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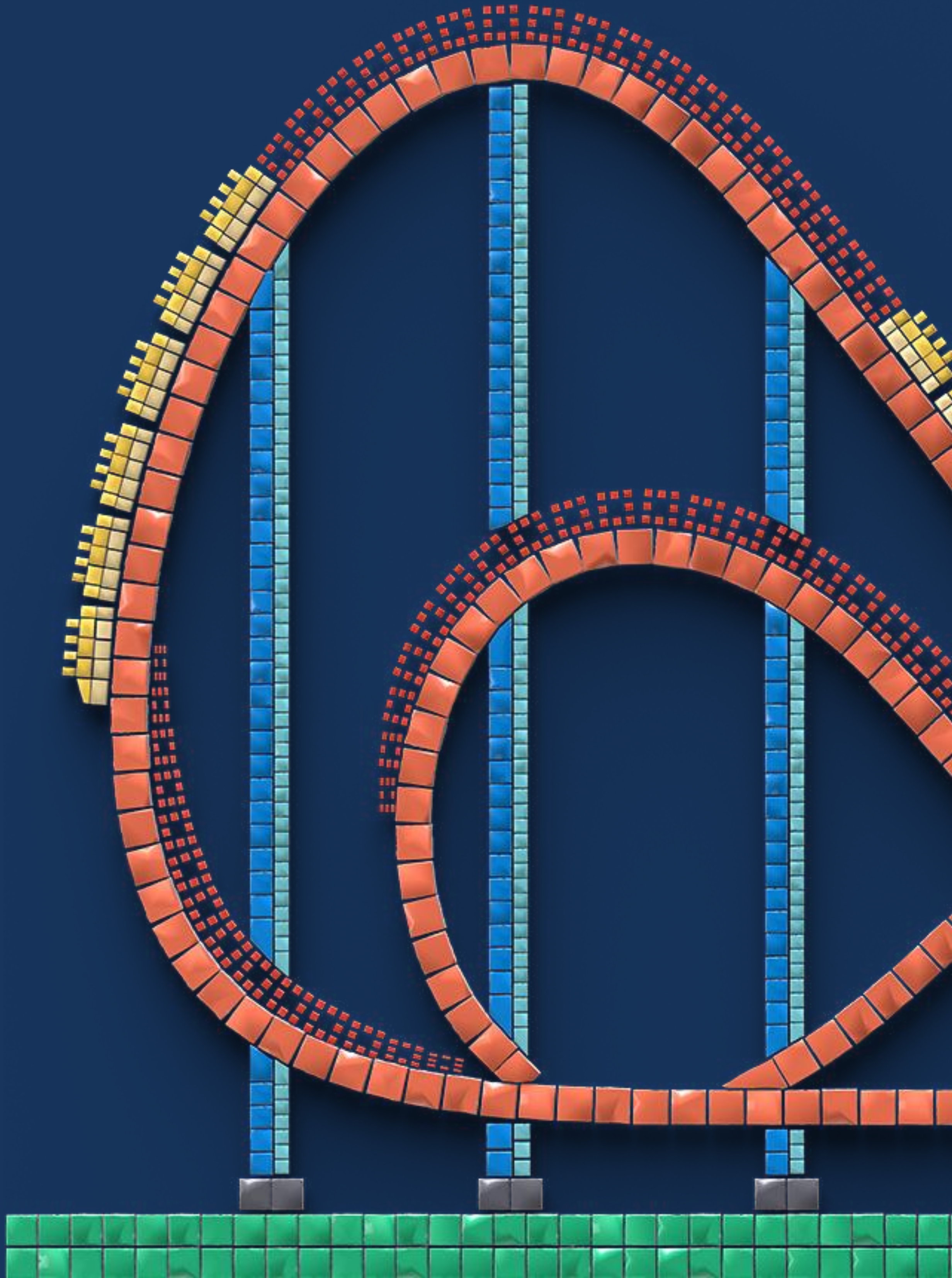
EMEA Investment Forum

ERFOLGREICH INVESTIEREN IN UNGEWISSEN ZEITEN

PLENARY SESSION

Are you ready for the new world disorder?

Thomas Mucha, Geopolitischer Stratege



Fractured and chaotic, but full of opportunity

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A roadmap for these trying times

- Structural and policy outlook
- The new themes of geopolitics in 2025 and beyond
  - **Great-power politics forever**
  - **Climate change is national security**
  - **Defense at (almost) any cost**
  - **The centrality of AI**
  - **The (re)-ascendance of nuclear weapons**
- How Trump 2.0 fits into this
- Strategies for capital allocation in a turbulent, national security-focused backdrop

