demonstrably lower carbon intensity in oilfield operations as most attractive—particularly those with established commercial traction, strong technical defensibility, and global scalability.”

– Matt Colucci, PillarFour Capital

Choice assets in these areas are likely to draw competitive prices as strong demand is met with large reserves of dry powder. As one dealmaker we spoke with shared, when it comes to quality assets, “there will be sizable winners” but discerning these assets from the “laggards” will remain a critical success factor in the year ahead.

Dealmaking challenges persist

Despite the determination to get back to dealmaking, certain challenges remain for dealmakers at the start of the year. Besides the macro environment (which we discuss in our next section), our respondents identified similar concerns as in prior years, including fundraising challenges

and increased competition for quality assets. As exit volume remained muted globally in 2025, fundraising is expected to be a lingering hurdle for dealmakers to clear in 2026, with added pressure on sponsors to make good on returns to their LPs.

“The biggest challenge for 2026 may be fundraising—LPs are becoming more selective about which firms to invest in and have less capital available to deploy given muted exit activity. GPs that lack differentiation, strong investment returns, and DPI will face an uphill battle to raise funds.”

– Mohit Talwar, Maverix Private Equity

Retail investors have added another layer of complexity to dealmaking. Some respondents noted that the influx of money from wealthy individuals may create unforeseen risks for private capital as a result of different liquidity and timing needs, including the distortion of pricing, lower returns, and increased competition. Accounting for the needs of this new investor base, while navigating an otherwise challenging fundraising environment amongst traditional investors, will be another consideration for GPs to keep in mind, while also representing a new issue for institutional investors to diligence at the time of investment.

Adapting to continued macro uncertainty

Last year, a majority of the respondents in our report cited geopolitical uncertainty as the top challenge ahead for 2025—a prediction that we saw validated by tariff-induced volatility. It is perhaps not surprising that geopolitical uncertainty remains a top concern on the minds of the private capital leaders we spoke with as we head into 2026.

The general sentiment of the dealmakers we interviewed was that tariff shocks were largely in the rearview mirror, though most acknowledged that other geopolitical risks and unknowns remain, from changing inflation rates to the upcoming U.S. mid-term election. Some respondents highlighted that deal activity in North America (and particularly in Canada and Mexico) may hinge significantly on CUSMA negotiations, with approximately 25% of those we surveyed indicating that the outcome of this critical agreement could create further disruptions for 2026. Negotiations are expected to centre around the auto and agricultural industries, access to critical minerals, Canada's banking and financial system, and Chinese foreign direct investment in North America—with specific consideration of China's competitive threat in the technology and manufacturing sectors. It is likely that there will be some market volatility in the coming months in anticipation of CUSMA negotiations, although a positive outcome would benefit deal activity in all three countries.

What global regions will attract more investment?

Our respondents expect the U.S. to remain a top investment destination due to the strength of its markets. That said, one theme to emerge in Canada in 2025 was the need to diversify trading partners. Several of the private capital leaders we spoke with shared that Europe and the APAC regions were likely to attract more investment in 2026.

“[Changing trade relationships] could result in greater deal flow exiting the U.S. [We are] already seeing near-term realization pipelines tilt towards Europe for global portfolios.”

— Jane Segal, Wittington Investments

In addition to North America, dealmakers looked to European markets with renewed interest in 2025 for a more globally diversified portfolio, trading some of the high-return potential in the U.S. for perceived stability in those jurisdictions. As more private capital participants looked “across the pond” for opportunities, European PE activity recorded one of its strongest years in 2025 (with €645.3 billion in deal value at the close of the year³), which we expect 2026 to build on. Industry leaders also cited select markets in Southeast Asia (SEA), Japan, and India as promising markets worth exploring in 2026. As technology and manufacturing opportunities continue to expand outside of China, more capital will likely be deployed into maturing markets in SEA and India, with regions like Japan and South Korea also capturing deal activity in the industrial tech and healthcare space.

Sector outlook amid changing geopolitical environment

According to those with whom we spoke, several key areas are likely to benefit from the changing global political and security landscape, including industrials, defence (and related sectors such as aerospace), and technology. Investors eager to pursue long-duration assets have been further encouraged by government incentives and budget allocations in the U.S., Canada, and Europe aimed at courting private capital to build out big-ticket national projects.

