
WCLD FEBRUARY REBALANCE: LARGEST NUMBER OF ADDS IN FUND HISTORY

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The [WisdomTree Cloud Computing Fund \(WCLD\)](#) recently completed its semiannual rebalance in February.

Since launching in September 2019, the Fund has steadily added a handful of new companies at each semiannual rebalance. The February reset was notably different from the trend, as we added 20 new constituents to [WCLD](#)'s list of holdings.

All except one of the additions to [WCLD](#) began trading in 2021. We note this is a continuation of the robust [IPO](#) trend that we have observed in the cloud computing industry.

The round of additions is impressively diverse, including a wide range of cloud application subcategories:

- + Infrastructure and security
- + E-commerce and payment processing
- + Real estate and construction
- + Enterprise customer relationship management
- + Publishing
- + Communications
- + Enterprise management and analytics
- + Banking and financial services
- + Enterprise storage, collaboration and communications
- + Legal technology
- + Health care technology

Company	Weight	Business Description
SentinelOne, Inc.	1.30%	Provides endpoint security software that detects, models and predicts threat behavior to block attacks on computing devices
Riskified Ltd.	1.30%	Develops next-generation e-commerce risk management platform, which allows online merchants to create trusted relationships with their consumers
Procore Technologies, Inc.	1.30%	Develops cloud-based construction software solutions
Olo, Inc.	1.30%	Develops and operates cloud-based, on-demand commerce platform
ZoomInfo Technologies, Inc.	1.30%	Provides cloud-based platform that offers information on organizations and professionals for sales and marketing teams
Squarespace, Inc.	1.30%	Designs and develops website publishing platform for small businesses and individuals
Vimeo, Inc.	1.30%	Provides online video software and services
VTEX	1.30%	Provides software-as-a-service digital commerce platform for enterprise brands and retailers
Confluent, Inc.	1.30%	Designs and develops real-time data platform for organizations
Blend Labs, Inc.	1.30%	Develops digital platform for the banking sector
Clearwater Analytics Holdings, Inc.	1.30%	Develops and operates software-as-a-service platform for investment data aggregation, accounting, analytics and reporting services
Amplitude, Inc.	1.30%	Develops digital optimization systems that analyze customer behavior with digital products
Sprinklr, Inc.	1.30%	Develops customer relationship management software
monday.com Ltd.	1.30%	Develops work OS visual platform
CS Disco, Inc.	1.30%	Provides legal technology software services
Gitlab, Inc.	1.30%	Develops and provides software services for the applications development life cycle
Freshworks, Inc.	1.30%	Operates as a software development company that provides software-as-a-service products for customer relationship solutions
Enfusion, Inc.	1.30%	Provides investment management software services
DigitalOcean Holdings, Inc.	1.30%	Cloud computing platform offering on-demand infrastructure and platform tools for developers, start-ups and small- to medium-size businesses
Definitive Healthcare Corp.	1.30%	Provides hospital information and insight data solutions

Sources: WisdomTree, FactSet, as of 2/22/22. Holdings are subject to change.

[WCLD](#) now holds 76 companies, 26 more than it did at its 2019 inception. Given that the Fund added 20 companies alone this February, investors may be surprised that the constituent list has only increased by a net number of 26 companies.

As we've written about previously at each rebalance, many of [WCLD](#)'s holdings have been acquired or taken private at attractive [valuations](#), often resulting in a positive performance catalyst for the Fund.

There were two removals from [WCLD](#) this rebalance, and both were M&A-related.

- Mimecast (3.3% weight previously) has agreed to be acquired by Permira and become a privately held company for \$80 per share, 30% above where the stock was trading in late-October when it was first reported that the company was exploring a strategic sale.
- Momentive Global Inc. (2% weight previously) is expected to be acquired by another WCLD constituent, Zendesk, for an implied value of \$28 per share, as of the deal announcement. This deal price is approximately 40% above where the stock was trading prior to an activist investor’s push for the company to sell.

