Investing in Defence:
A changing landscape?

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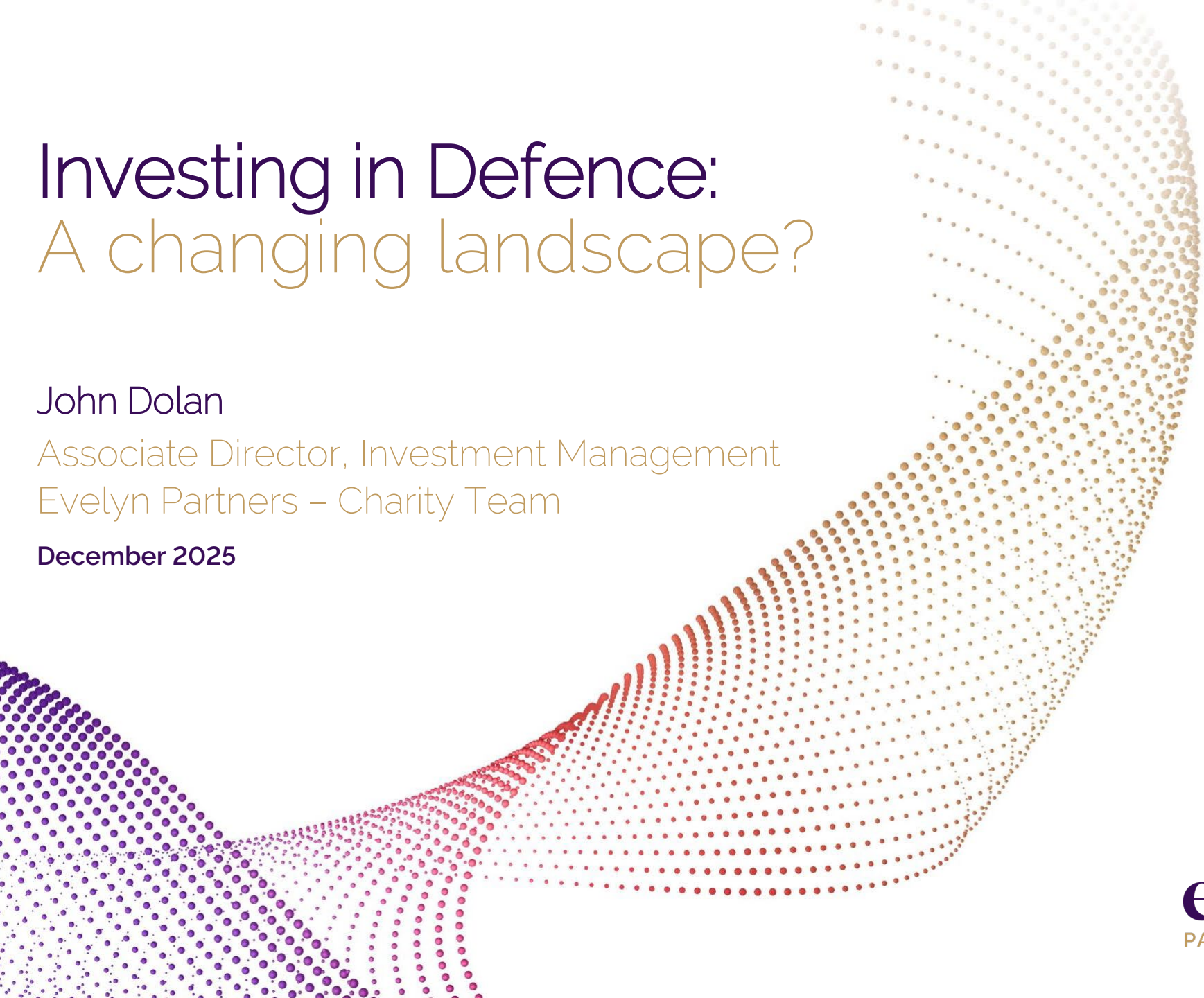

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Agenda

1. The Changing World Order
2. Defence Exposure within Charitable Portfolios
3. Q&A

1. The Changing World Order

The three epochs since the end of the Cold War:

