EUROPE
A PERSPECTIVE TO REINVENT

SPECIAL EDITION

EUROPEAN INVESTOR SUMMIT 2025

SOCIETE GENERALE
Securities Services

EUROPE, A PERSPECTIVE TO REINVENT

Dear Attendees,

Welcome to this new edition of the European Investor Summit (EIS), a gathering that has become, over the years, a key "rendez-vous" for those shaping the future of investment in Europe. As with the previous editions, this event is a privileged moment to take a step back, connect with peers and reflect on the forces shaping our industry.

Today's news puts forward an exceptional sum of challenges we have to deal with collectively. We are living through a period of continuous transformation. Economic, technological and geopolitical shifts are testing established models and calling for renewed clarity. Europe, in particular, is facing an urgent need to strengthen its resilience, reinforce its attractiveness and assert its sovereignty on the global stage.

While the United States is redefining its industrial and energy priorities through massive public investment, and sometimes moving away from ESG criteria, Europe must chart its own course. For investors, this means rethinking long-term strategies — from how we integrate sustainability to how we channel capital into vital infrastructures and collective security.

In times of uncertainty, perspective becomes a strategic asset. It allows us to see beyond immediate volatility and to focus on what truly matters: building robust frameworks for the future while remaining agile and open to change.

This year, the Summit will deep-dive into Europe's attractiveness and explore how European Investors can together redefine Europe's investment priorities in a world where geopolitical shocks and economic realignments are becoming the new normal.

This Summit is an opportunity to listen, exchange and think ahead — together. I am grateful for your presence and your continued engagement, and I hope the insights shared during this EIS will enrich your reflections and guide your decisions.

As always, I am honoured by the presence of our distinguished speakers and the high-quality debates they will fuel. Your contributions, as always, bring this Summit to life, and I thank you warmly for your engagement.

We hope that the perspectives shared during this event will inspire new paths and bold decisions.

Enjoy the read – and the dialogue.

GILDAS LE TREUT
Co-Head of Coverage, Marketing & Solutions
Societe Generale Securities Services

CONTENT

IN COLLABORATION WITH euroclear

WHICH WAY NEXT?

ARNAUD JACQUEMIN
Head of SGSS
Societe Generale Securities Services

Which way next? This simple question is an appropriate starting point for the sixth edition of the Societe Generale Securities Services (SGSS) European Investor Summit.

What stands out today is the unprecedented level of uncertainty the industry is facing, the wide range of possible outcomes, and the depth of the ongoing transitions. An increasing number of armed conflicts, growing political polarisation and tensions in Western democracies, profound changes in geopolitical and macroeconomic equilibriums, the rapid advancement of high-potential technologies, and the acceleration of climate change… are all part of the long list of challenges and developments that will be shaping our business environment in the coming years.

In this context, the investment industry has demonstrated its ability to adapt and fully play its vital role in the financing of European economies so far. Here is how.

First, the investment community has demonstrated a real capacity to support the **emergence of new asset classes** - such as private markets and crypto assets - that offer enhanced performance and diversification for investors. It has also played a key role in promoting the emergence of sustainable investments and driving financing towards strategic sectors, including infrastructure and technology, and now the defence industry.

Second, leveraging the **technological potential resulting from AI and DLT/tokenisation** is creating many, sometimes disruptive, opportunities in investment management process, product and service evolutions.

Lastly, the high level of resilience demonstrated by the investment community and their service providers over the past few years - despite the financial impacts of public health concerns and the growing political and economic challenges - has **preserved the confidence of investors in our industry and represented a beacon of stability** in economies globally.

At SGSS, we have proudly played our part and placed those key shifts at the heart of our strategy.

With an organisation dedicated to alternative investment vehicles built in the very early 2000s, SGSS was a pioneer in the provision of solutions to private market funds.

Thanks to Societe Generale group's early involvement in ETFs in Europe, SGSS also developed an extensive product range offer for ETF issuers which continues to support key players in the market today.

Having also invested long-term in the management of digital assets – Societe Generale Forge was the first service provider for digital assets licensed by the French regulator – and by participating in experiments with central bank digital money, Societe Generale group is a major player in the deployment of blockchain in Europe, and SGSS acts as custodian for funds investing in these new asset classes.

Today, more than ever, SGSS and the entire Societe Generale group are fully committed to working with the investment community in tackling current challenges and enabling it to fulfil its vital role in financing the economy. Our mission is indeed to support you with our expertise, level of service, unwavering commitment. We take pride in the enduring relationships of trust we build with our clients, particularly in challenging times.

By fostering insightful dialogue and informal discussions amongst community members, I am convinced that this sixth edition of the European Investor Summit will contribute to finding appropriate answers to current challenges, as well as identifying new business opportunities.

Which way next? Forward, of course.

OPTIMISING POST-TRADE INFRASTRUCTURE TO SUPPORT THE SAVINGS AND INVESTMENTS UNION

SEBASTIEN DANLOY
Chief Business Officer
Euroclear

Europe's financial markets remain divided by post-trade fragmentation. At Euroclear, we believe that an optimal market structure should provide seamless connectivity across the member states. It should support rather than stifle local infrastructure while also promoting innovation and supporting financial stability.

It is only through openness, fair competition and the facilitation of scale and synergies that Europe can optimise its post-trading infrastructure to support the Savings and Investments Union (SIU).

This is why we are working to deliver a harmonised, open-access model that connects all 27 EU markets – across equities, bonds, ETFs and funds – through a single-entry point.

BUILDING EFFECTIVE CONNECTIONS

It's fair to say that the post-trade environment in Europe still reflects its national history, with multiple CSDs (Central Securities Depository) and siloed infrastructure contributing to some inefficient processes and higher costs, which, in turn, can slow down execution and discourage cross-border retail participation.

We should not, however, forget that the European model of open access has fostered numerous integration initiatives and pan-European solutions that have led to the optimisation of liquidity and collateral across asset classes while successfully supporting healthy competition – an example being our very own Collateral Highway®. And because this open access approach has demonstrated its value, we are building a harmonised, horizontal infrastructure that provides all market participants with access to every EU market and asset class through a single connection. A model that is designed to be open and neutral and encourage competition on a level playing field.

EXPERIENCE BREEDS EXCELLENCE

We may not have a magic bullet that will solve all the problems that market participants face. But we do have experience – lots of it. We have successfully integrated at scale before and know what it takes to make it work.

The ESES platform, Europe's largest group of domestic central securities depositories, brings together Euroclear Belgium, Euroclear France and Euroclear Nederland on a single settlement engine. Clients manage a single account across those markets under harmonised rules and practices. The net result? A massive reduction in cross-border complexity, cost and duplication.

Today, we are working on scaling that model across the EU. We aim to connect Euroclear Bank to T2S by the end of 2026 – creating a one-stop solution that allows investors in EU securities to access all 27 markets and all asset classes. These goals align directly with the European Commission's SIU vision and encourage efficient capital flows across borders.

OPEN ACCESS. FAIR PARTICIPATION.

The effective application of open access and fair competition principles among settlement, clearing and trading infrastructures is fundamental to supporting user choice, competition and the smooth functioning of markets.

Euroclear's horizontal model is designed for competition, not concentration. We keep the infrastructure open so everyone – exchanges, CCPs (Central Counterparties), new market entrants – can connect on equal terms.

I believe in infrastructure that amplifies choice rather than limits it. Participants should compete where it matters: on quality of service, innovation and product design.

INNOVATING FOR THE FUTURE

We have a duty to innovate and provide solutions to the challenges of an evolving marketplace – which is why we aim to bring advanced analytics and predictive insights into the post-trade space through our collaboration with Microsoft.

Clients need visibility, predictability and the ability to act quickly. Innovative solutions, such as our new settlement efficiency platform – Euroclear EasyFocus®+, provide just that. EasyFocus+ gives clients a single, consolidated view of all their Euroclear settlement instructions across markets. It flags risks, highlights exceptions and helps resolve settlement issues before they occur. Clients save time, improve performance and avoid unnecessary penalties.

