

Funding European Sovereignty: Key Issues



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In June 2025, Edmond de Rothschild Asset Management launched EdR SICAV Mission Europa, a European equity strategy aimed at supporting and strengthening European sovereignty.

Diversified across four complementary pillars (Security, Competitiveness, Innovation, and Finance), this strategy aims to support the continent's structural transformation at the intersection of defense, the energy transition, and innovation.

Anthony Penel¹, the fund manager, discusses the challenges associated with this topic in this interview.

Is the issue of sovereignty still as central as it was 18 months ago?

The enthusiasm surrounding this issue has not waned, and I would even say that its scope **has broadened**.

It is now widely acknowledged that Europe must strengthen its competitiveness, its industrial capabilities, and its autonomy in strategic areas. This view remains widely shared, even if the

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FUNDING EUROPEAN SOVEREIGNTY: KEY ISSUES ACCORDING TO ANTHONY PENEL

implementation of the Draghi report's recommendations is considered too slow. This is precisely what led to the creation this summer of the **Rhine Group**, a think tank initiated in part by Mario Draghi and bringing together leading figures from the academic, business, and political worlds. Its goal is to keep pressure on European institutions to accelerate the necessary decisions.

This concern is also reflected in investor interest: new investment solutions focused on European self-reliance continue to be launched.

However, the nature of the debate has evolved. In the first half of 2025, sovereignty was very often discussed from a defense perspective, against the backdrop of European rearmament. Today, the discussion has broadened: it now focuses more on reindustrialization, critical technologies, energy, infrastructure, securing supply chains, and financing investments in sovereignty, particularly the issue of *Savings and Investments Union*². Defence remains a cornerstone, but it is now part of a broader vision of European strategic autonomy.

For example, in the EdR SICAV Mission Europa fund, the "safety" segment accounts for 27%³ of the portfolio, of which approximately 22%³ is allocated to the defense sector. This positioning is consistent with this observation.

Why has energy become a key issue for European competitiveness?

Energy is a matter of sovereignty, purchasing power, and industrial competitiveness. This issue, already a major concern due to the war in Ukraine, has become central since the war in Iran.

As winter 2026 approaches, European natural gas reserves are at particularly low levels compared to the past ten years. Issues related to insufficient reserves may arise, particularly for countries in Central and Eastern Europe, which are very large consumers. The price of gas, which generally ranged between 10 and 30 euros per MWh in the fifteen years leading up to the war in Ukraine, had reached 200 to 300 euros in 2022; it rose from about 30 to 40 euros in early 2026 to 70-80 euros by the end of the year⁴. This increase directly impacts manufacturers' margins.

2. Savings and Investment Union: a European initiative aimed at better channeling savings from individuals and businesses toward productive investments, to support growth, innovation, and the green transition, while strengthening the integration of European financial markets.

3. The information regarding securities contained in this document may under no circumstances be interpreted as an opinion by Edmond de Rothschild Asset Management (France) on the future performance of the share prices of the companies mentioned, nor, where applicable, on the likely performance of the financial instruments that these companies may issue. No information contained in this document should be construed as a solicitation to buy or sell these shares. The portfolio's composition may change in the future. Data as of September 30, 2026. Source: Edmond de Rothschild Asset Management (France).

4. Source: Bloomberg



The competitiveness/energy segment, which accounts for 27%³ of the portfolio, enables investment across the entire value chain: production with Eni, liquefied natural gas transportation with GTT, whose technology is used in 98% of transport tanks, and network infrastructure with Terna, Siemens Energy, and Getlink⁵.

Oil remains a key component of the energy equation. Since the start of the war in Iran, the price per barrel has hovered around \$100, compared with \$60 to \$70 previously. Given the geopolitical context, this increase is ultimately modest.

At the same time, diesel, gasoline, and other refined products have seen a much sharper increase than crude oil. Refining margins are currently at particularly high levels, favoring a market that is more oriented toward refined products than toward crude. Europe has significant refining capacity. EdR SICAV Mission Europa is notably exposed to this theme through Repsol⁵, a Spanish energy company in the portfolio.

In fact, we selected this company when the strategy was first launched; it supplies Europe with a portion of its petroleum products through its refineries located in Spain.

