

Catalysts for scale:

Why 2026 is a pivotal year for the European innovation engine

By Patrick Kanters, Chief Investment Officer Private Investments, APG Asset Management

FOREWORD

There has rarely been a more important moment for European unity in this century. Geopolitical tension, supply chain challenges and accelerating environmental risks demand that we compete on capabilities: generating clean energy at home, securing critical materials and enhancing Europe’s capacity to develop and maintain its own key technologies. This environment increases the relevance of long term capital that can support the development of these capabilities within Europe.



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2025 showed Europe can produce scaled winners. At €49.1 billion¹, equity funding exceeded 2024 levels, but flows concentrated in fewer, larger rounds. Founders building Europe’s next generation of scaled, growth stage businesses still found it harder to raise funds, and talent leakage to the US continued. These barriers are structural, not technological challenges.

Europe’s innovation landscape is strong, but scaling is a challenge. 2026 can offer an attractive window for long term institutional investors to support companies positioned to address these scaling challenges.

The paradox is striking: strong policy signals and abundant global capital coexist with chronic scaling friction. This is not a failure; it is an

opportunity. For disciplined, long-term capital with scale and cross-border reach, this is where sustainable returns are made.

At APG AM, we define innovation in real-economy terms. In line with our client ABP’s impact policy, we focus on investments that make a positive environmental and social impact. Reflecting ABP’s focus policy themes –

climate, nature & biodiversity and investing in the Netherlands – we execute these priorities within the relevant mandates. We look for impact in areas such as renewable and clean energy, circularity, sustainable food & agriculture, affordable housing, healthcare and education, with technology, AI, deeptech and quantum computing as accelerators. This is where pension-grade returns and societal needs align.

“Investing in innovation increasingly means investing in the scaling of proven innovation – where technologies move from technical potential to delivering measurable, large-scale impact. On behalf of our pension fund client ABP, we are backing Europe’s real-economy transitions with long-term, responsible capital. 2026 will test whether Europe can keep and scale its winners in key strategic areas.”

Patrick Kanters - Chief Investment Officer Private Investments

HOUSE VIEW

What 2025 revealed

Over the past year, **three critical lessons** emerged for European innovation investing.

1 Operational excellence beat technological novelty.

The businesses that we backed were not only those with the most novel innovations. They solved systemic constraints, and generated robust financials. A precision-fermentation platform scaling globally because it tackled production bottlenecks. A business diversifying supply chains to de-risk tariffs.



2 Blended finance became the default path to scale.

Venture capital alone proved insufficient for European deep-tech growth. The companies that moved forward assembled layered capital stacks: equity plus growth credit, co-investment from public programs, infrastructure partners and specialist private-equity platforms. Co investment models involving public innovation programs and long term institutional capital can support the scaling of European companies.



3 Responsible business conduct shifted from compliance to competitive advantage.

As critical technologies become more complex and concentrated, information asymmetries grow. Governance quality, labor standards and human-rights due diligence are not “nice to haves”; they are investment hygiene. Companies demonstrating transparent governance, supply-chain accountability and credible stewardship attract institutional capital and reduce tail risk.



FIVE CONVICTIONS FOR 2026

1 Real-economy transitions are tectonic shifts, not cyclical trends.

Major themes such as decarbonization, nature and biodiversity, supply-chain resilience and food-system innovation will define Europe's next decade. These are not passing fashions; they are structural imperatives driven by policy, climate requirements and geopolitical necessity. APG AM invests in the energy transition, nature and biodiversity, sustainable food and agriculture, circularity, affordable housing, healthcare and education, because that is where long-term pension-grade returns and societal needs align.

2 Technology is an accelerator, not an end goal.

Technology, AI, deeptech and quantum computing unlock value when embedded in real transitions. They can improve energy efficiency, accelerate agricultural innovation and enable new materials. Technology matters even more when it serves a real-world transition.

3 Investments need to be priced for risk.

We do not compromise on our return requirements. Our primary aim is to secure a solid pension for our clients' end beneficiaries. Potential investments therefore need to be priced for risk. This means that if risks, such as development risk, management risk and commercial risk, are high, we will demand a higher risk premium.

4 Responsible business conduct remains a filtering mechanism.

Governance maturity, labor standards and human-rights due diligence reduce tail risk and attract institutional capital. We look for companies transparent about AI, with clear supply-chain accountability and attention to labor standards from the outset. These are not fringe concerns; they determine investability.

5 Patience is a competitive advantage.

Companies offering innovative solutions might need ten years or more to scale properly. Our long-term investment horizon allows us to hold through that journey. That patience, combined with disciplined capital deployment and cross-border capability, is a competitive edge.

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A NOTE ON INNOVATION AS STRATEGIC OUTCOME

At APG AM, we do not invest in innovation for innovation's sake. Instead, innovation emerges as an enabler when we deploy capital strategically towards real-economy transitions across multiple asset classes.

This distinction is critical. Investors sometimes chase technological breakthroughs and hope returns follow. We reverse that logic. We identify transitions where societal need, policy support and long-term economic returns align, then back the companies, platforms and infrastructure that enable those transitions – whether through direct venture, public and private equity, public and private credit, infrastructure investment or real-estate innovation.

In 2026, this means:

- Co-investments in companies solving systemic bottlenecks in energy grids, precision fermentation, advanced recycling and secure compute
- Private equity platforms scaling proven business models in decarbonization, technology and industrial transition
- Providing debt financing to companies whose products and services address critical environmental and social challenges
- Infrastructure investments that expand renewable and clean energy production, upgrade vital grid infrastructure and strengthen the circular economy
- Real-estate strategies that transform the built environment aligned with science-based decarbonization pathways and climate adaptation



A CASE IN POINT

Our infrastructure strategy

APG AM invests with a long horizon and a clear objective to support both pension participants and the real economy. Our infrastructure strategy focuses on essential systems that enable innovation, productivity and societal well-being. We concentrate our efforts on five themes: clean and connected renewable power, decarbonized mobility, digital infrastructure and enhanced connectivity, equality and quality of life through social assets, and resource efficiency and circularity. These systems form the foundation on which Europe's innovation capacity ultimately depends.