Geopolitics is a long, long cycle

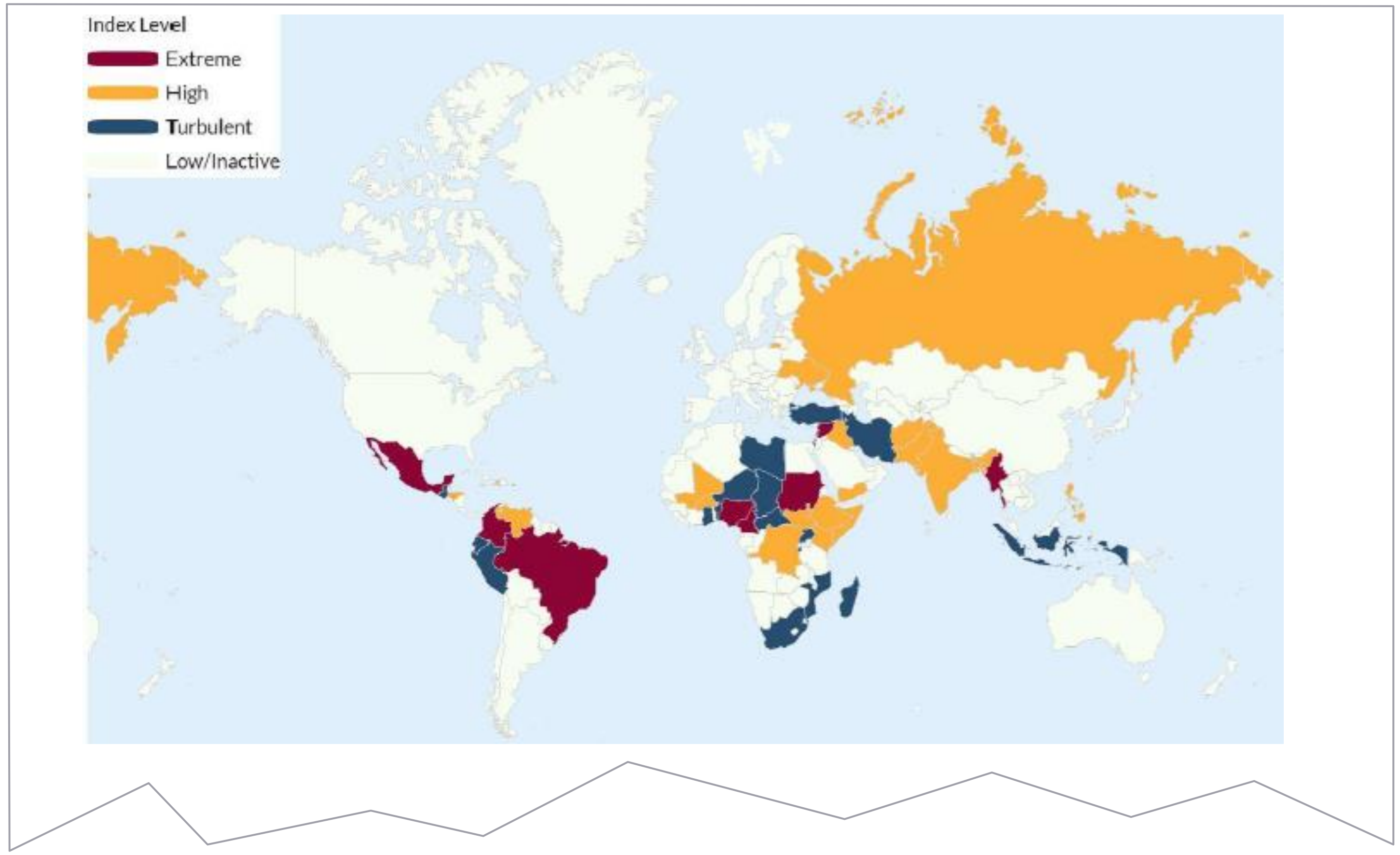
The problem: These cycles almost always end with lots of conflict

INCREASING GLOBAL INSTABILITY

- Worst picture since WWII
- 60+ active conflicts globally in 2025
- Double number of five years ago
- 1 in 8 people exposed to conflict
- 23 coups or coup attempts past three years – double the rate of previous decade
- Climate change to act as "stress multiplier" across equatorial/tropical regions for years to come

KEY POINT

There's a structural reason why the world feels so adrift right now



Source: International Rescue Committee; ACLED

Structural policy shift: The return of "Total War" policy orientation

National security over almost everything else

THE NEW POLICY TOOLBOX

Nuclear/traditional military deterrence no longer works alone; conflicts can no longer be "siloed"; broader focus on "societal" sources of power; broader list of conflict targets (economic/trade, military, cyber, psy-ops, etc.); blurring of military/civilian applications

RISING PRIVATE SECTOR ROLE

Growing influence and power in "strategic" sectors (space, AI, biotech, robotics/automation, etc.); creates frictions & opportunities with global policymakers

MACRO & MARKET IMPACTS

National security more important than economic efficiency; expect higher inflation, lower growth, more differentiated macro cycles than the heyday of globalization

New geopolitics theme 1: Great-power politics forever

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Key question: can we avoid catastrophic conflict?

- US-China competition the dominant and most consequential issue for years to come
- Thucydides Trap dynamics to persist
- Flashpoints abound amid structurally higher geopolitical risk
- Military-economic competition dominates
- Technology "cold war" will likely accelerate
- Policy/market impacts: more "protection and promotion" of strategic sectors; structural trade friction



