

Monthly Defence Market Report

October 2023

HANetf & EQM Indexes

Future of Defence UCITS ETF

NATO

49 bps

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For Professional Clients Only. Capital at risk.

All data as of 30/09/2023

This report was written by, and is the opinion of, EQM Indexes.



Defence ETF Key Takeaways

Sweden Boosting Defence Spending – As it gets closer to NATO membership, Sweden is increasing its defence budget by 28%, putting it on track to meet the 2% of GDP target. Unveiling its defence plans for 2024, Sweden's government communicated its military spending would increase by a total of 27 billion kronor (\$2.4 billion). Of that amount, approximately 700 million kronor (\$63 million) will be spent on Sweden's future membership of NATO. Abandoning years of military non-alignment, Sweden is waiting to become NATO's 32nd member. Sweden has offered Gripen warplane fighter jets for Ukraine if it allowed to join, as it still faces objections from Turkey.

Russian-Ukraine Conflict Has Galvanized Allied Government Support – Russia's invasion of Ukraine has galvanized allied governments to address long-standing shortcomings in defence preparations. NATO is once again committed to collectively defending allied territory and airspace. At their July Vilnius Summit, NATO leaders endorsed significant improvements in allied military strategy, plans, and posture. They also pledged to spend at least 2 percent of their gross domestic product on defence and to devote 20 percent of their military budgets to the modernization of capabilities.

NATO Facing Ammunition Shortage – European ammunition stocks are running short as Western countries continue to send mass amounts of military aid to Ukraine. Warehouses are now half-full. The EU earlier this year allocated \$2.4 billion euro for the joint procurement and delivery of up to an additional 1 million rounds of artillery ammunition to Ukraine by early 2024, and an additional \$550 million to urgently boost EU defence industry capacities in ammunition production.

F-16's Deployed to Poland – The US AirForce has deployed four F-16 fighters to Poland to bolster NATO's presence on the eastern flank. The F-16s came from the 52nd Fighter Wing at Spangdahlem Air Base, Germany, and arrived at Powidz Air Base, Poland, to replace four F-15E Strike Eagles from the 48th Fighter Wing at RAF Lakenheath, U.K., according to a release from U.S. Air Forces in Europe.

Elbit Wins More European Orders - Over the past week, Israeli defence electronics company Elbit Systems Ltd. has received two major orders from unnamed European countries worth \$210 million. The company has received more than \$500 million in orders since the start of September. Elbit was awarded a \$115 million contract to supply 120mm tank ammunition over the next 3 years. It was also awarded a \$95 million contract to supply SkyStriker loitering munitions over 2 years.

Sources available upon request. Please remember that when you invest in ETFs, your capital is at risk.

Macro Outlook

NATO defence spending has increased to \$365 billion in 2023, with every member hitting the goal of spending 20% of their defence budgets on equipment, with a median figure of 27.3% for the alliance as a whole. As a percent of GDP, Poland is the biggest NATO defence spender, spending 3.49% of its GDP, followed by Greece at 3.01%, Estonia at 2.73%, and Lithuania at 2.54%. It is no surprise that the nations seeing the largest increase in spending are in Eastern Europe, closest to the fighting in Ukraine. In the 16 months since Russia invaded Ukraine, NATO as a whole has also seen an overall 8% real increase in defence spending above inflation, compared with 2% in 2022. In the same period, overall NATO member spending on equipment leaped from 8.5% real growth to 24.9% of real growth above inflation. In 2023, NATO allies are collectively spending an average of about 40% on personnel, 30% on operations and maintenance, 20% on new equipment—including research and development—and 10% on infrastructure.

Defence ETF Details

Future of Defence UCITS ETF (NATO) provides exposure to the companies generating revenue from NATO and NATO+ ally defence and cyber defence spending.

The fund tracks the EQM Future of Defence Index (NATONTR Index).

Visit the [NATO fund page](#) for more information.

Exchange	Ticker	RIC	SEDOL	ISIN	Valoren	WKN	CCY	Listing Date
LSE	NATO LN	NATO.L	BP6N0Z2	IE0000J5TQP4	-	-	USD	04/07/2023
LSE	NATP LN	NATP.L	BP6N104	IE0000J5TQP4	-	-	GBP	04/07/2023
Borsa Italiana	NATO IM	NATO.MI	BMBR649	IE0000J5TQP4	-	-	EUR	14/07/2023
Xetra	ASWC GY	ASWC.DE	BMBR650	IE0000J5TQP4	-	A3EB9T	EUR	04/07/2023

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