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Where our infrastructure investments are most catalytic

In Europe, structural barriers slow down the scaling of energy, digital and mobility systems. We direct capital precisely to those bottlenecks. Examples include transmission and distribution grids, flexibility solutions and storage needed to accommodate electrification. We also invest in fiber, towers and data infrastructure that support AI, digital services and advanced manufacturing. In transportation, we target rail, managed lanes, ports and mobility systems that raise total factor productivity and improve resilience. We complement this with investments in education, healthcare and municipal assets that support human capital and regional cohesion. Our

mandate allows for strong European exposure, including higher allocation to the Netherlands, while maintaining diversification and risk discipline.

Putting our capital to work

The success of this approach is evident through our investment activity. In 2025 alone, we supported major system needs by committing 2.5 billion euros towards TenneT Germany's grid expansion. In the Netherlands, our investments enabled the scaling of sustainable aviation fuel production through SkyNRG and expanded the Dutch grid's battery storage capacity via Return's energy storage platform. These actions illustrate how we direct long term capital toward energy

reliability, cleaner transport and power system flexibility.

Looking ahead

APG AM's infrastructure strategy is positioned to meet the demands of a rapidly changing European economy. The coming decade will require not only more capital, but capital that is patient, reliable and able to absorb complexity. We aim to be a long-term partner in shaping the systems that Europe will depend on for its future prosperity. This includes strengthening power networks as electrification accelerates, expanding digital capacity to support data intensive industries and AI, enabling cleaner and more efficient mobility, and supporting social infrastructure that raises human capital and community resilience.

As energy systems decentralize, digital networks densify and mobility patterns shift, the need for investors who can engage deeply with operators, public stakeholders and technology partners will only grow. APG intends to play a leading role in this landscape by scaling thematic investment platforms, widening our ability to originate early stage opportunities, and continuing to integrate long-term system value into investment decisions. The objective is clear: to position our beneficiaries for stable long term returns while contributing to the infrastructure that will define Europe's next phase of innovation and competitiveness.

TECHNOLOGY VIEW

The foundation enabling real-world transitions

Across public and private markets, APG AM applies the same definition of innovation – real-economy transition enabled by technology – but expresses it differently depending on the asset class.

Tectonic shifts in computing

In APG AM’s listed-equities work, we track “tectonic shifts” – fundamental breakthroughs that reshape entire value chains over 10 to 15 years. From mainframes to minicomputers, PCs, mobile, cloud – and now AI. When a fundamental computing shift occurs, everything changes. Stock values of winners can increase by a factor of 100 or even 1,000 over 10 to 15 years, while the broader market grows by a factor of 10 to 15.

We expect quantum technology to become the next big leap in computing around 2030. By about 2035, there may well be a breakthrough moment for quantum applications—similar to the impact ChatGPT had on AI.

In 2026, these computing shifts are not abstract tech trends. They are the infrastructure enabling real-world transitions. AI and quantum will

underpin secure, energy-efficient data centers powering Europe’s energy grid. They will enable precision agriculture and materials innovation. They will accelerate industrial design and recycling.

Power dynamics in the value chain

Within the current AI shift, graphics processing units (GPUs) are gaining prominence over central processing units (CPUs). Companies that dominated previous shifts are now seeing slower growth, while AI data centers become increasingly vital. Chip design is growing more complex; energy consumption is rising; cyber threats are escalating.

A business addressing one or more of these challenges gains substantial influence in the value chain. We invest in businesses whose chips significantly reduce energy consumption in data

centers. We support EV suppliers producing chips enabling faster charging and autonomous driving. We see investment opportunities in cybersecurity firms, given the growing threat landscape driven by AI. For European scale-ups, energy-efficient chips, secure compute, industrial software and advanced manufacturing sit at structurally advantaged points in the value chain.

Responsible AI and supply-chain accountability

One of the biggest challenges in tech – whether big tech or European scale-ups – is information asymmetry. We don’t have full visibility into how AI is being developed, trained or deployed. As concentrated development of critical technologies creates acute asymmetries, governance maturity, labor standards and human-rights due diligence become investor filters and long-term risk reducers.

In our engagement with big tech, we push for clearer accountability on responsible AI. Many companies are only just beginning to disclose responsible AI performance in decision-useful ways. Within the end of the decade, we expect complete redefinition of responsible AI – alongside major developments in human rights including data privacy, environmental footprint and job displacement.

CONCLUSION

The last decade answered a key question: can Europe produce innovative, scalable companies? Yes.

The next question is harder: can Europe keep them, scale them, and prove that responsible, patient capital can turn policy ambition into durable outcomes? 2026 will be decisive. With industrial policy momentum, growing alignment among long-term capital investors and improved policy consistency, Europe has a genuine window. But it requires a stable policy environment supported by cross-border collaboration.

APG AM's conviction is clear. Within the mandates of our clients, we allocate long term, responsible capital to opportunities shaped by Europe's real economy transitions, using proven platforms, blended-finance structures and patient follow-on. These transitions are where pension-grade returns and societal needs align – Europe's future competitiveness and resilience depend on them.

2026 is pivotal not because innovation has suddenly appeared, but because scaling proven innovations can become more feasible. We, as long-term responsible investors, have a chance to prove that institutional capital, deployed with discipline and responsibility, can be a catalyst for durable growth and a more competitive, resilient Europe.



