Finserve Global Defence & Security Fund

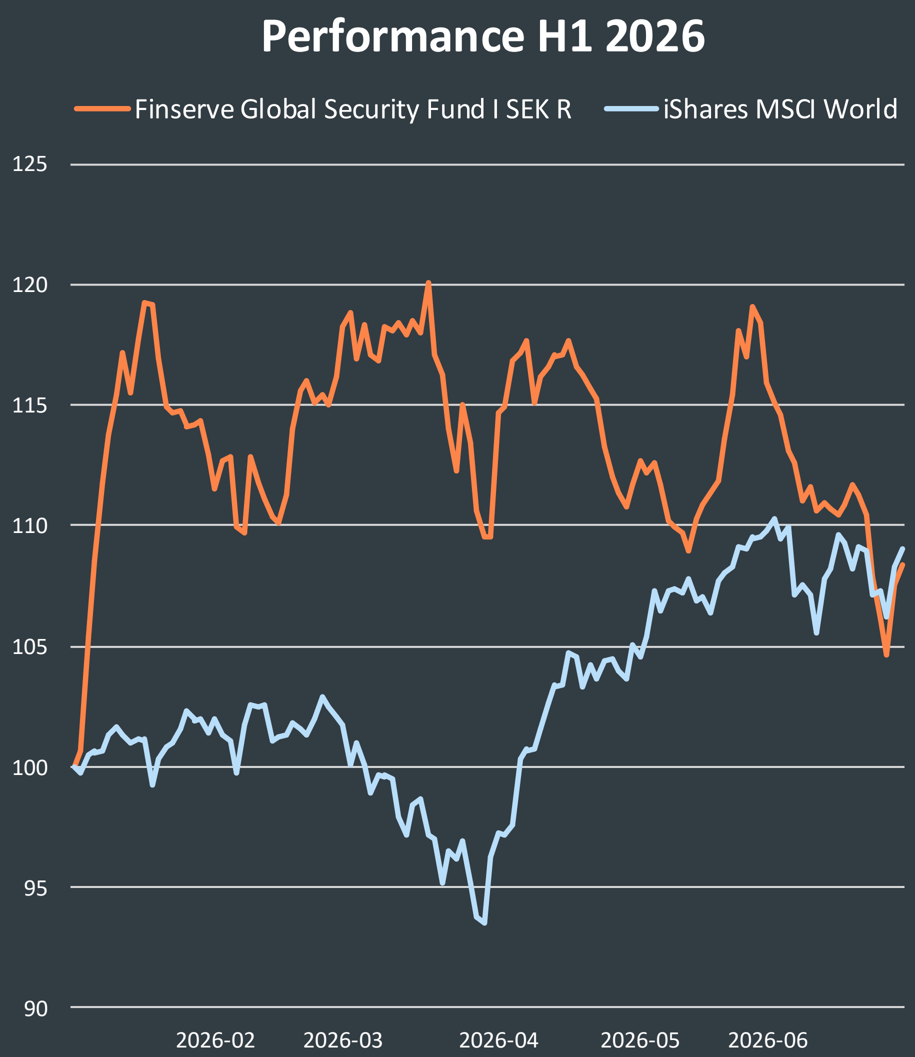
The Pioneering Defence Fund

H1 Update 2026

GLOBAL DEFENCE & SECURITY
FUND

H1 2026

Geopolitical Events Reinforced the Security Investment Theme



Source: Factset as of 30 June 2026.
Past performance does not predict future returns.

The first half of 2026 reinforced the Fund's long-term investment themes. Security risks became increasingly linked to energy supply, critical infrastructure, maritime trade routes, space-based services and defence-industrial capacity.

The war in Ukraine continued to demonstrate the scale of modern high-intensity warfare and the pressure placed on air-defence inventories, ammunition stocks and production capacity. At NATO's June defence ministers' meeting, Secretary General Mark Rutte stated that "cash is crucial, but you cannot stop a missile or a tank with a dollar or a euro." This reinforces our outlook, where the shift from nation-states spending commitments must rapidly turn towards combat-ready capabilities, procurement execution and industrial delivery.

In the Middle East, the conflict involving Iran and disruption around the Strait of Hormuz demonstrated the close relationship between maritime security, energy supply and defence readiness. The conflict increased Gulf states attention to rapid procurement of air and missile defence, naval protection and critical-infrastructure security.

Space also moved further into the core security architecture. During H1, secure satellite communications, Earth observation, navigation and resilient connectivity gained greater strategic importance, with the US initiating space-based war-gaming and Sweden acquiring their first spy satellite.

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PORTFOLIO MANAGER COMMENTARY

Market Environment and Portfolio Performance

The first half of 2026, and particularly the second quarter, was marked by increased volatility across the Aerospace & Defence sector. Following several years of strong relative performance, investor sentiment became more cautious as sector rotation and a greater focus on company execution weighed on valuations.

We view this as a natural transition from policy commitments to industrial delivery rather than a change in the sector's long-term fundamentals. The industry is moving from a period defined by higher defence spending commitments towards one focused on industrial execution. Expanding production capacity, delivering increasingly complex programmes and converting record order backlogs into revenue inevitably takes time. This transition is likely to create periods of higher volatility as markets reassess earnings expectations and execution risks.

Structural Themes Continue to Evolve

Our long-term investment thesis remains firmly intact. Security has become a broader strategic priority encompassing defence, industrial resilience, cyber security, space and critical technologies. The investment case is therefore no longer driven solely by higher defence budgets, but increasingly by governments' ability to build military capabilities, strengthen industrial capacity and accelerate technological development.

As procurement programmes mature and production capacity expands, we expect the financial effects of higher defence spending to become increasingly visible in company revenues, earnings and cash flows. We believe this supports both the sector's structural growth prospects and the premium valuations of companies capable of consistent execution.

Joakim Agerback

Partner, Lead Portfolio Manager
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PORTFOLIO MANAGER COMMENTARY

Investment Approach

Our investment philosophy is to allocate capital where we identify the strongest long-term opportunities across regions, subsectors and companies. As the sector evolves, we expect performance to become increasingly differentiated, making active management, deep sector expertise and disciplined company selection more important than broad sector exposure.

During the period, we increased our exposure to space, reflecting our conviction that future defence capabilities will increasingly depend on resilient data infrastructure, systems-of-systems integration and autonomous technologies.

The Next Phase: Capabilities, Execution & Investment

Looking ahead, we believe execution will become the principal driver of returns.
While short-term volatility is likely to persist, we continue to see an expanding investment universe supported by structural demand, technological innovation and industrial transformation. Our focus remains unchanged: investing in companies with the capabilities, competitive positioning and execution capacity to create sustainable long-term value.

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1.

Contribution from the holdings

PERFORMANCE & CONTRIBUTIONS

H1 2026

Positive Contributions	Sector	Weight	Performance	Contribution
Planet Labs PBC	Space	2.41%	68.00%	1.76%
Rocket Lab Corp	Space	1.46%	26.95%	1.23%
Kongsberg Gruppen ASA	EU Defence	3.08%	36.02%	1.13%
Hanwha Systems Co Ltd	APAC Defence	2.06%	25.25%	1.04%
Oki Electric Industry Co Ltd	APAC Defence	1.32%	74.00%	0.98%
OHB SE	Space	0.74%	140.34%	0.86%
AST SpaceMobile Inc	Space	1.90%	22.35%	0.84%
Singapore Technologies Engineering	APAC Defence	3.31%	24.40%	0.81%
Rolls-Royce Holdings PLC	EU Defence	2.98%	24.49%	0.80%
Howmet Aerospace Inc	US Defence	2.18%	25.28%	0.77%

Negative Contributions	Sector	Weight	Performance	Contribution
Rheinmetall AG	EU Defence	2,74%	-37,60%	-1,43%
CSG NV	EU Defence	1,00%	-59,82%	-1,22%
Hanwha Ocean	APAC Defence	2,15%	-17,91%	-0,54%
Frequentis AG	EU Defence	1,46%	-18,79%	-0,48%
Austal Ltd	APAC Defence	0,76%	-28,89%	-0,48%
Kraken Robotics Inc	US Defence	1,65%	-4,29%	-0,44%
Kratos Defense & Security Solutions	US Defence	1,73%	-29,57%	-0,41%
Babcock International Group PLC	EU Defence	1,48%	-16,46%	-0,38%
Fincantieri SpA	EU Defence	0,90%	-19,31%	-0,37%

Source: Morningstar, 2026-06-30

Past performance does not predict future returns.

