



# As Europe Re-Arms, Here's Why Investors Are Looking to the Global X Defence Tech Index ETF (SHLD)

April 2025

## Key Takeaways

- **Europe Ramps Up Defence Spending:**  
European Union (EU) nations spent EUR326 billion on defence in 2024—a 30% increase from 2021, driven by prolonged conflicts and the goal of military self-sufficiency. The North Atlantic Treaty Organization (NATO) benchmarks and new GDP targets are further accelerating funding commitments, particularly from Germany and the European Commission.
- **Defence Stocks Surge Amid Rearmament Push:**  
Germany's Rheinmetall, France's Thales, and the London-based BAE Systems have seen record contracts and order backlogs as governments modernize forces. Defence is emerging as Europe's "new Big Tech," with six of the top ten 2025 Stoxx 600 performers<sup>1</sup> coming from the sector.
- **SHLD Offers Strategic Exposure:**  
[The Global X Defence Tech ETF \(SHLD\)](#) provides diversified access to firms benefiting from defence tech growth, including AI, cybersecurity, and robotics. It's the first ETF of its kind in Canada to track a global index of companies positioned to benefit from the increased adoption and utilization of defence technology.

## Europe Rearms

Europe is boosting defence spending, committing hundreds of billions of euros to modernize its military. As the Trump administration [has changed its international defence stance](#), Europe has had to shift towards defence self-sufficiency, with European Commission President Ursula von der Leyen [stating](#) that: "We are in an era of rearmament." This will fuel multi-year demand and growth potential for defence companies and their investors.

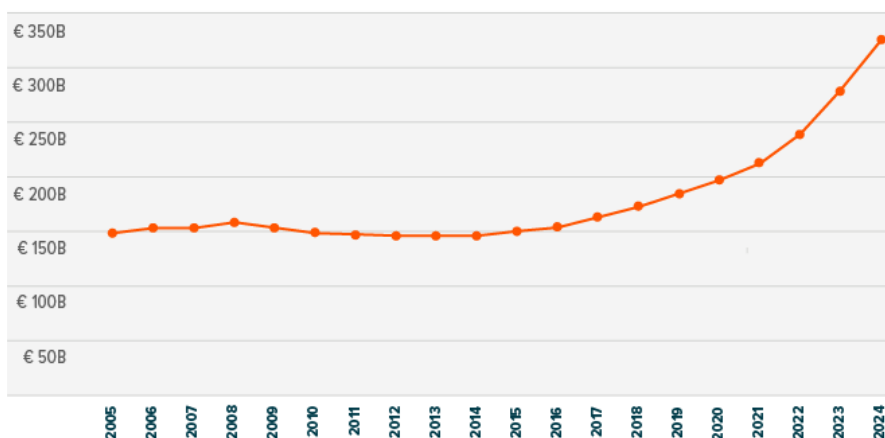
European Union [member states spent EUR326 billion](#) (\$508 billion) on defence in 2024, a 30% rise in spending between 2021 to 2024. The increase reflects prolonged conflicts in Ukraine and the Middle East, as well as a global push to modernize aging military equipment. NATO's 2% of GDP benchmark continues to drive spending, with 23 of the [alliance's 32](#) members meeting or exceeding the target following Finland and Sweden's entry.

In early 2025, major EU countries and the European Commission [announced defence spending programs](#) totalling hundreds of billions of U.S. dollars, aiming to enhance military capabilities by 2030. Separately, Germany [agreed to expand](#) its defence and infrastructure spending to as much as US\$547 billion.

New proposals are raising the bar. The EU [has floated a defence spending target](#) of 3% of Gross Domestic Product (GDP), while the [Trump administration is calling for](#) 5% of GDP, which signals mounting political pressure to boost budgets further. This trend could also bode well for defence companies as global rearmament shows no signs of slowing.

## EU MEMBER STATES DEFENSE EXPENDITURES DISPLAYS SHARP GROWTH POST 2020

Defense Expenditure, EU Member States



Source: Council of the European Union, (n.d.), EU defense in numbers, accessed on March 7, 2025.

