By: U.S. Global Investors

THE DEFENSE-TECH DECADE:

How Geopolitics and Innovation Are Rewriting the Rules of Aerospace & Defense

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Key Points

Global Defense Spending 01

Global defense spending has surged to a record $2.7 trillion in 2024, driven by escalating geopolitical tensions, rapid technological advances and decades of underinvestment in military readiness.

Modern Warfare 02

Modern warfare is increasingly defined by software, AI, cybersecurity and space-based systems as much as by traditional ships, tanks and aircraft.

Aerospace & Defense 03

The U.S. aerospace and defense industry remains an economic powerhouse, supporting over 2.2 million jobs, generating nearly $1 trillion in output and running a sizable trade surplus.

A&D Universe 04

A&D's investable universe now spans traditional defense firms, semiconductor makers, cybersecurity firms and data-center operators.

The WAR ETF 05

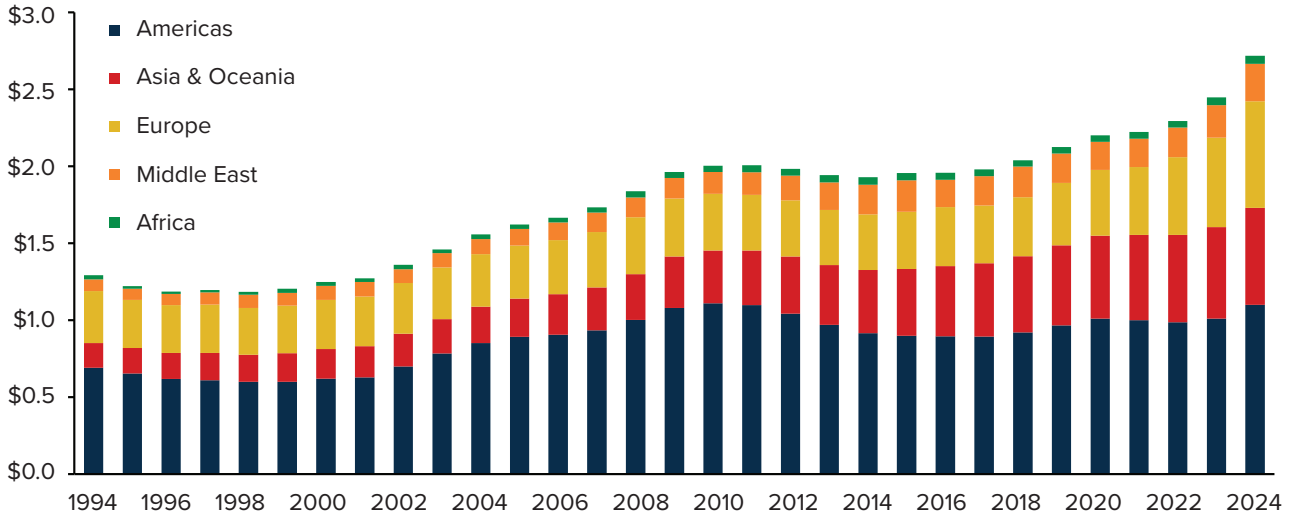
The WAR ETF offers diversified, actively managed exposure to this evolving defense-tech ecosystem, blending hardware, software and silicon for the modern battlefield.

Right now, we're living through a once-in-a-generation defense build-up.

Global military spending notched its 10th straight annual increase, topping $2.7 trillion in 2024, with the sharpest year-on-year jump since the Cold War.

