The Brave New World of Geopolitics

And how to allocate capital in an age of disruption

WEBCAST

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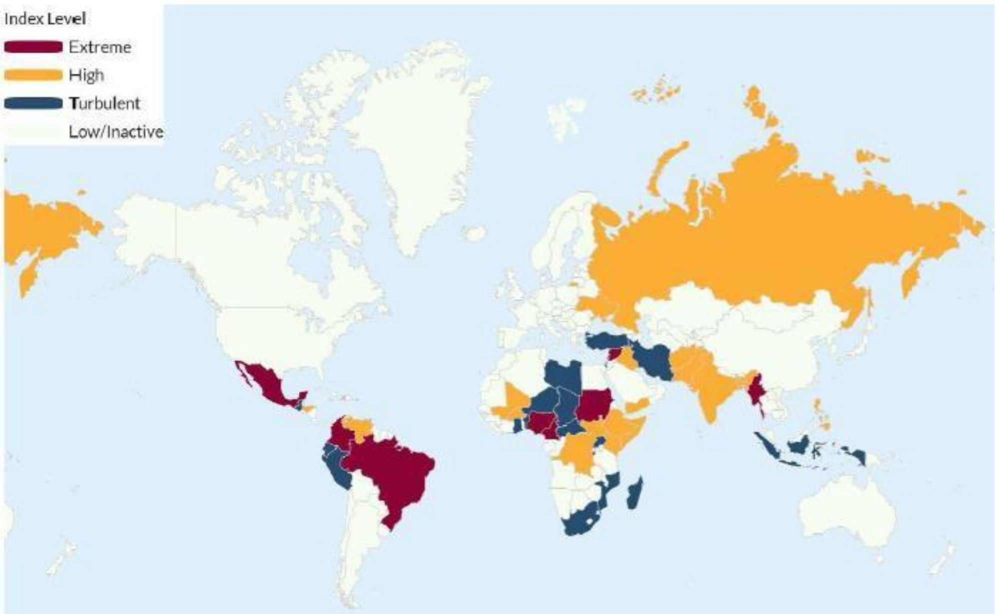
Geopolitics is a long, long cycle

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

Increasing global instability

- Worst picture since WWII
- 60+ active conflicts globally in 2026
- 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

Sources: International Rescue Committee; ACLED

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New Geopolitics Theme 1: Great-Power Politics Forever

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

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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 Corps	5,802	292	61.7%
All Services	80,006	1,908	77.7%

Sources: US Department of Defense; Govini; 13D

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New Geopolitics Theme 2: Climate Change is National Security

Adapt… or else

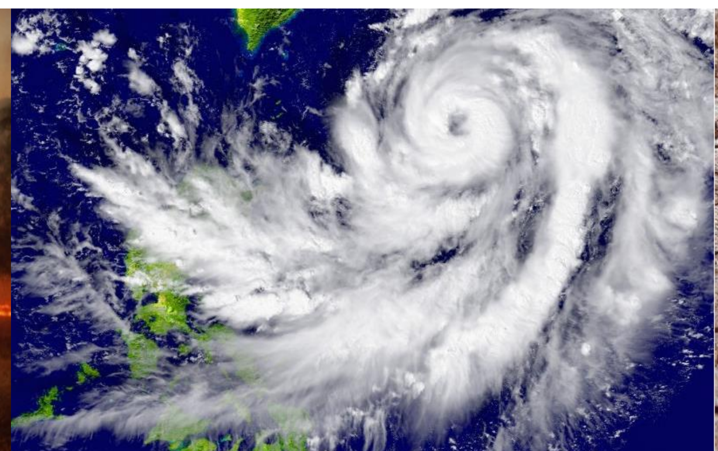
Most underappreciated aspect of climate change

