Europe, Japan, and beyond: quality investing outside the US matters now

Published 23 September 2025

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Key Takeaways

- Global equity leadership has shifted in 2025 as US equities underperform and capital flows into international markets surge.
- WisdomTree is expanding its Quality Dividend Growth range with a global ex-US smart beta ETF that delivers high-quality, dividend-growing companies across developed markets, excluding the US entirely.
- The strategy blends profitability and dividend growth expectations, aiming for resilience and long-term compounding potential.

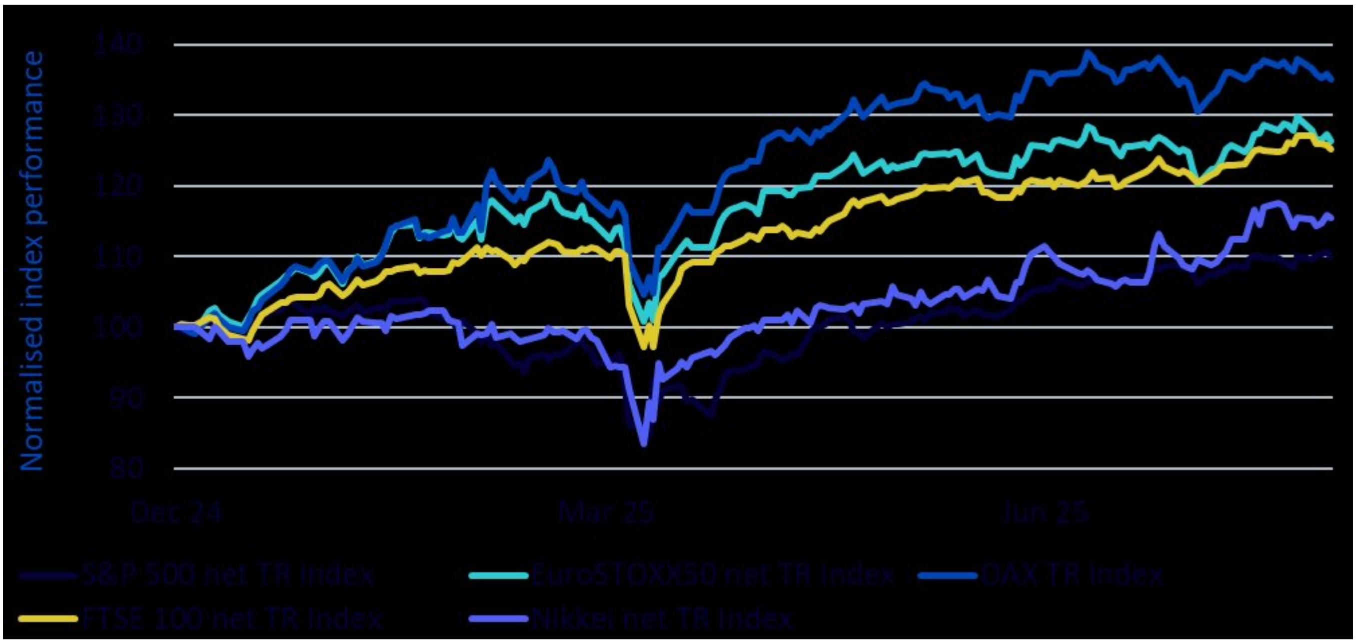
- Related Products WisdomTree Global Ex-USA Quality Dividend Growth UCITS ETF - EUR Acc Find out more

After years of global domination, US equities are showing some signs of weakness in 2025. Both American and European investors are reallocating capital outside of the US equity market, pouring money into international markets at levels not seen in years. In July 2025, global ex-US equity funds secured an inflow of $13.6 billion, the highest since December 2021, while US-focused equity funds saw $6.3 billion of outflows1. In Europe specifically, US equity funds have suffered net outflows of -$2.3 billion in 2025 (as of the end of July 2025), while they poured +€25.4 billion into European equity funds2.

Things do not look much better for the US on the performance front. The S&P 500 is up 10.1%3 while the EuroSTOXX is up 12.2%3, the FTSE 100 is up 16.4%3 and the DAX is up 20.1%3 all in local currency. When converted into real-life effect (i.e. in USD) and taking into account the depreciation of the USD, those three indices are up 26.3%3, 25.3%3 and 35.2%3 respectively. Two to three times better than US equities!

It is also worth noting that while European equities have done very well, US equities (and the US dollar) have performed particularly poorly. The Nikkei 225, for example, is up 15.6%3 and the MSCI Emerging Market index is up 18.7%3, both significantly outperforming the US.