EUROPE'S POST-TRADE ENGINE

Harmonising Europe's financial plumbing can reduce hidden costs, improve transparency and expand access. We believe that a truly connected post-trade environment is foundational to Europe's economic competitiveness and financial inclusion.

It's vital that future models respect legal diversity, welcome competition and put users first.

Europe's financial system has a powerful engine ready to run. Our job is to connect it, fuel it and ensure it serves every market participant – large or small – with the reliability, security, optionality and simplicity they deserve.

THE RENAISSANCE OF EUROPE: NAVIGATING GLOBAL REBALANCING IN THE 21ST CENTURY

ANTONIO CAVARERO
Head of Investment
Generali Asset Management

EUROPE AT A CROSSROADS

"Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity." (Robert Schuman).

Europe today stands at a pivotal moment in its post-war history. The continent that once dominated global trade and innovation now faces an era of profound geopolitical rebalancing that presents both unprecedented challenges and remarkable opportunities. The traditional pillars of European prosperity – cheap Russian energy, unfettered access to Chinese markets and American security guarantees – have fundamentally shifted. This new reality demands what can only be described as a European renaissance: a comprehensive transformation of the continent's economic model to reclaim its position as a global leader. **The sooner Europeans realise it, the better it is**.

THE SCALE OF THE CHALLENGE

"Never let a good crisis go to waste." (Winston Churchill).

The statistics paint a stark picture of Europe's competitive decline. European productivity has materially lagged the US, widening the economic gap between the two regions. In 2023, the European Union's R&D expenditure stood at 2.2% of GDP[1], well below the 3% target set by EU leaders over two decades ago, with 3 of the 4 biggest EU countries sitting comfortably below the EU average level. In the US, Alphabet puts €40 billion into R&D, in the EU the biggest budget comes from Volkswagen at €22 billion. A tech company vs. a carmaker[2].

Mario Draghi's comprehensive report on European competitiveness starkly warns that without radical transformation, the EU faces "slow agony". The diagnosis is clear, the challenge gigantic: Europe needs investment of €750-800 billion annually to remain competitive.

Yet this moment of reckoning also represents Europe's greatest opportunity in decades. The current global rebalancing is forcing European leaders to embrace reforms with an urgency unseen since the fall of the Berlin Wall in 1989, opening the possibility of a European Renaissance.

FINANCIAL INTEGRATION AND INVESTMENT

"Europe is not short of capital. It is short of capital mobilisation." (Enrico Letta).

The completion of the Capital Markets Union is crucial for mobilising the massive investment required. Europe's savings must be channelled towards productive investments rather than flowing to international markets, and many initiatives can be put in place. The list starts with fundamental reforms to banking regulations and institutional investor frameworks, needed to facilitate risk capital formation, and can continue with the creation of a deep EU common debt market, able to attract some of the FX reserve flows currently heading to the USA. If Europe wants to reduce its gap with the US, it must put its companies in the same conditions as their US peers, able to find capital across all 50 states almost without internal frictions, while new frameworks for long-term private investments could be provided with the support of adequate tax advantages. Solutions like these within a true Capital Union would represent a huge advantage for Europe.

INNOVATION AND TECHNOLOGICAL SOVEREIGNTY

"AI is probably the most important thing humanity has ever worked on." (Sundar Pichai, CEO of Alphabet and Google).

Europe's innovation gap with its competitors requires immediate attention. The continent must close the technology deficit, particularly in high-tech sectors where the US maintains significant advantages and China is likely hiding its true high-tech achievements. In the USA, a public agency like DARPA (Defense Advanced Research Projects Agency) takes care of innovative and promising projects in their early stage, leaving them to find private capital once certain standards of technological readiness are reached, confirming once more the need for a more structured Capital Union. On this front, the common legal framework set by the "28th regime" is an important tool for innovation once implemented. Again, the sooner the better.

On top of this, defence is heavily interconnected with technology like never before, and Europe cannot depend on foreign countries for its needs. We are learning how the concept of "sovereignty" also involves the supply lines, thus implying **technological and industrial autonomy across critical sectors** and requiring resident skills, knowledge and investments.

THE PATH FORWARD

"The conclusion is straightforward. If we do not act together now, we will become irrelevant." (Josep Borrell, former vice president of the European Commission).

Europe's renaissance needs **three fundamental shifts**. First, embracing coordinated investment at an unprecedented scale to increase its competitiveness, potentially including common borrowing mechanisms. Second, completing the single market through digital integration, regulatory harmonisation and the elimination of remaining barriers. Third, developing a coherent strategy balancing trading openness with strategic autonomy, with a strong focus on technology.

CONCLUSION: A NEW EUROPEAN DAWN

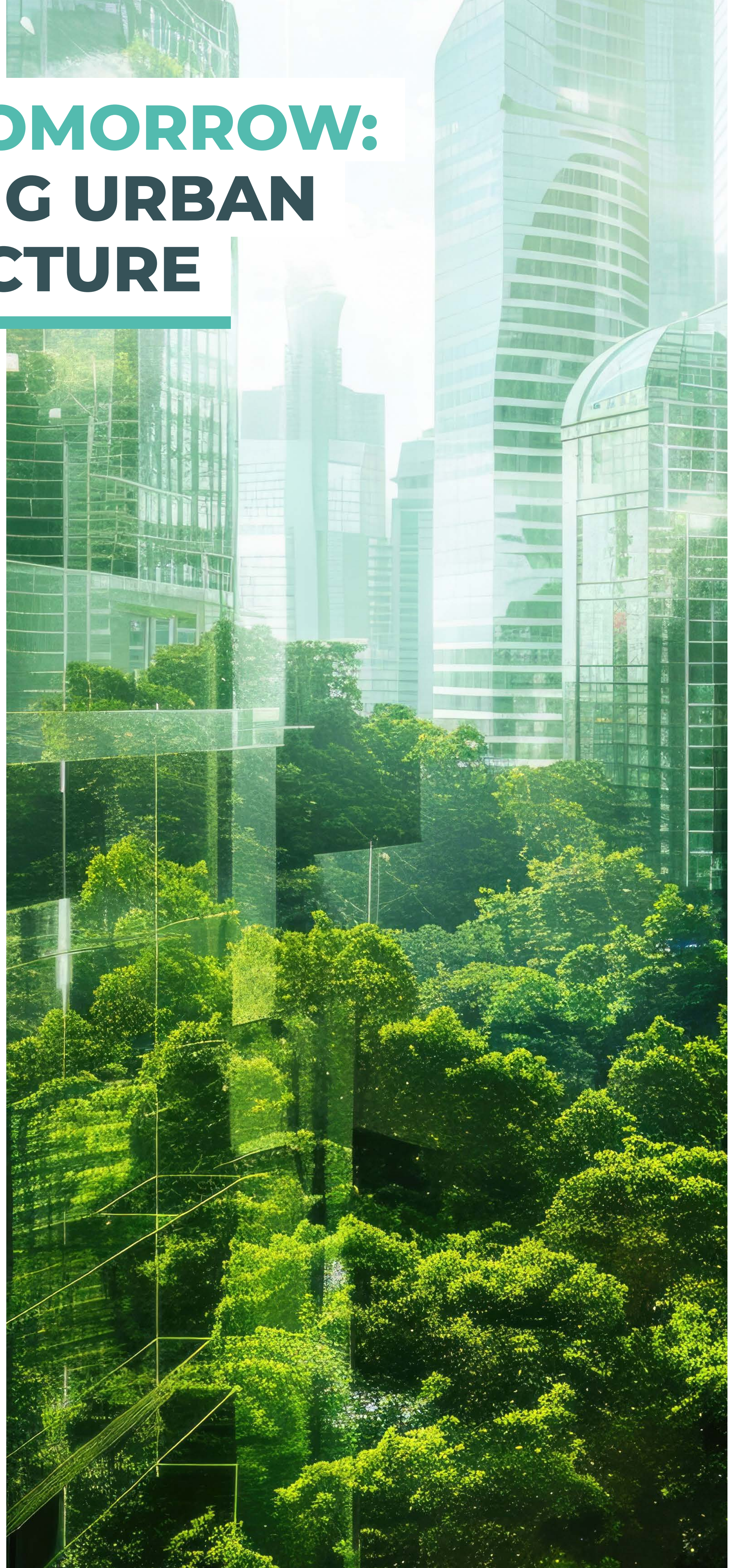
"Continue, continue, there is no future for the people of Europe other than in union." (Jean Monnet).