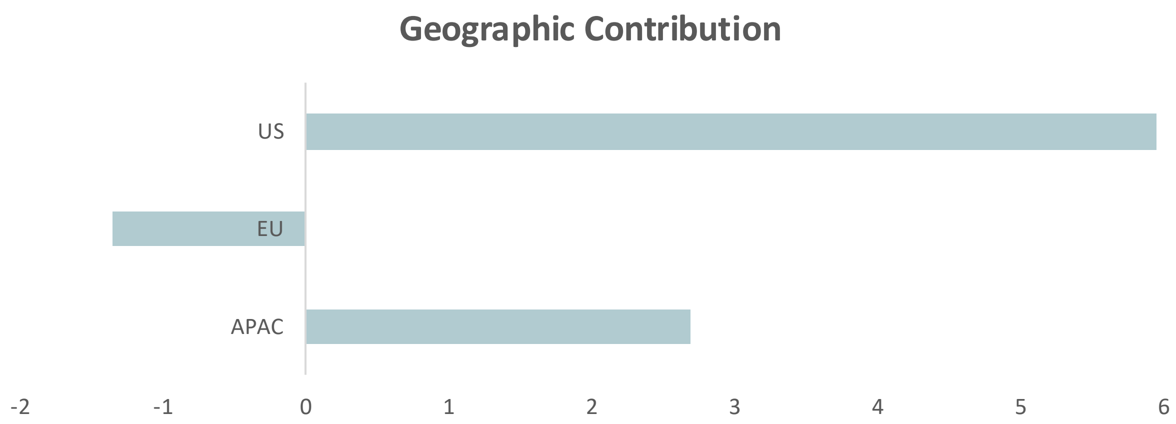
During the first half of the year, Global Defence & Security Fund delivered a return of 8.62%, broadly in line with global equity markets.

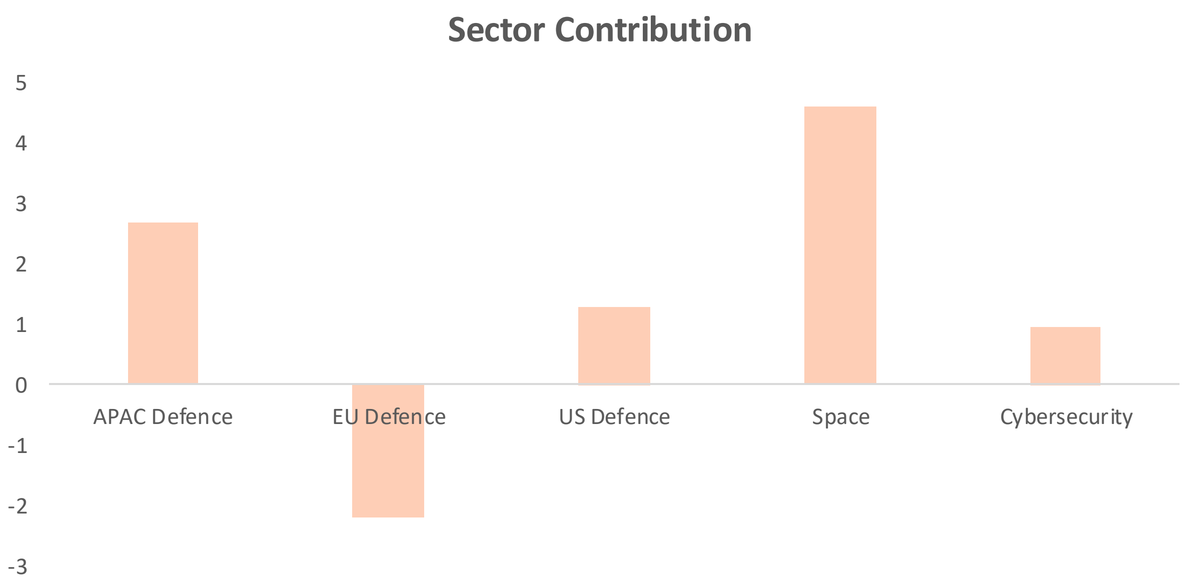
Performance was primarily driven by:

- The strongest positive contribution during the first half of the year came from the space segment. The most important catalyst was SpaceX's IPO in June, which became a defining moment for the listed space universe.
- Selected U.S. & APAC defence holdings also contributed positively, supported by demand for advanced aerospace components, unmanned systems, secure communications and other mission-critical defence technologies.
- European defence exposure was mixed during the period, with naval and shipbuilding-related holdings among the weakest performers, largely due to energy related concerns.

PERFORMANCE & CONTRIBUTIONS

H1 2026





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TOP PERFORMING HOLDINGS

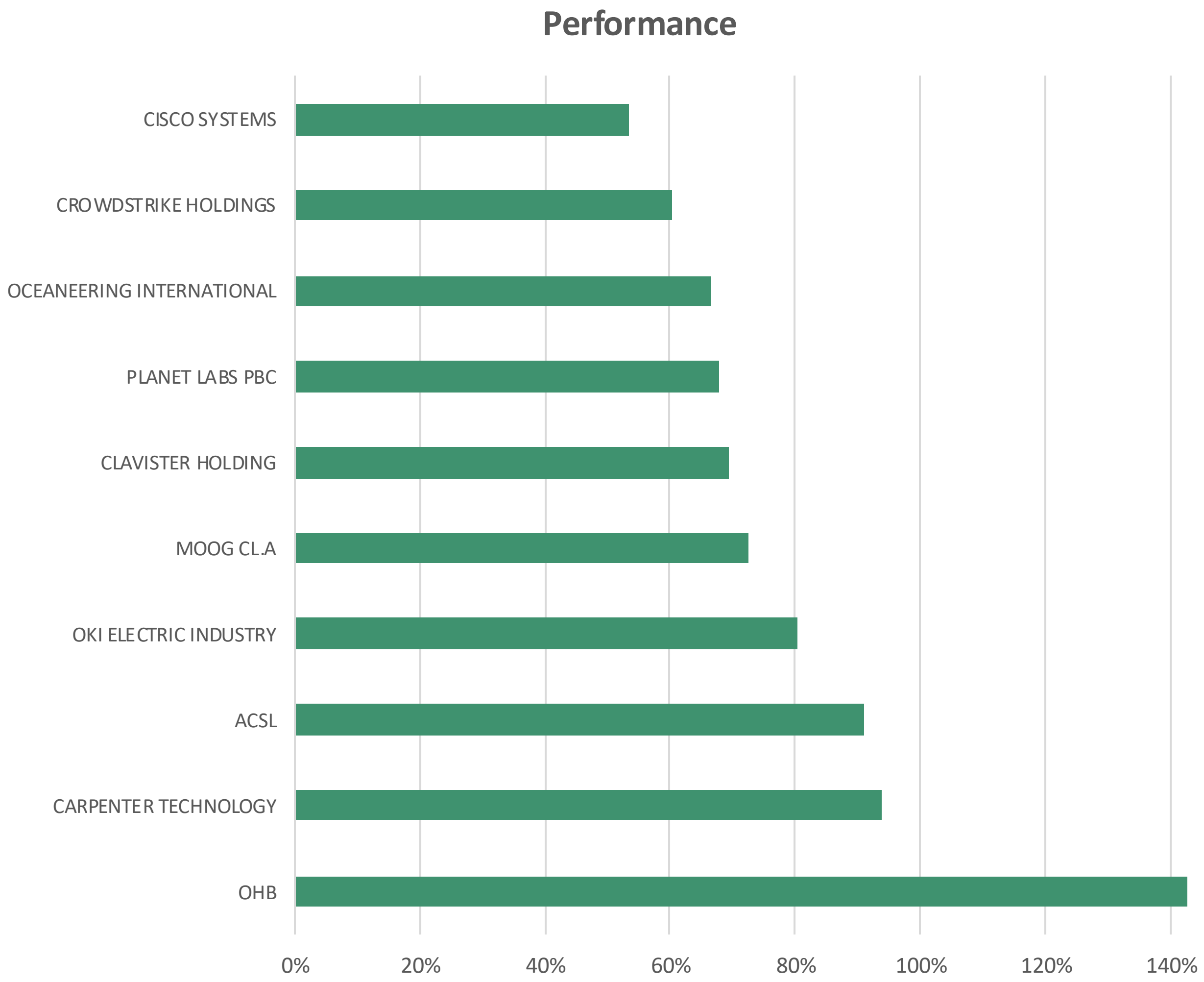
H1 2026

The strongest performer during the first half was OHB, supported by increased focus on European strategic autonomy in space. During the period, ESA awarded OHB Italia an EUR 81.2 million contract for the Ramses mission, bringing the total mission value to approximately EUR 150 million.

Other space-related holdings, including Planet Labs, also performed well as rising geopolitical tensions reinforced the need for earth observation, surveillance and real-time intelligence. With continued earnings beats and a new Berlin office strengthening the company's European presence, Planet Labs furthers their aim to reduce US Govt. dependency and enter new markets.

Within U.S. defence exposure, Carpenter Technology, Moog and Oceaneering International were among the stronger performers. Oceaneering with revenue exposure to both defence and to O&G saw a natural overperformance, with their Offshore Projects division growing most with 22% YoY revenue growth.

Cybersecurity holdings such as CrowdStrike and Cisco Systems also contributed positively, supported by the the sentiment shift from Anthropics Mythos announcement and for the company's favorable AI-related news impacting markets.



