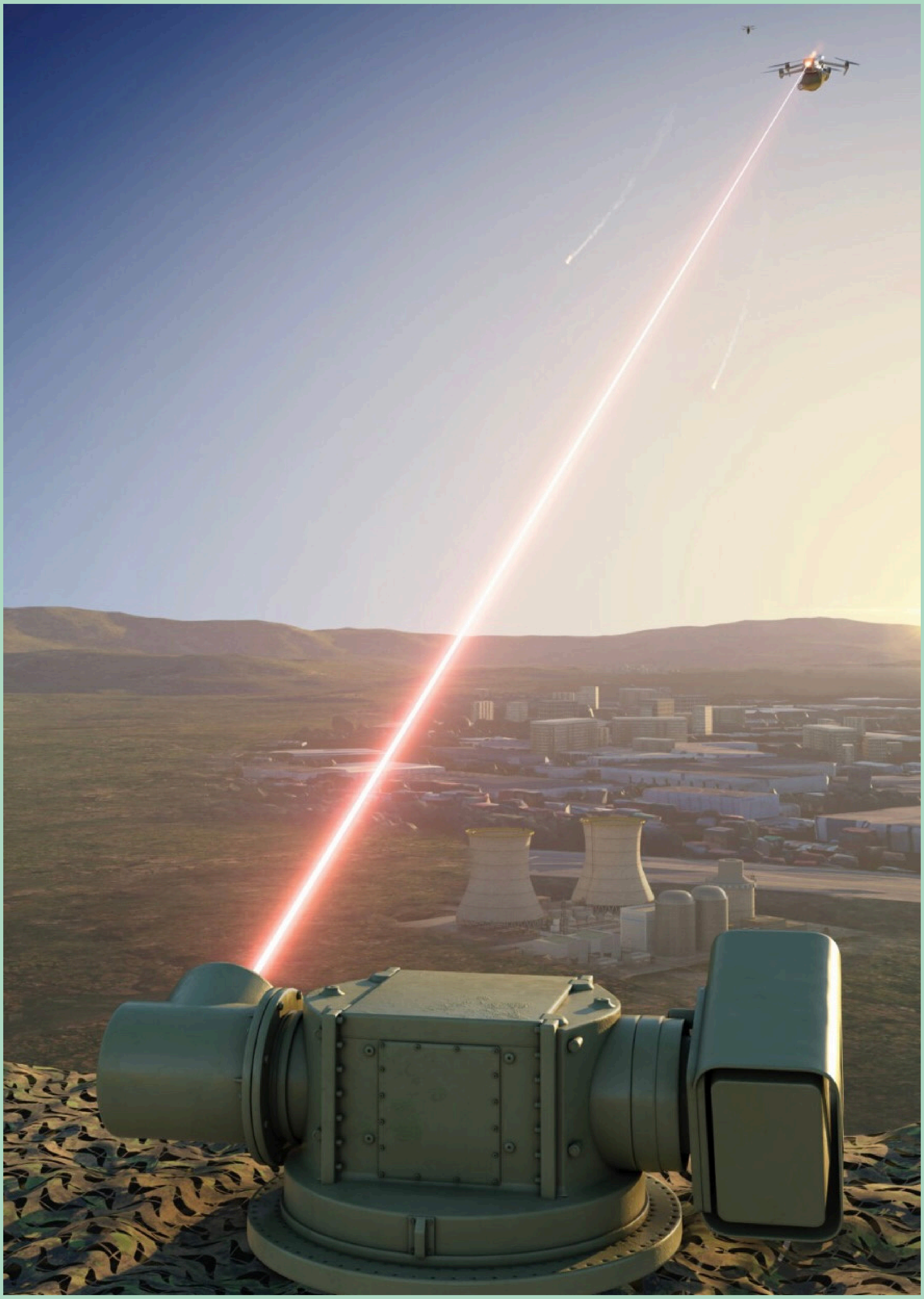
Investing in Defense:

Why the opportunity is structural and long-term



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Geopolitical Wake-Up

- The invasion of Ukraine erased the post-Cold War complacency.
- Nations are rethinking security and rebuilding deterrence.

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Allies Shifting Burden

- The U.S. can no longer underwrite Europe's security alone.

- NATO members are committing to much higher defence spending (well above prior 2% targets).

Decades of Underinvestment

- European forces were hollowed out after the ColdWar.
- Replenishing capabilities (tanks, brigades, aircraft) requires years, often decades of sustained investment.

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Budgets Rising Globally

- This is a worldwide trend.

- Larger, durable military budgets: multi-year contracts for munitions, multi-decade programmes for major platforms (submarines, aircraft).

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National Champions, Limited Competition

- Sovereignty and industrial policy favour domestic “champions”, reducing price-only competition and supporting long-run order books and stable pricing.

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Technology-Driven Renewal

- **Modern conflicts are data-centric: sensors, autonomy, AI and networked systems require rapid replacement and upgrade of Cold-War era arsenals, creating new, recurring demand.**

Market & Valuation Dynamics

- Markets have re-rated many defense names, but rising revenues and multi-year contracts should support earnings growth, enabling multiples to normalize while cash flows expand.

ESG/Moral Dimension Evolving

- Attitudes are shifting: several responsible-investment communities now accept defense as legitimate when viewed as deterrence and protection of fundamental freedoms.

Investment Playbook

- Think long term, programmes run for years/decades.
- Diversify across subsectors and geographies.
- Prefer companies with secured, long-dated order books or national-supply roles.

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