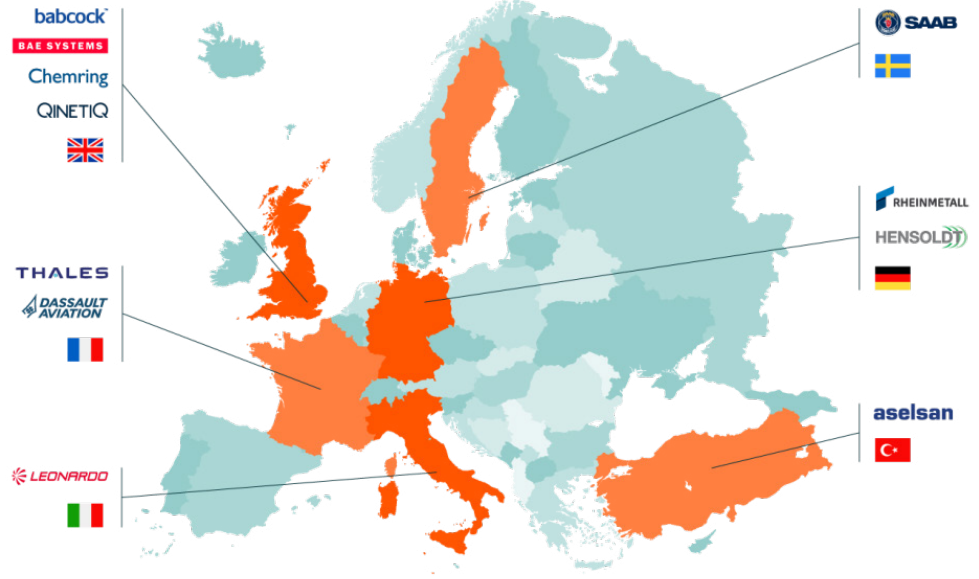
*"For a long time, Europe leaned heavily on the U.S. for defence, largely through NATO," says Alex Smahtin, Portfolio Manager and Senior Analyst, Investment Management at Global X.*

*"But with shifting global dynamics and the policies of the current administration, we're now seeing a structural move toward greater self-reliance. That shift is creating real opportunities for European defence companies — both now and over the longer term."*

<sup>1</sup>Source: Bloomberg News as at March 4, 2025, Defence Is Europe's New Big Tech Sector After Stellar Rally.

## Defence Companies Which May Benefit

Bloomberg News described defence as “Europe’s new Big Tech Sector”<sup>1</sup>, thanks to a sharp rally in defence stocks, with six out of the top ten performing companies in the Stoxx 600 Index in early 2025 were defence stocks.



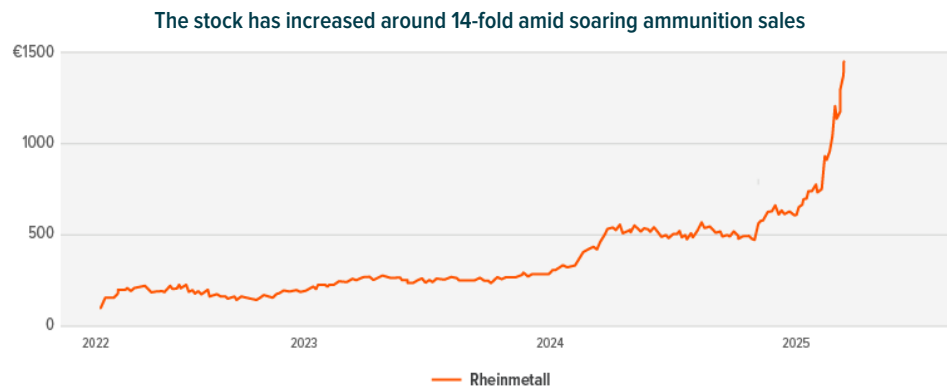
## RHEINMETALL

Germany’s largest ammunition manufacturer has experienced significant growth over the last few years, benefiting from increased European defence spending. The company’s stock has shown remarkable performance in recent years:

Rheinmetall [signed its largest-ever framework contract](#) with the German Armed Forces for the digitization of infantry soldier systems. The agreement, valued at up to EUR 3.1 billion (US\$3.2 billion), will run until the end of 2030.

### RHEINMETALL SHARES HAVE ROCKETED SINCE RUSSIA INVADED UKRAINE

Source: Bloomberg as at March 19, 2025



## THALES

The French defence electronics giant is among a growing list of companies that should see increasing order books on the back of heightened EU defence spending. Thales’ core business segments are Aerospace, Defence and Cyber & Digital.

The company [secured a GBP250 million \(US\\$311.2 million\) contract](#) for Royal Navy fleet communications and has expanded its cybersecurity division with [the acquisition of Imperva](#).

## BAE SYSTEMS

The UK’s leading defence and aerospace company has benefited from the surge in defence spending in EU countries since the start of the Russia-Ukraine war, with orders for fighter jets, submarines, and frigates in high demand.

The company [received new orders worth £33.7 billion \(US\\$43.2 billion\)](#) in 2024, while the company’s order backlog reached £77.8 billion (US\$99.8 billion), positioning it well for sustained growth.

