APEX

Investing in the best of British:

Why global investors should be looking to the UK's innovation economy



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How innovation, scale capital, private markets, and patient long-term investment can shape the UK's next phase of growth.

Beneath the UK's mature public markets lies an innovation economy that continues to produce world-class research, technologies, and businesses. As companies move from innovation to commercial scale, growing capital requirements create opportunities across venture capital, growth equity, private credit, infrastructure, and other private market strategies. For patient long-term investors, participating in the development and scaling of these future businesses may prove as compelling as investing in the UK's established assets.



Introduction

For decades, many international investors have accessed the UK through familiar channels such as prime real estate, infrastructure, and public markets. While these remain important asset classes, some of the most compelling opportunities today may lie within the UK's innovation economy.

Beneath the surface of the UK's mature capital markets sits an innovation economy that continues to generate world-class research, technologies and businesses. The UK remains one of Europe's leading venture capital ecosystems, supported by globally renowned universities, deep scientific expertise, and a vibrant entrepreneurial culture (AboveA Tech, 2026).

The challenge for the UK is not necessarily developing new ideas and technologies. More often, it is providing the capital, commercial support, and strategic guidance required to scale them into globally successful businesses. For long-term investors, this presents an interesting proposition. Increasingly, the opportunity may not simply be to invest in established UK assets, but to participate in the creation, development and scaling of the businesses, technologies and infrastructure that will shape future economic growth.

The UK's hidden competitive advantage: innovation

The UK's greatest competitive advantage may not necessarily be its capital markets, legal system, or financial services sector. Rather, in many instances it is its ability to generate innovation.

The country continues to benefit from a concentration of world-class universities, research institutions, and technology ecosystems. Oxford, Cambridge, Imperial College London, UCL, and numerous other institutions have become globally renowned hives of scientific research and commercial activity.

Importantly, innovation is no longer confined to a handful of traditional locations. Successful technology and research clusters are steadily emerging across the country, including in Bristol, Manchester, Edinburgh, and other regional hubs (British Business Bank, 2026a).

The UK consistently ranks among the world's leading environments for university innovation and bringing technology to market, generating hundreds of spin-outs and knowledge-intensive businesses from its research institutions.

The UK also remains one of Europe's leading destinations for venture capital investment and entrepreneurial activity. According to the British Business Bank, the UK continues to account for a significant proportion of European venture capital activity and remains one of the continent's most active markets for startup and scale-up investment (British Business Bank, 2026b). Significant capital continues to flow into sectors including artificial intelligence ("AI"), fintech, life sciences, climate technology, advanced manufacturing, and deep technology (AboveA Tech, 2026; British Business Bank, 2026b).

From university spin-outs and healthcare innovation to semiconductor technologies, climate solutions, and advanced engineering businesses, the UK continues to create companies capable of addressing global challenges while generating commercial value.

This combination of scientific excellence, entrepreneurial talent, and institutional expertise provides a strong foundation for future growth.

The issue is not whether the UK can continue to generate innovation. The more relevant question is how that innovation is financed, made commercial, and scaled.



The scale capital gap

The UK's challenge is often described as a financing problem. In reality, it may be more specifically described as a scale capital problem. While the UK has developed one of Europe's strongest early-stage funding ecosystems, policymakers and market participants have repeatedly highlighted a relative shortage of domestic late-stage growth capital compared with the US. This funding gap has often been cited as a factor contributing to overseas acquisitions, foreign listings, and the migration of some high-growth businesses as they seek capital to support expansion.

In other words, the UK has demonstrated a remarkable ability to create innovative businesses. However, in order to thrive, many companies encounter increasing funding requirements as they move from early-stage development toward commercial scale.



This challenge has been widely acknowledged across the market. The British Business Bank has explicitly highlighted the need to address longstanding gaps in the UK's late-stage capital market and has accelerated its own investment activity to support high-growth British businesses (British Business Bank, 2026a, 2026b).

Perhaps most tellingly, the Bank has stated that while the UK excels at creating companies, its domestic capital base has not always matched its scientific excellence.

For some investors, this may create an interesting opportunity, made more compelling by valuation levels that compare positively with certain international markets, particularly in selected venture and growth segments.

