

# European sovereignty: a new core investment theme

Over the past two years, the European Union has signaled a clear strategic shift, launching a series of initiatives aimed at restoring the continent's leadership in a sustainable way.

Europe reasserts  
its economic, geopolitical, and  
technological leadership

EU member states and the European Commission are implementing ambitious plans to strengthen Europe's competitiveness, security, and autonomy. A landmark step is the **Critical Raw Materials Act**<sup>1</sup>, adopted by the EU Council on March 18, 2024. The legislation secures a sustainable supply of critical materials essential for the energy, digital, and defense transitions. Its targets are clear: 10% of annual demand sourced locally, 40% processed in the EU, and 25% from recycling.

The **Draghi Report**<sup>2</sup> (*The Future of European Competitiveness*, September 2024) highlighted Europe's economic lag: over 80% of digital technologies are imported, electricity costs are 2-3 times higher than in the US or China, and only four of the world's top 50 tech companies are European. Former ECB President Mario Draghi issued 170 actionable recommendations to restore Europe's competitiveness and growth potential.

1. Source: European Commission, march 2024: <https://www.consilium.europa.eu/en/press/press-releases/2024/03/18/strategic-autonomy-council-gives-its-final-approval-on-the-critical-raw-materials-act/>

2. Source: European Commission, september 2024: [https://commission.europa.eu/topics/eu-competitiveness/draghi-report\\_en](https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en)

\*The identity of the managers presented in this document may change during the life of the product.



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Other initiatives, including the **Clean Industrial Deal**<sup>3</sup> (February 2025), accelerating decarbonization and industrial innovation, and **ReArm Europe**<sup>4</sup> (March 2025), reinforcing the EU's defense pillar, underscore Europe's commitment to reindustrialization and strategic autonomy.

These ambitions are also supported by budgetary tailwinds. **Germany's historic investment plan, announced in March 2025, could add 1-2 percentage points to GDP annually over the next decade**<sup>5</sup>.

Against this backdrop, Edmond de Rothschild Asset Management launched **EdR SICAV Mission Europa, a European equity fund channeling capital toward the pillars of Europe's structural transformation: defense, energy, innovation, and the financing of the European productive economy.**

## Leveraging Europe's structural strengths

Europe benefits from intrinsic and structural advantages: **a single market of 449 million consumers, around 32 million businesses**<sup>6</sup>, **and a dense innovation ecosystem.** The eurozone accounts for 17% of global GDP<sup>7</sup>, comparable to China (17%) and behind the US (26%), which highlights a significant weight in the global economy.

**Despite the recent rally in European equities (MSCI Europe NR +16% from 31/12/2024 to 31/10/2025), valuations remain attractive. On a sector-adjusted basis, European equities trade at 26% discount to US peers, well above the 32-year historical average of 10%, reflecting an attractive entry point for long-term investors**<sup>8</sup>.

Structural growth drivers, including **reindustrialization, energy transition, and defense modernization**, are also expected to sustain long-term investment demand.

These factors create an environment where diversifying capital toward European assets can deliver attractive performance.

3. Source: European Commission, february 2025: [https://commission.europa.eu/topics/eu-competitiveness/clean-industrial-deal\\_en](https://commission.europa.eu/topics/eu-competitiveness/clean-industrial-deal_en)

4. Source: European Commission, march 2025: [https://commission.europa.eu/topics/defence/future-european-defence\\_en](https://commission.europa.eu/topics/defence/future-european-defence_en)

5. Source: Edmond de Rothschild AM Estimate.

6. Source: European Council, February 2025. <https://www.consilium.europa.eu/fr/policies/deeper-single-market/>

7. Source: IMF, 2024.

8. Source: Goldman Sachs.



## EdR SICAV Mission Europa: Four strategic investment pillars

The fund's strategy is designed to reflect Europe's main priorities:

- **1. Security:** Investing in European defense, cybersecurity, and critical supply chain companies (30-50% of the portfolio; at least 30% in defense companies).
- **2. Competitiveness:** Supporting access to abundant, cost-effective energy and advancing Europe's decarbonization goals (20-50%).
- **3. Innovation:** Investing in critical technologies, hardware, software, AI, and in workforce development to boost productivity (20-50%).
- **4. Financing:** Contributing to Europe's €800 billion annual renewal needs via initiatives such as the Union of Savings and Investment, the Banking Union, and securitization (10-30%).