<sup>1</sup>Source: Bloomberg News as at March 4, 2025, Defence Is Europe’s New Big Tech Sector After Stellar Rally.

## How to Invest

Depending on brokerage availability, it can be difficult for Canadian investors to access stocks listed in foreign markets, including in Europe. In some cases, investors might need to buy “over-the-counter” versions of the stock, which can carry their risks and challenges.

An easier option is taking advantage of the diversification, liquidity and lower fee benefits of an exchange traded fund (ETF).

Rheinmetall, Thales and BAE Systems are amongst the top holdings in the [Global X Defence Tech ETF \(SHLD\)](#), which seeks to invest in companies positioned to benefit from the increased adoption and utilization of defence technology.

This ETF invests in companies that build and manage cybersecurity systems, utilize artificial intelligence and big data, and build advanced military systems and hardware such as robotics, fuel systems, and aircraft for defence applications.

This surge in defence expenditure is expected to benefit defence technology firms, particularly those specializing in advanced systems such as artificial intelligence, cybersecurity, and autonomous weapons.

SHLD offers investors exposure to companies poised to capitalize on these trends, reflecting the growing emphasis on modernizing military capabilities across Europe.

“SHLD gives investors broad exposure — both across the value chain and across regions. That kind of diversification matters, especially in a sector that’s evolving quickly and could see strong growth ahead,” Global X’s Smahtin adds.

## Why SHLD?

- **Long-Term Growth Catalysts:**

According to the Stockholm International Peace Research Institute (SIPRI), global defence spending has grown at a 4.2% annual rate since 2020 – about 4 times higher than pre-pandemic levels. Spending is expected to grow at a 5% annualized rate to US\$3.4 trillion by 2030<sup>2</sup>.

- **Global Exposure:**

SHLD offers exposure to a global portfolio of companies involved in the development of advanced military systems, technology and hardware, including across Europe, North America and Asia.

- **First in Canada:**

SHLD is the only ETF listed in Canada that focuses on a global portfolio of companies positioned to benefit from the increased adoption and utilization of defence technology.

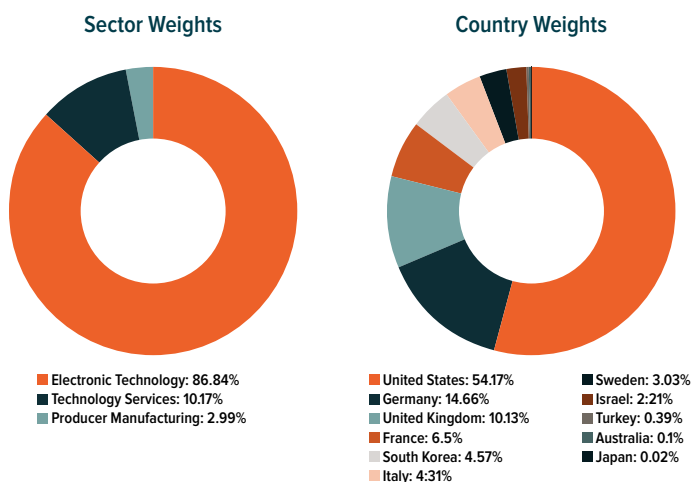
SHLD will make distributions on an annual basis, if any.

Ticker	Exchange	Management Fee*
SHLD	TSX	0.49%

SHLD tracks the [Global X Defence Tech CAD Index](#), which measures the performance of companies involved in Defence Technology. These companies are positioned to benefit from increased investment in technology, services, systems, and hardware that cater to the local and/or national security, defence, and military sectors. You can see a breakdown of how the index allocates its investments by sector and country here:

## GLOBAL X DEFENCE TECH CAD INDEX

Source: Mirae Asset Global Indices as at March 31, 2025



SHLD isn’t just limited to European names. It also includes major U.S. defence firms such as General Dynamics, Lockheed Martin and Palantir Technologies. In Asia, SHLD offers exposure to Hanwha Aerospace and Nippon Avionics. There has also been significant growth in Asian defence spending, particularly in China.

As geopolitical tensions rise, Europe’s push for defence autonomy is unlocking long-term investment opportunities in advanced military technologies. For investors, an ETF such as SHLD offers diversified exposure to a surging sector poised for growth, driven by AI, cybersecurity, and robotics, while helping modernize national security infrastructures across Europe and beyond.

\*Plus applicable sales tax.

<sup>2</sup>Source: Stockholm International Peace Research Institute (SIPRI), 2024.



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