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



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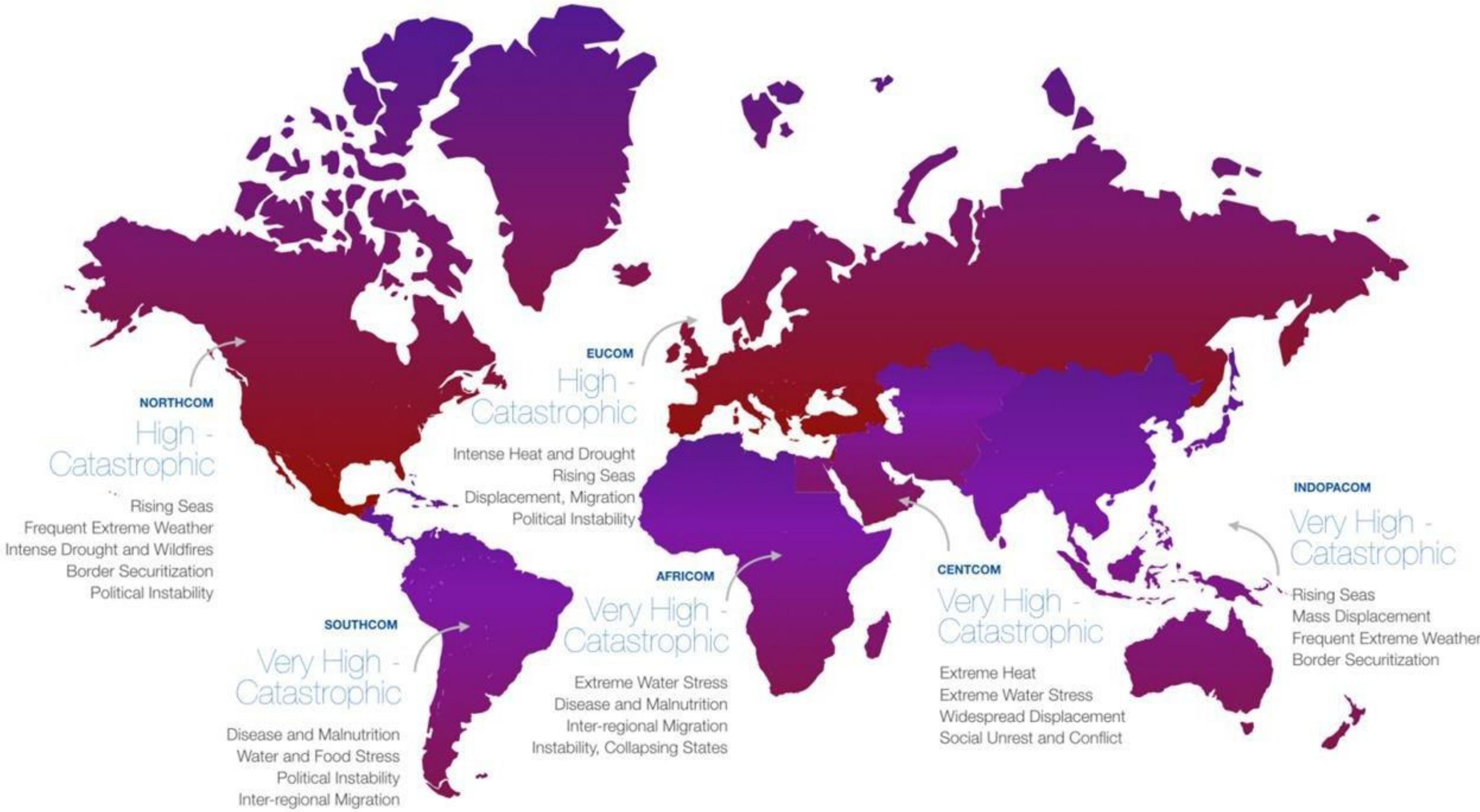
Mapping disaster from a national security perspective
Medium to long-term scenario (2-4 degrees C)

Climate Security Threat Profile
Medium-Long Term Scenario (2 – 4+ °C Warming)



Source: Center for Climate & Security

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New Geopolitics Theme 3: Defense at (Almost) Any Cost

