Introducing a new era for Value investing: WisdomTree's shareholder yield approach

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Ayush Babel
Director, Quantitative Research

Points clés

- While traditional value metrics like price-to-book have faltered in an economy dominated by intangible assets and asset-light business models, the underlying value premium remains relevant—what needs to change is how we define and measure value.
- Shareholder yield, which blends dividends and net buybacks, provides a more complete and dependable indicator of sustainable value creation, avoiding many of the pitfalls and distortions that have weakened traditional value strategies.
- WisdomTree’s new Value range brings this modern approach to life by focusing on capital-return discipline and integrating quality-driven risk filters, resulting in a more resilient and forward-looking way to capture the value factor.

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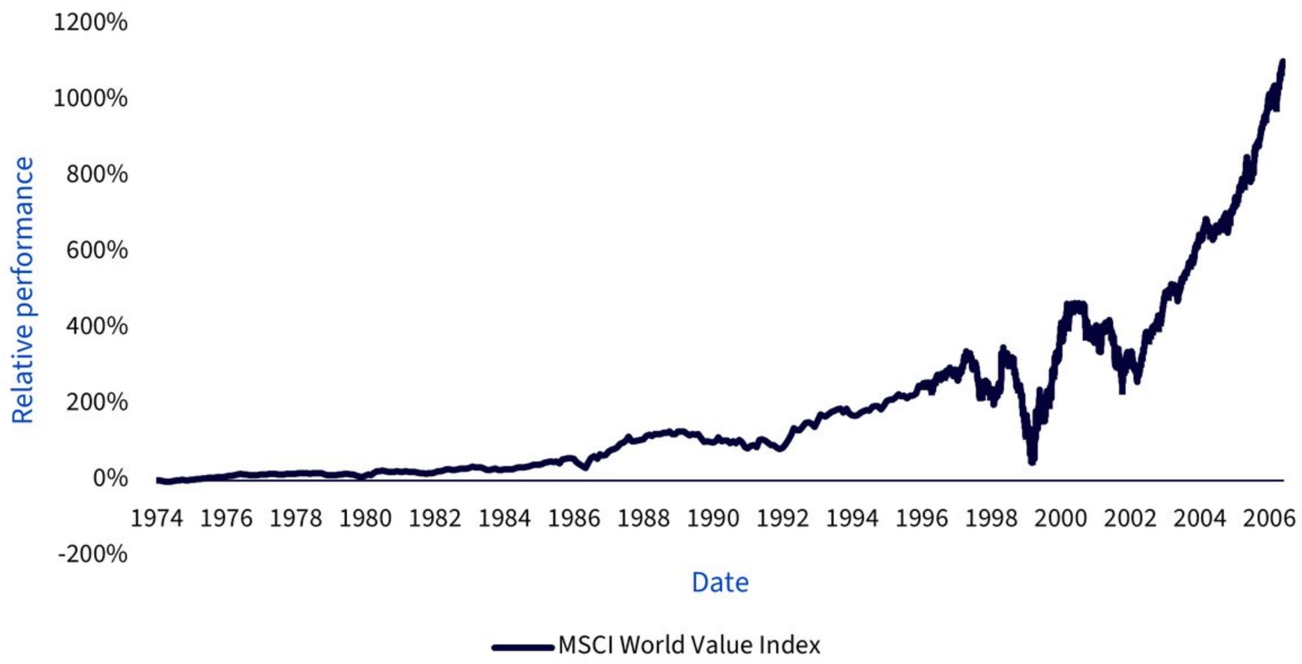
Value investing is one of the most established and time-tested investment philosophies. Rooted in the work of Benjamin Graham and David Dodd in the early 20th century, it rests on the simple yet powerful premise that buying companies at a discount to their intrinsic value can generate superior long-term returns. Over the decades, this idea has been reinforced by both academic evidence, most notably the Fama–French high minus low (HML) factor, and real-world success stories, including those of legendary investors such as Warren Buffett. For much of the modern investment era, particularly from the mid-1970s up until the Global Financial Crisis (GFC), cheap stocks consistently outperformed the market, creating a persistent value premium that many investors came to rely on.

