Investing in resilience

Escalating geopolitical tensions are forcing a fundamental shift in investment strategy from efficiency-driven growth toward resilience. We will analyze how investors can balance portfolios between defensive foundations.

« Investing is choosing the world you want. We believe in a future that makes resilience a lever for innovation, sovereignty and performance »
EDR

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Thesis

Should we be betting on growth driven by efficiency or resilience? Or both ?

Geopolitical history is cyclical, and we are exiting a brief period of relative peace to re-enter an era where conflict is, unfortunately, a persistent norm. This paradigm shift is reshaping investment priorities, creating a dual market dynamic.

On one side, investors are compelled to return to the foundational sectors society needs for stability and defense; namely energy, utilities, and defense industrials. These sectors are in the meantime directly exposed to current geopolitical flashpoints (like Middle Eastern tensions impacting oil, global re-armament drives, and so on) and represent a strategic bet on a less secure world.

On the opposing side, the transformative potential of technology and AI continues to represent the promising bet on future growth and disruption, thriving in a trend of innovation and connectivity that seems at odds with the former.

This thesis will analyze this contradiction. It will explore how investors can construct a portfolio that mitigates the tension between these two tracks, translating the macro thesis into concrete stock ideas and asset allocation strategies to position effectively between the imperative for stability and the opportunity for disruption.

For each sector analysis we will provide a stock pick as well as an ETF (Exchange Traded Fund) for illustartion.

From Peace to Resilience

The world is fracturing. Investors must adapt.

The post-Cold War era of geopolitical convergence and efficiency-driven globalization is over. We are returning to a historical norm of tension and bloc formation. Therefore, the new growth model is driven by resilience, not just efficiency. This in turn reshapes corporate priorities (supply chain control, capital structure) as well as investment themes.

Indeed, the list of treaties, agreements, and events aimed at restoring international harmony after ethnic conflicts, post-Soviet destabilization, and civil wars in the end of the 20th century is a long one. We count approximately 45, 50 major post-Cold War peace efforts. Namely the fall of the Berlin Wall in 1989 symbolizing the end of direct tensions between East and West, the Paris charter in 1990, NATO-Russia Founding Act in 1997, Iran Nuclear Deal (JCPOA) in 2015, Treaty on the Prohibition of Nuclear Weapons in 2017, Oslo Accords in 1990-93 and many others...

The change in position adopted by the US is noteworthy. The 'peacemaker' role it played during the aforementioned historical periods is gradually fading away. The US is distancing itself from alliances and multilateral commitments today, since the middle of the 21st century. Its relations within NATO were stable under Biden, but Trump's recent rhetoric (“encouraging” Russia to attack its allies) suggests a potential breakdown. They are also increasingly bypassing the UN and multilateral forums in favor of ad hoc coalitions, such as AUKUS*.

But at the same time, their presence in all conflicts (new or rekindled) is becoming ubiquitous. Among others, the Russian-Ukrainian war since 2022, the Israel-Hamas War (since 2023) and Iran-Israel tensions and other “indirect” wars like the US/China trade and technology systemic conflict (focused around soft power, semiconductors, sovereignty).

*AUKUS is a trilateral military cooperation agreement, but not formally a military alliance, formed by Australia, the United States, and the United Kingdom. Announced on September 15, 2021, it aims to counter Chinese expansionism in the Indo-Pacific

From Peace to Resilience

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Every aspect of our society is attached to geopolitical issues. Starting with the most critical levels. The access to water is of geopolitical nature (with dialogues around irrigation, data centers, etc...). Trump wanted Canada's water reserves (used by Canada as a threat against tariffs) and it led to an anticipation of significant investment to improve water autonomy (which is itself directly connected to smart grid and the question of the energy dependence of datacenters). This is closely linked to strategic investment theses for the securities concerned.

We can therefore describe this geopolitical threat, coupled with climate and demographic issues, as a triple shock. However, it turns out that this context is just a return to normal.

Market approval is not necessary. The adaptation of financial strategies is. It is necessary to force the establishment of resilience in the stock market, in particular by investing in companies enabling the society and the economy as whole to become stronger, more solid and therefore more resilient.

This translates into a return to the foundations.We can think of vital needs such as access to healthcare, security and protection, and access to energy and water.

This investment strategy has already been developed by some asset managers such as Edmond De Rothschild with their fund “Global resilience” built around four main pillars:

- Cybersecurity & defense: Faced with growing digital and geopolitical threats, systems must become stronger and smarter.

- Critical infrastructure: Energy, transportation, water, and healthcare networks must be adapted to meet new societal demands.