“Canada keeps pushing forward on the theme of Energy Superpower and it helps attract capital to Canada.”

– Brian Boulanger, ARC Financial

As our respondents predicted in last year’s report, 2025 was significant for infrastructure and energy. The emphasis on energy security amid geopolitical tensions, the exponential growth in power-demand forecasts, and the energy transition contributed to renewed enthusiasm for infrastructure and energy investments worldwide. Within Canada, sovereign AI and digital infrastructure (as well as the energy to fuel these initiatives) continue to be national priority projects, which are supported by a suite of government initiatives, including the [2025 Budget](#), the [Building Canada Act](#), and the [Canadian Sovereign AI Compute Strategy](#), among others. 2026 shows no sign of a slowdown in this sector, with one-third of our respondents indicating that assets under this umbrella will continue to do well.

Defence also continues to capture headlines and investor interest. Several of those we surveyed indicated that they expect to see strong activity in this sector on the heels of large defence spending announcements from the U.S., Canada, and Europe. Defence tech and dual-use tech in particular were cited as areas to watch in 2026, with more startups entering the space in anticipation of increased procurement and production demand⁴.

While some sectors may be headed towards record highs for 2026, others remain more vulnerable to recent market and regulatory shifts. Consumer discretionary and retail services were cited by our respondents as the sectors that may not fare as well in the coming months, in part due to the knock-on effects of tariffs and related costs, as well as persistently low consumer confidence amid stubborn inflation rates.

³ Pitchbook, “[2025 Annual European PE Breakdown](#)” (January 17, 2025).

⁴ The Logic, “Defence tech startups want to change the way Canada equips its military” (January 28, 2026).

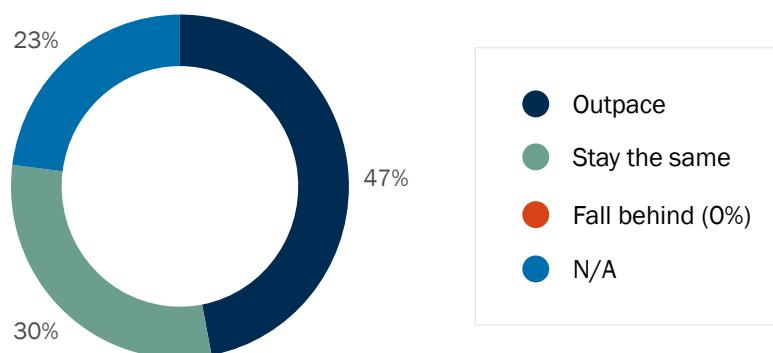
Maturing deal strategies in secondaries and co-invests

As the last five years of unprecedented macro-level forces have shown, necessity continues to be the mother of invention when it comes to transaction strategy. For 2026, sponsors and investors continue to embrace the secondaries market and co-investments, which are both poised for another year of significant deal activity.

Secondaries reach new levels and welcome retail investors

As our respondents predicted in last year's report, 2025 saw increased growth for the secondary market. At the close of 2024, it was believed that traditional exits would pick up again as the deal environment improved to generate much-needed liquidity; however, the reality of H1 2025 was a choppy M&A market and an anemic IPO market in the wake of shifting trade policies globally. These conditions helped further bolster secondaries sales, both through LP-led deals initiated by limited partners and through continuation vehicles transactions initiated by fund sponsors. The result was another milestone year for secondaries, reaching US\$226 in secondary transaction volume and up 41% year-over-year⁵. For 2026, an overwhelming majority of the market participants we spoke with believe that secondaries funds will exceed or at least stay on par with 2025 levels, indicating that these transactions have become part of the private equity playbook regardless of the market environment.

Figure 2: Do you believe the secondaries market in 2026 will outpace the 2025 secondaries market, stay roughly the same, or fall behind 2025 activity levels?



Last year, our respondents indicated that GP-led secondaries transactions were likely to outpace LP-led transactions. 2025 proved them wrong but only marginally, as LP and GP deal value became fairly balanced by the year's end: LP-led volume for 2025 was \$120 billion while GP-led volume reached \$106 billion⁶. Aggregate LP-led transaction value came out slightly in front as prominent institutional investors took matters into their own hands by selling significant PE fund portfolios.