Europe's renaissance is not inevitable, but it is achievable. The current global rebalancing, while threatening established patterns of prosperity, also offers the external pressure necessary to overcome internal frictions. We can see the opportunity of a stronger Europe in the enthusiasm of its entrepreneurs, in the available wealth and in the room for manoeuvre created by shifting geonomics. Europe must be faster and bolder in creating the technological, financial and institutional infrastructure necessary to face the challenges of the 21st century.

Innovation, investment and integration will define Europe's trajectory for generations to come. The renaissance is beginning: its success depends on European willingness to embrace the scale of transformation that this historic moment demands.

(1) Source: Eurostat.
(2) Source: EU Commission – JRC (Joint Research Centre).

CITIES OF TOMORROW: REIMAGINING URBAN INFRASTRUCTURE



GWENOLA CHAMBON

Chief Executive Officer
and Founding Partner
Vauban Infrastructure Partners

By 2050, 68%[1] of the global population will reside in urban areas. Cities are set to become pivotal drivers of success - or failure - in key contemporary transitions (environmental, digital, energy and social), as rapid urbanisation, climate change, aging infrastructure and social inequalities converge to strain the systems on which urban life depends.

In this context, InfraVision - the think tank for sustainable infrastructure - is dedicating its 2025 annual research to the critical theme: **"Cities of Tomorrow: Reimagining Urban Infrastructure."** The findings will be compiled into a comprehensive report, to be unveiled during **Paris InfraWeek in November 2025**.

A driver of this initiative is the commitment of **Vauban Infrastructure Partners**, which has long been dedicated to financing essential public infrastructure that delivers long-term, sustainable solutions to local communities. In line with its ambition to foster inclusive and equitable infrastructure, Vauban Infrastructure Partners has conducted annual research since 2020 in partnership with Altermind and in collaboration with thought leaders, academics, policymakers, industry experts and financial stakeholders. This approach led to the creation of InfraVision in 2024 and the decision to sponsor this study to reimagine urban infrastructure in response to the evolving urban landscape.

BUILDING URBAN INFRASTRUCTURE AS RESILIENT, SUSTAINABLE AND EQUITABLE SYSTEMS

The forthcoming report aims to identify key challenges and propose innovative solutions. As 21st-century pressures intensify, how can infrastructure be leveraged as a transformative opportunity to build resilient, sustainable and equitable cities collaboratively?

To address this question, the report will highlight the importance of integrating cutting-edge technologies and participatory governance models to transform infrastructure into adaptive and resilient systems. It will outline a forward-looking vision and protocols for infrastructure stakeholders that not only respond to immediate pressures but also anticipate future needs through 2050 and beyond.

GOVERNANCE AND COLLABORATION AS KEY LEVERS

The research places a strong emphasis on governance. Participatory planning and decision-making, supported by robust data and digital tools, will be essential for cities to navigate uncertainty and meet citizens' evolving needs. Urban governance must evolve to bridge the gap between short-term political cycles and the long-term vision required for sustainable infrastructure development. Successful urban transformation depends on collaboration across public and private sectors, as well as active engagement with local communities.

AN INVESTOR PLAYBOOK FOR FOCUSED ACTION

Investors are identified as major stakeholders in the report. Their involvement is vital to the success of urban infrastructure transformation. To maximise returns and achieve low-carbon resilience, infrastructure investors must strategically target the right projects and technologies, prioritising those with the greatest community impact.

By 2050, investors should focus on bridging the urban finance gap, enabling cross-boundary investments, mobilising capital for impact, setting high sustainability standards and fostering innovation. Key priorities include aligning investments with national and city climate targets, de-risking and aggregating urban projects, prioritising resilient and low-carbon assets, engaging in policy dialogue to strengthen city capacity and advancing social impact and transparency.

Infrastructure investors possess the resources, technical expertise and global reach to catalyse the urban transition — turning visions of resilient, low-carbon cities into viable realities. Without their proactive engagement, progress may stall, innovation may falter, and the equitable distribution of benefits may be compromised, affecting both economic returns and broader societal and environmental goals.

INTERNATIONAL STUDENT COMPETITION

Leveraging the participation of InfraVision's members, an international student competition was launched in April, inviting over 200 universities to rethink real-life projects. The focus areas include decarbonisation, inclusivity, planning, stakeholder engagement and innovation — evaluating the next generation's most ambitious ideas for transforming urban infrastructure.

The jury consists of an exceptional panel chaired by **Professor Sadie Morgan** (founding director of dRMM Architects and a champion of design excellence on the UK's National Infrastructure Commission), and includes **Dominique Alba** (CEO of Ateliers Jean Nouvel), **Dario Nardella** (Member of the European Parliament), **Fanny Bourdais de Charbonnière** (Investment Director at CalPERS) and **Paulo Moura** (Deputy Director of Innovation and Partnerships at Université Côte d'Azur/IMREDD).

