

THE
INVESTMENT
ASSOCIATION

THE FOUNDATIONS OF GROWTH

Unleashing the potential of private markets
for this decade and beyond



ABOUT THE INVESTMENT ASSOCIATION

The Investment Association (IA) champions the interests of the UK-based investment management industry. We represent 250 investment managers, a third of whom are headquartered in the EU, and who collectively operate from 642 offices across the continent.

Our members put €12.1 trillion to work in the global economy, representing 37% of the €33.7 trillion in assets managed in Europe. They manage €3.6 trillion for European savers, and the value of their investments in EU businesses reached €961 billion last year.

Our mission is to make investing better. Better for our clients, so they achieve their financial goals. Better for companies, so they get the capital they need to grow. And better for the economy, so everyone prospers.

Our vision is one where Europe's citizens are equipped to make investment decisions that suit their circumstances. It's a vision where the full potential of sustainable investment is realised, Europe's markets are open, efficient, and supported by new and innovative products, services, and means of communication.

For more about our work, please see www.theia.org, contact our team at europe@theia.org, or visit us at 44 Avenue des Arts in Brussels.

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FOREWORD



The European Union (EU) has entered this policy cycle with a renewed focus on advancing the Green Deal and the Digital Transition, while also ensuring that Europe remains a leading destination for global capital.

At the same time, public finances are being strained, and traditional bank lending, long the backbone of European financing, cannot meet the scale or complexity of investment required to deliver on these ambitions alone.

To help fill this gap, Europe must diversify – especially when it comes to funding high-risk, long-term, or strategically important projects. Private markets, which refer to investments in companies and assets not listed on public exchanges (including private equity, debt, infrastructure, and real assets), offer an increasingly well-tested option. These not only provide the long-term investment essential for innovation and scale-up financing, but also boost productivity, support job creation, and enhance regional development across Europe. Well-functioning public markets remain critical but private markets offer an important and complementary source of capital.

Globally, private markets have grown in size and importance over the past decade, reflecting investor appetite for higher returns and diversification. In Europe, they are increasingly recognised as a strategic lever to mobilise domestic capital, reduce reliance on foreign investment, and strengthen economic sovereignty.¹ By offering flexible financing solutions, private credit and equity support businesses that fall outside the scope of traditional lending. At the same time, infrastructure and real asset investments align with the EU's long-term goals in energy, transport, and digital connectivity.

The opportunity ahead for Europe to engage in private markets is potentially enormous. It is estimated that meeting the ambition of the Green Deal alone will require billions in additional investment each year. Coupled

¹ *EY State of PE Report 2024*

EUROPEAN PRIVATE EQUITY DEAL ACTIVITY
INCREASED BY 5% IN 2024,
MARKING THE FIRST REBOUND
SINCE 2021. THE UK AND IRELAND
LED WITH A **23% SURGE**, AND
OVERALL EXIT ACTIVITY ROSE
BY 13%, INCLUDING A 67%
INCREASE IN INITIAL
PUBLIC OFFERINGS.³



with the drive for digital leadership, supply chain resilience, and scaling up advanced manufacturing, the total funding gap is far beyond what traditional sources of funding can and will be able to sustain beyond this mandate. Mobilising private capital at scale is therefore not just an opportunity, but a strategic necessity for the next decade and beyond.

Importantly, engaging in private markets can not only help stimulate economic growth but also improve wealth distribution and financial inclusion across Europe. By broadening access to high-growth opportunities beyond institutional investors, Europe can help democratise wealth creation and support household financial resilience. Private markets can also serve as a powerful engine for employment: private equity-backed companies in Europe increased employment by 5% in 2024/25, compared to just 1% growth across all businesses.²

In this paper, we outline a series of recommendations to capitalise on these opportunities – from deepening Europe's capital markets to broadening investor participation.

Indeed, private markets are already playing a role in ensuring that businesses and projects receive the funding required to drive innovation and growth. By complementing public market initiatives and leveraging deep sectoral expertise, private markets are ready to accelerate Europe's economic transformation and help unlock their full potential within the EU.