World Military Expenditure Rose to a New Record Amount

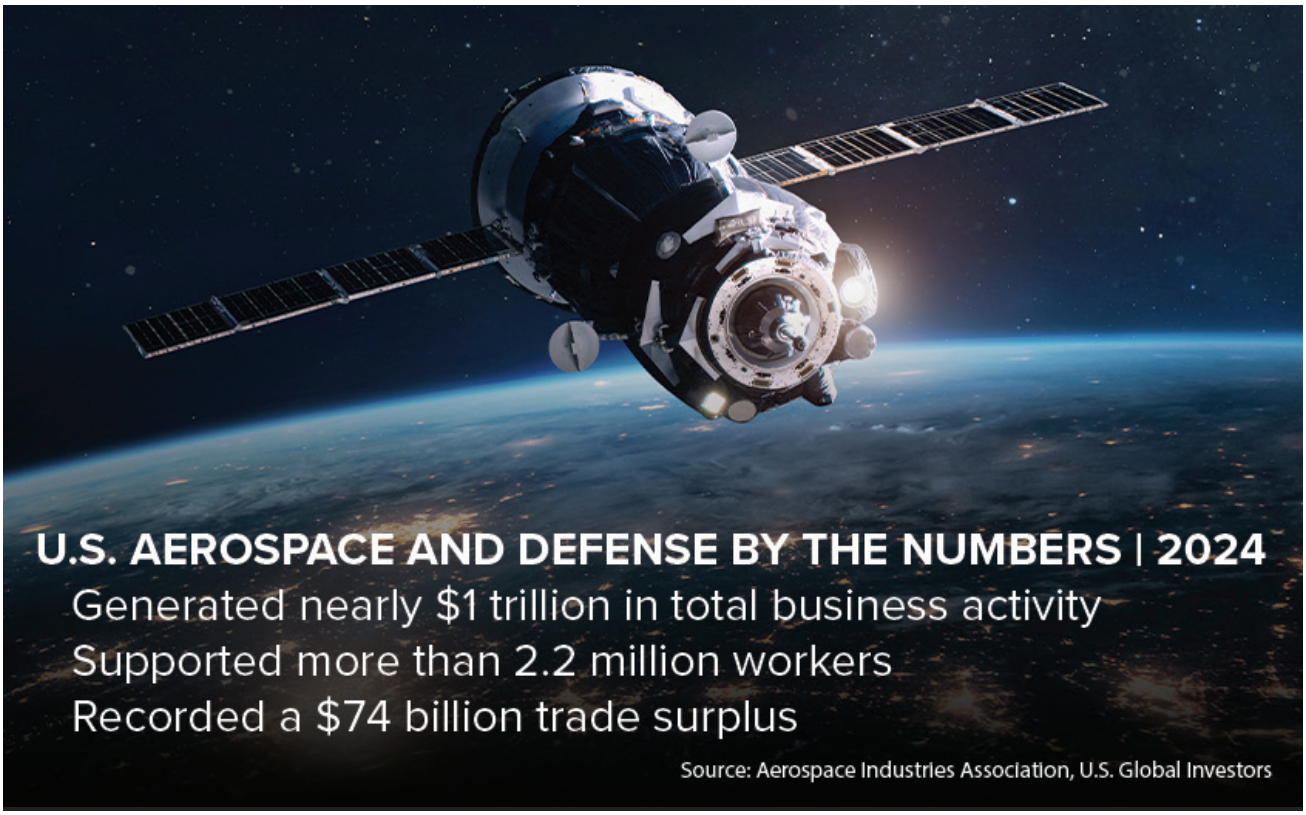
In Trillions of USD | 1994 - 2024



Source: SIPRI, U.S. Global Investors

The drivers are clear: 1) intensifying geopolitical rivalries, 2) technological leaps in both hardware and software and 3) a recognition among allies that two decades of relative peace and underinvestment have left arsenals depleted and supply chains brittle.

The U.S. aerospace and defense (A&D) sector remains a cornerstone of economic and national security strength, supporting millions of jobs (2.2 million workers in 2024), generating hundreds of billions in GDP (an astounding $995 billion) and, unlike other manufacturing sectors, running a trade surplus.



Today's battlefield, however, is more than just ships, tanks and fighter jets. It's also fought in cyberspace and low Earth orbit.

For investors, we believe the implication is that the defense sector is rapidly becoming a technology sector. Our strategy is to capture growth in not just traditional military equipment but also the tech that enables them and makes them run efficiently—think semiconductors, cybersecurity and space-based communications.