- Safety & security: Prevention, safety equipment, and equitable access to healthcare are ongoing priorities.

- Strategic resources: Food, water, energy, and critical metals have become highly geopolitical and essential assets.

From Peace to Resilience

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Therefore, if we summarize the impacts of various conflicts extensively, here is what we conclude.

First, with regard to the Russia-Ukraine conflict: We have seen an acceleration of the energy crisis, with gas being used as a weapon. The reduction in Russian gas deliveries to Europe has caused a supply shock, resulting in historic peaks in gas and electricity prices in Europe, imported inflation, and a complete reorganization of energy supply chains (explosion in imports of American and Qatari LNG to Europe). Next, the imperative to rearm led NATO to increase its military budgets. This resulted in a sharp rise in defense stocks (such as Rheinmetall, Thales, and Lockheed Martin). Finally, due to the freezing of Russian assets, a relative de-dollarization occurred, which accelerated the search for alternatives to the dollar by the BRICS countries, but in the short term allowed for a temporary strengthening of the dollar as a safe haven.

Secondly, the tariff war between the United States and China is having a considerable impact on markets and the global economy. This is particularly true of the US embargo on advanced chips destined for China, which has made semiconductor stocks highly strategic (Nvidia, TSMC, ASML). The sector is now being stimulated by demand for AI and fears of strategic shortages. In addition, the resulting trend towards friend-shoring, with companies leaving China for Vietnam, Mexico, or India, has led to currency fluctuations in emerging countries and new investment opportunities. A third notable impact is structural inflation resulting from tariffs and the fragmentation of value chains, which are making products more expensive. This has signaled the end of the “imported disinflation” that had been ongoing since the 2000s. Value chains must undergo structural rethinking.

Finally, the Iran-Israel conflict has, among other things, reinforced certain aspects of the prism: The geopolitical risk premium has become a permanent feature of the price of Brent crude. There will be no more massive, lasting shocks without a direct attack on Iranian infrastructure, but there will be extreme volatility. Furthermore, in times of uncertainty in the Middle East, investors seek refuge in gold and the dollar. As a result, gold has reached historic highs.

Overall those strategic structural changes are affecting all global players, forcing constant critical evaluation

Dealing with technology

Technology still disrupts. Geopolitics now directs it.

For a long time, the technology world felt almost limitless.

If you were an engineer, you could be born in one country, study in another, work in a third, and collaborate every day with people thousands of miles away. If you were a company, you could design a product in California, manufacture it in Taiwan, assemble it in China, and sell it everywhere. Parts moved freely. Data moved instantly. The system was not perfect, but it was open, fast, and incredibly efficient.

Many of today's largest technology companies were built on that openness. It was simply assumed that the world would stay connected. That assumption no longer feels safe.

The growing rivalry between the United States and China has changed the tone of global business. Trade is not just about cost anymore. It is about control. It is about security. Governments are no longer passive observers of the technology industry. They are stepping in and saying, clearly, that some technologies are too important to leave entirely to market forces.

This anti-collaborative behaviour has been exacerbated by some of Trump's policies but have been going on for a long time. A clear example of this phenomenon of technology being the trigger for instability and a tool of economic warfare is the entity list. The entity list is an export control tool from the economic point of view. It is elaborated by the US Department of Commerce and other federal agencies like the DOJ, the Presidency of the US and the Intelligence agencies.

Dealing with technology

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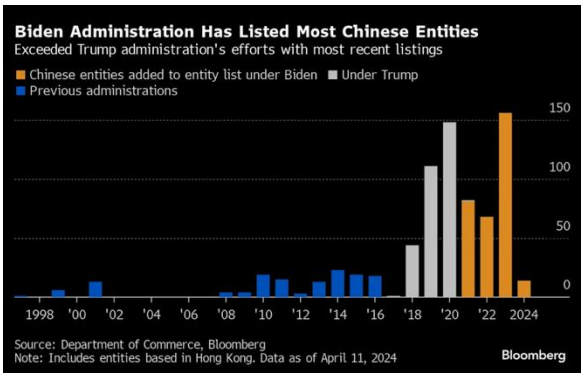
When the US adds companies to this list these companies are barred of any kind of access to US-related technology. US technology is in virtually everything so what this entails is that a company added to the entity list will basically not be able to do business given the range and importance of US technological patents and assets.



As we can see in this graph, both the Biden and Trump administrations have increasingly added Chinese entities to this list as a response to the growing threat of them achieving the technologies that nowadays give countries hegemon status. But probably the best example of this correlation between technological development and uncertainty and instability is the semi-conductor industry.