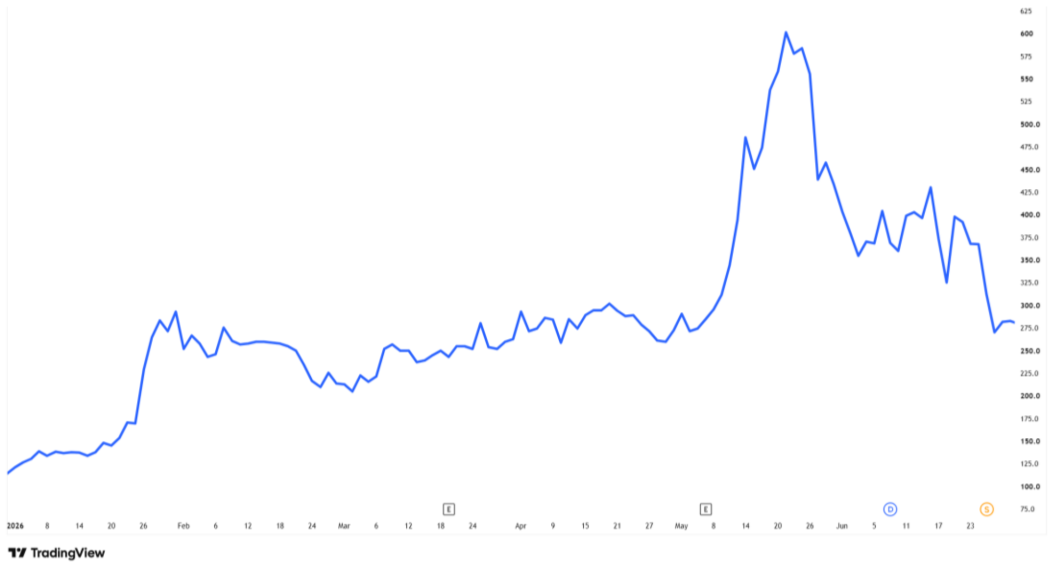
Source: Factset, 2026-06-30

Past performance does not predict future returns.

TOP PERFORMER SPOTLIGHT

OHB SE

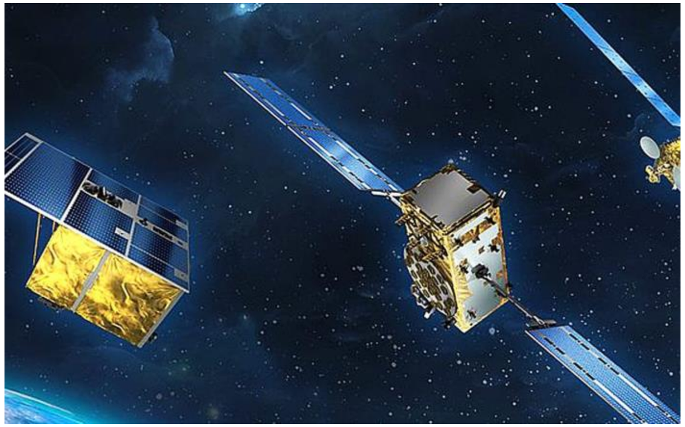
H1 Performance



Satellite Systems & Space Infrastructure

Defence-Related Space Technologies

European Strategic Autonomy in Space



OHB is delivering strong profitable growth in 2026, supported by accelerating European investment in sovereign space capabilities and defense infrastructure. As Europe's leading pure-play space prime, OHB plays a central role in satellite systems, launch infrastructure, and security-critical space solutions across its three segments: Space Systems, Access to Space, and Digital.

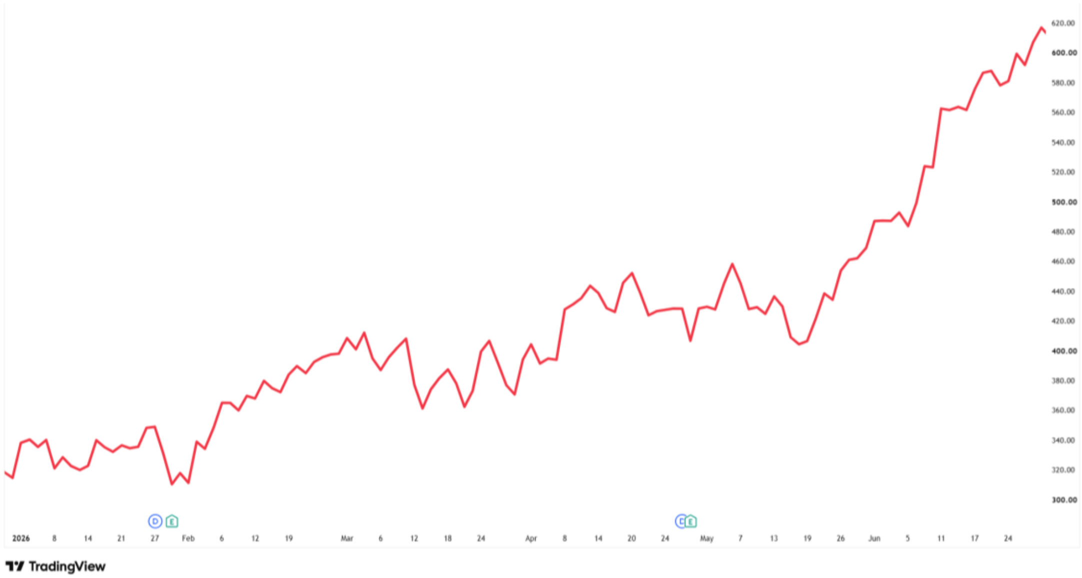
The company continues to benefit from exceptional structural tailwinds: a record ESA budget of €22.3 billion approved for 2026–2028, Germany's planned €35 billion commitment to military space infrastructure, and the EU's upcoming 2028–2034 budget framework earmarking €131 billion for resilience, defense, and space.

Past performance does not predict future returns.

TOP PERFORMER SPOTLIGHT

Carpenter Technology

H1 Performance



High-Performance Specialty Alloys

Aerospace & Defence Materials

Mission-Critical Manufacturing

Carpenter Technology is delivering record financial performance in fiscal year 2026, driven by accelerating demand in the Aerospace and Defense end-use market and continued operational excellence. As a recognized leader in high-performance specialty alloys including nickel, cobalt, and titanium-based materials — Carpenter serves mission-critical applications across aerospace, defense, medical, energy, and industrial markets.

The company continues to benefit from powerful structural tailwinds, most notably the ramp-up of commercial aircraft production rates at Boeing and Airbus, growing defense replenishment demand, and surging industrial gas turbine (IGT) builds driven by data center energy needs.

Past performance does not predict future returns.

TOP PERFORMER SPOTLIGHT

Crowdstrike

H1 Performance

AI Security Infrastructure

Agentic Threat Detection & Response

Platform Consolidation at Scale

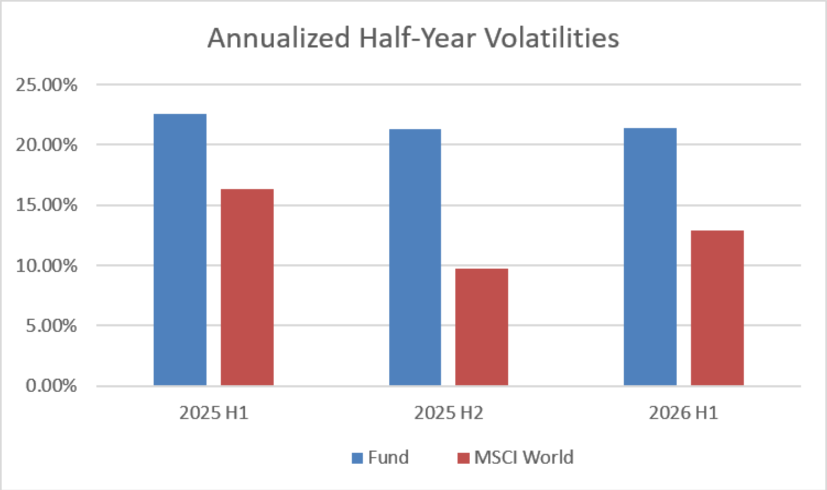
CrowdStrike is operating at an inflection point in 2026, as the convergence of frontier AI and cybersecurity has created an unprecedented demand environment. CEO George Kurtz described April 2026 as the "Mythos moment," when Anthropic's and OpenAI's new frontier model releases made clear that AI adoption cannot proceed without robust cybersecurity as its backbone.