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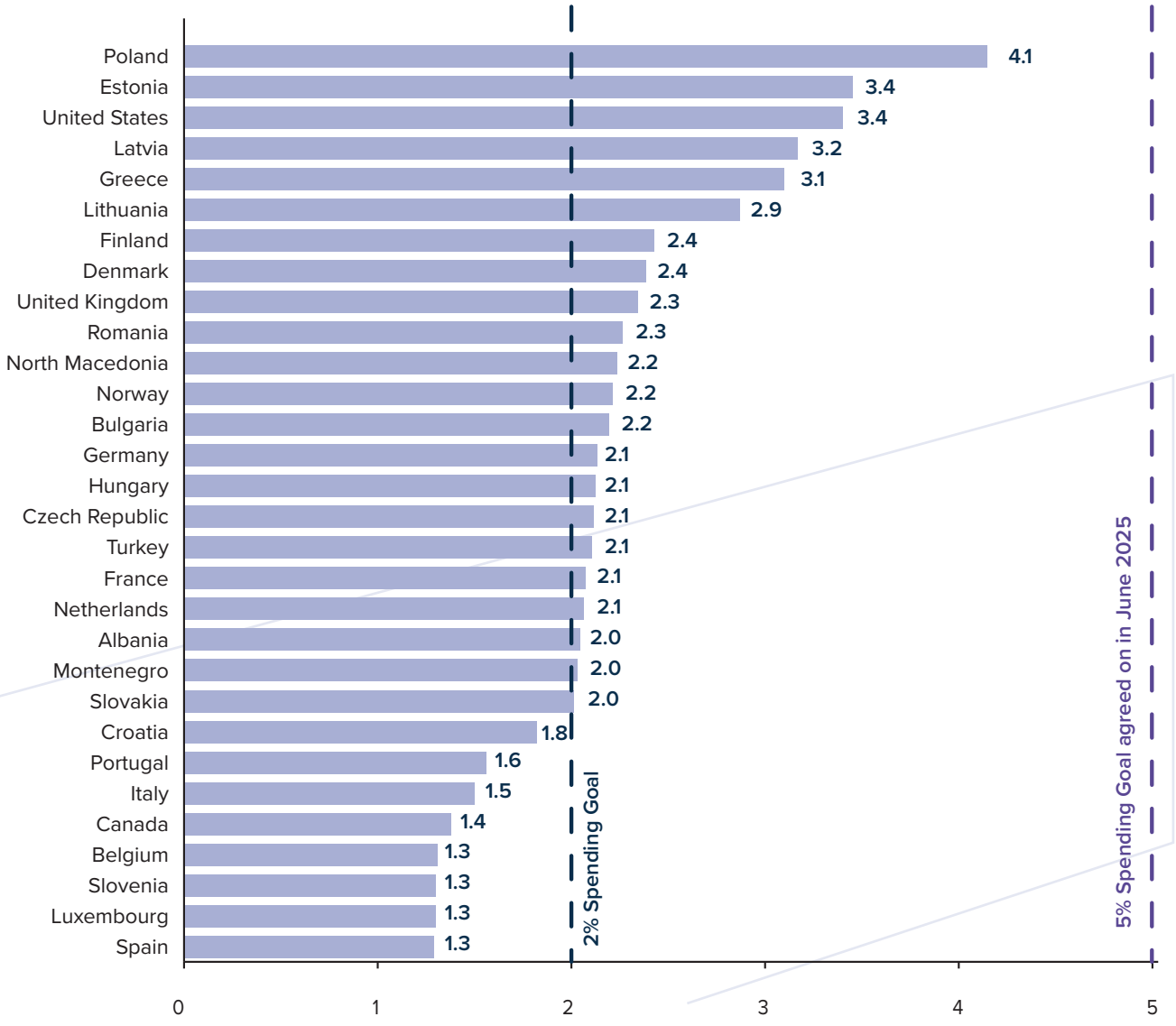
The Geopolitical Reset

The wars in Ukraine and Israel, along with China's "unprecedented" military buildup, have ended any debate over whether the "post-war" era is truly over. According to the Peace Research Institute Oslo (PRIO), there were as many as 61 state-based conflicts across the globe last year, the highest number since World War II.

At the 2025 NATO Summit, members agreed to raise their spending commitment from 2% to 5% of annual GDP, while the European Union (EU) has unveiled an unheard-of $840 billion rearmament plan. In the U.S., the fiscal 2026 Defense Appropriations Act allocates $831.5 billion, funding everything from fifth- and sixth-generation aircraft to national missile defense initiatives like President Donald Trump's "Golden Dome."

