

The Changing Security and Procurement Landscape

April 2026

Key Takeaways

- Defence investment is entering a sustained expansion phase, with governments committing significant capital to national security across multi-year policy frameworks.
- Innovation is increasingly originating in commercial markets, with dual-use technologies becoming central to defence capability development.
- As spending scales and procurement evolves, capital is being deployed across a broader ecosystem of technology, industrial and supply chain participants, expanding the investable universe beyond traditional contractors.

I. Introduction

Defence is often viewed as a distinct and specialized sector, defined by government procurement and a small set of prime contractors. That framing is becoming increasingly incomplete.

Today, many of the technologies shaping national security, including artificial intelligence, autonomous systems and advanced manufacturing, are developed first in commercial markets and later adapted for defence applications. Ongoing conflicts have accelerated this shift, highlighting both the strategic relevance of commercially developed technologies and the need to deploy them more rapidly at scale.

In response, governments across North America and Europe are increasing investment and adapting procurement models to better integrate dual-use innovation into defence capability. As these changes are embedded within multi-year policy frameworks, they point to a structural realignment rather than a temporary response to current events, expanding the set of companies participating in defence and reshaping how capital can be deployed to capture this evolving opportunity.

II. A Structural Shift in Security Priorities

The current defence investment cycle reflects a series of policy-driven inflection points rather than a short-term response to recent events.

The first major inflection point occurred in 2014 following Russia's annexation of Crimea. In response, members of the North Atlantic Treaty Organization (NATO) adopted the Defence Investment Pledge, committing to increase defence spending toward 2 percent of GDP.¹ The pledge marked a shift in alliance expectations around burden sharing and signaled a renewed focus on military readiness after a prolonged period of constrained defence budgets in certain countries and disparate spending across members.

A second inflection point occurred in 2022 following Russia's full-scale invasion of Ukraine. Beyond immediate military assistance, the conflict prompted governments across North America and Europe to reassess munitions stockpiles, supply chain resilience and industrial capacity. Defence policy shifted from expeditionary capability toward sustained readiness and production capability.

This change in posture is reflected in forward-looking policy frameworks. In the United States, defence planning emphasizes modernization priorities including autonomous systems, cyber capability, integrated air and missile defence and advanced manufacturing.² Similarly, Canada's latest Defence Industrial Strategy outlines a multi-year approach to strengthening domestic industrial capacity, integrating Canadian suppliers into defence supply chains and modernizing procurement processes.³



Across NATO, total defence spending has reached more than US\$1.3 trillion annually

More recently, NATO has signaled that defence spending expectations may continue to rise. At the 2025 NATO Summit, member states agreed to a new target of allocating up to 5 percent of GDP toward defence and security-related spending by 2035, a significant increase from the longstanding 2 percent benchmark.⁴ While implementation will vary across countries, the commitment reinforces the direction of defence policy across the alliance.

These developments indicate that defence priorities are being reset within long-term policy and planning frameworks rather than by short-term geopolitical events.

III. Defence Spending Reflects a Material Increase in Global Capital Allocation

The shift in defence priorities is accompanied by a significant increase in the scale of capital committed to national security across major economies.

The United States remains the largest contributor globally, with annual defence spending exceeding US\$800 billion,² accounting for a substantial share of global military expenditure. This level of spending continues to support both legacy systems and next-generation capabilities, with a growing allocation

toward modernization priorities.

Across NATO, total defence spending has reached more than US\$1.3 trillion annually, reflecting sustained increases across member states and a broad-based expansion in defence budgets.⁵

At the national level, forward-looking commitments further reinforce the scale of the current investment cycle. In Canada, announced defence spending commitments and forward-looking estimates suggest total investment could exceed C\$1.2 trillion over the next decade, representing one of the largest defence build-ups in the country's modern history.⁶ A significant portion of this investment is expected to be directed toward equipment, infrastructure and industrial capacity.