New geopolitics theme 2: Climate change is national security

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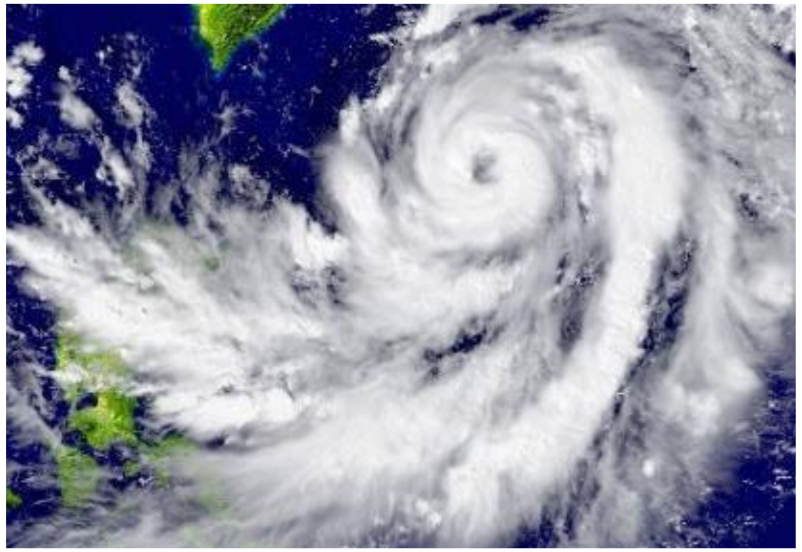
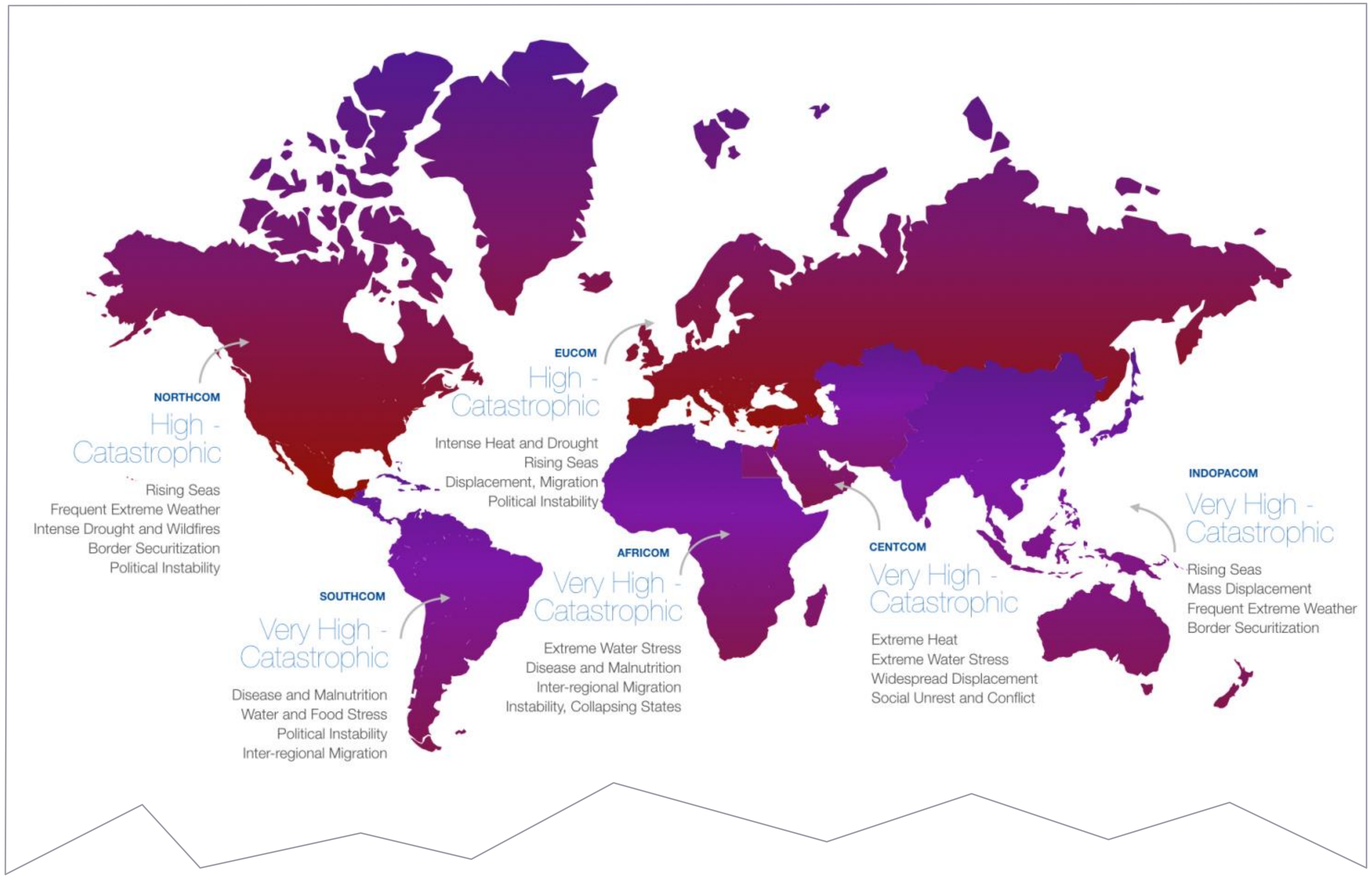
Adapt… or else

- Most underappreciated aspect of climate change
- The Pentagon is preparing for significant geopolitical disruption as this "threat multiplier" expands
- **Location matters:** "Catastrophic impacts" are expected in equatorial and tropical regions, where many geopolitical hotspots sit
- **National security impacts:** more resource wars, food & water scarcity, climate migration, failed states, rising extremism, etc.
- **The national security policy response:** climate adaptation & resilience


Mapping disaster from a national security perspective

Climate security threat profile: medium to long-term scenario (2 – 4 degrees C warming)



