

The rise of ‘intelligent’ defence: cybersecurity and beyond

Published 6 May 2025

Samuel Rines

Macro Strategist, Model Portfolios

Aneeka Gupta

Director, Macroeconomic Research, WisdomTree Europe

Key Takeaways

- European defence is multifaceted, with cybersecurity now central to national security strategies.
- Companies like Thales and Leonardo are leading in digital defence, fuelling sector growth and ETF opportunities.
- The WisdomTree Europe Defence UCITS ETF (WDEF) offers concentrated exposure to Europe’s top defence innovators, benefiting from a targeted weighting strategy that prioritises high defence revenue.
- Related Products WisdomTree Europe Defence UCITS ETF - EUR Acc, WisdomTree STOXX Europe Aerospace & Defence 3x Daily Leveraged Find out more

Modern defence is complex and multifaceted. Cybersecurity, defence electronics, and next-generation systems are front and centre in Europe’s defence resurgence. This is a “critical megatrend” of Europe’s defence upgrade and one that is deeply intertwined with technological innovation.

Thales: Europe’s cyber-defence leader

For example, Thales SA, Europe’s largest defence electronics firm, has spent the past decade expanding into digital security and aerospace tech. Thales has quadrupled its cybersecurity revenues via acquisitions and now ranks among the global top five cyber providers¹. The company’s investments in encryption, cyber defence platforms, and satellite security give it a strategic edge as governments and corporations race to harden their networks. Thales expects 5–7% annual sales growth through 2028, topping €25 billion revenue², fuelled partly by cyber demand. Its diverse portfolio, from military avionics to digital identity solutions, illustrates the convergence of defence and IT.

BUILDING A GLOBAL TOP 5 CYBERSECURITY PLAYER WITH A COMPREHENSIVE RANGE OF PREMIUM PRODUCTS

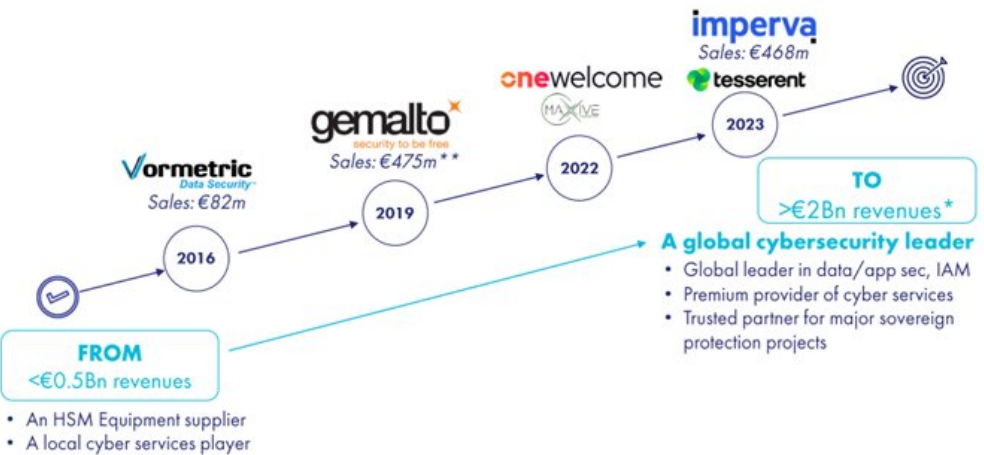
A CONSTANT STRATEGIC INTENT TO EXPAND INTO CYBERSECURITY

Revenues

x4 since 2016

More than
€2Bn in 2024*

A COMBINATION OF ORGANIC GROWTH AND SUCCESSFUL INTEGRATIONS



Note:
*Including Tesseract and Imperva, acquired in 2023.
**Gemalto Cyber activities.

THALES
Building a Future we can all trust

CEO PERSPECTIVE DEFENCE SPACE AVIONICS CYBER & DIGITAL FOCUS ON CYBERSECURITY 2028 FINANCIAL AMBITION

9

Leonardo SpA, Italy's defence champion (and the [WisdomTree Europe Defence UCITS ETF \(WDEF\)](#)'s second-largest weight), is known for helicopters and defence electronics. But Leonardo is "investing in digitalisation" and rapidly growing its cybersecurity division. The firm forecasts double-digit growth in cyber revenues over the next five years³. In October 2024, Leonardo's CEO outlined plans to acquire smaller cyber firms and boost orders in its Cyber & Security division. This focus reflects Leonardo's strategic evolution from a traditional aerospace manufacturer into a broader "Aerospace, Defence and Security" player.