“The secondaries market is a good place to be. Assets are stuck, while PE firms and their investors need liquidity. Even if the market turns ideal tomorrow, it will take a while for liquidity to cycle through, and secondaries firms will stay in demand.”

– Tjarko Hektor, New 2ND Capital

For 2026, while growth in the use of [secondaries shows no sign of abatement](#), the outlook on the relative split between LP-led and GP-led deals is more clouded. The likely result, according to the market leaders we surveyed, will be another near-even split of LP- and GP-driven secondary deal value, given that the trends observed throughout 2025 are likely to carry through this year to some extent, including continued pressure to generate liquidity and the rising use of CVs contributing to another record year in this space.

As secondaries markets continues to mature, there are more potential changes in store for 2026. The “retailization” or “democratization” of private markets has opened new opportunities for secondaries in particular. Retail clients are increasingly asking for exposure to alternative assets typically reserved for institutional investors and are seeking diversified and retroactive exposure to private assets through secondaries funds. To court this growing class of investors, more firms are offering semi-liquid fund structures (especially evergreen funds) and other liquidity management tools that better serve individual investors. While currently only a fraction of the secondaries market, projections from Evercore forecast that private credit secondary volume will continue its rapid growth and exceed \$50+ billion within the next 2-3 years⁷.

Governments and regulators are also responding to the rise in retail investors—for example, President Trump’s Executive Order 14330, “Democratizing Access to Alternative Assets for 401(k) Investors”, provides [expanded access for 401\(k\) plans to invest in alternative assets](#), which could significantly increase capital inflows into the secondaries space (and private markets more generally) in the years ahead. Further, regulatory changes that embrace blockchain technology may allow for the adoption of tokenized retail investment funds, which could facilitate more retail and private wealth participation in the secondary market⁸.

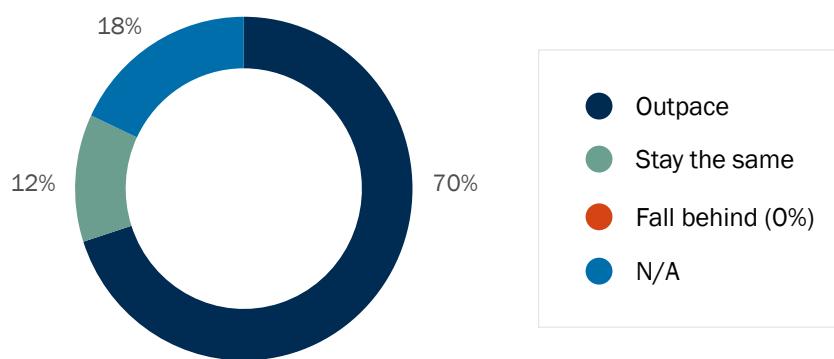
⁷ Evercore, “[The Credit Secondaries Market: Structure, Momentum, and Why Growth Should Persist](#)” (August 2025).

⁸ EY, “[Retailization of Alternatives - focus on semi-liquid products](#)” (March 27, 2025).

Co-investments remain in high demand

Our respondents universally expect another strong year for co-investments. Nearly all of them expect that activity will exceed 2025 levels, while some indicated activity levels would at least remain the same as in 2025. This expectation is based, in part, on a brightening macro environment for leveraged buyouts, particularly in the “hot sectors” we identified above, and in part by the perception that LPs will continue to have some leverage to push for fee- and carry-free co-investments in a fundraising environment that is expected to remain competitive.

Figure 3: What is your outlook on LP co-investments? Do you anticipate activity in this area to exceed 2025 levels, stay roughly the same or fall behind 2025 activity levels?



It remains to be seen how the influx of retail capital will impact the co-investment market in 2026 and beyond, including whether sponsors will seek to extract greater economics from co-investments and whether allocation competition with retail investors may leave institutional LPs with a smaller piece of the co-invest pie. We examine these issues further in our article, [“Co-investing in the retail age: allocation, economics and alignment”](#).

“LPs have more power and leverage [and] can choose from many funds. [The] opportunity to co-invest is compelling. They have become aggregators [and] think about relationships more holistically.”

