

Insights

Navigating the European Defence Investment Landscape

An evolving geopolitical landscape — and a retreat from globalisation — have created an opportunity in European defence stocks.

06 June 2025 • 7 min read

Share



🔔 **State Street Global Advisors (SSGA) is now State Street Investment Management.** Please click here for more information. ✕



in Ukraine, tensions from conflict in the Middle East, and a fracturing of global alliances have forced a re-evaluation of Europe's defence posture and spending commitments in Europe. Military considerations and critical defence spending and investment are now at the forefront of Europe's political agenda. This renewed emphasis on defence capabilities has driven investor interest in companies positioned to benefit from these structural changes.

A Shifting Security Landscape

In recent years, a series of developments underscore changes in the defence landscape for Europe — creating new urgency around defence preparedness:

- **2022:** Russia launches a full-scale invasion of Ukraine, starting the largest and deadliest war in Europe since World War II
- **2023:** Finland (ratified 4 April 2023) officially becomes the 31st state to join the North Atlantic Treaty Organization (NATO)
- **2024:** Sweden (ratified 7 March 2024) becomes the 32nd state to join NATO
- **2025:** President Trump takes office for the second time. The 47th President of the United States commits to an “America First” agenda and calls for Europe to increase defence spending.

At a time when geopolitical risk is escalating in Europe, United States’ foreign policy appears to be retreating from its long-standing defence commitment to the European continent. The Trump administration’s “America First” agenda has three major pillars that all point toward the need for increased domestic defence investment in Europe.

- 1 NATO Burden-sharing:** President Trump called for Europe to assume a larger role in NATO funding in his first term. He is now calling for NATO members to increase their defence spending from 2% to 5% of their GDP.
- 2 Enforcement of Article 5:** In March 2025, President Trump announced that the US would not defend NATO allies who fall behind on their financial commitments to the organisation. His threat brings into question the dependability of Article 5 if countries don’t increase their defence spending.
- 3 Strategic Focus on Indo-Pacific:** US foreign policy has made a clear shift towards China and, more broadly, to the Indo-Pacific region. This is expected to have a negative impact on Europe in terms of resource availability (e.g., US troops, procurement of military goods) and innovation priorities (e.g., development of tools for naval versus land warfare).



These themes have driven a significant increase in European defence investment. In the past five years, we have seen a consistent rollout of explicit public and private commitments to defence spending.

Figure 1: European Investment in Defence

European Defence Fund (EDF) Regulation (2021)	This European Union (EU) vehicle has a budget of nearly €7.3B for 2021-2027, with €2.7B allocated for collaborative defence research and €5.3B for collaborative capability development projects that complement national contributions.
EU Strategic Compass for Security and Defence (2022)	The Strategic Compass is an ambitious plan of action for strengthening the EU's security and defence policy by 2030, and developing a common forward-looking strategic culture.
NATO Innovation Fund (2023)	The NATO Innovation Fund (NIF) was launched as a €1B independent, venture capital fund backed by 24 NATO allies. The NIF aims to invest in companies across a range of sectors, including dual-use technologies.
“ReArm Europe” European-Defence Readiness 2030 (2024)	The European Commission’s Readiness 2030 (March 2024) proposed to leverage over €800B in defence spending through national fiscal flexibility, a new €150B loan instrument. It also aims to mobilise private capital.
EDF Work Programme 2025 (2025)	The European Commission allocated €1.065B to the EDF for collaborative research and development in the field of defence, supporting the development of critical defence technologies and capabilities in all military domains.

Source: European Union/European Commission, NATO Innovation Fund. Critical events are based on news clips from Bloomberg Finance, L.P., as of the date indicated. The information contained above is for illustrative purposes only.

