

Why traditional value investing may be due for an update

Publié le 19 mai 2026

Ayush Babel

Director, Quantitative Research

Points clés

- Not all value strategies are created equal: Traditional value metrics such as price-to-book and price-to-earnings ratios have become less effective in modern markets. The blog highlights how shareholder yield, which focuses on dividends and buybacks, may offer a more intuitive and durable definition of value.
- The WisdomTree Europe Value strategy combined outperformance with downside resilience in 2026: The strategy outperformed major European value benchmarks year to date while also experiencing the shallowest drawdown during the Iran conflict, demonstrating that disciplined portfolio construction can improve resilience during periods of volatility.
- Capital discipline matters in today's market environment: In an environment shaped by geopolitical uncertainty, slowing growth and elevated volatility, investors are increasingly rewarding companies with durable cash flows, strong balance sheets and shareholder-friendly capital allocation. The WisdomTree Europe Value approach is designed to emphasise those characteristics systematically.
- Related Products WisdomTree Europe Value UCITS ETF - EUR Acc [Find out more](#)

Europe's market revival is happening against a fragile macro backdrop

European equities may continue to present attractive opportunities for investors seeking strong valuations, dividend income and diversified sector exposure. Despite improving corporate fundamentals and stabilising macro conditions across the region, many European companies still trade at relatively reasonable valuations compared to historical levels and other regions.

At the same time, the market environment remains increasingly uncertain. Sticky inflation, slowing growth expectations and renewed geopolitical tensions, including the recent Iran-related volatility episode, have reinforced the importance of portfolio resilience and disciplined stock selection. Investors have become more selective, favouring companies with stronger balance sheets, durable cash flows and greater earnings visibility.

This backdrop has renewed interest in value investing across Europe, particularly as investors look for opportunities outside of crowded market leadership areas. However, not all value strategies are built equally. Traditional value approaches can often deliver very different outcomes during periods of market

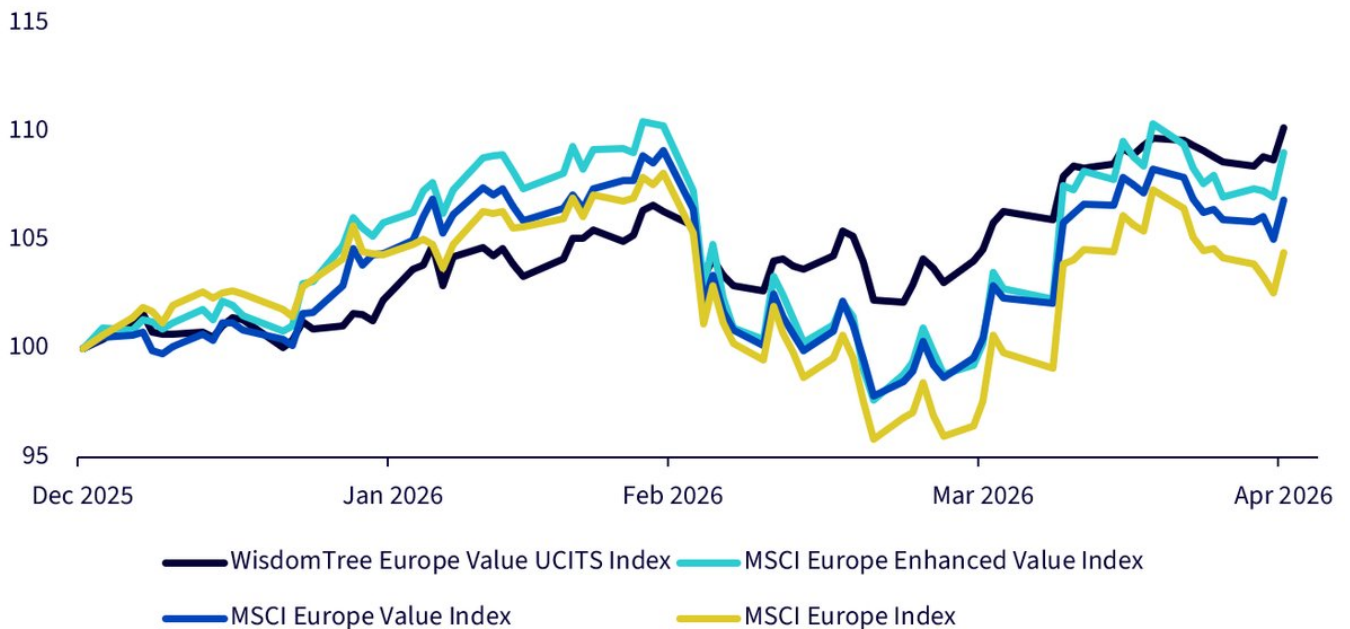
stress, making portfolio construction and stock selection increasingly important in today's environment. The WisdomTree Europe Value strategy offers a differentiated approach within the European value universe.