Bullets & bombs, and a lot more

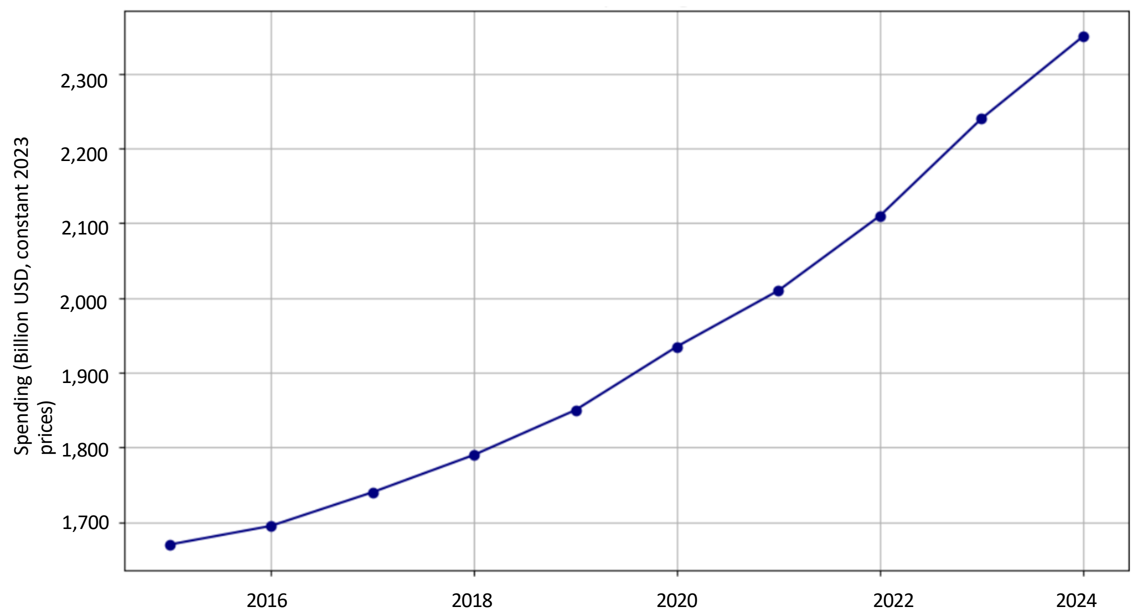
Global military spending at record high

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

Global defense spending (2015 – 2024)



Source: SIPRI Military Expenditure Database, April 2025

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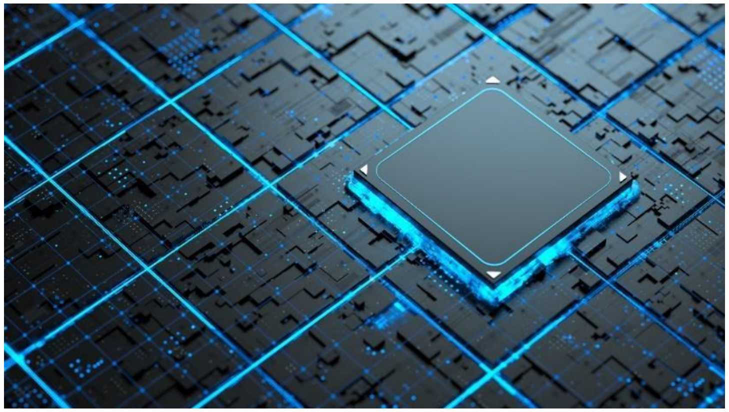
It’s not just military spending: De-risking meets geopolitics

A new era of industrial policy arrives

The “must-win” sectors in a great-power world:

- Semiconductors
- Critical minerals/rare earths
- Renewable energy technologies
- Space-based technologies
- Biotech
- Drones
- Next-gen communications
- Robotics/automation
- Quantum technologies
- All things AI



Key point: industrial policy is here to stay given national security drivers

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

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New Geopolitics Theme 4: The Centrality of Artificial Intelligence

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.