It is time for Europe to fully unleash private capital for the public good. We urge policymakers to implement these recommendations – to break down barriers, encourage investment, and enable innovation across the Union. The IA and our members stand ready to support this effort, partnering with European institutions to turn ambition into action. Together, we can build deeper capital markets that deliver sustainable growth and prosperity for all.

A handwritten signature in black ink that reads "Chris Cummings".

Chris Cummings
Chief Executive

² [McKinsey Global Private Markets Report](#)

³ [EY State of PE Report 2024](#)

BY THE NUMBERS

Number of IA
Members:

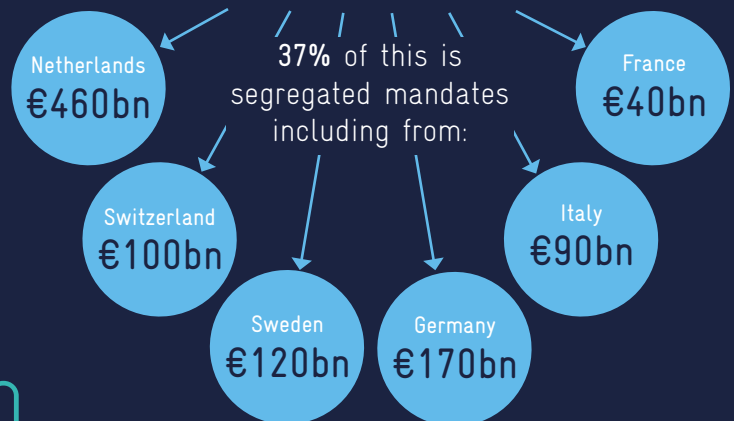


Assets managed
by IA members:

€12.1 trn

Of which managed in the UK for EU clients:

€3.6 trn



Number of
European
offices members
operate in:

642

Total
European
AUM:

€33.7 trn

Amount of money invested in
European equities by our members:


€961_{bn}

Value of UK retail investment into
European domiciled funds:

€260_{bn}

Global Assets under Management
in private markets:

€14.5_{trn}*



Number of
funds domiciled in Europe
by our members:

2,100

* Preqin, December 2024

Source – EFAMA

PRIVATE MARKETS – A CATALYST FOR GROWTH

Private markets are no longer peripheral – they are now central to Europe’s economic future. They deliver long-term capital for innovative companies, finance infrastructure aligned with the Green Deal and Digital Transition, and support small and medium-sized enterprises (SMEs) that form the backbone of the European economy. The scale and influence of this asset class is accelerating rapidly – by 2027, it is estimated that the amount of money managed by private capital funds worldwide could reach €12 trillion.⁴

This rapid growth demonstrates that private markets step in where public funding and traditional bank finance cannot fully meet the demand for long-term investment. From clean energy and digital infrastructure, to advanced manufacturing and defence, private capital is increasingly essential to Europe’s resilience. The European Commission estimates that meeting the green transition alone will require an additional €800 billion annually by 2030, underscoring the scale of the challenge.⁵

The common thread across all these different asset classes is that private markets provide capital that is not readily available through public markets or bank loans. These investments often require long-term commitments or early-stage risk-taking, and flexible structures that are not always suited to the short-term pressures of listed markets. In fact, well over 90% of companies with more than €94 million in revenue worldwide are privately owned, and depend on private market financing when they seek external investment.⁶