Chips are tiny and easy to overlook, but they power almost everything around us. Your phone. Your car. Hospital machines. Power grids. Military systems. Data centers that run the internet. If chips stop flowing, modern life slows down quickly.

And most of the world's most advanced chips are made by one company, Taiwan Semiconductor Manufacturing Company. TSMC produces the majority of cutting edge chips, and it does so mainly in Taiwan. Taiwan is not just a manufacturing hub. It is also a focal point of tension between China and the United States.

For years, this arrangement was celebrated as efficient. Now it feels fragile.
If something disrupted chip production in Taiwan, even temporarily, the shock would be immediate. Car factories would halt. Electronics would be delayed. Cloud services could face shortages. Governments understand this. That is why chips are no longer seen as just commercial products. They are strategic assets.

Dealing with technology

Technology still disrupts. Geopolitics now directs it.

The United States has already acted. It has limited the sale of certain advanced chips and the tools used to make them to China. Companies like Nvidia have faced export restrictions. The Dutch firm ASML, which makes essential machines for producing advanced chips, has also been affected.

These moves are not small trade disputes. They are deliberate attempts to slow China's progress in powerful technologies like artificial intelligence.

China has responded with determination. It is pouring money into its domestic chip industry, building factories, funding research, and training engineers. But making the most advanced chips is one of the hardest manufacturing challenges in the world. It requires deep experience and extremely complex equipment. Even with strong political will and financial backing, progress will take time.

What we are witnessing is a slow split. The global chip industry, once tightly integrated, is beginning to divide into two spheres. One centered around the United States and its allies. The other centered around China. Companies that once thought globally now have to think politically. Decisions about where to build and whom to sell to carry strategic weight.

Amid this uncertainty, some players sit in a powerful position. The companies that build the equipment used in chip factories are essential to everyone. ASML holds a uniquely strong role in certain key machines. Firms like Applied Materials, Lam Research, and KLA Corporation provide tools that every advanced factory needs.

As countries try to build more chip production at home, these companies benefit almost by default. Whether a factory is built in Arizona, Germany, Japan, or South Korea, it needs similar equipment. The attempt to make supply chains safer and more local may be costly, but it creates steady demand for these suppliers.

Companies like Intel are working to strengthen their manufacturing capabilities. TSMC itself is expanding in the United States. But recreating decades of knowledge and tight supplier networks that exist in Taiwan is not simple. It is a reminder that efficiency and resilience are not the same thing.

Artificial intelligence adds another emotional layer to all of this.

Dealing with technology

Technology still disrupts. Geopolitics now directs it.

AI is not just another technology trend. It carries a sense of urgency. Governments see it as central to economic strength and military capability. Technology companies see it as the foundation of the next generation of services and products.

That is why firms such as Microsoft, Google, Amazon, and Meta Platforms are spending enormous amounts on data centers and AI systems. From the outside, the spending can look almost excessive. The returns are not always immediate. There is skepticism about whether all this investment will pay off. But from inside these companies, the fear is different. The fear is falling behind. If AI reshapes how we search, shop, communicate, design products, and make decisions, then missing this wave could mean losing relevance. Investing heavily is a way of defending the future.

AI is also reshaping defense and security. Modern military systems rely increasingly on data and software. Contractors such as Lockheed Martin, RTX, and Northrop Grumman are integrating more advanced computing into their systems. Meanwhile, companies like Palantir Technologies show how commercial and government needs can overlap. Tools developed for intelligence agencies can help businesses manage logistics or detect fraud. The same underlying technology serves both worlds.

Nvidia stands at a critical intersection of this AI race. Its chips are widely used to train and operate advanced AI models. Over many years, it built software tools that make it easier for developers to build on its platform. That creates loyalty and momentum. Even with restrictions in China, much of the world continues to rely on Nvidia's technology. It is a powerful position, but it comes with political exposure.

Cloud computing has also taken on new meaning. What was once a way to save money and increase flexibility is now viewed as part of a country's digital backbone. Governments ask harder questions. Where is the data stored. Who has access to it. What laws apply.

Many countries now require sensitive data to stay within their borders. This benefits large providers like Amazon Web Services and Microsoft Azure, which have the resources to build local data centers and comply with different rules. It also strengthens regional providers with established local trust.

Dealing with technology

Technology still disrupts. Geopolitics now directs it.

Government contracts in the cloud are especially valuable because they tend to be long term and stable. In uncertain times, predictable revenue matters.

Yet even as demand for technology remains strong, financial realities cannot be ignored. Many technology companies are valued based on profits expected far in the future. When interest rates rise, those distant profits are worth less in today's terms. The past few years have shown how quickly valuations can fall when money becomes more expensive.

