

A LOOK AT WHAT’S DRIVING THE OUTPERFORMANCE OF OUR QUALITY GROWTH ETF

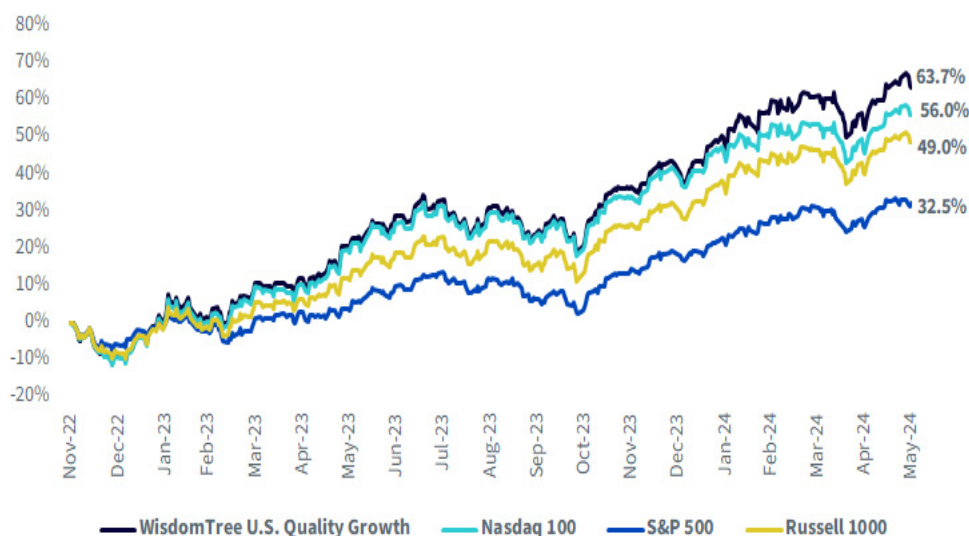
Hyun Kang – Research Analyst, Matt Wagner – Associate Director, Research
06/25/2024

The Nasdaq 100 Index is considered by many as the default benchmark for growth. The methodology is straightforward—the 100 largest non-financial companies by market cap listed on the Nasdaq Exchange. Securities are weighted by modified market capitalization.

One of the drawbacks to this simplicity for a growth benchmark is that mature, slow-growth companies can populate the Index because of the absence of fundamental selection criteria.

In our view, WisdomTree has created a better way to capture growth—the [WisdomTree U.S. Quality Growth Index](#). Since its launch near the end of 2022, it has outperformed the Nasdaq 100 while being more directly targeted to high-growth, high-profitability companies.

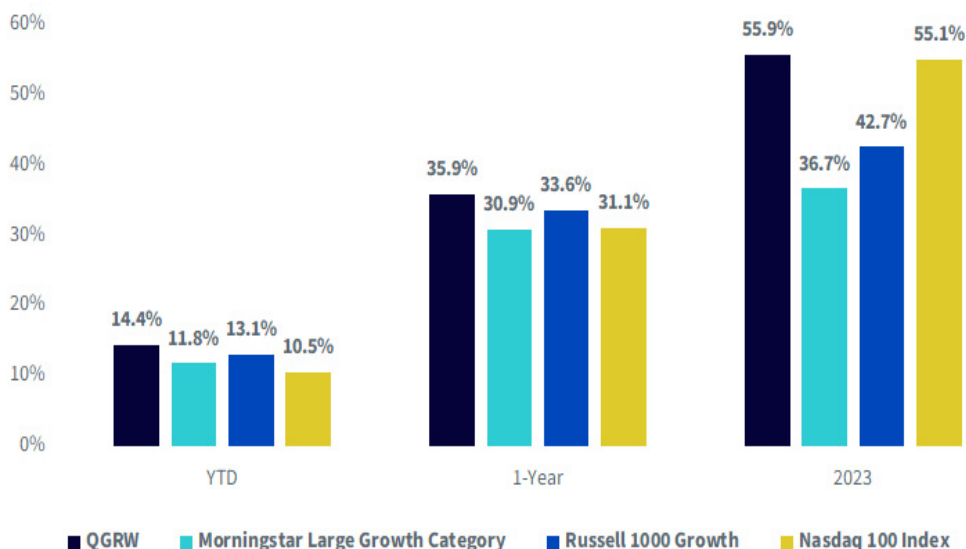
WisdomTree U.S. Quality Growth Index vs. Benchmarks since Inception



Sources: WisdomTree, Nasdaq, S&P, Russell. Returns from 11/30/22. You cannot invest directly in an index. Past performance is not indicative of future returns.

The [wisdom U.S. Quality Growth Fund \(QGRW\)](#), which tracks the performance of the WisdomTree U.S. Quality Growth Index, has outperformed its peers in the [Morningstar Large Growth Category](#) across various periods by an even wider margin than its performance relative to traditional growth benchmarks.