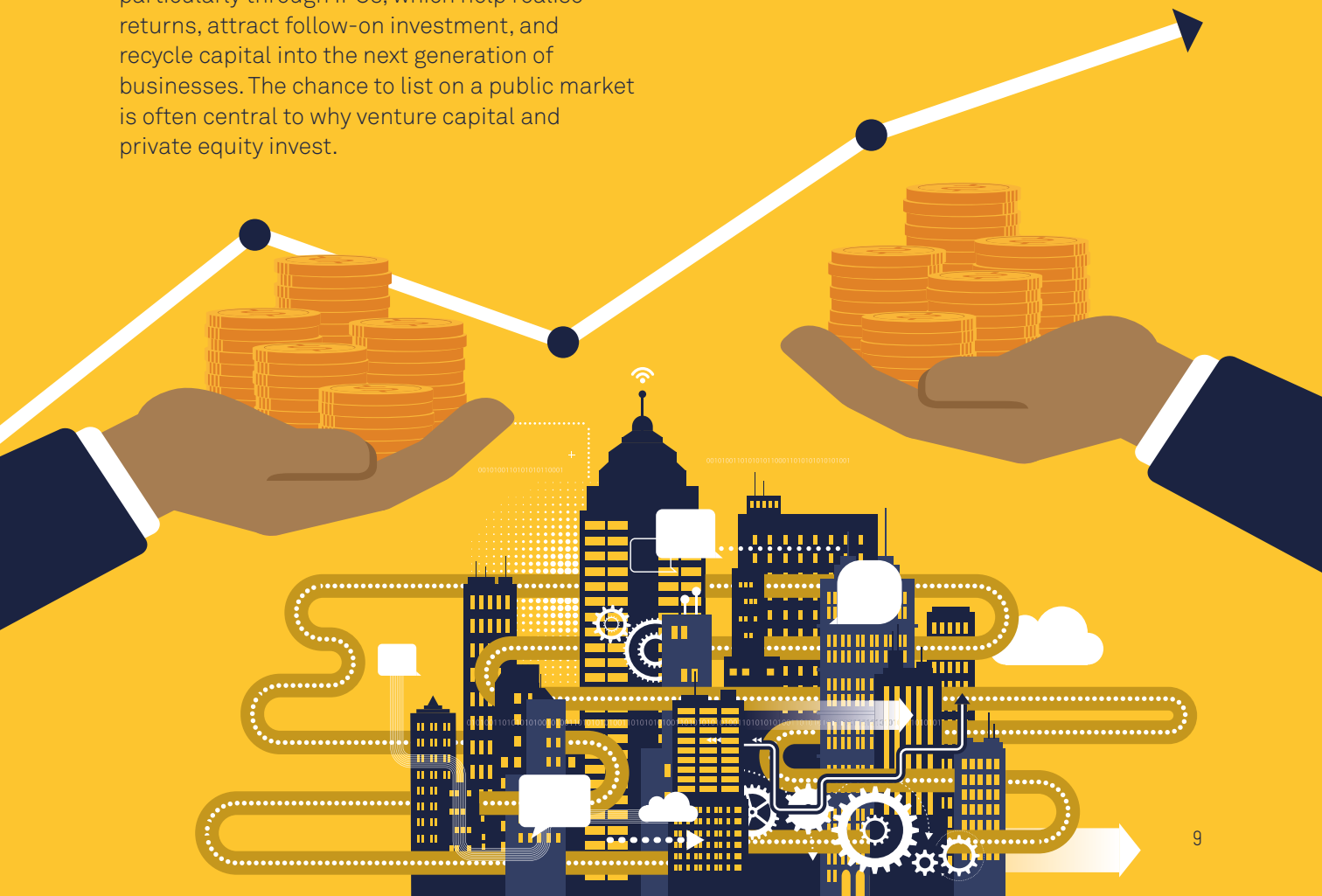
⁴ PitchBook – What the Future Holds for Private Capital 2023

⁵ [*Mario Draghi Competitiveness Report 2024*](#)

⁶ Blackstone and Capital IQ

EUROPE'S GROWTH
DEPENDS ON BOTH PUBLIC
AND PRIVATE MARKETS;
BOTH ARE CRITICAL, WITH
EACH PLAYING A DISTINCT
ROLE – PUBLIC MARKETS
BRING TRANSPARENCY AND
LIQUIDITY; PRIVATE MARKETS
DELIVER FLEXIBILITY,
LONG-TERM CAPITAL, AND
ACCESS TO UNLISTED
OPPORTUNITIES.

Yet, private markets do not operate in isolation. Strong private markets depend on strong public markets. Public markets remain the largest source of company financing in Europe, providing price transparency, liquidity, and broad accessibility. They also act as a credible and efficient exit route for private investors, particularly through IPOs, which help realise returns, attract follow-on investment, and recycle capital into the next generation of businesses. The chance to list on a public market is often central to why venture capital and private equity invest.



