VettaFi

ARMY: Investment Case for European Defence

The Russian invasion of Ukraine in February of 2022 was a watershed moment for Europe and European defence

While global defence spending was already growing, focused on the modernisation of defence capabilities and NATO's spending target of 2% of GDP, a large-scale conflict on EU borders was a wake-up call for NATO and its European members. Today, the war still rages on, and after a contentious meeting at the White House with Ukraine President Zelenksy, the U.S. paused all military aid and intelligence to Ukraine, with far-reaching repercussions. EU member states quickly stepped-in to support their European neighbor Ukraine and a new European era of defence was ushered in, with a resolve to be less reliant on the US as an ally with a commitment to European rearmament and autonomy. The EU Commission has devised a "ReArm Europe/Readiness 2030" plan the tenants of which were published in a White Paper for European Defence and the ReArm Europe Plan-Readiness 2030 on 19 March 2025, outlining its 5-year plan.

The EU white paper offers solutions to strengthen the defence industry by closing capability gaps and ensuring long-term readiness. It also suggests ways for Member States to invest heavily in defence, buy necessary equipment, and support the industry's growth over time. The plan calls for €800 billion of investment for a massive ramp-up of defence spending. It will also include a €150 billion credit facility, the Security Action for Europe (SAFE) plan, that will help fund this investment. By activating the national escape clause of the Stability and

Growth Pact, EU members will be able to increase defence spending an additional 1.5% of their GDP, equating to 650 billion euros over the next four years.

Key areas of action include:

- **Closing military capability gaps** in areas such as air and missile defence, artillery and munitions, and drone and counter-drone systems.
- **Supporting the European defence industry** by buying European first with the goal of 65% being sourced from the EU, Norway, or Ukraine.
- **Deepening Europe's defence capabilities** with development of future of defence technologies like AI, quantum, and cyber defence.
- **Enhancing Europe's readiness** for worst case scenarios, by stockpiling, improving military cooperation, harmonization, and mobility across Europe.
- **Continued support for Ukraine** and what is being called a "Porcupine Strategy" aimed at deterring further Russian aggression.

European defence companies are expected to be the key beneficiaries of Europe's rearmament plan given its goal of sourcing 65% of the equipment from Europe, but other non-US companies will benefit as an immediate option to US defence contractors given their lower cost and speed to market capabilities. Europe was spending a significant amount on defence equipment from non-European sources, as much as two-thirds coming from the US, and that is now going to change and flow back into European economies. European rearmament is expected to be extremely positive for the economies of Europe. As a result, European stocks, and in particular those benefiting from an investment in defence, are being rewarded with a growth premium.

A brief history of European Defence

Post WWII: 1945 – 1948
In the immediate aftermath of WWII, Europe was divided into the US-led Western Bloc and USSR-led Eastern Bloc.

NATO Established: 1949
NATO, the North Atlantic Treaty Organization, was established in 1949, creating an alliance of countries united against any form of military aggression. It was a collective security alliance meant to counter the threat of Soviet expansion in Europe after WWII.

Fall of Berlin Wall - Reunification of Germany: 1989-1991
The fall of the Berlin Wall in 1989 and the collapse of the Soviet Union in 1991 led to a period of reduced defence spending and a focus on other priorities. It signaled the collapse of the communist bloc and totalitarianism and the triumph of capitalism and democracy.

War in Donbas: 2014
The war in Donbas was the first phase of the Russian-Ukraine war, taking place in the resource-rich eastern Donbas region of Ukraine. The war began in April 2014, when Russian paramilitaries seized several towns. Ukraine's military launched a counter operation, but failed to fully retake the region. This war continued until subsumed by the Russian invasion of Ukraine in 2022.

Finland and Sweden Join NATO: 2023-2024
Previously neutral countries, Finland became the 31st member of NATO on 4 April, 2023 and Sweden became NATO's 32nd member on 7 March, 2024.

Declining US Role Spurs European Autonomy and Independence: 2025
While the US remains a key security partner for Europe, there is a growing recognition that Europe must take greater responsibility for its own defence, leading to a potential shift in spending and power. Germany, for the first time since WWII, is deploying troops on a long-term basis to another country (Lithuania), reflecting a major geopolitical shift in sentiment and a new global world order.

1940s 1960s 1990s 2000s 2020s

Cold War Era: 1947-1991
The Cold War between the US and the Soviet Union and their respective allies lasted from 1947 to 1991 when the Soviet Union dissolved. It was a proxy war which led to an arms race, military build up, and the constant threat of nuclear war.

Berlin Wall: 1961
In 1961 a physical barrier was built by East Germany to prevent people from fleeing to the West. It became a symbol of Cold War division.

Establishment of Independent Republics: 1991
In the wake of the disintegration of the Soviet Union, the now independent states of the Russian Federation, Ukraine, and Belarus came together to create the Commonwealth of Independent States (CIS). With the exception of Georgia and the Baltic States, the former Soviet Republics joined the CIS by the end of the year. Georgia, Estonia, Latvia and Lithuania all also established their independence in 1991.