Figure 1: Equities outside the US have outperformed US equities Year to date



Source: WisdomTree, Bloomberg. From 30 December 2024 to 31 August 2025. **Historical performance is not an indication of future performance and any investments may go down in value.**

We believe that the greatest gains can be attained by reimagining the opportunities that ETFs and ETPs are able to offer investors in our dynamic and changing world. True to our world, we started the year by launching the first European defence ETF (WDEF) and followed up recently with one of the very first quantum computing ETFs (WQTM). Today, we unveiled Europe's first smart beta ETF to offer Global developed ex-US equity exposure: WisdomTree Global Ex-USA Quality Dividend Growth UCITS ETF (XUSA). This ETF is our latest addition to the range that already comprises four ETFs with geographical exposure in Global developed equities, US equities, Eurozone equities and UK equities.

Quality Dividend Growth: Investing in the market for the long run

When investing for the long term, investors expect and need resilient performance. This is what Quality equities have been shown to provide by countless academic studies. By focusing on high-quality, dividend-generating companies, WisdomTree’s strategy aims to deliver the steady outperformance and higher consistency associated with the quality factor.

Think of Quality Dividend Growth as the ballast of your portfolio in a stormy sea. It provides:

- Steady income
- Growing distributions
- Capital discipline

Our Quality Dividend Growth range has already seen strong adoption globally with $22.8 billion of assets4 in the range, and that success reflects the power of combining disciplined research with strategies built for the real world.

WisdomTree Global Ex-USA Quality Dividend Growth UCITS ETF (XUSA)

With the WisdomTree Global Ex-USA Quality Dividend Growth UCITS ETF, Investors benefit from WisdomTree's transparent and systematic investment process rooted in academically driven research. The ETF delivers consistent exposure to the profitability factor with high active share.

1. The portfolio of the ETF is reconstructed annually around a universe of dividend-paying companies which conduct their Primary Business Activities in Europe, Israel, Japan, Australia, Hong Kong, Singapore or Canada. They must have a minimum market capitalisation of 2 billion US dollars and meet WisdomTree ESG requirements.

2. The riskiest companies (according to WisdomTree's Composite Risk Score, a mix of momentum and quality metrics) are also excluded.

3. The portfolio consists of a diversified basket of 300 companies, including 20% of the top companies from the Banks Industry, with the best combined score using three fundamental metrics5 that we believe best represent high-quality companies with the potential to grow their dividends in the future:

- Return on equity (ROE)6,7
- Return on assets (ROA)6
- Analysts' earnings growth expectations, EBITDA growth and Sales Growth

4. The final step in the process is that the 300 selected companies are "dividend stream" weighted – the weight for each stock is derived from the amount of dividends paid by the company over the previous 12 months in US dollar terms (Dividend per Share x # Shares Outstanding). This weighting methodology takes into account the size of the company and controls the valuation of the portfolio by ensuring that the strategy is not focusing on overpriced stocks.

5. To ensure diversification, single stocks are capped at 5% and floored at 0.1%, sector weights can't deviate by more than 10% from the market cap starting universe and country weights can't deviate by more than 5% from the market cap starting universe.

Figure 2: The investment process in a nutshell

Source: WisdomTree. September 2025.Estimated earnings growth is analysts' medium-term expectations. Companies with negative equity and, therefore, undefined return on equity will be given a median score as long as they've shown dividend growth over the past five years.

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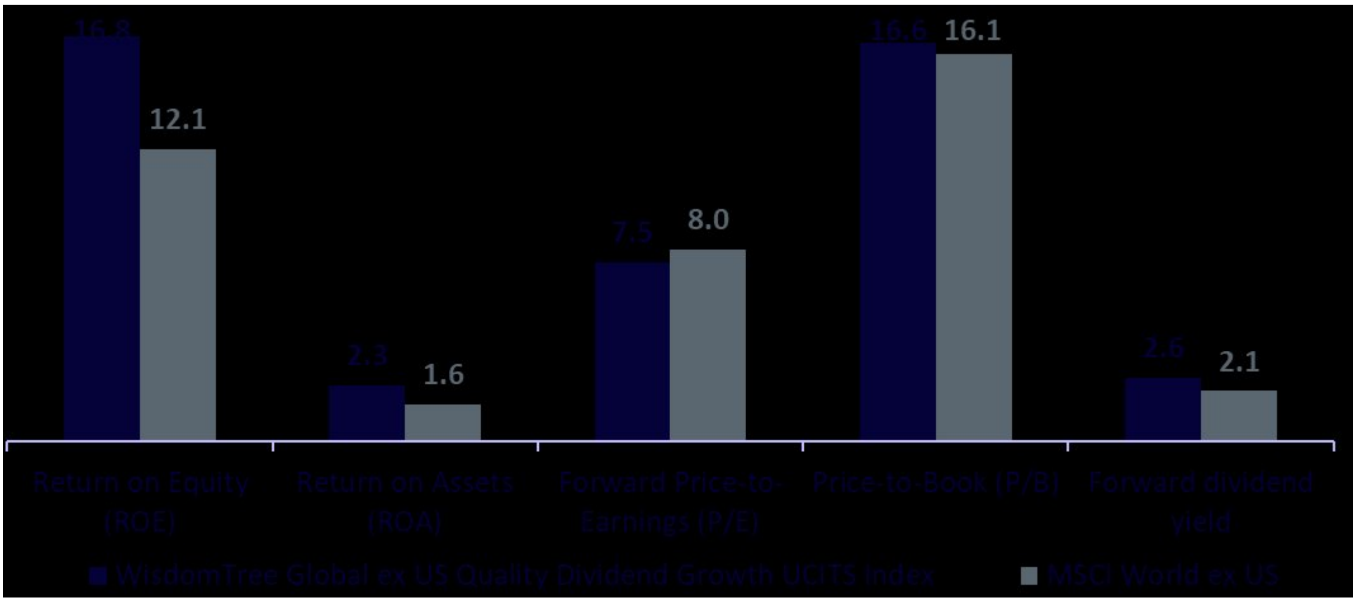
2. UNGC stands for United Nations Global Compact.