Saab and Hensoldt: advancing electronic warfare

With Sweden and Finland joining NATO⁴, Saab's order backlog in areas like air defence and electronic warfare⁵ is poised to grow. The company's expertise in sensors and networked defence systems complements its traditional platforms, underscoring the fund's tilt toward innovation. Germany's Hensoldt AG is another. Spun off from Airbus in 2017, Hensoldt supplies high-end radar, surveillance, and electronic intelligence gear—the "eyes and ears" of modern militaries. Critically, it also develops secure communications and cyber protection for those sensor networks. Hensoldt's exposure to "new battlefield" domains like information superiority and cyber defence is critical to modern militaries.

Broader ecosystem of cyber-tech defence players

There are others too. Kongsberg Gruppen punches above its weight in defence tech. Kongsberg's ongoing projects in maritime cybersecurity and aerospace digitalisation ensure it remains at the vanguard of defence innovation. France's Safran SA and Britain's Rolls-Royce Holdings are deeply involved in next-gen defence research and development (like drone engines, high-efficiency sensors, and secure engine control software). Others—like QinetiQ Group (UK defence technology labs), Dassault Aviation (stealth

aircraft), Fincantieri (advanced naval vessels), IndraSistemas (Spain's cyber-defence and IT integrator), and Babcock International (defence services)—each contribute a piece to the advanced defence technology mosaic. In many ways, these firms capture the full spectrum of modern defence capabilities, with cybersecurity woven throughout.

Europe's rearmament is not a short-term movement but a strategic realignment. That long-term approach, coupled with macro tailwinds and innovation, bodes well for these companies.

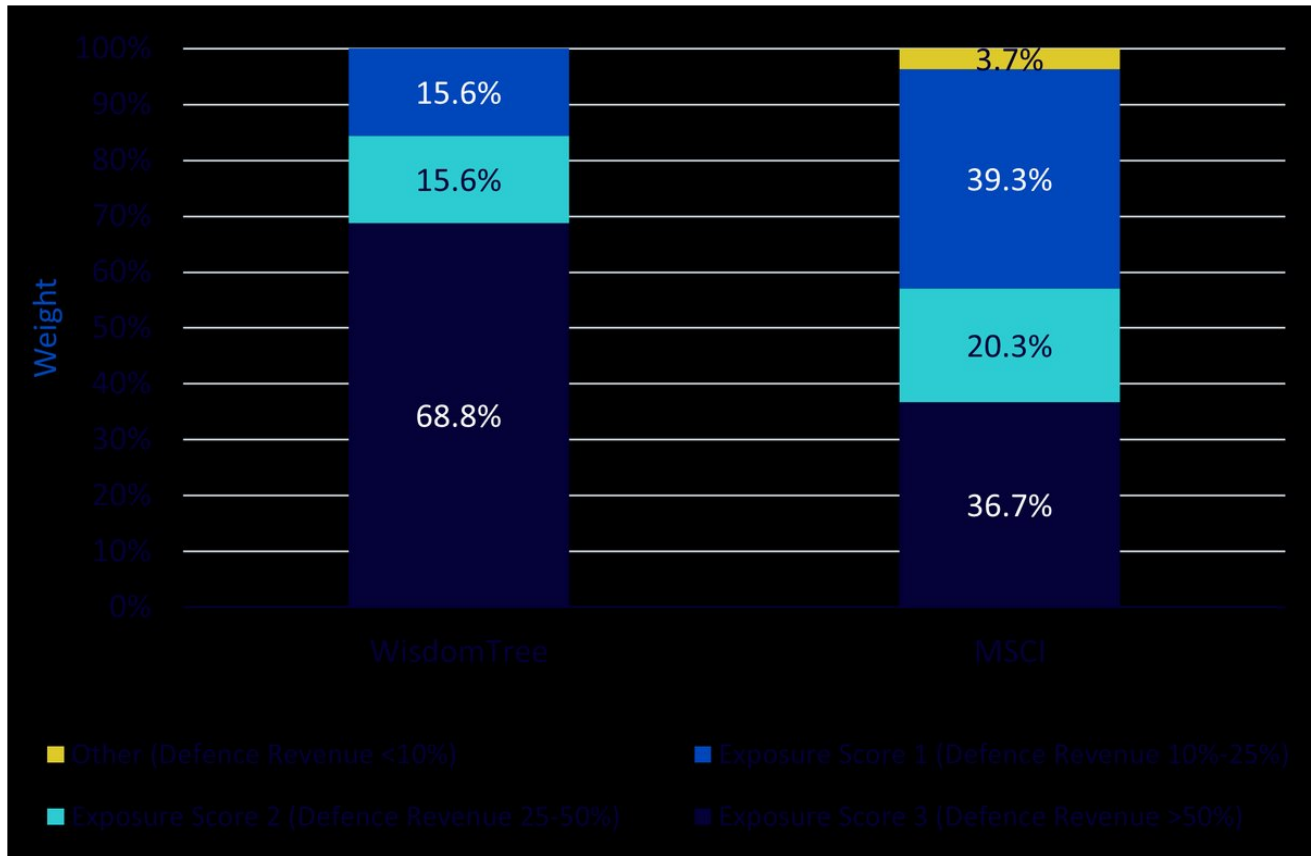
Exclusive focus on European defence with WisdomTree