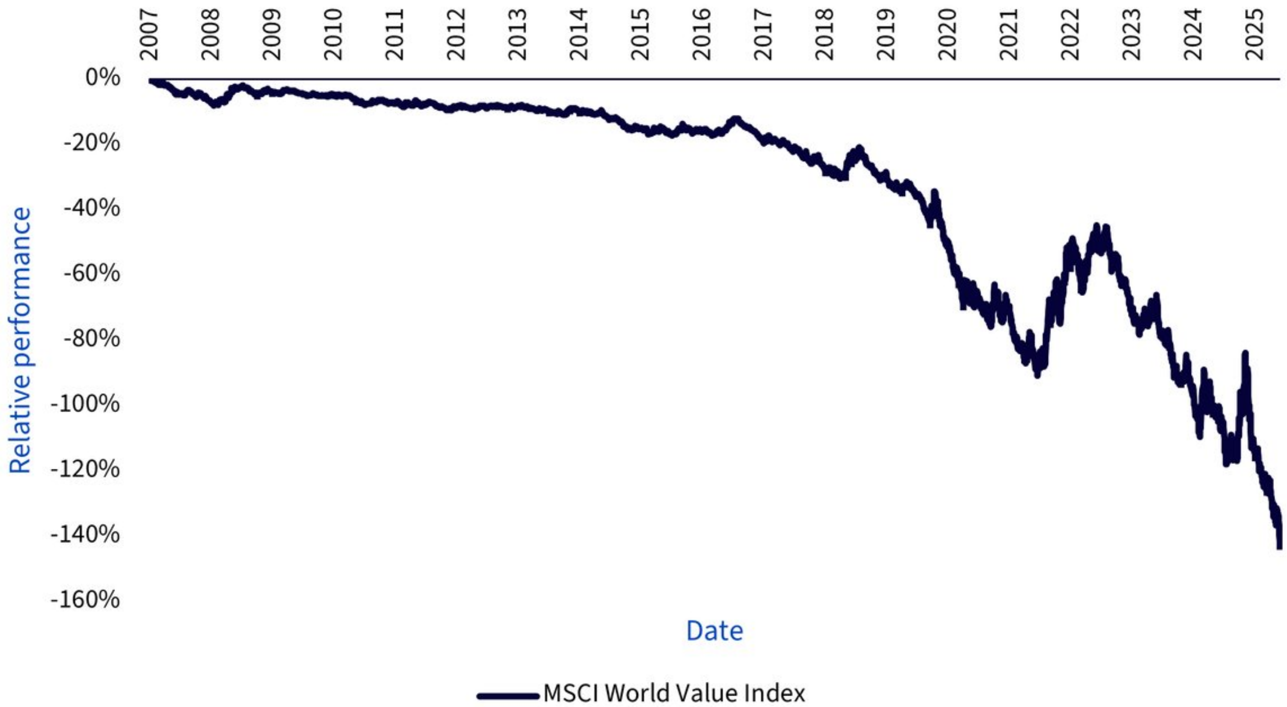
Figure 1. Long-term outperformance of Value before the GFC
Relative performance of MSCI World Value Index vs. MSCI World Index



Source: Factset, Bloomberg, MSCI. 31 Dec 1974 to 31 May 2007. Returns are annualised. **Historical performance is not an indication of future performance and any investment may go down in value.**

However, the narrative shifted dramatically after the GFC. For the most part of the last two decades, traditional value strategies, particularly those relying heavily on ratios such as price-to-book, have consistently underperformed. This has prompted many investors to question whether value investing has permanently lost its relevance or whether the metrics traditionally used to capture value have simply become outdated in an evolving economic landscape.

Figure 2. Underperformance of Value since the GFC
Relative performance of MSCI World Value Index vs. MSCI World Index



Source: Factset, Bloomberg, MSCI. 31 May 2007 to 31 Oct 2025. Returns are annualised. **Historical performance is not an indication of future performance and any investment may go down in value.**

Traditional valuation metrics have faced structural headwinds in the post-GFC environment. The global economy has increasingly shifted toward intangible-heavy, asset-light businesses whose worth is poorly reflected in book value, diminishing the usefulness of price-to-book as a reliable signal. Meanwhile, an extended period of ultralow interest rates disproportionately favoured long-duration growth stocks, widening the gap between growth and value performance. Importantly, many traditional value screens continued to capture companies that were optically cheap but fundamentally weak, leading investors into value traps rather than sustainably profitable businesses. Taken together, these dynamics make clear that while the principles of value investing remain sound, the tools for identifying value must evolve.