Emergence of a European defence Identity: 1990's - 2020's
While NATO remained the primary security framework, there was a growing push for a more independent European defence identity, with initiatives like the Common Security and Defence Policy (CSDP) and the Permanent Structured Cooperation (PESCO).

Russian Invasion of Ukraine: 2022
Russia invaded Ukraine in February of 2022, in a conflict that continues today. Russia likely believed Ukraine could be swiftly defeated and the country annexed similar to its previous assault on Crimea, but that proved not to be the case.

NATO 2% of GDP Target Nearly Achieved: 2024
In 2014, NATO members pledged to achieve a 2% of GDP defence spending target by 2024. Over the past decade, European Allies and Canada have steadily increased their collective investment in defence – from 1.43% of their combined GDP in 2014, to 2.02% in 2024. By the end of 2024, 23 of the now 32 NATO member countries achieved the 2% of GDP target.

The European Defence Industry

Increased geopolitical instability around the world along with the need for upgrades and modernisation of equipment after years of underinvestment have caused global defence spending to hit record levels. Global defence spending rose to $2.46 trillion in 2024 with countries in Asia, the Middle East and North Africa, and Europe seeing the largest increases.[1] And the US has raised the bar further by calling on NATO to increase its minimum spending level to 5% of GDP. Currently, over two-thirds of NATO members (23 out of 32) have fulfilled the 2% commitment, spending a collective $1.47 trillion on defence in 2024. The year prior, only 10 countries had met the 2% of GDP target.

European defence spending increased 11.7% in 2024 to $457 billion USD, marking the 10th consecutive year of growth. If Russia's invasion of Crimea in 2014 elevated threat perceptions across the European continent, the 2022 invasion of Ukraine was the fuel that spurred most of Europe into collective action to achieve NATO's goal of spending 2% of GDP on defence. Despite marked progress, European spending growth remains outpaced by Russia's total military expenditures, which grew by 41.9% in real terms to reach an estimated RUB13.1trn (USD146 bn).

> The era of the peace dividend is long gone. The security architecture that we relied on can no longer be taken for granted. Europe is ready to step up. We must invest in defence, strengthen our capabilities, and take a proactive approach to security. We are taking decisive action, presenting a roadmap for 'Readiness 2030', with increased defence spending, important investments in European defence industrial capabilities. We must buy more European. Because that means strengthening the European defence technological and industrial base. That means stimulating innovation. And that means creating an EU-wide market for defence equipment.

Ursula von der Leyen,
President of the European Commission

[1] McGerty, Fenella and Karl Dewey. "Globa defence spending soars to new high," IISS.org, 12 February 2025, https://www.iiss.org/online-analysis/military-balance/2025/02/global-defence-spending-soars-to-new-high/

In another watershed moment, the Trump Administration's stance on Europe and Canada and its threat to halt US defence aid and intelligence to Ukraine, sent other NATO members looking for alternative sources of defence equipment to reduce their dependence on the US.

ReArm Europe/Readiness 2030 Plan

The European Union has come up with a plan to bolster European defence capabilities.

While the EU's immediate aim was prompted by the short-term urgency of supporting Ukraine, the longer-term goal was to boost Europe's security and defence. The European Commission's proposal, ReArm Europe/Readiness 2030 plan, enables spending of over €800 billion by unleashing the use of public funding by activating the national escape clause of the Stability and Growth Pact. This affords additional budgetary space to increase defence spending via the Security Action for Europe – SAFE. SAFE is a new dedicated financial instrument designed to help EU Member States increase investments in Europe's defence capabilities.

The ReArm Europe Plan priorities the supply of strategic equipment, like air and missile defence, artillery systems, missiles, ammunition and drone and anti-drone systems. If each member state were to spend an additional 1.5% of its GDP on defence, it would equate to €650 billion. The plan also provides for €150 billion in loans to buy defence capabilities mostly made in Europe. More funding sources for defence are also under consideration, including the mobilization of private funding. The EU is also studying the harmonisation of requirements and joint procurements to ensure a more efficient market, reduce costs, guarantee the cross-border access to supply chains and to increase the competitiveness of the European defence sector as a whole.

The white paper outlines a key number of action items:

- **Closing capability gaps,** with a focus on critical capabilities identified by Member States.
- **Supporting the European defence industry** through aggregated demand and increased collaborative procurement.

Components of the EU's "ReArm Europe" defence plan

*Assuming an average increase of 1.5% of GDP per member state.
Source: European Commission.

- **Supporting Ukraine** through increased military assistance and deeper integration of the European and Ukrainian defence industries.
- **Deepening the EU-wide defence market** including through simplifying regulations.
- **Accelerating the transformation of defence** through disruptive innovations such as AI and quantum technology.
- **Enhancing European readiness** for worst-case scenarios, by improving military mobility, stockpiling and strengthening external borders, notably the land border with Russia and Belarus.
- **Strengthening partnership** with like-minded countries around the world

Full provisions and details of the EU's plan can be read here.