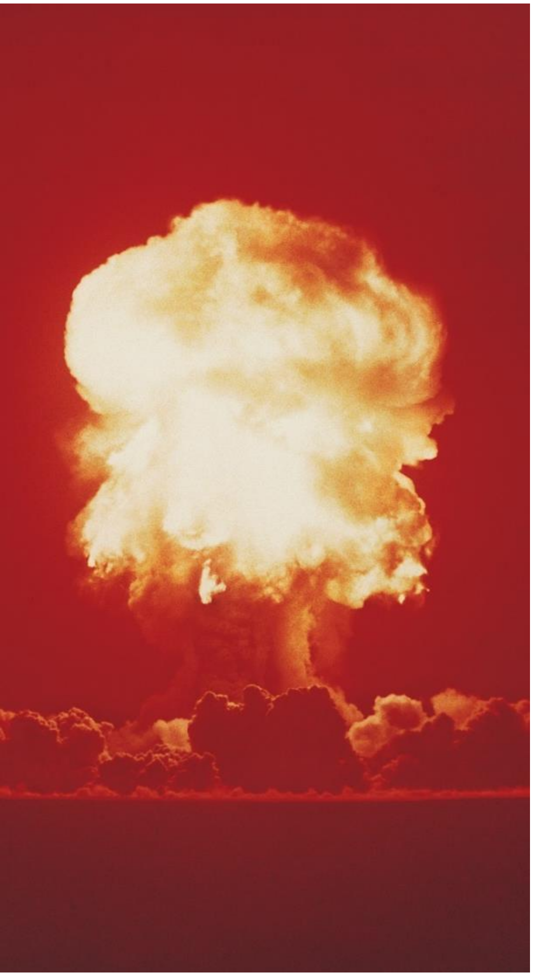
US doctrine requires human involvement in “kill chain”; US adversaries may not adhere to this

