Annual Performance Report 2025

Finserve Global Security Fund I

An evaluation on return drivers, contribution, allocation and key metrics.
Commentary from the Investment Team and the Advisory Board.
Evaluation of exposure and diversification benefits.

GLOBAL SECURITY
FUND

Disclaimer

This presentation does not constitute an offer of, or the solicitation of any offer to buy or subscribe for, interests in the Fund to any person or entity in any jurisdiction in which such offer or solicitation is unlawful, No action has been taken to permit the public offering of the Debentures, Accordingly, this presentation may not be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, It is the responsibility of any persons wishing to subscribe for Debentures to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdictions, Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile and place of business with respect to the acquisition, holding or disposal of interests in the Fund, and any foreign exchange restrictions that may be relevant thereto,

Prospective investors should not construe the contents of this presentation as legal or tax advice, This presentation has been prepared for information purposes only and should not be conceived as investment advice or an offer to buy or subscribe for interests in the Fund,

The Manager is fully authorised by the Swedish Financial Supervisory Authority (Finansinspektionen) (the "SFSA") as an alternative investment fund manager under the Swedish Alternative Investment Fund Managers Act (2013:561) the "AIFM Act"), implementing the Alternative Investment Fund Managers Directive (Directive (2011/61/EU)) (the "AIFMD") into Swedish law, But the Manager has not yet filed a notification with the SFSA to market the Fund under the AIFM Act, nor has any other action been taken with any competent authority in any member state of the European Economic Area (the "EEA") (each a "Member State") to market the Fund within the EEA, Accordingly, the Manager is not yet permitted to market the Fund to investors in the EEA and prospective investors should not construe the contents of this presentation as marketing, Instead, this presentation has been circulated to a small number of certain prospective investors only to evaluate whether there is an interest to invest in the Fund on such terms as are proposed in this presentation and for the Manager to determine whether the Fund should be established, Subscriptions to the Fund will not be accepted before the Manager and/or the Fund (as applicable) has the requisite marketing authorisation(s) in the jurisdictions in which the Fund will be marketed,

Any future offer to any EEA-based investor to invest in the fund is subject to the Manager having filed a notification with the SFSA of its intention to market the Fund and the subsequent passporting of the marketing licence to such Member State in which the Fund has been marketed to the relevant investor, Thus, this presentation may only be distributed and interests in the Fund may only be offered or placed in a Member State to the extent that: (1) the fund is permitted to be marketed to professional investors as defined in the AIFM Act; or (2) this presentation may otherwise be lawfully distributed and the interests may otherwise be lawfully offered or placed in that Member State (including at the exclusive initiative of the investor),

This presentation has not been, nor will it be, registered with or approved by the SFSA or any other national competent authority under the Prospectus Regulation (EU) 2017/1129 (the "Prospectus Regulation"), Accordingly, this presentation may not be made available, nor may any interests in the Fund be marketed and offered for sale in the EEA, other than under circumstances which do not to require a prospectus under the Prospectus Regulation,

This term sheet may not be distributed to or made available to non-professional investors in the EEA

Finserve Global Security Fund – Annual report 2025

GLOBAL SECURITY FUND

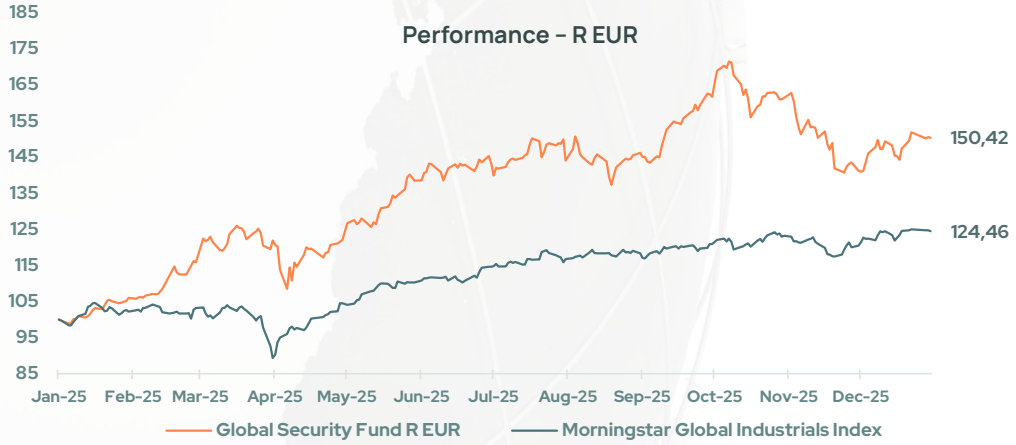
The purpose of this annual performance report (Jan 2025 - Dec 2025) is to present return attribution, return drivers and offer insights from the investment team and advisory board.

During 2025, Global Security Fund benefited from record increases in global defence spending. For the first time, all NATO member states met the 2 percent of GDP target, and at the Hague Summit a historic 5 percent target for 2035 was formally adopted.

With an annual return of 50.89 percent, Global Security Fund navigated a volatile market environment amid heightened geopolitical tensions. Performance was driven by portfolio companies operating with record revenue levels and order backlogs extending well into the next decade. By combining global exposure with deep company expertise, the fund delivered a risk adjusted return that materially outperformed the broader equity market.

Global Security Fund's strategy is based on selective investments in companies with strong fundamentals and critical importance to allied security frameworks. The need for large scale inventory replenishment and ongoing technological modernisation cycles has created attractive investment opportunities within the defence sector.

Entering 2026, we remain convinced of strong foundations for long term structural growth globally in our sectors. The great power rivalry, military spending, structural elevated geopolitical risk levels will impact global trade, economy, and financial markets. These structural trends create~~s~~ a market environment where the fund has the ability to create value and portfolio benefits for our investors.



Past performance does not predict future returns.

Metric (2025)	Value
Annual Volatility	24.40
Max Drawdown	-18.06
Sharpe	1.81
Sortino	2.57
Down Dev	17.18
Beta (S&P 500)	0.12
Beta (iShares MSCI World ETF)	0.09

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2025	7.18	9.23	3.00	2.05	13.37	4.87	3.08	-3.04	11.55	-0.67	-11.16	4.81	**50.89**

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

Portfolio Manager Commentary

GLOBAL SECURITY FUND

Macro Factors, Foreign Relations & Military Alliances Rebalancing
The 2025 Munich Security Conference marked a clear inflection point for transatlantic security relations. Vice president JD Vance's speech signalled a material shift in U.S. policy rhetoric, openly pressing European allies to increase defence spending toward 5% of GDP and challenging long-standing burden-sharing assumptions within NATO. The message accelerated fiscal commitments across Europe and strengthened multi-year budget visibility. Defence shifted from political debate to structural priority. While broader markets reacted with volatility around key geopolitical events in April, defence equities demonstrated differentiated performance, reflecting structural demand drivers rather than cyclical macro forces.
NATO remains central but is increasingly complemented by alliances such as AUKUS, Five Eyes and the Quad, particularly in the Indo-Pacific. At the same time, the growing influence of BRICS economies reflects a more multipolar global system. This rebalancing of power reinforces sustained demand for sovereign defence capability and industrial resilience. For the industry, this represents a structural re-rating rather than a cyclical upturn.

Investment philosophy
Our investment philosophy is built on identifying structural shifts in the global order that drive growth above the broader equity market over time.
We invest in companies positioned to benefit from structurally rising defence and security expenditure, businesses with visible revenue growth, operating leverage, scalable production capacity, and improving returns on invested capital. We favor firms with strong competitive positioning, diversified product offerings aligned with our focus sub-sectors, and a critical role within the defence value chain.
We aim to provide a differentiated return stream that complements traditional high-beta equity exposure, through structural exposure to rising geopolitical tensions and sustained defence spending growth.

Portfolio attribution and allocation across the year
Pages 6 and 10 detail attribution and quarterly allocations. Following the policy shift in February 2025 and Europe's fiscal response, we implemented a deliberate overweight to European prime contractors, reflecting increased earnings visibility and budget expansion. The Hague Summit reinforced these commitments. As valuations expanded, we reduced concentration in large primes and rotated toward small and mid-cap suppliers and technology-oriented companies. We also increased exposure to the Indo-Pacific region, aligned with long-term strategic demand and Advisory Board guidance.
The fourth-quarter correction validated our valuation discipline and regional diversification.

Premium valuation, sentiment risk and FX fluctuations
The defence sector attracted significant thematic capital in 2025, contributing to elevated volatility. Mid-year valuation concerns triggered corrections, which we viewed as constructive within a structurally growing industry. While multiples expanded, earnings revisions and procurement visibility supported valuations. We consider current sector pricing reasonable given sustained geopolitical fragmentation and long-term modernisation demand, though dispersion within the sector reinforces the need for active selection. Foreign exchange volatility remains a relevant risk factor in our global allocation framework. In an environment defined by geopolitical reordering, disciplined capital allocation remains central to our strategy.

Joakim Agerback
Partner, Lead Portfolio Manager
Finserve Global Security Fund

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

Key Figures

As of December 31, 2025

GLOBAL SECURITY FUND

As of end of year, 2025, Global Security Fund's largest holdings are characterised by companies with critical positions within important subsectors in the defence and aerospace sector. They are primarily located in allied markets across Europe, the United States, and the Asia Pacific region. No single holding dominates portfolio risk, supporting a balanced and resilient exposure profile.

Portfolio construction is characterised by a clear tilt towards large cap defence leaders, complemented by selective allocations to mid and small cap companies offering higher structural growth potential.

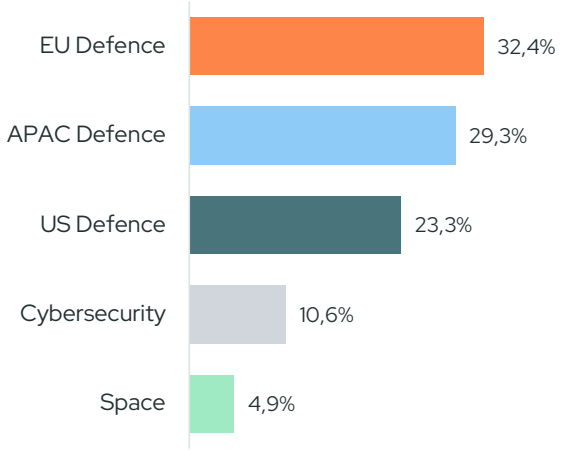
Sector exposure is diversified across regional defence markets, cybersecurity, and space, aligning the portfolio with long term security priorities.

