

# Forging Europe's defence future: industry steps up

Published 8 April 2025

**Aneeka Gupta**

Director, Macroeconomic Research, WisdomTree Europe

## Key Takeaways

- Historically dependent on US defence contractors, Europe is now emphasising domestic production to enhance strategic autonomy.
- European companies across various sectors are pivoting toward defence manufacturing.
- European defence companies are investing in cutting-edge technologies, including autonomous systems, cybersecurity, and quantum technologies.
- Related Products WisdomTree STOXX Europe Aerospace & Defence 3x Daily Leveraged, WisdomTree Europe Defence UCITS ETF - EUR Acc Find out more

Europe is undergoing one of the most significant shifts in its post-war industrial history. What began as a response to external threats has rapidly evolved into a wholesale transformation of its defence ecosystem. At the centre of this transformation is the emergence of a strategic doctrine focused on self-reliance, industrial resurgence, and capital mobilisation, with European defence companies set to be the primary beneficiaries.

## A shift in defence capital flows: from America to Europe

Historically, much of Europe's defence procurement has flowed to US defence primes, driven by legacy transatlantic alliances and capability gaps. That era is fading. With geopolitical realities hardening and US commitment to NATO increasingly questioned, Europe is moving decisively to rebuild its own defence capabilities. The EU's ReArm Europe plan, NATO's evolving spending guidelines (pushing toward 3% of GDP), and the European Defence Industrial Strategy (EDIS) are all working in tandem to ensure future procurement prioritises European-built systems.

This policy shift is reshaping capital flows. It's no longer just about budgets, it's about where that money is spent. And, increasingly, the answer is "at home."

## An industrial base ready to pivot

Europe's greatest strength lies in its diversified industrial base. The continent is now leveraging this to build sovereign defence capacity:

- Volkswagen has explored partnerships with Rheinmetall to potentially convert automotive plants for military logistics vehicle production.
- Airbus, already a leader in civil aerospace, is expanding its military aircraft and satellite systems footprint.
- Siemens and Rolls-Royce are redeploying engineering and propulsion expertise into naval and space defence platforms.
- Einride, a Swedish autonomous trucking company, is reportedly in talks to deploy its driverless logistics technology in military use cases, showing how dual-use technology is creating new defence verticals.

This convergence of automotive, aerospace, artificial intelligence (AI), and industrial engineering into the defence sector is accelerating the EU's rearmament drive and providing a fertile landscape for investors.

## A technological leap forward

European defence companies are now at the forefront of global innovation, supported by rising budgets and strategic partnerships. One of the most transformative areas of progress has been in autonomous systems. Unmanned aerial vehicles (UAVs), ground vehicles (UGVs), and naval drones are rapidly being adopted for logistics, surveillance, and frontline operations. Companies like Rheinmetall and Leonardo are leading the way in deploying AI-powered platforms capable of autonomous navigation and swarm coordination—tactical capabilities shaped by battlefield dynamics in Ukraine.

Cybersecurity and digital transformation are also taking centre stage. Firms such as BAE Systems and Indra Sistemas are spearheading investments in next-generation military cyber resilience. Their innovations include digital twins, AI-human dialogue systems, and secure multi-platform information distribution—all critical for mission readiness.

Space and quantum technologies are being woven into European defence strategy. Airbus is enhancing satellite constellations for secure communications and early warning, while Thales is advancing quantum encryption systems. EU-backed collaboration with Ukraine and Turkey is also driving development in these domains.

Dual-use technologies have emerged as another pillar of innovation. From autonomous logistics to energy resilience systems, companies are pursuing technologies that can serve both military and civilian markets, increasing cost-efficiency and scalability.

In the field of advanced materials and propulsion, firms like Rheinmetall, Saab, and Hensoldt are investing in nanotechnology, biomaterials, and hypersonic propulsion to create next-gen precision weaponry and armoured systems. These innovations are key to maintaining battlefield superiority over the next decade.

## Germany: engineering at the core of strategic autonomy

Germany's defence tech resurgence is central to Europe's rearmament narrative:

- Rheinmetall is delivering the Panther KF51 tank and Skyraider air defence system while converting automotive plants into defence hubs.
- Hensoldt is scaling radar and electronic warfare systems, incorporating AI into battlefield sensors.
- ISAR Aerospace and Rohde & Schwarz are enabling satellite deployment and secure communications, key for integrated C4ISR.
- Quantum-Systems and others are producing tactical drones with real-time data capabilities.

Germany's industrial precision and engineering scale are helping overcome Europe's historic underinvestment in defence production and technology.