European defence spending is also expanding rapidly. Forward-looking estimates suggest that defence modernization programs across Europe could represent between €4 trillion and €9 trillion of cumulative investment over the next decade, supported by sustained commitments to increase defence budgets and rebuild industrial capacity.⁷

Importantly, a significant portion of planned defence spending has not yet been contracted and is expected to be deployed over a multi-year period.⁶ This suggests a sustained pipeline of opportunities across both traditional defence contractors and a broader set of industrial and technology suppliers. This reflects not only the scale of capital being committed, but also the timing of its deployment, reinforcing both the scale and timing of capital deployment and underscoring the sustained nature of the current defence investment cycle.

IV. The Convergence of Commercial Technology and Defence Capability

Changes in the security environment are occurring alongside a transformation in how defence capabilities are developed. Increasingly, many of the advanced technologies shaping national security originate in commercial markets rather than within traditional defence research programs.

Historically, defence innovation was driven largely by government laboratories and major prime

contractors. Today, areas such as artificial intelligence (AI), autonomous systems, advanced sensing, cyber security and space technologies are advancing rapidly within the broader commercial technology ecosystem. These capabilities are often developed for civilian applications before being adapted for defence use.

This shift has given rise to the concept of dual-use technology, referring to innovations that can serve both commercial and national security purposes. Dual-use technologies are now central to defence modernization strategies across NATO economies. In Canada, federal initiatives have allocated approximately C\$650 million to support the commercialization of dual-use technologies, reflecting a growing emphasis on integrating commercial innovation into defence capability development.⁸



In Canada, federal initiatives have allocated approximately C\$650 million to support the commercialization of dual-use technologies

Canada's broader innovation ecosystem also reflects this dynamic. The country is home to more than 17,000 technology scale-ups, many operating in sectors such as AI, aerospace and advanced manufacturing with clear dual-use potential.⁹

The increasing relevance of commercial innovation is reshaping the defence industrial base. Rather than relying solely on traditional defence contractors, governments are expanding efforts to engage non-traditional vendors and venture-backed technology firms. As a result, the defence innovation ecosystem is becoming more integrated with the broader technology economy, and innovation is increasingly originating outside traditional defence supply chains.

V. Policy and Procurement Frameworks Are Adapting

The convergence of commercial technology and national security capability is also reshaping how governments approach defence procurement and industrial policy.

Historically, defence acquisition processes were designed around long development cycles and a relatively small number of prime contractors. Today, the pace of technological change and the growing importance of dual-use innovation are prompting governments to rethink these frameworks.

In Canada, the Defence Industrial Strategy outlines a long-term effort to strengthen domestic industrial capacity and integrate Canadian companies more directly into defence supply chains. The strategy emphasizes supplier diversification, accelerated procurement pathways and increased participation by non-traditional vendors.³ Similar trends are visible across other NATO economies.

Recent developments illustrate the pace and urgency of change. In Canada, procurement frameworks have evolved through initiatives such as the Defence Procurement Strategy and the broader Defence Industrial Strategy, both of which emphasize accelerated acquisition timelines, supplier diversification and increased participation from non-traditional vendors.³ Canada has also moved to institutionalize faster procurement through the creation of the Defence Investment Agency (DIA), designed to centralize and accelerate high-priority defence acquisitions for the Canadian Armed Forces.¹⁰ The push for speed is also visible in specific procurement decisions: in 2026, the DIA awarded a contract under the Canadian Modular Assault Rifle (CMAR) initiative to replace the CAF's aging C7/C8 assault rifle fleet, explicitly positioning the program as part of a first wave of high-priority procurements delivered through a streamlined approach.¹¹

In the United States, acquisition reforms such as the Department of Defense's Acquisition Transformation Strategy are designed to shorten procurement timelines, expand access for non-traditional vendors and better integrate commercial technologies into

defence systems.¹² Together, these developments reflect a broader shift toward faster, more flexible procurement models aligned with the pace of technological change.