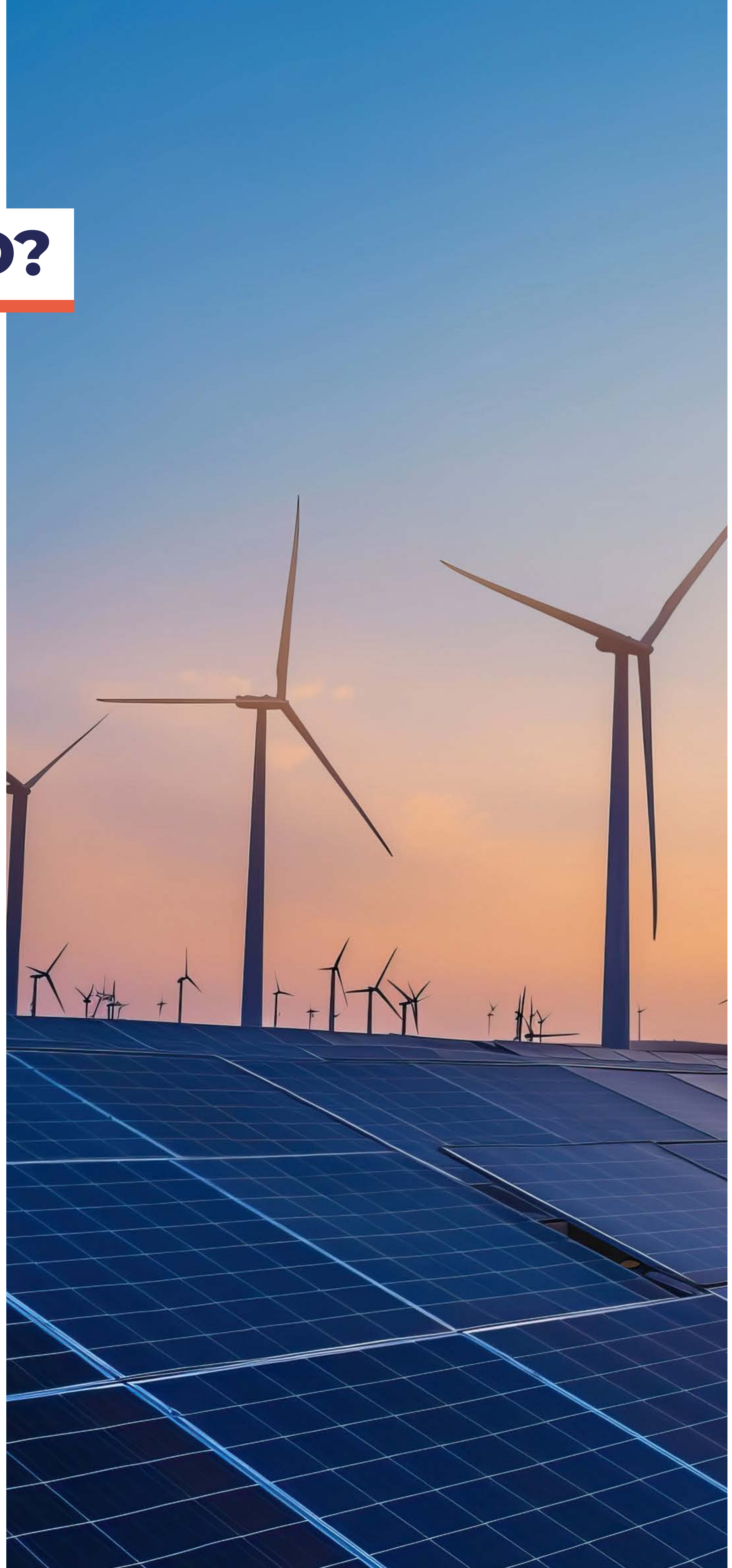
IN A NUTSHELL

In 2025, as InfraVision continues its commitment to convening experts, policymakers and investors around a shared vision for urban infrastructure, we invite you to stay tuned for the release of the research: **"Cities of Tomorrow: Reimagining Urban Infrastructure."** This comprehensive study, along with the winners of the student competition, will be unveiled during a special event on **November 4th at Paris InfraWeek**, offering a platform to explore how we can collectively build resilient, sustainable and inclusive cities for future generations.

Save the date!

(1) Source: United Nations Department of Economic and Social Affairs, "World Urbanization Prospects: The 2018 Revision », 2018.

IS ESG DEAD?



NATHAËLE REBONDY

Head of Sustainability Europe

Schroders

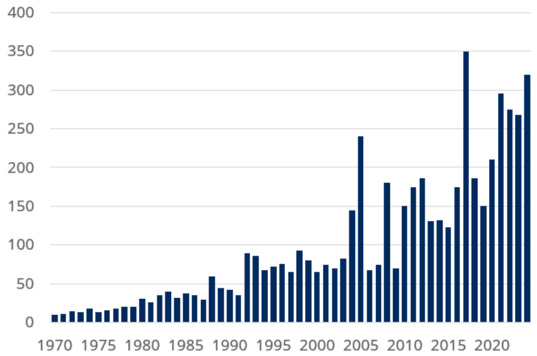
Anti-ESG rhetoric and headlines from the US have been dominant in both mainstream and sustainability-focused media in recent months. But the challenges started more than two years ago. After strong momentum in the years following the Paris Agreement in late-2015, fuelled further by extensive regulatory developments such as the launch of SFDR (Sustainable Finance Disclosure Regulation) in Europe, governments' collective ambition and action towards decarbonisation have waned, as has the aggregate ambition of companies.

The ESG backlash and backtrack has really started around 2022 and is currently amplified by political divide. While even over the last decade, sustainable investment has been through phases of different areas of focus, what we have seen over the last few months has heralded a change in tone which we believe will lead to a new phase in the industry's evolution.

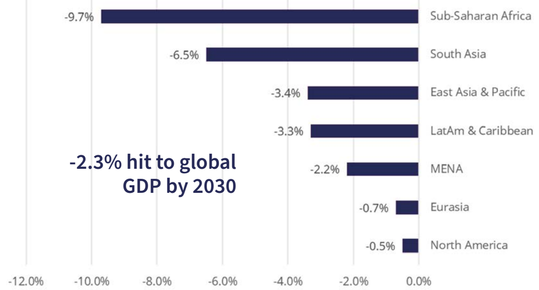
TRANSITION VERSUS PHYSICAL RISKS

Clearly, transition risks are not expected to increase further in the current geopolitical context. However, this does not make sustainability factors any less important. Climate change, nature loss, social inequality and unrest, workplace changes and many other social and environmental trends continue to intensify and are in many cases already impacting businesses. The global annual financial cost of climate disasters has significantly increased in recent years, being more than 50% higher in the last decade compared to the previous 10 years[1]. At the same time, the potential impacts of nature loss on global GDP and on financial stability is an important area of focus for central banks, with the Network for Greening the Financial System supporting the development of scenarios for assessing nature-related economic and financial risks. The World Economic Forum Global Risks reports have placed environmental risks at the top of businesses considerations on a 10-year horizon. In 2025, extreme weather events and pollution were flagged as the second and sixth key risks on a 2-year horizon[2].

Global annual climate disaster costs ($bn, 2024)



Change in 2030 real GDP under partial ecosystem collapse scenario



Source: LHS: Munich Re, Swiss Re. RHS: World Bank.

IMPLICATIONS FOR INVESTORS

For centuries, the global economy has grown, while in parallel environmental and social pressures have intensified. Those pressures have become unsustainable. Hence, unwinding and reversing them is a necessary while extremely difficult task.

The sustainability – and notably climate – objectives some asset owners and managers have established were predicated on a continuation of the strengthening ambition of the years prior to 2022. They look more challenging against a backdrop of stalling momentum.

Our ability to examine those trends – leveraging the fundamental insights of analysts and fund managers rather than reliance on data mining and statistics alone – is a key part of the value we can bring to our clients. But it does emphasise the importance of, firstly, focusing on the implications of social or environmental changes on economies, industries, companies and investments. And, secondly, of applying hard-nosed criteria to determine which issues are material – and how – to the portfolios we manage, given their objectives.

We believe that transitioning portfolios proactively to mitigate the risks a climate and nature transition poses remains important, but doing so requires investment in transitioning assets rather than applying top down constraints on portfolio decisions. This is undoubtedly harder, but necessary to ensure sustainability and climate priorities enhance rather than limit investment performance. The same picture holds across many areas of sustainable investment. We recognise that crude portfolio constraints, restrictions or allocation decisions are unlikely to yield the investment outcomes our clients expect, or that are possible against a backdrop of economic and market disruption in which social and environmental trends are an unavoidable component.

In a transition that we feel all countries and markets will ultimately need to tackle, unprecedented sums of capital may need to move from damaging areas of economies to more sustainable activities. As a result, forward-thinking companies could be positioned to help their clients grow their wealth by focusing on navigating the risks and opportunities these social and environmental challenges create for investors' portfolios. This is why we believe in the durability of these themes and consider that the long-term driving forces that are observable now will continue to have a global impact for years to come.