Top 10 Holdings

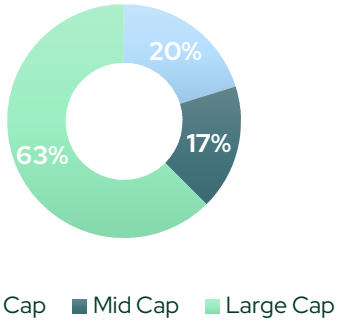
Hanwha Aerospace	4.1%
Singapore Technologies	3.3%
Rolls-Royce	3.2%
Rheinmetall	3.1%
Saab	3.0%
Kratos Defense & Security	2.9%
Leonardo	2.9%
Kongsberg Gruppen	2.8%
Mitsubishi Heavy Industries	2.6%
Hyundai Rotem	2.4%

- AuM Year End 2025: SEK 6.9 billion
- Total holdings: 68

Sector Breakdown



Size Weightings



This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

Top Contributors and Detractors

Quarterly (2025)

GLOBAL SECURITY FUND

Early in the year, returns were primarily supported by large European defence primes benefiting from accelerated procurement and strong order intake. This was also driven by high conviction in European Primes and larger concentrated positions during Spring 2025. In the final quarter, performance was supported by space and technology-oriented names, alongside a generally more bullish market environment, where improving investor sentiment favoured companies with exposure to long term growth themes and higher operational leverage.

Negative contributions across quarters were generally modest and largely table to timing effects, valuation normalisation, or company specific factors rather than changes in long term fundamentals. Overall, the quarterly pattern highlights the benefits of diversification and active portfolio management in capturing opportunities across different phases of the defence investment cycle.

Top 5 contributors

Q1

Rheinmetall AG	5,86
Leonardo SpA	3,46
Saab AB Class B	2,25
Hensoldt AG	1,75
Thales	1,50

Q2

Rheinmetall AG	2,12
Hensoldt AG	1,58
Babcock International	1,39
Hyundai Rotem Co	1,37
Exail Technologies SA	1,32

Q3

Kratos Defense & Security Solutions	2,04
Avio SpA	1,65
Planet Labs PBC	0,99
Hanwha Aerospace	0,91
Fincantieri SpA	0,81

Q4

AST SpaceMobile Inc	1,38
Electro Optic Systems	0,69
Planet Labs PBC	0,49
Indra Sistemas SA	0,41
Kencoa Aerospace	0,16

Past performance does not predict future returns.

Top 5 detractors

Booz Allen Hamilton	-0,54
CACI International	-0,43
Palo Alto Networks	-0,29
Leidos Holdings Inc	-0,26
Lockheed Martin	-0,26

Northrop Grumman Corp	-0,24
ispace inc	-0,18
Invisio AB	-0,16
Dassault Aviation SA	-0,09
Okta Inc	-0,06

Kongsberg Gruppen	-0,29
Fortinet Inc	-0,27
Redwire Corp	-0,27
Scandinavian Astor Group	-0,21
Cohort PLC	-0,16

Rheinmetall AG	-1,02
Cohort PLC	-0,79
Hensoldt AG	-0,65
Hanwha Aerospace	-0,59
Hyundai Rotem Co	-0,51

Source: Finserve Global Security Fund, S SEK Share Class. All figures are presented in EUR.

Past performance does not predict future returns.

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

Top Contributors and Detractors

Full year (2025)

GLOBAL SECURITY FUND

The largest positive contributors during 2025 were primarily European and US defence primes and system integrators, benefiting from expanding order backlogs, contract wins, and improved earnings visibility. Companies with exposure to ammunition, air defence, propulsion systems, and advanced sensing technologies, delivered particularly strong contributions over the year.

Negative contributors were limited in magnitude and largely related to company specific factors, timing effects, or short-term valuation adjustments rather than any deterioration in long term fundamentals.

The exposure to early-stage space and select technology holdings experienced periods of volatility, while core defence holdings continued to provide stability to overall portfolio performance.

Performance contribution is driven by portfolio positioning and holding duration. APAC exposure had a limited effect, as the allocation to the region was increased primarily during H2.

Past performance does not predict future returns.

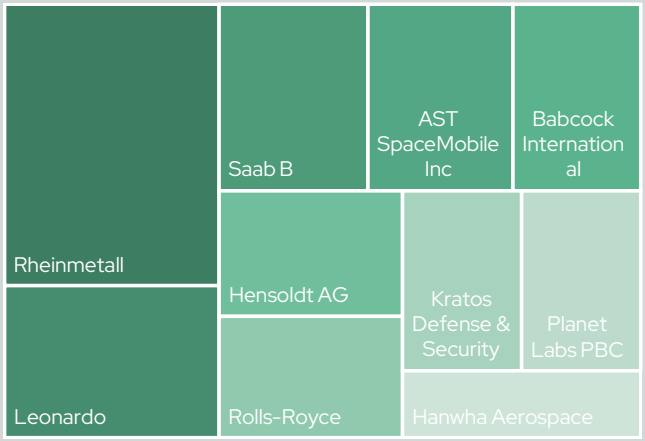
Top 10 contributors

Rheinmetall	7,6%
Leonardo	4,1%
Saab B	3,5%
AST SpaceMobile Inc	3,4%
Babcock International	3,0%
Hensoldt AG	2,9%
Rolls-Royce	2,8%
Kratos Defense & Security	2,7%
Planet Labs PBC	2,7%
Hanwha Aerospace	2,0%

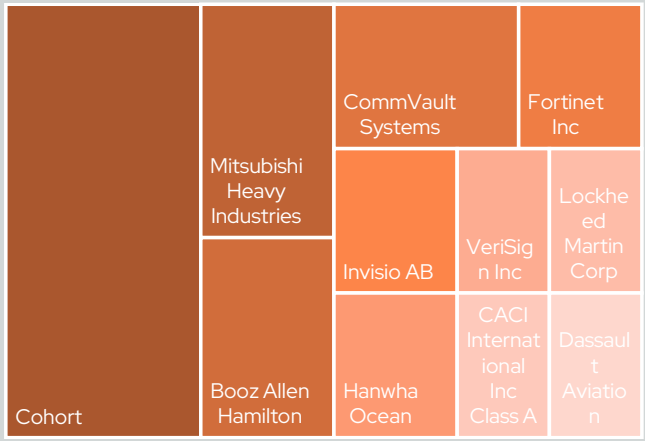
Top 10 detractors

Cohort	-1,9%
Mitsubishi Heavy Industries	-0,7%
Booz Allen Hamilton	-0,6%
CommVault Systems	-0,6%
Fortinet Inc	-0,4%
Invisio AB	-0,4%
Hanwha Ocean	-0,4%
VeriSign Inc	-0,3%
Lockheed Martin Corp	-0,3%
CACI International Inc Class A	-0,3%
Dassault Aviation	-0,3%

Top Contributors



Top Detractors



Source: Finserve Global Security Fund, S SEK Share Class. All figures are presented in EUR.

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

Portfolio Concentration

GLOBAL SECURITY FUND

As the defence sector advanced over the course of 2025, the Fund actively evolved its portfolio construction to reflect a broader and more diversified opportunity set. The number of holdings increased from just under 50 to close to 70 companies, while concentration in the largest positions was gradually reduced.

This expansion enabled the Fund to broaden its exposure beyond prime contractors and increase allocation to structurally important Tier 2 suppliers across the defence value chain. These companies are expected to play a central role in the second phase of rising military expenditure, as procurement cycles shift from contract awards toward production ramp-up, replenishment, and systems delivery. The portfolio maintained disciplined position sizing while capturing a wider range of defence and security themes across regions and sub sectors.
By lowering single name concentration and increasing diversification, the portfolio risk was reduced without compromising exposure to the sector's long term structural growth drivers.

The enhanced diversification strengthened the portfolio's resilience to short term volatility, improved risk adjusted return characteristics and provided greater flexibility to adapt to shifting market leadership within the global defence and security landscape.

"Our recent strong performance reflects not only favourable market dynamics, but also the disciplined and systematic screening process that underpins every investment decision we make. By evaluating companies through multiple analytical perspectives, including strategic relevance, and long-term structural tailwinds, we aim to consistently identify high quality opportunities within the global security universe."

-Martin Redgård, Portfolio Manager

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

Valuation Multiples

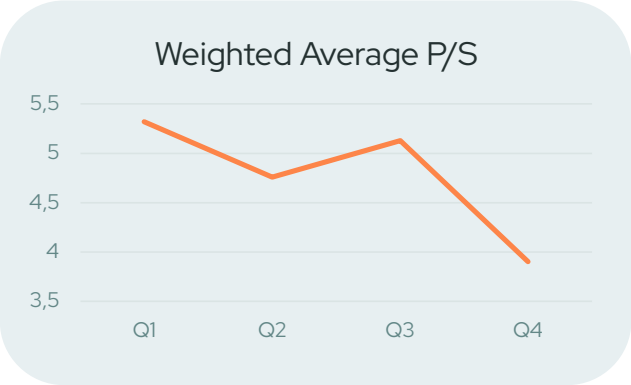
Quarterly (2025)

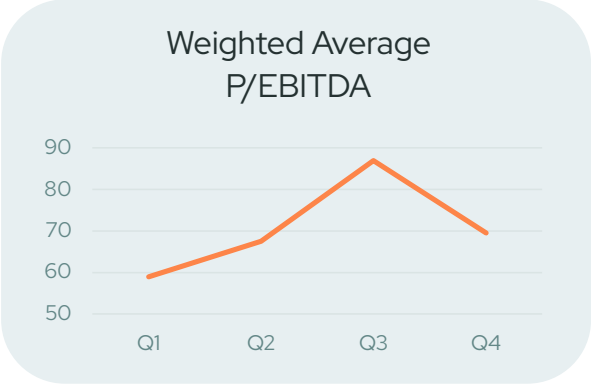
GLOBAL SECURITY FUND

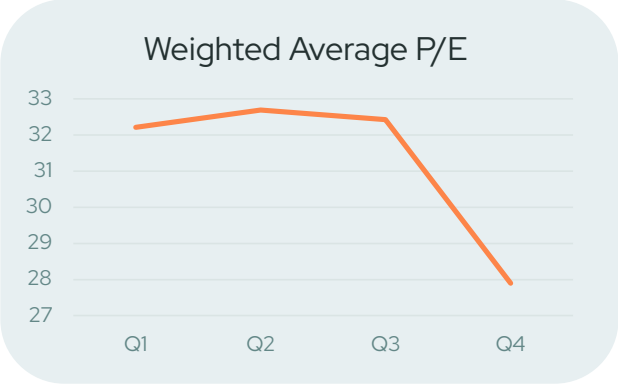
During 2025, weighted average valuation multiples in the portfolio reflected both changes in market sentiment and active portfolio management decisions across quarters.