Strong relative performance in 2026

One of the most notable features of the strategy this year has been its ability to outperform traditional European value benchmarks while maintaining stronger downside resilience.

The chart below highlights the year-to-date performance comparison between the WisdomTree Europe Value UCITS Index and several widely followed European value benchmarks.

Figure 1: Year-to-date performance of the WisdomTree Europe Value Strategy



Source: WisdomTree, MSCI, Bloomberg Finance L.P. From 31/12/2025 to 30/4/2026. The WisdomTree Europe Value Strategy is represented by the WisdomTree Europe Value UCITS Index. **Historical performance is not an indication of future performance and any investment may go down in value. You cannot invest directly in an index.**

The WisdomTree Europe Value UCITS Index delivered the strongest year-to-date performance among the peer group shown, outperforming the MSCI Europe Enhanced Value Index, MSCI Europe Value Index and the broader MSCI Europe Index. Importantly, the strategy historically achieved this with lower observed drawdowns than selected peers over the period shown.

During the sharp market weakness associated with the Iran conflict, the WisdomTree Europe Value UCITS Index also experienced the shallowest drawdown among the group. While traditional value benchmarks

saw materially deeper declines, WisdomTree's methodology helped cushion downside participation (see Figure 3).

The combination of strong relative performance and improved downside resilience is notable because it reflects the strategy's structural characteristics rather than short-term tactical positioning. The WisdomTree Europe Value UCITS Index is constructed to provide long-term exposure to companies with attractive shareholder return characteristics while incorporating screens based on Quality and Momentum intended to avoid some of the traditional pitfalls associated with value investing.

As recent market volatility demonstrated, those same characteristics can also help cushion portfolios during periods of heightened uncertainty.

Why traditional definitions of Value have become less effective

Value investing has historically delivered long-term excess returns, but traditional valuation metrics such as price-to-book or price-to-earnings ratios have become less effective in modern markets. In an economy increasingly driven by intangible assets, intellectual property and capital-light business models, accounting-based valuation multiples do not always capture the true economic value of a company.

As a result, companies trading at low valuation multiples are not always fundamentally attractive, while firms generating strong cash flows and consistently returning capital to shareholders may be overlooked. This is where WisdomTree's approach meaningfully differentiates itself. Rather than relying primarily on traditional accounting-based valuation ratios, the strategy focuses on shareholder yield and capital return discipline as a more economically intuitive measure of value.

Shareholder yield as an alternative Value signal

Rather than relying on traditional price-based valuation metrics, the WisdomTree Europe Value UCITS ETF (that tracks the WisdomTree Europe Value UCITS Index) uses shareholder yield as a core signal for identifying attractive companies.

Shareholder yield measures how much capital a company returns to shareholders through a combination of dividends and share buybacks. This approach focuses on companies actively generating and distributing cash to shareholders, which can more effectively signal financial strength and capital discipline than simple accounting ratios. Historical analysis suggests shareholder yield has historically been associated with stronger long-term return dispersion than traditional price-to-book measures.