## Capital markets meet industrial strategy

For years, European defence firms have suffered from a lack of private capital due to ESG2 exclusions and fragmented policy frameworks. That is changing. The European Investment Fund's Defence Equity Facility, coupled with the European Defence Fund and the EU's capital markets union ambitions, is unlocking new investment channels for defence innovation and scale. As defence transitions from political afterthought to strategic imperative, capital allocation is set to follow.

## Capturing the European defence sector opportunity with WisdomTree

In response to the accelerated push for European defence autonomy, WisdomTree is providing investors with investment opportunities to capitalise on the growth potential of European defence stocks via the:

1. [WisdomTree Europe Defence UCITS ETF \(WDEF\)](#) invests in European listed companies only that are involved in the European defence industry (which includes manufacturers of civil defence equipment, parts or products, defence electronics and space defence equipment). The exchange-traded fund (ETF) includes at least 20 European companies (currently 243), each generating at least 10% of their revenue from defence—including industry leaders like Rheinmetall, BAE Systems, Leonardo, Thales, Saab, and Airbus. Two-thirds of the portfolio consists of European defence companies generating more than 50% of revenue from defence, significantly more than traditional benchmarks. At a time when investors are actively seeking exposure to Europe's decade long rearmament cycle, WisdomTree is offering a unique and differentiated way to invest in this historic defence resurgence.

2. [WisdomTree STOXX Europe Aerospace & Defence 3x Daily Leveraged ETP \(3EDF\)](#) is a fully collateralised, UCITS eligible exchange-traded product (ETP) designed to provide investors with a leveraged exposure to the STOXX® Europe Total Market Aerospace & Defense Index. The ETP provides a total return comprised of 3 times the daily performance of the STOXX Europe Total Market Aerospace & Defense Net Total Return Index (SXRARO), adjusted to reflect fees and costs inherent to maintaining a leveraged position in stocks. The STOXX® Europe Total Market Aerospace & Defense Index tracks the performance of European companies primarily engaged in the aerospace and defence sectors. It provides a comprehensive representation of this industry by including firms whose main revenue sources are tied to aerospace and defence activities. The index is part of the STOXX sector indices, which classify companies using the Industry Classification Benchmark (ICB) for accurate categorisation.

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

2 Environmental, Social, Governance.

3 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.

### **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](http://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 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.

## **WisdomTree Multi Asset Issuer PLC**

WisdomTree Multi Asset Issuer PLC (the “Issuer”) issues products under a Prospectus (“WTMA Prospectus”) approved by the Central Bank of Ireland, drawn up in accordance with the Directive 2003/71/EC. The WTMA Prospectus has been passported to various European jurisdictions including the UK, Italy and Germany and is available on this document.

WisdomTree Multi Asset Issuer PLC Exchange Traded Products (“ETPs”) are suitable for financially sophisticated investors who wish to take a short-term view on the underlying indices and can understand the risks of investing in products offering daily leveraged or daily short exposures.

ETPs offering daily leveraged or daily short exposures (“Leveraged ETPs”) are products which feature specific risks that prospective investors should understand before investing in them. Higher volatility of the underlying indices and holding periods longer than a day may have an adverse impact on the performance of Leveraged ETPs. As such, Leveraged ETPs are intended for financially sophisticated investors who wish to take a short-term view on the underlying indices and understand such risks. As a consequence, WisdomTree is not promoting or marketing WisdomTree Multi Asset Issuer PLC ETPs to retail clients. Investors should refer to the section entitled “Risk Factors” and “Economic Overview of the ETP Securities” in the WTMA Prospectus for further details of these and other risks associated with an investment in Leveraged ETPs and consult their financial advisors as needed. Neither WisdomTree, nor the Issuer has assessed the suitability of any Leveraged ETPs for investors other than the relevant Authorised Participants.

## **WisdomTree STOXX Europe Aerospace & Defence 3x Daily Leveraged**

The STOXX Europe Total Market Aerospace & Defense Net Total Return (the “Index”) is the intellectual property (including registered trademarks) of STOXX Ltd., ISS STOXX Index GmbH, or their licensors, and is used under license. WisdomTree STOXX Europe Aerospace & Defence 3x Daily Leveraged is neither sponsored nor promoted, distributed or in any other manner supported by STOXX Ltd., ISS STOXX Index GmbH or their licensors, research partners or data providers and STOXX Ltd., ISS STOXX Index GmbH and their licensors, research partners or data providers do not give any warranty, and exclude any liability (whether in negligence or otherwise) with respect thereto generally or specifically in relation to any errors, omissions or interruptions in the Index or its data.

## **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 WisdomTree’s website: <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.