# Healey’s move to the Treasury strengthens the case for UK defence

Published August 6, 2026

**Aneeka Gupta**
Director, Macroeconomic Research

## Key Takeaways

- Healey’s move to the Treasury puts a proven defence advocate in charge of the department that decides whether spending plans become funded reality.
- The Defence Investment Plan adds £15bn over four years, tilted towards the nuclear deterrent, munitions, drones and long-range strike.
- BAE Systems remains the anchor while Babcock, QinetiQ and Chemring map directly onto the plan’s priorities: readiness, test and evaluation, energetics and counter-drone capability.
- Fiscal rules remain the constraint. The autumn Budget will be the test of whether ambition becomes funded orders.

John Healey’s appointment to the Treasury matters because it brings a familiar defence advocate to the department that decides whether spending plans become funded reality. Healey was Defence Secretary until very recently, and his frustration with Treasury caution was well publicised. His message was simple. The UK needed to commit more resources to defend itself and meet its NATO commitments. That is now no longer a request from the outside. It is the view of the newly appointed Chancellor himself. He is arriving as someone who already understands the gap between strategic ambition and budget reality.

That shift is important for markets. Defence equities do not move on rhetoric alone. They move when budgets are credible, procurement is funded, and backlog turns into revenue. Healey’s appointment by the new Prime Minister, Andy Burnham, helped buoy UK defence stocks. Babcock International, which builds ships for the UK navy and helps manage the military's nuclear, air and vehicle assets rose 6.8%[1]. BAE Systems stock rose 3.3%, while engine maker Rolls-Royce climbed 1.9%. Defence technology group QinetiQ, which was spun out of the UK's Ministry of Defence in 2001, gained 4.1%[2]. It also matters for the WisdomTree Europe Defence UCITS ETF (Ticker: WDEF) because the UK is the second largest (25.5%) geographic allocation in the fund[3]. The exchange-traded fund is designed to tilt toward companies with higher defence revenue exposure, rather than simply toward large market capitalisation, so that policy changes supporting procurement can feed through more directly.

## Implications of the Defence Investment Plan

Healey's appointment comes at a time when the defence investment backdrop is already strong. NATO members are under pressure to spend more, Europe is scaling industrial capacity, and the defence order book across the sector remains firm. The July NATO summit in Ankara reinforced that European sovereign spending is accelerating, not reversing. It produced more than US$50bn in new contracts, a Patriot production licence for Ukraine and fresh momentum in European defence mergers and acquisitions (M&A).

For UK defence, the most important point is that Healey is not inventing a new theme. He is accelerating an existing one. The headline number is £15bn in extra funding, set against a reported £28bn shortfall in the defence budget. That is nearly £1bn more than the level John Healey resigned over on the 11 June.

**Figure 1: UK defence spending is set for a boost under Burnham**




Source: NATO, UK Government as of 30 July 2026. Please note: NATO-qualifying spending. 2027 onward shows UK forecasts for fiscal years ending March (2027 = FY2026-27). **Forecasts are not an indicator of future performance, and any investments are subject to risks and uncertainties.**

The UK government's Defence Investment Plan points to defence rising to 2.7% of gross domestic product (GDP) by the end of the decade, with almost £300bn of investment over the next four years and a clear tilt toward drones, air defence, long-range strike, munitions, submarines and procurement reform[4]. Of the new funding, £64bn is earmarked for nuclear deterrent, of which £47bn is directed towards submarines and upgrades at the naval bases in Faslane, Devonport and Portsmouth. Munitions and weapons should receive £11bn, including almost £6bn on conventional munitions. The plan reaffirms a commitment to build six new energetics facilities by 2030. Drones and autonomous weapons increase to £5bn, including funding towards an autonomous Navy built around the Common Combat Vessel programme. The Digital Targeting Web receives double its allocation to around £2bn.

## How the plan maps to WisdomTree Europe Defence's UK holdings

That is where the UK companies inside WisdomTree Europe Defence become especially relevant as they are now better aligned with a policy environment that is more supportive of spending.