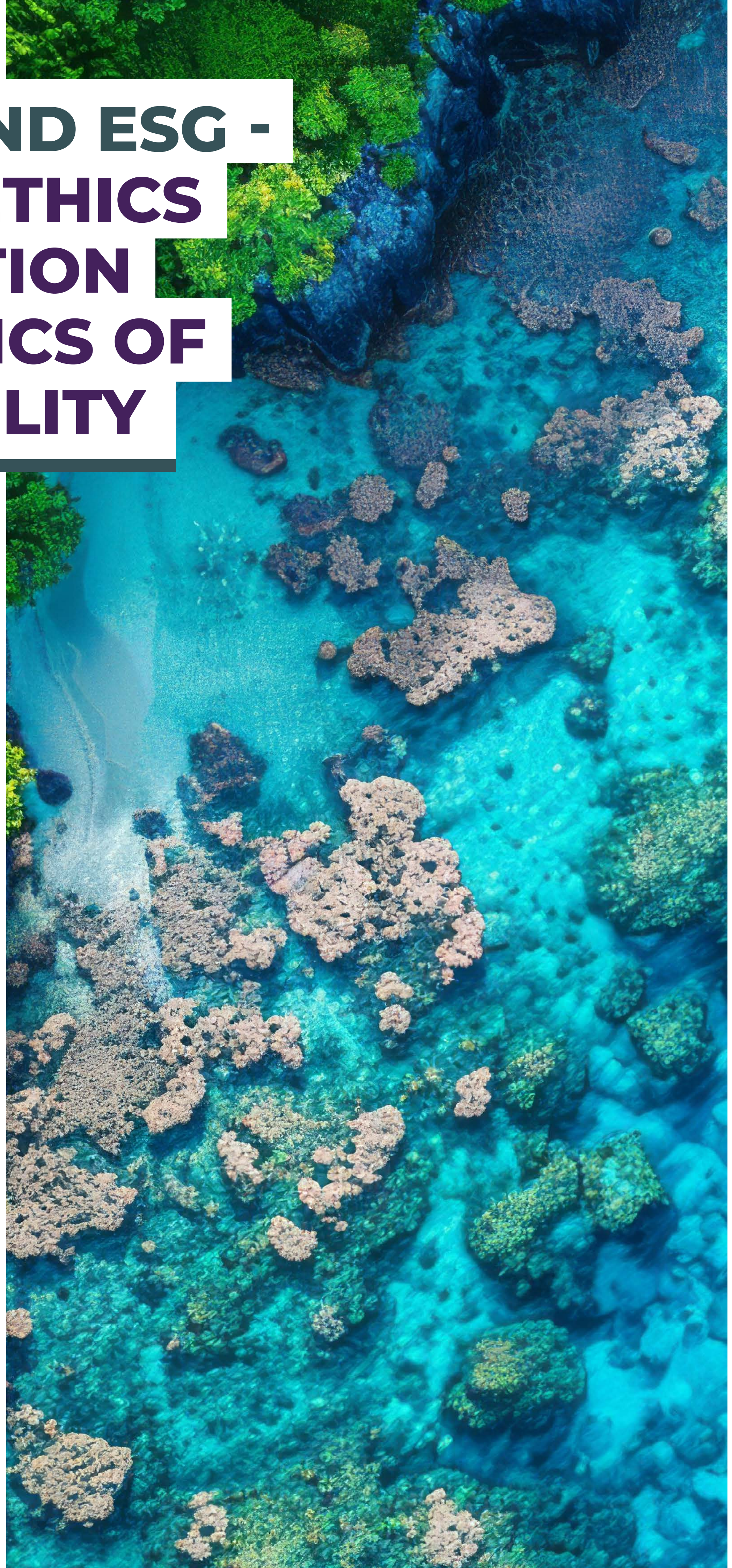
(1) Source: LHS: Munich Re, Swiss Re. RHS: World Bank.
(2) Source: LHS: Munich Re, Swiss Re. RHS: World Bank.

DEFENCE AND ESG - FROM THE ETHICS OF CONVICTION TO THE ETHICS OF RESPONSIBILITY

STÉPHANE AUDRAND

International Risk Consultant

Sylmaris



The geopolitical shift towards the return of force as a structuring element of international relations did not begin with Russia's invasion of Ukraine in February 2022. However, it finally made it understandable to Europeans, who are painfully emerging from denial. This shift is illustrated in the financial sphere by a radical reversal of posture: while the production and trade of arms were rejected by many investors as "inherently unsustainable", the combination of industry lobbying, political awakening and the transatlantic trust crisis seems to herald a reverse pendulum effect, and we read here and there that any investment in defence would be "inherently sustainable". Are these extreme positions reasonable and effective? It is worth revisiting the history of investors' ethical concerns regarding the sector to understand the mechanisms and attempt to outline what could be a new, responsible and active approach to addressing the challenges of defending democratic societies.

EXCLUSION, AN OLD STORY

The concept of "controversial" weapons emerged in 2003, with the use of cluster munitions by the US military in Iraq. The publication of French banks' first public policies regulating their activities in the defence sector occurred around the turn of the 2010s. However, **the concerns of some investors regarding this sector are much older**. The first fund excluding investment in arms, the Pioneer fund, dates back to 1928. It was then a response to the demand of investors who, for religious reasons, wanted to stay away from sin stocks. In the 1960s, this approach, conveying an ethic of conviction, joined more secular activists in protesting against the Vietnam War, which invented "name and shame", denouncing the participation of major military-industrial complex groups in the conflict. This approach still considers weapons to be inherently "bad" and that to eliminate war it is sufficient simply to eliminate weapons. In fact, **exclusion was SRI (Socially Responsible Investment) funds' most common management mode in Europe until 2018**[1]. This exclusion was made all the easier given that the European arms sector was undergoing a substantial contraction, surviving thanks to exports that were controversial, and did not represent a major share of the investment universe. In short, **from 1991 to 2022, the ethic of conviction was easily applied without weighing too much on investors' results...**

A REVERSAL OF THE TREND?

The plans of the European Commission and the voluntarism displayed by several member states, the Baltic countries, Poland, Germany, France... should not make us forget the power of the current of denial and refusal in Europe. During the event organised by the **Commission in November 2024 for the financing of the DTIB (Industrial and Technological Defence Base), several financial institutions expressed doubts or simply refused to consider becoming involved in a sector still perceived as "immoral"**. Personally, even in France, this year I have met generalist fund managers reluctant to open up to defence, but also business line managers who, while admitting that it "should be financed", hoped this would be "temporary". Conversely, **the industry, supported by some politicians, is now striving to make it accepted that any investment in defence would be "ESG by nature"**, security being the condition of sustainability. Implicitly, the idea is growing that DTIB companies should be exempt from any ESG evaluation. In both cases, the positions are unsustainable and will not provide a response to the challenges of the time...

AN URGENT NEED FOR A "NEW ESG"

The return of the use of force in international relations is not a temporary crisis but a lasting change in the state of the world. It is linked to structuring forces on a global scale: climate change, diminishing resources, disruptive technologies and anti-democratic imperialist ideologies. In this context, Europeans have the choice between investing in their defence or at best suffering vassalisation and at worst annihilation. But defence companies cannot escape reality: their governance concerns the whole of society, which pays for what they produce. The working conditions of their employees and subcontractors are a condition of their sustainability and effectiveness. Taking into account decarbonisation and seeking greater circularity of the economy are imperatives for emancipation from illiberal energy suppliers and strategic autonomy. There are therefore indeed extra-financial criteria – ESG – that must enable them to be evaluated. And there are investment wagers to create future profitability, as has been the case for renewable energies. This therefore implies abandoning not ESG, but the ethic of conviction that excluded without thinking to move towards an ethic of responsibility.

(1) GSIA, Global Sustainable Investment Review 2022, https://www.gsi-alliance.org/.

EUROPE'S RACE TO REARM OPENS GLOBAL OPPORTUNITIES

MARTIJN ROZEMULLER

Chief Executive Officer – Europe

VanEck

Europe's urgent push to rearm has shone a light on the continent's defence companies and their shares. In reality, though, Europe's rebound in defence spending is likely to affect contractors around the globe.

After languishing at low levels since the end of the Cold War and collapse of the Soviet Union in 1991, Europe's defence spending is recovering as the Ukraine war grinds into its third year. The Pax Americana period of US dominance that kept relative peace is waning and European governments have little choice but to rearm.

But Europe is buying a significant amount of arms abroad. European arms imports increased by 155% between 2015-2019 and 2020-2024[1], according to the Stockholm International Peace Research Institute (SIPRI). Unsurprisingly, Ukraine was among the top 10 importers of US arms in the latter period, but so too were the United Kingdom, the Netherlands and Norway.

While Europe's defence industry is now gearing up and its anticipated growth has yet to show up in backward-looking data, the continent's governments are directing significant spending to the big US contractors that currently have the manufacturing capacity and technology they need. That's despite the European Union's stated preference for buying arms within the bloc[2]. It is worth noting that for investors in defence stocks, the concentration in defence equities can amplify losses during policy shifts or peace negotiations, and government export bans or sanctions may restrict company revenues.