Investors looking to capitalise on this strategic realignment in European defence, especially the fusion of traditional platforms with cyber and digital capabilities, can do so through the **WisdomTree Europe Defence UCITS ETF (WDEF)**. As the first exchange-traded fund (ETF) dedicated exclusively to European-listed defence companies, **WDEF** is uniquely positioned to benefit from the multi-decade rearmament cycle underway across the continent.

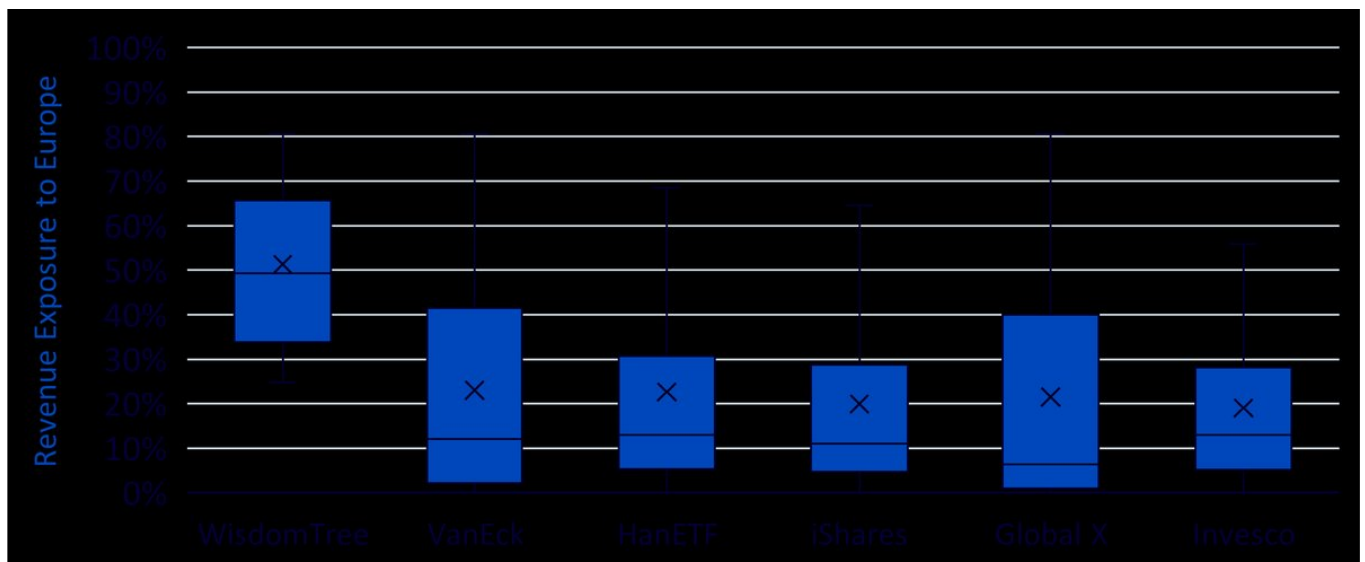
The **WisdomTree Europe Defence UCITS ETF (WDEF)** methodology targets companies with a revenue exposure to defence, giving investors undiluted access to pure-play names driving both hardware innovation and digital resilience. WDEF prioritises companies with a higher exposure to the defence industry by assigning an exposure score:

