A GeoAlpha Refresh

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Key Takeaways

- Europe's rearmament is becoming capability-specific rather than generic, and the WisdomTree GeoAlpha Opportunities Fund (GEOA) sharpened its exposure accordingly by adding BAE Systems and Colt CZ to target air defense, counter-drone systems and force-readiness replenishment tied directly to the Ukraine war's battlefield lessons.
- As tariffs and industrial policy increasingly dictate auto-sector margins, GEOA added Mercedes to gain "live wire" exposure to EU trade defenses, China demand risk and shifting EV competitiveness—turning geopolitical friction into an investable Fiscal Shifts theme.
- With AI-driven electricity demand and consumer barbell behavior redefining resilience in 2026, GEOA increased Cummins for data center power reliability and leaned into Kraft Heinz and Constellation Brands to balance defensiveness with premium pricing power.

During the latest monthly rebalance, the WisdomTree GeoAlpha Opportunities Index implemented a set of changes that, taken together, sharpen the portfolio's exposure to the three realities defining the geopolitical backdrop of 2026.

1. The rearming of Europe.

2. Tariffs, industrial policy and 'economic security' are the defining characteristics of the global competitive landscape, especially in autos.

3. A domestic infrastructure nexus where AI-driven electricity demand is rising rapidly, making reliability a strategic asset

The Index is tilting toward policy-driven cash flows and "strategic necessity" industries (defense, grid reliability, staples), while reducing exposure to areas where risk has become more idiosyncratic (event-driven insurance volatility, politically entangled steel integration and a less direct geopolitical link in select holdings).

The war in Ukraine continues to demonstrate a modern battlefield reality. Mass drone attacks, missile strikes and pressure on energy infrastructure have emerged as critical choke points in modern warfare.

What matters for portfolio construction is not simply "defense spending is up," but where that spend is being targeted. Taking these realities into account, adding **BAE Systems** and **Colt CZ** makes sense.

BAE's inclusion reads like a direct expression of Europe's air defense / counter-drone priority set.

- The European Union's (EU's) readiness framework emphasizes air/missile defense and drones/counter-drones as front-line needs.
- BAE itself has been explicit that opportunities span missile and air defense systems and drones/counter-drones, supported by NATO[1]-area spending increases.

In a world where the Ukraine war is continuously stress-testing interceptor inventories and layered defense concepts, the market is rewarding defense platforms and suppliers that map to those bottlenecks—especially in Europe, where procurement cycles are being shortened and replenishment is a constant.

With geopolitics the focus of the fund, BAE is a clean way to own the *European capability gap trade* rather than a generic defense beta.

Colt CZ is a different kind of defense exposure. It specializes in small arms and accessories**.** A sort of "everyday" layer of military readiness that expands when nations grow force readiness, rebuild inventories, and modernize standard issue equipment.

Colt CZ complements a prime contractor addition like BAE. Where BAE expresses *high-end air defense and systems*, Colt CZ expresses *broad-based force readiness*, which tends to be persistent in extended rearmament cycles.

Autos have become one of the clearest examples of geopolitics hitting corporate profit and losses (P&Ls) through trade defense tools.

- The European Commission imposed definitive countervailing duties on battery electric vehicles from China for five years.
- More recently, the Commission has shown it will also use *administrative alternatives* like price undertakings/minimum import price agreements paired with volume commitments—evidence that the "rules of the road" remain fluid.
- China's retaliation playbook is visible too (for example, tariffs on EU dairy imports announced in late 2025), underscoring that industrial policy decisions can spill across sectors.

This is exactly the kind of environment where a "Fiscal Shifts" theme (industrial policy, competitiveness policy, and tariff regimes) becomes investable.

To the above points, Mercedes is not being added because geopolitics is "good" for automakers. It's being added because the auto sector is now a policy battleground, and Mercedes is a bellwether for how Europe's champions respond.

Mercedes has warned about continued strain in 2026 tied to weak China sales and tariff costs, explicitly linking geopolitics/trade to margins. At the same time, Europe is actively attempting to bolster competitive-

ness against Chinese electric vehicle (EV) makers via duties and negotiated trade mechanisms—creating a policy backdrop that can materially affect pricing, sourcing, and location decisions.

Mercedes gives the Index a "live wire" exposure to the intersection of:

- EU trade defense
- China demand risk
- Strategic premium-brand positioning that often matters most when markets fragment

Another theme that is rapidly becoming geopolitical is electricity availability.

Increasing Cummins fits the "infrastructure realism" of 2026. Cummins has been communicating directly to the market about solutions for data center backup power and how AI is reshaping data center power infrastructure design. In a world where power availability becomes a gating factor for digital expansion, backup power and service tails look less like a cyclical industrial niche and more like a durable "picks-and-shovels" exposure.

In geopolitically noisy environments, consumers often do two things at once.

- Trade down in some categories (value hunting, private label)
- Keep a few ‘affordable luxuries' (premium beer, small indulgences)

That barbell shows up directly in the Kraft Heinz add and the Constellation Brands increase.

Kraft Heinz is a classic expression of the "Consumer Shifts" theme. Kraft Heinz is a large staples platform that can stabilize when discretionary spending gets choppy.

It is leaning into the current environment. The company just introduced a 2026 operating plan centered on incremental investment (including marketing, sales, and product development), with leadership explicitly steering away from a breakup and toward brand reinvigoration and better consumer value.

In a volatile macro/geopolitical backdrop, staples plus reinvestment can be a rational way to own *defensiveness with a catalyst* (operational/brand execution), rather than defensiveness alone.

The Constellation increase is consistent with the idea that premium-tier categories can remain resilient even when overall volumes soften. Constellation's positioning is explicitly tied to a high-end imported beer portfolio anchored by brands like Corona and Modelo.

