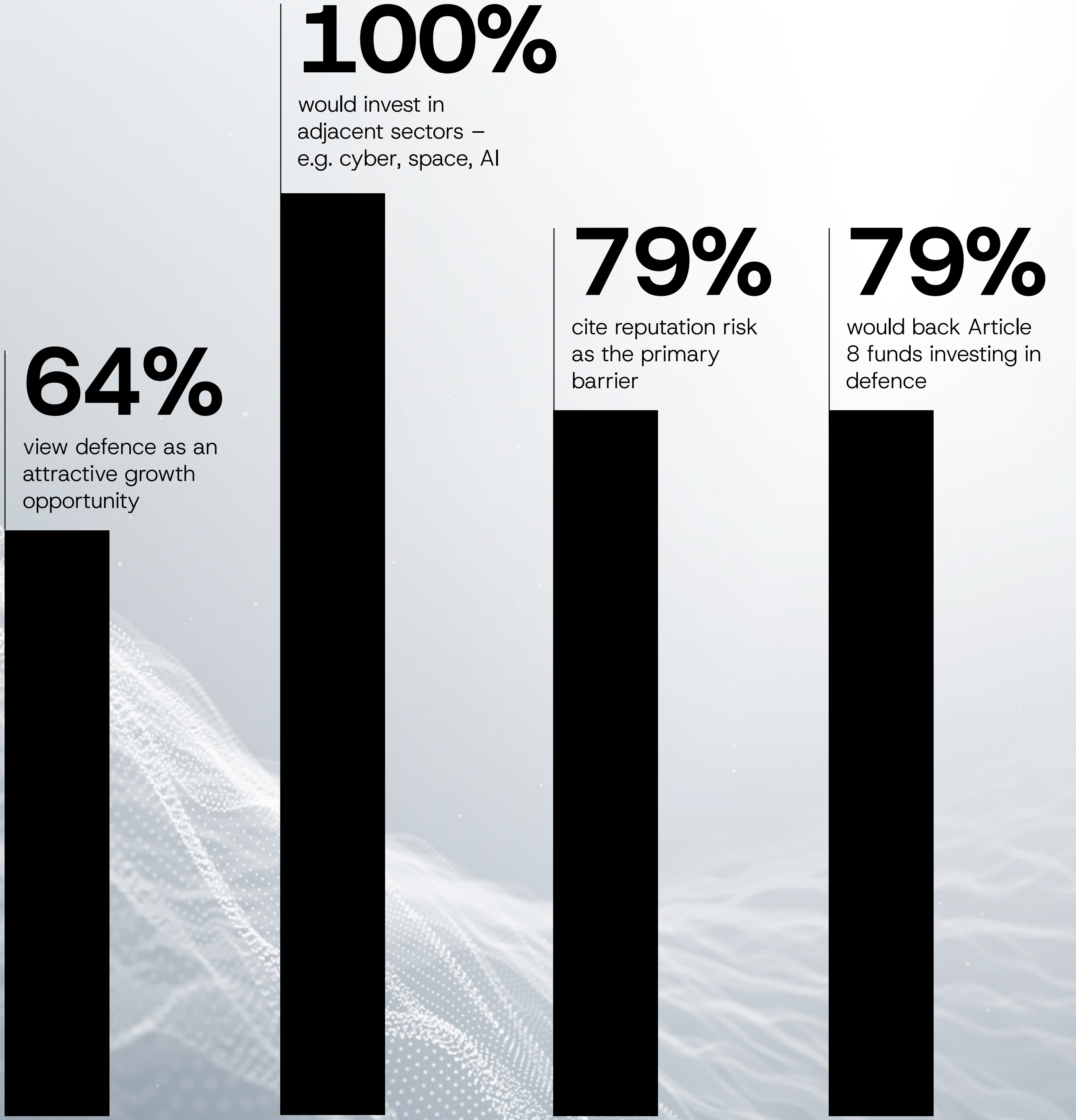
INVESTING IN DEFENCE

How European private markets are opening up to defence investment

A joint research report by Blakeney and Elpis Impact
JUNE 2026

The fundamentals are strong. The geopolitical backdrop is clear. The government spending is coming. Private capital is looking at defence and finding it very hard to look away.