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

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

New Geopolitics Theme 5: The (Re)-Ascendance of Nuclear Weapons

New national security 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

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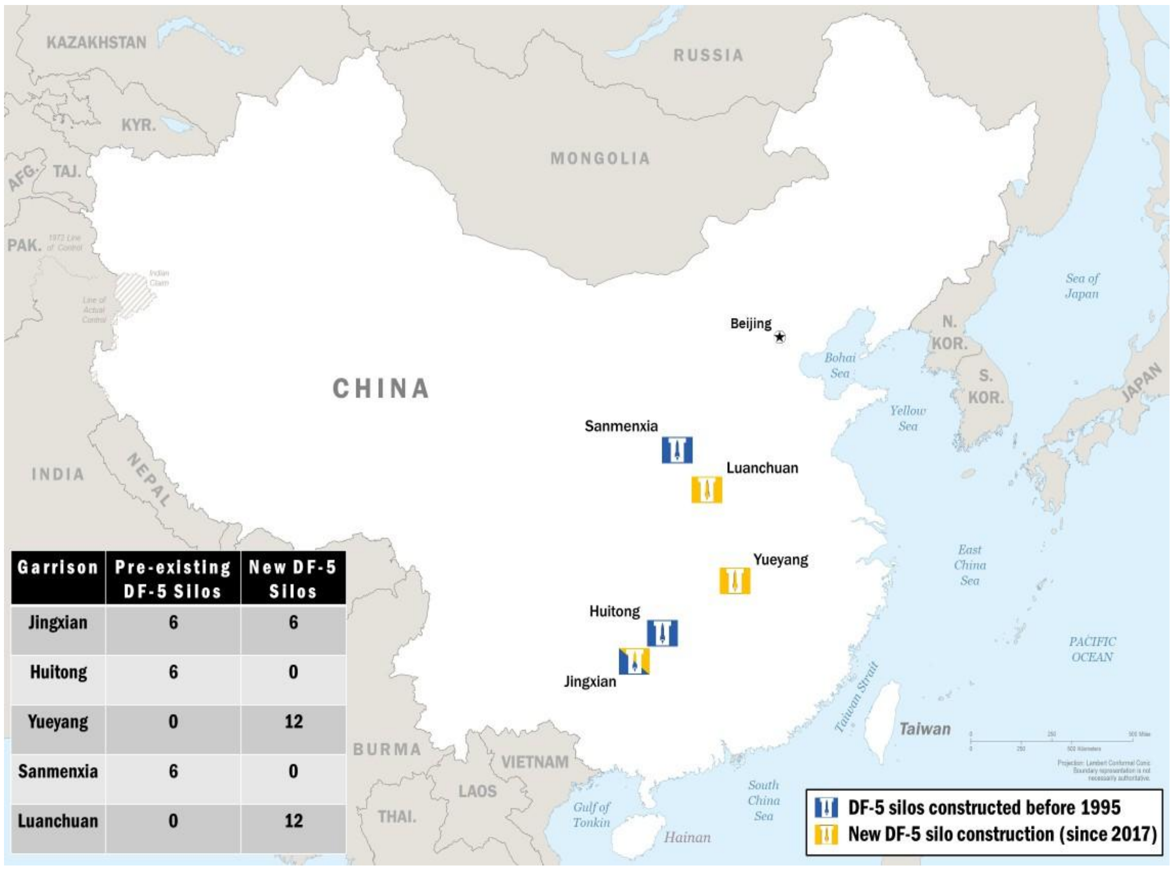
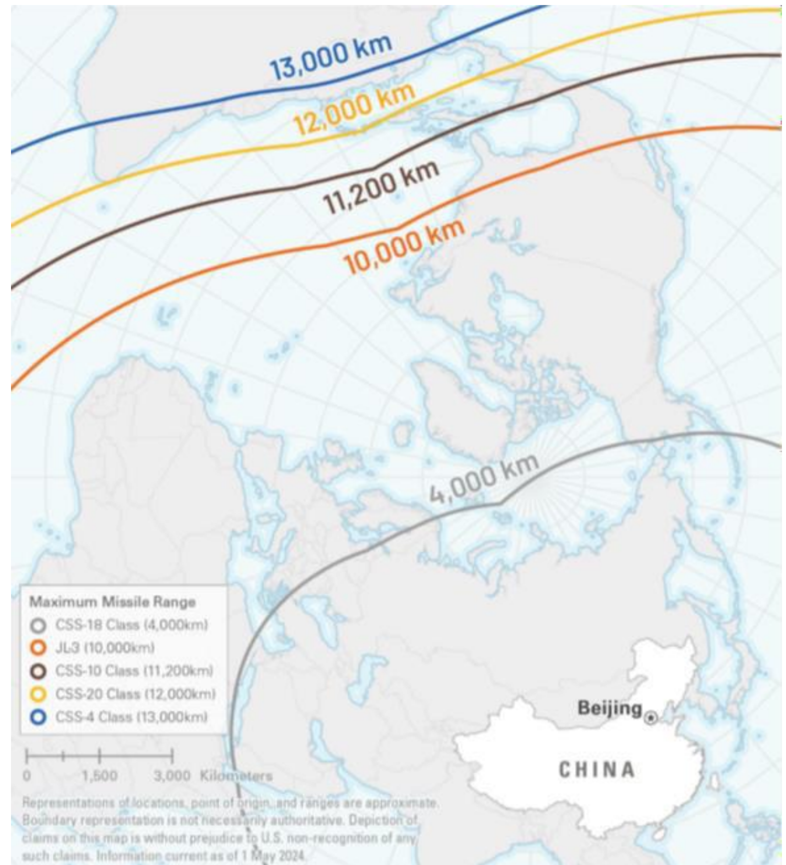
China’s conventional military & nuclear build-up

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

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Enter Trump 2.0: Transactional, chaotic, determined to remake US role

MOST DISRUPTIVE US FOREIGN POLICY IN A CENTURY

- Overturning 80+ years of US foreign policy priorities in just over one year
- Multiple dimensions:
- Trade/tariffs disruptions, shaken alliances, USAID shuttered, State Dept. and other Doge reforms/cuts, planned increases in defense spending, growing Pentagon focus on defense tech, ongoing strategic sector focus, etc.
- None of this can be separated from structural national security concerns fueled by great-power competition & resulting geopolitical instability
- "America First" priorities: leverage US economic advantages to achieve "peace through strength"; faster strategic decoupling from China; reconstitution of US manufacturing/defense industrial bases; selective/dramatic use of US military power
- Last but not least: re-orient US national security priorities around core geographies closer to home (North America/Western Hemisphere, including Greenland and Venezuela)

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

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Impacts across Latin America

A mix of geopolitical risks and new investment opportunities

Western Hemisphere: from periphery to “core” of great-power competition

US role will continue to deepen across the region

Impacts will vary

Venezuela

Mexico

Brazil

Chile

Peru

Argentina

Colombia

Cuba

Source: US Dept. of Defense “Military and Security Developments Involving the People’s Republic of China,” 2024

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The legacy of US national security exceptionalism: is it over?