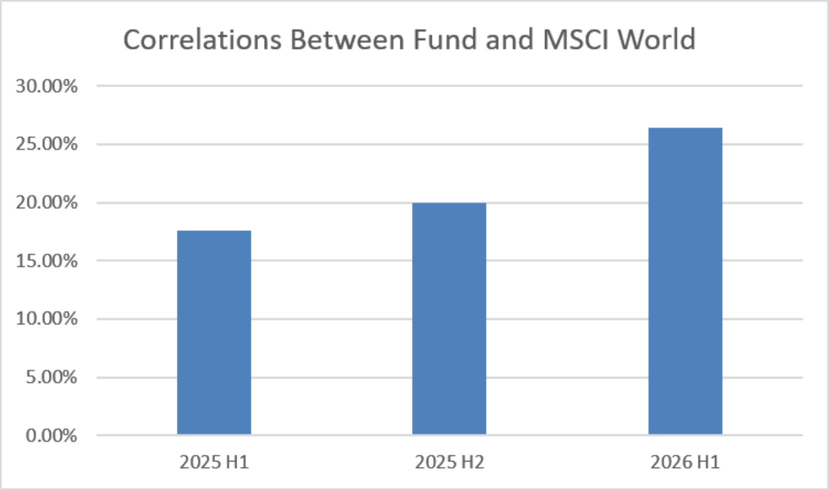
CrowdStrike was the only cybersecurity company selected as a launch partner in both Anthropic's Project Glasswing and OpenAI's Trusted Access for Cyber (TAC) programs from the very start. This positioning has catalyzed a structural demand shift: enterprises are no longer viewing cybersecurity through the lens of risk management and compliance alone, but as a strategic accelerator for AI deployment.

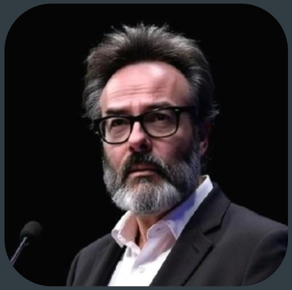
Past performance does not predict future returns.

LIMITED CORRELATION TO GLOBAL EQUITIES

Even in Higher Risk Environments







"Over the last three half-year periods, the fund has consistently shown higher annualized volatility than MSCI World, reflecting the more specialized nature of security and defence opportunities.

However, correlation with MSCI World remained low throughout, rising only modestly into 2026 H1, which underlines that defence continues to offer characteristics distinct from broader global equities."

-Andreas Steiner, Advisory Board Member

Past performance does not predict future returns.

GLOBAL DEFENCE & SECURITY FUND

2.

Developments of Sectors & Regions

IRAN

REGIONAL ESCALATION EXPOSES WESTERN CAPACITY CONSTRAINTS

Russia, Iran and China, together with aligned proxy actors, place simultaneous pressure on Western military resources and industrial capacity. The conflict has highlighted particularly acute constraints in advanced air-defence systems, including Patriot and THAAD interceptors, forcing allied forces to manage expenditure rates carefully and accelerating the need for replenishment. [1]

The economic consequences extend beyond the immediate theatre. Disruption in the Strait of Hormuz, combined with continued threats to shipping around Bab el-Mandeb, has increased the vulnerability of global energy and trade flows. Rerouting vessels around the Cape of Good Hope has lengthened transit times and reduced effective shipping capacity, while the Shanghai Containerized Freight Index was more than 100% higher year-on-year in early August. [2] These pressures add costs and lead times across Western industrial supply chains, including the defence sector.

The conflict is also testing the United States' financial and political capacity to sustain prolonged operations. On 24 June, the White House requested an USD 87.6 billion supplemental package, including approximately USD 67 billion for the Department of Defense and funding to replenish munitions and strengthen the defence-industrial base. Congressional opposition and competing spending priorities have created uncertainty around both the timing and final size of the package. This reinforces the broader investment case for sustained capacity expansion across the Western defence industry. [3]

Credit: U.S. Army photo by Anthony Sweeney

1 - U.S. Department of Defense, Press Briefing Transcripts, 28 JUL 26
2- CEPA, Baltic Sabotage Standoff, 25 NOV 24 (Updated JUL 26)
3- PBS News: White House seeks $87.6B from Congress for Iran war costs.

RUSSIA–UKRAINE
INDUSTRIAL ENDURANCE BECOMES DECISIVE

The war in Ukraine is increasingly becoming a contest of industrial endurance rather than one determined solely by territorial gains. During H1, Russia intensified its strikes against Ukrainian energy, defence-industrial and civilian infrastructure. The combination of low-cost drones, decoys and more advanced missiles is designed to saturate Ukraine's air defences and force the expenditure of scarce and significantly more expensive interceptors. In response, Ukraine has maintained an asymmetric deep-strike campaign against Russian refineries, fuel infrastructure, military logistics and naval assets in the Black Sea.

Russia's ability to sustain this strategy is supported by an economy increasingly oriented towards military production. Broader estimates that include military and security-related expenditure place the burden at close to 10% of GDP, equivalent to approximately USD 282–292 billion when measured in real resource terms. Russia reportedly produced approximately 7 million artillery shells, mortar rounds and rockets in 2025, while its monthly deployment of Shahed/Geran-type drones has reached several thousand units. [4] This production capacity provides Russia with an important advantage in a prolonged war of attrition.

Western efforts to expand ammunition output face bottlenecks further upstream in the supply chain. Europe reportedly sources more than 70% of its cotton linters—a key input for military-grade nitrocellulose—from China. Estimated European nitrocellulose capacity of 4,500–10,000 tonnes remains well below annual requirements of approximately 20,000 tonnes. [5] Although new capacity and alternative feedstocks are being developed, these constraints may limit the speed at which European ammunition production can be expanded.

The same vulnerability applies to critical minerals. The IEA estimates that approximately USD 60 billion of investment will be required by 2035 to develop more diversified rare-earth supply chains outside China. [38] The United States has consequently awarded USD 43.4 million to Nova Minerals' subsidiary to support domestic production of military-grade antimony trisulfide in Alaska. [7] These investments demonstrate how access to raw materials, processing capacity and energetics has become integral to Western defence readiness.

4 - The New Voice of Ukraine, Ukraine Clears Azov Sea of Russian Tankers, 13 JUL 26
5 - S&P Global Pricing, Daily Market Reports, 2026-07
6 - Crux Investor: IEA Global Critical Minerals Outlook 2026.
7 - Mining.com: Nova Minerals welcomes Trump defence supply chain order.

"There are no silver bullets. We need air and missile defence, drones and counter-drones, electronic warfare, long-range precision guidance, space and ISR. The challenge is to deliver all of these capabilities at the same time and to make them cost-efficient at scale."

-Karl Engelbrektson, Former Chief of Army, Head of Advisory Board

UNITED STATES

NEAR-TERM BUDGET RISK, LONG-TERM GROWTH

Near-term appropriations risk

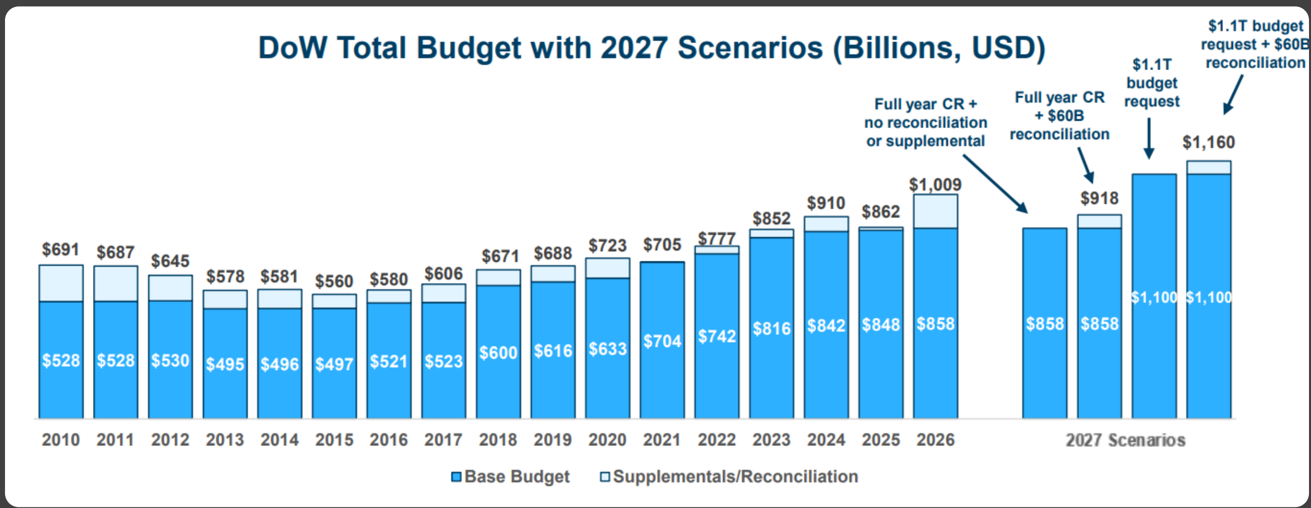
Uncertainty surrounding the fiscal year 2027 defence budget weighed on sector sentiment during H1. A Continuing Resolution would temporarily maintain funding near prior-year levels, potentially delaying new programmes, production ramp-ups and contract awards. This would affect the timing of expenditure rather than long-term defence demand. [8]

From frameworks to execution

Despite near-term uncertainty, multi-year agreements are providing the industry with greater demand visibility and stronger incentives to invest in capacity.

