

# Time to re-think your Eurozone exposure: Introducing WisdomTree Eurozone Efficient Core

Published 7 October 2025

**Elvira Kuramshina**

Associate Director, Quantitative Research

## Key Takeaways

- The WisdomTree Eurozone Efficient Core UCITS ETF, the third strategy in the WisdomTree Efficient Core family (US in October 2023, Global in November 2024), brings 'return stacking' to European investors' home market to deliver a smarter, capital-efficient Eurozone core amid the rotation toward Europe.
- The ETF maintains 90% exposure to a broad developed Eurozone equity universe. It overlays 60% exposure to government bonds from Germany, France and Italy, supported by 10% held in euro cash. The result is equity-and-bond diversification in a single, capital-efficient core holding.
- By combining core Eurozone equities with a government bond overlay, Eurozone Efficient Core is designed to deliver more return per unit of risk than a standard equity benchmark. The ETF targets higher long-term returns, lower volatility and drawdowns, and a stronger Sharpe ratio, while keeping close correlation to the Eurozone market.
- Every 10% allocated to Eurozone Efficient Core can free 5% of a portfolio for diversifiers without sacrificing core Eurozone exposure. This is thanks to the strategy's capital-efficient, stacked equity-and-bond design.
- Related Products [WisdomTree Eurozone Efficient Core UCITS ETF - EUR Acc](#), [WisdomTree Global Efficient Core UCITS ETF - USD Acc](#), [WisdomTree US Efficient Core UCITS ETF - USD Acc](#) Find out more

In October 2023, WisdomTree became the first asset manager in Europe to deliver the 'portfolio scaling', also known as 'return stacking', concept to European investors in an exchange-traded fund (ETF) wrapper. Building on the foundations of financial theory dating back to the 1950s and 1960s, the idea involved using leverage to deliver a more capital-efficient approach to investing in equities and bonds. The [WisdomTree US Efficient Core UCITS ETF](#) offers a way to enhance long-term returns and portfolio efficiency by leveraging the 60/40 portfolio with 90% allocated to a diversified basket of US equities and 60% exposure to US Treasuries created through futures with 10% cash collateral. Delivering diversification and leverage in a

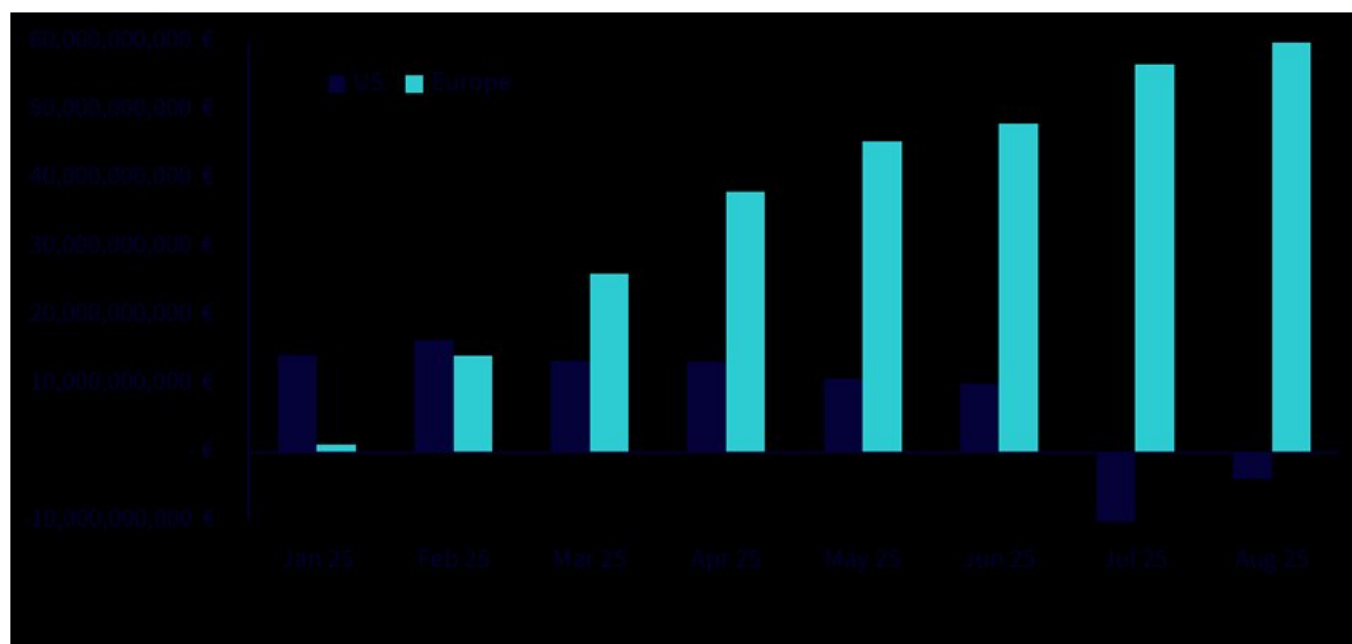
single wrapper, the strategy is designed to offer a more efficient way to build US equity exposure with the potential for improved risk-adjusted returns.