Germany approves a large spending plan

In addition to the EU's spending and rearmament plans, Germany approved a €500bn spending package to boost the German military and infrastructure. The creation of the €500bn fund provides for historic levels of spending, requiring the relaxation of Germany's constitutionally protected debt rules. Incoming conservative chancellor Friedrich Merz said the package was mainly motivated by "Putin's war of aggression against Europe" including attacks on critical infrastructure, arson attacks, spying and disinformation campaigns, as well as broader "attempts to divide and marginalise the European Union".[2]

> "
>
> This Defence package, comprising the White Paper for European Defence and the ReArm Europe Plan/Readiness 2030, marks a defining moment for our Union. Europe can no longer afford to be a bystander in its own security. We must take our defence into our own hands, reinforcing our commitments to collective security and standing firm against those who seek to challenge our sovereignty. This is not just about military strength — it is about our readiness, strategic autonomy, and the future of Europe as a global player.

Andrius Kubilius, Commissioner for Defence and Space

[2] Connolly, Kate, German MPs approve €500bn spending boost to counter 'Putin's war of aggression, The Guardian, 18 March 2025, https://www.theguardian.com/world/2025/mar/18/german-mps-approve-500bn-spending-boost-to-counter-putin-war-of-aggression

Challenges of fragmentation and obsolescence

As depicted in the graphic below, one of the challenges faced by the defence industrial complex in Europe has been the fragmented landscape of in-service weapon systems which has led to inefficiency. There are two to three times as many European suppliers competing at the platform level – aircraft, tanks, and ships – compared to the United States.

Europe has a fragmented landscape of in-service weapons system

Different weapons systems in service, 2023,* number

Europe		United States
19	Main battle tanks	1
23	Armored infantry fighting vehicles	3
28	152/155mm howitzers	2
20	Tactical combat aircraft	7
4	Attack helicopters	2
12	Anti-ship missiles	5
13	Air-to-air missiles	3
27	Destroyers and frigates	4
17	Torpedoes	2
10	Conventional submarines	0
6	Nuclear submarines	4
179 different weapons systems		**33 different weapons systems**

* Weapon system categories and grouping partially differ from *The Military Balance 2023* for simplification and comparability with prior versions of the analysis. Source: McKinsey analytics based on data taken from *The Military Balance 2023* published by the International Institute for Strategic Studies (reproduced with permission).

In addition, these in-service systems have a large share of equipment belonging to a generation first introduced about 30, or even more, years ago. For example, in the case of land systems, around 50% of total systems in Europe entered service before 1990; for land-based air systems, this figure is 80%. In the maritime domain, around 40%of mine warfare and amphibious vessels, and approximately 50% of submarines, stem from equipment generations brought into service before 1990. In the air domain, this accounts for about 35% of air systems.[3] Much of this equipment is now obsolete.

Integrating data from such diverse systems into a common operating picture is hard and makes the deployment of operational AI systems able to power better decisions on the battlefield particularly complex. Europe needs to fund and support its operational AI leaders in defence like any other industry sector.

A Mario Draghi authored 2024 EU report on European competitiveness in the defence industry highlighted the fact that Europe is spending a significant amount of defence equipment from non-European sources, with two-thirds coming from the US. The report identified 3 areas to reignite growth: 1) refocusing Europe's collective efforts on closing the innovation gap with the US and China, especially in advanced technologies, 2) joint plan for energy innovation and competitiveness, and 3) increasing security and reducing dependencies.[4]

These are some of the issues that the ReArm Europe/Readiness 2030 plan aims to address with joint procurement and increased economies of scale. EU Member States are being encouraged to spend better, work together, and prioritise European companies. The EU can support this by helping Member States coordinate their investments and develop defence equipment within Europe.

Some of the major capability gaps include:

- air and missile defence
- artillery systems, ammunition and missile production
- drones and counter-drone systems
- military mobility, artificial intelligence, quantum technologies, cyber, and electronic warfare
- strategic enablers and critical infrastructure protection.

It is a big list that will require deeper collaboration among European nations.

The European defence market is expected to experience significant growth, driven by an increasing need for advanced weapon systems and modern technological solutions, with a spending commitment of €800 billion over the next few years as outlined in the ReArm Europe plan.

3 Chinn, David, et al. Innovation and efficiency: Increasing Europe's defence capabilities, McKinsey & Company, 28 February 2024.

4 Draghi, Mario, The Future of European Competitiveness, September 2024

There is a growing commitment toward European defence independence, with countries aiming to reduce reliance on US imports and develop their own defence capabilities. The plan calls for supporting the European defence industry by buying European first with the goal of 65% of new equipment to be sourced within the EU, Norway, or Ukraine. The other benefit of a European-first approach is more rapid deployment and quicker response times.

EU defence spending could help bolster Europe's economy

Since the end of World War II, European defence has evolved from relying heavily on NATO and the US to a growing emphasis on independence and self-reliance. While the bolstering of defence capabilities comes at a cost, marking the end of the "peace dividend" era, domestic spending on defence can also help boost economic growth.

The Kiel Institute for the World Economy estimates that an increase of defence spending from 2% of GDP to 3.5% would cost €300 billion annually, but if financed by debt and used to foster domestic research, development and production, this sum could generate a similar amount of economic growth. The suggested increase in spending could result in 0.9 to 1.5% GDP growth.[5] Such economic growth would be welcome considering that the EU's aggregate GDP grew by just 0.9% in 2024, with Germany teetering on the edge of recession.