Valuation multiples expanded during the first half of the year, particularly in P/EBITDA and P/E, driven by strong share price performance across the defence sector and rising investor confidence in long term earnings visibility. The increase was most pronounced in the second and third quarters, coinciding with periods of elevated market optimism and strong momentum in select subsectors.

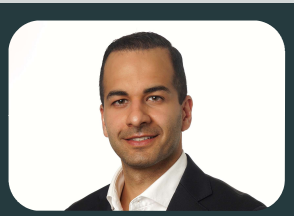
In the fourth quarter, weighted average multiples declined across all metrics. This development was partly driven by a broader market normalisation, but also reflects deliberate portfolio actions, including reduced exposure to higher valued holdings, increased diversification, and selective reallocation towards companies with more attractive valuation profiles. As a result, the Fund entered year-end with a more balanced valuation profile while maintaining exposure to the sector's structural growth drivers.







The Investment team released an evaluation report on valuation of the Defence sector in December 2025.
Read it here: https://finserve.se/wp-content/uploads/2026/01/European-Defence-Sector-1.pdf)



"In periods of heightened market volatility, when valuations are often driven more by short term sentiment and speculation than by fundamentals, maintaining a clear long-term compass becomes essential. At Global Security Fund, our fundamental systematic investment approach allows us to stay disciplined and focused on structural drivers and company quality, ensuring we hold a steady course even when markets become unsettled."

-Shayan Heidari, Portfolio Manager

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

Portfolio Evolution

Quarterly Analysis

GLOBAL SECURITY FUND

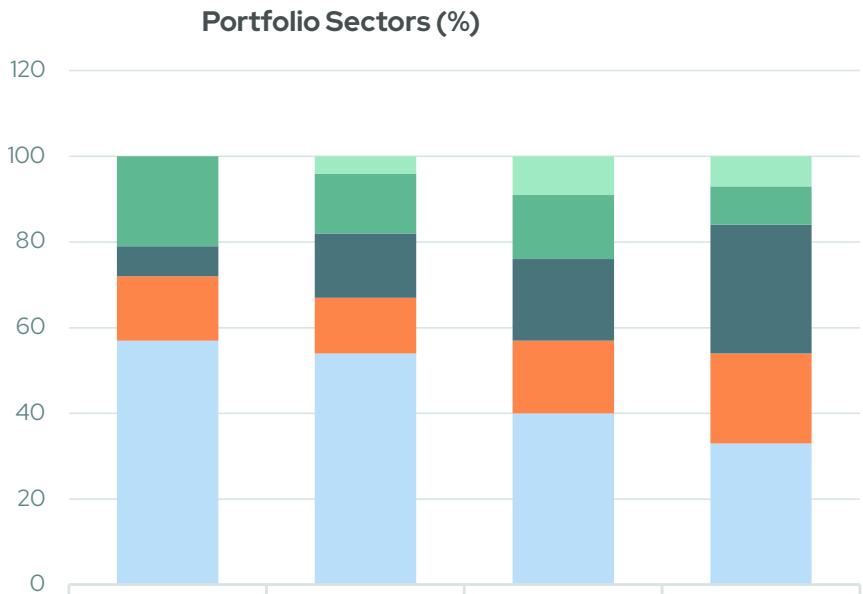
Portfolio allocation evolved materially over the course of 2025, reflecting shifting market dynamics and active risk management decisions.

At the start of the year, exposure was concentrated in European defence companies, supported by a robust defence spending trajectory and increased investor focus on Europe's rearmament agenda. As rearmament plans secured greater fiscal backing and clearer implementation pathways, regional performance was positively driven.

As the year progressed, allocation became more balanced across regions and subsectors. In the fourth quarter, the Fund deliberately reduced exposure to European defence holdings, where valuations had generally expanded, and selectively increased allocations to U.S. and APAC defence companies.

This adjustment formed part of a broader risk management approach aimed at moderating valuation risk and overall portfolio risk levels, while maintaining exposure to structurally attractive defence markets.

The portfolio gradually rebalanced to a more even regional exposure, becoming more diversified and robust.



	Q1	Q2	Q3	Q4
Space		4	9	7
Cybersecurity	21	14	15	9
APAC Defence	7	15	19	30
American Defence	15	13	17	21
European Defence	57	54	40	33

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

Key Trends Across the Defence Sector in 2025

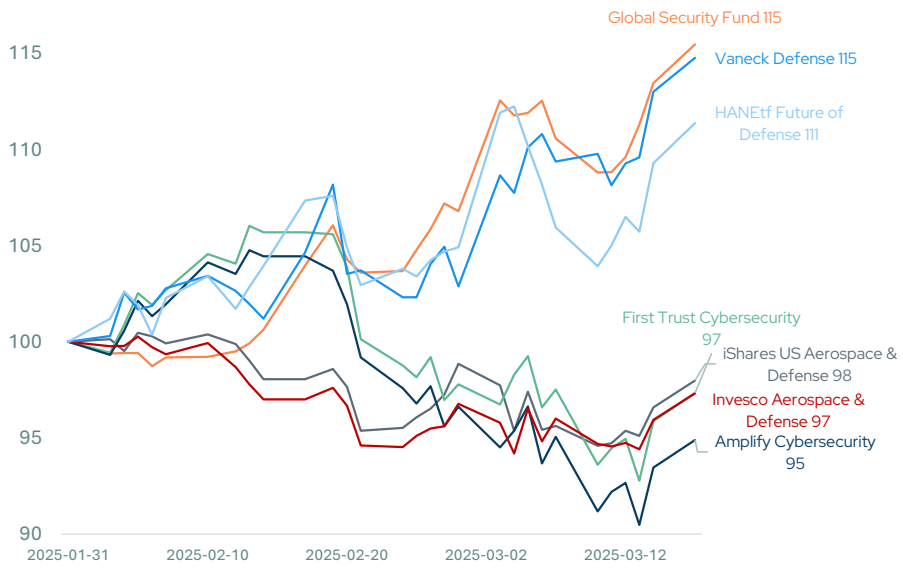
GLOBAL SECURITY FUND

Market leadership within the defence sector evolved during 2025, resulting in distinct phases of regional outperformance. During February and March, European defence equities advanced sharply, driven by accelerated procurement announcements and increasing investor focus on Europe's rearmament agenda.

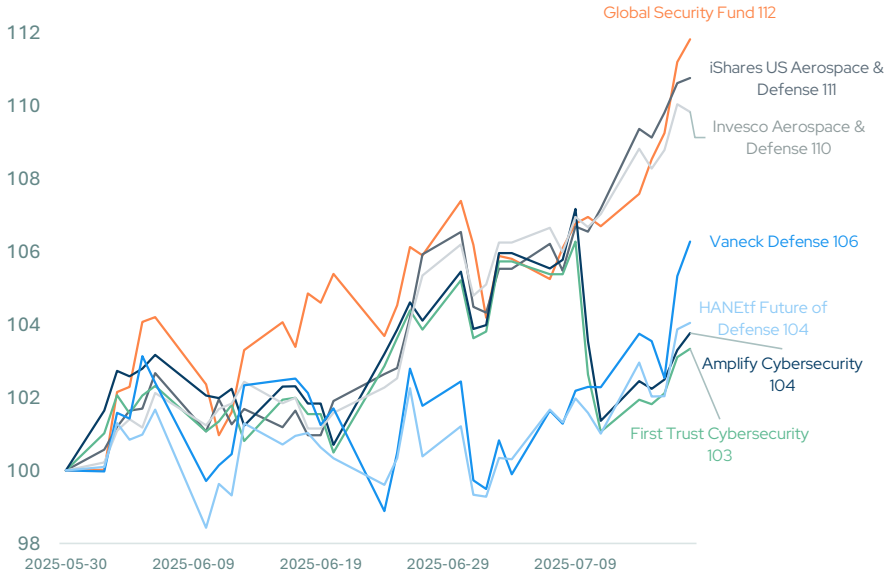
As the year progressed into the summer months, heightened geopolitical tensions in the Middle East shifted market attention towards U.S. defence companies, particularly those with exposure to aerospace and missile defence. This rotation was reflected in stronger relative performance among U.S. defence equities later in the period.

Following the strong rally in European defence stocks during the spring, the Fund actively reduced its exposure to selected European holdings and reallocated capital towards U.S. defence names. This dynamic rebalancing allowed the Fund to maintain momentum across both phases, capturing regional leadership shifts while preserving a balanced and resilient portfolio profile.

Jan | Mar | May | Jul



Past performance does not predict future returns.



Past performance does not predict future returns.

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

APAC Defence

GLOBAL SECURITY FUND

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

Regional Autonomy, and an ascendance of the defence industry

The Asia-Pacific defense landscape in 2025 reflected sustained growth (+5.1% real terms to $632.2 billion) [1] but with a fundamental recalibration toward indigenous capabilities. The year's defining narrative isn't the spending growth itself, but the acceleration of decoupling from the US, budgets are shifting from nearshoring US defence production toward investments in sovereign capability.

Japan's trajectory has been the most dramatic, with its $58 billion 2026 budget[2], the highest since WWII, representing the fourth year of a five-year doubling program toward 2% of GDP. Against a backdrop of Chinese live-fire exercises in the Yellow Sea and fighter jets around the archipelago, the spending rationale needs no explanation.

The standout story from the region remains South Korea, where defence exports represent nothing short of a success story. Hanwha Aerospace reported record Q3 operating profit of $600 million (+79% YoY) on $6.49 trillion won in sales, with 70% of its 31 trillion won backlog derived from overseas contracts. [3]

One structural risk demands investor attention: demographics. South Korea's 0.78 birth rate projects military manpower declining to half current levels within two decades, while Japan's Self-Defense Force fell 50% short of 2023 recruitment targets — prompting a deliberate pivot toward unmanned systems. Given what Ukraine has demonstrated about the operational effectiveness of autonomous platforms, we will be closely monitoring and positioning toward leaders in this space.

The most compelling APAC investment cases aren't driven by budget headlines; they're driven by companies quietly building the industrial capacity to supply both their own region and Europe. The common thread is a deliberate move away from dependency on a single ally. When you look at APAC, you're not reading a defence story. You're reading a geopolitical realignment playing out in order books."
- Fredrik Ljungdahl, Analyst

The Case for Hanwha

Hanwha Aerospace represents our highest-conviction position in the APAC defense build-out, reflecting both current execution excellence and structural positioning for the next decade of regional autonomy. The company delivered 79% YoY operating profit growth in Q3 2025 on 147% revenue growth, achieving 80% of full-year 2024 profits in just the first half. [3]

More critically, Hanwha is executing genuine market diversification beyond Korea-centric risk. The Poland framework (17.5 trillion won)[4], Romania production facility, Australian H-ACE base, and US market entry signal a company transitioning from Korean champion to global platform.