THE ECONOMIC CONTRIBUTION OF PRIVATE MARKETS IN THE EU

Private markets have grown rapidly in Europe, more than doubling over the past decade to reach €1.25 trillion in assets under management in 2024.⁷ Between 2019 and 2023 alone, private capital deployed €575 billion into European companies.⁸ This scale of investment underlines how private markets are now a critical driver of growth and employment across the Union.

Driving innovation and infrastructure investment

Private funds are heavily investing in clean energy projects, digital infrastructure, and advanced manufacturing. Two illustrative cases include an infrastructure fund managed by Aberdeen, and Schroders Capital's investment in Physidia.

Aberdeen's infrastructure strategy in Finland showcases how private capital can accelerate the green transition while catalysing innovation and resilience in core infrastructure sectors.¹⁰ The firm currently holds four district heating investments across the country, each significantly less emissions-intensive than the national average. These networks primarily source heat from renewable energy sources, such as biomass, and energy-from-waste facilities, demonstrating how utility

PRIVATE MARKETS HAVE GROWN SIGNIFICANTLY ACROSS EUROPE:

EUROPEAN PRIVATE EQUITY AND VENTURE CAPITAL (PE & VC) FIRMS NOW MANAGE APPROXIMATELY

€1.25 TRILLION

IN ASSETS IN 2024, MORE THAN DOUBLE THEIR SIZE A DECADE AGO⁹

infrastructure can be both sustainable and commercially viable.

What sets these assets apart is their clear roadmap to full decarbonisation, for example with Loimua¹¹ targeting decarbonisation by 2030 – a goal aligned with Finland's ambitious climate targets. By investing in systems that are already outperforming national benchmarks, Aberdeen is not only securing stable, inflation-linked returns but also driving measurable environmental impact.

⁷ Invest Europe

⁸ [EURACTIV – Private Equity outperforms public markets](#)

⁹ Invest Europe

¹⁰ Infrastructure in transition – a focus on utilities | abrdn

¹¹ Loimua project in Finland, Aberdeen

BETWEEN 2019
AND 2023, PRIVATE
CAPITAL INVESTED
€575 BILLION
INTO COMPANIES
LOCATED IN
EUROPE¹⁵



Similarly, Schroders Capital, the private markets arm of Schroders, invested in Physidia, a French company pioneering mobile dialysis machines that allow kidney patients to receive treatment at home.¹² The company improves quality of life while reducing pressure on hospital systems – a win for both patients and healthcare providers. Physidia is scaling across Europe, supported by Schroders’ funding and strategic engagement. Schroders Capital invested in Physidia alongside Columna Capital; this financing will help expand market access and roll out a next-generation device.

Taken together, the Aberdeen and Schroders cases demonstrate the breadth of private markets’ contribution: financing cleaner energy systems that advance the EU’s Green Deal, and backing medical technology that reduces strain on public health services while improving patients’ quality of life. Both examples highlight how private equity can deliver sustainable returns while directly supporting Europe’s strategic priorities and generating wider social benefits.

- **Scaling SMEs and supporting growth companies:**

VC in Europe primarily supports SMEs: in 2021, about 98% of VC-backed companies were SMEs. Encouragingly, new scale-up funds are emerging, such as the European Tech Champions Initiative (ETCI) which pools EU and national resources to support high-growth firms and ensures that companies scale in Europe without relocating prematurely.¹³