## A selective and diversified portfolio

EdR SICAV Mission Europa holds 40-50 carefully selected European companies, balancing sector and country exposure. Small & Mid-Caps<sup>9</sup> exposure is capped at 40%, while at least 30% is invested in companies within the European Defense Industrial and Technological Base (BITD)<sup>10</sup>.

Currently, the fund is overweight in capital goods and Nordic markets and underweight in consumer and financial sectors<sup>11</sup>.

Among the companies<sup>12</sup> in the portfolio that illustrate this approach:

- **AVIO:** Key player in European space sovereignty (Ariane and Vega launchers) and partner of MBDA in air defense missile production.

9. Small and mid-caps are listed companies with a market capitalization between €500 million and €10 billion.

10. Source: Edmond de Rothschild Asset Management. Data as of October 31, 2025. A fund's investment policy may change over time.

11. Benchmark index: MSCI EMU

12. The information regarding securities should not be interpreted as an opinion by Edmond de Rothschild Asset Management (France) concerning the expected performance of these securities, nor, if applicable, the anticipated performance of the price of the financial instruments they issue. This information should not be viewed as a recommendation to purchase or sell these securities.



- **SIEMENS ENERGY:** Global leader in energy transition and industrial electrification, including gas power plants and wind turbines.
- **BESI:** Specialist in semiconductor hybrid bonding technology<sup>13</sup>, crucial for AI chips and memory manufacturing.
- **SOCIÉTÉ GÉNÉRALE:** Supports SME and mid-sized enterprise financing, asset management, and investment banking solutions across Europe.

With EdR SICAV Mission Europa, Edmond de Rothschild AM aims to actively support Europe's structural transformation, at the crossroads of defense, energy transition, and innovation, offering investors both exposure to long-term growth and a role in Europe's renewed strategic autonomy.

13. Advanced semiconductor assembly technology that combines both direct metal contact and dielectric connection between two chips or circuit layers. It enables denser, faster, and lower-power interconnections than traditional packaging methods.

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## Disclaimer

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## Main investment risks:

**The Risk Indicator of Shares A & I is 4.** The risk indicator rates this fund on a scale of 1 to 7. This indicator is used to assess the level of risk of this product in comparison to other funds and a category 1 rating does not mean that the investment is risk free. In addition, it indicates the likelihood that this product will incur losses in the event of market movements or our inability to pay you.

This indicator assumes that you hold the product until the end of the recommended holding period of this fund. The actual risk may be very different if you choose to exit before the end of the recommended holding period of this Fund.

The risks described below are not exhaustive. Please refer to the prospectus for the complete list of risks.

**Warning relating to the risk of inflation:** The characteristics of the UCI do not protect the investor from the potential effect of inflation during the period of investment in the UCI. Thus, the amount invested in principal and the possible income from movable property received during the period will not be revalued by the rate of inflation over this same period. Therefore, the real performance of the UCI, i.e. the net performance of the UCI corrected by the inflation rate, could be negative.

**Risk of capital loss:** The UCITS does not guarantee or protect the capital invested; investors may therefore not get back the full amount of their initial capital invested even if they hold their units for the recommended investment period.

**Risk Indicator:** 1 2 3 4 5 6 7

**Discretionary management risk:** The discretionary management style is based on anticipating the evolution of the various markets (equities, bonds, money market, commodities, currencies). There is a risk that the UCITS may not be invested at all times in the best performing markets. The UCITS' performance may therefore be below the management objective and the decline in its net asset value may lead to negative performance.

**Equity risk:** Share prices may move in line with factors specific to the issuing company but they may also react to external political and economic factors. Equity market fluctuations may entail changes in the fund's net valuation and might have a negative impact on the fund's net asset value. The fund's performance will depend on the stocks chosen by the portfolio manager. There is a risk that the fund manager might not select the best performing stocks.

**Risk related to small and mid-cap companies:** Securities of small and mid-cap companies may be significantly less liquid and more volatile than those of companies with significant market capitalization. The net asset value of the UCITS is therefore likely to change more quickly and with greater amplitude.

**Exchange rate risk:** The fluctuations in foreign currencies might impact the price of stocks held in the portfolio. The fund may hold stocks denominated in a currency other than the fund's designated currency. As a result, fluctuations in exchange rates may cause the fund's valuation to fall.

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