The challenge is to ensure that energy is available in sufficient quantities, accessible, and delivered via robust networks.

How are finance and capital markets critical to European autonomy?

The conclusion is clear: there can be no industrial or technological sovereignty without the capacity for large-scale financing. Europe has abundant savings for this purpose, but it must channel more of them toward productive assets: stocks, infrastructure, private debt, innovation, technology, and defense.

This requires banks capable of supporting companies beyond their national borders, asset managers mobilizing long-term savings, and robust marketplaces to finance corporate growth through to their initial public offerings.

It is with this in mind that the portfolio holds securities such as Euronext, Banco BPM, and Deutsche Börse⁵.

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Finance is therefore not just one sector among many: it is one of the infrastructures that enables other strategic sectors to develop.

European sovereignty also depends on a robust banking system. The Draghi report described a fragmented European banking system in 2024, in which the top 10 banks by market capitalization were collectively worth less than the largest U.S. bank. The issue of banking consolidation, including cross-border consolidation, is therefore a key element of sovereignty.

Does European innovation rely solely on artificial intelligence and semiconductors?

Artificial intelligence, data centers, and semiconductors are at the heart of global competition, and Europe must strengthen its capabilities in these areas. Today, Mistral, a French company, is the leading European player in generative AI, which highlights both the potential and the gap that needs to be closed. But innovation is not limited to high-profile tech companies; it also encompasses the infrastructure and tools that enable productivity gains. The innovation segment accounts for 26%⁶ of the portfolio and includes, for example, Merlin Properties, which invests in the physical infrastructure of data centers, and Springer Nature, a publisher of leading scientific journals, including *Nature*, which plays a central role in disseminating the knowledge that fuels tomorrow's research and innovations.

Another challenge is demographic aging: considering this trend, the Draghi report refers to a massive wave of retirements beginning in 2040, accounting for approximately 1%⁷ of the current European workforce each year. The challenge here is to invest heavily in software, digital services, equipment, and training to sustainably support European productivity and offset these numerous departures.

By further mobilizing savings and financing capacity, Europe can consolidate its autonomy in the most strategic sectors. Security, energy, innovation, and capital markets thus serve as complementary levers for strengthening their competitiveness. This momentum calls for a long-term vision capable of transforming European ambitions into concrete investments.

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7. Draghi Report. Available at: https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_fr?filename=The%20Draghi%20report%20A%20competitiveness%20strategy%20for%20Europe%20%28Part%20A%29-FR.pdf

Fund Characteristics⁸

Investment Objective: EdR SICAV Mission Europa is a European equity fund that aims, over the recommended investment horizon, to outperform its benchmark index, the MSCI EMU (NR).

Reference currency: EUR

Launch date: June 27, 2025

ISIN codes: Class A: FR001400ZTJ7 / Class I: FR001400ZTL3

Subscription fees: Class A: Max. 3% / Class I: None

Minimum initial subscription: Class A: 1 share / Class I: €500,000

Management fee (including tax): Class A: Max. 1.80% / Class I: Max. 0.90%

Operating and other service fees: Max. 0.15%

Performance fee: 15% per year of the outperformance relative to the benchmark

Redemption fee: None

Benchmark: MSCI EMU (NR)

Recommended investment horizon: > 5 years

EdR SICAV Mission Europa is a sub-fund of a French SICAV authorized by the AMF and approved for distribution in France, Austria, Italy, Belgium, Cyprus, Greece, the United Kingdom, Spain, Germany, Luxembourg, and Switzerland.

Investment Risks

RISK INDICATOR:

1	2	3	4	5	6	7
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Please refer to the prospectus for a complete list of risks.

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Small and mid-cap risk: Securities of small or mid-cap companies may be significantly less liquid and more volatile than those of companies with a large market capitalisation. The net asset value of the Fund is therefore likely to change more quickly and with large amplitudes.

Liquidity risk: The markets on which the Fund trades may occasionally be affected by a lack of liquidity. These market conditions may affect the prices at which the Fund may have to liquidate, initiate or modify positions.

8. The shares described here are the main euro-denominated shares. Please note that not all costs and classes of shares are mentioned in this document. Please refer to the DIC/prospectus for more details.

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