Hanwha Ocean (40% stake) and Hanwha Systems (60% stake) jointly acquired Philadelphia Shipyard in December 2024. Recent investments position Hanwha for contracts across surface vessels, submarines, and autonomous platforms with the US Navy; critical entry into the $900 billion US defense market.

The path to 20 trillion won revenue by 2030 for Hanwha Aerospace appears credible given current trajectory, backlog density, and cross-entity US market synergies through the Philly Shipyard platform.

Hanwha Aerospace

Core Business:
Aircraft engines, defense systems, space launch vehicles

Key Products:
K9 Thunder SPH, K10 ammunition resupply vehicle, Redback IFV, turboprop/turboshaft engines

Hanwha Ocean

Core Business:
Naval shipbuilding, submarines, commercial vessels

Key Products:
KSS-III submarines, Aegis destroyers, frigates, LNG carriers

Hanwha Systems

Core Business:
Defense electronics, radar, EO/IR systems

Key Products:
AESA radars, naval combat management systems, electro-optical targeting pods, tactical datalinks

2025: From Rhetoric to Reality in European Defense

European defence entered a transformative phase in 2025 amid heightened geopolitical pressure and reduced confidence in the durability of U.S. security commitments. The return of the Trump administration triggered an immediate political reaction and subsequent concrete policy action across Europe.

Following high-level transatlantic signaling early in the year and subsequent commitments at NATO's June summit in The Hague, European allies agreed to target defence-related spending of up to 5% of GDP by 2035, comprising 3.5% in core defence expenditure and 1.5% in defence- and security-related investments. Germany exemplified this shift, reforming its constitutional "debt brake" in March to enable defense spending increases from 2.2% GDP in 2025 toward 3.5% by 2029. [5]

Poland emerged as Europe's defense leader in 2025, sustaining spending above 4.7% of GDP—the highest in NATO. The country's "Eastern Shield" infrastructure program, combined with major procurement contracts awarded to Rheinmetall, Hanwha, and other European manufacturers, exemplified a broader shift across the Eastern flank.[6] The Baltic states, Romania, and Finland collectively accelerated force buildup in response to intelligence assessments suggesting Russian conventional force reconstitution could pose a credible threat to NATO borders within 2-5 years.

This regional dynamic created immediate order flow for European defense manufacturers. Poland's framework agreements alone exceeded €20 billion across land systems, air defense, and ammunition production, with significant portions directed to European suppliers rather than U.S. primes, reflecting both urgency and strategic autonomy considerations. [1234567890]

Lessons from Ukraine

Ukraine has upended traditional defense economics. First-Person View (FPV) drones costing $20,000-50,000 now deliver battlefield effects that previously required Hellfire missiles ($170,000) or Tomahawk cruise missiles ($2.4 million). [7]

This economic asymmetry enabled Ukraine to conduct operational campaigns against Russian strategic infrastructure: between 10-17% of Russian refining capacity was taken offline within weeks through coordinated drone strikes on oil and logistics nodes, demonstrating how low-cost assets can achieve high-value disruption across vast ranges. [8]

The strategic implications extend beyond battlefield tactics to doctrine and industrial policy. What military analysts describe as the "Uberization of warfare"; the deployment of low-cost, on-demand, ubiquitous weaponry; signals a fundamental shift from force-on-force engagements to decentralized, digitally-driven campaigns where high-volume platforms deliver outsized strategic effects. [9]

Traditional procurement cycles spanning years increasingly appear obsolete when innovation, production, and adaptation cycles compress to months. Technology advances faster than institutional capacity to absorb lessons, creating decisive advantages for actors who achieve rapid iteration. The May 2025 incident where Ukrainian Magura USV drones shot down two Russian Su-30 fighters, the first recorded instance of uncrewed surface vessels downing manned military aircraft, exemplifies how networked, low-cost systems fundamentally challenge conventional force hierarchies and operational concepts. [10]

As drone and autonomous capabilities evolve rapidly, production systems must become more adaptive and modular, differing structurally from traditional European prime contractor models. For Europe, Ukraine increasingly represents not only a frontline state but also a critical innovation partner in next-generation defence manufacturing and operational capability development.

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

US Defence

GLOBAL SECURITY FUND

Strategic Advantage in Military Capability

The United States defense sector maintains structural advantages that justify sustained investor exposure despite emerging competition. US systems command 43% of global arms exports and have captured 36% of European defense contracts ($245.66 billion) since February 2022, with 64% dominance in aerospace where technological complexity creates the highest barriers to entry. [11] The new Defense Aquisition Strategy, implemented by an executive order late 2025, is expected to speed up the acquisition process, increase flexibility, strengthen innovation and promote a stronger, more flexible and competitive industrial base. Results can already be seen, by old projects scrapped and new ones started utilizing current technological advancements and operational experiences.

In parallel, the consolidation of export controls and Foreign Military Sales under the Under Secretary of Defense for Acquisition and Sustainment aligns arms exports, technology protection and procurement within a single decision chain, accelerating allied access to US systems while embedding partner demand into American industrial planning. Next-generation investments continue widening the technology gap: $3.2 billion for hypersonics (Lockheed, Northrop Grumman, Raytheon), $2.7 billion for Next Generation Air Dominance, $2.4 billion accelerating Northrop's B-21 Raider production, and $19.8 billion in Space Force R&D for offensive capabilities. [12] The $5.6 billion "Golden Dome" architecture integrates Northrop's space-based sensors with Lockheed's SM-3 interceptors; capabilities only four global entities possess. [13]

Leidos and traditional primes benefit from $3 billion industrial base resilience funding and $5.9 billion maximizing munitions production, addressing Ukraine-exposed constraints while expanding margins.[14] Combined with alliance interoperability embedding US platforms across 32 NATO militaries, these technology moats justify core portfolio exposure to prime contractors and emerging specialists like Kratos Defense in autonomous systems.

Technological Dominance Amid Fiscal Uncertainty

The U.S. defence sector maintains a position of global leadership, with operational activity in Iran and Venezuela demonstrating advanced technological capabilities relative to peer competitors. These developments, alongside sustained budgetary support, underpin the strategic rationale for our allocation to U.S. defence equities. The U.S. operation in Venezuela demonstrated integrated multi-domain capabilities, combining real-time intelligence, dedicated joint resources, electronic warfare and precision strike to degrade air defence systems and enable the deployment of special operations forces; this operational complexity underscores the depth of U.S. military capacity and reinforces the strategic rationale for our allocation to U.S. defence equities. [15]

Looking at pure budgetary spend, the US still eclipses other nations in absolute terms. The FY2025 defense budget reached $851.7 billion (3.3% above FY2024), while the Trump administration's "One Big Beautiful Bill Act" proposed a dramatic 15% increase for FY2026, targeting 3.3% of GDP; the highest defense-to-GDP ratio in decades. [16]

Recent policy directions changes under the current administration have contributed to increased volatility in equity markets. At the same time, shifts in defence policy have coincided with strong performance in defence-related equities, with the S&P 500 Aerospace & Defence index reaching multi-year highs on several occasions. Although the administration has signaled a potential discontinuation of share buybacks and dividends, the corresponding emphasis on reinvestment, capacity expansion, and supply chain resilience may support continued development and innovation across the sector. [17]

Another development within the region that the Fund has long foreseen is the heterogenous performance in US Equities, with smaller technology-oriented firms like Kratos substantially outperforming larger peers. This shift towards more nimble and agile producers is in line with the increasing speed in development needed for modern warfare.

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

Peers Comparison

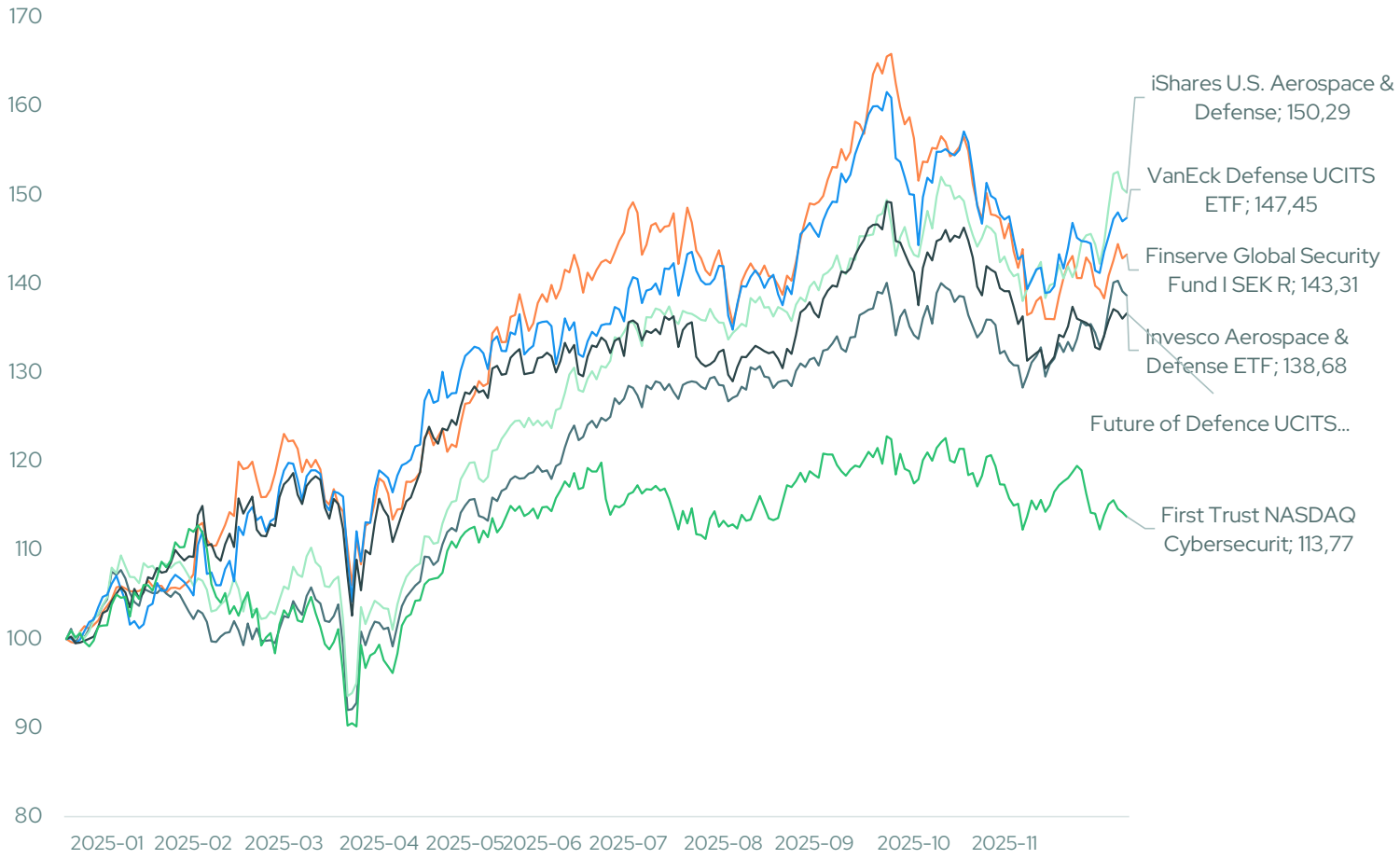
GLOBAL SECURITY FUND

For context, Global Security Fund is compared with a selection of ETFs across three categories: cybersecurity, U.S. defence, and global defence funds from HANetf and VanEck, which represent close benchmarks to the Fund's investment universe.