Source: Center for Climate & Security

Climate-related geopolitical risks on the horizon

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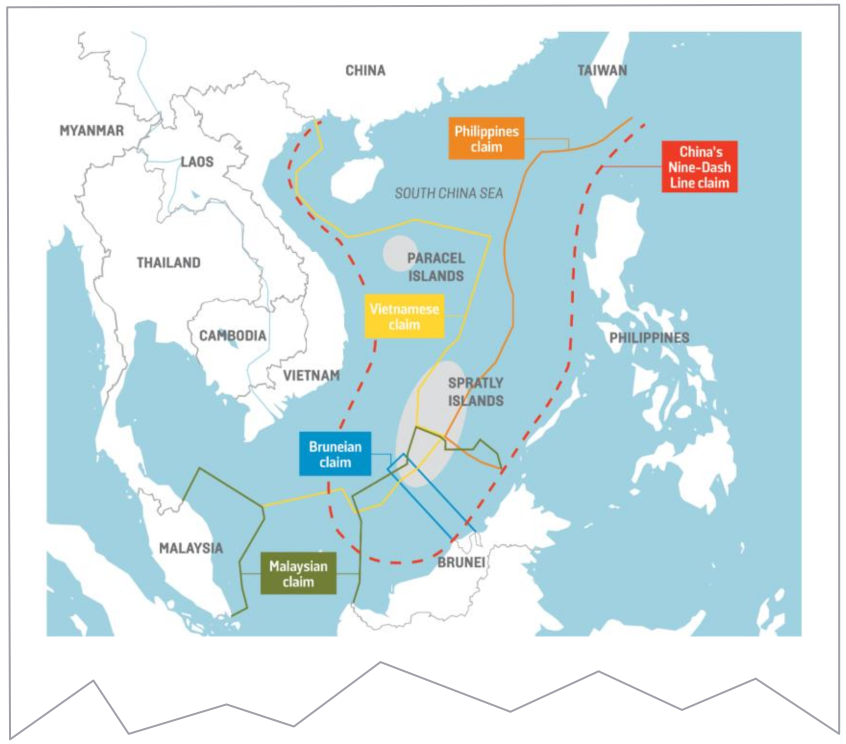
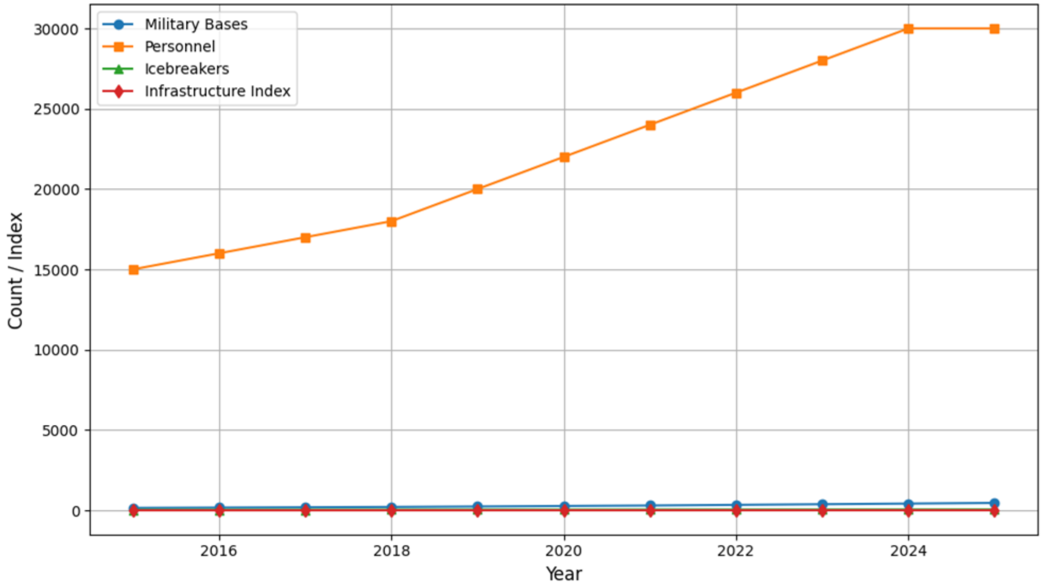
Climate stresses to further exacerbate great-power and other geopolitical competition

- India-Pakistan border (water scarcity)
- China-India border (water scarcity)
- South China Sea territorial disputes (fish and energy)
- Militarization of melting Arctic (contested energy and new trade routes)



Russia's Military build-up in the Arctic (2015 – 2025)



LHS Source: Center for strategic and international studies, permanent court of arbitration. | RHS Source: CSIS Arctic Military Activity Tracker

New geopolitics theme 3: Defense at (almost) any cost

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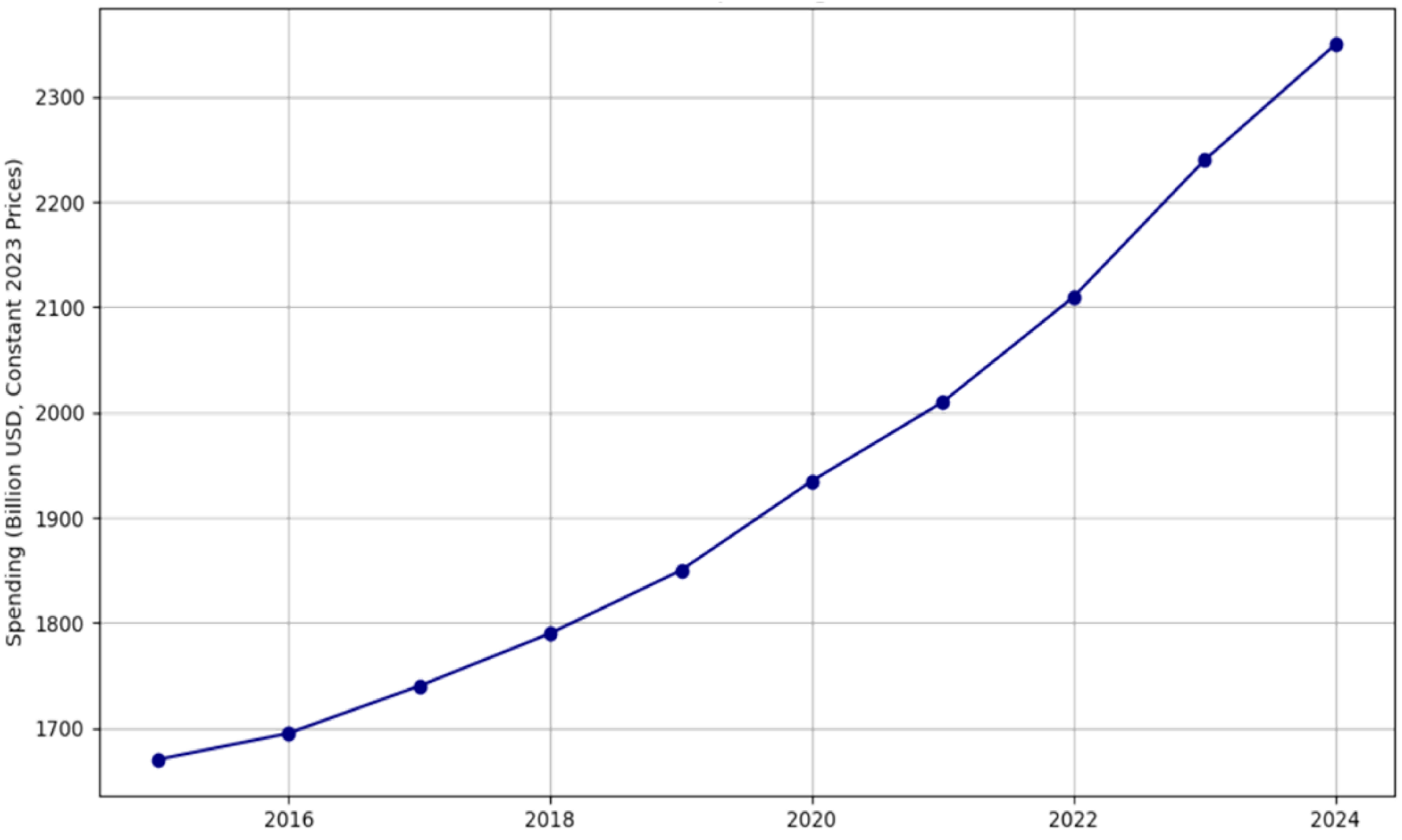
Bullets & bombs, and a lot more