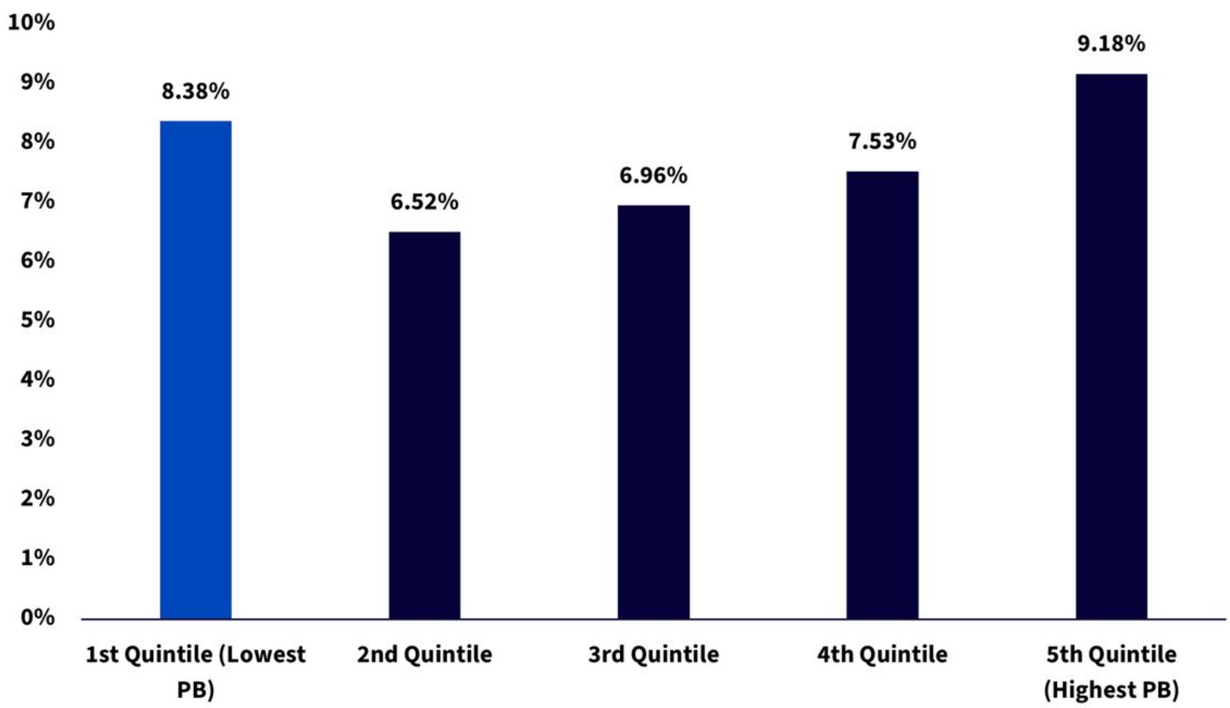
The shareholder yield approach

Against this backdrop, shareholder yield provides a more modern and intuitive way to define value. Shareholder yield measures the total capital a company returns to shareholders through dividends and net share buybacks. By capturing both forms of capital return, it offers a more complete view of how management deploys excess cash and reflects a company’s discipline in allocating capital. This is especially relevant today, given that share buybacks have increasingly become the dominant mechanism through which companies return capital, often surpassing dividends in magnitude.

What makes shareholder yield particularly compelling as a valuation metric is its grounding in real cash flows. Whereas traditional accounting-based ratios can be distorted by intangible assets, write-downs or differences in accounting treatment, shareholder yield reflects management actions that are harder to manipulate. Companies with high shareholder yield tend to share a common profile: steady profits, strong balance sheets and a disciplined approach to capital allocation. These traits align shareholder yield not only with value, but also with elements of quality, helping to avoid the fundamental deterioration often hidden within traditional low-multiple stocks.

