

Quality as a foundation in an uncertain world

Published 8 April 2026

Ayush Babel

Director, Quantitative Research

Key Takeaways

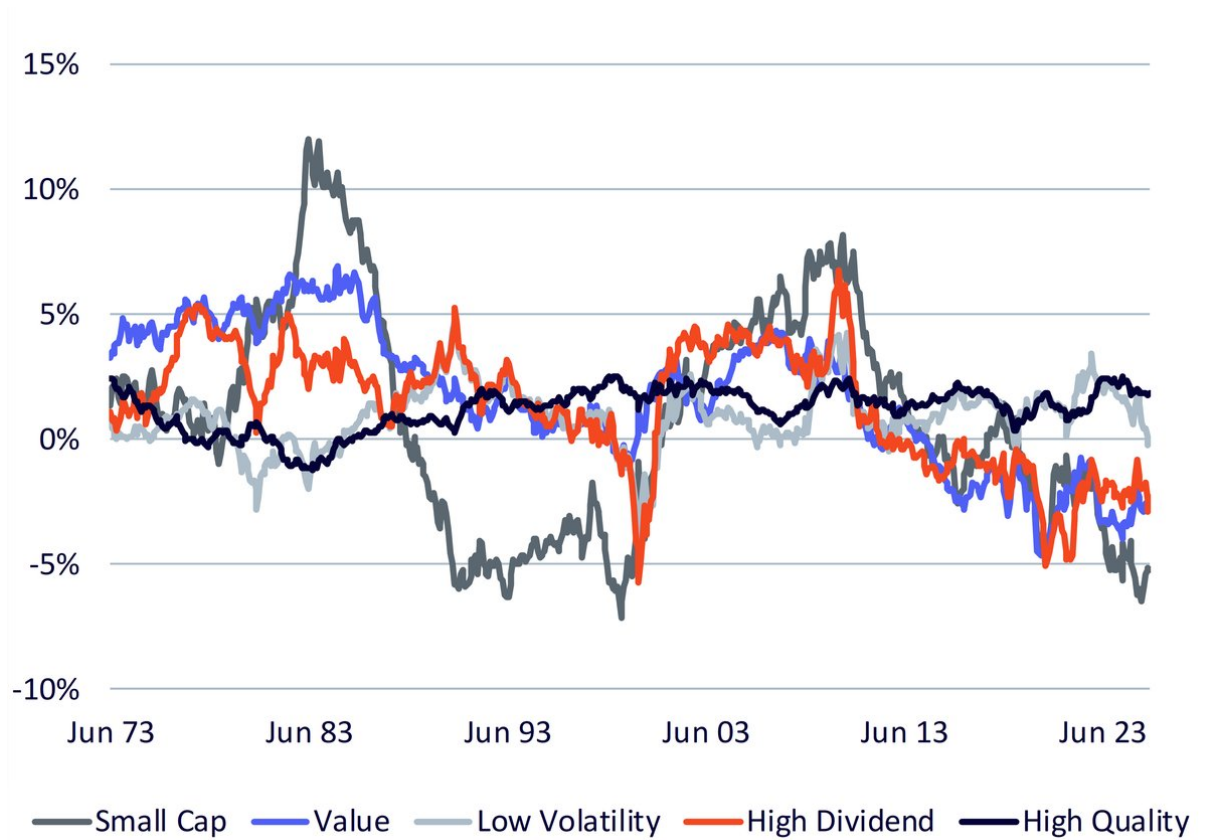
- Quality companies with strong profitability and balance sheets have historically delivered consistent returns across cycles.
- Higher operating profitability has outperformed across both growth and value segments.
- WisdomTree's approach focuses on dividend growth, not just high yield, supported by strong fundamentals.
- Investors can gain exposure to quality, income and long-term growth without excessive valuation trade-offs.
- Related Products WisdomTree Global Quality Dividend Growth UCITS ETF - USD Acc, WisdomTree Global Quality Dividend Growth UCITS ETF - USD, WisdomTree US Quality Dividend Growth UCITS ETF - USD, WisdomTree US Quality Dividend Growth UCITS ETF - USD Acc, WisdomTree Eurozone Quality Dividend Growth UCITS ETF - EUR, WisdomTree Eurozone Quality Dividend Growth UCITS ETF - EUR Acc, WisdomTree Global Ex-USA Quality Dividend Growth UCITS ETF - EUR Acc, WisdomTree UK Quality Dividend Growth UCITS ETF Find out more

Investors are navigating an increasingly complex global backdrop. Geopolitical tensions, ongoing conflicts and energy supply risks are adding volatility to markets, while rapid technological change, particularly the acceleration of artificial intelligence, is reshaping industries and business models.