> "The world has changed, and Europe must change with it. Our security and prosperity are interlinked. ReArm Europe/Readiness 2030 is our plan to strengthen both. Today, we are proposing to activate the national escape clause as a temporary, coordinated and targeted measure to boost defence investments at national and EU levels. EU countries will be facilitated to make the necessary investments in our defence capabilities and industry, spending more and better – together. This will also boost economic growth, drive innovation and create jobs, while ensuring fiscal sustainability. Europe will rise to this challenge.

Valdis Dombrovskis
Commissioner for Economy and Productivity;
Implementation and Simplification

[5] Ilzetzki, Ethan. Kiel Institute for the World Economy: Kiel Report, "Guns and Growth: The Economic Consequences of defence Buildups", No. 2, February 2025.

EU defense push could bolster Europe's economy

Estimated effect of increased defense spending on GDP growth in the EU

Conservative estimates show that the EU's gross domestic product could increase by **0.9 to 1.5 percent** annually if governments raised annual defense spending from **2 to 3.5 percent** of GDP.*

*Only applies if the added spending is largely financed by increased borrowing rather than by tax increases or budget cuts.

Source: IfW Kiel

Key European defence companies

Currently, Russia has nearly twice as many fast jets and naval vessels as Germany, France, and the UK combined, and more than three times as many tanks and infantry fighting vehicles. Russia is also producing roughly three times as many artillery shells per year as the entire EU at one tenth the cost per shell.[6] The rearmament of Europe will require a ramp-up in production and improved capabilities in these areas.

Some of the top defence companies in Europe in terms of defence revenue appear in the graphic image below:

33 European defense companies which are in the world's top 100 list by their defence revenue

Source: defence Industry Technologies, defence News.

[6] Kuryata, Nina, Europe has to defend itself, Tortoise Media, 27 November 2024.https://www.tortoisemedia.com/2024/11/28/europe-has-to-defend-itself

Drilling down on specific beneficiaries of European defence spending growth, the following companies appear well positioned:

BAE Systems - United Kingdom

Provides some of the world's most technology-led defence, aerospace, and security solutions. Largest manufacturer in Britain and the largest defence contractor in Europe.

The United Kingdom-based company's revenue reached £26.3 billion in 2024. Its military sectors include air, land, cyber security and intelligence, electronics, and sea systems. Within its air sector, BAE Systems is a partner in the Eurofighter Typhoon fighter jet consortium and the F-35 stealth fighter, whose prime contractor is Lockheed Martin. BAE's land division makes tracked, untracked, and amphibious combat vehicles. Additionally, the company produces ammunition, precision munitions, artillery systems, missile launchers, precision imaging, and targeting solutions. In electronics, equipment includes flight and engine controls, electronic warfare, night-vision systems, surveillance and reconnaissance sensors, mobile networked-communication equipment, systems integration, and environmentally-friendly energy management systems.

Leonardo SpA - Italy

A global industrial group that creates multi-domain technological capabilities in Aerospace, Defence, and Security.

The Rome, Italy-based company generated more than €20.9 billion in sales last year. The company is most famously known for its helicopter production, such as the TrekkerM multi-role platform. The company is part of the Global Combat Air Program (GCAP), which includes BAE Systems and Mitsubishi Heavy Industries in Japan. The GCAP is working to produce the next-generation of fighter aircraft. Leonardo recently announced a joint partnership with Turkey's Baykar to produce unmanned aerial vehicles (UAV), to meet rising European military demand for drones. The two companies estimate that the European UAV market will reach $100 billion over the next 10 years. Besides aviation, Leonardo also specializes in cyber security, electronics, space, and aerostructures.

Thales - France

A global leader in advanced technologies for the Defence, Aerospace, and Cyber & Digital sectors. Owns 26% of Dassault.

France's Thales specializes in aerospace, defence, digital identity and ground transportation. In 2024, the company generated €20.58 billion in revenue. While the company is famous for its space systems, Thales does a wide variety of military work, such as designing smart sensors and connecting soldiers on the digital battlefield. In January 2025, Thales announced its leadership in the SEACURE program to enhance Europe's underwater warfare capabilities.

Rheinmetall AG - Germany

The leading industrial defence partner of Ukraine, now expected to be a key beneficiary of NATO European Defence spending with an 85% army focus.

The military vehicle and arms manufacturer saw revenue of €8.83 billion in 2024. Rheinmetall manufactures tanks, air defence systems, autonomous ground vehicles, guns, missiles, and bombs. Most notably, it produces the Panther KF51 main battle tank. Rheinmetall also offers flight surveillance systems and aircraft cannons. The company's naval division supplies weapons, sensors, and air defence to ships, along with military simulation and training.

Saab - Sweden

Serves the global market of governments, authorities and corporations with products, services and solutions ranging from military defence to civil security.