- 1989 – 2003: The peace dividend
- 2003 – 2014: The decline of trust
- 2014 – 2025: A divided world

1989 – 2003: The Peace Dividend

1989 - Fall of the Berlin Wall

Globalisation

WORLD TRADE ORGANIZATION

1993 – The Maastricht Treaty

Rise of Democracy

UK Parliament

2003 – 2014: The Decline of Trust

2003 – The Iraq War

2007-2008 The Global Financial Crisis

The Smart Phone

2010-2012 – The Arab Spring

The Rise of China

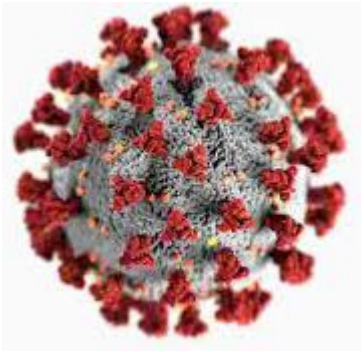
2014 – 2025: A Divided World

European Anti-Immigration

Brexit

Russian Confidence and Invasions

COVID-19

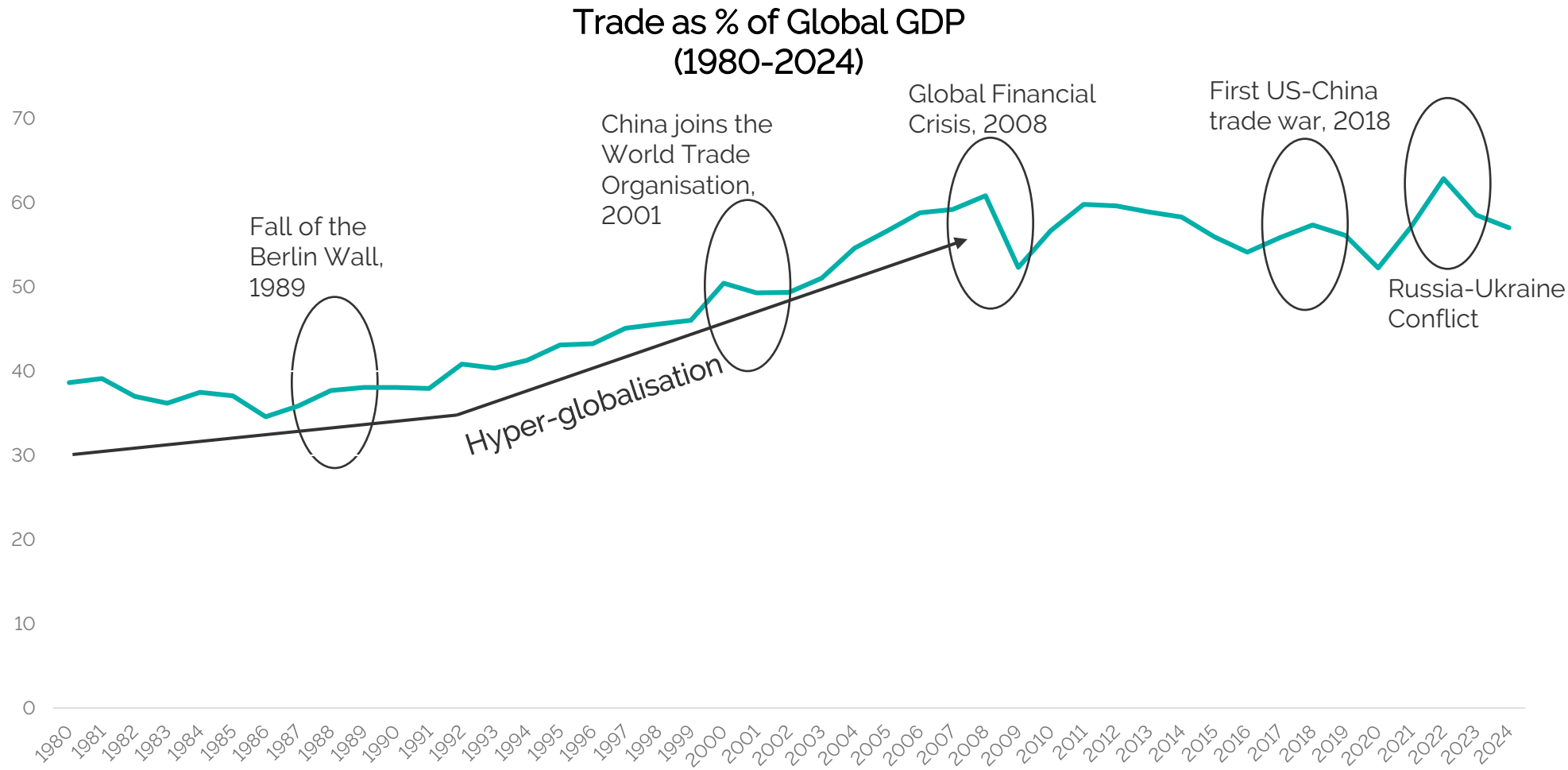


The Rise of Populism

Trade Tariffs

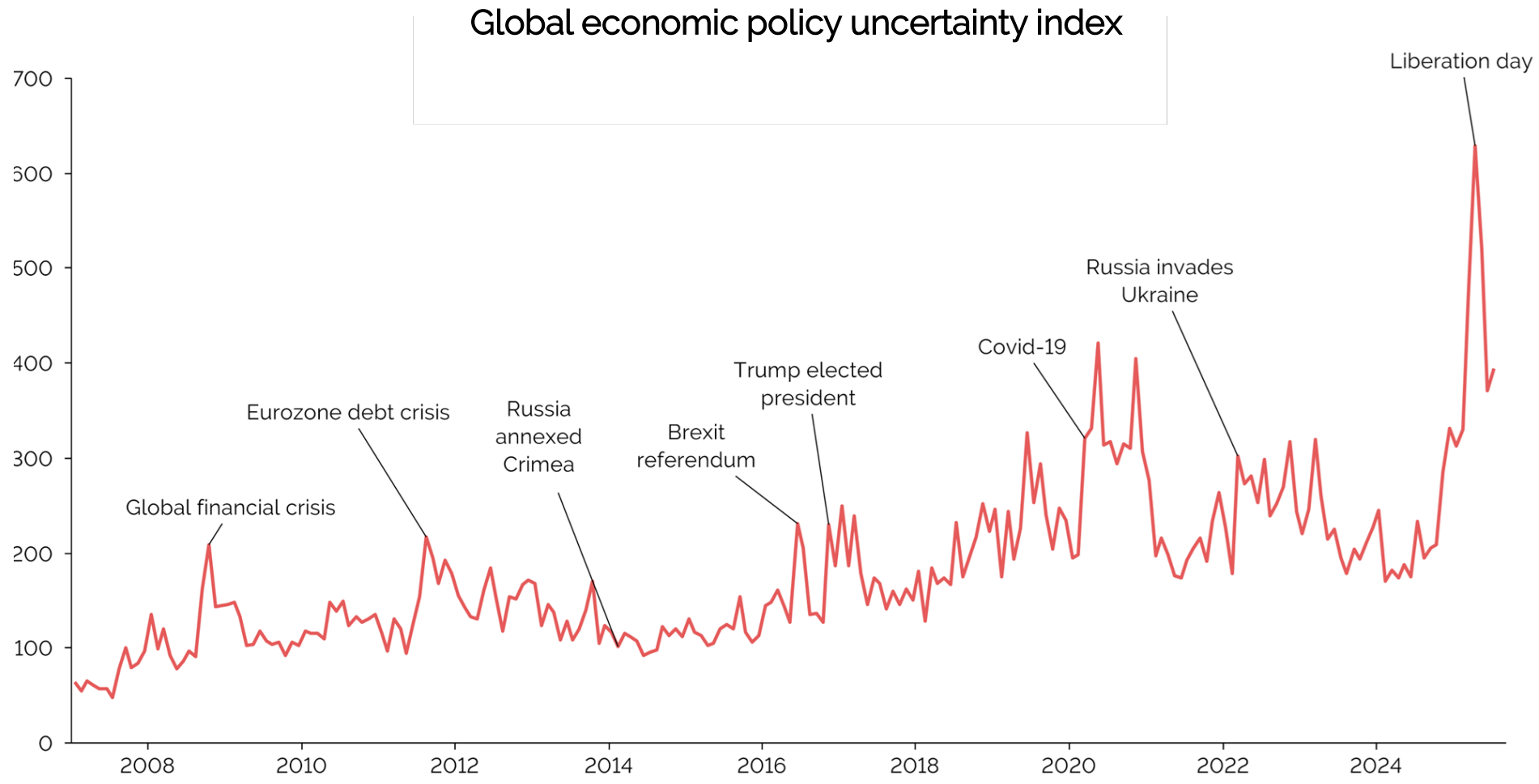
End of US unilateralism and leadership