Against this backdrop of geopolitical uncertainty and technological disruption, identifying companies with durable business models and resilient fundamentals has become increasingly important.

Historically, companies with strong profitability, balance sheet strength and disciplined capital allocation, characteristics associated with the Quality factor, have demonstrated consistent performance across market cycles. Compared with other equity factors, Quality has tended to outperform more frequently over long investment horizons while experiencing relatively shallow periods of underperformance. As seen in Figure 1, Quality has exhibited strong resilience, outperforming more frequently than other factors.

Figure 1: Rolling 10-year outperformance of US factors (vs market)



Source: WisdomTree, Kenneth French Data Library, data as of 28 November 2025 (latest available data). Value: top 30% book-to-price portfolio. Size: bottom 30% portfolio. Quality: top 30% portfolio. Low Volatility: bottom 20% portfolio. High Dividend: top 30% portfolio. Market: all CRSP firms incorporated in the US and listed on the NYSE, AMEX or NASDAQ. **Historical performance is not an indication of future performance, and any investments may go down in value.**

The importance of quality becomes even clearer when examining how profitability interacts with valuation and growth characteristics.

Figure 2: Outperformance of Quality across the Value-Growth spectrum

		Operating Profitability Quintiles				
		4th (Lowest)	3rd	2nd	1st	1st vs. 4th
Price-to-Book Quintiles	4th	2.93%	8.05%	7.62%	9.47%	6.54%
	3rd	0.64%	7.15%	7.86%	10.00%	9.35%
	2nd	4.71%	7.81%	9.49%	8.08%	3.37%
	1st (Lowest)	5.74%	9.51%	9.27%	9.60%	3.86%
Total Market Return: 8.01%						

Source: Kenneth French Data Library, 1 July 1990 to 31 December 2024. The period reflects the availability of annual operating profitability returns sorted into quartiles, beginning 1 July 1990. The market comprises global developed market-listed equities within the ME2 category, grouped by operating profitability and price-to-book. Returns are annualised. **Historical performance is not an indication of future performance and any investment may go down in value.**

Companies with higher operating profitability have historically outperformed lower-quality peers across the entire growth–value spectrum, with the strongest effect observed among blend stocks. In other words, sustainable growth is often supported by strong fundamentals.

The WisdomTree Quality Dividend Growth approach

The WisdomTree Quality Dividend Growth strategy seeks to capture this quality premium through a forward-looking approach to dividend investing.

Rather than selecting companies based purely on high dividend yields, the strategy focuses on firms expected to grow their dividends over time. The strategy selects stocks with strong profitability, robust balance sheets and sustainable earnings growth, characteristics that support consistent dividend expansion.

The strategy also differs from traditional market capitalisation-weighted approaches by weighting companies according to the dividends they pay. This dividend-weighted methodology helps reduce concentration in the largest companies and links portfolio weights more closely to the cash returned to shareholders.