Many UK businesses possess strong intellectual property, proven technologies, experienced management teams, and global ambitions. What they often require is access to growth capital capable of supporting international expansion, recruitment, and commercial execution.

Increasingly, some of the most attractive opportunities may exist in the space between invention and maturity, where innovative businesses have validated their technologies but require additional capital and support to scale.

Venture and growth capital as an investment opportunity

Historically, venture capital was often viewed as a specialist allocation distinguished by high risk and long investment horizons. While those characteristics remain, the asset class has changed significantly, providing greater breadth of approaches and exposure types.



Today, venture and growth managers provide access to businesses operating across sectors such as AI, healthcare, climate technology, advanced manufacturing, software, and deep tech. The nature of those strategies has also evolved and become more diverse, for example, through the use of extension rounds to extend runways for promising companies as they scale to meaningful size.

The opportunity is particularly compelling where businesses have already demonstrated product-market fit and are entering a scale-up phase. Growth equity occupies the attractive middle ground between early-stage venture and mature private equity, offering exposure to companies that have moved beyond proof-of-concept while retaining substantial expansion potential.

These businesses often possess proven technologies, growing revenues, established customer bases, significant expansion potential, and opportunities for international growth. In many respects, growth equity represents the bridge between successful innovation and commercial scale.

At the same time, recent market conditions have also prompted a greater emphasis on business fundamentals. Investors are focusing more on sustainable growth, operational execution, capital efficiency, and clear commercial pathways rather than growth at any cost.

The UK is especially well positioned within this context. It continues to generate high-quality businesses across a range of innovation-led sectors while, in many cases, offering more attractive entry valuations than comparable opportunities elsewhere.

The UK's innovation ecosystem should not be viewed solely through a venture capital lens. While early-stage funding plays a vital role in supporting emerging businesses, many of the most compelling investment opportunities arise as companies scale and seek capital to expand, strengthen operations, finance acquisitions, or support long-term growth. This broadens the opportunity set for investors beyond venture capital into growth equity, private equity, and private credit, providing multiple pathways to participate in the development of high-quality UK businesses.

From venture capital to broader private markets

Venture and growth capital are part of a broader private markets ecosystem that supports businesses throughout their lifecycle. Companies may begin with venture funding, progress to growth equity, attract private equity ownership, and later access public markets or strategic acquirers.

Accordingly, some institutional investors are now viewing private markets not as separate asset classes, but as a continuum of capital. Alongside venture and growth capital, investors have expanded allocations to:

- Co-investments
- Secondaries
- Private credit
- Infrastructure
- Real assets



Private credit has grown into a multi-trillion-dollar asset class, fueled by bank retrenchment, as investors seek income-producing alternatives and borrowers seek more flexible sources of financing (Morgan Stanley Investment Management, 2025; PwC, 2026; McKinsey & Company, 2026c).

Secondaries have similarly evolved from a niche segment into a more strategic allocation for many institutions. Global secondary market transaction volumes have grown significantly over the past decade, reflecting increasing institutional adoption and maturity of private markets. Investors are increasing their use of secondaries to gain exposure to mature portfolios, reduce blind-pool risk, accelerate deployment of capital, and manage portfolio construction more efficiently.

Meanwhile, co-investments have become an important means of accessing high-quality assets while reducing overall fee burdens.

More broadly, investors are operating in an environment of heightened uncertainty across public markets. Recent volatility in government bond markets and higher sovereign borrowing costs have prompted renewed debate around the role of traditional portfolio building blocks and the resilience of the long-term return assumptions upon which many investors rely. Against this backdrop, many institutions are continuing to explore private markets as a means of accessing differentiated sources of return, income, innovation, and economic growth.

The rise of these strategies reflects a broader maturation of private markets and a growing recognition that many of the world's most compelling investment opportunities now exist outside public markets.

Infrastructure, energy transition, and real assets

While innovation is often associated with software, biotechnology, and other advanced technologies, the next phase of growth will also require substantial investment in physical assets, as the technologies, businesses, and industries of the future require physical infrastructure capable of supporting economic transformation.

Across the UK and globally, significant capital is being deployed into renewable energy generation, energy storage, grid upgrades, electrification, and energy efficiency.