- Production expansion: Lockheed Martin's seven-year PAC-3 MSE framework targets an increase in annual production from approximately 600 to 2,000 interceptors. Raytheon has signed similar agreements covering five priority missile systems.
- Major contract award: In June, Lockheed Martin received a seven-year contract action valued at up to USD 35.3 billion to quadruple THAAD interceptor production.
- Faster development: Lockheed Martin completed the integration and live-fire testing of its Sanctum counter-drone solution in fewer than 45 days, illustrating the increased focus on rapid deployment.

We believe the near-term risk primarily concerns the timing of defence funding, while multi-year commitments and stockpile replenishment continue to support the sector's structural growth outlook.



8 - A&D Chart of the Week. Melius Research. July 2026

Source: DoW Comptroller, Melius Research

FROM BACKLOG TO THROUGHPUT

RTX

RTX ended Q2 with a record backlog of USD 289 billion, including USD 119 billion in defence, while Raytheon achieved a book-to-bill ratio of 2.4x.

- **Capacity:** First-half output of critical munitions doubled, while Pratt & Whitney increased GTF maintenance output by more than 40% year-on-year.
- **Cash conversion:** RTX raised its 2026 free cash flow guidance to USD 8.5–8.75 billion. Further growth depends on execution across constrained areas such as castings, rocket motors and microelectronics.

Northrop Grumman

Northrop Grumman received USD 20 billion of net awards during Q2, increasing backlog to a record USD 104.7 billion and producing a book-to-bill ratio of approximately 1.8x.

Capacity: The company has doubled tactical solid rocket motor production and is expanding capacity further to support programmes including Sentinel.

Execution: Margin improvement depends on the transition of development programmes into production. Adjusted free cash flow guidance for 2026 remains USD 3.1–3.5 billion.

L3Harris

L3Harris reported a record backlog of USD 42 billion and a book-to-bill ratio of 1.2x, supported by growth across all three segments.

Operational momentum: Q2 revenue increased by 8%, while segment operating margin reached 16.0%.

Cash generation: Free cash flow increased by 37% to USD 771 million, reflecting higher earnings and improved working-capital performance.

EUROPE
SOVEREIGN CAPABILITY

Europe is continuing the shift from a peacetime procurement model towards sustained defence readiness. The focus is shifting from budget announcements to joint procurement, higher production rates and more resilient European supply chains.

Funding and Joint Procurement

UK investment plan: The UK's Defence Investment Plan allocates GBP 298 billion over four years. This includes more than GBP 11 billion for munitions and weapons, with at least six new factories, and over GBP 63 billion for the nuclear deterrent and submarine enterprise. [9]

Joint European programmes: The European Defence Industry Programme (EDIP) and the EU Defence Readiness Omnibus are designed to simplify and incentivise joint procurement. However, the latest EU assessment indicates that collaborative procurement remains below 20%, highlighting the continued fragmentation of the European defence market. [10]

Industrial Execution

Aircraft production: Dassault Aviation delivered 12 Rafale fighters in H1 2026, compared with seven in H1 2025. Its backlog of 208 Rafale aircraft provides long-term production visibility.

Engine deliveries: Safran delivered 33 M88 engines during H1, more than three times the prior-year level, demonstrating that the Rafale supply chain is beginning to support higher production rates.

Sovereign manufacturing: Rheinmetall is developing a new large-calibre gun-barrel facility in Telford, with production expected to begin in 2027. The investment will restore a capability that has been absent from the UK since 2016 and support programmes including Challenger 3 and RCH 155.

We believe Europe's next challenge is execution: converting higher budgets into funded orders, additional capacity and faster deliveries. This should favour companies with established platforms, scalable production and strategically important positions within European supply chains.

9 - Boosting Defence Spending, Economic Growth and Balancing the Budget. Can the UK Do It All?, IBISWorld
10 - Executive Priorities – Defense & Space, Horváth

RECORD BACKLOGS AND STRUCTURAL EXPANSION

Saab

Saab's order backlog increased by approximately 60% year-on-year to a record SEK 318 billion at the end of H1 2026.

Order momentum: Q2 order bookings reached SEK 68.4 billion, producing a book-to-bill ratio of 2.7x. This included Saab's largest-ever export order: a SEK 47 billion contract for three A26 submarines for Poland.

Execution: Q2 sales increased by 28.6%, while EBIT rose by 41% and the EBIT margin improved to 11.0%. Saab continues to expand capacity and recruit approximately 3,000 employees annually.

Rheinmetall

Rheinmetall's backlog increased to EUR 80.5 billion at the end of H1, compared with EUR 56.0 billion one year earlier.

Operational leverage: H1 sales increased by 39% to EUR 5.2 billion, while operating profit rose by 74%. The operating margin expanded from 12.1% to 15.0%.

Capacity investment: The company continues to invest in ammunition, propellant and gun-barrel capacity across Europe.

Indra

Indra's group backlog more than doubled to EUR 20.5 billion, while H1 order intake increased by 58%, resulting in a book-to-bill ratio of 1.58x.

Defence momentum: Defence revenue increased by 103%, supported by land systems, Spanish modernisation programmes and Eurofighter. The segment maintained a strong EBITDA margin of 20.9%.

Technology expansion: Indra is building IndraMind as a sovereign AI, cybersecurity and cyber-defence platform, targeting more than EUR 1 billion in annual revenue by 2030.

APAC

RAPID DELIVERY BECOMES A COMPETITIVE ADVANTAGE

Asia-Pacific saw continued momentum during 2025, with spending rising by 8.1%, driven by continued regional geopolitical pressures. With the US reiterating the need for Asian allies to play a larger role in ensuring regional stability. Sentiment towards the US further deteriorated following the closing of Hormuz, promting reallocation of capital towards domestic exploration of oil, and a softened rhetoric towards Russia.

South Korea: Delivery as a competitive advantage

South Korea has established a strong position in global defence markets through serial production, competitive lead times and pricing. Prime examples of this can be seen in Hyundai Rotem's K9A2 Howitzer being priced at €4.9 million compared to KNDS/Rheinmetall's €17 million per unit. The Korean Defence companies rapid delivery enabled them to quickly land contracts all along the Russian border to the West. Korean ability to rapidly deliver military hardware has led to a competitive positioning comparatively, with investor sentiment boosted on accelerated talks for M-SAM II air defence orders.

Japan: Building industrial capacity

Following increased tensions with China over Taiwan, Tokyo announced a record FY2026 defence budget of JPY 9.04 trillion prioritizing long-range missiles, unmanned systems, air and missile defence, and supply-chain resilience. [11] Japanese defence-aircraft production increased by 26% to JPY 679.5 billion in 2025, benefiting manufacturers including Mitsubishi Heavy Industries and Kawasaki Heavy Industries. [12] With further export markets opened to the Japanese defence industrial base following the April 2026 revision of "Three Principles on Transfer of Defense Equipment and Technology," consensus estimates show strong continued growth.

Credit: Reuters

"Energy Security, Economic Stability, and Consumer confidence are all on the decline across Asia Pacific following US hegemonic retrenchment, and their prolonged conflict in the Gulf. Against this backdrop, Asian defence companies have shown consistent earnings beats with increased productivity across the board. We see a continued strong market across Asia and will continue to provide this unique exposure."

-Fredrik Ljungdahl, Analyst

11 – Market Chatter: Japan Aircraft Ouput Surpasses 2 trillion. MT Newswire Live Brief
12 – Overview of FY2026 Budget, Ministry of Defense. December 2025

APAC: **Q2 HIGHLIGHTS**

Hanwha Aerospace

Q2 2026: Sales rose 47.30% year-over-year (YoY) to ₩9,293 billion. Operating profit increased 57.90% YoY to ₩1,366 billion, resulting in a record operating profit margin (OPM) of 14.70%.

Backlog and orders: While domestic OPM was in the high single digits, the export OPM was a standout at 38%, driven by the mix of Poland (Chunmoo and ammunition), Egypt, and Australia deliveries. Key order wins during the half included a ₩941.40 billion follow-on contract for K9 howitzers from Finland in April, which makes Finland the third NATO member to operate 200+ K9 units.

Group momentum:

Hanwha Ocean: Q2 revenue was ₩5,443 billion (+65% YoY) and operating profit reached ₩736.10 billion (+98% YoY), Renewing record-high commercial OPM levels at 22.70%.

Hanwha Systems: Q2 revenue grew 45% YoY to ₩1,118 billion, with operating profit surging 219% YoY to ₩104 billion

Mitsubishi Heavy Industries

Q FY2026: Revenue rose 16% YoY to ¥1,194.20 billion and business profit surged 65% YoY to ¥159.60 billion, resulting in a 13.40% business profit margin

Execution: Revenue rose 16% to ¥1,194 billion and business profit 65% to ¥159.6 billion, corresponding to a 13.4% margin (+4.0 pts). Energy Systems delivered revenue growth of 27% and profit growth of 80% YoY.