Analysis of defence spending trends suggests that the composition of defence budgets is also evolving. Research examining Canada's defence spending trajectory indicates that the share of expenditures allocated to equipment procurement is expected to increase significantly in the coming years as modernization programs move from planning to implementation.⁶

These developments reflect a broader shift in how defence policy is being framed. Investment in defence capability is increasingly linked with industrial strategy, domestic production capacity and the resilience of allied supply chains.

For governments, the objective is not only to develop advanced technologies but also to ensure that they can be produced at scale. As procurement frameworks adapt to this reality, the defence industrial base is expanding to include a wider set of companies and capabilities.⁷

VI. Structural Change and the Defence Innovation Cycle

These changes are not incremental. They reflect a reconfiguration of how defence capability is developed, funded and delivered, and point to a structural shift in the defence landscape rather than a temporary response to geopolitical events.

Indeed, as ongoing conflicts continue to highlight the importance not only of advanced technology but also of the ability to produce and deploy systems at scale, governments are placing greater emphasis on industrial capacity and supply chain resilience. As a result, defence policy is increasingly intertwined with industrial strategy and domestic production.

For investors, this convergence is significant and has direct implications for how capital can be deployed across the defence ecosystem. When innovation originates in commercial markets and is later integrated into defence capability, the companies developing those technologies often sit outside

traditional defence supply chains. Venture-backed firms, emerging technology companies and non-traditional suppliers play an integral role in the future development of national security capabilities.

As a result, government spending is no longer confined to a narrow set of contractors. As capital is deployed across a broader ecosystem of suppliers, technology companies and industrial participants, the economic impact of defence investment is amplified across multiple layers of the value chain.

This creates a form of embedded leverage for investors: rather than being limited to direct exposure to defence budgets, capital can be deployed across a wider set of companies benefiting from the same structural spending tailwinds. This expanding opportunity set represents a key implication of the current defence investment cycle.

Understanding this structural shift provides important context for evaluating how capital is flowing into defence innovation and how investors may gain exposure to the technologies shaping future national security capabilities.

VII. Conclusion

The current defence environment is defined not only by the scale of spending, but by how that spending is deployed. As governments adapt procurement models and integrate commercially developed technologies, capital is increasingly flowing across a broader and more complex ecosystem of companies.

For investors, this shift expands both the opportunity set and the pathways through which value is created, extending beyond traditional contractors to include technology, industrial and supply chain participants. Understanding how capital is allocated across this evolving landscape will be critical to identifying where value is captured within the defence investment cycle.