Global defense spending (2015 – 2014)



- Global military spending at record high
- 10 consecutive years of increases
- Key drivers
  - Great-power threats from China/Russia
  - Loss of confidence in US security umbrella
  - Preparation for climate change disruptions
  - Reconstitution of defense industrial bases & arsenals
  - Growing demand for new and effective defense technologies

Source: SIPRI Military Expenditure Database, April 2025

Key Europe defense driver: Russia's invasion of Ukraine

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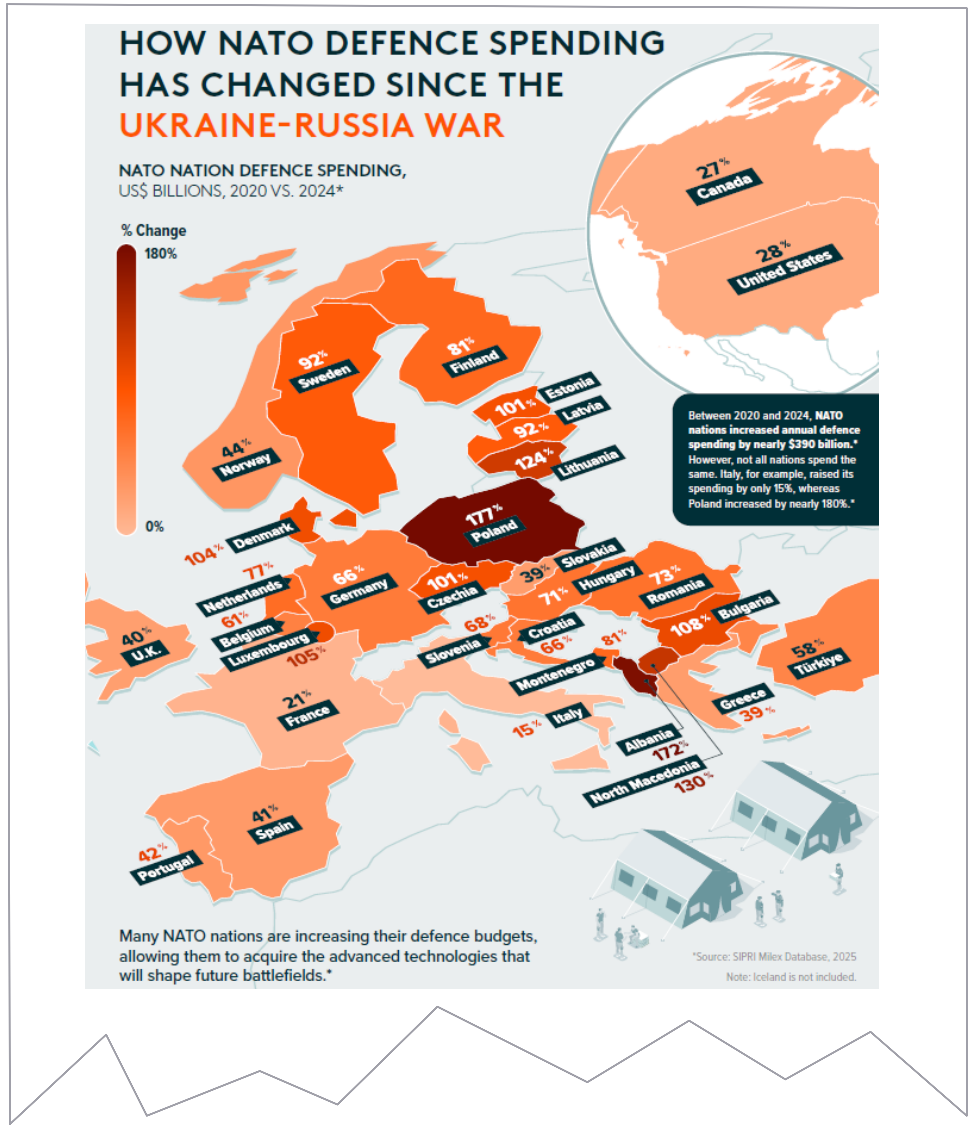
Yes, Trump 2.0 jawbones but battlefield actions matter more than words