- **Job creation and productivity:**

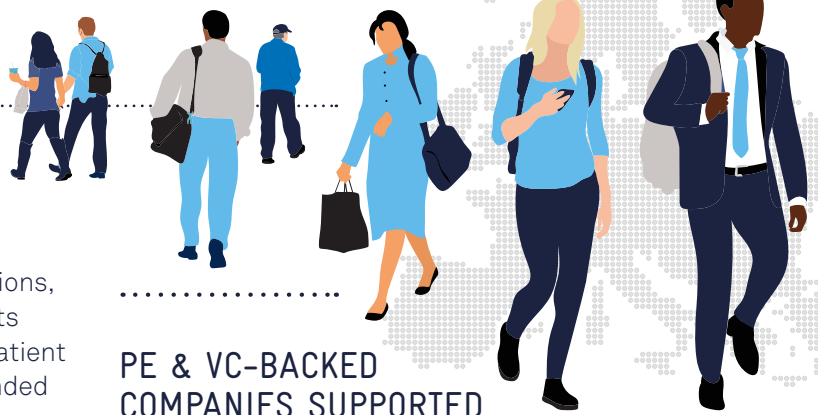
The economic impact of private markets extends to employment and skills. PE and VC-backed companies supported 10.9 million jobs across Europe in 2022, equivalent to around 5% of the EU workforce, and created 451,500 new jobs that year alone.¹⁴ These businesses often drive productivity improvements by investing in technology, skills, and operational excellence, spreading the benefits of growth across the economy.

¹² The investment case for impact in private equity

¹³ [*ETCI – The European Tech Champions Initiative*](#)

¹⁴ [*Invest Europe – Private Equity at work*](#)

¹⁵ [*EURACTIV – Private Equity outperforms public markets*](#)



- **Building resilience and keeping capital onshore:**

By mobilising long-term capital from pensions, insurers, and family offices, private markets strengthen Europe's financial resilience. Patient capital allows ambitious projects to be funded domestically, reducing reliance on foreign investors, an issue underlined in Mario Draghi's 2024 report on the future of Europe.

- **Allocators of capital:**

Institutional investors are increasingly turning to private markets as a source of diversification and long-term returns. Policymakers throughout the EU are working to attract private capital to advance the Union's strategic objectives. The European Commission's initiatives – including the Savings and Investment Union (SIU), the InvestEU programme, and proposals to mobilise pension and insurance capital for long-term investment – are all designed to channel more private funding into infrastructure, housing, innovation, and the twin transitions.

Although private markets are gaining prominence in some jurisdictions, European pension funds and institutional investors have about 11.1%

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DESPITE ADVANCES IN PRIVATE CAPITAL DEVELOPMENT, EUROPE STILL LAGS BEHIND ITS GLOBAL PEERS. PE AND VC ASSETS ACCOUNT FOR ONLY ABOUT 8% OF EU GDP, COMPARED TO 17% IN THE U.S.¹⁷

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PE & VC-BACKED COMPANIES SUPPORTED

10.9 MILLION JOBS

IN 2022¹⁶, ACCOUNTING FOR AROUND 5% OF THE EU WORKFORCE, AND CREATED 451,500 NEW JOBS THAT YEAR ALONE

.....

of their portfolios allocated to private market assets compared to 12.4% in North America, and 11.5% in Asia-Pacific.¹⁸ Although the gap in percentage might seem small, it represents significant untapped opportunity for Europe to mobilise the domestic capital needed to support the EU's ambitions for sustainable growth and economic resilience.

The Draghi report on European competitiveness (2024) underlines the urgency of mobilising private markets to achieve strategic autonomy and fund critical technologies. As the European Commission delivers on its 2024 – 2029 mandate, measures to deepen capital markets integration, expand the European Long-term Investment Fund (ELTIF) regime, and advance sustainable finance frameworks are expected to accelerate further the flow of private capital into Europe's growth businesses and strategic sectors. These efforts will be critical to scaling investment and delivering the EU's long-term growth potential.

¹⁶ [Invest Europe – Private Equity at work](#)

¹⁷ [McKinsey Private Capital the key to boosting European competitiveness](#)

¹⁸ [Aviva Investors Private markets study 2025](#)

GROWING INSTITUTIONAL INVESTMENT IN PRIVATE ASSETS ACROSS THE EU

Mobilising Europe's institutional capital is essential if the EU is to meet its strategic investment goals. Large institutional investors – pension funds, insurance companies, and sovereign wealth funds – hold trillions in assets worldwide and are crucial for funding long-term projects. In recognition of the potential of institution investors to deliver growth, other jurisdictions have started to take measures to specifically promote private markets, such as the UK and the US.