- **BAE Systems is the anchor**. The company confirmed it had made a strong start to the year, kept full-year guidance unchanged, and still expects sales growth of 7%-9%, underlying earnings before interest and tax (EBIT) growth of 9%-11%, and underlying earnings per share (EPS) growth of 9%-11%[5].It is WisdomTree Europe Defence's most heavily weighted holding at 12.5% and the largest pure-play European defence business in the fund[6]. It spans combat air, naval shipbuilding, land systems and C4ISR. The Type 26 frigate programme and the F-35 production ramp continue to provide multi-year revenue visibility. In a Healey-led environment, BAE appears well-positioned, should spending priorities develop as currently envisaged. The company is also supported by a broad international footprint, which makes it less dependent on one budget cycle while still giving it strong UK leverage.
- **Rolls-Royce is less of a pure defence prime, but it is still one of the most important UK defence names**. Its annual report says Defence order intake was £5.5bn in 2025, with a backlog of £17.4bn, equivalent to more than three years of revenue and around 90% cover for 2026. It is WisdomTree Europe Defence's 6th largest holding at 8.14%[7]. The business supports transport, combat, submarines, naval and helicopter markets, and it does so through propulsion and power rather than weapons. Its April 2026 update kept guidance at £4.0-4.2bn of underlying operating profit and £3.6bn of free cash flow[8]. That gives Healey a useful lever. If the UK pushes harder on submarines, sovereign engine capability, and future combat-air programmes, Rolls-Royce could benefit from increased investment in these areas.
- **Babcock is a different sort of defence stock**. It is not a weapons business. It is a readiness, support and engineering business. That makes it highly relevant to any Treasury that wants to move from aspiration to execution. Babcock's FY26 results showed revenue of about £5.2bn, margin above 8%, and re-confirmed medium-term guidance, but the Type 31 contract charge reminded investors that execution still matters. The company said FY27 should deliver another year of good progress, with around 70% revenue cover[9]. In a Healey framework, Babcock matters because higher defence spending is not just about equipment buys. Babcock's activities are aligned with the government's continued commitment to nuclear deterrence and AUKUS-related infrastructure.
- **QinetiQ** is another name that should benefit if the Treasury becomes more defence-friendly. The company's FY26 update pointed to record order intake, a £4.8bn backlog, 11.3% underlying operating margin, and FY27 guidance for revenue growth of 3%-5% with an operating margin of 11.0%. Crucially, the business is aligned to the less visible but increasingly important part of defence modernisation, namely test and evaluation, training, digital capability, autonomy, counter-drone systems and directed energy.

- **Chemring gives a different angle again**. Its H1 2026 interim results showed revenue up 6.5%, a record £1.4bn order book, and 91% of expected FY26 revenue already delivered or in the order book[10]. The company is also investing heavily in energetics capacity, which is exactly the sort of industrial bottleneck a more active Treasury may want to support.

The smaller UK names within WisdomTree Europe Defence matter too. Cohort offers exposure to sonar, communications, cyber and electronic warfare. Senior provides specialist aerospace components. Goodwin brings niche but strategic manufacturing capability linked to submarines, frigates and US naval programmes. Melrose, through GKN Aerospace, provides component exposure to military aircraft. These are not the headline drivers of the sector, but they matter because defence is as much about supply chains and specialist parts as it is about primes and ministerial announcements.

## Conclusion

Healey's move could strengthen the credibility of the UK defence story at exactly the right time. The WisdomTree Europe Defence UCITS ETF is positioned to benefit because it has a high weight in UK defence stocks, and those names are now better aligned with a policy environment that is more supportive of spending, procurement and industrial capacity. Add that to the structural NATO backdrop, the strong earnings runway and the more attractive valuation set-up, and the case for defence looks better than it did only a few months ago.

While the policy backdrop appears increasingly supportive, defence spending remains subject to government fiscal priorities, procurement timing and political decisions. Announced spending plans may change, and companies' future financial performance will depend on successful contract execution as well as broader market conditions.