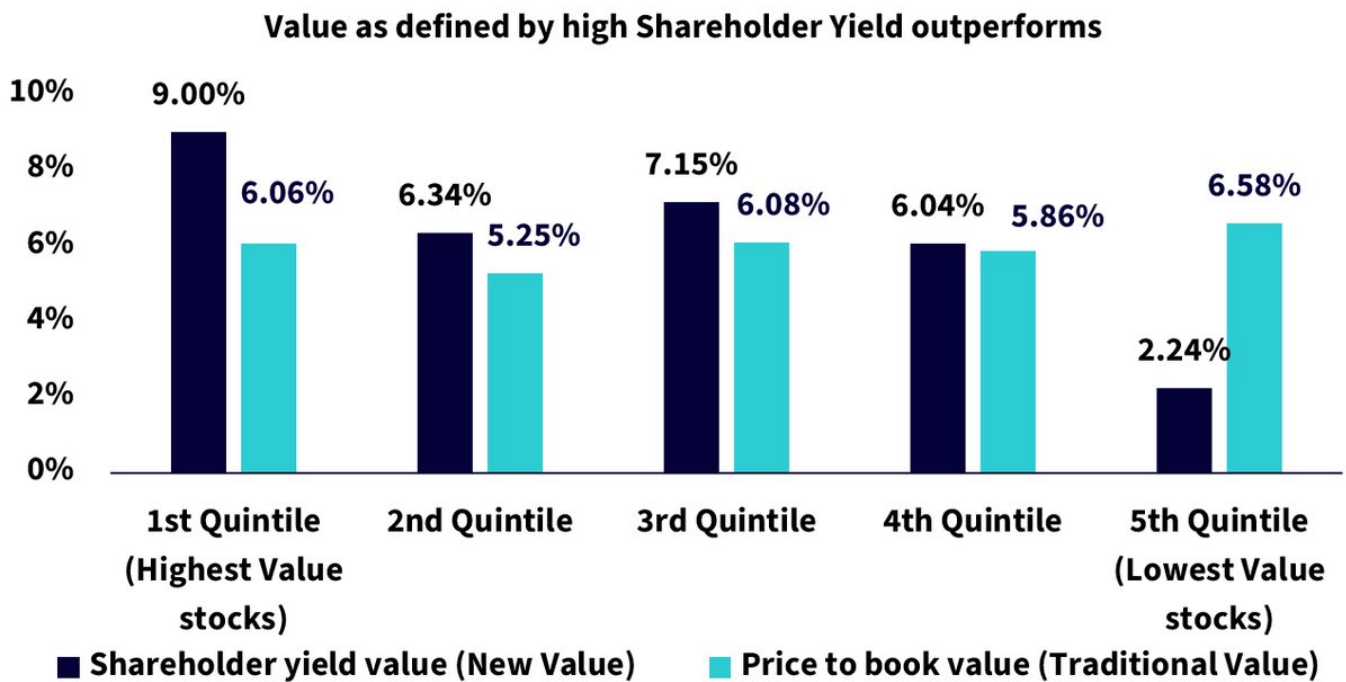
Historical risk premia from shareholder yield

Figure 2 below compares long-term annualised returns across quintiles formed using shareholder yield versus traditional price-to-book metrics.

The data shows that the highest shareholder yield quintile generated the strongest long-term returns, while the lowest shareholder yield cohort significantly underperformed. Return dispersion across shareholder yield quintiles was also more intuitive and consistent than traditional price-to-book approaches, where

differentiation between quintiles was weaker. Most strikingly, the highest shareholder yield quintile delivered meaningfully stronger annualised returns than the cheapest price-to-book cohort. The data suggests shareholder yield may provide an alternative lens for identifying companies with strong capital return characteristics. Rather than simply buying ‘cheap’ companies, the strategy seeks companies capable of consistently returning capital to shareholders.

Figure 2: Historical returns of the two approaches to Value



Sources: WisdomTree, MSCI, From 31/12/2007 to 31/3/2026. Quintile portfolios are created using end of December data each year and constituents are equally weighted. Shareholder yield = 1st quintile (highest shareholder yield) within the MSCI Europe Index. Price-to-Book = 1st quintile (lowest P/B) within the MSCI Europe Index. You cannot invest directly in an index. **Historical performance is not an indication of future performance and any investment may go down in value.**

Conclusion: a resilient European equity allocation

The WisdomTree Europe Value UCITS ETF offers investors a differentiated approach to European value investing.

Rather than simply buying the cheapest stocks, the strategy seeks to identify companies returning significant capital to shareholders while also demonstrating stronger quality characteristics, healthier momentum profiles and greater capital discipline.