However, institutional participation in EU capital markets generally, and EU private markets in particular, trail global peers, constrained by fragmented pension systems, regulatory hurdles, and a tendency toward short-term, low-risk allocations.¹⁹ More broadly, the policy landscape is complicated as policymakers need to account for differences across the 27 Member States.

Pension schemes remain underdeveloped in many EU Member States, with pension assets across the EU equating to only around 32% of GDP, significantly lower than in countries like

the UK, Canada, or the US.²⁰ The Netherlands, Denmark, and Sweden together account for approximately 62% of total EU pension assets, reflecting the scale and global reach of their well-developed pension funds. In contrast, many Central and Eastern European countries, along with states like Greece and Italy, have significantly underdeveloped private pension schemes. These disparities matter significantly for private market investment. In countries with strong private pension systems, institutional capital is tapped more readily to support innovation, infrastructure, and long-term projects through private markets.

There is significant potential to close this gap. Expanding occupational pension coverage, for example, through workplace auto-enrolment, and building pan-European investment platforms could deepen pools of capital. The development of initiatives such as the pan-European Pension Product (PEPP), combined with targeted reforms under the SIU agenda, signals a growing recognition of the need to mobilise institutional capital at scale. However, regulatory and supervisory practices must embrace a long-term lens. Encouraging a focus on long-term value creation – including economic resilience, sustainability outcomes, and innovation, is essential if Europe is to unlock the full potential of its institutional base.

¹⁹ *OECD Economic surveys in the Euro area*

²⁰ *Vanguard – The future of pensions and retail investments*

POLICY RECOMMENDATIONS FOR UNLOCKING EUROPE'S POTENTIAL IN PRIVATE MARKETS

Unlocking Europe's private markets requires deliberate action from both policymakers and industry. The following recommendations are grounded in insights from IA members, case studies of successful investments in strategic sectors, and analysis of Europe's capital markets. They are intended not only to deepen market efficiency but also to show how private capital can deliver tangible benefits for society.

Recommendation 1

Deepen capital markets integration under the Savings and Investment Union

Fragmentation remains a fundamental constraint on the growth of Europe's private markets. Capital and investment opportunities are still segmented along national lines, which prevents funds from reaching scale, and reduces the attractiveness of the EU as a destination for inward investment.

This phase of the SIU must focus on making the cross-border movement of private capital as seamless as possible. This requires greater alignment of fund regulation and tax treatment, more consistent reporting and disclosure standards, and simpler approval processes for cross-border distribution. For example, ensuring that investment in a Spanish infrastructure project through a German fund is done with the same ease as funds investing within national borders, will enable Europe to attract significantly greater amounts of private capital.

By reducing friction and uncertainty, Europe can create a market where private funds can scale more easily, investors can access opportunities across all Member States, and the EU can mobilise domestic and international capital into infrastructure and sustainable growth.



Recommendation 2

Expand retail participation through the ELTIF Framework

Private markets should not remain the preserve of large institutions. Broadening access for individual savers and retail investors will mobilise significant additional capital for Europe's long-term growth while allowing citizens to participate in the returns from innovation and real economy projects.

The European Long-term Investment Fund (ELTIF) regime has already proven to be a pivotal step towards this goal. Thanks to enhanced flexibility and greater accessibility, ELTIFs have become increasingly attractive, particularly to retail investors, leading to a noticeable rise in capital inflows. By the end of 2024, more than 150 ELTIFs had been authorised by European supervisory authorities, including 55 new launches in 2024 alone, bringing the total market size to nearly €20.5 billion.²¹

To accelerate retail access responsibly, the EU should now:

- Raise awareness of ELTIFs and other long-term savings products among retail investors, emphasising their long-term nature, potential diversification benefits, and associated risks.

- Encourage national initiatives that integrate ELTIFs into common retail investment channels, including tax-advantaged savings plans where appropriate.
- Ensure robust investor protection through clearer disclosures, suitability assessments, and proportionate investment limits, so retail participation grows without compromising financial stability or consumer confidence.

Broader retail participation implemented prudently has the potential to democratise investment, increase returns for citizens, deepen the EU's capital markets, and channel more domestic savings into strategic, long-term assets.