Investing in Defence With ETFs

The evolving geopolitical landscape and de-globalisation have created an opportunity in European defence stocks, which has driven an increase in index funds and ETFs offering this thematic exposure. At State Street, our approach is not merely to offer a fund built for the current cyclical environment but an exposure that takes a long-term approach to Europe’s defence transformation. The [SPDR S&P Europe Defense Vision UCITS ETF \(Acc\)](#) provides exposure to leading companies in European defence today. The ETF tracks the S&P Europe Defense Vision Index, which offers diversified exposure to industrial



and technology companies across Europe that are actively involved in defence.

SPDR ETFs has partnered with S&P Dow Jones (S&P) to offer an European defence thematic exposure because of its industry-leading S&P Global Business Involvement Screens (BIS), a comprehensive assessment tool of companies' direct and indirect revenue exposures to specific products and services. S&P uniquely constructs the BIS using a comprehensive network of data resources, including S&P Global Environmental Analytics, media and stakeholder reports, and public and private corporate disclosures from the S&P Global Corporate Sustainability Assessment.

Figure 2: S&P Europe Defense Vision Index Construction

Universe	<p>S&P Europe Broad Market Index (BMI)</p> <p>(excludes Russia and Turkey)</p> <p>Only Industrials (20), Technology (45), or Communication Services (50) GICS sectors</p>
Stock Selection*	<p>Select at least the top 30 stocks based on their percentage of revenue from military contracting:</p> <ul style="list-style-type: none"> • All core companies (military contracting $\geq 50\%$ of revenue) are selected • Top 5 defence technology companies are selected <p>If the stock count is < 30, the remaining non-core (military contracting $\geq 1\%$ and $< 50\%$) companies in percent of revenue-rank order are selected.</p>
Construction	<p>Index weight is based on the product of the security's float-adjusted market capitalization (FMC) and the exposure score, subject to the following constraints:</p> <ul style="list-style-type: none"> • 15% maximum (exposure score 1) • 12% maximum (exposure score 0.75) • 8% maximum (exposure score 0.5) • 5% maximum (exposure score 0.25) • Daily capping† <p>Rebalanced semi-annually after the close on the third Friday of April and October.</p>
Strategy	S&P Europe Defense Vision Index

Source: S&P Dow Jones Indices, as of 30 May 2025. *Companies must be covered by S&P Global Business Involvement Screens (BIS) data. Companies non-compliant with UNGC and Media & Stakeholder Analysis (MSA) controversies are also excluded. †Reviewed daily to ensure adherence to the Diversification 20/35 Rule. Any changes are announced after the close of the business day and effective after the close of the next business day. The information contained above is for illustrative purposes only.

SPDR® S&P Europe Defense Vision UCITS ETF (Acc)

Exposure to leading companies in European defence today.

Listing Date	Ticker	Exchange	Expense Ratio^	NAV/Trading Currency
4 June 2025	DFSV GY	Deutsche Borse (Xetra)	0.15%^	EUR/EUR
5 June 2025	DEFV LN	London Stock Exchange	0.15%^	EUR/USD
Summer 2025	DEFV SE	SIX Swiss Exchange	0.15%^	EUR/EUR

Source: State Street Global Advisors, as of 30 May 2025. ^The TER has been temporarily reduced to 0.15% and will return to 0.30% from 4 June 2026.

Tracking the S&P Europe Defense Vision Index methodology delivers an ETF with exposure to diversified industrial and technology companies across Europe which are actively involved in the manufacturing, assembly, sale, and transportation of both core military weaponry and a broader range of military-related, non-weapon products and services, such as military vehicles, wearable technology, military-grade software and communication systems.

The resulting ETF exposure therefore includes companies involved in advanced technology and manufacturing, in addition to the pure-play defence and traditional industrial manufacturing exposures.

Examples of companies that meet the index criteria include:

- **Rheinmetall** — a pure-play defence company headquartered in Germany, primarily focused on security and mobility. A leading provider of armoured vehicles (e.g., Leopard 2), weapon systems, ammunition, and air defence. In Q1 2025, they reported an order



backlog of €63B.¹ It is expanding business into autonomous systems and digital solutions.