The Rebalance Statistics

As a refresher, WCLD follows a rules-based methodology that resets constituents and weights back to equal weight every February and August. It is a simple, yet effective, approach that provides significant exposure to fast-growing, emerging businesses that are often overlooked or diluted in [market cap-weighted](#) benchmarks.

Due to the higher number of additions this cycle we saw elevated turnover in the portfolio of 31%, compared to the mid-to-high teens turnover we have historically observed.

The valuation of the portfolio had a nice reduction from 9 times to 8.4 times price-to-sales as the strategy adjusted away from large- and mid-cap exposure and added 15% to small-cap cloud company exposure.

As the [value](#) over [growth](#) rotation took hold earlier this year, we did a pulse check on the valuations of our megatrend ETFs—at that point, WCLD was valued at 11.5 times price-to-sales. At today’s 8.4 times price-to-sales valuation, WCLD is two turns below its historical minimum valuation and 10 turns below its historical maximum valuation.

Despite the decrease in valuation, we continue to see the WCLD constituents deliver robust revenue growth of 41.1%, well above the 25.5% generated by the [S&P 500 Growth Index](#). Elevated relative revenue growth is in part explained by WCLD’s strict rules on company inclusion. New additions to WCLD must generate at least 15% revenue growth, while current constituents must meet a 7% threshold.

WCLD Rebalance - Summary Statistics							
31% Weight Turnover including 20 Additions and 2 Removals							
	# of Companies	Average TTM Growth Rate	Price-to-Sales Ratio	Weighted Average Market Cap	Large-Cap Weight	Mid-Cap Weight	Small-Cap Weight
Before Rebalance	58	38.7%	9.0x	\$25.20bn	44.4%	45.9%	9.7%
After Rebalance	76	41.1%	8.4x	\$19.59bn	34.2%	40.8%	25.0%
S&P 500 Growth Index	239	25.0%	5.1x	\$947.42bn	99.9%	0.1%	-

Sources: WisdomTree, FactSet, as of 2/22/22. TTM= trailing 12 months.

WCLD: Strong Growth, Attractive Entry Point

We believe the current environment, with strong relative revenue growth and a consistent pipeline of new companies potentially eligible for inclusion, presents an attractive entry point for investors seeking to gain exposure to WCLD at a near-minimum historical valuation.

Important Risks Related to this Article

There are risks associated with investing, including the possible loss of principal. The Fund invests in cloud computing companies, which are heavily dependent on the internet and using a distributed network of servers over the internet. Cloud computing companies may have limited product lines, markets, financial resources or personnel and are subject to the risks of changes in business cycles, world economic growth, technological progress and government regulation. These companies typically face intense competition and potentially rapid product obsolescence. Additionally, many cloud computing companies

store sensitive consumer information and could be the target of cybersecurity attacks and other types of theft, which could have a negative impact on these companies and the Fund. Securities of cloud computing companies tend to be more volatile than securities of companies that rely less heavily on technology and, specifically, on the internet. Cloud computing companies can typically engage in significant amounts of spending on research and development, and rapid changes to the field could have a material adverse effect on a company's operating results. The composition of the Index is heavily dependent on quantitative and qualitative information and data from one or more third parties and the Index may not perform as intended. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

References to specific securities and their issuers are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations to purchase or sell such securities.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

Related Funds

- + [WisdomTree Cloud Computing Fund](#)
- + [WisdomTree Cybersecurity Fund](#)
- + [WisdomTree BioRevolution Fund](#)

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

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DEFINITIONS

Initial public offering (IPO): The first sale of stock by a private company to the public.

Valuation: Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.

Market capitalization-weighting: Market cap = share prices x number of shares outstanding. Firms with the highest values receive the highest weights in approaches designed to weight firms by market cap.

Value: Characterized by lower price levels relative to fundamentals, such as earnings or dividends. Prices are lower because investors are less certain of the performance of these fundamentals in the future. This term is also related to the Value Factor, which associates these stock characteristics with excess returns vs the market over time.

Growth: Characterized by higher price levels relative to fundamentals, such as dividends or earnings. Price levels are higher because investors are willing to pay more due to their expectations of future improvements in these fundamentals.