The Charts - Stalling Globalisation



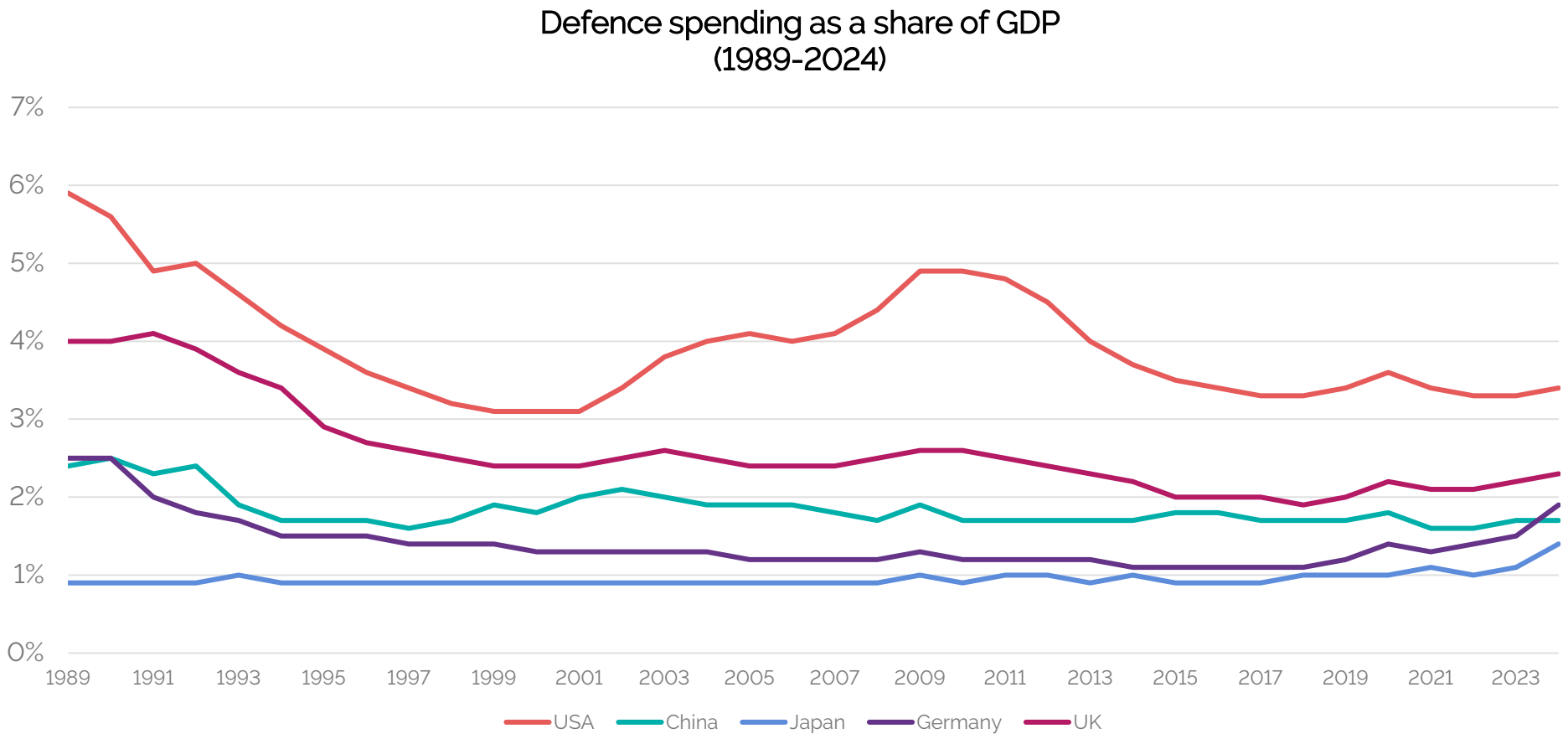
Source: World Bank / Evelyn Partners

The Charts - Global Uncertainty



Source: Refinitiv Datastream / Evelyn Partners

The Charts - The Peace Dividend



Source: SIPRI Military Expenditure Database / Evelyn Partners

Now: Uncertainty and a Regional Emphasis

