

# WISDOMTREE EUROPE EQUITY UCITS INDEX

## INDEX METHODOLOGY CHANGES

### OLD METHODOLOGY

### NEW METHODOLOGY

START


**INITIAL SELECTION UNIVERSE**



There is no application of any risk-based screening of the initial universe.

01

**QUANTITATIVE RISK-BASED RANKING OF INITIAL UNIVERSE**



NEW!

Two factors are equal-weighted to comprise a composite risk score for ranking purposes. No stocks are removed within step 1 of the sequence, but the results of the rankings will be important for later steps.

- 1) **Quality:** Fundamentals that include both trend and point-in-time data and include such metrics as return on equity, return on assets, cash flow over assets, and gross profits over assets.
- 2) **Momentum:** Average of risk-adjusted total return for the last 6 and 12 months.

02

**RISK-BASED REMOVAL CRITERIA**



NEW!


There are no risk based removal criteria applied to the initial selection universe.

There are two primary removal criteria based on the ranking of the Composite Risk Score:

- 1) The bottom 10% of companies from the Developed ex-US Small Cap universe are excluded from inclusion.
- 2) Companies within the Developed ex-US Small Cap universe that rank in the top 5% based on dividend yield but still ranked in the bottom 50% on the basis of the Composite Risk Score are excluded from inclusion.

03

**ESG CRITERIA**



NEW!

There is no application of any ESG criteria to the universe of eligible companies.

The following core principles define an exclusion list that is applied to the possible selection universe. The data source for ESG screening purposes is Sustainalytics:

- 1) **Controversial Weapons:** All companies classified in this category are excluded.
- 2) **Tobacco:** All companies, except companies in the Retail category deriving less than 10% of their revenues from tobacco products, are excluded.
- 3) **Thermal Coal:** Companies generating more than 25% for Thermal Coal extraction or having more than 25% of their generating capacity coming from Thermal Coal are excluded.
- 4) **United Nations Global Compact (UNGC):** Companies non-compliant with these standards are excluded.

04

**ELIGIBILITY**



NEW!

Dividend-paying companies listed on European stock exchanges and incorporated in European countries, trading in euros, which include: Austria (AT), Belgium (BE), Finland (FI), France (FR), Germany (DE), Ireland (IE), Italy (IT), Netherlands (NL), Portugal (PT), or Spain (ES).

Dividend-paying companies listed on European stock exchanges and incorporated in European countries, trading in euros, which include: AT, BE, FI, FR, DE, IE, IT, NL, NO, PT, or ES. These stocks would have passed BOTH the **Composite Risk Score Screening Process** and the **ESG Screening Process**.

05

**MARKET CAPITALISATION & LIQUIDITY**



06


**GEOGRAPHIC REVENUE SCREEN**



There is no adjustment to the Dividend Stream of any company as a result of any screening process.

07

**DIVIDEND STREAM ADJUSTMENT**



NEW!

Companies ranking within the top 20% of the Developed ex-US universe based on the **Composite Risk Score Screening** (From Step 1 in the Sequence) would see their respective Dividend Streams multiplied by 1.5x. These increased Dividend Streams would be used for Index weighting purposes later in the process.


08

**INDEX WEIGHTING**



09

**CAPPING RULES**



- New Methodology
- Unchanged Methodology

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