NATO Spending by Country

Percent of GDP | 2025



Source: NATO, U.S. Global Investors

It's important to keep in mind that this spending is bipartisan. Both sides of the aisle understand that military readiness and industrial resilience are non-negotiable in an era of strategic competition.

From Artillary to Algorithms

The wars of the 21st century are increasingly software-driven. In Ukraine, advanced electronic warfare systems have proven just as decisive as artillery. Connectivity—whether to jam enemy drones or coordinate precision strikes—has become as critical as fuel and ammunition.

Cyberattacks are surging, with state-sponsored actors hitting critical infrastructure daily. Malicious cyber activity linked to China exploded 150% in 2024 compared to the previous year, with certain key industries seeing a shocking 200% to 300% increase, according to cybersecurity tech firm CrowdStrike.

Artificial intelligence (AI) is now central to intelligence gathering, autonomous targeting and battlefield logistics. The Pentagon has even embraced "commercial-first" partnerships with leading AI labs such as Anthropic, OpenAI and xAI, reversing earlier hesitations about military use of artificial intelligence.

Space: The High Ground

Space is no longer the domain of weather satellites and GPS. In 2024, global launches hit a record 261, with the U.S. accounting for 156 of them. Proliferated constellations are being built for missile warning, secure communications and intelligence collection—networks that will be essential to any future conflict.

The U.S. leads the world in space situational awareness (SSA)—the knowledge and understanding of the space environment and the activities within it—but China and Russia are pressing forward as well. Beijing is expanding its SSA network and deploying rendezvous-capable satellites to monitor foreign spacecraft, while Moscow focuses on electronic warfare systems that can jam GPS guidance for unmanned aerial vehicles (UAVs) and missiles.

The Trump administration's proposed Golden Dome marks a potential shift in U.S. space doctrine. Building on existing early-warning satellites, the cutting-edge security system would add space-based missile interceptors designed to destroy threats during their boost phase, effectively opening a new era in orbital defense.

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Rebuilding the Arsenal

Much of the West's defense industrial base was designed for peacetime. Now, ammunition plants are expanding, shipyards are hiring and production lines for everything from hypersonics to uncrewed maritime systems are running hot.

A recent Financial Times analysis of satellite data found that arms production in Europe is ramping up at a pace not seen in generations. Weapons factories across the continent are expanding at three times their peacetime rate, adding more than 7 million square meters of new industrial capacity since Russia's full-scale invasion of Ukraine in 2022.

In the U.S., major legislative packages like the One Big Beautiful Bill Act (OBBBA) are pumping billions into shipbuilding, munitions, missile defense and supply-chain security.