Beyond Ukraine, conflicts and escalations continue

Israel-Palestine

China-Taiwan

Russian North Sea Activity

US involvement in NATO & G20

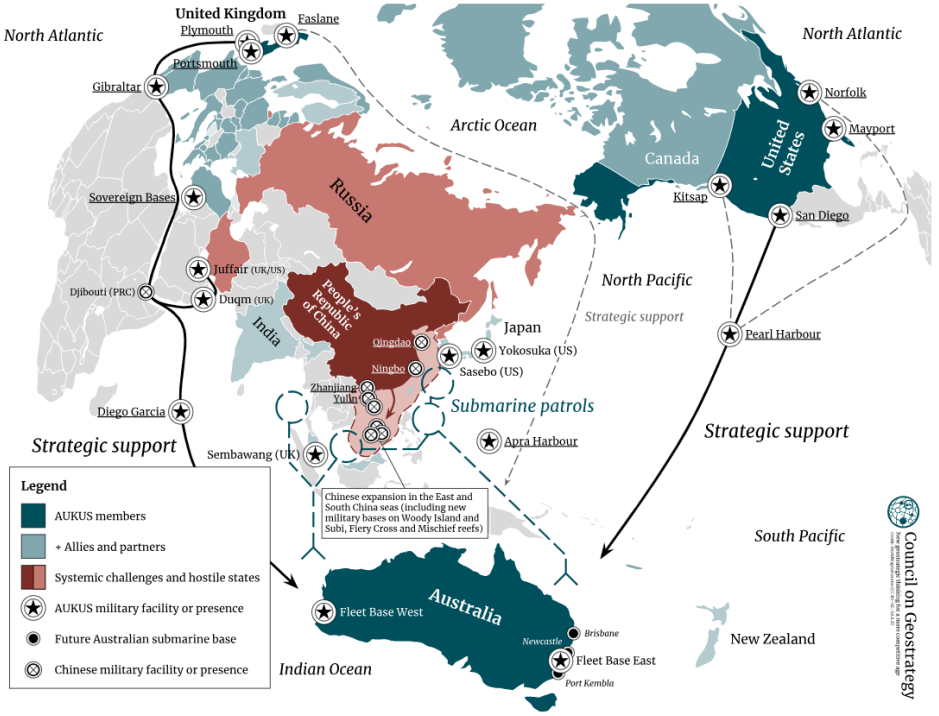
India-Pakistan

Source: Google Maps / Evelyn Partners

2022 saw a fundamental shift in geopolitics. New alliances are being set up to counter this – though the US' involvement now under review