– Aly Champs, DW Healthcare Partners

Critical success factors for 2026

As the nature of dealmaking continues to transform in a fast-changing environment, private capital leaders are adjusting their tool kits to stay ahead of the influx of change. Sponsors and investors appear ready to “expect the unexpected” in 2026. The industry leaders we surveyed shared the following factors that will be critical to success in the year ahead:

1. Passive gains must give way to active value creation

The most consistent theme in our conversations was the move toward “hands-on” management. Whether by becoming more hands-on with their capital deployment, seeking out new talent, embracing new technology for cost efficiencies or more actively managing portfolio assets and composition, driving growth will depend on leadership rolling up their sleeves and getting into the thick of the action.

2. Passing the “exit hurdle” will be key to unlocking more opportunities

With the intense pressure to return capital to LPs, attractive DPI ratios are now a prerequisite for successful future fundraising. To move forward, sponsors will need to clear a daunting backlog of portfolio investments. This will likely drive both creativity in bridging valuation gaps, as well as greater reliance on exits to the secondaries market.

3. Discipline will pave the way forward in a consistently volatile market

Accounting for external factors will remain critical for dealmakers, from commodity pricing and consumer spending to regulatory scrutiny (including antitrust and foreign investment reviews). Amid ongoing macroeconomic volatility and increased competition, dealmakers will need to maintain rigorous risk assessment and clear-eyed diligence to sort the winners from the rest.

4. Maintaining flexibility and scenario planning is still required in an uncertain environment

Many anticipate 2026 to be a year of transition, with key events such as the CUSMA negotiation, U.S. mid-term elections, and ongoing geopolitical uncertainty adding an element of unpredictability into the dealmaking environment. As such, market leaders will need to stay vigilant in order to anticipate the risks and source the opportunities from the changing landscape.

About Torys' private equity group

Uniquely equipped to serve clients investing in Canada, the U.S. and globally, Torys provides sophisticated solutions for transactions across asset classes. Canada's most active private equity funds and pension funds and leading international pension and sovereign wealth funds look to us for counsel. We are the only Canadian practice to be ranked in Band 1 by Chambers and Partners for both buyouts and fund formation, and we are recognized for transactional skill and international experience that spans industries.

Our team members in our Toronto, Calgary, Montréal and New York offices work seamlessly together, offering integrated transactional, regulatory, tax and structuring advice on our clients' work, drawing from our long history in the private equity industry and our understanding of changing market terms and industry practices.

About Torys LLP

Torys is a respected international business law firm with a reputation for quality, innovation and teamwork. Clients look to us for their largest and most complex transactions, as well as for ongoing matters in which strategic advice is key.

Key contacts

Toronto



Guy Berman
gberman@torys.com
416.865.8167



Justin Crawford
jcrawford@torys.com
416.865.7828



Laurie Duke
lduke@torys.com
416.865.7348



Huw Evans
hevans@torys.com
416.865.7530



Shannon Gotfrid
sgotfrid@torys.com
416.865.8127



Lauren Hulme
lhulme@torys.com
416.865.7383



Aaron Hunt
ahunt@torys.com
416.865.7648



Danielle Kline
dkline@torys.com
416.865.7518



Cameron Koziskie
ckoziskie@torys.com
416.865.7684



Josh Lavine
jlavine@torys.com
416.865.7951



Stephen Neil
sneil@torys.com
416.865.8243



Steve Rotchtin
srotchtin@torys.com
416.865.3806



Zehra Sheerazi
zsheerazi@torys.com
416.865.7505



Richard Willoughby
rwilloughby@torys.com
416.865.7667

Key contacts

New York



Jared Fontaine

jfontaine@torys.com
212.880.6128



Michael Horwitz

mhorwitz@torys.com
212.880.6296



Amy Johnson-Spina

aspina@torys.com
212.880.6154



Meghan McKeever

mmckeever@torys.com
212.880.6165



Jay Romagnoli

jromagnoli@torys.com
212.880.6034



Max Shakin

mshakin@torys.com
212.880.6168



Stefan P. Stauder

spstauder@torys.com
212.880.6161

Calgary



Neville Jugnauth

njugnauth@torys.com
403.776.3757



Geoff Kelsall

gkelsall@torys.com
403.776.3718

Montréal



Guillaume Lavoie

glavoie@torys.com
514.868.5614

torys.com