A closer look at the WisdomTree Global Ex-USA Quality Dividend Growth UCITS ETF's portfolio

The portfolio resulting from this process is highly geared toward high-quality, dividend-growth stocks. Its return on equity is 16.8 versus 12.1 for the benchmark. The return on assets is also three times higher than that of a market-cap-weighted ETF investing in the same geography. Valuation-wise, the portfolio is slightly more expensive than a market-cap-weighted version.

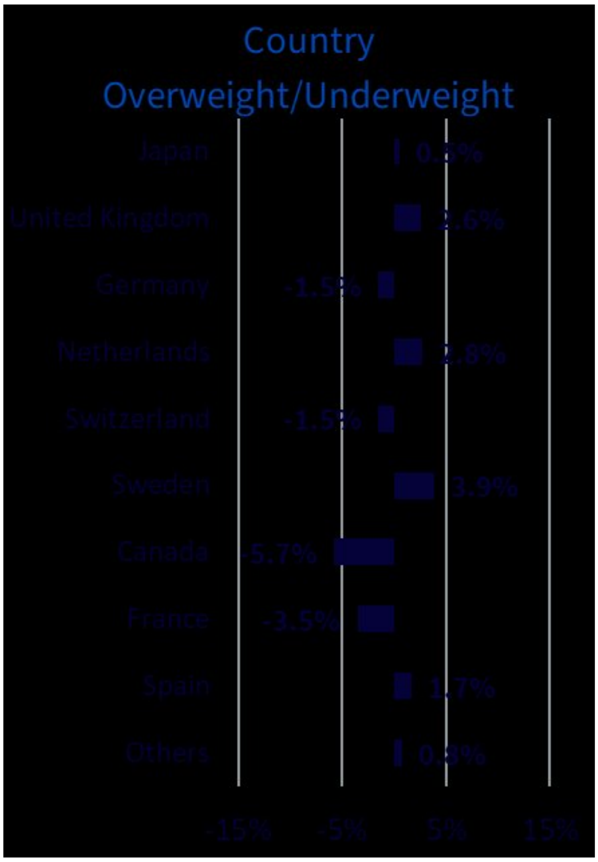
Figure 3: WisdomTree Global Ex-USA Quality Dividend Growth UCITS Index - Key fundamentals



Source: WisdomTree, Factset. As of 11 September 2025. The MSCI World ex US is proxied by the iShares MSCI World ex-USA UCITS ETF. **Historical performance is not an indication of future performance and any investments may go down in value.**

Clearly, this strategy focuses on international equities, delivering a diversified basket of equities across all developed countries outside of the US and across all sectors. Focusing on dividend growth and quality instead of pure yield makes the portfolio more diversified across cyclical and defensive sectors. High-yielding sectors, such as financials, utilities, or real estate, are present but not overrepresented, as would be the case in a yield-focused strategy.

Figure 4: WisdomTree Global Ex-USA Quality Dividend Growth UCITS Index: country and sector exposures



Source: WisdomTree, Factset. As of 11 September 2025. Historical performance is not an indication of future performance and any investments may go down in value.

The top 10 holdings are clearly spread across high quality names across sectors in Europe but also Asia with Toyota this because holding followed by Industria de Diseno Textil and Novo Nordisk.

Figure 5: WisdomTree Global Ex-USA Quality Dividend Growth UCITS Index – Top 10 holdings

Source: WisdomTree, Factset. As of 11h September 2025. Historical performance is not an indication of future performance and any investments may go down in value.

Key takeaways

In an environment marked by macro uncertainty, fiscal stress and concentrated market leadership, resilient investments matter more than ever. WisdomTree's Quality Dividend Growth ETFs systematically identify firms with high return on equity, robust balance sheets, and consistent earnings growth – companies most likely to sustain and grow dividends. By combining defensive income with long-term compounding, the strategy is well-positioned to mitigate drawdowns while delivering superior risk-adjusted returns.

Also, with equity leadership shifting away from the US in 2025, investors can benefit from a high-quality, dividend-growth focused ETF that invests across developed markets, excluding US exposures entirely.

Important Risks Related to this Article

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