- **Leonardo** — an advanced industrial company headquartered in Italy, specialising in design and development in aerospace, defence, and security. A leading provider of helicopters, aircraft, airborne and space surveillance, land and naval electronics, and cybersecurity. It has been expanding space surveillance satellite systems, including ventures with Telespazio and Thales Alenia.
- **Rolls-Royce** — an advanced manufacturing company headquartered in the UK, providing power and propulsion systems for a wide range of military aircraft, submarines, and other equipment. It has a long history of designing and manufacturing combat jet engines. It continues to develop advanced nuclear propulsion systems for submarines, securing a landmark £9B contract to support the Royal Navy's fleet.²
- **Hexagon** — an advanced technology company headquartered in Sweden, providing digital defence solutions, including threat detection, situational awareness, and battlefield management systems. Its technology includes mapping and three-dimensional modelling, geospatial intelligence, command and control, and navigation. It is expanding in resilient assured positioning solutions, recently agreeing to acquire Septentrio NV.³

Figure 3: Full List of Index Constituents

Exposure Score	Stock	Industry	Index Weight
1.00	Rheinmetall (RHM)	Aerospace & Defense	16.88%
1.00	BAE (BA/)	Aerospace & Defense	14.56%
1.00	SAAB (SAABB)	Aerospace & Defense	7.43%
1.00	INVISIO (IVSO)	Aerospace & Defense	0.64%
0.75	Leonardo (LDO)	Aerospace & Defense	11.47%
0.75	Thales (HO)	Aerospace & Defense	9.26%
0.75	Dassault (AM)	Aerospace & Defense	2.21%
0.75	Babcock (BAB)	Aerospace & Defense	2.17%
0.75	QINETIQ (QQ/)	Aerospace & Defense	1.12%

0.75	Chemring (CHG)	Aerospace & Defense	0.58%
0.75	MilDef (MILDEF)	Aerospace & Defense	0.31%
0.50	Rolls-Royce (RR/)	Aerospace & Defense	8.25%
0.50	Kongsberg (KOG)	Aerospace & Defense	3.57%
0.50	Melrose (MRO)	Aerospace & Defense	1.81%
0.50	HENSOLDT (HAG)	Aerospace & Defense	1.36%
0.50	Serco (SRP)	Commercial Services & Supplies	0.60%
0.50	Fincantieri (FCT)	Machinery	0.38%
0.25	Safran (SAF)	Aerospace & Defense	5.03%
0.25	Airbus (AIR)	Aerospace & Defense	4.73%
0.25	Hexagon (HEXAB)	Electronic Equipment, Instruments & Components	2.40%
0.25	MTU (MTX)	Aerospace & Defense	2.48%
0.25	Smiths (SMIN)	Industrial Conglomerates	1.15%
0.25	Indra (IDR)	IT Services	0.45%
0.25	Sopra (SOP)	IT Services	0.37%
0.25	SES (SESG)	Media	0.23%
0.25	Bodycote (BOY)	Machinery	0.16%
0.25	Kitron (KIT)	Electronic Equipment, Instruments & Components	0.12%
0.25	Kier (KIE)	Construction & Engineering	0.12%
0.25	Senior (SNR)	Aerospace & Defense	0.11%
0.25	Avio (AVIO)	Aerospace & Defense	0.05%

Source: S&P Dow Jones Indices, as of 27 May 2025.

We expect 2025 will continue to be a critical year for investment in defence for the European continent. As geopolitical tensions remain high and the US continues to pursue an America First agenda, European companies have an opportunity to provide the manufacturing and technology demanded by this strategic shift. The defence sector offers

compelling opportunities for growth, with EU sovereigns committing to significant investments , and opportunities for private company innovation.⁴ The **SPDR S&P Europe Defense Vision UCITS ETF (Acc)** provides exposure to leading companies in European defence today.

How to Access the Theme

DFSV GY

SPDR® S&P Europe Defense Vision UCITS ETF (Acc)

[View Fund Details](#)

[+ Footnotes](#)

[+ Disclosure](#)

Share



Print



More on Equities

[View all Equities insights](#)

[Contact Us](#)[X](#)[LinkedIn](#)

MARKETING COMMUNICATION

FOR PROFESSIONAL INVESTORS USE ONLY.