Higher defense spending and larger public deficits may keep interest rates elevated. That puts pressure on companies whose appeal is mainly long term growth rather than current cash generation. Investors have become more selective. The era of easy money made it simpler to believe in distant promises. That era has changed. There is still optimism. If AI and automation make businesses more efficient, they could lower costs and boost productivity. Over time, that could support economic growth and ease inflation. The heavy investment happening now might look wise in hindsight.

But technology revolutions rarely move in straight lines. There are periods of overinvestment and correction. Hype can outrun reality. Progress can be uneven. What makes this moment different is that technology is no longer just about innovation and consumer demand. It is deeply tied to national identity, security, and global influence. Chips, AI systems, and cloud networks are not just business assets. They are instruments of power. The technologic sector is not disappearing. It is evolving under pressure. Some companies will emerge stronger because they provide essential infrastructure and generate real cash. Others may struggle if their value depends only on distant expectations.

The global technology system is being rebuilt in real time. It may become less globally seamless and more regionally grounded. It may sacrifice some efficiency in exchange for resilience. That shift will be complex and at times uncomfortable.

But it reflects a deeper truth. Technology does not exist outside politics or history. It shapes them, and it is shaped by them. The next chapter of the technology industry will not be written only by engineers and entrepreneurs. It will also be shaped by governments, voters, and the uneasy balance of global power.

Resilient pillars: sector analysis

Utilities and commodities: the foundations upon which economies and nations are built.

As mentioned in the first part of the report, the topic of water supply is not only related to our primary needs, but also to geopolitical issues. Therefore, it is a matter of countries' sovereignty. These two aspects form the core of a thesis on investing in utilities on a large scale.

Concerning commodities, the same logic applies beyond a question of sovereignty. All demonstrate a geopolitical dimension, either by being at the heart of tensions trades, representing a crucial ESG interest, or simply by serving as a safe haven allocation. But regardless of their strategic importance within a portfolio, each of these commodities challenges the resilience of any sector by serving as a strategic asset within the value chain of almost every sector.

Utilities and commodities, all deal with resilience.

Energy sources such as crude oil and natural gas are the source of regional conflicts, supply chain disruptions, and energy security strategies. They are also at the centre of the recent but structural question of renewable energies and of hot topics related to ESG, smart-grid, autonomous electricity (for data centers) and so on…

Precious metals such as gold and silver constitute a demand for safe havens, strongly correlated with trends related to “de-dollarization.”

Industrial metals such as copper, aluminum, nickel, zinc, and lead, are at the heart of the energy transition and hot topics such as the construction of data centers and AI, and can lead to supply chain disruptions.

Other critical minerals, such as lithium, cobalt, and other rare earths, are a matter of national security and are necessary in high-tech industries such as defense.

We will deep dive into American waterwacks. A single report would be needed to analyse in detail the drivers, rationale and characteristics behind each commodity or utility market given their extensive implications in our society and economy. However, we will focus on a relevant company as well as some ETF revealing some insights.

Resilient pillars: sector analysis

Utilities and commodities: the foundations upon which economies and nations are built.

There is so much enthusiasm for this asset class that the sector has become overcrowded. The benchmark **ETF XLU** (State Street Utilities Select Sector SPDR ETF) of $23 Billion of AUM outperformed the market in early 2026, but some analysts see this as an extreme buying frenzy that could have pushed valuations away from fundamentals in the short term. This fund focuses on electricity / gas companies. Its performance is characterised by a YTD Daily Total Return of 8.53% against 2.53% for related categories, a 5Y Beta of 0.78 (showcasing low correlation, typical of counter cyclical sectors) and 50% of upside over 5Y. Its 5 main positions are ranked from largest to smallest holding:

NextEra Energy Inc. (13.47%), The Southern Company (7.28%), Duke Energy Corporation (6.92%), Constellation Energy Corporation (6.46%), American Electric Power Company (4.86%)

For a relevant analysis of utilities investments, we use enterprise value relative to EBITDA (EV/EBITDA), as it takes into account debt, which is massive in this sector given their massive need for capital, the predictable nature of their revenue, and the specific regulatory environment in which they operate. To give you an idea of the scale, capital expenditures (capex) in the industry have nearly doubled since 2015, surpassing $200 billion annually in the US alone . Global power grid investment reached about $326 billion in 2023 and is projected to keep growing rapidly. It is crucial to compare this multiple with its own historical average knowing that the average multiple for the utilities sector at large is 13x. For example, European utilities, after a catch-up in 2025, are trading at levels that could still allow for multiple expansion if earnings growth materializes.