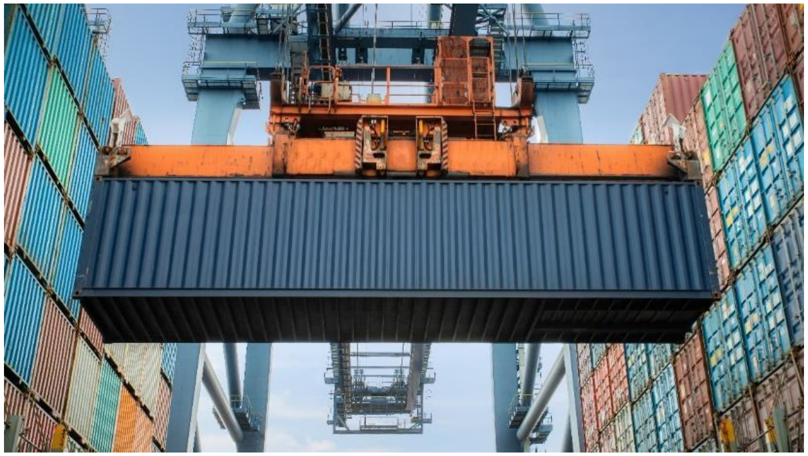
The world is changing rapidly; seek opportunities alongside the risks

national security dominance has underpinned US market and macroeconomic exceptionalism – for decades

A fragmenting and more multipolar structural outlook challenges past capital market assumptions

In this brave new world policymakers globally will prioritize national security over all else

A disrupted policy and geopolitical backdrop may favor active management, long-short and other alternative strategies, and growing opportunities across private markets