Headquartered in Stockholm, Sweden, the company serves civilian and military markets. Saab's revenue reached nearly $6 billion in 2024. Saab makes missiles, submarines, sensors, electronics, the Gripen fighter jet, and is developing future unmanned systems. Saab also has over 100-years of experience building submarines. In February, Saab announced its remodel of the HMS Halland submarine, adding upgraded sensors and command systems. Saab signed a contract with the Polish Ministry of Defence's procurement authority for delivery of the Carl-Gustaf® M4 weapon, ammunition and training equipment. The order value corresponds to SEK 12.9 billion and the contract period is 2024-2027. Saab has received an order from a NATO country for its air command and control system 9AIR C4I. The contract value is approximately SEK 250 million. Deliveries will start in 2025. The order was booked in Q4 2024.

Safran - France

A French engine and aircraft manufacturer. Secured EU approval for its $1.8 billion bid for Collins Aerospace flight controls business.

The Paris-based company generated €27.3 billion in revenue in 2024. Safran offers navigation technologies, electro-optical systems, targeting systems, parachutes, the Patroller tactical drone, and missile propulsion systems. The French aerospace and defence group said it was ready to invest in increased production of defence equipment as long as the mounting appetite for increased European defence capacity led to tangible orders.

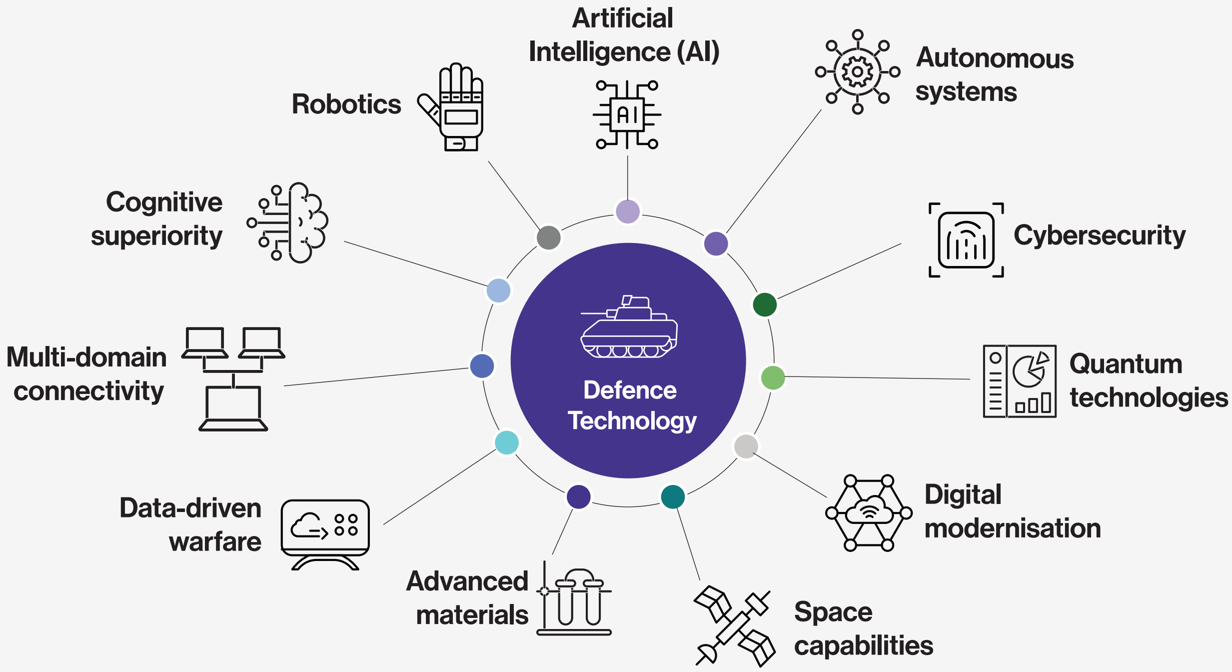
Dassault Aviation - France

Manufacturer of military aircraft and business jets.

Dassault Aviation makes military aircraft and business jets. The company reported a revenue of €6.2 billion for 2024. Dassault is most famous for its Mirage and Rafale fighter jets. In addition, Dassault holds the prime contract under the French government for the nEUROn, an unmanned aircraft. From Dassault's defence business alone, the company's order intake grew to €8.3 billion euros last year from €6.52 billion the prior year.

The future of defence

As Europe tries to close the defence technology gap, technologies such as autonomous systems, AI, robotics, quantum technologies, and cybersecurity will be integrated into future spending plans, leading to more data-driven, interconnected, and resilient military operations. Beyond traditional armaments, key technologies and future of defence deliverables include:



Artificial Intelligence (AI)
AI will be used for faster decision-making, improved threat detection, and enhanced logistics, with AI-enabled systems equipping warfighters with better tools.

Autonomous Systems
Unmanned vehicles (UAVs, ground vehicles, sea-based platforms) will perform mundane and hazardous tasks, while autonomous systems will allow existing platforms to operate with reduced human interaction.

Cybersecurity
Protecting military networks and data from cyberattacks will be crucial, with AI playing a role in threat detection and prediction.