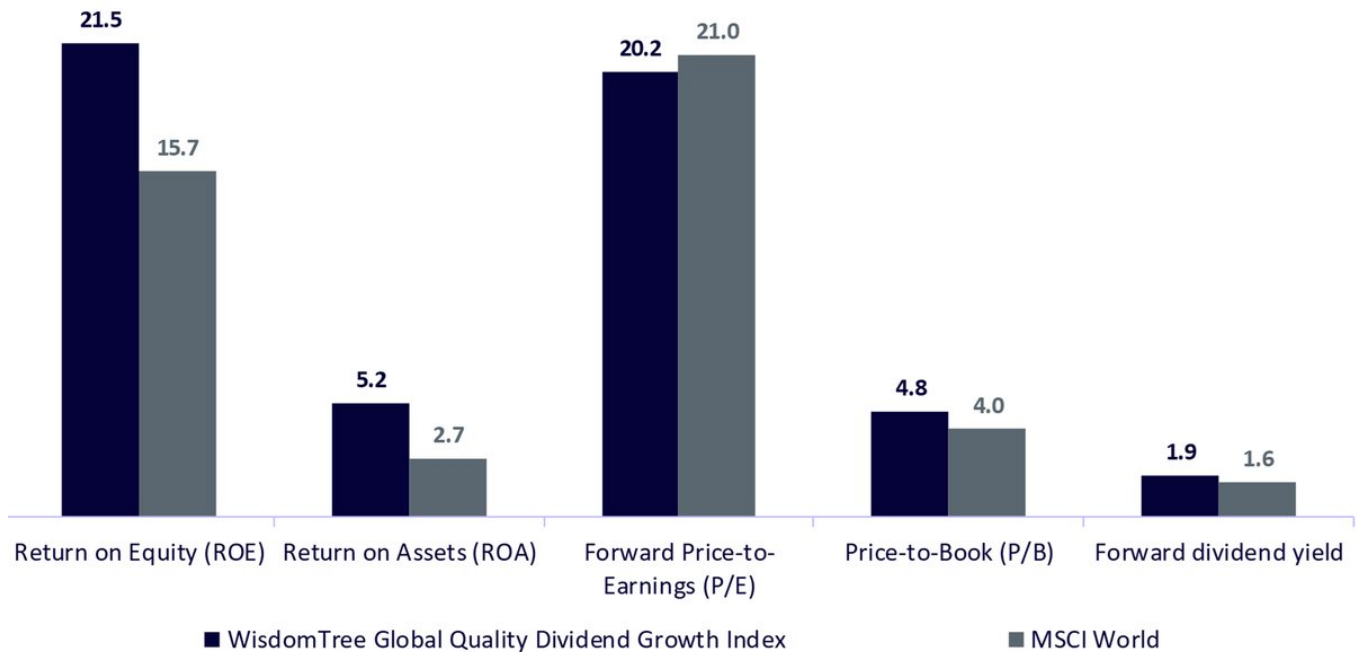
By combining quality screens with a forward-looking dividend growth framework, the strategy aims to identify companies capable of delivering both growing income and long-term capital appreciation.

While quality-focused strategies may provide resilience, they can underperform in certain market environments, particularly during strong cyclical or momentum-driven rallies. As with all equity investments, they remain subject to market risk and changes in macroeconomic conditions.

Exposure rooted in fundamentals

The case for quality is not just theoretical; it is clearly reflected in portfolio fundamentals. As shown in Figure 3 below, the WisdomTree Global Quality Dividend Growth Index exhibits higher profitability metrics than the broader MSCI World Index, with Return on Equity and Return on Assets notably elevated. At the same time, this higher quality exposure is not achieved at the expense of excessive valuation, with forward price-to-earnings (P/E) broadly in line with the market and only a modest premium on price-to-book (P/B).

Figure 3: Portfolio fundamentals



Source: WisdomTree, MSCI, Kenneth French Data Library, as at 28 November 2025 (latest available data). Value: top 30% book-to-price portfolio. Size: bottom 30% portfolio. Quality: top 30% portfolio. Low Volatility: bottom 20% portfolio. High Dividend: top 30% portfolio. Market: all CRSP firms incorporated in the US and listed on the NYSE, AMEX or NASDAQ. **Historical performance is not an indication of future performance, and any investments may go down in value.**

Importantly, the WisdomTree Quality Dividend Growth strategy also delivers a higher forward dividend yield, reinforcing the idea that investors do not need to sacrifice income to gain exposure to stronger businesses. Instead, they can access a combination of profitability, sustainable growth and income generation within a single framework.

In an uncertain and rapidly evolving market environment, this balance becomes increasingly valuable. Quality Dividend Growth provides an approach rooted in fundamentals, one that seeks to capture resilient earnings, disciplined capital allocation and growing shareholder returns. For investors looking to navigate volatility while maintaining long-term return potential, anchoring portfolios in high-quality businesses may offer a more consistent and dependable path forward.