Throughout most of 2025, Global Security Fund demonstrated strong relative performance and was a leading performer within the peer group.

Towards the final quarter of the year, relative performance moderated as European defence equities experienced a period of consolidation following earlier gains, while U.S. defence stocks showed stronger relative performance.
This development reduced the fund's relative lead towards year end.

Recent performance of Ishares U.S. Aerospace & Defence strengthen the case for allocation across regions based geopolitical developments, capabilities and military spending expectations.



Past performance does not predict future returns.

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

Outlook 2026: The Execution Year

GLOBAL SECURITY FUND

European defence spending has entered a structural inflection point following decades of systematic underinvestment. With NATO's historic 5% GDP target by 2035 now taking shape after the 2025 Hague Summit, and EU mechanisms such as SAFE loans and expanded fiscal flexibility being activated, the stage is set for accelerated procurement and production ramp ups across the sector.

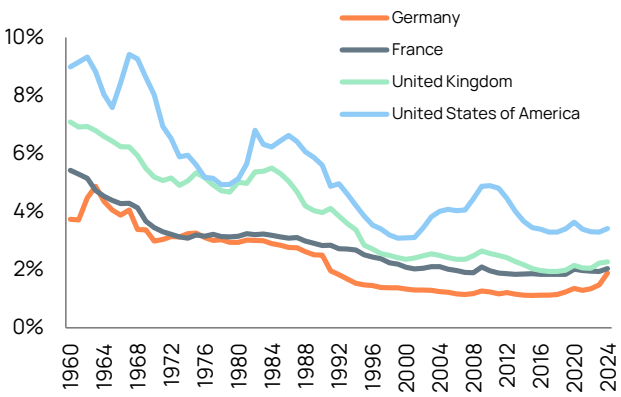
The defence sector is now entering an intensive execution phase. Portfolio companies are sitting on record order backlogs that offer strong revenue visibility into the next decade, and in 2026 we expect these backlogs to increasingly translate into meaningful cash flows as production capacity expands. The resilience of the sector continues to be supported by long investment cycles, sustained political commitment, and elevated threat perceptions.

While valuations remain at a premium compared to historical averages, they are supported by a fundamental step-change in demand. For 2026, our investment strategy prioritizes:

Operational Excellence: Companies with the industrial capacity to rapidly scale production in response to government demand.
Technological Primacy: Leadership in next-generation capabilities such as electronic warfare, autonomous systems, and space-based surveillance.
Balance Sheet Strength: Firms with the ability to self-fund expansion while maintaining disciplined capital allocation.

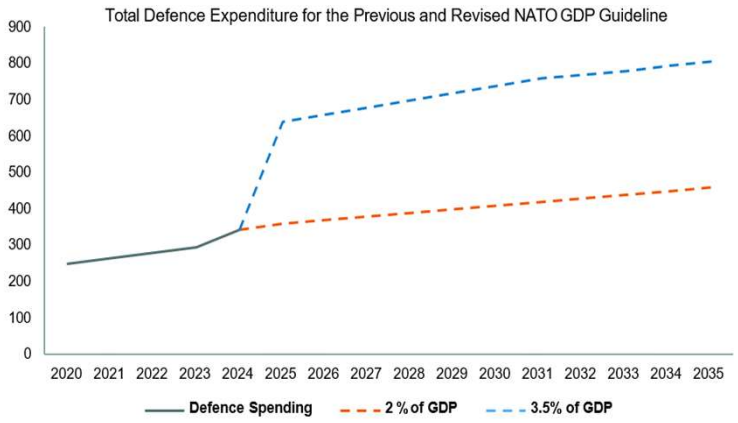
In summary, we continue to see a favourable long-term risk/reward profile for investors, supported by structural undercapacity, improving access to capital, and still limited institutional exposure to the sector. Risk management remain key including manage positions based on valuation and volatility.

From a period of underspend (% of GDP)



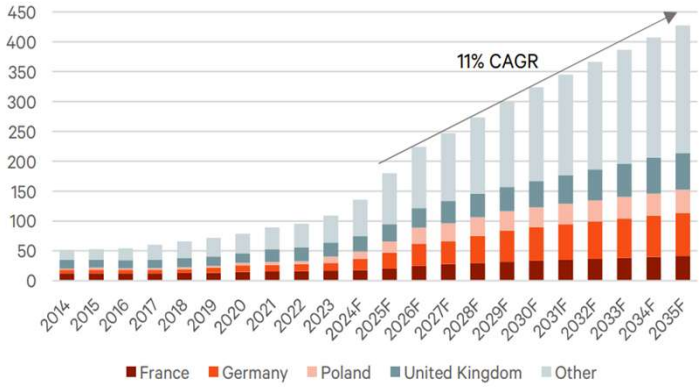
Source: SIPRI (2025)

To massive investments (% of GDP target)



Source: NATO

Resulting in increases in procurement ($bn)



Source: Berenberg

Full report on - European Defence Sector: https://finserve.se/wp-content/uploads/2026/01/European-Defence-Sector-1.pdf

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

The Team Behind the Strategy

GLOBAL SECURITY FUND

The Global Security Fund was founded in response to a shifting geopolitical reality. After decades of declining defence spending, Europe entered the 2010s with historically low defence budgets. Against this backdrop, the Finserve Global Security Fund project was initiated 2017 by founders with background from Armed forces and the Intelligence service. The fund was live and established 2019. The objective was to create a long-term investment strategy focused on structurally important security and defence companies, grounded in the conviction that economic prosperity and sustainability ultimately relies on security and resilience.

The Global Security Fund is managed by an experienced investment team with a proved investment strategy applicable to the defence and security sectors. The team combine a fundamental analysis with a systematic quantitative screening for a credible method of evaluating the global universe of companies within the funds sectors.

The Advisory Board offers strategic insights into geostrategic and military spending development.
This combination of financial expertise and strategic insight enables a disciplined, long-term approach to capital allocation and strengthens the Fund's ability to assess geopolitical developments, procurement priorities, and investment risk across the global defence and security sector.

Joakim Agerback, Portfolio Manager
20 years in the Finance as PM, CEO, CFO & CRO.
Former fund manager at RCM & IPM.
Published research on portfolio & risk management.

Shayan Heidari, Portfolio Manager
8 years as an analyst in portfolio management, specialized in quantitative systematic strategies.

Martin Redgård, Portfolio Manager
15 years of experience in portfolio management.
Former fund manager at Alfakraft and Taaffeite, focused on quantitative strategies in FX, equities & bonds.

Fredrik Ljungdahl, Analyst
Founded and ran a start-up in Southeast Asian commodity trading. Studied Economics at Lund University and Mathematics in Uppsala.

Amanda Gustafsson, Sustainability Analyst
Corporate analyst with focus on sustainability.
Previous example from Strivo, ISEC & Ress Capital.
M.Sc. in Finance from Stockholm School of Economics.

-Karl Engelbrektson, Head of Advisory Board
42 years in the Armed Forces
Former Chief of Army, Sweden
Former Partner & Chairman – NATO CFI Task Force
Military Representative of Sweden in the EU & NATO

"Our democracy, freedom, and security are a shared responsibility. We must therefore create new, well-managed ways to channel capital into the industries that contribute to this."

Ben Hodges
Principal Strategic Advisor – Geopolitics and Security
Former Commanding General of U.S. Army Europe.
Decades of experience in U.S. and European defense leadership

Glenn Nilsson
30 years in finance and 10 years in the Armed Forces.
Former VP at Max Matthiessen & senior roles in finance & insurance.

Andreas Wiman
25 years in the defense industry incl. Armed Forces & Intelligence Service.
10 years in entrepreneurship & M&A within defense.

Inge Heydorn
30 years in the financial industry. Fund Manager & Tech Analyst.
Former CEO of Finserve Nordic

Stefan Gustafsson
Strategic advisor & subject-matter expert in space & defense. Former SVP at SSC and officer in the Armed Forces.

Andreas Steiner
25 years in the asset management industry. Independent risk and investment process consultant Former head risk mgm.. Bridges academic frameworks with practical portfolio implementation.

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

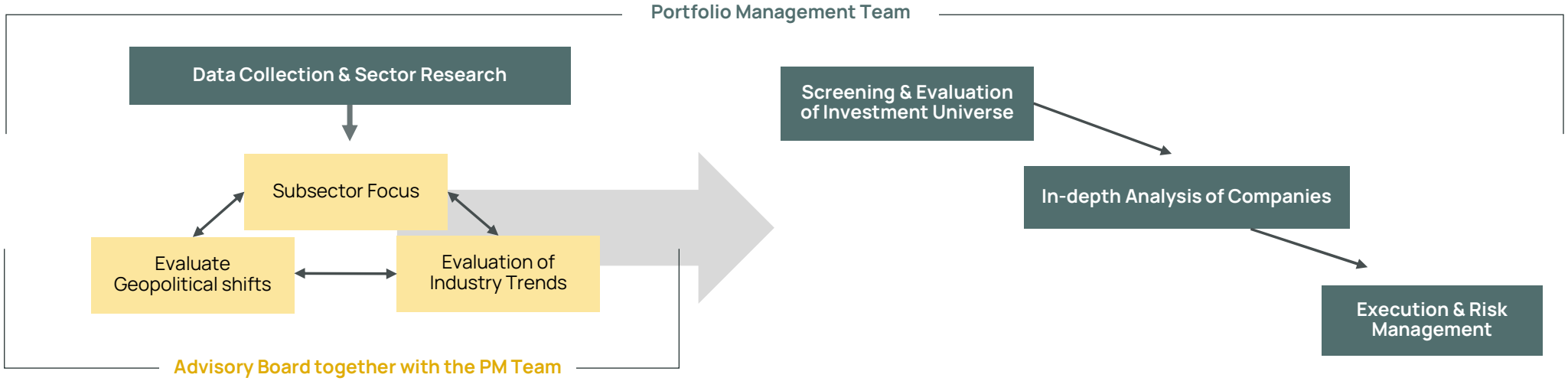
A Differentiated Approach Through Advisory Board Collaboration

GLOBAL SECURITY FUND

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

The Portfolio Management Team works closely with the Advisory Board as an integrated part of the investment process. While the portfolio managers lead thematic research, company evaluation, and portfolio construction, the Advisory Board provides strategic insight into long-term defence trends, procurement priorities, and evolving security dynamics.
The Advisory Board brings decades of senior experience from defence leadership, geopolitics, foreign relations, security policy, and financial markets. This expertise strengthens our ability to assess subsector developments, validate competitive positioning, and identify areas of structural growth.
During the year, we further enhanced the Advisory Board with additional specialist expertise. Ben Hodges, former Commanding General of U.S. Army Europe, contributes deep experience in military strategy and transatlantic security. Stefan Gustafsson adds dedicated space and defence expertise with focus on maritime security. Andreas Steiner brings academic and practical knowledge in portfolio construction and investment analysis and offers insight for the investment team.

