



WisdomTree Europe SmallCap Dividend UCITS ETF



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The WisdomTree Europe Small Cap Dividend UCITS ETF (DFE) seeks to deliver long-term capital appreciation together with a sustainable income stream by investing in dividend-paying smaller companies across developed Europe. By weighting constituents by their cash dividends paid, the strategy aims to capture the dynamism of Europe's entrepreneurial ecosystem while keeping a disciplined eye on valuation and risk.

Investment overview

European small caps combine the growth potential of tomorrow's champions with the reliability of established dividend payers. A dividend-weighted methodology further enhances the opportunity by tilting toward quality, cash-generative firms and systematically trimming positions that become overvalued.

The 4 compelling long-term opportunities underpinning the strength of European small cap equities:

Exposure to structural growth – Smaller, domestically focused companies are at the forefront of Europe's innovation cycle, where revenue and earnings trends have outpaced those of the

large cap universe over the past decade. Their agility and niche positioning make them natural beneficiaries of themes such as digitalisation, energy transition and supply chain localisation.

Broad diversification – Some strategies attempt to add value by only selecting a small number of ‘very strong’ stocks for an index, based on a defined stock-screening process. However, the risk of these more selective strategies is that, when individual companies experience problems, it can have a significant impact on the performance of the index. To avoid this predicament, our small cap indices are designed to be broad-based to enhance diversification and lower overall risk, with the critical selection decision based on whether firms have decided to pay (or not pay) regular dividends. The index caps any single constituent at 3% of weight and limits country exposure to 25%, ensuring that portfolio risk is never dominated by a handful of stocks or a single market.

Cyclical sector tilt – Industrials, Consumer Discretionary and Information Technology usually command a combined weight of 45–55% after each annual rebalance, giving investors pro-cyclical exposure that can benefit during economic upswings and complement defensive large-cap allocations. As such, our indices often look quite different to mainstream benchmark indices and can therefore provide investors with diversification benefits.

Valuation discipline – Weighting by cash dividends creates an embedded sell-high/ buy-low mechanism: companies whose share prices have outrun their dividend growth are automatically trimmed, while those whose dividends have grown faster than prices receive higher weights. Historically this has helped the strategy maintain a forward price-to-earnings ratio below the MSCI Europe Small Cap index while delivering a superior dividend yield.

Investment process

The WisdomTree Europe Small Cap Dividend UCITS ETF seeks to track the price and yield performance, before fees and expenses, of the underlying WisdomTree Europe SmallCap Dividend UCITS Index (‘the Index’).

Universe: Companies must have their shares listed on a stock exchange in one of the following countries: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, or the United Kingdom (‘Europe’).

Screening for inclusion:

- 1. Liquidity screen** – Companies need to have a market capitalisation of at least \$100 million on the screening date and shares of such companies need to have had a median daily dollar volume of at least \$100,000 for three months preceding the screening date. The annual screening date is 30 September each year.
- 2. Dividend screen** - Companies must conduct their primary business activities in one of these European countries and have paid at least \$5 million in gross cash dividends on shares of their common stock in the annual cycle prior to the annual reconstitution.

- 3. ESG considerations** – Index members are screened for the Environmental, Social, and Corporate Governance (ESG) criteria defined within the WisdomTree ESG framework.
- 4. Composite risk score¹ (CRS)** – Uses Quality and Momentum scores to rank companies and separate the strongest from the riskiest companies. The riskiest companies, as well as potential value traps, are screened out.

Small cap selection:

From the list of all European dividend-payers meeting WisdomTree's initial liquidity and market capitalisation requirements, the 300 largest companies by market capitalisation are removed and the bottom 25% of the remaining market capitalisation are included.

Weighting:

- 1. Annual rebalancing**
- 2. 'Dividend stream' weighting:** The component companies are weighted in the index based on dividends paid over the prior annual cycle.
- 3. This weighting methodology also considers the Quality and Momentum scores of the company via composite risk score (CRS).** Companies which pay more dividends are more heavily weighted as well as the companies in the top 20% by composite risk score.

Capping rules:

- 1. Should any country achieve a weight equal to or greater than 30% of the Index, the weight of companies will be reduced to 30% as of the annual screening date.**
- 2. Should any sector achieve a weight equal to or greater than 25% of the Index, the weight of companies will be reduced to 25% as of the annual screening date. Real Estate sector will be capped at 15%.**

WisdomTree Europe Small Cap Dividend UCITS ETF offers a value haven

- + Dividend focus** – Constituents must have paid a cash dividend within the past 12 months, and the index has typically delivered an aggregate yield 150–250 basis points above traditional market-cap benchmarks.
- + Fundamental weighting** – WisdomTree adopts an approach that weights each company by its dividend stream, anchoring the portfolio to fundamentals and reducing exposure to pure price momentum, which can introduce style drift in cap-weighted indices.
- + Concentration controls** – Position, sector and country caps, together with liquidity screens, keep turnover moderate (historically 15–25% at the annual rebalance) and ensure investability across a wide range of European exchanges.

1 The WisdomTree Composite Risk Score (CRS) uses Quality and Momentum scores to rank companies and separate the strongest from the riskiest companies. The objective is to remove the companies in the bottom decile by CRS as well as the companies in the top 5% by dividend yield and in the bottom half by CRS.

- + **Complementary exposure** – The ETF’s cyclically biased factor profile exhibits a lower correlation to broad European large cap benchmarks than traditional small cap indices, providing measurable diversification inside multi-asset or core-satellite portfolios.

Investing in European small cap dividend payers can support long-term growth and income objectives, but returns may be more volatile than the broader market. Smaller companies are typically more sensitive to economic cycles, interest rate moves and shifts in market sentiment, and the strategy’s pro-cyclical sector tilt can amplify these effects. A rules-based, dividend-weighted approach introduces valuation discipline and broad diversification with country/sector caps, yet it may still result in factor tilts, concentration in certain areas and periodic rebalances that increase turnover. Currency movements between the share class currency and underlying holdings can add to return variability. Dividends are not guaranteed and may be reduced or suspended. WisdomTree’s portfolio construction aims to manage but cannot eliminate the risks inherent in small cap equity investing, so investors should consider them within a diversified, long-term allocation.

Fund information: WisdomTree Europe SmallCap Dividend UCITS ETF

Base	Ticker	Exchange	ISIN	BBG code	Listing currency	TER %
EUR	DFEA	LSE	IE00BDF16114	DFEA LN	EUR	0.38
EUR	DFEP	LSE	IE00BDF16114	DFEP LN	GBx	0.38
EUR	DFEA	SIX	IE00BDF16114	DFEA SW	EUR	0.38
EUR	DFEA	Borsa Italiana	IE00BDF16114	DFEA IM	EUR	0.38
EUR	WTD7	XETRA	DE000A2ARXE2	WTD7 GY	EUR	0.38
EUR	DFEE*	LSE	IE00BQZJC527	DFEE LN	EUR	0.38
EUR	DFE*	LSE	IE00BQZJC527	DFE LN	GBx	0.38
EUR	DFE*	SIX	IE00BQZJC527	DFE SW	CHF	0.38
EUR	WTES*	XETRA	DE000A14ND46	WTES GY	EUR	0.38
EUR	DFE*	Borsa Italiana	IE00BQZJC527	DFE IM	EUR	0.38

* Indicates distributing classes of shares. TER: Total expense ratio.

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