[State Street Global Advisors \(SSGA\) is now State Street Investment Management. Please click here for more information.](#)

SSGA SPDR ETFs MAY NOT BE AVAILABLE OR SUITABLE FOR ALL. SPDR ETFs may be offered and sold only in those jurisdictions where authorised, in compliance with applicable regulations.

Investing involves risk including the risk of loss of principal.

ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs net asset value. Brokerage commissions and ETF expenses will reduce returns.

The S&P 500® Index is a product of S&P Dow Jones Indices LLC or its affiliates ("S&P DJI") and have been licensed for use by State Street Global Advisors. S&P®, SPDR®, S&P 500®, US 500 and the 500 are trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones") and has been licensed for use by S&P Dow Jones Indices; and these trademarks have been

licensed for use by S&P DJI and sublicensed for certain purposes by State Street Global Advisors. The fund is not sponsored, endorsed, sold or promoted by S&P DJI, Dow Jones, S&P, their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of these indices.

The information provided does not constitute investment advice as such term is defined under the Markets in Financial Instruments Directive (2014/65/EU) or applicable Swiss regulation and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell any investment. It does not take into account any investor's or potential investor's particular investment objectives, strategies, tax status, risk appetite or investment horizon. If you require investment advice you should consult your tax and financial or other professional advisor.

The information contained in this communication is not a research recommendation or 'investment research' and is classified as a 'Marketing Communication' in accordance with the Markets in Financial Instruments Directive (2014/65/EU) or applicable Swiss regulation. This means that this marketing communication (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research (b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.

All information is from SSGA unless otherwise noted and has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such.

This content has been issued by State Street Global Advisors Europe Limited is regulated by the Central Bank of Ireland. Registered office address 78 Sir John Rogerson's Quay, Dublin 2. Registered Number: 49934. T: +353 (0)1 776 3000. F: +353 (0)1 776 3300.

FOR EUROPEAN SPDR ETFs and MANAGED FUNDS:

Please refer to the Fund's latest Key Information Document (KID) and Prospectus before making any final investment decision. The latest English version of the prospectus and the KID can be found at www.ssga.com/ch/en_gb/institutional/ic/fund-finder. A summary of investor rights can be found here:

Managed Funds: <https://www.ssga.com/library-content/products/fund-docs/summary-of-investor-rights/ssga-investors-rights-summary-non-etf-ireland.pdf>

SPDR ETFs: <https://www.ssga.com/library-content/products/fund-docs/summary-of-investor-rights/ssga-spd-r-investors-rights-summary.pdf>

Note that the Management Company may decide to terminate the arrangements made for marketing and proceed with de-notification in compliance with Article 93a of Directive 2009/65/EC.

SPDR ETFs is the exchange traded funds ("ETF") platform of State Street Global Advisors and is comprised of funds that have been authorised by Central Bank of Ireland as open-ended UCITS investment companies.

SSGA SPDR ETFs Europe I & SPDR ETFs Europe II plc issue SPDR ETFs, and is an open-ended investment company with variable capital having segregated liability between its sub-funds. The Company is organized as an Undertaking for Collective Investments in Transferable

Securities (UCITS) under the laws of Ireland and authorized as a UCITS by the Central Bank of Ireland.

FOR STRATEGIES:

This document provides summary information regarding the Strategy. This document should be read in conjunction with the Strategy's Disclosure Document, which is available from SSGA. The Strategy Disclosure Document contains important information about the Strategy, including a description of a number of risks.

The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without SSGA's express written consent.

4978691.71.EMEA.INST
Exp: 30 June, 2026

© 2025 [State Street Corporation](#).
All rights reserved.

[Global Privacy Notice](#)

[Cookie & Online Tracking Disclosure](#)

[Cookie Settings](#)

[Terms & Conditions](#)

[Sitemap](#)