Xi, Putin and Kim meeting in Beijing, September 2025

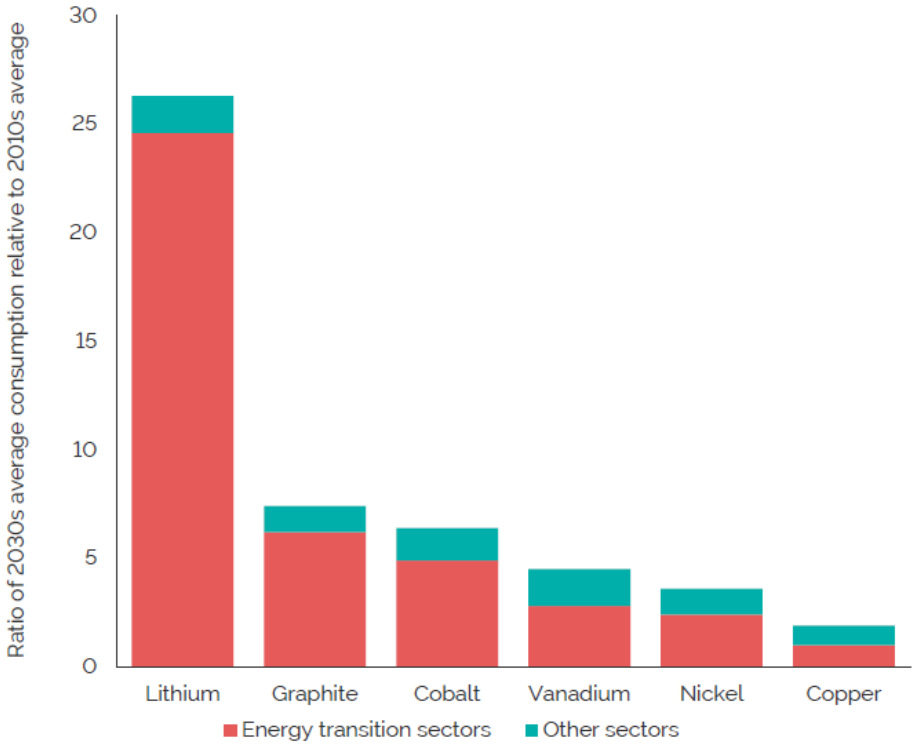
Map of AUKUS and "Five eyes" security alliances



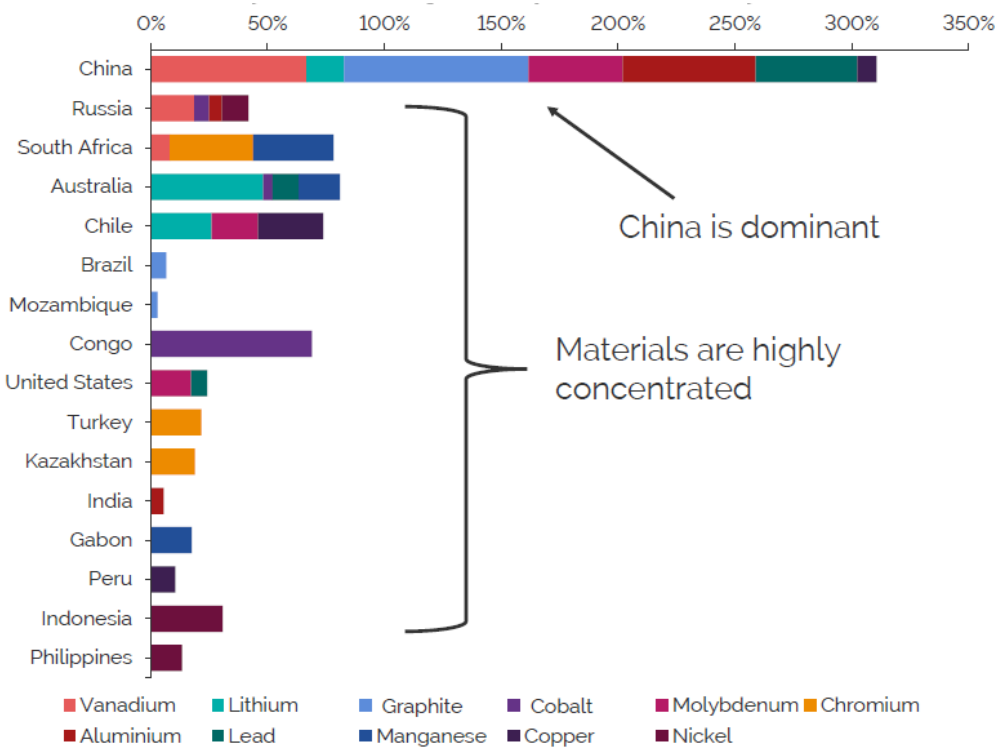
Source: Guardian, Council on Geostrategy, Evelyn Partners