Outlook: The Logisnext sale increased cash to ¥1,684 billion and reduced net debt by ¥1,143 billion. FY2026 guidance includes order intake of ¥3,937 billion for Energy Systems and ¥1,750 billion for Aircraft Defence Space, revenue of ¥5,400 billion (+8.6%) and profit of ¥540 billion (+24.9%).

DRONES & COUNTER-DRONE SYSTEMS

NATO allies have designated drone warfare as a core priority, shifting procurement from standalone platforms towards integrated and interoperable unmanned ecosystems.

Cost asymmetry is driving this transition. European militaries currently pay between €5,000 and €8,000 for a single 155mm artillery shell, while guidance-equipped strike drones can be produced at a fraction of that cost. At the same time, using expensive missiles to intercept low-cost drones is economically unsustainable. [13]

Procurement is therefore expanding across low-cost interceptors, electronic warfare and directed-energy systems. Lockheed Martin's HELIOS laser and RTX's high-power microwave system illustrate the effort to reduce the cost per engagement. [14]

From commitments to funded programmes

NATO commitment: Allies announced $40 billion of investment in counter-drone capabilities over the next five years at the 2026 Ankara Summit. [15]

German frameworks: Germany approved contracts worth €268 million ($290.75 million) each for Helsing and Stark Defence to supply loitering munitions. [16]

U.S. budget request: The FY2027 request includes $54 billion for a "Drone-Dominance Pool" (DAWG), including $14.5 billion for Counter-UXS. [17]

13– CSG: Growing long-term concerns. Deutsche Bank. July 2026
14 – RTX Corporation (NYSE:RTX) and the Defense Sector. Greenwich Research. July 2026
15 - This Week in Defense: NATO Summit Edition. PiperSandler Research. July 2026
16 - Global Unmanned Aerial Vehicles (UAV) Industry August 2026. GSBR Research. July 2026
17 - Defense Reindustrialization: The Investor Scorecard. CFRA Research. July 206

"We believe drones and counter-drone systems represent one of the most attractive structural growth areas within the defence sector. Rapid technological development, expanding procurement budgets and the need for more cost-effective protection are creating opportunities across the entire value chain, from sensors and electronic warfare to interceptors and directed-energy systems. Companies that can combine innovation with rapid, scalable production should be particularly well positioned."

-Martin Redgård, Portfolio Manager

MISSILE DEFENSE AND INTERCEPTORS

Throughout this report, we have highlighted the sustained pressure on interceptor inventories. Conflicts in Ukraine and the Middle East have depleted stockpiles faster than they can be replenished, exposing insufficient magazine depth across NATO and allied forces.

This is driving a shift from individual system purchases towards multi-year procurement, stockpile replenishment and investment in additional production capacity. NATO members are also rebuilding sovereign air-defence capabilities to counter a broader range of threats, including ballistic and cruise missiles, aircraft and increasingly sophisticated drone swarms.

A layered architecture will be essential. Scarce high-end interceptors must be reserved for the most complex threats, while lower-cost missiles, electronic warfare and directed-energy systems address less sophisticated targets. The resulting demand extends across the full value chain—from sensors and command-and-control systems to launchers, interceptors and critical components.

From requirements to funded programmes

Production expansion: NATO aims to quadruple annual PAC-3 MSE output to approximately 2,480 interceptors. [14]

Funded programmes: RTX secured a $5.1 billion contract for GEM-T interceptors for Ukraine, Poland and the U.S., while the UK committed $254 million to participate in the U.S. Army's Precision Strike Missile programme. [18]

U.S. budget request: The FY2027 request includes $13.96 billion for 3,203 PAC-3 MSE interceptors and $11.435 billion for 857 THAAD interceptors, representing a significant demand signal for the broader supply chain. [19]

European initiatives: Belgium and the Netherlands announced a $3.5 billion joint acquisition covering NASAMS launchers and Skyranger 30 systems. [15]

Credit: Lockheed Martin.

18 - A&D Weekly: NATO Summit's US Deals & Patriots for Ukraine, LMT/RTX Lead YTD FMS. Jefferies Research. July 2026
19 - Defense Reindustrialization: The Investor Scorecard. CFRA Research. July 2026

BATTLEFIELD CONNECTIVITY

Modern warfare has demonstrated that the effectiveness of drones, interceptors and other platforms increasingly depends on how quickly information can move from detection to decision and engagement.

From platforms to a system of systems

Battlefield connectivity is becoming the digital layer that links satellites, ISR sensors, tactical radios and electronic-warfare systems into a unified system of systems. This allows data collected by one platform to be shared across domains and used by the most appropriate decision-maker or weapon system.

NATO's planned Digital Backbone reflects this shift, aiming to provide secure connectivity and data transport across land, air, maritime, space and cyberspace. [20] The investment opportunity therefore extends beyond individual platforms to the networks that enable them to operate together.

Key capability requirements

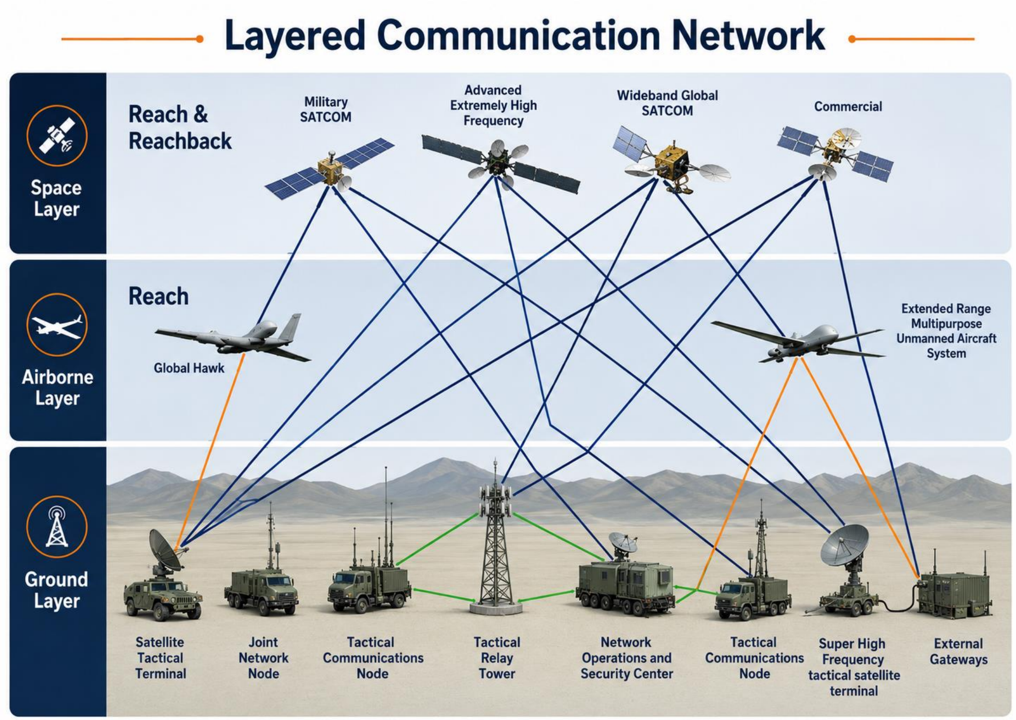
Resilient networks: Secure communications must remain operational under jamming, cyberattacks and physical disruption.

Software-defined warfare: Reprogrammable systems, updated threat libraries and real-time data sharing are becoming as important as the underlying hardware.

From strategy to execution

Space layer: Eight NATO allies launched HALO to connect sovereign satellites [15], while L3Harris received an approximately $850 million contract for 18 missile-tracking satellites.

Deployable command and control: Thales and Leonardo will deliver six deployable headquarters for NATO Special Operations Forces, forming the foundation of an integrated communications architecture built on secure, classified and resilient networks.



20 - NATO Digital Backbone. NATO. December 2024

SPACE AS THE NEW SECURITY LAYER

SpaceX's June IPO was a defining event for the listed space universe, bringing renewed investor attention to the sector. More importantly, recent conflicts have demonstrated that space-based surveillance, secure communications, navigation, targeting and missile warning are becoming integral to modern defence infrastructure.

Europe is responding with record investment. ESA member states committed €22.3 billion for 2026–2028, approximately 30% more than in the previous cycle, with Germany contributing €5.1 billion. [21] Recent awards include Thales Alenia Space's contract for two Sentinel-1 Next Generation satellites, while OHB remains exposed to several major European programmes.

Within this broader investment cycle, sovereign connectivity is emerging as a strategic priority. IRIS² will comprise approximately 290 satellites under a 12-year concession with the SpaceRISE consortium, providing resilient government and commercial connectivity. [22] It will complement GOVSATCOM, operational since January 2026, which pools existing satellite capacity for EU institutions and national authorities. [23]

For investors, the opportunity extends well beyond launch vehicles and SpaceX. We believe the more relevant theme is the broader ecosystem of companies providing secure connectivity, Earth observation, missile tracking and resilient space infrastructure. The Fund's listed holdings provide exposure across several parts of this expanding value chain.