Examples include:

- Onshore and offshore wind infrastructure
- Battery energy storage systems
- Electricity transmission and grid upgrades
- District heating and heat network projects
- Renewable energy platforms combining generation and storage

Real estate is undergoing a similar shift, with increasing attention being directed toward the upgrade and decarbonisation of existing assets.

Historically, value creation often depended on development or financial leverage. Today, investors are placing a greater emphasis on operational improvement, sustainability, energy efficiency, and asset repositioning.

The refurbishment and upgrade of existing buildings may become as important as new development itself. In many cases, decarbonisation initiatives can simultaneously deliver environmental benefits and commercial value.

Examples include:

- Energy-efficiency retrofits
- Real estate decarbonisation initiatives
- Life sciences campuses
- Logistics facilities
- Urban regeneration projects
- Upgrading of existing commercial stock

Hence, some of the most attractive opportunities may lie not in developing entirely new assets, but in transforming existing ones to improve sustainability, operational performance, and long-term value.

Infrastructure and real assets therefore remain highly relevant, not only as defensive investments, but also as enablers of future growth.

The convergence of AI, energy, and infrastructure

One of the most significant investment themes emerging today sits at the intersection of AI, energy, and infrastructure.

Much of the public discussion surrounding AI focuses on software models and applications. However, the infrastructure required to support AI may prove just as important. Data centres, fibre networks, power generation assets, transmission infrastructure, cooling systems, and digital connectivity platforms are becoming critical components of the modern economy.

The scale of investment required is substantial. Estimates suggest that global spending on data-centre infrastructure could reach trillions of dollars over the coming decade, while power demand from AI-related data centres is expected to increase materially (McKinsey & Company, 2026a; McKinsey & Company, 2026b; Goldman Sachs Research, 2025).



This creates opportunities across:

- Digital infrastructure
- Data centres
- Renewable energy
- Communications infrastructure
- Electricity networks
- Energy storage

As a result, the AI investment story extends beyond technology companies themselves, and is also about the physical assets required to support a more data-intensive economy, encompassing the infrastructure required to power, connect, and sustain the new digital economy.

The growing importance of strategic and patient capital

As technology advances, investors capable of providing strategic value alongside financial resources may be especially well placed to support growing businesses. This is particularly relevant in innovation-driven sectors, where companies often benefit from access to networks, industry expertise, commercial partnerships, and international markets.

Long-term investors, including pension funds, sovereign investors, family offices, and other institutional allocators, are often well positioned in this regard. Their investment horizons may allow them to support businesses through multiple stages of development and value creation.

Equally important is the ability to provide patient capital. Many of the most significant opportunities in venture, growth equity, infrastructure, and energy transition require years rather than quarters to see their full potential. Therefore, investors capable of maintaining long-term conviction through market cycles may stand to reap the greatest rewards. The most attractive opportunities will likely arise where investors bring not only capital, but also expertise, relationships, and a long-term perspective.



Final thoughts

For decades, international investors attracted to the UK focused largely on ownership of physical assets and public securities. Those opportunities remain important and continue to play a valuable role within diversified portfolios.

However, the next chapter of investment in the UK may be defined less by ownership of established assets and more by participation in the creation, scaling, and commercial positioning of future ones.

The UK continues to generate world-class research, innovation, and entrepreneurial talent. Yet significant opportunities remain to provide the growth capital, strategic support, and infrastructure required to transform promising ideas into globally relevant businesses.

None of this suggests that attractive returns will be generated simply by increasing allocations to innovation, venture capital, or growth assets. As capital continues to flow into these areas, maintaining discipline will become ever more important. The most successful investors are likely to be those that combine long-term conviction with rigorous underwriting, sound judgement, and a highly selective approach to manager and investment selection.

As with all areas of private markets, returns are unlikely to be distributed evenly. Careful due diligence, alignment of interests, governance, portfolio construction, and manager access will remain critical determinants of investment outcomes.

For patient long-term investors, the opportunity may not simply be to invest in Britain's existing strengths, but to help build its future ones. In an increasingly competitive global investment landscape, that may prove to be one of the most compelling opportunities of all.