When the world gets noisier, strong brands with pricing power and a defendable niche can act as "shock absorbers" in the consumer sleeve.

Bottom Line

The GeoAlpha changes reflect the realities of 2026:

- **Defense demand is accelerating and becoming capability-specific** (air defense, counter-drone, replenishment).

- **Trade policy is actively reshaping corporate winners and losers**, especially in autos and strategic manufacturing.
- **Electricity reliability is becoming strategic infrastructure** for national competitiveness in AI.
- **Consumer behavior is adapting to uncertainty**, supporting a barbell of staples/value and premium resilient indulgence.

The portfolio shifted moderately toward **security, sovereignty and resilience**—and away from exposures where the risk/reward is increasingly dominated by idiosyncratic or regulatory variables rather than the core geopolitical factor.

The bottom line is how the rigorous application of this monthly process is translating into performance. In Figures 1a and 1b that follow, we see how the WisdomTree GeoAlpha Opportunities Fund (GEOA)[2] has been doing against the MSCI ACWI and S&P 500 Indices so far in 2026. While the period is shorter, this track record indicates an ability—at least so far—to follow important geopolitical risk signals. We will continue to track how these decisions, and ultimately the strategy, perform against these benchmarks.

Figure 1a: GEOA's Performance so far in 2026

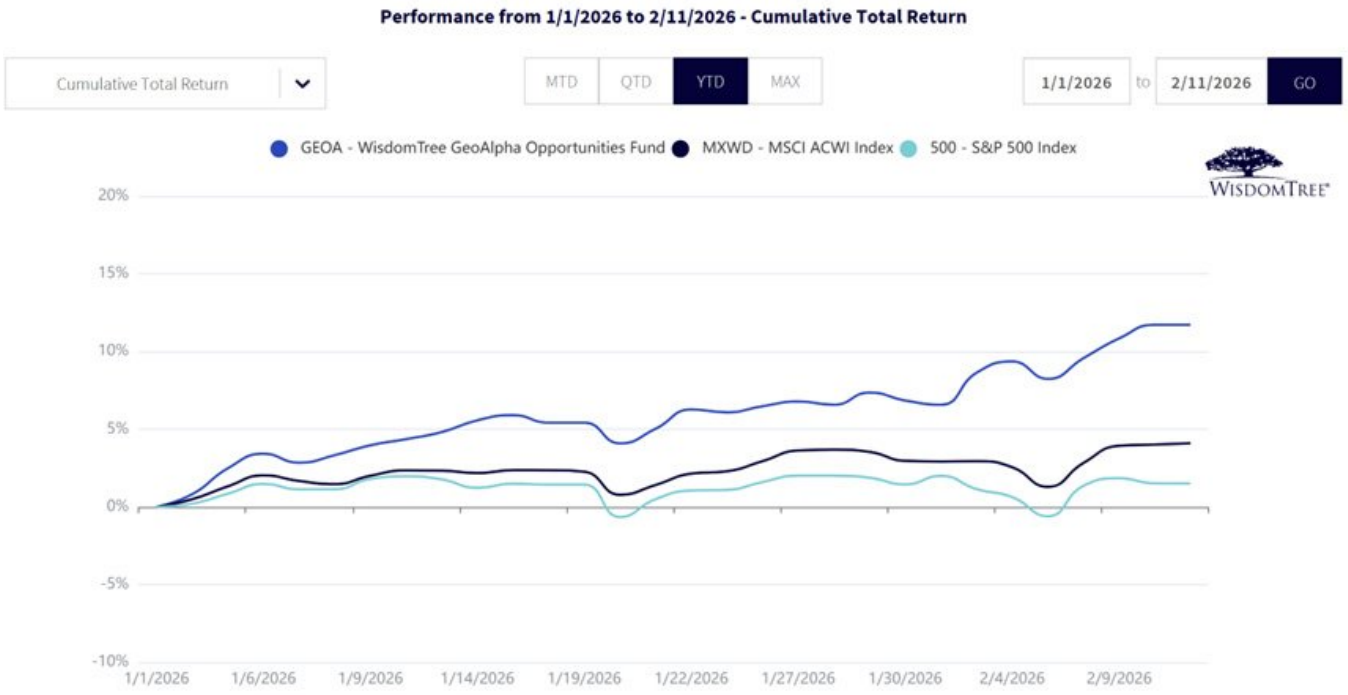


Figure 1b: Standardized Performance

Fund/Index Name	Fund Ticker Symbol	Fund Inception Date	Fund Expense Ratio	Year-to-Date	1-Year	3-Year	5-Year	10-Year	Since Fund Inception
WisdomTree GeoAlpha Opportunities Fund (NAV)	GEOA	7/8/25	0.58%	N/A	N/A	N/A	N/A	N/A	11.51%
WisdomTree GeoAlpha Opportunities Fund (MP)	GEOA	7/8/25	0.58%	N/A	N/A	N/A	N/A	N/A	11.58%
MSCI ACWI Index				22.34%	22.34%	20.65%	11.19%	11.72%	N/A
S&P 500 Index				17.88%	17.88%	23.01%	14.42%	14.82%	N/A

Sources: Morningstar, FactSet and WisdomTree. Data are from the PATH Fund Comparison Tool, accessed February 12, 2026, showing returns for the period ended February 11, 2026, for Figure 1a and December 31, 2025, for Figure 1b. NAV denotes total return performance at net asset value. MP denotes market price performance. **Past performance is not indicative of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.For the most recent month-end and standardized performance, click here.**

[1] Refers to North Atlantic Treaty Organization.

[2] The WisdomTree GeoAlpha Opportunities Fund is designed to track the total return performance of, before fees, the WisdomTree GeoAlpha Opportunities Index.

Important Risks Related to this Article

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