On the other hand, commodities are too individually specific and analysing them as a whole would be misleading. Indeed, precious metals (gold, silver) are linked to the macroeconomic cycle (interest rates, monetary policy, de-dollarization). They react over longer periods (12 months); Industrial metals (copper, aluminum) are tied to the global economic cycle and to growth expectations. Their dynamics play out over shorter periods of three months. Copper, in particular, is supported by solid demand fundamentals (energy transition, data centers) and supply that is struggling to keep up; finally, energy (oil, gas) is often dictated by “idiosyncrasies” (OPEC+ decisions, geopolitical tensions) its analysis is more reactive, over very short periods (1 month) given its natural geopolitical dimension.

Resilient pillars: sector analysis

Utilities and commodities: the foundations upon which economies and nations are built.

Stock pick:

We decided to take a closer look at **American Water Works (AWK).** AWK is the largest organization of water supply professionals in the world, with $25 Bn of Market Cap as of February 2026. Operating in the US, founded in 1881 meaning it is an institutional company for the US. It provides services to more than 14M customers across 24 US states (invested over $3 billion in 2025 to help achieve that mission). Its largest business segment is residential water, followed by commercial. It has grown largely through external growth, with numerous acquisitions.

Its most recent deal was the merger between American Water and Essential Utilities, which set a record for the regulated water utilities sector. The combined group, which will be 69% owned by American Water investors, will provide water and wastewater facilities for 4.7M premises across 17 states. This deal also has a strategic competitive dimension in the sense that the merged company was their closest competitor. As they mentioned by the CEO the deal is “enhancing scale and combining two highly complementary businesses with significant growth potential that will benefit all stakeholders." Water stands as the most valuable resource for humanity, and this fundamental reality alone forms the foundation of a robust investment thesis.

The company operates within a regulatory framework that benefits from government backing, providing stability and predictability uncommon in more discretionary sectors. With a PE of approximately 22 x based on the last twelve months, the valuation reflects the defensive characteristics and steady growth profile of the business. Indeed, concerning future guidelines the company affirmed long-term EPS and dividend growth targets of 7-9%. At the same time, its EV/EBITDA (LTM) of 13x indicates a fair sector valuation and suggests that it is not overpriced. The three-year adjusted beta of 0.38 confirms the low volatility nature of the stock, indicating that it tends to move with considerably less amplitude than the broader market, making it an attractive component for portfolios seeking stability and income generation.

Resilient pillars: sector analysis

Utilities and commodities: the foundations upon which economies and nations are built.

AWK delivered strong operational and financial performance in 2025, with results landing near the upper end of management's expectations. Adjusted EPS reached $5.64 per, up from $5.18 in 2024, translating to EPS growth of 9%. Profitability across the company's project portfolio remains healthy, with an average ROE 10 %. This level of return is attractive within the utility space, particularly given the low-risk nature of the underlying operations and the regulatory protections inherent in the business model.

On the financing side, AWK secured a favorable regulatory outcome in Kentucky during December, receiving final authorization for an annualized revenue increase of $18 million. The order is based on an allowed return on equity of 9.7 % and an equity layer just above 52%.

Finally, the company's capital plan remains deliberately low-risk with prepayments and CF upfront, comprising hundreds of individual projects executed efficiently by operational teams. These initiatives focus primarily on pipe replacement to maintain infrastructure integrity, alongside targeted upgrades to above-ground treatment facilities. This granular approach spreads risk across numerous small developments rather than concentrating exposure on a few large projects, enhancing execution predictability and supporting the company's long-term growth trajectory.

Resilient pillars: sector analysis

While other sectors react to uncertainty, defense is built upon it.

Our investment thesis centers on the concept of resilience as the most defining factor for capital allocation in the coming decade. Within this context, the defence and aerospace sector occupies a unique and compelling position. It is no longer a cyclical, event-driven trade but a structural growth story rooted in the permanent recalibration of global risk. The explosion in military spending, the widening disparities in capability between nations, and the direct link between national security and economic stability are reshaping the strategic landscape. Defence is no longer just about deterrence but also about sovereignty, technological leadership, and the ability to withstand systemic shocks. This report has consistently argued that resilience drives value, and the defence sector is perhaps its purest expression.

The sector is defined by high barriers to entry, long product lifecycles, and a customer base that prioritizes capability over cost. These are not discretionary consumer goods but rather essential instruments of state policy. This translates into fundamentals that are remarkably resilient (and even stronger) even in volatile macroeconomic environments. Order books are multi-year, often spanning decades, providing exceptional revenue visibility.