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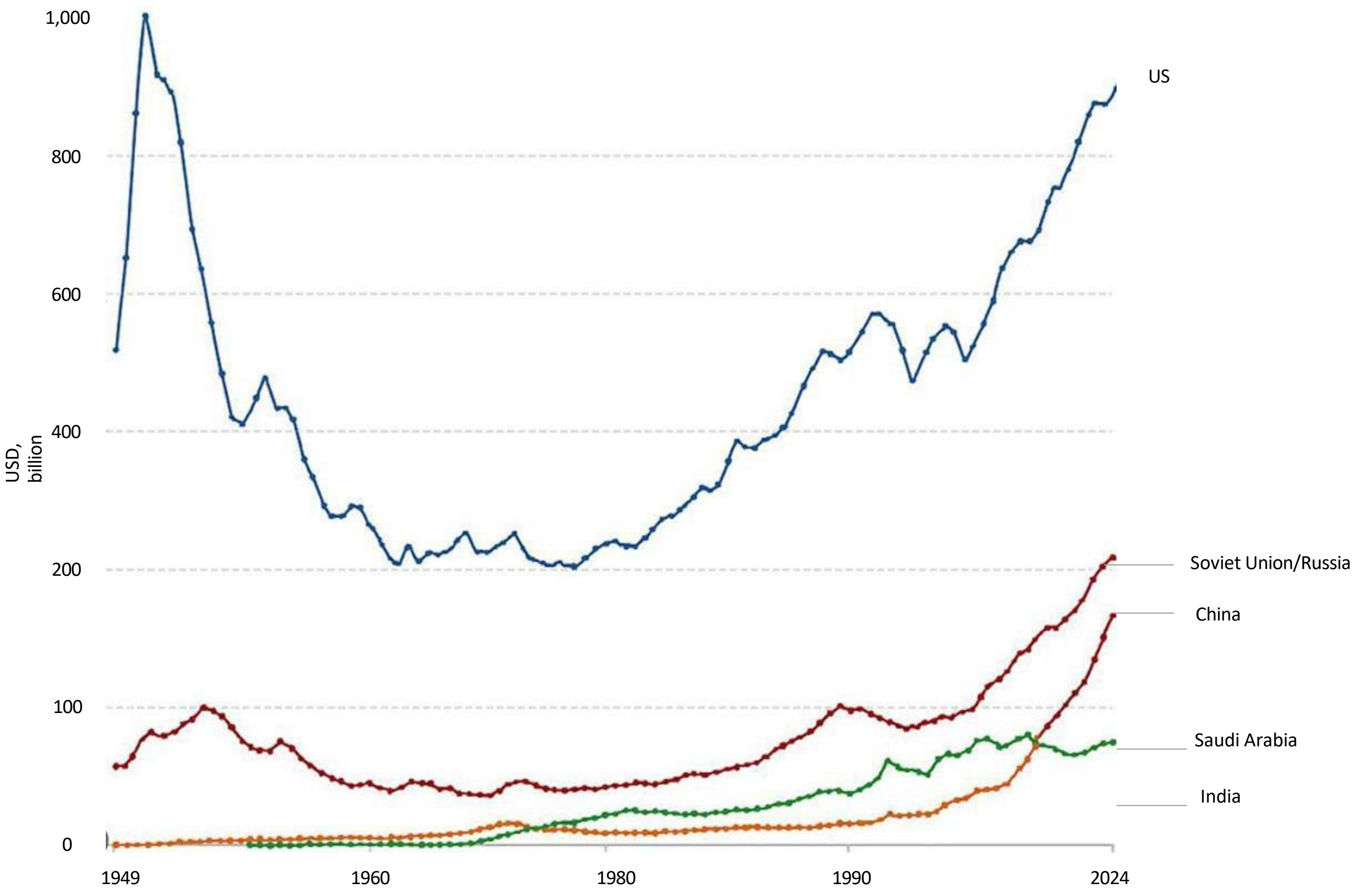
US national security dominance over the years

None of this happened by accident

Global military spending, 1949 – 2024



Source: SIPRI; figures expressed in constant 2023 US dollars

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What does all this military spending give you?

A strategic – and synergistic – set of advantages that has underpinned US and global growth for decades

- Global alliances & unmatched combined military, diplomatic and economic capabilities to promote global stability

- Protection of the global commons, trade routes & enforcement of “rules-based order” that makes globalization possible

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What else?

This goes far beyond direct military power

- World-leading research institutions to benefit US military & economic capabilities, while attracting “best and “brightest” globally
- Deep, liquid, and independent capital markets to support growth, reward innovation, and bolster US currency reserve status

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The bumpy road to multipolarity

Expect more conflict & unpredictability and a reduced global role for the US over the long-run

Accelerating and destabilizing fragmentation of global order

More conflict, less cooperation on critical global issues (climate, AI, immigration, health and pandemics, etc.)

Reduced global trade and innovation flows

Rising uncertainty regarding US economic, market and institutional capacities

Growing incentives for global economic, trade, and security alliances that exclude US