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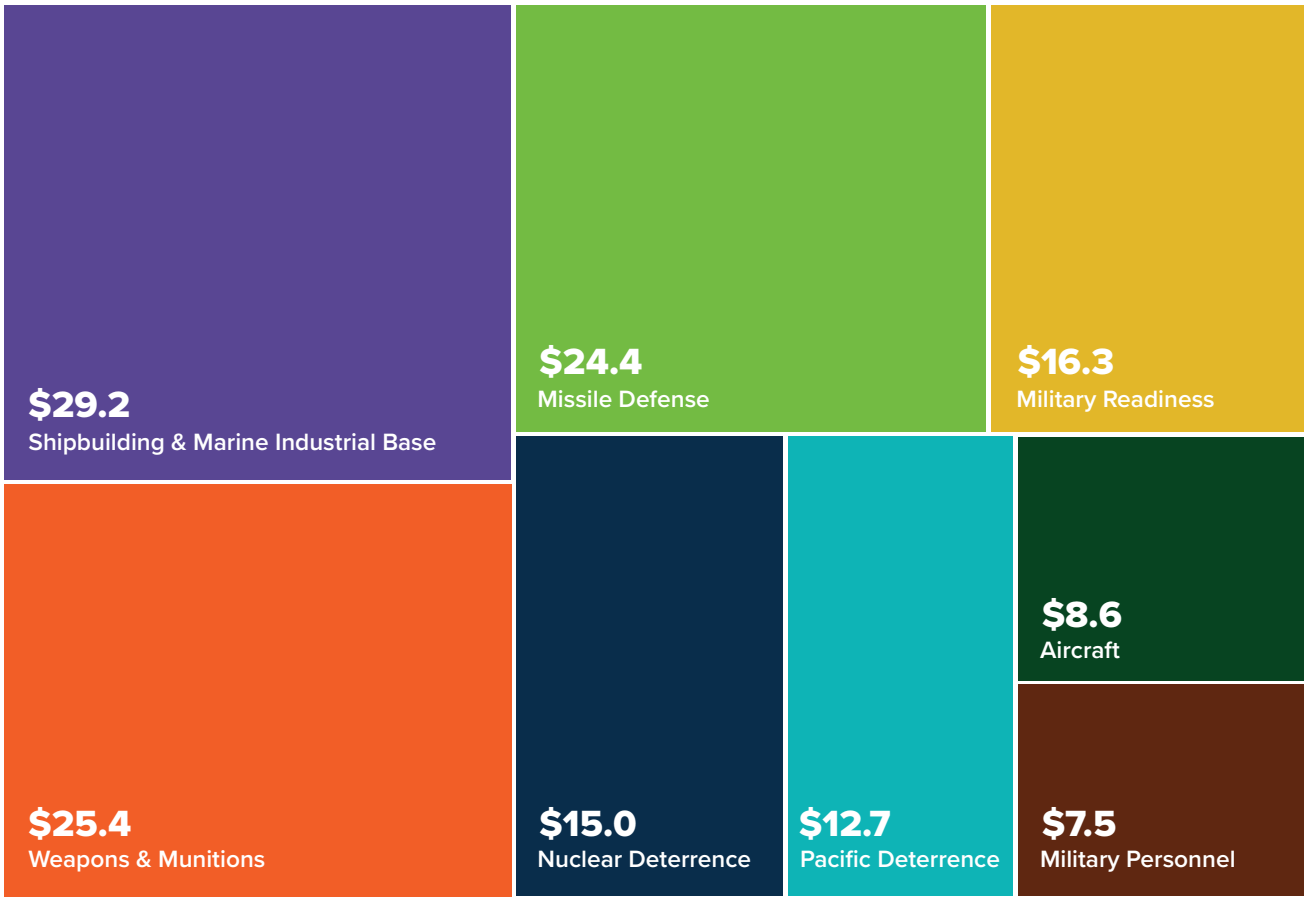
Defense Funding in The One Big Beautiful Bill

Billions of USD



Source: House Armed Services Committee, U.S. Global Investors

The Investment Landscape

The global aerospace and defense industry posted record revenues of $922 billion in 2024, alongside record operating profits of $84 billion, according to PwC. Defense demand is underpinned by long-term contracts, making it more resilient than most cyclical industries.

That scale is reflected in the work of the Defense Contract Management Agency (DCMA), which in 2024 oversaw delivery of more than 312 million items to U.S. forces—worth over $81 billion—including nearly 340,000 missiles and rockets, 6,000 combat vehicles and close to 400 aircraft.

At the same time, the investable universe is expanding. Defense technology is no longer limited to “old school” manufacturers like Lockheed Martin or General Dynamics. It now includes cybersecurity firms with subscription-based revenue, semiconductor companies that build the chips powering electronic warfare systems and data-center operators securing and processing classified workloads.

Risks and Realities

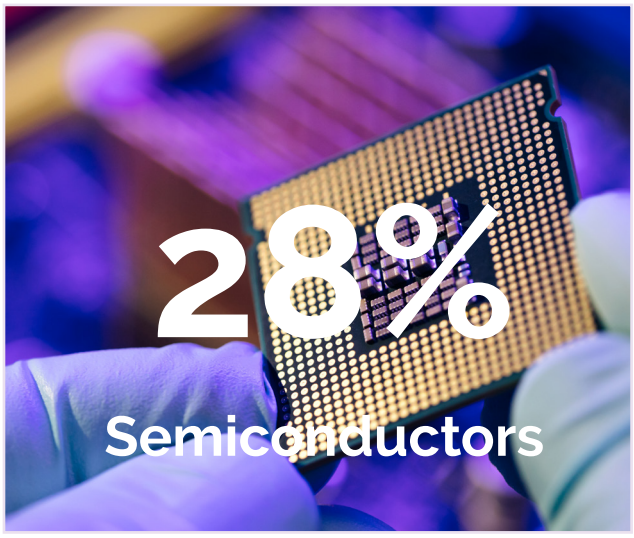
No investment is without risk, of course. Defense programs can face delays or cancellations, changes in government policy can alter budget priorities and supply-chain shocks and cost overruns can cut into margins. Technology names within this space face their own headwinds, including semiconductor cycles, rapid evolution in cybersecurity and patent disputes.