Performance metrics have reflected this strength. The Aerospace and Defence industry demonstrated accelerating momentum through 2025, with year on year revenue growth reaching 25% in the fourth quarter, a significant ramp from just under 7% in the first quarter of the same year. More tellingly, operating income growth on a trailing twelve month basis surged to an extraordinary 330%. The global market itself is substantial, valued at approximately 780 billion dollars in 2024 and projected to approach 1,23 trillion dollars by 2033, growing at a compound annual rate of f5,4%.

The landscape is divided between established prime contractors and a new generation of specialized, agile suppliers. The primary subsectors include platforms and systems, which comprises the large prime contractors responsible for major platforms like fighter aircraft, ships, and armored vehicles. Key names include Lockheed Martin, Boeing Defence, Northrop Grumman, and European players such as BAE Systems and Airbus Defence and Space. Missiles and munitions represent a critically important subsector given the reality of high intensity warfare, and this is where Raytheon as part of RTX holds a formidable position. Space and intelligence is rapidly growing, driven by both military and civilian demand for satellite communications, reconnaissance, and launch capabilities.

Resilient pillars: sector analysis

While other sectors react to uncertainty, defense is built upon it.

The current investor enthusiasm is not speculative but rather a rational response to a mix of powerful, enduring drivers. First is the return of high intensity warfare. The conflict in Ukraine has been a brutal wake up call, exposing the sheer volume of artillery, missiles, and armored vehicles required in a war of attrition. This has driven immediate demand for munitions and a re-evaluation of stockpiles across NATO. Second is the technological imperative. The speed of integrating civilian innovations, particularly in artificial intelligence, drones, and robotics, has become decisive in today's wars.

As we said, the line between commercial and military technology is blurring, creating opportunities for new entrants and forcing incumbents to innovate faster. Third is the evolution of the American posture. Washington's repeated demands for allies to contribute more towards efforts in Ukraine have acted as a powerful catalyst, forcing nations to translate commitments into tangible budget increases (good news for the defence sector). Fourth is the pursuit of strategic sovereignty. In Europe, this means reducing reliance on non European equipment (particularly Russian) and stimulating its own defence industrial base. This is not just about buying more, but about who we buy from, building the capacity to design, produce, and sustain critical capabilities domestically.

For investors seeking diversified exposure, vehicles like the **First Trust Indxx Aerospace and Defence ETF trading under the symbol MISL** offer a convenient option. The ETF provides a broad basket of 34 stocks across the sector. With a beta of 0,82, it has historically exhibited lower volatility than the broader market, a characteristic that aligns with our resilience thesis. Its annualized volatility stands at 18,75% percent, and its price to earnings ratio of 8,29 suggests a valuation that is not excessively demanding given the growth trajectory. The 52 week range of 26,42 $ to 51,10 $ captures the sector's strong recent performance and the market's re rating of its long term prospects.

Resilient pillars: sector analysis

While other sectors react to uncertainty, defense is built upon it.

As a specific example of a strategic investment within this landscape, we consider **Raytheon** to be interesting. The company offers significant visibility on its order book, having recently secured five long term framework agreements with the US Department of War covering critical munitions like the Tomahawk cruise missile, the AMRAAM air to air missile, and the Standard Missile 6. These up to 7 year agreements are designed to dramatically expand production capacity, with annual output set to rise to over 1,000 Tomahawks and at least 1900 AMRAAMs. This provides good prospects on future revenue. Furthermore, RTX is undertaking ongoing measures to improve operating margins, leveraging its deep technical expertise and these long term contracts to optimize its industrial base. With the market increasingly recognizing the structural nature of this demand (following our thesis on instability becoming the norm), the current valuation may represent an attractive entry price for a company so central to the US and allied defence posture.

An interesting subsector of defence is cybersecurity.

The cybersecurity sector represents a compelling investment landscape shaped by the perpetual tension between offensive and defensive capabilities. State-sponsored attacks, espionage campaigns, and disinformation efforts increasingly target critical infrastructure (including power grids and financial systems) creating an environment where security expenditures are not merely discretionary but essential. AI has intensified this dynamic, accelerating the speed and sophistication of cyberattacks while simultaneously driving demand for more proactive and intelligent defense mechanisms.

Within this context, the **First Trust NASDAQ Cybersecurity ETF (CIBR)** offers investors concentrated exposure to the core cybersecurity industry. With approximately ten billion dollars in assets under management, the fund maintains a portfolio composition of 87 % technology and 10% industrials, ensuring focused participation in cybersecurity without dilution from unrelated sectors. Although structured as a U.S.-listed vehicle, the underlying companies generate revenue across global markets, with the Americas contributing 60 %, Europe 19 %, and Asia-Pacific 16 %, thereby mitigating regional concentration risk and capturing the worldwide spending trends.