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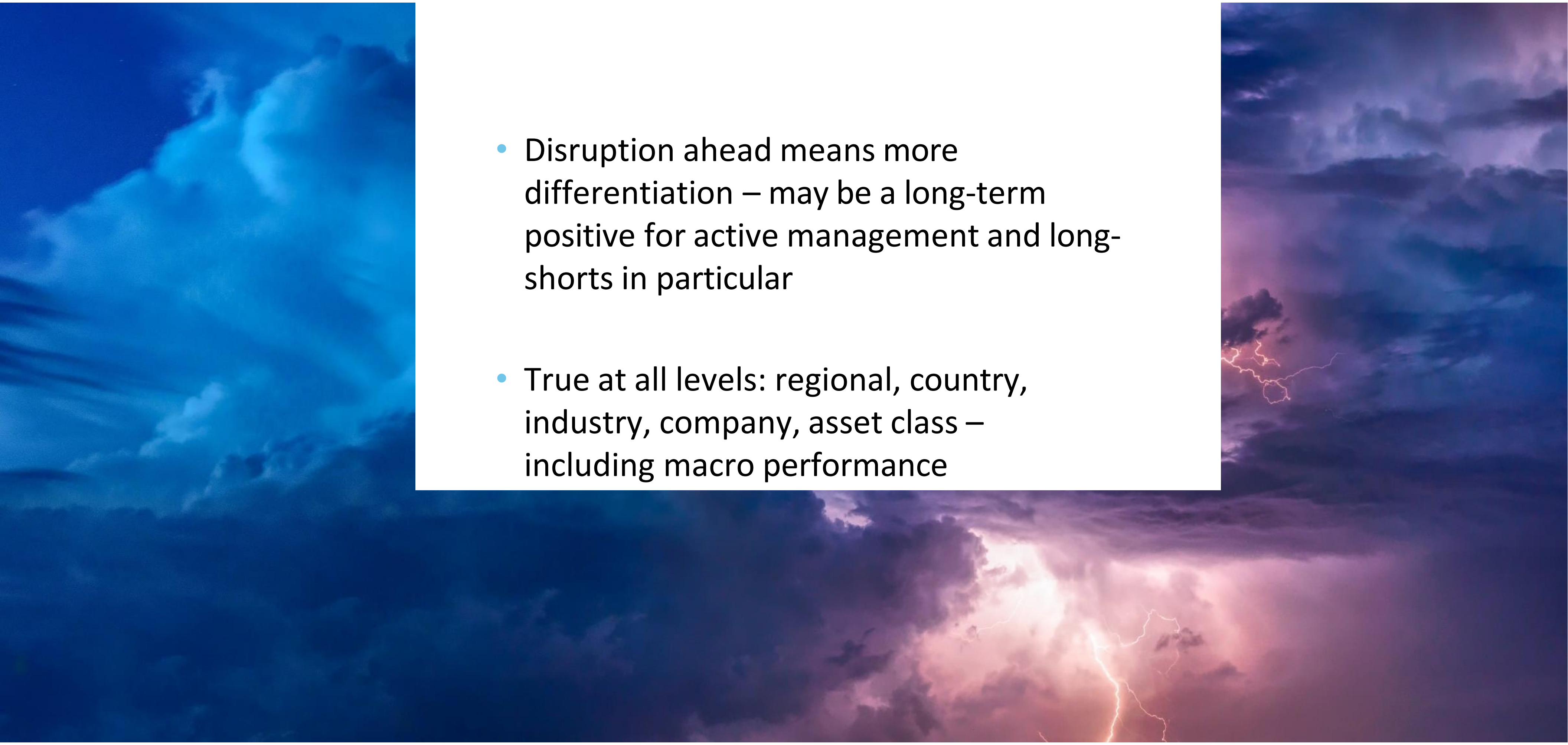
Investment Implications: think national security first

And new opportunities for investment strategy



- Disruption ahead means more differentiation – may be a long-term positive for active management and long-shorts in particular

- True at all levels: regional, country, industry, company, asset class – including macro performance

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New times, new investment themes & drivers

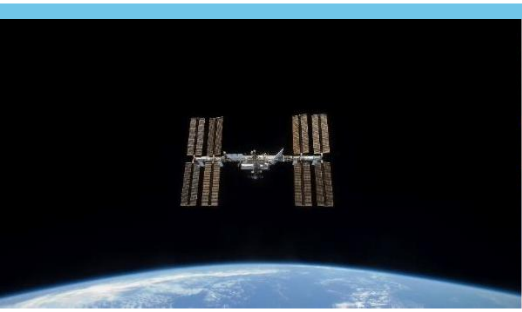
A critical role for capital allocators, in public & private markets

Defense and defense innovation (including AI, space & aerospace, etc.)

Climate & energy resilience

Real assets, critical minerals and other key national security inputs

National rejuvenation and industrialization



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Parting thought:

Think opportunity, not doom

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

Key point: approach geopolitical and policy disruption with a sense of opportunity and optimism, not doom and gloom

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