

Mission Europa : European Sovereignty as a bulwark against crisis



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The first quarter of 2026 was marked by intense geopolitical instability, culminating in the conflict in Iran in early March. Despite this highly volatile environment, our European equity strategy “Mission Europa” successfully navigated market turbulence while maintaining its core objectives. With a fragile ceasefire signed on April 8, we discuss the portfolio’s strategy with Anthony Penel, European equities portfolio manager.

The strategy maintained a solid track record throughout the conflict in Iran. How did you manage the volatility, and what were the primary performance drivers?

The strategy’s success is fundamentally rooted in its DNA: European Sovereignty. It is important to reiterate that “Mission Europa” is not a pure “defense strategy”, but rather a diversified portfolio built around four pillars: Security, Competitiveness, Innovation, and Finance. This complementarity allows one theme to offset another, a strategy that is currently bearing fruit.





Over the past quarter, the Energy sector was highly profitable for us. Since the strategy's launch, we have selected oil majors such as Repsol (Spain) and ENI (Italy)¹. These companies secure Europe's supply of critical petroleum products—such as fuels, naphtha for the chemical industry, and bitumen for public works—through their refineries located in the Iberian Peninsula and Italy. During the crisis period (February 27 to April 7), these stocks surged by over 25%, while the broader market (MSCI EMU) declined by 7%².

We also benefited from our stock picking within the Capital Goods sector. Despite the sector's overall downturn, our defense holdings—including Exail, Hensoldt, Exosens, Avio, Leonardo, and Thales¹—acted as effective shock absorbers. Furthermore, stock exchanges like Deutsche Börse and Euronext, which are at the heart of financing European sovereignty through the IPO market, maintain a highly defensive profile in volatile markets.

Consequently, in the first quarter of 2026, the five largest positive contributors to the portfolio's performance came from three companies in the energy sector (Repsol +60%; ENI +56%; GTT +30%)¹, as well as one defense company (Exail +46%)¹ and one company in the innovation sector (BESI +34%)¹. Conversely, underperformance was concentrated in software (Dassault Systèmes -28%, SAP -29%)¹ and healthcare with Novo Nordisk¹ (-27%), weighed down by disappointing earnings guidance.

Given recent developments in the Middle East, do you plan to adjust your sector exposure or allocation?

Our allocation remains balanced across our four pillars. However, the consequences of this crisis prompt us to overweight oil companies, particularly European majors with significant refining assets, as their margins are expected to remain structurally high. Even with the reopening of the Strait of Hormuz, the damage sustained by Persian Gulf refineries will maintain long-term pressure on global supply.

Tactically, we have accumulated a significant lead of 300 basis points (bps) over the MSCI EMU (NR) benchmark index through our stock picking and sector allocation³. We remain vigilant regarding the Technology and Materials sectors: while semiconductors outperformed, software struggled, and the mining firm Boliden dropped 30% following the slump in metal prices.

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2. Source: Bloomberg.

3. Source: Edmond de Rothschild AM, data as of April 7, 2026. Past performance is not a guarantee of future results. Performance is not consistent over time. Performance figures do not take into account fees and commissions incurred in connection with the issuance and redemption of shares, but include ongoing expenses, intermediary fees, and any performance fees charged.



European sovereignty issues are more relevant than ever. What are your high-conviction plays for the remainder of 2026?

Latent confrontations between global blocs will persist, even if cease-fires are signed in Ukraine and the Middle East. The situation in Taiwan remains a pending geopolitical risk, compounded by the US President's questioning of NATO commitments.

After 30 years of underinvestment in defense, European states must accelerate their rearmament. European defense companies must now gear up to meet this demand throughout 2026 and beyond.

Furthermore, energy security remains a top priority. The Iranian shock advocates for a relocation of refining capacities and an acceleration of industrial electrification. Additionally, amidst the AI revolution, Europe has major strengths: AI development cannot proceed without European semiconductor equipment manufacturers.

Finally, while 2026 is likely too soon to see progress on the banking union, we may see a faster pace of change in the banking consolidation landscape, including cross-border consolidation.



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