

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**¹, 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**² (*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



**Anthony
PENEL**
Portfolio Manager
European Equities



**Caroline
GAUTHIER**
Portfolio Manager
European Equities





Other initiatives, including the **Clean Industrial Deal**³ (February 2025), accelerating decarbonization and industrial innovation, and **ReArm Europe**⁴ (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**⁵.

Against this backdrop, Edmond de Rothschild Asset Management launched "**Mission Europa**", a **European equity strategy 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**⁶, and a **dense innovation ecosystem**. The eurozone accounts for 17% of global GDP⁷, 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 investors⁸.

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

4. Source: European Commission, march 2025: 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.



“Mission Europa”: Four strategic investment pillars

The 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 strategy

The strategy holds 40–50 carefully selected European companies, balancing sector and country exposure. Small & Mid-Caps⁹ exposure is capped at 40%, while at least 30% is invested in companies within the European Defense Industrial and Technological Base (BITD)¹⁰. Among the companies¹¹ 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.
- **SIEMENS ENERGY:** Global leader in energy transition and industrial electrification, including gas power plants and wind turbines.

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.

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- **BESI:** Specialist in semiconductor hybrid bonding technology¹², 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 “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.

12. 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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