But we believe the sector's fundamental tailwinds—geopolitical necessity, bipartisan political support and technological convergence—remain firmly in place.

Introducing WAR: A Quantamental Approach to Defense-Tech

The **U.S. Global Technology and Aerospace & Defense ETF (NYSE: WAR)** is designed to give investors diversified exposure to this evolving defense-tech ecosystem.

WAR combines traditional aerospace and defense companies with leaders in semiconductors, cybersecurity and data centers—sectors that are critical to modern military capability. The portfolio is globally diversified, with allocations as of June 30, 2025, including roughly:



WAR's Smart Beta 2.0 approach blends factor-based selection (profitability, volatility, liquidity) with active sector rotation driven by macroeconomic, geopolitical and regulatory signals. This enables the ETF to tilt toward emerging opportunities, whether that's missile-defense manufacturers, cybersecurity firms or chipmakers.

Top holdings as of June 30, 2025, include established names like General Dynamics and Qualcomm, alongside specialized innovators such as Leonardo, Hensoldt and Secunet Security Networks. The result is a portfolio positioned to capture the convergence of hardware, software and silicon that defines modern defense.

See the Top 10 Holdings in WAR here.

Conclusion

America's defense industrial base is in the midst of its most significant transformation in decades—one where geopolitical necessity meets technological revolution. For investors seeking to participate in this shift, the opportunity lies not only in the companies that build the platforms of war, but also in those that provide the brains and infrastructure behind them.

The WAR ETF offers a professionally managed, diversified way to access this new arsenal. In an uncertain world, it's one approach to staying on the right side of the defense-tech revolution.

Request additional information on the WAR ETF by visiting usglobaletfs.com/WAR or emailing us at info@usfunds.com.

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Please consider carefully a fund's investment objectives, risks, charges and expenses. For this and other important information, obtain a statutory and summary prospectus at www.usglobaletfs.com. Read it carefully before investing.

Investing involves risk including the possible loss of principal.

The Fund is actively-managed and there is no guarantee the investment objective will be met. The fund is new and has a limited operating history to evaluate. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund.

The Fund's concentration in the securities of a particular industry namely Aerospace and Defense, Cybersecurity and Semiconductor industries as well as geographic concentration may cause it to be more susceptible to greater fluctuations in share price and volatility due to adverse events that affect the Fund's investments.

Aerospace and Defense companies are subject to numerous risks, including fierce competition, adverse political, economic and governmental developments, substantial research and development costs. Aerospace and defense companies rely heavily on the U.S. Government, political support and demand for their products and services.

Companies in the cybersecurity field face intense competition, both domestically and internationally, which may have an adverse effect on profit margins. The products of cybersecurity companies may face obsolescence due to rapid technological development. Companies in the cybersecurity field are heavily dependent on patent and intellectual property rights.

Competitive pressures may have a significant effect on the financial condition of semiconductor companies and may become increasingly subject to aggressive pricing, which hampers profitability. Semiconductor companies typically face high capital costs and can be highly cyclical, which may cause the operating results to vary significantly. The stock prices of companies in the semiconductor sector have been and likely will continue to be extremely volatile.

Investments in the securities of non-U.S. issuers may subject the Fund to more volatility and less liquidity due to currency fluctuations, political instability, economic and geographic events. Emerging markets may pose additional risks and be more volatile due to less information, limited government oversight and lack of uniform standards.

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Smart Beta 2.0 is an investment strategy that improves upon traditional smart beta by dynamically weighting multiple factors such as value, momentum and quality using rules-based, often algorithmic, approaches to enhance risk-adjusted returns.

All opinions expressed and data provided are subject to change without notice. Some of these opinions may not be appropriate to every investor.