²¹ *Scope Fund Analysis – Clarified rules provide long-awaited ELTIF boost, ELTIF study 2025*

Recommendation 3

Promote education and inclusive investment

The growth of Europe's private markets depends not only on regulatory reform and product availability, but also on investor understanding. Even with the right policies in place, capital will not flow without confidence. Investors need a clear understanding of how private markets fit within a broader portfolio strategy, what risks they entail, and how those risks are managed over time.

Education here is essential across the EU, particularly given low levels of general financial awareness in some Member States. The focus will be to equip existing investors and the advisers who guide them with the knowledge and tools to allocate to private markets responsibly. This includes pension fund trustees, wealth managers, and family offices.

While initiatives such as the ELTIF 2.0 regime have opened the door for retail participation, they must be matched by a deeper focus on targeted

education and practical product innovation, which is needed to scale investment sustainably. In the EU, this is even more acute due to the vast diversity of financial cultures. In some Member States, investing in equities or funds is familiar, in others, households rely primarily on savings accounts or real estate.²²

A joint effort between industry, policymakers, and regulators is needed to promote understanding of private markets – their purpose, risk-return characteristics, and contribution to economic growth. Beyond awareness, investors need practical guidance on implementation; how to build portfolios, manage liquidity and pricing, and assess performance over time. Guidance from regulators can further support market participants in understanding how these assets behave, and how to manage exposures.

Improving the availability and standardisation of data is critical. Greater access to consistent, comparable information would allow investors to assess risks more effectively, and benchmark with confidence. Efforts to enhance data collection, and therefore comparability, would provide a foundation for more informed decision-making.

By equipping advisers and experienced investors with both the knowledge and the practical tools they need, Europe can overcome risk aversion and ensure private markets are adopted responsibly and at scale across Europe.

**BETTER EDUCATION HELPS
INVESTORS APPROACH RISK
WITH GREATER CONFIDENCE,
BUILDS TRUST, AND ENCOURAGES
RESPONSIBLE PARTICIPATION IN
PRIVATE MARKETS.**

²² EFAMA Household participation in capital markets

Recommendation 4

Build a transparent investment pipeline and strengthen public private collaboration

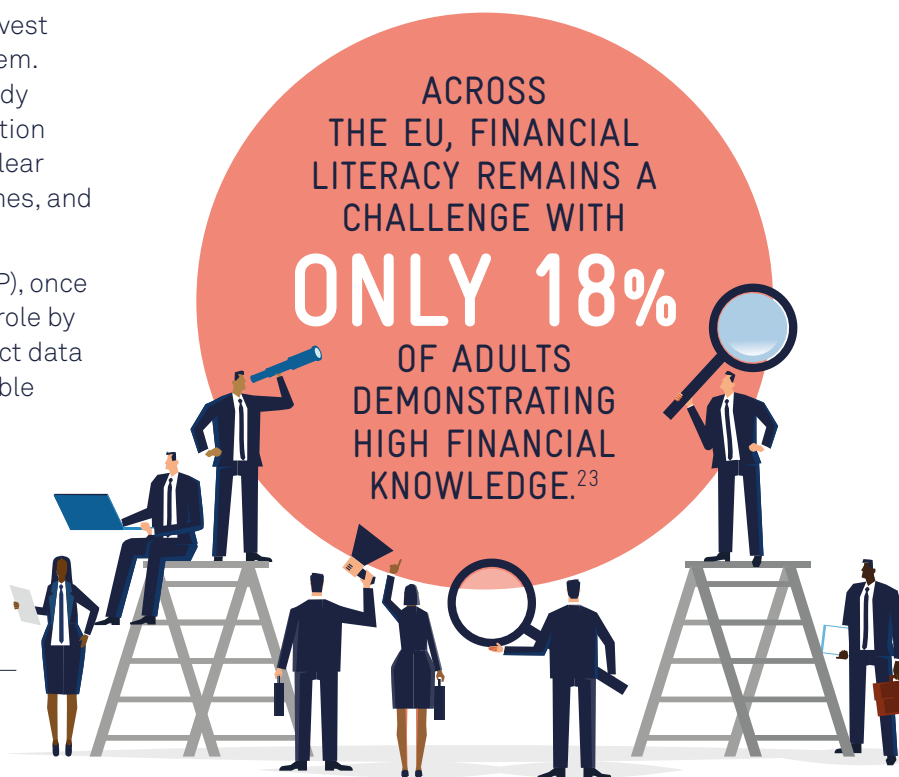
Europe's ability to mobilise private capital hinges on the strength and capability of its public finance institutions. Instruments such as InvestEU, the European Investment Bank (EIB), and national promotional banks, play a critical role in crowding in private capital by offering de-risking mechanisms such as – partial guarantees on pioneering projects in green hydrogen, digital infrastructure, or other strategic sectors. These tools help transform ambitious plans into investable opportunities by reducing downside risk for private funds.