[1] Source: Bloomberg as of 20 July 2026.
[2] Source: Bloomberg as of 20 July 2026.
[3] Source: FactSet, WisdomTree as of 28 July 2026.
[4] Source: The House of Commons Library as of 30 June 2026
[5] Source: BAE Systems May 2026 trading update
[6] Source: FactSet, WisdomTree as of 28 July 2026
[7] Source: FactSet, WisdomTree as of 28 July 2026.
[8] Source: Rolls Royce, April 2026 trading update.
[9] Source: Babcock as of 1 April 2026.
[10] Source: Chemring as of 2 June 2026.

## 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 injurisdictions 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 is intended for all investors; however, the WisdomTree products described in this document and related materials may be restricted in certain jurisdictions and may only be available to particular categories of investors in accordance with applicable laws and regulations. Where a product is not authorised or its distribution is restricted in your jurisdiction, it is the responsibility of any person or entity in possession of this information to inform themselves of, and comply with, all relevant restrictions. Before making any investment, investors should seek appropriate legal, regulatory, tax and investment advice to assess the suitability and implications of investing in these products. Information about WisdomTree products is available at wisdomtree.eu. WisdomTree does not offer investment advice tailored to individual circumstances. 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. 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.

**WisdomTree Issuer ICAV**

Certain funds referred to in this document are issued by WisdomTree Issuer ICAV (“WT Issuer”). WT Issuer is an open-ended, umbrella-type Irish Collective Asset-management Vehicle with segregated liability between sub-funds and is authorised by the Central Bank of Ireland (“CBI”) as an Undertaking for Collective Investment in Transferable Securities (“UCITS”) under Irish law. Each fund is represented by a separate class of shares (the “Shares”) issued by WT Issuer.

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 Factors’ 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 Europe’s 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.

**For Investors in Switzerland:**

This document/constitutes/an advertisement of the financial product(s) mentioned/herein.

The prospectus (in English only) and the key investor information documents (KID) (in German, French and Italian) are available from WisdomTree's website: https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports

**For WisdomTree UCITS products only:** the representative and paying agent of the ETPs 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. 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 may only be available to Qualified Investors.

**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.

**For Investors in Israel:** Offering materials for the offering of the Shares and securities have not been filed with or approved or disapproved by the United States Securities and Exchange Commission or any

other state or federal regulatory authority, nor has any such regulatory authority passed upon or endorsed the merits of this offering or passed upon the accuracy or completeness of any offering materials. Any representation to the contrary is unlawful. The products mentioned herein have not been approved by the Israel Securities Authority and will only be distributed to Israeli residents in a manner that will not constitute “an offer to the public” under sections 15 and 15a of the Israel Securities Law, 5728-1968 (“the Securities Law”) or section 25 of the Joint Investment Trusts Law, 5754-1994 (“the Joint Investment Trusts Law “), as applicable. The products are being offered to a limited number of investors (35 investors or fewer during any given 12 month period) and/or those categories of investors listed in the First Addendum (“the Addendum”) to the Securities Law, “Sophisticated Investors”) who in each case have provided written confirmation that they qualify as Sophisticated Investors, and that they are aware of the consequences of such designation and agree thereto; in all cases under circumstances that will fall within the private placement or other exemptions of the Joint Investment Trusts Law, the Securities Law and any applicable guidelines, pronouncements or rulings issued from time to time by the Israel Securities Authority.

This prospectus or this document may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Any offeree who purchases a product is purchasing such product for its own benefit and account and not with the aim or intention of distributing or offering such product to other parties (other than, in the case of an offeree which is a Sophisticated Investor by virtue of it being a banking corporation, portfolio manager or member of the Tel-Aviv Stock Exchange, as defined in the Addendum, where such offeree is purchasing a product for another party which is a Sophisticated Investor).

Nothing in this document should be considered investment advice or investment marketing as defined in the Regulation of Investment Counselling, Investment Marketing and Portfolio Management Law, 5755-1995. Investors are encouraged to seek competent investment counselling from a locally licensed investment counsel prior to making the investment. A recipient of this document may be required to provide confirmation that it is a Sophisticated Investor purchasing a product for its own account or, where applicable, for other Sophisticated Investors.