William Martinez, CFA, CAIA
Head of Investment Advisory

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The Investment Advisory team advises institutional investors, pension funds, insurers, family offices, sovereign investors, and other long-term allocators on strategic asset allocation, portfolio construction, manager selection, and private markets investment strategies. Apex Investment Advisory's work spans private equity, private credit, infrastructure, real estate, and venture capital across global markets.

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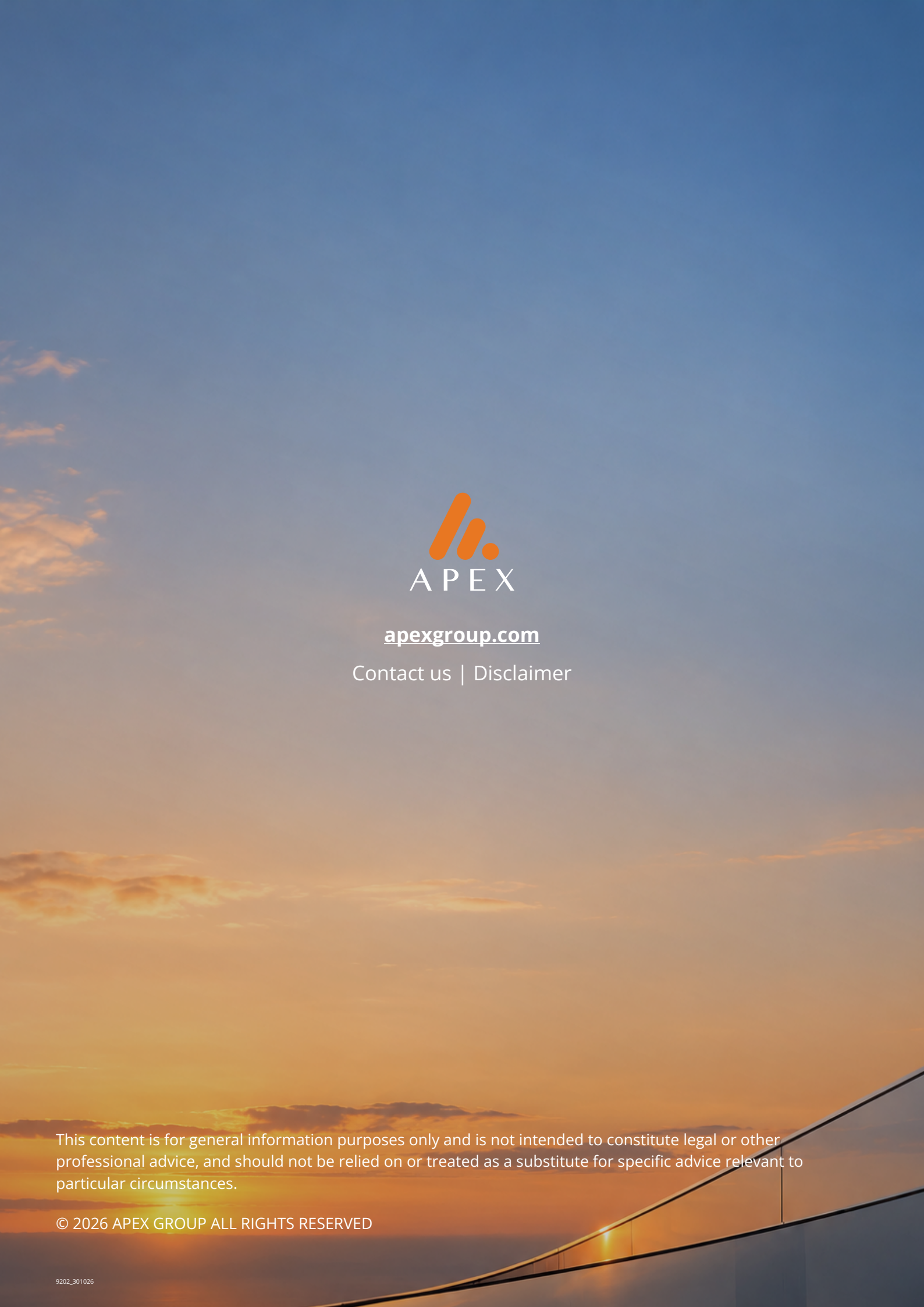
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