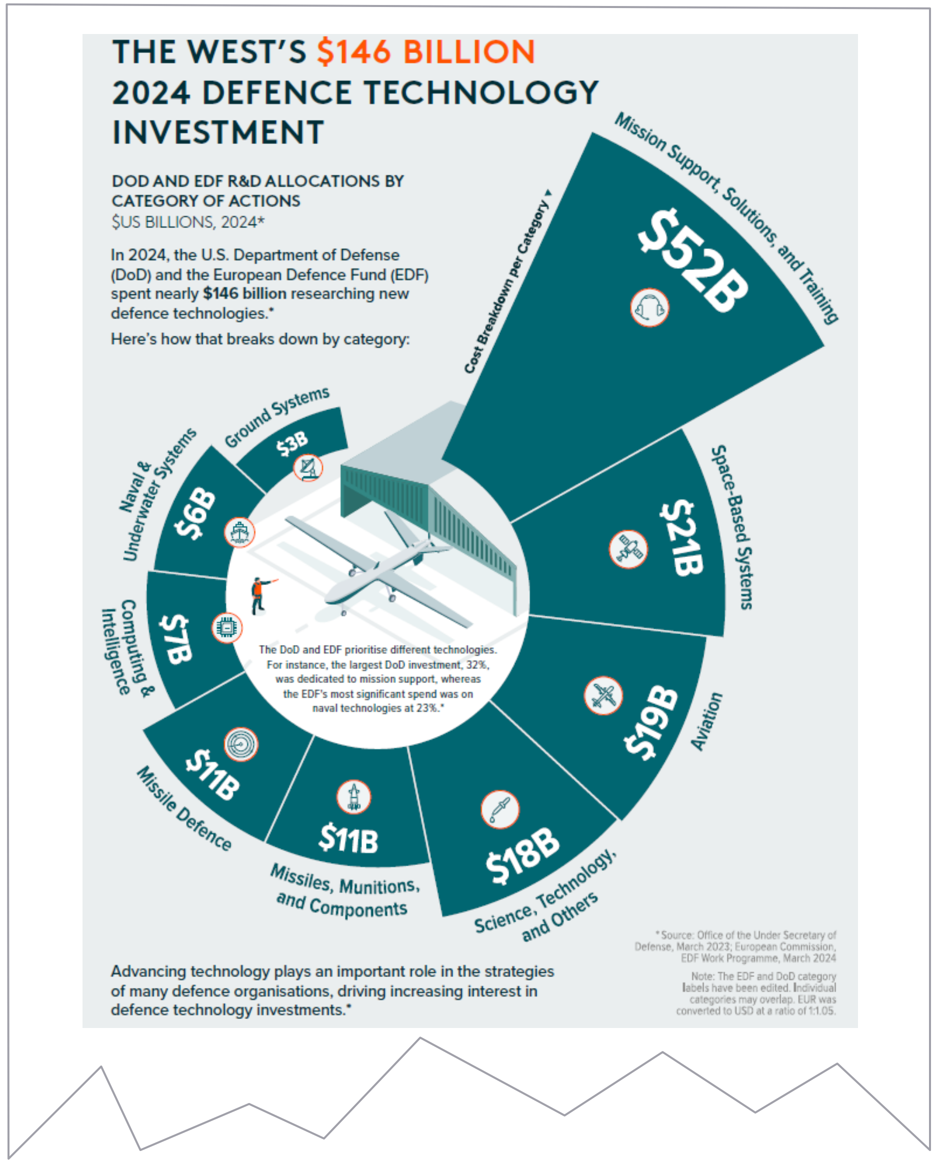


- USD 390 billion increase for NATO countries between 2020 – 24
- **Geography matters**
  - Poland: 177 percent
  - Sweden: 92 percent
  - Finland: 81 percent
  - Estonia: 101 percent
  - Lithuania: 124
  - Latvia: 92 percent
  - Germany a key driver for Western Europe
- **Future implications**
  - Europe may need a new "social contract" to pay for these increases
  - Expect more domestic political friction

Sources: Global X; SIPRI Milex Database, 2025

The future is now

The war in Ukraine accelerates a move towards defense innovation



- **Military doctrinal shifts favor dual-use technologies**
- Ukraine conflict has been a laboratory for warfare of the future
- Israel/US-Iran conflict offers additional lessons
- **Key areas of focus**
  - Space, space-related tech
  - Missile defense
  - Electronic warfare
  - Drones
  - Automation/robotics
  - Growing global focus on naval technologies
  - AI a key thread across these areas

Sources: Global X; Office of the Undersecretary of Defense, 2023; European Commission EDF Work Programme, 2024

It's not just military spending: De-risking meets geopolitics

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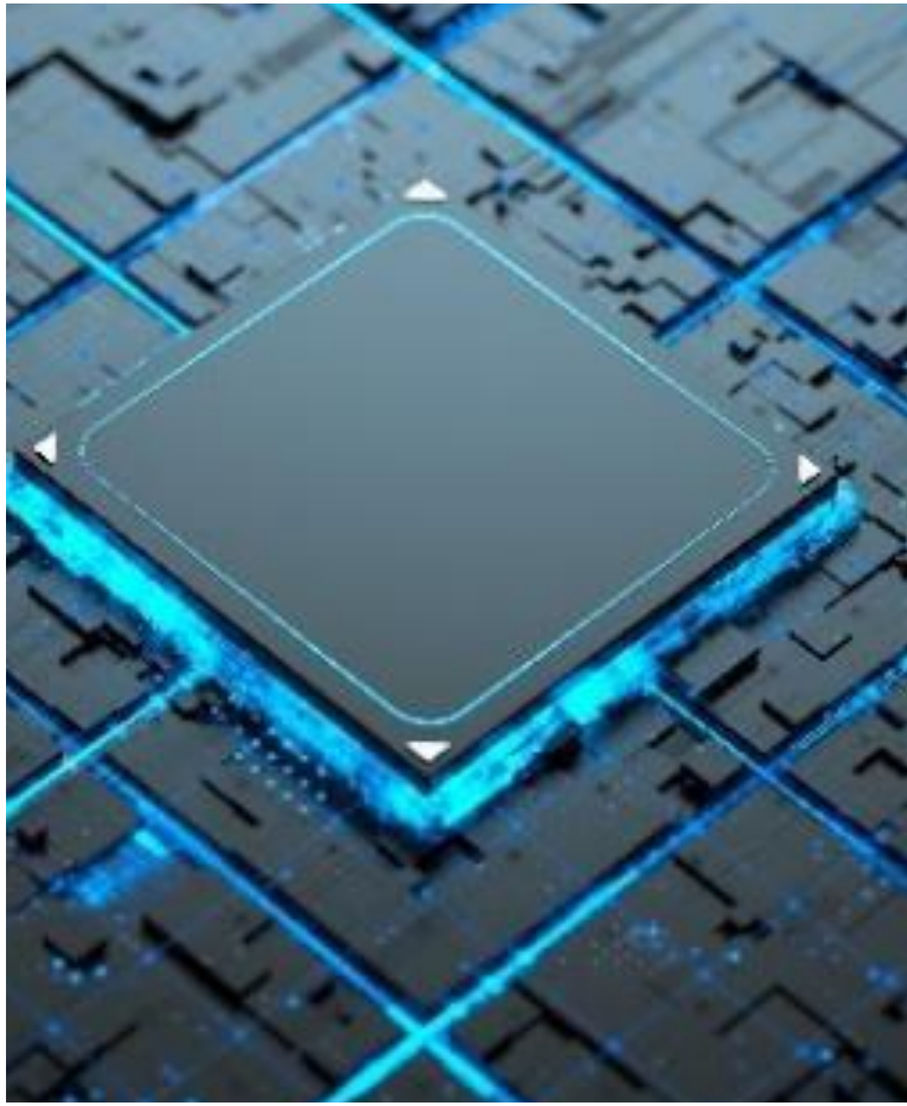
A new era of industrial policy arrives