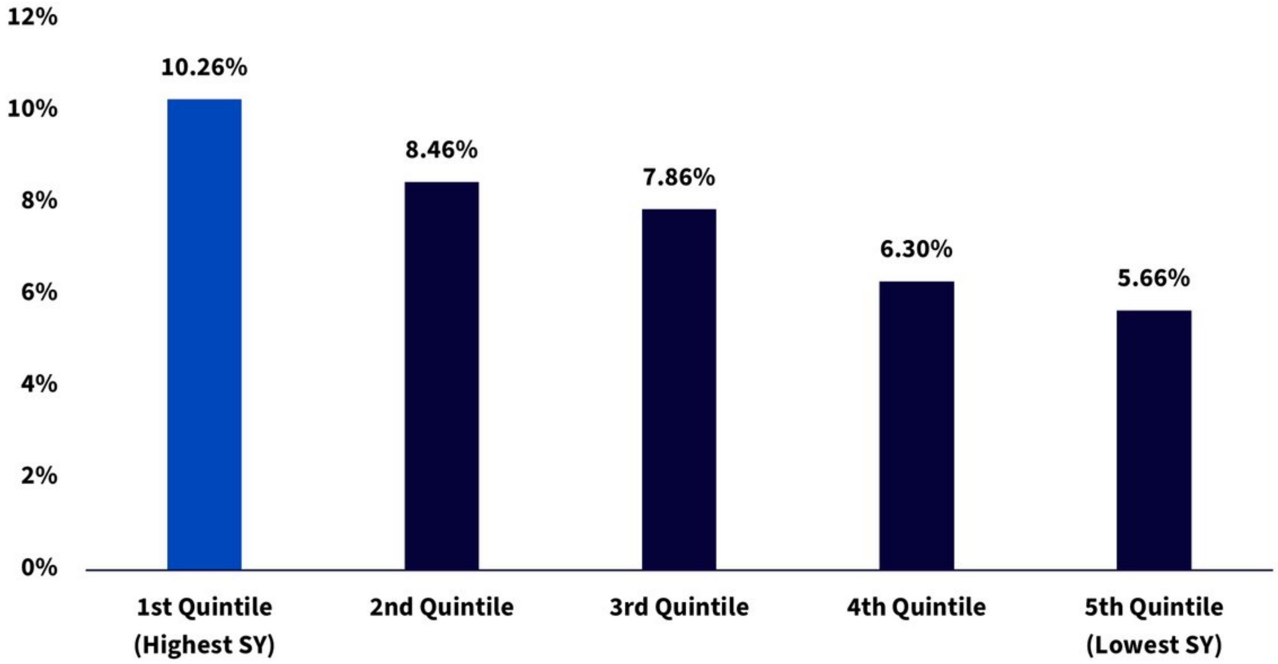
The empirical evidence highlights this distinction. When stocks are sorted by traditional metrics such as price-to-book, the lower P/B groups have often shown weaker performance in the post-GFC period. By contrast, when stocks are ranked on shareholder yield, the highest-yielding companies have consistently delivered stronger returns. This reveals that purely focusing on 'cheap' valuations is no longer a reliable indicator of value, whereas sustainable capital return remains a powerful signal of underlying strength.

Figure 3. Lower P/B - price to book ratio (Traditional Value) translated into lower performance



Sources: WisdomTree, MSCI. From 31/12/2007 to 31/10/2025. Quintile portfolios created using end of December data each year and constituents are equally weighted. Price-to-Book = 1st quintile (lowest P/B) within the MSCI World Index. **You cannot invest directly in an index. Past performance is not indicative of future returns.**

Figure 4. Higher shareholder (WisdomTree Value) yield translated into higher performance



Sources: WisdomTree, MSCI. From 31/12/2007 to 31/10/2025. Quintile portfolios created using end of December data each year and constituents are equally weighted. Shareholder yield = 1st quintile (highest shareholder yield) within the MSCI World Index. **You cannot invest directly in an index. Past performance is not indicative of future returns.**