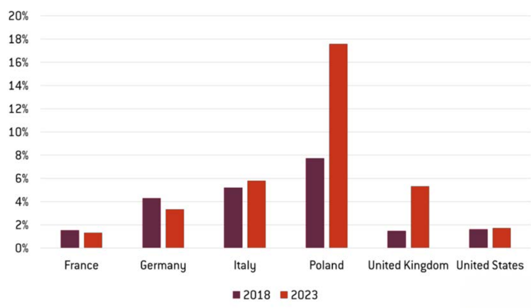
EUROPE'S SURGING DEFENCE SPENDING

In May, the EU's announcement of a €150 billion loan-for-arms fund, known as Security Action for Europe (SAFE), showed its seriousness about a five-year rearmament plan. At the same time, countries are increasing spending from national budgets to meet and exceed the NATO (North Atlantic Treaty Organisation) military alliance's commitment of spending 2% of gross domestic product on defence – a level that's expected to rise shortly.

SAFE's emphasis on European production largely explains why European defence contractors' shares have risen so far. It allows EU countries to borrow from Brussels and spend on weapons systems and platforms through joint procurement, providing at least 65% of the value of the components are from arms companies in the EU and specific neighbouring countries. Similarly, the European Defence Industrial Strategy[3], published in March 2024, proposes EU countries should buy at least 50% of their defence needs from EU contractors by 2030, rising to 60% by 2035.

But that still leaves a lot to be purchased elsewhere, especially as many European countries already mainly buy domestically, according to analysis from economic think tank Bruegel[4] that differs from the EU's own numbers. For instance, imports made up less than 2% of France's defence equipment expenditure in 2023 and less than 4% of Germany's, although Poland's imports accounted for almost 18% (see chart).

Imports as share of defence procurement in selected European countries



Source: Bruegel calculations, as of 4 July 2024.

US MANUFACTURERS ARE GROWING FASTEST

Whether due to US military needs or imports from Europe and elsewhere, US defence manufacturers are currently growing fastest. In 2023, the 41 US companies among the top 100 arms producers grew their revenues by 2.5%, according to SIPRI[5]. Yet the 21 European companies in the top 100 increased revenues by just 0.2%[6], the smallest increase in any world region. On the investor side, this all made defence companies more liquid than they used to be, even though some companies are still quite illiquid and heavily volatile[7].

European armed forces may have little choice but to buy US arms if they want the most up-to-date and capable military equipment. That's because the US has maintained investment in research and development over recent decades while it has dwindled in Europe.

In support of its defence technology, the US budget for so-called research, development, test and evaluation totalled $118.7 billion in 2022[8]. By contrast, European spending on research and technology fell by €200 million in 2023, according to European Defence Agency data.

THE CASE FOR DIVERSIFICATION

Even so, European defence stock prices have surged in anticipation of a once-in-a-generation expansion in the continent's military. Shares in some European arms manufacturers tripled in the five months of 2025 to the end of May[9] and are trading on a price/earnings (P/E) ratio valuation of more than 100. This rapid development also increases volatility and the potential for rapid losses. By contrast, the VanEck Defense UCITS ETF, which holds 28 stocks[10] from eight countries, saw its price rise by under half in the five months[11] to the end of May 2025 (and more than 70% in the last 12 months) – still a significant rally but far short of some of the European defence stocks (albeit at a fraction of their volatility)[12]. The ETF has an average P/E ratio of 30[13].

PERFORMANCE COMPARISON[14]

While an arms race is underway in Europe and elsewhere, investing bears some political risk in addition to the industry's specific inherent financial and operational uncertainties. Were the Ukraine war to end this year, as unlikely as that seems, EU countries could curb their military ambitions, leading to falls in the shares of Europe's defence companies. It might be prudent, therefore, to diversify holdings internationally, rather than simply buying European stocks.

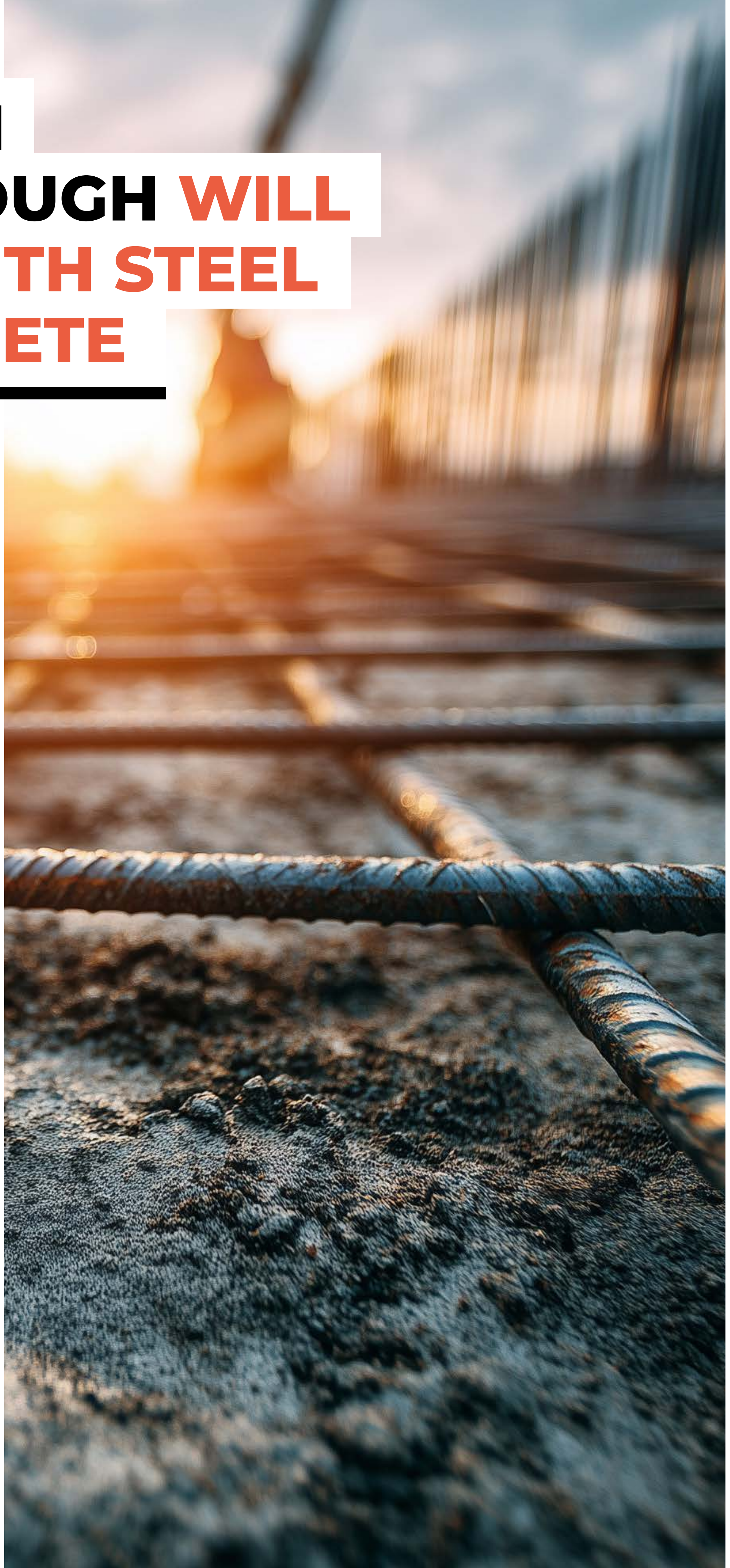
(1) SIPRI TRENDS IN INTERNATIONAL ARMS TRANSFERS, 2024, published in March 2025. **(2)** Security Action for Europe (SAFE) instrument, published in May 2025 https://www.consilium.europa.eu/en/press/press-releases/2025/05/27/safe-council-adopts-150-billion-boost-for-joint-procurement-on-european-security-and-defence/ **(3)** European Defence Industrial Strategy, March 2025 https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/762402/EPRS_BRI(2024)762402_EN.pdf **(4)** What role do imports play in European defence? Bruegel, as of 4 July 2024. **(5)** THE SIPRI TOP 100 ARMSPRODUCING AND MILITARY SERVICES COMPANIES, 2023, published in December 2024. **(6)** THE SIPRI TOP 100 ARMSPRODUCING AND MILITARY SERVICES COMPANIES, 2023, published in December 2024. **(7)** VanEck analysis, Bloomberg data 1995 – 2025. **(8)** Analysis of Department of Defense Funding for R&D and RDT&E in FY 2022. Published October 2024. **(9)** Bloomberg, close of 30 May 2025. **(10)** VanEck website, portfolio composition as of 30 May 2025. **(11)** For more information, please visit vaneck.com/ucits/dfns/ **(12)** VanEck, close of 30 May 2025. **(13)** VanEck, close of 30 May 2025. **(14)** MarketVector Index tracks the overall performance of companies serving national defence industries. MSCI World is a broad benchmark tracking the performance of companies in developed markets.