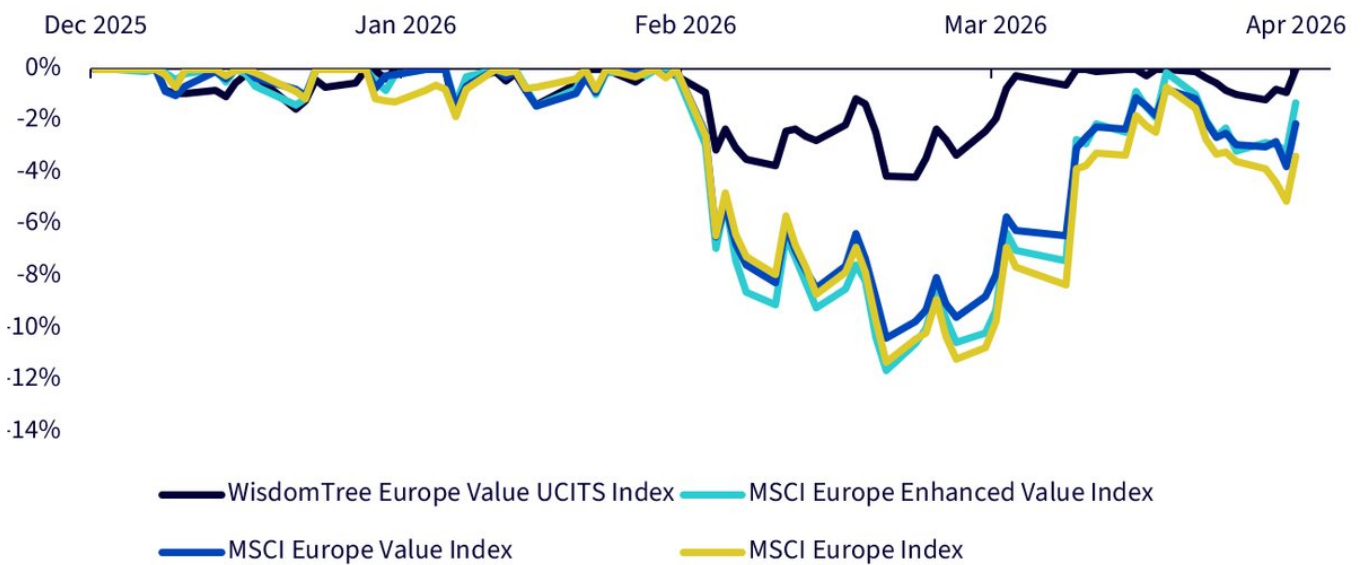
This methodology has historically delivered strong shareholder yield risk premia while also helping reduce exposure to classic value traps.

In 2026, these characteristics have translated into strong year-to-date outperformance and shallower drawdowns during the Iran conflict.

As investors continue navigating a world defined by geopolitical uncertainty, uneven growth and elevated volatility, the WisdomTree Europe Value UCITS ETF may offer investors an alternative approach to accessing European value equities.

Figure 3: The WisdomTree Europe Value Strategy offered the highest resilience among the peer group

Underwater comparison



Source: WisdomTree, MSCI, Bloomberg Finance L.P. From 31/12/2025 to 30/4/2026. The WisdomTree Europe Value Strategy is represented by the WisdomTree Europe Value UCITS Index. **Historical performance is not an indication of future performance and any investment may go down in value. You cannot invest directly in an index.**

As with all equity investments, the value of investments and any income derived from them may go down as well as up and investors may not get back the amount originally invested. Investments focused on Europe may be adversely affected by regional economic or geopolitical events. Value investing strategies can underperform growth strategies and broader equity markets for extended periods. Companies identified through shareholder yield or other factor-based methodologies may not outperform the wider market and there can be no guarantee that the strategy will achieve its investment objective. Past performance is not a reliable indicator of future performance. Any references to historical market behaviour or performance scenarios are provided for illustrative purposes only and are not indicative of future returns.

