



WisdomTree Europe Defence UCITS ETF



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The WisdomTree Europe Defence UCITS ETF (WDEF) offers investors targeted exposure to Europe's evolving defence sector. By focusing exclusively on this critical industry, the ETF aims to capitalise on decades of underinvestment in Europe while positioning for growth driven by increased defence spending and long-term strategic priorities.

The increase in European defence spending reflects a strategic pivot towards addressing modern threats and ensuring regional security. European nations are committed to increasing defence budgets to meet the North Atlantic Treaty Organisation's (NATO) 2% GDP target, with many already exceeding it. This shift creates long-term opportunities in areas such as defence manufacturing, technological innovation, and space defence, offering significant growth potential for both established companies and emerging entrants in the industry.

Europe's defence resurgence

Russia's invasion of Ukraine and aggressive posture underscored the vulnerabilities in Europe's defence capabilities, highlighting the need for greater investment. Reducing dependence on the US for security requires Europe to enhance its defence capabilities and develop its own independent, efficient defence strategy. Decades of underinvestment have resulted in significant deficits in operational equipment, ammunition stocks and modernised military capabilities.

The WisdomTree Europe Defence UCITS ETF is designed to capture this unique long-term investment opportunity by focusing on the transformation of Europe's defence sector. By exclusively targeting European defence companies, the ETF seeks to address the underinvestment gap and leverage the sector's growth potential.

With defence spending in Europe now an imperative for self-sufficiency and geopolitical security, key drivers include:



Increased defence budgets: European nations are ramping up spending in areas such as military equipment, cybersecurity, space defence, and artificial intelligence technologies.



Structural shift: The focus on strategic autonomy within Europe signals a long-term commitment to defence investment, beyond immediate geopolitical triggers.



Strategic autonomy: Reducing reliance on US security drives investment in European defence capabilities.



Technological modernisation: European militaries are prioritising investments in modernising outdated equipment, such as advanced fighter jets, naval assets and missile defence systems.



Hedge against geopolitical risks: Defence-focused funds could appeal to risk-conscious investors seeking exposure to sectors likely to benefit during periods of heightened global tension.

This evolving landscape presents a significant opportunity for investors to capitalise on the growth and modernisation of Europe's defence sector.

Index methodology overview

The WisdomTree Europe Defence UCITS ETF aims to replicate the WisdomTree Europe Defence UCITS Index, which is designed to track the performance of European companies primarily involved in the defence industry.

Eligible companies must be listed on developed or emerging European market countries, which must be a signatory to the Treaty on the Non-Proliferation of Nuclear Weapons (commonly known as the Non-Proliferation Treaty or NPT). Eligible companies need to be involved in the European defence industry which include manufacturers of civil defence equipment, parts or products, defence electronics and space defence equipment. Companies should derive at least 10% of their revenue from such business activities. The Index seeks to exclude companies that are involved in controversial weapons banned by international law, such as cluster munitions, antipersonnel landmines, and biological and chemical weapons, as well as companies that do not meet the Global Standards Screening. Those companies involved in business activities related to depleted uranium weapons and white phosphorus weapons will be excluded.

Companies that meet the revenue criteria as well as additional requirements such as minimum market capitalization and liquidity are included in the Index subject to a minimum of 20 stocks.

Each selected company is assigned an Exposure Score from 1 to 3 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

The Index is weighted by free-float market capitalisation adjusted by the Exposure Score, subject to the capping and liquidity adjustment criteria. Companies with higher market capitalisation and Exposure Scores are assigned greater weights. The Index is rebalanced on a semi-annual basis in March and September.

Capping Adjustment: The maximum weight of any security with an Exposure Score 3 is capped at 12.5% and other securities are capped at 7.5%.

Why the WisdomTree Europe Defence UCITS ETF?

- + **Exclusive focus on European defence:** The ETF targets companies directly involved in military equipment and parts production and defence technology development, offering undiluted exposure to the sector’s growth potential. With its exclusive focus on the European defence industry, it provides a purer, more targeted exposure and exhibits low overlap with competitors.
- + **Captures the underinvestment gap:** European defence has faced decades of underinvestment, resulting in a significant capability gap. The ETF capitalises on this structural shift as European nations increase defence budgets to meet NATO targets and respond to geopolitical challenges.
- + **Alignment with geopolitical trends:** The ETF is built around a timely and urgent theme focused on Europe’s push for strategic autonomy in defence amid rising geopolitical tensions.
- + **Untapped investment theme:** Defence and security are underrepresented in many portfolios. This ETF offers diversification benefits, especially as traditional sectors encounter slowing growth, making it a compelling addition to investment strategies.

ETF information: WisdomTree Europe Defence UCITS ETF

Ticker	Exchange	ISIN	Bloomberg Code	Listing Currency	Base Currency	TER%
WDEF	LSE	IE0002Y8CX98	WDEF LN	EUR	EUR	0.40
WDEP	LSE	IE0002Y8CX98	WDEP LN	GBx	EUR	0.40
EUDF	LSE	IE0002Y8CX98	EUDF LN	USD	EUR	0.40
WDEF	Borsa Italiana	IE0002Y8CX98	WDEF IM	EUR	EUR	0.40
EUDF	XETRA	IE0002Y8CX98	EUDF GY	EUR	EUR	0.40
WDEF	Euronext Paris	IE0002Y8CX98	WDEF FP	EUR	EUR	0.40

TER: Total Expense Ratio

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