AGF Capital Partners

CIBC SQUARE, Tower One, 81 Bay Street, Suite 3900
Toronto, Ontario M5J 0G1

Website: AGF.com/capitalpartners

Endnotes

- 1 NATO, "Wales Summit Declaration", September 5, 2014, <https://www.nato.int/en/about-us/official-texts-and-resources/official-texts/2014/09/05/wales-summit-declaration>
- 2 US Department of Defense, Fiscal Year 2026 Budget Overview, July 07, 2025, https://comptroller.war.gov/Portals/45/Documents/defbudget/FY2026/FY2026_Budget_Request_Overview_Book.pdf
- 3 Government of Canada, Canada Defence Industrial Strategy, February 26, 2026, <https://www.canada.ca/en/department-national-defence/corporate/reports-publications/industrial-strategy/security-sovereignty-prosperity.html>
- 4 NATO, Defence Expenditures and NATO's 5% Commitment, April 10, 2026, <https://www.nato.int/en/what-we-do/introduction-to-nato/defence-expenditures-and-natos-5-commitment>
- 5 NATO, Defence Expenditure of NATO Countries (2014-2025), June 3, 2025
- 6 Boston Consulting Group, How Canada Can Get the Most Out of Its Defense Spending Surge, October 22, 2025, <https://www.bcg.com/publications/2025/getting-the-most-from-canadas-defense-spending-surge>
- 7 The Carlyle Group, The New Martial Plan, June 1, 2025, <https://www.carlyle.com/global-insights/research/new-martial-plan>
- 8 Bennett Jones LLP, Policy, Dual-Use and DefTech Drive a New Era for Private Capital in Defence, November 15, 2025, <https://www.bennettjones.com/Insights/Blogs/Policy-Dual-Use-and-DefTech-Drive-a-New-Era-for-Private-Capital-in-Defence>
- 9 Torys LLP, The next wave of defence innovation: Q&A with George Hoyem, December 16, 2025, <https://www.torys.com/our-latest-thinking/publications/2025/ir-a-new-era-of-innovation-in-canada/q-a-with-george-hoyem>
- 10 Government of Canada, Government announces Defence Investment Agency, October 2, 2025, <https://www.canada.ca/en/department-national-defence/maple-leaf/defence/2025/10/government-announces-defence-investment-agency.html>
- 11 Government of Canada, Defence Investment Agency awards contract to replace current Canadian Armed Forces assault rifles, March 19, 2026, <https://www.canada.ca/en/defence-investment-agency/news/2026/03/defence-investment-agency-awards-contract-to-replace-current-canadian-armed-forces-assault-rifles.html>
- 12 U.S. Department of War, Acquisition Transformation Strategy, November 10, 2025, <https://media.defense.gov/2025/Nov/10/2003819441/-1/-1/1/ACQUISITION-TRANSFORMATION-STRATEGY.PDF>

Disclosure

About AGF Capital Partners

AGF Capital Partners is AGF's multi-boutique alternatives business with diverse capabilities across both private assets and alternative strategies. Clients can benefit from the specialized investment expertise of Affiliate Managers combined with the organizational support and breadth of resources of AGF Management Limited (AGF). With over 18 years average experience, AGF Capital Partners Affiliate Managers' Kensington Capital Partners Limited, New Holland Capital, LLC and AGF SAF Private Credit manage approximately C\$14 billion in alternative AUM and fee-earning assets on behalf of institutional and retail clients. Affiliate Manager AUM may not be consolidated into AGF Management Limited's reported AUM. The term 'Affiliate Manager' refers to any partner regardless of relationship structures or revenue sharing agreements. The form of AGF's structured partnership interests in Affiliate Managers differs from Affiliate Manager to Affiliate Manager. The structure of the relationship with a particular Affiliate Manager, or the revenue that AGF agrees to share in, may change. Affiliate Managers only provide investment advisory services or offer products in the jurisdiction where such firm, individuals and/or product is registered or authorized to provide such services. Products in Canada are distributed through registered dealers on a private placement basis, including by AGF Capital Partners' affiliate, AGF Investments Inc.

The views expressed are those of the author and do not necessarily represent the opinions of AGF, its subsidiaries or any of its affiliated companies, funds, or investment strategies.

The commentaries contained herein are provided as a general source of information based on information available as of April 21, 2026. It is not intended to address the needs, circumstances, and objectives of any specific investor. The content of this commentary is not to be used or construed as investment advice, as an offer to buy or sell any securities, and is not intended to suggest taking or refraining from any course of action. Every effort has been made to ensure accuracy in these commentaries at the time of publication, however, accuracy cannot be guaranteed. Market conditions may change and AGF and Affiliate Managers accept no responsibility for individual investment decisions arising from the use or reliance on the information contained herein.

This document may contain forward-looking information that reflects our current expectations or forecasts of future events. Forward-looking information is inherently subject to, among other things, risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed herein.

AGF entities only provide investment advisory services or offers investment funds in the jurisdiction where such firm, individuals and/or product is registered or authorized to provide such services.

© TM The "AGF" logo and all associated trademarks are registered trademarks of AGF Management Limited and used under licence.

Published: April 29, 2026. RO: 20260423-5376230-17074690