This collaboration enhances decision-making by combining disciplined financial analysis with real world strategic perspective, ensuring alignment with both near term opportunities and long-term structural shifts.



We have a long-term goal to continue to build the investment team with relevant and complementing competence for the team.
The value add and deep insight from our Advisory Board into our complex sectors is very difficult to with investment professionals. Our method has proven to work during different types market environments.
-Joakim Agerback, Lead Portfolio Manager

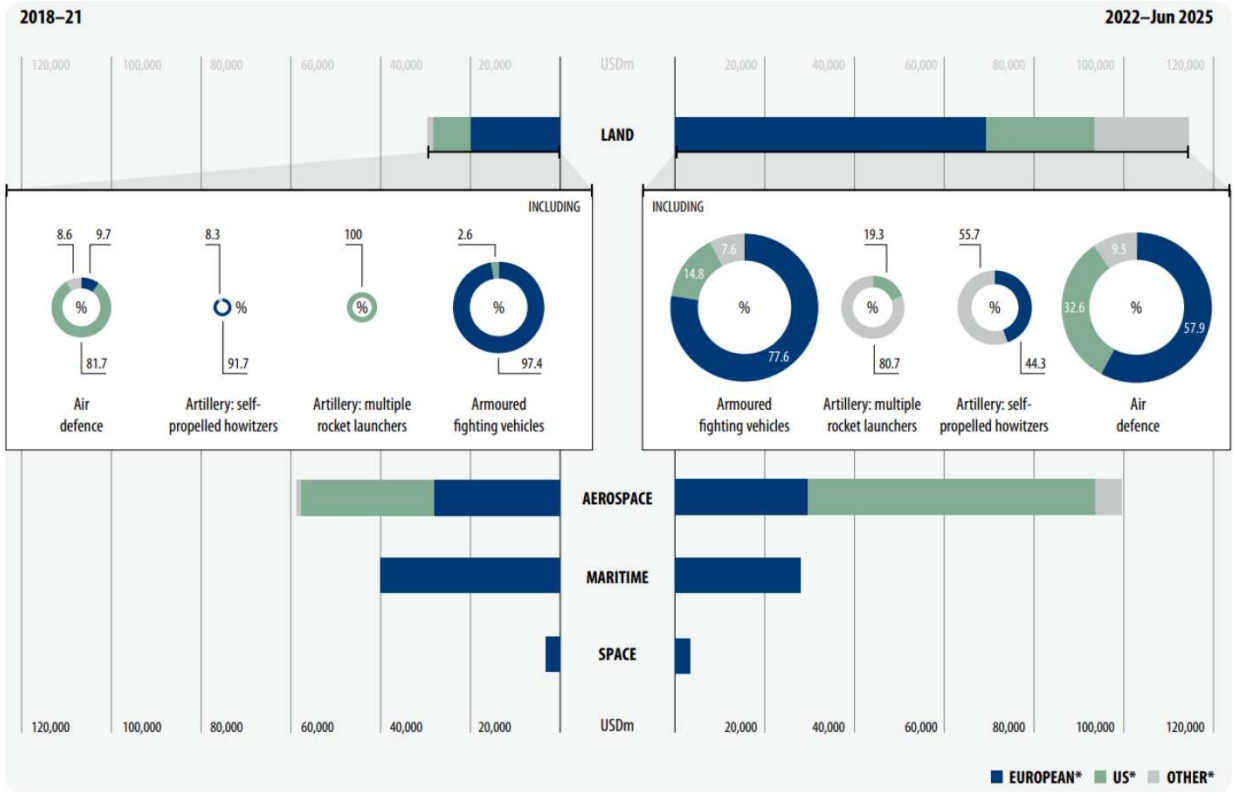
"The evolving global order, in which military power is becoming an increasingly explicit instrument of political policy, suggests that the current trend is structural and long term in nature. After decades of underinvestment, we are starting from historically low levels, and the rebuilding phase ahead is significant. The requirements are both qualitative and quantitative.

The Arctic is a clear example: operating in such environments demands specially trained personnel and dedicated equipment, ranging from purpose-built vessels to specialized mobility units such as sled formations. We are likely to see an expanded presence across several of these areas. In many respects, parts of the Arctic and the High North reflect a geopolitical 'Gotland logic,' where strategic positioning and sovereign presence must be re-established."

-Karl Engelbrektson, Head of Advisory Board

The Rise of Scalable Defence Systems

GLOBAL SECURITY FUND



Source: Transforming European Defence Procurement and Industry, IISS. (2025)

The Ukraine conflict has accelerated a fundamental shift in defence procurement, moving away from low volume, high-cost platforms toward scalable systems optimised for mass production. Ukrainian forces have demonstrated how small commercial drones and precision strike systems can deliver asymmetric effects through targeting, saturation, and rapid deployment. This evolution is reshaping NATO priorities toward loitering munitions, autonomous systems, counter UAV technologies, and modular open architecture designs that enable faster iteration cycles.

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

The New Strategic Domain: Space

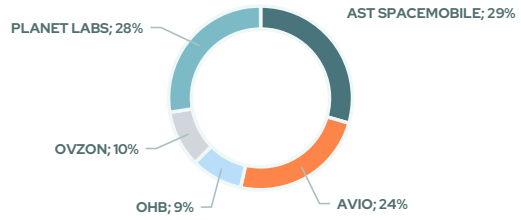
GLOBAL SECURITY FUND

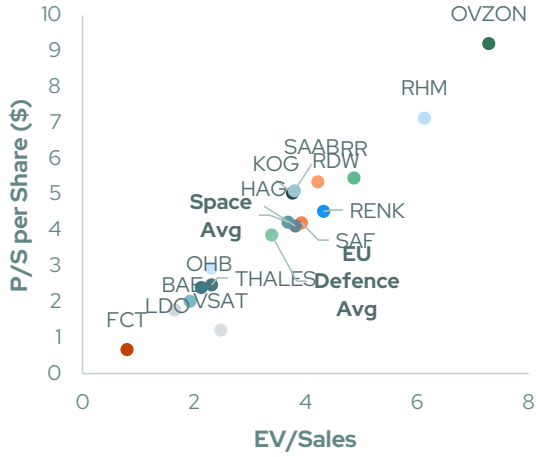
Ukraine's reliance on Starlink for battlefield connectivity, providing 20,000+ terminals and enabling real time coordination, has underscored that space-based communications and Intelligence, Surveillance and Reconnaissance (ISR) capabilities have shifted from optional assets to operational prerequisites in modern warfare. Russian GPS jamming and spoofing have highlighted the vulnerabilities of single constellation dependence, accelerating European investment in multi orbit resilience and sovereign capability development.

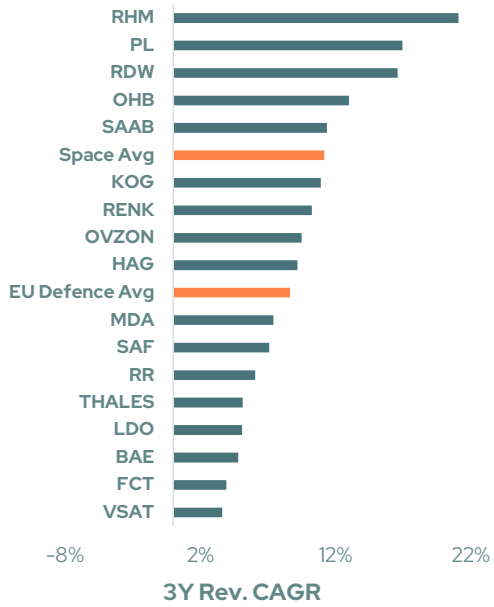
Programmes such as the EU's IRIS² initiative (€6 billion secure SATCOM constellation), alongside national efforts in Germany and France, reflect this strategic priority. At the same time, governments continue to contract commercial providers such as Planet Labs, Maxar, and Satellogic for daily revisit imagery supporting targeting and damage assessment. Military and government satellite launches are now growing at an estimated 18% CAGR, reinforcing space as foundational infrastructure rather than discretionary spending.

The portfolio's space exposure focuses on dual use providers serving both commercial and defence markets, while reducing single customer concentration risk. Holdings such as AST SpaceMobile and Planet Labs offer scalable connectivity and earth observation capabilities, with defence contracts representing a meaningful share of revenues. Allocations remain deliberately selective, prioritising companies demonstrating contract conversion and signed government demand rather than speculative technology development.

Global Security Fund's Space Exposure







Past performance does not predict future returns.

"Space, if properly leveraged, has a unique capacity to advance peace, freedom and prosperity for all of humanity. As the cost of accessing space continues to decline, it is becoming increasingly accessible to private actors, enabling the build-out of a growing global communications and surveillance infrastructure. Sweden's space capabilities through advanced high-tech companies such as the Satellite Communication provider Ovzon and the Launching capabililty at Esrange — are both unique and strategically significant for European security and autonomy, while also strengthening national competitiveness. Secure sovereign global communication as well as satellites launched from Spaceport Esrange perform critical functions that support deterrence and a resilient, sustainable development of society, ranging from military deterrence and new operational concepts to the creation of new business models and more rapid and competitive acquisition processes."

