

A Differentiated Approach to European Equities

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Key Takeaways

- European equities are gaining renewed attention amid rising Middle East tensions and energy uncertainty, positioning the [WisdomTree European Opportunities Fund \(OPPE\)](#) to capture companies with resilient fundamentals with attractive shareholder returns and disciplined capital allocation.
- Despite macro headwinds tied to energy dependence and geopolitical risk, Europe's growing use of share buybacks alongside dividends is enhancing total shareholder yield, making [OPPE's](#) strategy a compelling way to access value and potential income opportunities.
- By combining shareholder yield, GeoAlpha exposure to policy-driven sectors and a quality screen to avoid value traps, [OPPE](#) offers investors a differentiated, risk-aware approach to capturing Europe's evolving equity opportunities.

European equities are once again moving into focus for global investors. Rising geopolitical tensions in the Middle East have introduced a new layer of uncertainty for global markets, particularly through the potential impact on energy prices and global supply chains. While Europe is not directly involved in the conflict, the region remains sensitive to energy market disruptions given its reliance on imported energy.

In this environment, investors may increasingly focus on differentiated equity exposure, namely companies with strong fundamentals, disciplined capital allocation and the ability to return capital to shareholders while maintaining exposure to companies positioned to benefit from geopolitical and global policy shifts.

Europe offers a particularly compelling opportunity in this regard. The region has long maintained an established culture of returning capital to shareholders through dividends, and companies are increasingly complementing these payments with share buybacks. At the same time, developments in the geopolitical space, technology trends and macro-economic conditions are creating a new set of opportunities across the region.

Against this backdrop, investors can benefit from a differentiated approach to accessing European equities through the [WisdomTree European Opportunities Fund \(OPPE\)](#).

OPPE seeks to track the price and yield performance of the [WisdomTree European Opportunities Index](#), which seeks to provide exposure to European companies focused on both value stocks and firms benefiting from geopolitical and global policy shifts, while dynamically hedging foreign currency exposure to the U.S. dollar.

In a more uncertain macro environment, companies with strong fundamentals and disciplined capital allocation may offer an element of resilience compared to firms with weaker profitability or less predictable cash flows.

The WisdomTree European Opportunities strategy provides exposure to compelling valuations and strong shareholder yield characteristics, supported by both dividends and share buybacks (see Figure 1).

Figure 1: Fundamentals of the WisdomTree European Opportunities Index versus MSCI Europe



Source: WisdomTree, FactSet, MSCI. Data as of December 31, 2025. **You cannot directly invest in an index. Past performance is not indicative of future results.** For definitions of terms/indices in Figure 1a, please refer to the [glossary](#).

While dividends remain a cornerstone of shareholder returns in Europe, they represent only one part of the picture.

Companies are increasingly returning capital through share buybacks, which provide another mechanism for distributing excess cash to investors. Buybacks can signal management confidence in the company's fundamentals and a belief that the stock is trading below its intrinsic value. By reducing the number of shares outstanding, buybacks can also improve per-share metrics such as earnings per share and cash flow per share.

By focusing on companies with high shareholder yield, the strategy aims to capture firms that are not only attractively valued but also actively returning capital to investors.

This broader definition of value reflects the different ways companies return capital to shareholders. Research has shown that value strategies defined by shareholder yield have historically delivered stronger outcomes than traditional approaches relying solely on valuation multiples such as price-to-book ratios.

Below is a representation of how shareholder yield as a factor has historically performed compared with traditional value metrics such as the price-to-book ratio in European equity markets.

Figure 2: Value as defined by Shareholder Yield has outperformed traditional value in European markets



Sources: WisdomTree, MSCI, December 31, 2007–January 31, 2026. Quintile portfolios 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. **Past performance is not indicative of future results.**

OPPE also includes a GeoAlpha sleeve that targets companies positioned to benefit from geopolitical and global policy shifts, including supply chain changes, defense spending, trade policy, fiscal and monetary policy, technology innovation and shifting consumer preferences.

This sleeve is especially relevant today, as rising defense, infrastructure and technology investment across Europe and the U.K. creates tailwinds across certain industries and sectors.

Avoiding Value Traps Through a Quality Lens

Whether focusing on income or value, one of the key risks in equity investing is the **value traps**—i.e., **companies that appear attractive** based on yield or valuation but are facing deteriorating fundamentals.

To address this challenge, WisdomTree incorporates a **Composite Risk Score (CRS)** framework designed to identify companies with stronger underlying characteristics.

The Composite Risk Score combines **quality and momentum signals**, evaluating factors such as profitability, cash flow strength and risk-adjusted price trends.

Companies that rank poorly on this framework are excluded from the strategies, helping remove potentially higher-risk stocks while maintaining exposure to companies with attractive shareholder return characteristics.

This disciplined screening process helps ensure that **OPPE** emphasizes shareholder returns alongside strong fundamentals.

Figure 3: The WisdomTree Composite Risk Score (CRS) Composition



Source: WisdomTree. 1 Quality score is an equal weight of the 8 scores (at least 6 data points (3 and 3) are needed per stock to be included). Data is normalized with a cross-sector Z score in each industry groups. Trends are calculated as a 12 quarters historical Z Score in each industry groups

Conclusion

European equities offer a unique opportunity set for investors seeking diversification and defensive exposure in the current geopolitical climate.

With the region's strong culture of shareholder returns, combined with the increasing use of share buybacks, the European story is compelling, but targeted exposure is key.

Through **OPPE**, investors can access a differentiated approach to the European equity market, one that combines total shareholder yield, thematic opportunity, quality screening and dynamic currency hedging within a single framework. In an environment characterized by geopolitical uncertainty, shifting market

leadership and changing currency dynamics, this approach offers investors a more balanced way to capture long-term opportunities in European equities.

Important Risks Related to this Article

There are risks associated with investing, including possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. This Fund focuses its investments in Europe, thereby the impact of events and developments associated with the region can adversely affect performance. The Fund invests in derivatives in seeking to obtain a dynamic currency hedge exposure. Derivative investments can be volatile, and these investments may be less liquid than other securities, and more sensitive to the effects of varied economic conditions. Derivatives used by the Fund may not perform as intended. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit and the Fund does not attempt to outperform its Index. The composition of the Index is governed by an Index Committee and the Index may not perform as intended. Due to the investment strategy of this Fund, it may make higher capital gain distributions than other ETFs. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.