## Introducing Eurozone Efficient Core

In October 2025, following the November 2024 launch of [WisdomTree Global Efficient Core UCITS ETF](#), WisdomTree launched the [WisdomTree Eurozone Efficient Core UCITS ETF](#), giving European investors a smarter, more capital-efficient way to build core exposure to their home market. The ETF allocates 90% of its assets to a diversified basket of large- and mid-cap developed Eurozone equities and builds 60% exposure to a portfolio of government bonds issued by Germany, Italy and France through futures, supported by 10% cash collateral.

This launch is timely, as European investors have expressed a stronger preference for home allocations (Figure 1) amid macroeconomic and geopolitical crosscurrents and signs of weakness in US equities after years of dominance. At the end of August, year-to-date total cumulative flows in Europe into broad European equities climbed to €59.8 billion, while flows into broad US equities after a strong start in January turned negative with €3.9 billion cumulative outflows. Performance echoed the shift: year-to-date the STOXX Europe 600 returned 10.93% versus 0.25% for the S&P 500 in euro terms<sup>1</sup>.

### Figure 1. Cumulative year-to-date flows in European ETFs and mutual funds.



Source: WisdomTree, Morningstar. Based on flows into European ETFs and open-ended funds. **Europe** is represented by flows into the following Global categories: Europe Equity Large Cap and Europe Equity Mid/Small Cap. **US** is represented by flows into the following Global categories: US Equity Large Cap Blend, US Equity Large Cap Growth, US Equity Large Cap Value, US Equity Mid Cap, US Equity Small Cap. **Historical performance is not an indication of future performance and any investments may go down in value.**

In this moment of shifting dynamics in European investor preferences, the WisdomTree Eurozone Efficient Core UCITS ETF allows investors to enhance their exposure to the Eurozone by harnessing diversification between equities and bonds without compromising on the return upside offered by the equity market. This is how it works:

## Equity exposure

During quarterly rebalances, the strategy allocates 90% of its assets to a portfolio of around 250 large- and mid-cap companies from 10 developed markets in the Eurozone<sup>2</sup>. The portfolio is ESG-filtered, liquidity adjusted and weighted by free float market capitalisation. Single stock weights are capped at 10%.

## Fixed income exposure

The strategy builds a 60% exposure to liquid government bond futures funded through 10% cash collateral. The selected futures provide exposure to four German government bonds with 2, 5, 10 and 30-year maturities and 10-year government bonds from Italy and France. The index uses a 'rolling' method, meaning it replaces contracts that are about to expire with the next available contracts on a quarterly basis. All futures are equally weighted at the rebalance.

## Cash collateral

The Cash is held in euro and returns an overnight interest rate.

If exposure to equities and bonds deviates by more than 5% from the targeted 90% and 60%, the portfolio is rebalanced back to its target weights.

## **A smarter equity replacement**

Efficient Core offers investors a way to achieve better long-term returns than a comparable full-equity portfolio while having lower volatility. This positions the strategy as a smart equity replacement option that can make your core allocation work harder. In Figure 2, we compare the hypothetical backtested performance of the WisdomTree Eurozone Efficient Core strategy with a widely used Eurozone equity benchmark. Over the 25-year backtest, Eurozone Efficient Core delivered:

### **Return:**

- Annualised return around 60 bps higher vs. benchmark
- Cumulative outperformance of 41.3%

### **Risk:**

- Volatility around 2.6% lower vs. benchmark
- Lower value at risk
- High correlation with the benchmark but lower beta due to lower volatility
- Reduced maximum drawdown

### **Risk-adjusted return:**

- Higher Sharpe ratio

## **Figure 2. Historical backtest of the WisdomTree Eurozone Efficient Core strategy (without the ESG filter).**



Source: Bloomberg, WisdomTree, MSCI®. From 29 December 2000 to 29 August 2025. Daily data in EUR.

**Eurozone Efficient Core** is represented by the backtested index performance without the ESG filter. **You cannot invest in an index. Historical performance is not an indication of future performance and any investments may go down in value.**

## A capital efficient way to invest in the Eurozone

Efficient Core introduces a more capital-efficient way to build portfolios due to the space that it can create for other diversifiers outside of equities and bonds. This space is created through a leveraged exposure to equities and bonds, thus requiring less capital deployment to achieve the targeted allocation to two traditional asset classes. The released capital can be redeployed into assets with different return drivers, broadening diversification and potentially improving risk-adjusted returns over time.

Let us walk through two steps that illustrate how investors can integrate the WisdomTree Eurozone Efficient Core UCITS ETF in their portfolios while aiming for a certain X% exposure to other diversifiers.