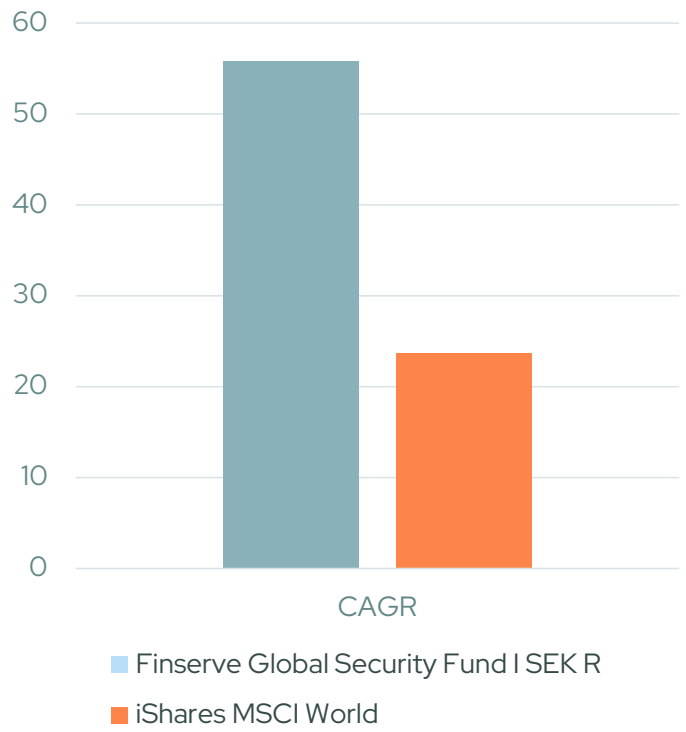
-Stefan Gustafsson, Advisory Board

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

Diversification Benefits - a Complement to Conventional Equity Exposure

For the period September 30, 2022 to January 12, 2026.

GLOBAL SECURITY FUND



Past performance does not predict future returns.

The fund serves as an effective complement to a traditional equity portfolio by providing positive exposure to geopolitical risk - an element typically underrepresented in broad market indices but now singled out by 1st Tier institutions as one of the main risk factors for financial markets in the coming years.

Historically, this has translated into robust performance combined with limited correlation to global equity markets, resulting in improved risk-adjusted returns, as reflected in higher Sharpe and Sortino ratios relative to MSCI World.

An Eye-Catching Low Beta

Beta vs SP500	0,32
Beta vs EUROSTOXX 50	0,34
Beta vs MSCI World	0,32

The fund has not only delivered robust risk-adjusted performance but has also maintained a significantly low beta to global equity markets.

Equity sectors are generally quite homogeneous; however, the defence and security sectors have a clear structural rationale for their lower correlation. Geopolitical risk is typically negative for equity markets and other risk assets.

This suggests an efficient way to enhance diversification within the equity allocation, with a positive impact on the broader portfolio across diversified asset classes.

Given the prevailing trajectory of military spending, the diversification benefits should not imply lower return expectations at the portfolio level.

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

Diversification Benefits – Risk adjusted returns and portfolio robustness

GLOBAL SECURITY FUND

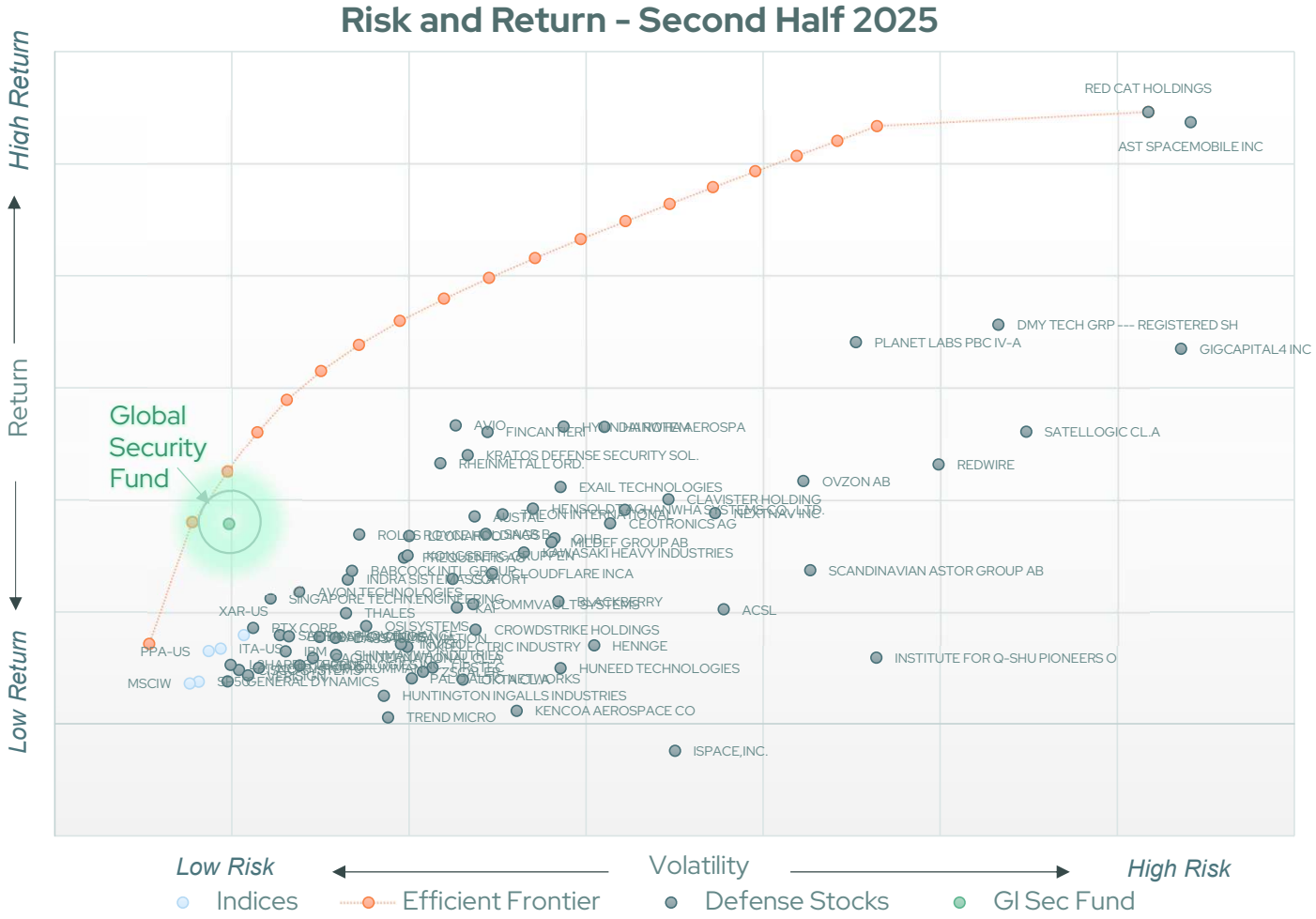
The Investment team strive for diligent portfolio construction and diversification benefits both for external portfolios but also for a more robust fund portfolio for Global Security Fund. This diversification benefit is strengthened by the fund's position in historical risk-return space.

"In the context of its investment universe, the fund offers lower risk at high return compared to single-stock position in defence and other defense solutions as well as benchmarks.

Its location in the low-risk segment close to the efficient frontier is an indicator for prudent active stock selection decision and disciplined risk practices on behalf of the fund management team."

-Andreas Steiner, Advisory Board

Risk and Return - Second Half 2025



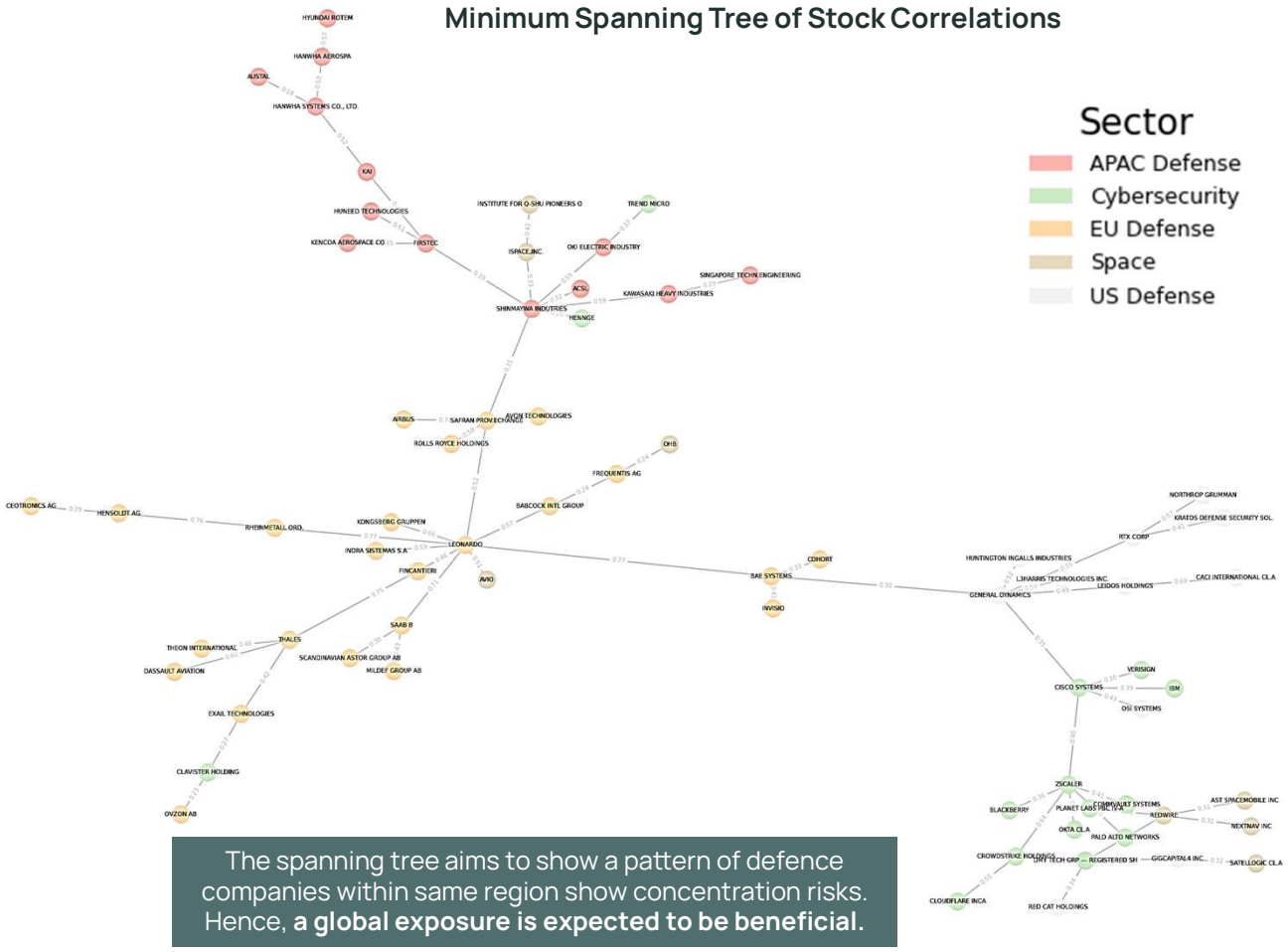
Past performance does not predict future returns.