THE NEXT AI BREAKTHROUGH WILL BE BUILT WITH STEEL AND CONCRETE

HADLEY PEER MARSHALL

Chief Financial Officer and Managing Partner, Infrastructure

Brookfield Asset Management



Throughout history, transformative technologies — from the steam engine to the internet — have reshaped economies and redefined productivity limits. Today, artificial intelligence (AI) stands as the next great inflection point. Enabled by exponential advances in compute power, AI is driving a new wave of innovation that could rival or even exceed previous industrial revolutions.

In recent years, public imagination has been captivated by generative AI, particularly chatbots and large language models (LLMs). But the next frontier is rapidly emerging. Agentic AI systems and physical AI (robotics) are poised to unlock the next phase of productivity growth. These technologies will not just process information; they will operate in the physical world, revolutionising healthcare, logistics, manufacturing and more.

This transformation will require a sweeping buildout of physical AI infrastructure. **Brookfield estimates the capital needed at $7 trillion over the next 10 years to meet rising demand**. This includes AI factories, power & transmission, compute infrastructure and adjacent sectors like fibre networks and chip manufacturing.

MASSIVE POTENTIAL

The promise of AI is more than just automation. It's about dramatically reducing the marginal cost of producing essential resources and services to make them widely accessible and affordable, potentially ushering in an Age of Abundance. **AI-led automation could lead to massive growth in global GDP, potentially reaching $10 trillion in economic productivity gains in the next decade[1].**

However, increased efficiency won't dampen demand — it will accelerate it. This is the Jevons Paradox in action. Just as energy consumption rose despite falling electricity costs over the past 70 years, AI compute demand is expected to surge as unit costs drop. Since ChatGPT's release in 2022, the marginal cost of running AI fell 99%, driven by algorithm and hardware improvements[2]. Meanwhile, hyperscaler capex on GPUs, data centres and networking keeps climbing[3].

WHAT'S NEEDED

Unlike previous technological waves that relied on relatively lightweight software deployments, AI demands a robust and capital-intensive physical footprint.

Modern AI models require massive computational horsepower, supplied by dense clusters of GPUs and supported by advanced liquid cooling systems. AI hubs are evolving into "AI factories" — next-generation digital campuses optimised for high-performance computing that require much more power than traditional cloud servers use.

Power is a critical bottleneck. In some regions, grid interconnection can take a decade — longer than building the facilities themselves. To address this, Brookfield and other developers are increasingly turning to behind-the-meter solutions — including onsite generation, battery storage and even small modular reactors (SMRs). These modular power systems allow facilities to scale independently of local grids.

SOVEREIGN DEMAND

Governments around the world are now treating AI infrastructure as a strategic asset. National security, economic competitiveness and data sovereignty are driving countries to sponsor AI gigafactories, re-shore semiconductor supply chains and streamline regulatory processes.

In Europe, Brookfield has entered into a €20 billion strategic partnership with the French government to build AI infrastructure, including a flagship 1 GW AI campus, as well as a $10 billion partnership with the Swedish government to develop a national AI centre.

These public-private partnerships are shaping the next generation of industrial policy. Much like the previous buildout of railways and power grids, today's sovereign AI strategies require policy alignment along with operational expertise and capital discipline.

(1) IDC, "The Business Opportunity of AI," November 2023. **(2)** OpenAI, "GPT-4o mini: advancing cost-efficient intelligence," 18 July, 2024. **(3)** Source: Microsoft, Meta, Amazon, Alphabet and Oracle SEC filings and earnings releases, 2025.

INVESTABLE BUSINESS MODELS

This historic buildout is unlocking high-conviction infrastructure opportunities:

- **AI Factories and Data Centres:** Demand for purpose-built hyperscale campuses is soaring and commanding a premium relative to traditional infrastructure.
- **GPU-as-a-Service:** Rather than owning costly AI hardware, enterprises are opting to lease compute capacity. We expect this market to grow from $30 billion in 2025 to over $250 billion by 2034, supported by long-term take-or-pay contracts with creditworthy clients.
- **Power Solutions:** Along with speed-to-market advantages, onsite generation and energy storage systems offer investment characteristics such as long-term cash flows, downside mitigation and strong credit profiles.
- **Strategic Adjacencies:** Investments in supporting sectors — such as fibre networks, semiconductor fabs and robotics manufacturing — offer additional layers of durable, long-duration returns aligned with national policy priorities.

AI infrastructure must also be adaptable. With GPU lifecycles shortening to 12–18 months, and new AI architectures requiring ever-higher power densities and advanced cooling, obsolescence is a real risk. Developers can mitigate these risks through modular designs and partnerships with hardware vendors to ensure rapid tech refresh cycles and upgrade flexibility.

Looking ahead, inference — not training — will drive the majority of compute demand. By 2030, we see inference driving 75% of AI workloads as models become embedded into real-time applications across every industry.

Meanwhile, robotics will place new demands on physical infrastructure. Humanoid robots, powered by multimodal AI models, are expected to reach production volumes in the millions within a decade, creating another layer of capital formation across industrial AI ecosystems.

THE NEXT REVOLUTION

The emergence of AI is not just a software revolution — it's a physical one. The infrastructure required to enable it is vast, complex and mission-critical, and the $7 trillion in capital needed — whether through debt or equity — is just one requirement. Those with access to the right capital, partnerships and policy alignment, and the expertise to build and operate at scale, will shape the future.

AUTHORS' BIOGRAPHIES


ARNAUD JACQUEMIN - Head of SGSS - **Societe Generale Securities Services**

Arnaud Jacquemin is appointed Head of Societe Generale Securities Services in September 2023. He joined Societe Generale Group in 1993 within the corporate and investment bank, where he worked in a number of positions both in France and the USA, notably in project finance then as Head of Strategy for SG CIB. In 2003, he joined the Finance and Development division as Deputy Head, then Head of Financial Management. In 2008, he was appointed Group Deputy Chief Financial Officer. In 2012 he joined the Risk division as Deputy Chief Risk Officer. He was appointed Group Deputy General Secretary in 2015, notably heading the transformation of the Compliance division, and Deputy Head of Group Compliance in 2017. In June 2018, he became Group Country Head for Luxembourg and CEO of Societe Generale Luxembourg, which conducts all Group businesses in Luxembourg. Arnaud Jacquemin is a graduate of the École polytechnique and the Ecole nationale des ponts et chaussées.


GILDAS LE TREUT - Co-Head of Coverage, Marketing & Solutions - **Societe Generale Securities Services**

Gildas Le Treut is appointed Co-Head of Coverage, Marketing & Solutions in September 2021. He joined SGSS as Head of Sales and Relationship Management in May 2018 after 11 years at ABN Amro Clearing. Since 2007, he has been successively Managing Director of the branch in France (Fortis Bank Nederland), Global Head of Product & Network Management and Global Director of Prime Services. He has developed ABN AMRO Clearing franchise for institutional investors, banks, asset managers and hedge funds. He started his career in 1996 at BNP Paribas Securities Services in the equity clearing team where he occupied various positions before being promoted as Sales & Relationship Manager for Continental Europe. Gildas Le Treut has a Master's degree in Bank & Finance from Sorbonne University.