Resilient pillars: sector analysis

While other sectors react to uncertainty, defense is built upon it.

Examining the construction of this ETF provides valuable insight into the maturity and structural dynamics of the cybersecurity sector. The top ten holdings account for 58 % of the fund, indicating that a cohort of established leaders commands significant market influence. The market capitalization breakdown reveals 53 % large-cap exposure, complemented by 8 % allocated to mid-cap and small-cap companies.

This distribution suggests that while the sector has matured sufficiently to produce dominant players, it retains an innovative edge through the presence of smaller, agile firms capable of disrupting established paradigms. The holdings themselves reflect the diverse subsectors within cybersecurity, encompassing comprehensive platform providers, endpoint detection specialists, cloud security architects, identity management firms, and managed security services. This diversity raises a fundamental question for investors regarding the future trajectory of the industry: will integrated technology giants such as Cisco and Broadcom prevail by embedding security functionality across their existing infrastructure, or will specialized best-of-breed providers like CrowdStrike and Palo Alto Networks maintain their competitive advantage through focused innovation and technological agility?

The composition of the top holdings illustrates this competitive tension clearly. Cisco Systems leads with an 8.7% weighting, followed by Palo Alto Networks at 7.7% percent, CrowdStrike Holdings at 7 % percent, and Broadcom at 7 %. Akamai Technologies, Thales SA, Fortinet, F5 Inc., Cloudflare, and Okta complete the top ten, representing a blend of infrastructure incumbents and specialized innovators. This configuration enables investors to observe which categories of cybersecurity companies are gaining traction within the broader market. Comprehensive security providers like Palo Alto Networks and Fortinet continue to attract enterprise clients seeking integrated solutions, while endpoint specialists such as CrowdStrike demonstrate the market's appetite for AI-driven threat detection.

Cloud-native firms including Cloudflare and identity specialists like Okta reflect the secular shift toward distributed workforces and zero-trust architectures, underscoring the breadth of opportunities embedded within the sector.

Resilient pillars: sector analysis

While other sectors react to uncertainty, defense is built upon it.

Performance metrics as of February 2026 indicate that the ETF has experienced recent volatility, with month-to-date returns of negative 3 % and year-to-date returns of negative 10.36 percent. However, longer-term annualized returns present a more constructive picture: 3Y returns stand at 17 %, 5Y 8 %, and 10Y at 17 %. This performance pattern suggests that while short-term fluctuations are inevitable, the underlying fundamentals supporting cybersecurity demand remain intact over extended investment horizons. The resilience of cybersecurity budgets even during periods of broader cost containment reinforces this view, as board-level governance increasingly prioritizes risk mitigation and regulatory compliance. Multi-year contracting practices further enhance revenue visibility for companies operating in this space, providing a degree of predictability uncommon in more discretionary technology segments.

The broader market landscape, reflected in leading cybersecurity companies by market capitalization in 2025, demonstrates continued concentration of value among established players while leaving room fo r emerging competitors. Market drivers including the escalating frequency of sophisticated cyber threats, evolving regulatory frameworks, and the integration of artificial intelligence into both offensive and defensive capabilities are likely to sustain demand across the sector's various subspecialties.

In conclusion, For investors seeking participation without assuming single-security risk, an ETF such as CIBR offers a mechanism to capture the sector's overall growth trajectory while benefiting from diversification across multiple companies and subsectors. The fund's composition, performance history, and structural characteristics provide a foundation for understanding where value is concentrated within cybersecurity and how the competitive landscape continues to evolve in response to technological and geopolitical pressures.

Resilient pillars: sector analysis

Healthcare occupies a unique position at the intersection of essential need and relentless innovation

Healthcare rarely dominates geopolitical headlines like semiconductors or defense. Yet in today's macro environment, where investors seek both innovation driven growth and structural resilience, it offers a natural bridge between the two.

Demand is largely noncyclical, supported by aging populations, rising chronic disease, and expanding access to care. The World Health Organization estimates that in 2022 about 16% of adults globally were living with obesity and more than 40% were overweight, reinforcing long term pharmaceutical demand. While healthcare has traditionally been viewed as a low beta sector, the Health Care Select Sector SPDR has shown a beta near 1 over the past three years, moving broadly with the market but with lower volatility than technology heavy indices such as the Nasdaq.

At the same time, the sector remains innovation driven. Large pharmaceutical companies such as Eli Lilly, Pfizer, and Roche, alongside biotech leaders like Amgen and Regeneron and device makers such as Abbott and Medtronic, combine strong margins and free cash flow with heavy investment in research and development. Established drug portfolios provide predictable cash flows, while new therapies offer upside.

