



WisdomTree Europe Defence UCITS Index



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Index construction

The WisdomTree Europe Defence UCITS Index (the ‘Index’) is designed to track the performance of European companies primarily involved in the defence industry.

The Index is designed to capture price appreciation and total return, which assumes dividends are reinvested into the Index. Index oversight is maintained by the WisdomTree Europe Defence Index Committee, which ensures proper implementation and updates. The committee may also consult external experts to validate company classifications and revenue exposure estimates. It was established on 31 October 2024 and is calculated in euros.

Exposure to European companies primarily involved in defence

1. Define Universe

Eligible companies must be involved in the defence industry and derive at least 10% of their revenue from such business activities. Companies that meet the criteria are included in the Index subject to a minimum of 20 stocks. To satisfy this minimum for diversification purposes, companies with lower revenue exposure from the defence industry or with lower market capitalisation and volume than the screening criteria may be selected for inclusion. We focus on companies leading innovation and expansion in:



Military equipment and aerospace



Cybersecurity and artificial intelligence (AI)



Advanced weaponry and surveillance

2. Eligibility Screen

Companies are screened for the following eligibility requirements:

Market capitalisation of at least

US \$200mn

Three-month median daily traded volume of at least

US \$1mn

Listing of shares

on one of the following developed or emerging European market countries: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, Czech Republic, Hungary or Poland.

All companies must be listed in countries that are signatories to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), reinforcing the Index's alignment with globally accepted arms control frameworks.



3. ESG screening criteria

Companies are excluded from the Index based on environmental, social and governance (“ESG”) criteria:

- Companies that **do not meet** the Global Standards Screening (GSS).
- Companies that are involved in certain controversial weapons such as cluster munitions, anti-personnel landmines, and biological and chemical weapons, as well as those involved in business activities related to depleted uranium weapons and white phosphorus weapons and those that support nuclear weapons programs to states outside the Treaty on the Non-Proliferation of Nuclear Weapons (commonly known as the Non-Proliferation Treaty or “NPT”), are excluded from the investment universe.

4. Determine Exposure Score

Each selected company is assigned an exposure score based on the revenue exposure to defence activities.

Exposure Score 3

Companies with **> 50%** exposure to defence activities

Exposure Score 2

Companies with **25% to 50%** exposure to defence activities

Exposure Score 1

Companies with **10% to 25%** exposure to defence activities



5. Stock selection and weighting

Stock selection →

Revenue criteria: Companies that meet the revenue criteria, as well as additional requirements, such as minimum market capitalisation and liquidity are included in the Index. WisdomTree maintains a database of companies with exposure to defence and related business activities which is regularly reviewed. The classification and inclusion of companies is derived from WisdomTree's database by the Committee.

20 stocks: The Index must include at least 20 stocks.

Weights incorporate both market cap and WisdomTree's Exposure Score

Weighting

Exposure Score adjusted: The index is weighted by free-float market capitalisation, adjusted by the Exposure Score (subject to the capping and liquidity adjustment criteria). The Exposure Score is used to adjust the free-float market capitalisation of each constituent. Companies with higher exposure to defence revenue receive proportionally higher index weights, subject to specific caps.

Greater weighting: Companies with higher market capitalisation and Exposure Scores are assigned greater weights.

Liquidity adjustment: If a company's calculated volume factor (median daily volume traded over the preceding three months/weight in the index) is less than US \$300mn, its weight will be reduced so that the weight after adjustment = weight before adjustment × (volume factor ÷ US \$300 million).

% Cap →

Exposure Score cap: The maximum weight of any security with an Exposure Score 3 is capped at 12.5%.

General cap: Other securities are capped at 7.5%.

Rebalance

The Index is rebalanced on a semi-annual basis in March and September.

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