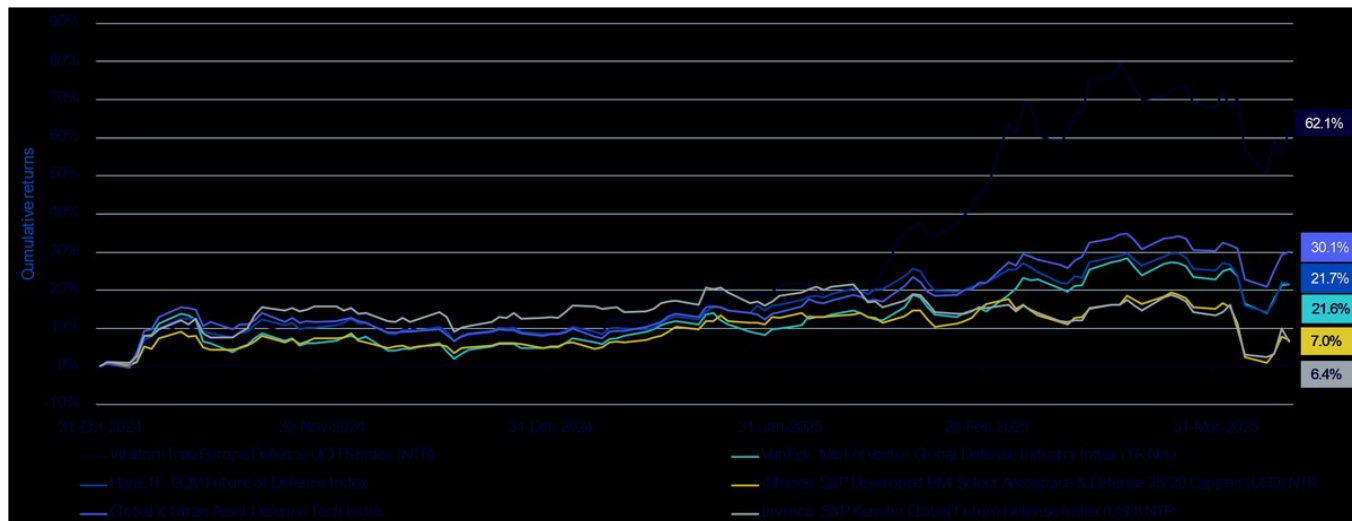
- **Exposure Score 3:** companies with > 50% exposure to defence activities
- **Exposure Score 2:** companies with 25% to 50% exposure to defence activities
- **Exposure Score 1:** companies with 10% to 25% exposure to defence activities

Companies will then be weighted by free-float market capitalisation adjusted by the Exposure Score. Unlike the MSCI Europe Aerospace and Defence Index which follows a market cap-weighted approach based on GICS classification, WisdomTree's differentiated approach of adjusting the free float market capitalisation by the exposure score, allows the portfolio to be tilted towards companies generating a higher revenue exposure from the defence sector. Currently, 68.8% of the WisdomTree Europe Defence UCITS Index is allocated to companies with > 50% defence revenue, compared to only 36.7% in the MSCI index⁶.



The **WisdomTree Europe Defence UCITS ETF (WDEF)** has around 50% median exposure to Europe, much higher than peers (around 12-15%)⁷. With a median US revenue exposure of around 20%, WisdomTree’s strategy is notably lower than the peer range of ~50-55%¹.





Conclusion

In an era where defence is increasingly localised and policy-driven, the **WisdomTree Europe Defence UCITS ETF (WDEF)** offers a timely, efficient, and forward-looking vehicle for exposure to the firms shaping Europe’s security future.

1 https://www.thalesgroup.com/sites/default/files/database/document/2024-11/CMD%202024%20-%20Presentation%20-%20Vfweb2_1.pdf

2 Ibid.

3 https://www.leonardo.com/documents/15646808/28608810/20250311_Leonardo+IndustrialPlan25-29_vSent.pdf?t=1741709587968 (slide 61).

4 NATO = The North Atlantic Treaty Organization, an intergovernmental transnational military alliance of 32 member states.

5 Electronic warfare involves using the electromagnetic spectrum to take control of/impede adversaries’ ability to use these signals (like radio, infrared or radar).