Important Risks Related to this Article

IMPORTANT INFORMATION

Marketing communications issued in the European Economic Area (“EEA”): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

This marketing communication has been prepared for professional investors, but the WisdomTree products set out in this document may be available in some jurisdictions to any investors, subject to applicable laws and regulations. As the product may not be authorised or its offering may be restricted in your jurisdiction, it is the responsibility of every person or entity to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction. Prior to any application investors are advised to take all necessary legal, regulatory, tax and investment advice on the suitability and consequences of an investment in the products. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment.

An investment in exchange-traded products (“ETPs”) is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or

distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes.

This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements.

WisdomTree Issuer ICAV

The products discussed in this document are issued by WisdomTree Issuer ICAV ("WT Issuer"). WT Issuer is an umbrella investment company with variable capital having segregated liability between its funds organised under the laws of Ireland as an Irish Collective Asset-management Vehicle and authorised by the Central Bank of Ireland ("CBI"). WT Issuer is organised as an Undertaking for Collective Investment in Transferable Securities ("UCITS") under the laws of Ireland and shall issue a separate class of shares ("Shares") representing each fund.

The Fund is described in a Key Information Document (KID) or Key Investor Information Document (KIID) for UK investors, and the prospectus of WT Issuer ("WT Prospectus"). A copy of the WT Prospectus and the KID / KIID is available, for EEA/UK only, in English at www.wisdomtree.eu. Where required under national rules, the KID will also be available in the local language of the relevant EEA Member State. Investors should read the WT Prospectus before investing and should refer to the section of the WT Prospectus entitled »Risk Factors¼ for further details of risks associated with an investment in the Shares.

The [summary of investor rights](#) associated with an investment in the fund is available in English on WisdomTree Europe's website. WisdomTree Management Limited may decide to terminate the arrangements made for the marketing of its collective investment undertakings. In such circumstances, shareholders in the affected EEA Member State will be notified of this decision and will be provided with the opportunity to redeem their shareholding in the fund free of any charges or deductions for at least 30 working days from the date of such notification.

For Investors in Switzerland:

This document constitutes an advertisement of the financial product(s) mentioned herein.

The prospectus (in English only) and the key investor information documents (KID) (in German, French and Italian) are available from WisdomTree's website <https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports>

For WisdomTree UCITS products only: the representative and paying agent of the ETPs in Switzerland is Société Générale Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich, Switzerland. The prospectus, the key investor information documents (KIID), the articles of association and the annual and semi-annual reports of the sub-funds are available free of charge from the representative and paying agent. As regards distribution in Switzerland, the place of jurisdiction and performance is at the registered seat of the representative and paying agent. Some of the sub-funds referred to in this document may not have been registered with the Swiss Financial Market Supervisory Authority ("FINMA"). In Switzerland, such sub-funds that have not been registered with FINMA may only be available to Qualified Investors.

For Investors in France:

The information in this document is intended exclusively for professional investors (as defined under the MiFID) investing for their own account and this material may not in any way be distributed to the public. The distribution of the Prospectus and the offering, sale and delivery of Shares in other jurisdictions may be restricted by law. WT Issuer is a UCITS governed by Irish legislation, and approved by the Financial Regulatory as UCITS compliant with European regulations although may not have to comply with the same rules as those applicable to a similar product approved in France. The Fund has been registered for marketing in France by the Financial Markets Authority (Autorité des Marchés Financiers) and may be distributed to investors in France. Copies of all documents (i.e. the Prospectus, the Key Investor Information Document, any supplements or addenda thereto, the latest annual reports and the memorandum of incorporation and articles of association) are available in France, free of charge at the French centralizing agent, Societe Generale at 29, Boulevard Haussmann, 75009, Paris, France. Any subscription for Shares of the Fund will be made on the basis of the terms of the prospectus and any supplements or addenda thereto.

For Investors in Malta: This document does not constitute or form part of any offer or invitation to the public to subscribe for

or purchase shares in the Fund and shall not be construed as such and no person other than the person to whom this document has been addressed or delivered shall be eligible to subscribe for or purchase shares in the Fund. Shares in the Fund will not in any event be marketed to the public in Malta without the prior authorisation of the Maltese Financial Services Authority.