### Step 1: What percentage do I allocate to Eurozone Efficient Core if I want X% allocation to diversifiers?

For each 10% allocation to Eurozone Efficient Core, the strategy creates 5% space in a portfolio for allocation to diversifiers. This means that for each X% allocation to diversifiers, investors should allocate twice as much, i.e.  $2 * X\%$ , to Eurozone Efficient Core. For example, if the goal is to create 15% allocation to diversifiers as in Figure 3, then an investor should allocate 30% to Efficient Core. This means that the current portfolio holdings have to be reduced by 15% (allocation to diversifiers) + 30% (allocation to Eurozone Efficient core) = 45%, or three times as much as their desired allocation to diversifiers, i.e.  $3 * X\%$ . This leaves 55%, or  $100\% - 3 * X\%$ , allocated directly between equities and fixed income that formed the initial portfolio. The remaining exposure to equities and bonds is created by the allocation to Efficient Core. The created leverage in the strategy is then equal to  $1 + X\%$  (the desired allocation to diversifiers), or 1.15 in the example in Figure 3.

### Figure 3. Illustration of Step 1.



Source: WisdomTree, for illustrative purposes only.

### Step 2: How do I reduce my allocation to equities and fixed income to accommodate Efficient Core?

For each 10% allocation, Eurozone Efficient Core creates a 9% exposure to developed Eurozone equities and a 6% exposure to European government bonds through futures. In Figure 4, the target is to preserve the initial 60/40 ratio, hence the reduction in equities and fixed income is equal to the targeted exposure to equities and fixed income minus the respective exposure created by Eurozone Efficient Core.

This means that with 30% allocation to Eurozone Efficient Core as in Figure 3, the created exposure in Eurozone equities is equal to 27% and to preserve 60% exposure to equities, the investor can hold only 33% (60%-27%) in Eurozone equities outside of Eurozone Efficient Core. Similarly, the exposure to European government bonds created by Eurozone Efficient Core is equal to 18%, and the investor can hold only 22% (40%-18%) in fixed income outside of Eurozone Efficient Core. To sum it up, 30% allocation to Eurozone Efficient Core, creates 1.5 levered 60/40 exposure with 27% in equities and 18% in fixed income, i.e. 45% total exposure. This allows up 15% space for allocation to diversifiers through 1.15 created leverage in the strategy.

### Figure 4. Illustration of Step 2.

What is my target ratio of Equities (E) to Fixed Income (B)?	Assets	Exposure created by Eff. Core	Target ratio in equities and fixed income	New allocations
New Equities = E – Exposure created by Eff. Core*	Equities	30% * 90% = 27%	60%	60%-27% = 33%
New Fixed Income = B – Exposure created by Eff. Core**	Fixed income	30% * 60% = 18%	40%	40%-18% = 22%
*Equity exposure created by Eff. Core = 90% * Eff Core	Efficient Core			30%
**Fixed Income exposure created by Eff. Core = 60% * Eff Core	Diversifiers			15%
	<b>Total</b>	<b>45%</b>	<b>100%</b>	<b>100%</b>

Source: WisdomTree, for illustrative purposes only.

## Conclusion

The Efficient Core concept marks a new era in portfolio construction, using leverage to boost long-term returns while freeing up capital for diversifiers that can drive additional growth. Efficient Core helps investors do more with their portfolios by delivering capital-efficient building blocks. The [WisdomTree Eurozone Efficient Core UCITS ETF](#) can replace part of an existing equity sleeve or free up capital for diversifiers, all while maintaining core exposure to Eurozone equities.

1Source: Bloomberg. Period from 31 December 2024 to 25 September 2025. Based on net returns in euros.

**You cannot invest in an index. Historical performance is not an indication of future performance and any investments may go down in value.**

2Austria, Belgium, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal, Spain.

## 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. Short and leveraged disclaimer Short & Leveraged Exchange-Traded Products are only intended for investors who understand the risks involved in investing in a product with short and/or leveraged exposure and who intend to invest on a short-term basis. Any investment in short and/or leveraged products should be monitored on a regular basis (as frequently as daily) to ensure consistency with your investment strategy. You should understand that investments in short and/or leveraged exchange-traded products held for a period of longer than one day may not provide returns equivalent to the return from the relevant unleveraged investment multiplied by the relevant leverage factor. Potential losses in short and/or leveraged exchange-traded products may be

magnified in comparison to investments that do not incorporate these strategies. Please refer to the section entitled "Risk Factors" in the relevant prospectus for further details of these and other risks associated with an investment in short and/or leveraged exchange-traded products. You should consult an independent investment adviser prior to making an investment in short and/or leveraged exchange-traded products in order to determine suitability to your circumstances. 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](http://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. The prospectus and the key investor information documents (KIID) are available from WisdomTree's website <https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports>. 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 shall be distributed exclusively to qualified investors, as defined in the Swiss Federal Act on Collective Investment Schemes or its implementing ordinance (each, as amended from time to time). The representative and paying agent of the sub-funds 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. 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. 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.