KEY POINT

Industrial policy is here to stay given national security drivers

- **The "must-win" sectors in a great-power world:**
  - Semiconductors
  - **Critical minerals/rare earths**
  - Renewable energy technologies
  - Space-based technologies
  - Biotech
  - Next-gen communications
  - Robotics/automation
  - Quantum technologies
  - **All things AI**



The military importance of critical minerals

China has a big advantage over the US, if it chooses to play this card

Critical minerals in weapons systems, 2025

Service	Parts containing minerals	Weapons systems impacted	Percentage of weapon systems impacted (%)
Navy	51,468	739	91.6
Air force	29,769	302	85.1
Army	17,904	575	70.3
Marine	5,802	292	61.7
All services	**80,006**	**1,908**	77.7

Sources: US Department of Defense; Govini; 13D

New geopolitics theme 4: The centrality of artificial intelligence

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National security underpins all of this

- AI is not just about private-sector productivity
- Key military input for years
- Great-power competition mantra: whoever "wins" AI will have significant geopolitical advantage
- Pentagon uses of AI
  - **Analytical:** applied to large data sets including missile targeting; nuclear/chemical/biological monitoring, etc.
  - **Predictive:** battlefield deployments; negotiations; scenario planning, etc.
  - **Operational:** weapons systems; intelligence gathering; supply chain & logistics, etc.
  - US doctrine requires human involvement in "kill chain"; US adversaries may not adhere to this

KEY IMPLICATIONS

Expect fewer constraints on military uses of AI; reduced regulation overall; more policy protections of key AI inputs; structural tailwind for broader AI applications given national security stakes

On the horizon – Artificial general intelligence (AGI)

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Risks grow as great-power competition raises national security stakes

The development of AGI, or superhuman intelligence, suggests a growing potential for seismic geopolitical disruption in **the not-too-distant future**

- Emerging risks and other considerations include
- **Wonder weapons** – sudden emergence of decisive military capability
- **Systemic shifts in global power** – rapid global re-ordering due to new capacities
- **Non-experts with WMD capabilities** – including terror groups and malicious individuals and/or other actors
- **Artificial entities with agency** – proverbial "killer robots" operating outside of human control
- **Instability** – arms race dynamics and miscalculation that triggers conflict

Source: RAND

New geopolitics theme 5: The (re)-ascendance of nuclear weapons

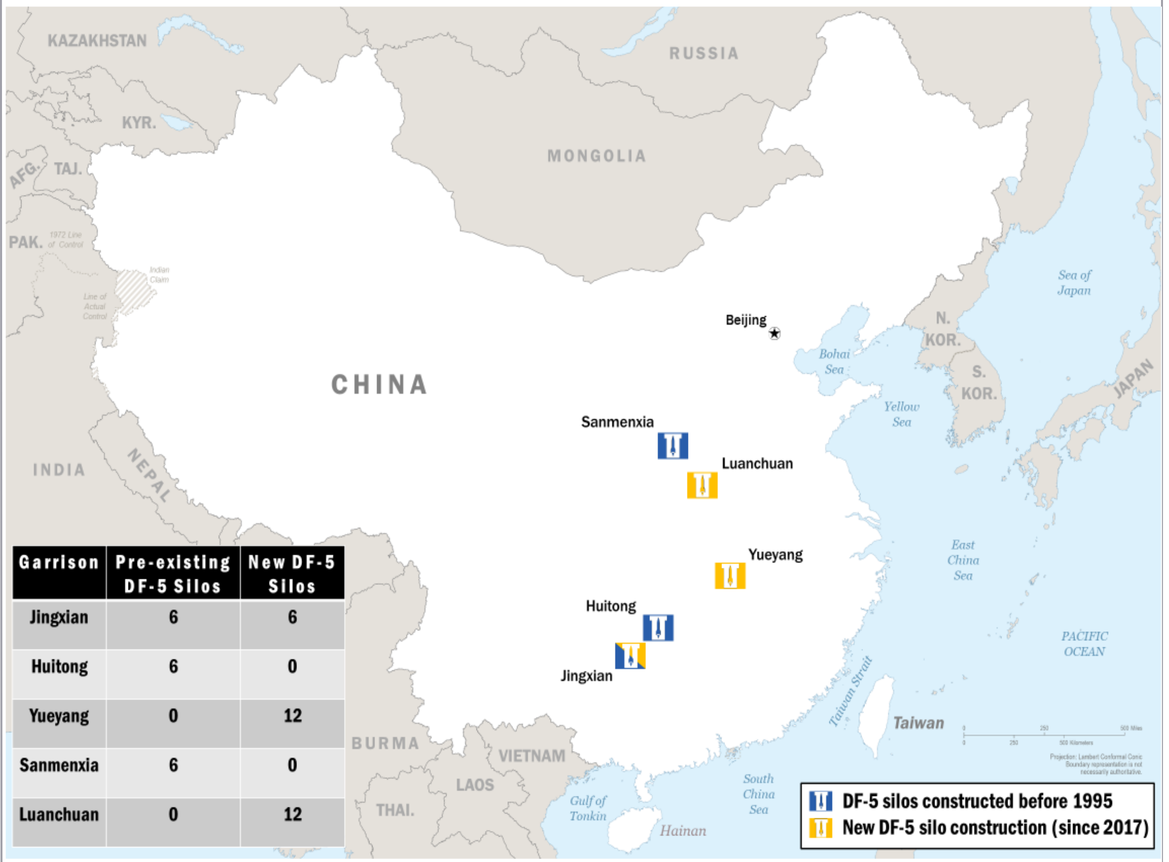
New strategies for a new age?