Competition for commodities led by energy transition demand will bring new geopolitical considerations into play

Demand for critical energy transition metals

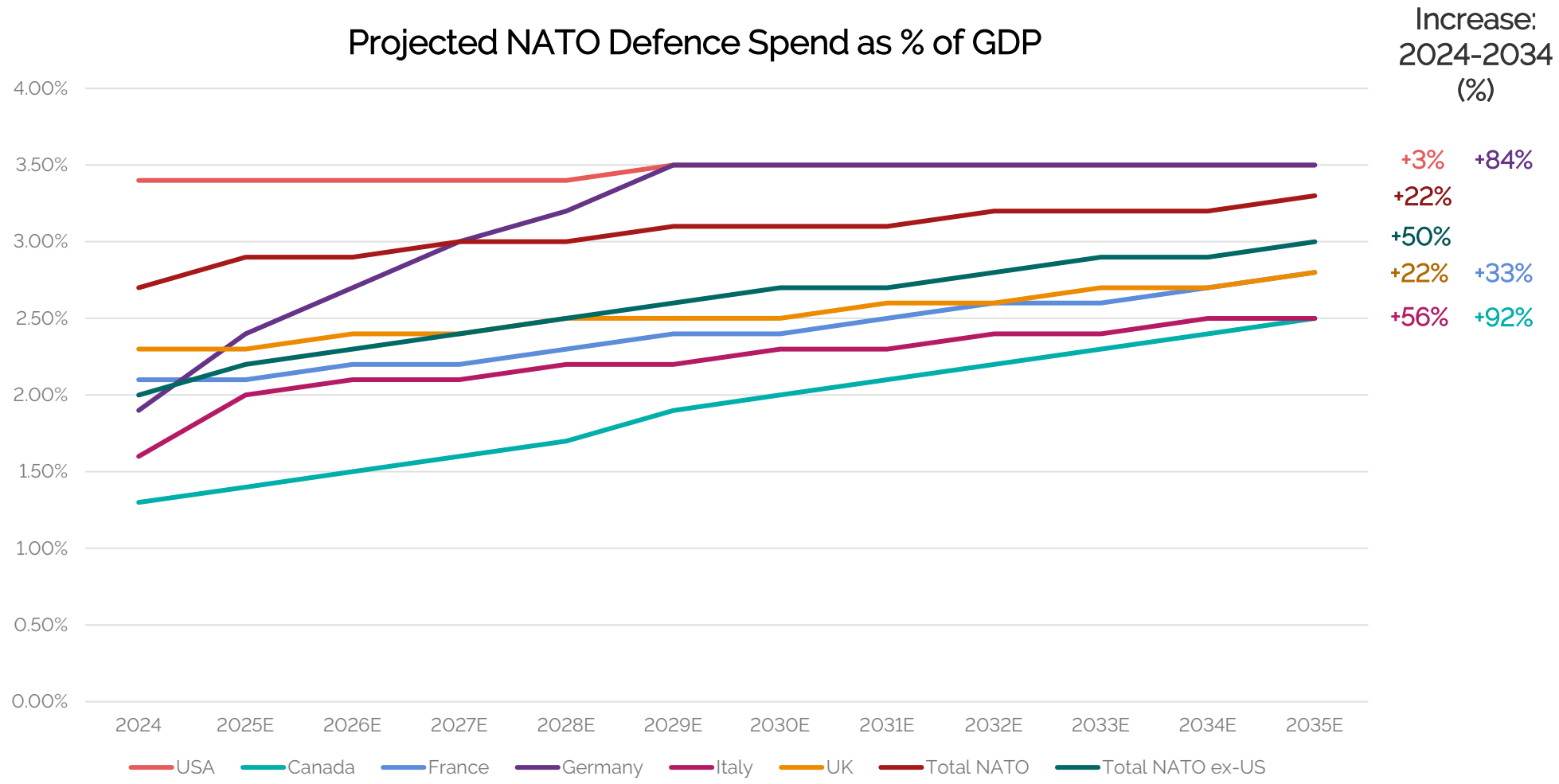


Country share of global production by metal



Source: IMF, U.S. Department of the Interior / Evelyn Partners

IMPLICATION: Government expenditure to accelerate through this decade



Source: Barclays / Evelyn Partners

2. Defence exposure within Charity portfolios

NATO
OTAN

Source: NATO

The ethics of investment in defence

Peace-keeping activity
vs.
Conflicts of interest: Corporate and National

Portfolio downside protection
vs.
Reputational concerns and consideration of donors

Controversial Weapons
vs.
Nuance

Humanitarian concerns
vs.
Defence of sovereignty and safety of citizens

Cyber/Infrastructure Protection
vs.
Technological Innovation (and drones)

Direct Exposure
vs.
Indirect Exposure

Global Security and Deterrence
vs.
Arms Races

No apparent exposure to armaments…

Microsoft

- Accredited cloud service providers to US Department of Defense
- Data centres specifically designed to meet security requirements for government projects

amazon

- Drones – collaboration with US military's DARPA
- Indirect beneficiary of military research grants/funding

Alphabet

- Particular focus on US military & intelligence contracts
- Proprietary computer software
- Communication services
- Artificial Intelligence

NVIDIA®

- Technological infrastructure
- Advanced computer chip manufacturing
- Artificial Intelligence

Source: Evelyn Partners / MSCI Analytics. The logos belong to the relevant company.

Balancing charitable objectives and reputation with investment

Baroness Butler-Sloss vs. The Charity Commission

- Principal of duty of trustees to further a charity's purposes, without personal motivations, opinions or interests affecting decisions.
- When making investments, the Charity Commission specifically expects all charities to consider its suitability in the context of the charity, the need to diversify to spread risk, taking advice from someone experienced in investment matters and regularly reviewing the investments