Name	Return
AST SpaceMobile	19%
Avio	8%
OHB	143%
Ovzon	3%
Planet Labs	68%
RocketLab	44%

Source: FactSet. 2025-12-130 – 2026-06-30

Past performance does not predict future returns.

21 – 2025 Annual Report. OHB. June 2026
22 - Annual Management and Performance Report for the EU Budget. European Commission. June 2026
23 - GOVSATCOM in a nutshell. EU Space. August 2026

"Space has become a necessity in modern warfare. Satellites providing advanced ISR, layers of secure global connectivity, onboard processing and intersatellite links, together with new capabilities within the space domain itself, are enabling a system-of-systems approach connecting sensors, decision-making and weapons systems in near real time.
This development has only begun. Investment in military space capabilities is accelerating, the technology is increasingly mature, and demand will continue to grow for years to come across the broader space ecosystem."

-Stefan Gustafsson, Advisory Board

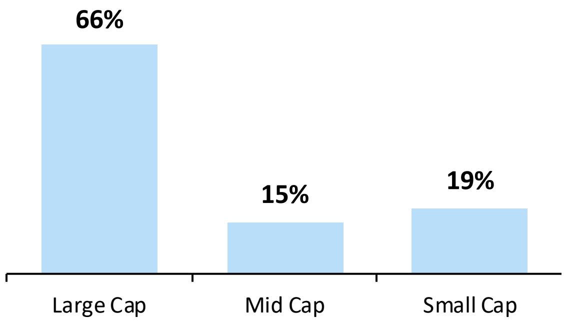
3.

The Portfolio

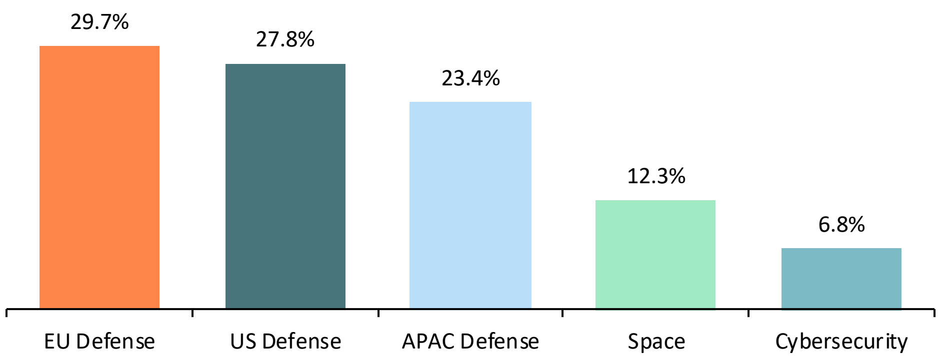
GLOBAL MULTI-CAP PORTFOLIO

A diversified portfolio of established leaders and high-growth innovators across North America, Europe, and Asia.

Market Cap Breakdown

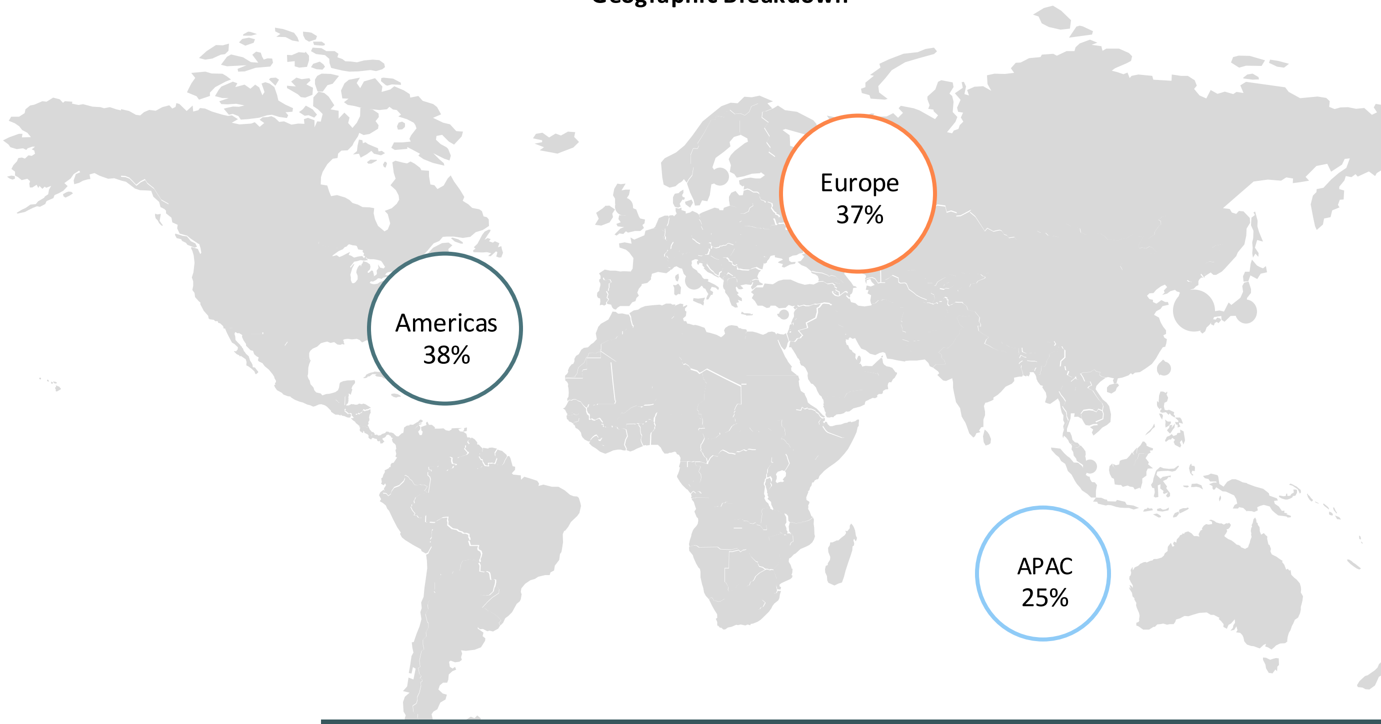


Sector Breakdown



Source: Finserve, 2026-06-30

Geographic Breakdown



"The Fund is designed to provide exposure to long-term structural growth in defence and security sectors, while also offering a differentiated return profile in periods of elevated geopolitical risk. We believe this requires active allocation across regions and sub-sectors, as security demand increasingly extends beyond traditional defence into space, cyber and critical infrastructure."

-Shayan Heidari, Portfolio Manager

PORTFOLIO BREAKDOWN

as of the end of June

EU Defense	29%
Rolls-Royce	3.8%
Kongsberg Gruppen	2.7%
Rheinmetall	2.6%
Indra	2.5%
Leonardo	2.4%
Saab	2.0%
Dassault Aviation	1.9%
Frequentis	1.8%
Exail Technologies	1.5%
Exosens	1.5%
Thales Group	1.0%
CSG	1.0%
BAE Systems	0.9%
Theon Sensors	0.9%
MilDef	0.9%
VINCORION	0.6%
RENK Group	0.6%
CeoTronics	0.3%

US Defense	27%
Howmet Aerospace Inc	3.8%
GE Aerospace	3.4%
Kraken Robotic	2.4%
RTX	2.3%
Moog Inc	2.0%
Carpenter Technology	1.5%
Northrop Grumman	1.4%
Ondas Inc	1.3%
Curtiss-Wright	1.3%
RBC BEARINGS	1.3%
Oceaneering International	1.3%
L3Harris Technologies	1.2%
Teledyne Tech	1.1%
General Dynamics	1.0%
Oshkosh Corporation	0.9%
Huntington Ingalls Ind.	0.7%

APAC Defense	23%
ST Engineering	3.7%
Hanwha Aerospace	2.5%
The Hanwha Ocean Co	2.2%
Oki Electric	1.8%
Korea Aerospace Ind.	1.7%
Kawasaki Heavy Industries	1.4%
Electro Optic Systems	1.3%
Hyundai Rotem	1.3%
Hanwha Systems	1.3%
ShinMaywa Industries	1.0%
Mitsubishi Heavy Industries	0.7%
ACSL Ltd.	0.7%
DroneShield	0.7%
Aerospace Industrial Development	0.6%
Air Asia	0.6%
CSBC	0.6%
Samsung Heavy Industries	0.5%
Kencoa Aerospace	0.2%

Space	12%
Avio S.p.A.	2.4%
Rocket Lab	2.3%
Planet Labs	2.2%
AST SpaceMobile	1.8%
NextNav	0.9%
Ovzon	0.8%
OHB SE	0.7%
Astroscale	0.6%

Cybersecurity	7%
Bittium Oyj	2.3%
Cisco	2.1%
Clavister	1.0%
CrowdStrike	0.8%
Wallix Group	0.4%

Source: Finserve, 2026-06-30

GLOBAL DEFENCE & SECURITY FUND

4.