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 is intended for all investors; however, the WisdomTree products described in this document and related materials may be restricted in certain jurisdictions and may only be available to particular categories of investors in accordance with applicable laws and regulations. Where a product is not authorised or its distribution is restricted in your jurisdiction, it is the responsibility of any person or entity in possession of this information to inform themselves of, and comply with, all relevant restrictions. Before making any investment, investors should seek appropriate legal, regulatory, tax and investment advice to assess the suitability and implications of investing in these products. Information about WisdomTree products is available at wisdomtree.eu. WisdomTree does not offer investment advice tailored to individual circumstances. 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. 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 Certain funds referred to in this document are issued by WisdomTree Issuer ICAV ("WT Issuer"). WT Issuer is an open-ended, umbrella-type Irish Collective Asset-management Vehicle with segregated liability between sub-funds and is authorised by the Central Bank of Ireland ("CBI") as an Undertaking for Collective Investment in Transferable Securities ("UCITS") under Irish law. Each fund is represented by a separate class of shares (the "Shares") issued by WT Issuer.

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 Europe¼s 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. Notice to Investors in Switzerland – Qualified Investors This document constitutes an advertisement of the financial product(s) mentioned herein. In Switzerland, this communication is only targeted at Qualified Investors. The prospectus (in English only) and the key investor information documents (KID) (in German, French and Italian) are available from WisdomTree¼s website <https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports>

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. **For Investors in Monaco:** This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco. **For Investors in Israel:** Offering materials for the offering of the Shares and securities have not been filed with or approved or disapproved by the United States Securities and Exchange Commission or any other state or federal regulatory authority, nor has any such regulatory authority passed upon or endorsed the merits of this offering or passed upon the accuracy or completeness of any offering materials. Any representation to the contrary is unlawful. The products mentioned herein have not been approved by the Israel Securities Authority and will only be distributed to Israeli residents in a manner that will not constitute “an offer to the public” under sections 15 and 15a of the Israel Securities Law, 5728-1968 (“the Securities Law”) or section 25 of the Joint Investment Trusts Law, 5754-1994 (“the Joint Investment Trusts Law”), as applicable. The products are being offered to a limited number of investors (35 investors or fewer during any given 12 month period) and/or those categories of investors listed in the First Addendum (“the Addendum”) to the Securities Law, “Sophisticated Investors”) who in each case have provided written confirmation that they qualify as Sophisticated Investors, and that they are aware of the consequences of such designation and agree thereto; in all cases under circumstances that will fall within the private placement or other exemptions of the Joint Investment Trusts Law, the Securities Law and any applicable guidelines, pronouncements or rulings issued from time to time by the Israel Securities Authority. This prospectus or this document may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Any offeree who purchases a product is purchasing such product for its own benefit and account and not with the aim or intention of distributing or offering such product to other parties (other than, in the case of an offeree which is a Sophisticated Investor by virtue of it being a banking corporation, portfolio manager or

member of the Tel-Aviv Stock Exchange, as defined in the Addendum, where such offeree is purchasing a product for another party which is a Sophisticated Investor). Nothing in this document should be considered investment advice or investment marketing as defined in the Regulation of Investment Counselling, Investment Marketing and Portfolio Management Law, 5755-1995. Investors are encouraged to seek competent investment counselling from a locally licensed investment counsel prior to making the investment. A recipient of this document may be required to provide confirmation that it is a Sophisticated Investor purchasing a product for its own account or, where applicable, for other Sophisticated Investors. Certain information contained herein (the “Information”) is sourced from/copyright of MSCI Inc., MSCI ESG

Research LLC, or their affiliates (“MSCI”), or information providers (together the “MSCI Parties”) and may have been used to calculate scores, signals, or other indicators. The Information is for internal use only and may not be reproduced or disseminated in whole or part without prior written permission. The Information may not be used for, nor does it constitute, an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product, trading strategy, or index, nor should it be taken as an indication or guarantee of any future performance. Some funds may be based on or linked to MSCI indexes, and MSCI may be compensated based on the fund’s assets under management or other measures. MSCI has established an information barrier between index research and certain Information. None of the Information in and of itself can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided “as is” and the user assumes the entire risk of any use it may make or permit to be made of the Information. No MSCI Party warrants or guarantees the originality, accuracy and/or completeness of the Information and each expressly disclaims all express or implied warranties. No MSCI Party shall have any liability for any errors or omissions in connection with any Information herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.