- For investments that might be in conflict with the charity's purposes or harm its reputation, the trustees' decision needs to balance all the factors that are relevant, the extent of the conflict, the potential financial effect if an investment was excluded and how serious that would be in the overall context of the charity's circumstances

Investment Policy options

Divestment

- Clear approach
- Reputation
- Detailed analysis of indirect exposure thresholds
- Reduced portfolio diversification

Engagement

- Open to critique
- Opportunity to influence change
- Limitations given role of legislation over corporate decision

Nuanced Approach

- Specific guidelines/restrictions
- Enhanced screening
- Geographic
- Offence vs. Defence
- Cyber vs. Armaments vs. Infrastructure

Investment examples

BAE SYSTEMS

- Provision of products and services across air, electronic systems, platforms and services, cyber and intelligence, and maritime.
- Controversial activities: nuclear submarines for UK's Trident program, arms sales to conflict zones, hypersonic and autonomous weapons.
- Does produce armaments.

ROLLS ROYCE

- Provision of civil aerospace (50%), military engines & services (25%), and power systems (25%).
- Development of small nuclear reactors (SMRs), reducing emissions.
- Controversial activities: nuclear submarines for UK's Trident program
- Only indirect exposure to armaments.

paloalto® NETWORKS

- Provision of cyber security across networks, cloud, security operations, and threat-intelligence & security consultation.
- Both corporate and national cyber-security (including UK, US, Germany).
- Only indirect exposure to armaments.

hanetf

- HANetf Future of Defence Fund
- NATO & NATO+ ally defence and cyber-defence exposure.
- Complies with UN Global Compact principles and the OECD Guidelines for Multinational Enterprises
- Companies must be Headquartered in NATO+ countries.
- Armament exposure.

Source: The logos belong to the relevant company.

Questions?

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https://www.evelyn.com/charities/