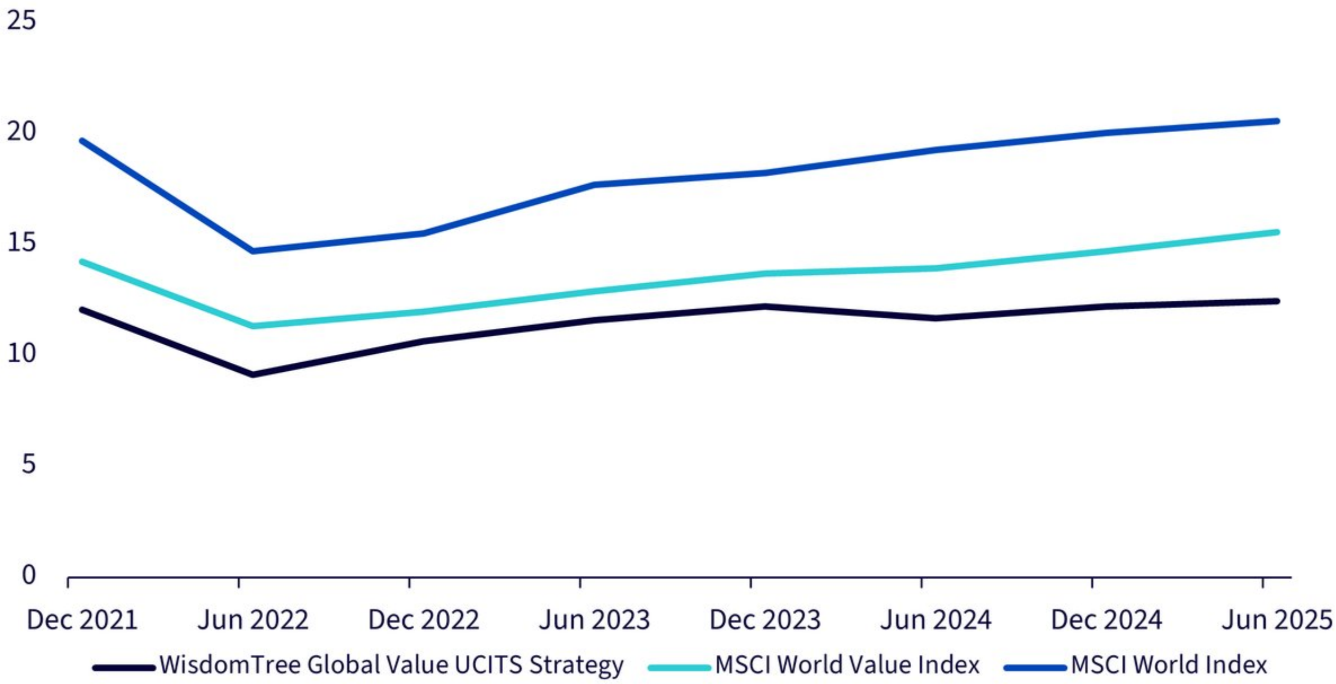
Introducing the WisdomTree Value ETFs range

Value investing works best when it captures companies that can sustainably return capital, not simply those that appear cheap on traditional accounting measures. WisdomTree's shareholder yield range is built around this modern interpretation of value. The strategy begins with a broad universe of liquid large- and mid-cap stocks across developed markets and applies responsible exclusions to remove companies that breach UN Global Compact principles or operate in sectors with significant negative externalities such as controversial weapons, tobacco, thermal coal, unconventional oil and gas and small arms.

From this refined universe, companies are ranked on shareholder yield, and the top 30% are selected within respective regions (US, Europe and other developed markets). Recognising that high capital return alone can sometimes mask underlying weakness, WisdomTree incorporates its Composite Risk Score (CRS), a blend of quality and momentum indicators, to filter out potential value traps. Companies in the bottom CRS quantile, those with unusually high dividend yields that are not supported by fundamentals, and those that have not meaningfully reduced their shares outstanding over the past year, are systematically removed. The resulting portfolio emphasises sustainable capital discipline while preserving the valuation characteristics investors expect from a value strategy.

This approach consistently produces portfolios with lower price multiples compared to broad market and traditional value benchmarks. For example, the forward price-to-earnings multiples of the WisdomTree Value strategy have remained below those of MSCI World Value and MSCI World, demonstrating the strategy's ability to maintain a strong value tilt through time while avoiding fundamental deterioration.

Figure 5: WisdomTree Value strategy has a lower forward price to earnings multiple through time versus benchmarks



Sources: WisdomTree, FactSet, MSCI®. From Dec 2021 to Jun 2025. **Past performance is not indicative of future results. You cannot invest directly in an index.**

Conclusion: a modern value investing solution for current times

Value investing is not dead, but it must evolve. The post-GFC environment exposed the limitations of relying solely on traditional valuation ratios designed for an industrial-era balance sheet. As business models shift, intangibles rise in importance and capital allocation practices change, investors need a more complete measure of value, one that reflects both the financial strength of a company and its willingness to return capital to shareholders.

Shareholder yield provides this modern lens. By combining dividends and buybacks, it captures sustainable value creation in a way that traditional metrics no longer can. In a world where equity markets and particularly growth investing have become increasingly dominated by a narrow group of mega cap names, a shareholder yield–driven value approach offers a balanced counterweight, helping investors diversify away from concentrated growth leadership while still maintaining discipline and quality.

WisdomTree’s shareholder yield strategies bring this philosophy to life through a systematic process designed to preserve the value premium while avoiding the pitfalls that have weighed on traditional value approaches. For today’s markets, this represents a more relevant, resilient and forward-looking way to access the value factor.

The strategy is offered in 3 regional UCITS exposures:

- WisdomTree Global Value UCITS ETF (Developed markets)
- WisdomTree US Value UCITS ETF (United States)
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