6 WisdomTree, Bloomberg, FactSet as of 31 March 2025.

7 WisdomTree, FactSet, as of 31 March 2025.

Important Risks Related to this Article

IMPORTANT INFORMATION

Marketing communications issued in the European Economic Area (“EEA”): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland. **Marketing communications issued in jurisdictions outside of the EEA:** This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority. WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request. This marketing communication has been prepared for professional investors, but the WisdomTree products set out in this document may be available in some jurisdictions to any investors, subject to applicable laws and regulations. As the product may not be authorised or its offering may be restricted in your jurisdiction, it is the responsibility of every person or entity to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction. Prior to any application investors are advised to take all necessary legal, regulatory, tax and investment advice on the suitability and consequences of an investment in the products. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment. An investment in exchange-traded products (“ETPs”) is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks. The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes. This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or

guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents. This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements. Product Comparison This document contains a comparison of financial products contained within the relevant prospectus and/or based on publicly available information, some of which has been prepared by third parties. While such sources are believed to be accurate as at their date of publication, WisdomTree does not warrant, guarantee or otherwise confirm the accuracy or correctness of any information contained herein and any information or opinions related to the products detailed herein may change over time. Any third parties used to source the information in this document make no warranties or claims of any kind

relating to such data. Investors should read the prospectus and other applicable offering documents for each product and consider the investment objectives, risks, charges and expenses carefully before investing. WisdomTree Issuer ICAV The products discussed in this document are issued by WisdomTree Issuer ICAV ("WT Issuer"). WT Issuer is an umbrella investment company with variable capital having segregated liability between its funds organised under the laws of Ireland as an Irish Collective Asset-management Vehicle and authorised by the Central Bank of Ireland ("CBI"). WT Issuer is organised as an Undertaking for Collective Investment in Transferable Securities ("UCITS") under the laws of Ireland and shall issue a separate class of shares ("Shares") representing each fund. The Fund is described in a Key Information Document (KID) or Key Investor Information Document (KIID) for UK investors, and the prospectus of WT Issuer ("WT Prospectus"). A copy of the WT Prospectus and the KID / KIID is available, for EEA/UK only, in English at www.wisdomtree.eu. Where required under national rules, the KID will also be available in the local language of the relevant EEA Member State. Investors should read the WT Prospectus before investing and should refer to the section of the WT Prospectus entitled »Risk Factors¼ for further details of risks associated with an investment in the Shares. The [summary of investor rights](#) associated with an investment in the fund is available in English on WisdomTree Europe¼s website. WisdomTree Management Limited may decide to terminate the arrangements made for the marketing of its collective investment undertakings. In such circumstances, shareholders in the affected EEA Member State will be notified of this decision and will be provided with the opportunity to redeem their shareholding in the fund free of any charges or deductions for at least 30 working days from the date of such notification. Notice to Investors in Switzerland – Qualified Investors This document constitutes an advertisement of the financial product(s) mentioned herein. The prospectus and the key investor information documents (KIID) are available from WisdomTree¼s website at <https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports> Some of the sub-funds referred to in this document may not have been registered with the Swiss

Financial Market Supervisory Authority (“FINMA”). In Switzerland, such sub-funds that have not been registered with FINMA shall be distributed exclusively to qualified investors, as defined in the Swiss Federal Act on Collective Investment Schemes or its implementing ordinance (each, as amended from time to time). The representative and paying agent of the sub-funds in Switzerland is Société Générale Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich, Switzerland. The prospectus, the key investor information documents (KIID), the articles of association and the annual and semi-annual reports of the sub-funds are available free of charge from the representative and paying agent. As regards distribution in Switzerland, the place of jurisdiction and performance is at the registered seat of the representative and paying agent.

For Investors in France: The information in this document is intended exclusively for professional investors (as defined under the MiFID) investing for their own account and this material may not in any way be distributed to the public. The distribution of the Prospectus and the offering, sale and delivery of Shares in other jurisdictions may be restricted by law. WT Issuer is a UCITS governed by Irish legislation, and approved by the Financial Regulatory as UCITS compliant with European regulations although may not have to comply with the same rules as those applicable to a similar product approved in France. The Fund has been registered for marketing in France by the Financial Markets Authority (Autorité des Marchés Financiers) and may be distributed to investors in France. Copies of all documents (i.e. the Prospectus, the Key Investor Information Document, any supplements or addenda thereto, the latest annual reports and the memorandum of incorporation and articles of association) are available in France, free of charge at the French centralizing agent, Societe Generale at 29, Boulevard Haussmann, 75009, Paris, France. Any subscription for Shares of the Fund will be made on the basis of the terms of the prospectus and any supplements or addenda thereto.

For Investors in Malta: This document does not constitute or form part of any offer or invitation to the public to subscribe for or purchase shares in the Fund and shall not be construed as such and no person other than the person to whom this document has been addressed or delivered shall be eligible to subscribe for or purchase shares in the Fund. Shares in the Fund will not in any event be marketed to the public in Malta without the prior authorisation of the Maltese Financial Services Authority.

For Investors in Monaco: This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.