2026 INVESTOR SENTIMENT & OUTLOOK

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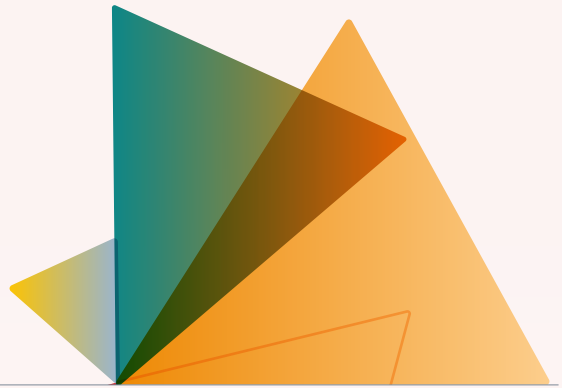
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Executive Summary

Africa's private capital ecosystem enters 2026 with a renewed sense of investment conviction, even as structural constraints continue to shape how capital is deployed, realised, and recycled. This year's *Investor Sentiment and Outlook* report draws on insights from a diverse sample of market participants: 29 Limited Partners (LPs) managing US$766bn globally and 69 General Partners (GPs) collectively overseeing US$16bn. Their perspectives span a broad cross-section of market experience, investment strategies, and geographies, lending depth and credibility to the findings presented. Together, they offer a nuanced view of a market that is stabilising in parts, evolving in others, and increasingly defined by selective opportunity.

Growing Investment Conviction Meets Fundraising and Exit Caution

At the start of 2026, investor sentiment is defined by a clear tension: the widening gap between confidence in investment activity and caution regarding liquidity. Both LPs and GPs expect an active dealmaking environment in 2026. Net sentiment toward dealmaking strengthened to +0.6 among LPs and +0.8 among GPs, supported by improving macroeconomic conditions, strengthening pipelines, and more attractive entry valuations. However, this optimism fades when fundraising and exits are considered. Global uncertainty, prolonged distribution cycles, and heightened buyer selectivity continue to temper sentiment, particularly among international LPs. The result is a market characterised by conviction on deployment, but greater scrutiny on capital pacing and portfolio resilience.

These dynamics are also shaping perceptions of Africa's relative attractiveness. Domestic investors remain broadly confident in the continent's long-term private capital prospects, reflecting their direct exposure to sector evolution and pipeline depth. International allocators, by contrast, are navigating shifting institutional priorities and geopolitical uncertainty, resulting in a more neutral outlook relative to other emerging markets.

Caution Moderates The Pacing of LP Allocations While GPs Maintain a Strong Deployment Focus

While caution has risen in the near term (27% of LPs expect to slow their commitments pace in 2026, compared to just 4% a year prior), most investors still anticipate maintaining or increasing exposure over a three-year horizon. GPs, meanwhile, remain firmly focused on execution, prioritising new investments alongside fundraising efforts. Portfolio strategies are also evolving. Both investor groups anticipate a gradual shift toward private debt, recognising its role in providing income visibility, downside protection, and duration alignment in an environment where exit timelines remain extended. At the same time, LPs are expanding their exposure to direct investments. These are expected to rise from 42% of their private capital portfolios at present to 49% within the next three years, signalling a desire for greater ownership influence, more targeted exposure, and improved cost efficiency.

Fund Managers Prioritise Resilient Sectors and Established Markets While Broadening Capital Raising Opportunities

Across sectors and markets, fund managers continue to concentrate on areas underpinned by strong demand and structural growth drivers. Agribusiness

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ranks prominently among these, cited by 58% of GPs as a leading investment priority, given opportunities linked to food security, productivity gains, and expanding domestic consumption. Financials, Technology, and Energy remain central to investment strategies, supported by ongoing digital transformation and infrastructure needs. Geographically, preferences continue to centre on Africa's 'Big 4' economies, while interest in frontier markets such as Uganda and Senegal signals a measured broadening of investment opportunities.

On the fundraising front, fund managers are seeking to diversify their investor base beyond longstanding development finance partners, targeting family offices, pension funds, and sovereign wealth funds. Within this broader outreach, GPs place a particular emphasis on engaging institutional investors based in Africa.

Liquidity Pressures Reshape Portfolio Management

Full performance and liquidity insights available exclusively to AVCA members.

Structural Shifts Signal a More Domestically Anchored and Competitive Ecosystem

Beyond short-term considerations, the survey highlights deeper structural trends shaping Africa's private capital landscape. Respondents anticipate a more domestically anchored ecosystem, with 77% of GPs expecting rising influence from local institutional capital and 66% anticipating broader adoption of local currency financing solutions over the next three years. At the same time, competition among fund managers is likely to intensify as new entrants emerge and strategic spinouts reshape the industry landscape. In response, many GPs are sharpening sectoral specialisation and expanding their use of technology (particularly AI) to strengthen market intelligence, operational efficiency, and value creation capabilities within portfolio companies.

Alongside these developments, private credit is gaining prominence as a key growth frontier. Within this shift, infrastructure continues to anchor investor interest and was identified as a compelling sector for private credit by 48% of LPs and 42% of GPs. The sector's appeal reflects strong alignment with debt financing, given its long-duration assets and predictable cash flows. Corporate and commercial finance, alongside consumer finance, also feature prominently in investor priorities for private credit. Although regional preferences and return structures diverge between LPs and GPs, reflecting differences in their mandates and risk appetites, the broader trajectory points toward a gradual diversification of the capital stack.

Looking ahead, private capital in Africa is likely to be shaped more by structural progression than simple cyclical recovery. Investment conviction is strengthening and distribution expectations are improving, but the operating environment remains defined by liquidity constraints, geopolitical volatility, and heightened competition. In this context, success will depend on disciplined execution, differentiated investment strategies, and credible exits or alternative liquidity pathways. Capital remains committed to the continent. But its deployment is becoming more selective, rewarding managers who combine strategic clarity with resilience and long-term value creation.

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Championing Private Investment in Africa

The African Private Capital Association is the pan-African industry body which promotes and enables private investment in Africa.

AVCA plays an important role as a champion and effective change agent for the industry, educating, equipping and connecting members and stakeholders with independent industry research, best practice training programmes and exceptional networking opportunities.

With a global and growing member base, AVCA members span private equity and venture capital firms, institutional investors, foundations and endowments, pension funds, international development finance institutions, professional service firms, academia, and other associations.

This diverse membership is united by a common purpose: to be part of the Africa growth story.

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