Novo Nordisk exemplifies this balance. As the global leader in GLP 1 treatments for diabetes and obesity, led by Ozempic and Wegovy, the company reported roughly 25% revenue growth in 2024, with operating margins of 40 to 45 %. Demand is tied to chronic disease management rather than discretionary spending, supported by strong intellectual property protection and manufacturing scale. Risks remain, including pricing pressure in the United States and competition from Eli Lilly's GLP 1 products.

For a diversified portfolio, healthcare ETFs such as the Health Care Select Sector SPDR offer a blend of defensiveness and innovation, typically with lower volatility than technology heavy indices.

In sum, healthcare sits between resilience and growth. It reflects a broader market shift toward sectors that combine long term necessity with technological

Exposure Mitigation

Healthcare occupies a unique position at the intersection of essential need and relentless innovation

As elaborated previously, financial markets are not only driven purely by the business cycle but also by regime uncertainty and security concerns. Events such as the war in Ukraine, trade tensions between major powers and the reshoring of production have pushed governments and companies to prioritize reliability and protection rather than minimizing costs. This implies a growth mostly driven by resilience rather than efficiency for the different sectors outlined. This change creates two investable pillars.

The first pillar is the innovative technology, including semiconductors, artificial intelligence and cloud services, which offers high growth but also large price swings as the valuations depend on future expectations. For example, the Nasdaq-100 fell approximately 33% in 2022 as interest rates increased sharply, illustrating the sensitivity of growth stocks to interest rate changes. Moreover, NVIDIA has recently been traded at around 30x forward P/E ratio, showing high growth potential and a valuation based on future promises blacked by huge CAPEX spendings for the all ecosystem and forecasts based on reliable contracts. In comparison, large defense contractors such as Lockheed Martin typically trade around 16x, while regulated utilities often trade around 18x.

The second pillar includes defense, cybersecurity and utilities. These activities may be linked to conflict or regulation, but financially they are resilient because demand continues even when the economy slows down. They are sectors needed by societies to protect themselves and face conflicts or tensions. Global military spending reached record highs and has increased for several consecutive years, showing that governments maintain these expenses regardless of recession. Utilities also generate predictable cash flows because households and firms must keep consuming electricity and water in all economic conditions, especially nowadays with the new problems correlated to cloud computing and autonomous green energies.

Investors can therefore reduce risk by combining both types of assets. Investors need to maintain exposure to long term technology as the main performance driver while allocating a meaningful portion to resilience sectors as a volatility stabilizer. A balanced portfolio might include 40-50% growth technology as the main performance driver, 30-40% defense and cybersecurity for geopolitical protection and 15-30% utilities for income stability, if followed by the barbell allocation.

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A practical example of this barbell allocation strategy can be seen in funds that explicitly combine exposure with resilience oriented assets. For instance, the PIMCO Global Resilience Fund is designed to invest in companies positioned to benefit from structural shifts such as geopolitical fragmentation, supply chain security and strategic resource independence. The strategy blends exposure to long-term innovation themes with sectors that provide downside stability, including infrastructure and security related industries. By combining these exposures within a single strategy, such funds aim to reduce volatility and mitigate drawdowns during periods of macro stress while preserving long term upside potential.

The existence of such products demonstrates that institutional investors are already implementing a balanced framework between innovation driven growth and resilience driven stability, rather than concentrating capital in only one segment of the market In addition, the boundary between the sectors is narrowing as artificial intelligence improves cybersecurity systems and helps manage electricity networks. As a result portfolio performance increasingly depends on reallocating investments between innovation and protection instead of relying on a single market theme.

This approach allows investors to rebalance dynamically by trimming outperforming sectors and moving funds towards undervalued ones

Importantly, this shift is structural rather than temporary as the historical norm showcases this current geopolitical and relationships framework . Governments are committing large, multi-year capital programs to rebuild strategic autonomy and sovereignty. Global military spending reached a record $2.44 trillion in 2023, marking the ninth consecutive year of growth. The U.S. The CHIPS and Science Act allocates $52 billion to domestic semiconductor production, while the European Union's €43 billion European Chips Act aims to strengthen technological sovereignty. At the same time, global clean energy investment reached approximately $1.8 trillion in 2023, reflecting sustained infrastructure expansion. Meanwhile, spending on artificial intelligence is projected to exceed $300 billion annually in the coming years. These multi-year commitments demonstrate that resilience spending and technological acceleration are occurring simultaneously, leading investors to position along a spectrum that combines innovation-driven growth with policy-supported stability rather than choosing between growth and value.

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