SEBASTIEN DANLOY - Chief Business Officer - **Euroclear**

Sebastien Danloy currently serves as the Chief Business Officer (CBO) for Euroclear group and is a member of its Executive Committee. In his role as CBO, Sebastien oversees the Commercial, Product Development, Client Experience and Innovation divisions within Euroclear. He joined the organisation in September 2024, bringing with him a wealth of experience and expertise. Before his tenure at Euroclear, Sebastien was the Global Head of Sales & Relationship Management for Institutional Investors at BNP Paribas Securities Services. His extensive career also includes Executive Committee positions at HSBC Securities Services, RBC Investor Services and Societe Generale Securities Services. Sebastien started his career in the financial industry at State Street and has since amassed over 25 years of experience in the sector. Sebastien holds a Master's degree in Business Engineering from the Solvay Business School in Belgium. He is also a Certified Director in Corporate Governance from INSEAD, further underpinning his strong foundation in both business and governance. With a distinguished career that spans several leading financial institutions, Sebastien Danloy continues to be a pivotal figure in the financial industry, contributing significantly to the growth and innovation at Euroclear group.


ANTONIO CAVARERO - Head of Investment - **Generali Asset Management**

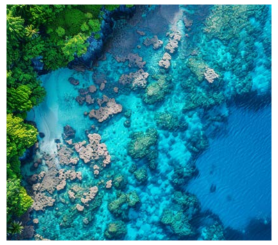
Antonio Cavarero is the Head of Investment at Generali Asset Management, part of the Assicurazioni Generali Group, which ranks among the largest asset managers in Europe. GenAM provides a comprehensive range of solutions for institutional investors, including LDI mandates, pension funds, and UCITS across various asset classes in both public and private markets. Before joining Generali in 2014, Antonio accumulated 20 years of experience in various trading roles at several investment banks across Europe, including Deutsche Bank, Citigroup, Societe Generale, and Banca IMI. Antonio holds a degree in Economics and Commerce from the University of Pavia and an MBA from SAA, University of Torino.


GWENOLA CHAMBON - Chief Executive Officer and Founding Partner - **Vauban Infrastructure Partners**

Gwenola Chambon is the Chief Executive Officer and Founding Partner of Vauban Infrastructure Partners, where she has been the driving force behind its transformation into a multibillion-euro, leading European mid-market infrastructure asset manager with a robust international investor base. With over 30 years of experience in infrastructure investment and project finance, she has led numerous high-profile transactions across Europe, from pioneering PPP projects to strategic core infrastructure acquisitions. She serves on the boards of several European infrastructure companies and contributes actively to industry advisory bodies, including the European Commission's working group on infrastructure and the PRI Advisory Board. Fluent in French, English, and Spanish, Gwenola holds a Master's degree in business from ESCP, reinforcing her international outlook and ability to lead across borders.


NATHAËLE REBONDY - Head of Sustainability Europe - **Schroders**

Nathaële Rebondy is responsible for the development and implementation of the sustainability strategy of Schroders in EMEA. This includes supporting institutional investors and distributors in their own sustainability journey and providing training on sustainable themes and regulation, contributing to European sustainable products development and informing the Group's sustainability-related strategy on European needs and expectations. She joined Schroders in 2015 and was previously Head of Marketing and Client Service in France. Before joining Schroders, she worked at JPMorgan Asset Management as Head of Marketing and Communication in France. Nathaële has also worked as a financial journalist at the beginning of her career. She has more than 20 years of experience in the asset management industry and did a Master of Advanced Studies (DESS) at Ecole Supérieure d'Interprètes et de Traducteurs (ESIT) in France.




STÉPHANE AUDRAND - International Risk Consultant - **Sylmaris**

Since 2013, Stéphane has been advising the leading banks in the Paris financial center on developing their sectoral policies in certain sensitive sectors: defence and arms trade, civilian nuclear power, and agriculture. He previously worked for BNP Paribas, in Switzerland and France, as a project manager, negotiator, operational risk manager, and compliance officer. In addition to his consulting activities, he has been a reserve officer in the French Navy since 2002 and currently works at the Directorate General for International Relations and Strategy, as a policy advisor for "arms control and strategic foresight." He frequently publishes on strategic and geopolitical topics in the magazine "Le Grand Continent" and contributes to various media outlets on current strategic and geopolitical issues.


MARTIJN ROZEMULLER - Chief Executive Officer - Europe - **VanEck**

Martijn is VanEck's CEO of Europe. He started his career as an option trader at the Dutch high frequency trading firm Optiver, where he became partner. Martijn started the Netherlands' first ETF provider Think ETF in 2009, which was later acquired by VanEck. Martijn is passionate about providing financial education to the general public in order to convince individuals to start investing. Martijn holds a Master's degree from University of Twente, in Business Administration and Mechanical Engineering.


HADLEY PEER MARSHALL - Chief Financial Officer and Managing Partner, Infrastructure - **Brookfield Asset Management**

Hadley Peer Marshall is the Chief Financial Officer of Brookfield Asset Management. In this role, she is responsible for overseeing the firm's finance, treasury, tax and investor relations functions. She is also a Managing Partner and co-Head of Brookfield's infrastructure debt and structured solutions businesses, where she oversees the origination, execution and asset management of the Firm's infrastructure credit and structured solutions investments. Prior to joining Brookfield in 2015, Ms. Peer Marshall was Co-Head of the project finance and infrastructure group at a leading investment bank, where she was responsible for originating, structuring, executing and advising on infrastructure and project financings for clients. Ms. Peer Marshall holds Master of Business Administration and Bachelor of Science degrees from the University of North Carolina at Chapel Hill.

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Source: SGSS internal report - data as of 30.06.2025

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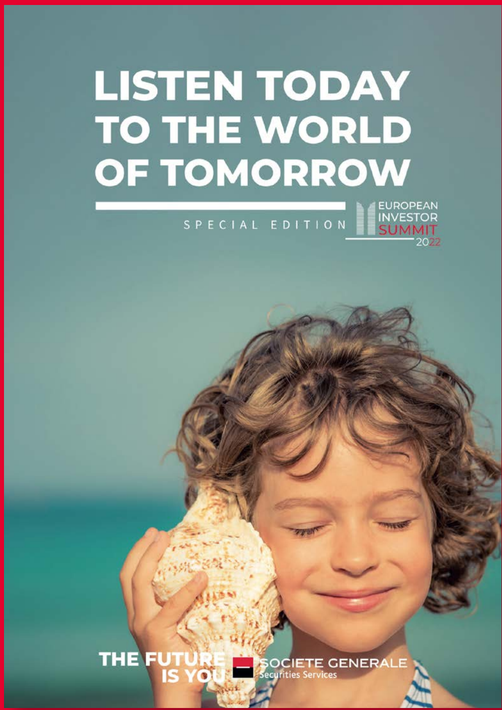

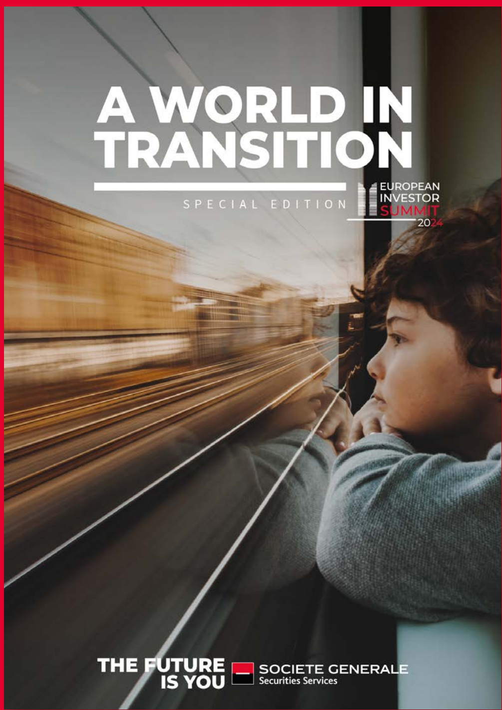

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