Why nukes are back in vogue

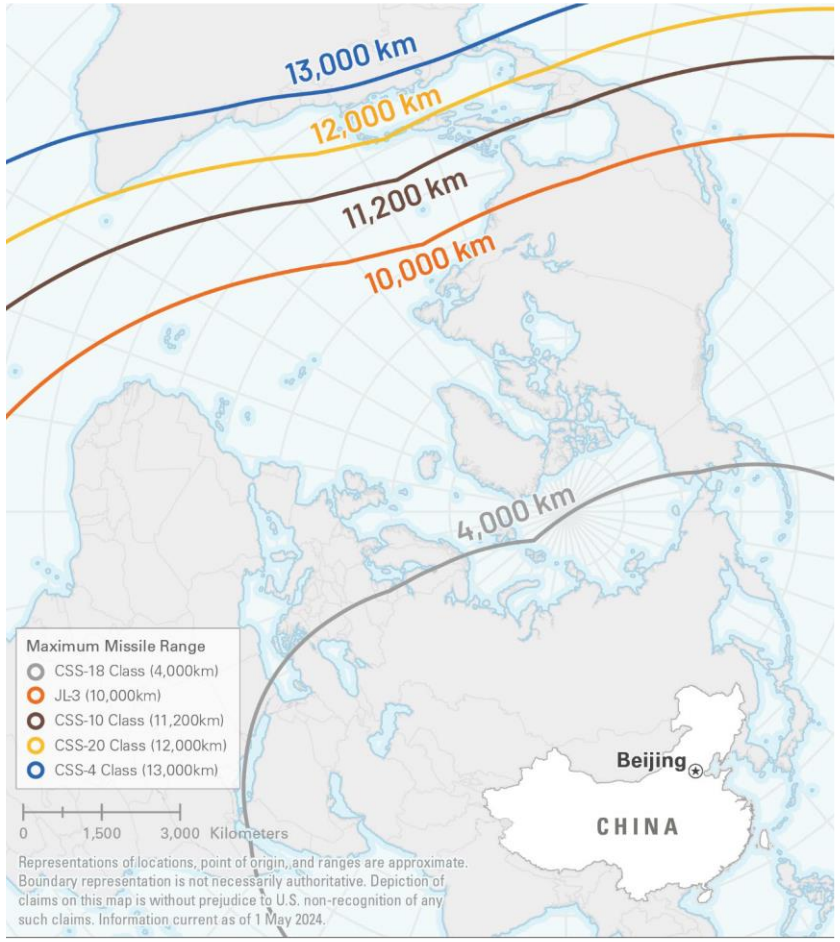
- Rapidly fracturing global order raises incentives to obtain “ultimate” deterrence
- North Korea and Iran programs raise probability of proliferation
- Declining confidence in US security umbrella
- Modernization of Russia’s nuclear weapons program including tactical/ battlefield weapons
- Increased nuclear threats from Moscow
- Chinese and Russian hypersonic glide vehicles that could deliver nuclear weapons
- Rapid growth in Chinese nuclear weapons capacity overall

China's conventional military & nuclear build-up

DoD believes Beijing is doubling size of nuke arsenal over next five years



Garrison	Pre-existing DF-5 Silos	New DF-5 Silos
Jingxian	6	6
Huitong	6	0
Yueyang	0	12
Sanmenxia	6	0
Luanchuan	0	12



Source: US Dept. of Defense "Military and Security Developments Involving the People's Republic of China," 2024

How to invest in turbulent geopolitical times?

Know where to look, expand your imagination, and learn to think differently

New geopolitics investment gameplan: Seek alpha in disruption & new themes

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Think national security first; do more scenario planning; seek a broader opportunity set

- Structurally higher inflation, lower growth, more differentiated macro cycles than heyday of globalization – the ”new normal”
- More disruption = more differentiation (find winners and losers)
- True at all levels: regional, country, industry, company, asset-class as global policy makers steer into national security over economic efficiency
- **Structural advantage for long/short strategies**
- **Get more exposure to key national security themes that will likely last years:** legacy defense, defense innovation, climate resilience, green tech/decarbonization
- Consider new “Fortress North America” themes: energy, agriculture, climate adaptation, defense innovation, domestic manufacturing, etc. including long-term macro tailwinds for Canada & Mexico
- **Accelerating opportunities for private equity** (defense innovation, climate)

Parting thought

Think opportunity, not doom

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KEY POINT

Approach geopolitical and policy disruption with a sense of opportunity and optimism, not doom and gloom

- Structural shifts in geopolitics come around once per century
- These dramatic shifts provide new long-term investment opportunities alongside the risks
- Most importantly: **asset allocators do not lack agency**
- We have the ability – and the incentives – to deploy capital in ways that can decrease geopolitical risk, improve climate change outlooks, and broaden the potential societal and economic benefits of emerging technologies

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