Quantum Technologies
Quantum sensing, encryption, and computing will revolutionize various aspects of defence, including threat detection, secure communication, and data analysis.

Digital Modernisation
The defence sector will increasingly rely on digital technologies, including cloud computing, IoT, and advanced analytics, to improve interoperability and data sharing.

Space Capabilities
Space-based assets and systems will play a critical role in future warfare, enabling communication, surveillance, and intelligence gathering.

Advanced Materials
Self-healing materials, cyber-protective materials, and biomimetic designs will enhance the durability and capabilities of military equipment.

Data-Driven Warfare
The ability to collect, analyze, and utilise vast amounts of data will be crucial for making informed decisions in the field.

Multi-Domain Connectivity
The ability to connect and coordinate operations across air, land, sea, and space domains will be essential for future military success.

Cognitive Superiority
Enhancing situational awareness and decision-making capabilities through advanced AI and sensor technologies will be a key focus.

Robotics
One-third of the military could be robotic by 2039, with robots commanded and controlled by AI systems[7]

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[7] Cedar, Riley. One-third of US military could be robotic by 2039, defenceNews, 14 July 2024, https://www.defencenews.com/news/2024/07/14/one-third-of-us-military-could-be-robotic-by-2039-milley/#:~:text=The%2020th%20chairman%20of%20the,military%20forces%20in%20the%20future.

Our Index Approach

The **VettaFi Future of Defence ex US Index (ARMY)** tracks the market performance of companies, listed globally on recognised exchanges, that provide exposure to NATO and select non-NATO ally (NATO+) defence and cyber-defence spending excluding US companies. Companies are screened for controversial weapons exposure of above 20% of revenue. The total weight for European issuers must be at least 90%.

Constituent selection

All companies that meet the following requirements are selected:

- **Minimum Thematic Exposure:** Constituent business operations must derive more than 50% of their revenues from the manufacture and development of defence equipment (such as military armored vehicles & tanks, weapon systems and missiles, munitions and accessories, electronics & mission systems, and naval ships), defence technology applications, or cyber security contracting with a NATO+ member nation verified by publicly available contract information. Companies manufacturing military aircraft must derive at least 20% of revenue from defence.

- **ESG/Human Rights Filter:** Constituent business operations must comply with United Nation Global Compact (UNGC) principles and Organization for Economic Cooperation (OECD) Guidelines for Multinational Enterprises.[8]

- **Controversial weapons filter:** Constituent business operations must derive less than 20% of their revenue from controversial weapons

- **3-Month Average Daily Trading Value:** 1 million USD

- **Float percent:** 20%

- **Full market cap:** 500 million USD

Constituent weightings and constraints

Constituents are free-float market cap-weighted with the following constraints:

- Constituent weighting needs to accommodate the ability to trade 50% of its 3-month ADTV given a 25 million USD flow.

- Issuer weights are capped at 10%, except for non-core defence and cybersecurity firms which are capped at 5%.

- Issuer weights are at least 0.2%.

- The cumulative weight of all constituents from Europe must be at least 90% of the index. Excess weights are redistributed proportionally among the rest of the uncapped securities. This redistribution is repeated iteratively until all the capping conditions are met.

Rebalancing and reconstitution

The Index is rebalanced quarterly in January, April, July, and October.

8 UNGC, OECD, and controversial weapons screens are defined by the Index provider using data from third-party sources.

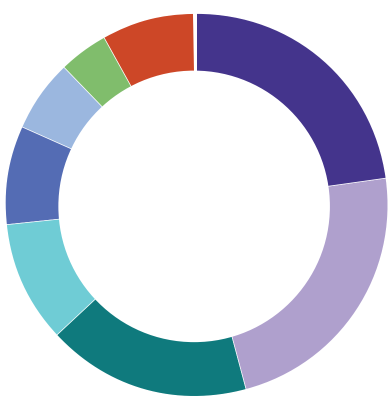
Index holdings and weights

The Index is currently comprised of 35 holdings, with holdings information as of 31 March 2025 appearing below:

Top 10 Constituents

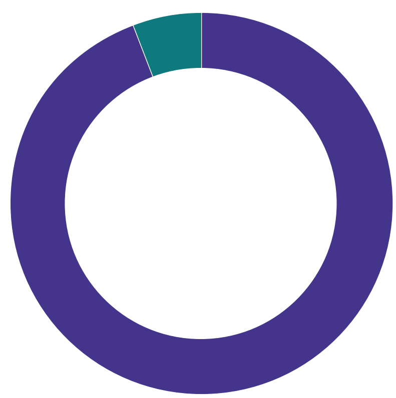
Company	Sector	Ticker	Index weight
Rheinmetall AG	Industrials	RHM GR	13.7%
Thales SA	Industrials	HO FP	11.9%
Leonard S.p.A	Industrials	LDO IM	10.2%
BAE Systems PLC	Industrials	BA/LN	9.3%
Safran SA	Industrials	SAF FP	7.8%
Saab AB	Industrials	SAABB SS	7.3%
Kongsberg Gruppen ASA	Industrials	KOG NO	6.2%
Rolls-Royce Holdings PLC	Industrials	RR/LN	4.7%
Airbus SE	Industrials	AIR FP	3.7%
Melrose Industries PLC	Industrials	MRO LN	3.0%
Total			**77.8%**

Country weightings



United Kingdom	23.0%
France	23.0%
Germany	17.3%
Italy	10.2%
Sweden	8.4%
Norway	6.2%
Israel	4.0%
Others	8.0%

Sector weightings



Industrials	94.3%
Technology	5.7%

As of 31 March 2025, 92.12% of the Index holdings were domiciled in Europe.