About this research

This report presents findings from a structured survey of senior private market decision-makers, conducted jointly by Blakeney and Elpis Impact in May and June 2026.

In the report, we examine how private market investors are approaching defence and defence-adjacent sectors in the current geopolitical environment – what they will and won't invest in, what is holding them back, how their responsible investment frameworks are changing, and what the sector needs to do to unlock capital.

Respondents represent a cross-section of European private capital – buyout funds, growth equity investors, infrastructure managers, and private credit firms.

All responses are anonymised in reporting. Figures are expressed as a proportion of those who answered each question. Percentages may not sum to 100% due to rounding.

> **"Potatoes for the cookhouse or bullets for the battlefield — both are defence investments. We just haven't agreed where between the two we're prepared to go."**
>
> – INVESTOR

Executive summary

Europe's security environment has changed more dramatically in the past three years than in the preceding three decades. And with it, the investment case for defence has moved from something most institutional investors actively avoided to one of the most compelling growth stories in private markets.

For most of the past two decades, defence was simply off the table for the majority of serious institutional investors. ESG frameworks – which now govern how most institutional capital is deployed – treated it as a sector to be excluded. The logic was clean and rarely questioned: responsible investors don't fund harm, weapons cause harm, don't invest in weapons.

Following Putin's invasion of Ukraine (and the shift in the ethics dynamic from overseas sales to the defence of Europe), those same investors are looking at a sector with strong tailwinds – surging NATO spending commitments, urgent government procurement backlogs, deep technology transformation across cyber, space, and dual-use industries – and asking a different question entirely. Not "should we invest?" but "how do we invest in a way that works within our existing ESG commitments?"

That is the central tension this report explores. The investors in this survey are not reconsidering defence because they have abandoned their ESG principles. They are reconsidering it because the sector has become too attractive, and too strategically important, to leave on the exclusion list without a much harder look.

Five headline findings

01 **No one is ruling defence out.**
64% of investors already see it as an attractive growth opportunity. The remainder are still deciding – but not one respondent said no.

02 **Investors will back technology, not weapons.**
100% would invest in adjacent sectors such as cyber, space, AI and dual-use sectors. Only 7% would invest in companies that make lethal systems.

03 **The barrier isn't financial – it's reputational.**
Only 21% say they're uncertain about the returns. 79% say their biggest concern is how it looks to their LPs, the media, and the public.

04 **Most investors don't yet have the right frameworks in place.**
Only 21% have a properly developed process for evaluating defence investments. The majority are building one as they go.

05 **Article 8 and defence can coexist.**
79% would back a defence fund structured as Article 8 (the EU's responsible investment classification) if the governance framework was robust and transparent enough.

Where this leaves us

What this report describes is a market at an inflection point. The direction is settled – private capital is moving into defence, and it is moving faster than has perhaps been registered. What is not settled is the quality of that movement: whether it happens in a way that is well-governed, values-aligned, and built to last, or whether it happens in a rush that creates reputational and regulatory problems down the line. The investors and businesses that do this work now – before they need to – will be in a fundamentally stronger position than those who are still building the plane when something goes wrong.

Continue the conversation

Elpis Impact

Elpis Impact – a boutique ESG consultancy with a defence specialism – works with investors and companies at the intersection of responsible investment and security, helping clients navigate defence exposure with frameworks that are both rigorous and credible with the investment community.

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Blakeney

Blakeney is a strategic communications and public affairs consultancy working at the intersection of business, policy, and reputation. We advise clients on how to build the stakeholder relationships that enable growth – including in sectors where the narrative environment is high stakes and complex.

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> **"LPs aren't telling us to avoid defence. They're telling us to prove we've thought it through. That's a very different conversation."**
> – INVESTOR