Outlook

OUTLOOK 2026

Key Developments to Monitor

Active conflicts and replenishment demand:

Russian missile and drone attacks continue to expose shortages in air defence and interceptor production, while Ukraine's long-range strikes reshape battlefield requirements. We expect sustained demand for layered air defence, counter-drone systems, electronic warfare and stockpile replenishment.

The Middle East remains a major geopolitical and market risk. Negotiations over maritime access through the Strait of Hormuz could ease pressure on energy and shipping markets, while renewed escalation would reinforce demand for missile defence, naval security and critical-infrastructure protection. [24]

From spending commitments to execution

The Ankara Summit shifted the focus from budgets to delivery. NATO allies announced more than $50 billion of new procurements, committed to expanding manufacturing capacity and pledged €70 billion in military support for Ukraine in 2026, with at least equivalent levels expected in 2027. [25]

The 5% defence-investment framework remains the long-term demand anchor. During H2 2026, key indicators will include contract awards, production ramp-ups, delivery rates, backlog conversion and cash flow.

Integrated capabilities and sovereign infrastructure

Procurement is increasingly moving towards integrated systems that connect drones, sensors, space-based ISR, secure communications and effectors. Europe's Readiness Roadmap reinforces this direction through initiatives including the European Drone Defence Initiative, European Air Shield and European Space Shield. [26]

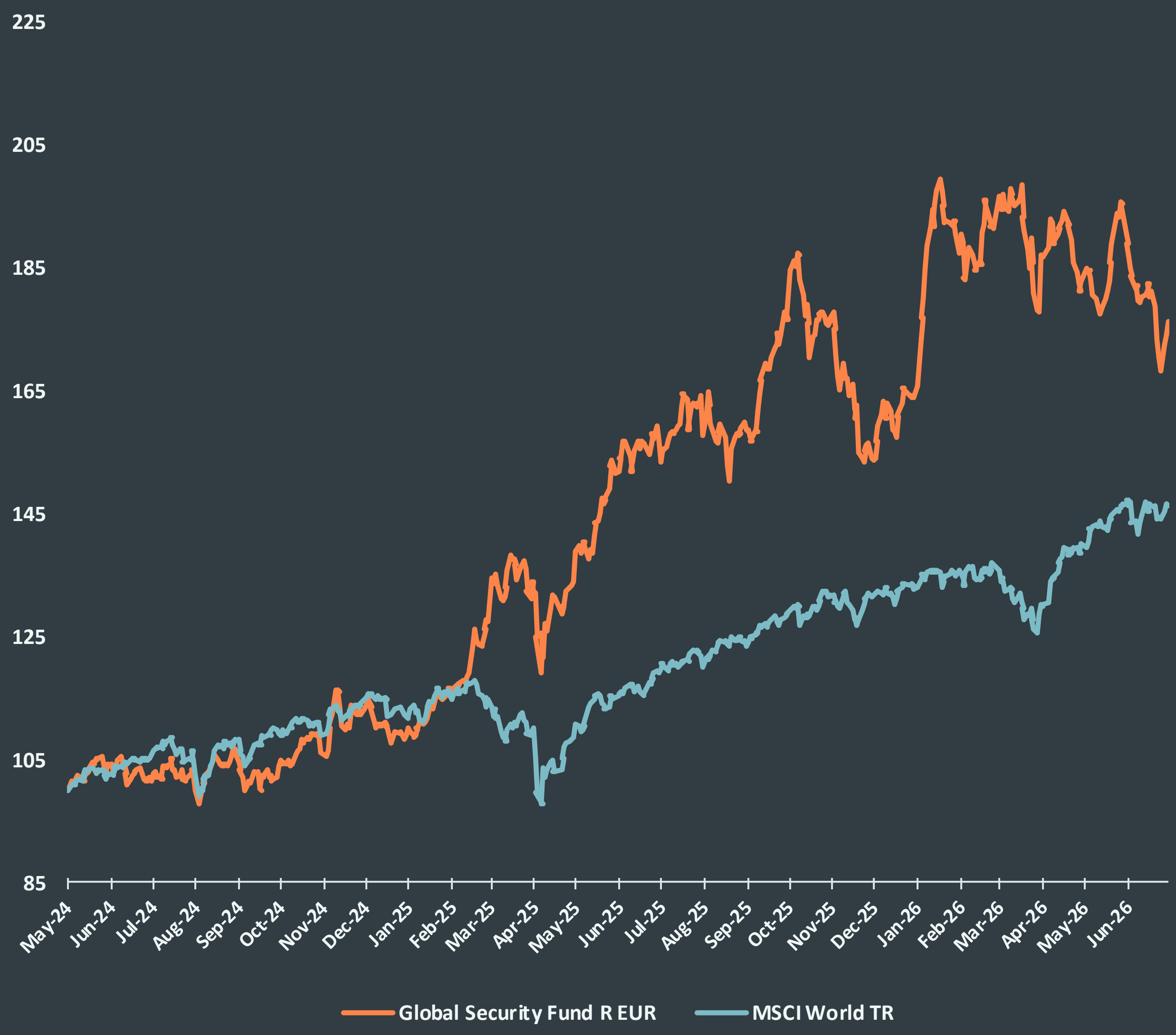
We believe the sector's structural outlook remains strong, but company performance will increasingly depend on execution, supply-chain resilience and cash conversion rather than announcements alone.

Credit: AFP

24 – Iran and the US say a Strait of Hormuz deal is close. AP News. August 2026
25 - The Ankara Summit Declaration. NATO. July 2026
26 - Preserving Peace - Defence Readiness Roadmap 2030. European Commission. October 2025

KEY DRIVERS OF THE DEFENCE INDUSTRY

Long-Term Structural Factors Shaping the Sector



The defence sector continues to be supported by a range of long-term structural factors that are reshaping the global security landscape.

U.S. policy under the Trump administration is influencing both the global security environment and international trade dynamics, with ripple effects across allied and non-aligned nations alike. This has contributed to the strengthening of existing alliances, as well as the emergence of new strategic partnerships.

Beyond traditional defence drivers, growth in the sector is also being fuelled by intensifying global competition in technology and trade, where leadership in areas such as AI, cyber, and space is becoming increasingly critical.

Finally, the perception of the defence sector is undergoing a notable shift among both private and institutional investors, who are increasingly recognising its strategic importance in a more fragmented and uncertain global environment.

Past performance does not predict future returns.

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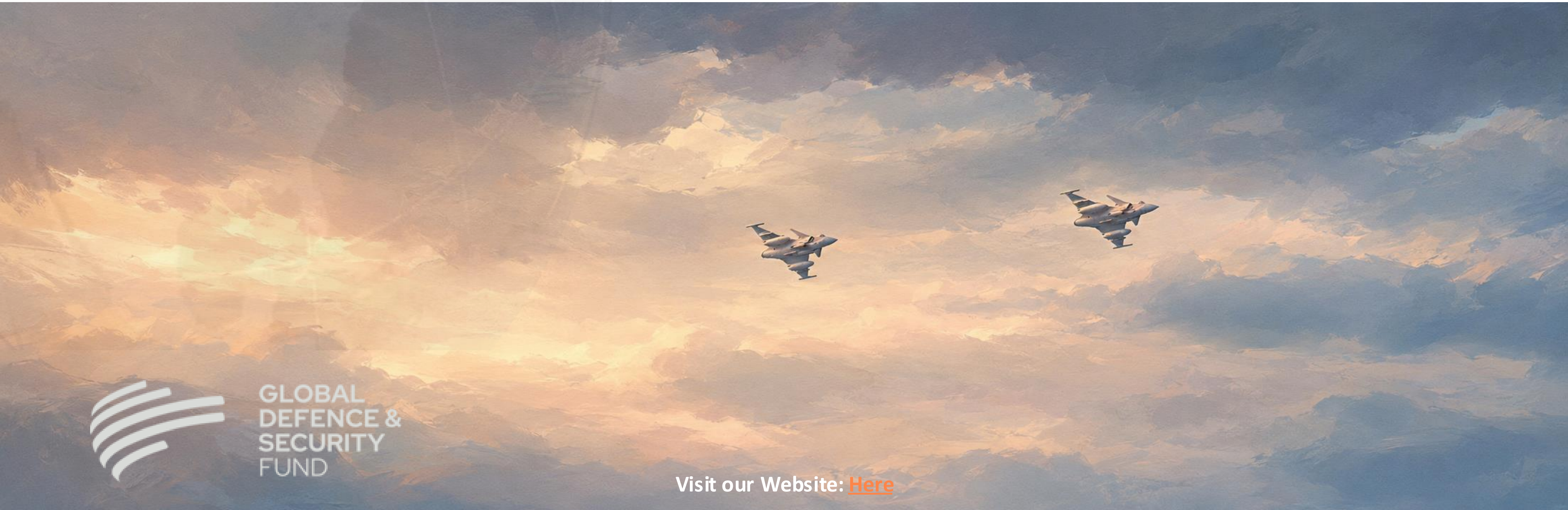

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