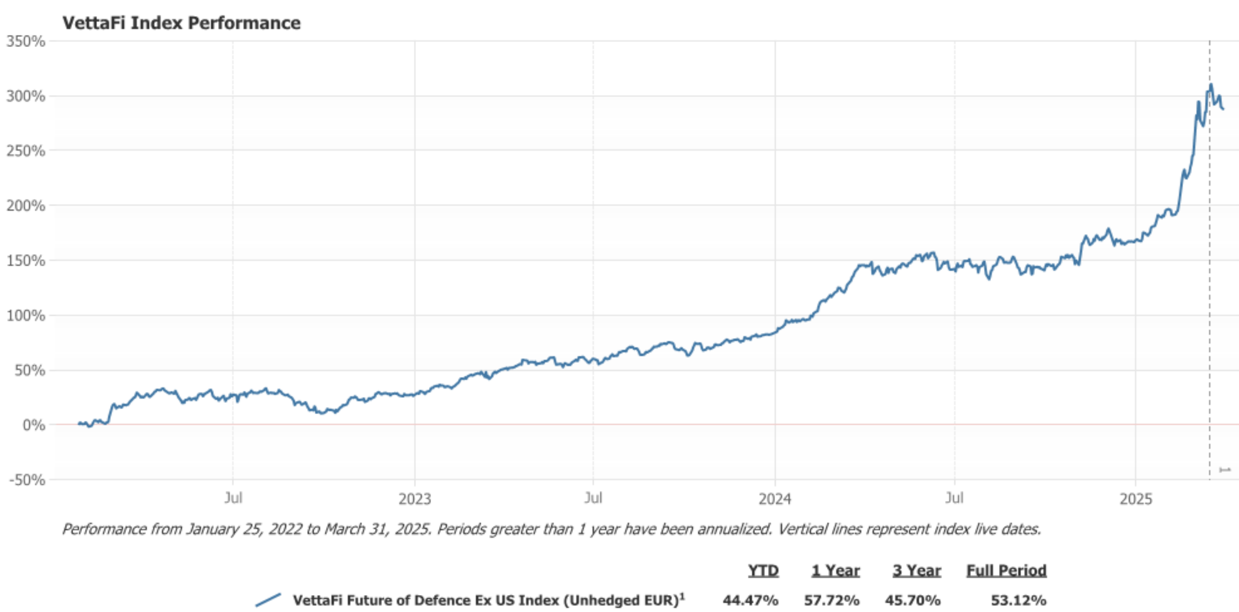
Geographical allocations

Region	ARMYNE Index
Asia	2.43%
Europe	92.12%
Middle East	3.96%
North America	1.31%
Pacific	0.18%

Backtested and live index performance

Backtested results are available to 25 January 2022, with live index results commencing on 17 March 2025.

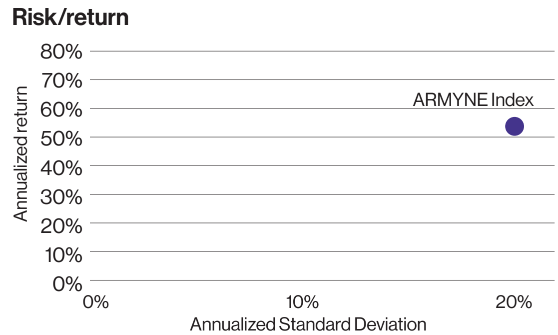
VettaFi Future of Defence ex US Index (ARMYN) – EUR



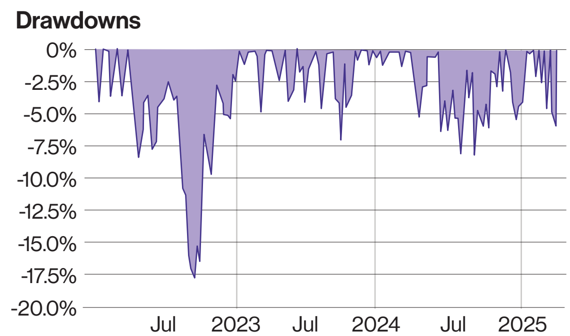
Performance summary

Annualized total return	ARMYNE Index
Month-to-date	11.98%
Quarter-to-date	44.47%
Year-to-date	44.47%
Last month	11.98%
Last 3 months	44.47%
Last 12 months	57.72%
Last 2 years	60.26%
Last 3 years	45.70%
Since 2022-01-25	53.08%