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

Diversification Benefits – The reason for Global Approach

GLOBAL SECURITY FUND

Minimum Spanning Tree of Stock Correlations



The spanning tree aims to show a pattern of defence companies within same region show concentration risks. Hence, **a global exposure is expected to be beneficial.**

The investment team applies a quantitative dependence framework combining regression-based factor analysis with multivariate clustering techniques.

The analysis consistently shows that regions and sectors exhibit structural dependencies and concentration risks. A more globally diversified and sector-balanced approach can mitigate these concentration risks, resulting in a more robust portfolio construction.

This framework is designed to manage downside risk arising from negative surprises in regional spending, financing conditions, or other macroeconomic risks shared by correlated companies

"Defence investments reveal their attractive strategic investment values only when going beyond "noisy" daily headlines.

The fund makes use of advanced quantitative methods to gain deeper insight into the factors driving defense as an asset class and extract dependency patterns between defence stocks.

Research into stock-level and macro factors is an ongoing activity at the fund, incorporating the latest geopolitical events and trends."

-Andreas Steiner, Advisory Board

- Contact us to receive our upcoming report on further analysis on diversification and exposure analysis of the Defence sector.

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

ESG – a contribution to resilience and security

GLOBAL SECURITY FUND

Article 8
Finserve Global Security Fund is classified as an Article 8 financial product under the EU Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088, "SFDR"). As an Article 8 product, the fund promotes environmental and social characteristics. This means that sustainability-related risks and opportunities are integrated into the Fund's investment process and decision-making.

Our ESG framework
Throughout the year, the Fund continued to focus on delivering long-term and risk-adjusted return to unitholders, while also integrating environmental, social and governance (ESG) factors into investment practices. The ESG framework is structured around three strategies that are embedded across the investment lifecycle: (I) ESG integration, (II) Exclusion and (III) Active ownership. Together, these elements contribute to well-founded investment decisions and promote long-term sustainability for both the portfolio holdings and the unitholders.

The Fund applies a differentiated approach to defence-related investments, aligned with SFDR definitions and the EU's application of international treaties, conventions and customary international law. The Fund applies defined exclusion criteria in accordance with its responsible investment framework. Further details are available on the Fund Manager's website.

Regulation – SFDR 2.0
During 2025, the European Commission presented a proposal to review and simplify the current SFDR framework, also known as SFDR 2.0. The Fund follows the regulatory process closely and views clearer and more robust requirements to be supportive of transparency and comparability.

Investing in the defence industry
Recent geopolitical tensions and the rapidly changing security environment have reinforced the role of defence, cybersecurity, and critical infrastructure as pillars of societal stability and long-term sustainability. In an increasingly fragmented global landscape, security aspects are becoming an integral part of sustainability discussions, rather than standing in opposition to them.

On December 2025, the European Commission published a Commission Notice clarifying how the EU sustainable finance framework applies to the defence sector. The Notice confirms that the EU framework is sector-neutral and does not impose restrictions on financing defence activities. It aims to prevent undue discrimination of the defence sector and to improve the understanding of its contribution to social sustainability, security and resilience.

Collaboration initiatives
The Fund Manager, Finserve Nordic, has been a signatory to the United Nations Principles for Responsible Investment (PRI) since 2021. As a signatory, the Fund Manager has committed to implementing the PRI's six principles for responsible investment, including the integration ESG factors into the investment process.

The Fund Manager is also a member of Swesif (Sweden's Sustainable Investment Forum) and participates in relevant industry dialogues and collaborative initiatives aimed at promoting good practice, transparency and continued development of sustainable investments.

SWESIF SVERIGES FORUM FÖR HÅLLBARA INVESTERINGAR

Signatory of: PRI Principles for Responsible Investment

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

On Our Radar: Key Strategic Developments

GLOBAL SECURITY FUND

The global security environment is shifting toward a more fragmented and bloc-driven order. Defence spending is becoming structurally embedded in fiscal policy across major economies. The direction is clear; the distribution of industrial benefits remains the key variable.

Transatlantic Rebalancing
The United States is redefining burden-sharing within NATO, prompting accelerated European defence investment. NATO is likely to be rebalanced rather than replaced, with a stronger European industrial pillar and reduced tolerance for strategic dependency.

U.S. Industrial and Export Integration
Washington's consolidation of acquisition, export policy and technology control signals a more coordinated defence-industrial strategy. This is likely to accelerate procurement access for allies while deepening integration into U.S.-led supply chains. Europe's parallel investment in sovereign capacity will determine the balance between integration and dependency.

Ukraine as Procurement Catalyst
Battlefield innovation in Ukraine is compressing development cycles and favouring scalable, cost-effective and modular systems. We expect European procurement structures to gradually adapt, though institutional speed remains uncertain.

Arctic and Northern Flank
An expanded NATO presence in the High North is structurally increasing demand for ISR, air defence, naval capabilities and resilient logistics infrastructure.

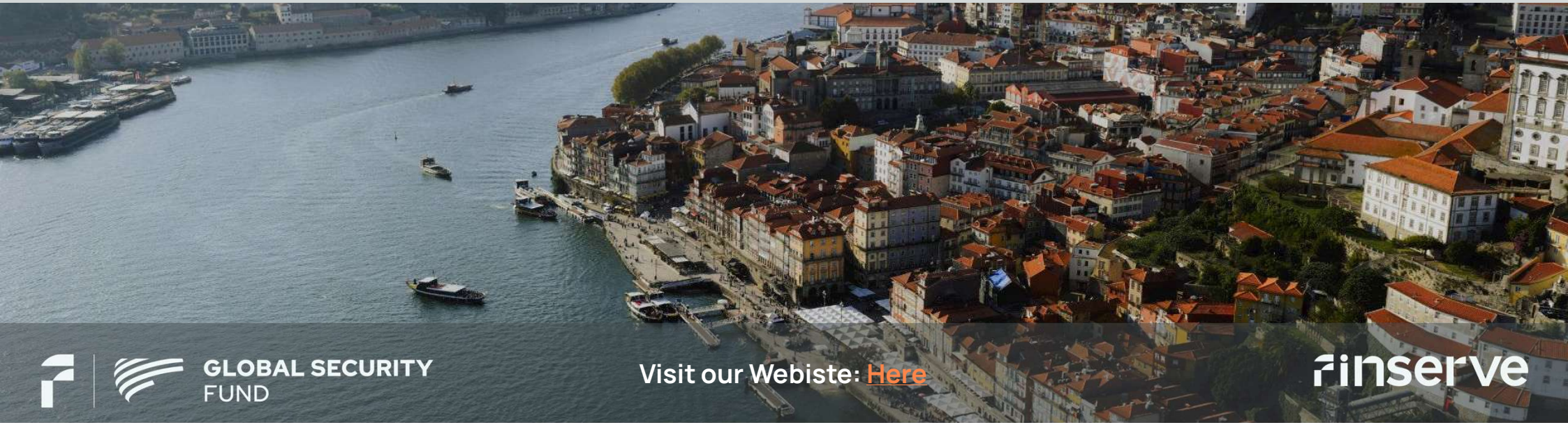
APAC Rearmament
Japan's sustained budget expansion and South Korea's export momentum confirm that APAC rearmament is structural. Domestic champions are strengthening, but value will increasingly accrue to companies embedded in allied supply chains.
Together, these dynamics point to sustained capital intensity, industrial scaling and strategic competition across the defence sector.

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions.

Contact information

Niclas Gutenbrink

Head of Sales Iberia
+46-79 102 15 52
+34 910 19 41 05
niclas.gutenbrink@finserve.se



References

GLOBAL SECURITY FUND

[1] NATO, "Defence Expenditure of NATO Countries (2015-2025)," June 2025; IISS, *Progress and Shortfalls in Europe's Defence: An Assessment*, Strategic Dossier, September 2025.

[2] Basu, P. (2026, January 13). *From Restraint to Readiness: Tokyo's 2026 Defence Budget*. Observer Research Foundation

[3] Rhee, J. (2026, January 12). *Hanwha Systems (272210.KS): Philly Shipyard capacity ramp-up to accelerate*. NH Investment & Securities Research Division.

[4] Dee, Stuart, and Kiran Suman-Chauhan. "Missiles, Markets, and Mutual Interests: Poland and South Korea's Evolving Defence-Industrial Cooperation." *RAND*, 4 Sept. 2025, www.rand.org.

[5] German Federal Ministry of Finance, "Reform of the Debt Brake for Defence Investment," March 2025; Reuters, "Germany to Raise Defence Spending to 3.5% of GDP by 2029," March 2025.

[6] Defence News, "Poland Awards €20 Billion in Framework Contracts to European Defence Manufacturers," 2025; Jane's Defence Weekly, "Baltic States Accelerate Defence Procurement," 2025.

[7] Modern War Institute, "Beyond FPVs: Learning the Lessons of the Ukraine War—All of Them," October 8, 2025.

[8] Royal United Services Institute (RUSI), "Ukraine's Deep Strike Campaign: Asymmetric Warfare and Industrial Targeting," 2025; *The Economist*, "How Ukraine's Drones Crippled Russia's Oil Industry," August 2025.

[9] Hudson Institute, "The Impact of Drones on the Battlefield: Lessons of the Russia-Ukraine War from a French Perspective," 2025.

[10] CSIS, "Chapter 9: Technological Evolution on the Battlefield," *Defense Primer Series*, October 2, 2025

[11] Routledge, International Institute for Strategic Studies (2025). Progress and Shortfalls in Europe's Defence: An Assessment

[12] U.S. Department of Defense, "FY2025 Budget Request: Research, Development, Test & Evaluation," March 2025

[13] U.S. Space Force, "FY2025 Budget Overview," 2025; Missile Defense Agency, "Integrated Air and Missile Defense Architecture," 2025

[14] U.S. Department of Defense, "Defense Industrial Base Investment Strategy," FY2025; Congressional Research Service, "Defense Primer: Industrial Base Resilience," 2025

[15] Scott R. Anderson et al., "The global implications of the US military operation in Venezuela," Brookings Institution, January 7, 2026

[16] United States Senate Committee on Appropriations, "Senate Committee Approves FY 2025 Defense Appropriations Bill," June 2025

[17] *Reuters*, "Trump blocks defense company payouts," January 8, 2026