The EU and its Member States should establish and maintain a transparent, EU-wide pipeline of credible projects. Even with ample investment capital and willing investors, there must be attractive projects and businesses to invest in, and investors need to know about them. Initiatives such as Horizon Europe already identify high-value research and innovation opportunities, but investors also need clear information on potential returns, timelines, and risk profiles.

The European Single Access Point (ESAP), once fully implemented, could play a central role by improving access to company and project data across the Union. By consolidating reliable information in one place, ESAP can complement a project pipeline and

enhance visibility for both institutional and retail investors. Visibility has often been a challenge, and a well-signposted pipeline would allow institutional and retail investors alike to see where their capital can make a tangible impact while earning competitive returns.

Regular, structured dialogue between public finance institutions and the private investment community will further enhance project visibility, foster effective public-private partnerships, and unlock sustainable, cross-border growth. Together, a robust project flow and transparent visibility can unlock private capital at the scale required for Europe's economic, climate, and digital ambitions.



²³ EU Eurobarometer Survey

EMPOWERING CITIZENS TO BE PART OF EUROPE'S GROWTH STORY

OPENING UP
PRIVATE INVESTMENT
IN THE EU MEANS
EMPOWERING CITIZENS
TO BE PART OF
EUROPE'S GROWTH
STORY

Europe stands at a crossroads where vast reserves of private capital can be harnessed to fuel the next stage of growth, innovation, and strategic investments. Expanding access to private markets also means giving citizens the chance to participate in Europe's growth story, sharing in the returns generated by transformative investments, and understanding the long-term nature and risks involved.

The strategic role of private markets in Europe is to complement public markets initiatives and traditional bank financing, supplying the risk capital and patient funding that turn ideas into industries and plans into projects. Private capital is already driving positive outcomes – providing funding for businesses that create millions of jobs and accelerating innovation in key sectors. If the EU continues to advance the reforms already under way – mobilising institutional savings,

enhancing cross border investment channels, and responsibly opening retail participation through frameworks like ELTIF 2.0 – it can unlock more resilient growth across all Member States.

The recommendations provided in this paper offer a roadmap to create an environment where private markets investments can flow into scalable opportunities. If implemented, these actions would lower barriers that currently hold back investment, channel funds into productive uses across the continent, and ensure that even smaller investors and a wider array of businesses can benefit from the private market ecosystem.

In doing so, Europe will not only strengthen its economy but also build a more integrated and prosperous future for its citizens, making full use of the wealth and ambition that exist within its borders. The IA and its members welcome the opportunity to work in partnership with stakeholders in addressing some of the barriers, to support a more accessible private markets landscape that delivers growth across the Union.

**THE AIM IS TO LET MORE PEOPLE SHARE IN THE
RETURNS FROM THESE INVESTMENTS, WHILE MAKING
SURE THEY ARE AWARE OF THE RISKS.**

HOW WE CAN HELP

The IA offers a range of training, roundtables, and events focused on leading investment management issues. We also have a large team of policy experts who are ready to help across funds regulation, capital markets, stewardship and corporate governance, and trade and investment, along with our statistics and insights division.

If you have any questions regarding the content in this document, or wish to speak to our team, please get in touch with us on **europaetheia.org**

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