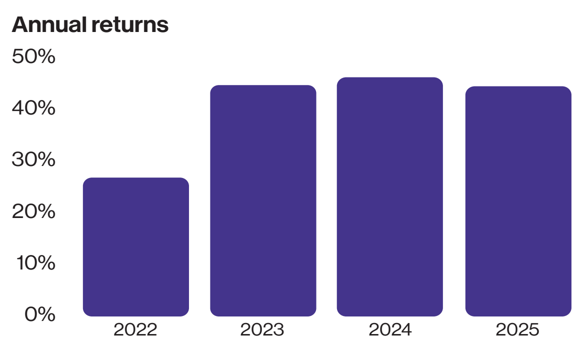
Annualized volatility	ARMYNE Index
Month-to-date	48.89%
Quarter-to-date	32.80%
Year-to-date	32.80%
Last month	48.89%
Last 3 months	32.80%
Last 12 months	23.22%
Last 2 years	18.94%
Last 3 years	19.34%
Since 2022-01-25	20.05%



Maximum drawdown	ARMYNE Index
Month-to-date	-5.72%
Quarter-to-date	-5.72%
Year-to-date	-5.72%
Last month	-5.72%
Last 3 months	-5.72%
Last 12 months	-9.49%
Last 2 years	-9.49%
Last 3 years	-17.19%
Since 2022-01-25	-17.19%

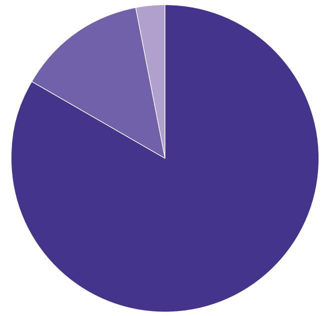


Annual performance	ARMYNE Index
2022	26.56%
2003	44.72%
2024	46.40%
2025	44.47%



Fundamentals

Market cap	ARMYNE Index
● Large cap	83.51%
● Mid cap	13.45%
● Small cap	3.04%



Metric	ARMYNE Index
Market cap-weighted average ($MM)	46,644.26
Market cap-median ($MM)	7,704.12
Market cap-lowest ($MM)	443.67
Market cap-highest ($MM)	139,173.86
Liquidity-weighted average ($MM)	166.28
Liquidity-median ($MM)	48.92
Liquidity-lowest ($MM)	1.05
Liquidity-highest ($MM)	511.33
Trailing price/earnings	32.73
Forward price/earnings	24.71
Trailing EV/sales	2.88
Forward EV/sales	2.48
EPS growth (%)	23.07
Sales growth (%)	13.73
Percent of net debt < 0 (cash positive	37.95
Dividend yield (%)	1.18

Fundamental metricsw represent the median value unless otherwise noted.

VettaFi's Future of Defence ex US Index (ARMY) index approach builds upon the successful methodology for the **Future of Defence Index (NATO),** but it instead targets non-US opportunities and maintains a 90%+ exposure to European companies. Rather than pursuing 100% European exposure, the index includes some non-US NATO ally companies in defence, aerospace, cyber defence and defence technology. These companies will also be beneficiaries of European defence spending as an important supply chain alternative to US providers. Cyber defence firms and Korean and Japanese defence companies will provide an important bridge by offering cheaper, timely alternatives as it takes time for European companies to develop these capabilities.

Conclusion

In summary, the investment case for European defence stocks is quite compelling for the following reasons:

- **Changing geopolitical landscape** – The Russia-Ukraine War was a wakeup call for NATO defence members, causing them to reassess their own defence vulnerability. A pause in U.S. military aid to Ukraine intensified Europe's resolve for defence autonomy and rearmament, boosting the outlook for the European and non-US NATO allies defence sector.
- **Increased defence spending** – NATO members were already ramping up defence budgets to meet 2% of GDP military spending targets with 23 of 32 NATO members achieving that goal. Many NATO members are now targeting 3% of GDP spending targets by 2029, with the US calling for an increase to 5% of GDP. Further, the EU's "ReArm Europe: Readiness 2030 Plan" will drive an additional €650 billion of spending to bolster regional security and drive investment into the European defence industry with €150 billion in financing.
- **Policy shifts** – European governments are easing fiscal rules and debt reforms to accommodate more defence spending. Meanwhile, investors are reconsidering ESG exclusions in order to include defence stocks in their portfolios.

To learn more about VettaFi Indexing click here

About VettaFi

VettaFi is a differentiated index provider, helping asset managers across the globe build and grow their product suites. With an industry-leading index platform, VettaFi partners with issuers to develop innovative investment solutions and bring them to market. VettaFi's portfolio of investor-oriented media publications and events connects clients' products with investors. This robust ecosystem enables asset managers to effectively reach their target audience, whether digitally or in-person.

Significant investments and the backing of TMX Group have further strengthened our ability to help our partners by expanding our capability set and geographic reach. Our combined strength and entrepreneurial spirit empowers us to deliver the specialized insights and services that enable asset managers and investors to achieve growth and success.For more information, please visit: www.vettafi.com.

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About the Index. The VettaFi Future of Defence Ex US Index tracks the market performance of companies, listed globally on recognized exchanges, that provide exposure to NATO and select non-NATO ally (NATO+) defense and cyber-defense spending excluding US companies.

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