WisdomTree U.S. Quality Growth Fund Performance



	YTD	1-Year	2023
QGRW	14.4%	35.9%	55.9%
Morningstar Large Growth Category	11.8%	30.9%	36.7%
Russell 1000 Growth	13.1%	33.6%	42.7%
Nasdaq 100 Index	10.5%	31.1%	55.1%
Percentile Rank	3	29	21
# of Investments in Category	1,191	1,170	1,200

Sources: WisdomTree, Nasdaq, Russell, Morningstar, as of 5/31/24. You cannot invest directly in an index. Performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

For QGRW’s full standardized and most recent month-end performance, please click [here](#).

The WisdomTree U.S. Quality Growth Index underwent its semiannual rebalance this June. During each rebalance, the Index selects the 100 U.S. companies with the highest scores in quality and profitability metrics.

This rebalance saw the addition of pharmaceutical giant Eli Lilly and Company, whose common stock is up 46% this year, at 3.45%.

Eli Lilly has an approximately 2.6% weight in the Russell 1000 Growth Index, but the security is excluded from the Nasdaq 100 Index as its primary listing is on the NYSE, not the Nasdaq.

This is despite the premium sales growth of the company from its wildly successful Mounjaro weight loss drug.

Top 10 Holdings, WisdomTree U.S. Quality Growth Index

Top Holdings	Sector	Weight	Add?
NVIDIA Corporation	Information Technology	11.53%	-
Microsoft Corporation	Information Technology	10.66%	-
Apple Inc.	Information Technology	10.07%	-
Alphabet Inc. Class A	Communication Services	6.54%	-
Amazon.com, Inc.	Consumer Discretionary	5.39%	-
Meta Platforms Inc Class A	Communication Services	3.74%	-
Eli Lilly and Company	Health Care	3.45%	Add
Broadcom Inc.	Information Technology	2.74%	-
Tesla, Inc.	Consumer Discretionary	2.54%	-
Visa Inc. Class A	Financials	2.46%	-
Total		59.11%	

Sources: WisdomTree, FactSet, as of 5/31/24. You cannot invest directly in an index.

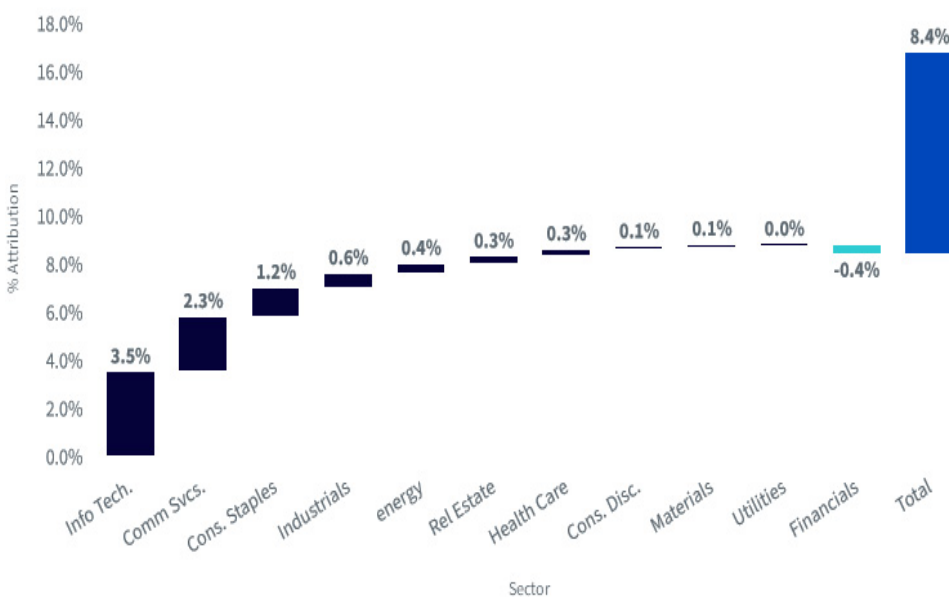
The WisdomTree U.S. Quality Growth Index has outperformed the Russell 1000 Growth Index since its inception in November 2022 by more than 8.5%.

The bulk of this outperformance can be attributed to high-growth sectors like Information Technology and Communication Services.

Within the Information Technology sector, the Index saw the most outperformance through stock selection—a direct consequence of its screening process and methodology.

In addition to Information Technology and Communication Services, the Index benefited from its allocations to all other sectors except for Utilities and Financials.

Sector Attribution



Sources: WisdomTree, FactSet, Russell, as of 5/31/24. Attribution shows the contribution to outperformance by sector for the WisdomTree U.S. Quality Growth Index relative to the Russell 1000 Growth Index. You cannot invest directly in an index. Past performance is not indicative of future returns.

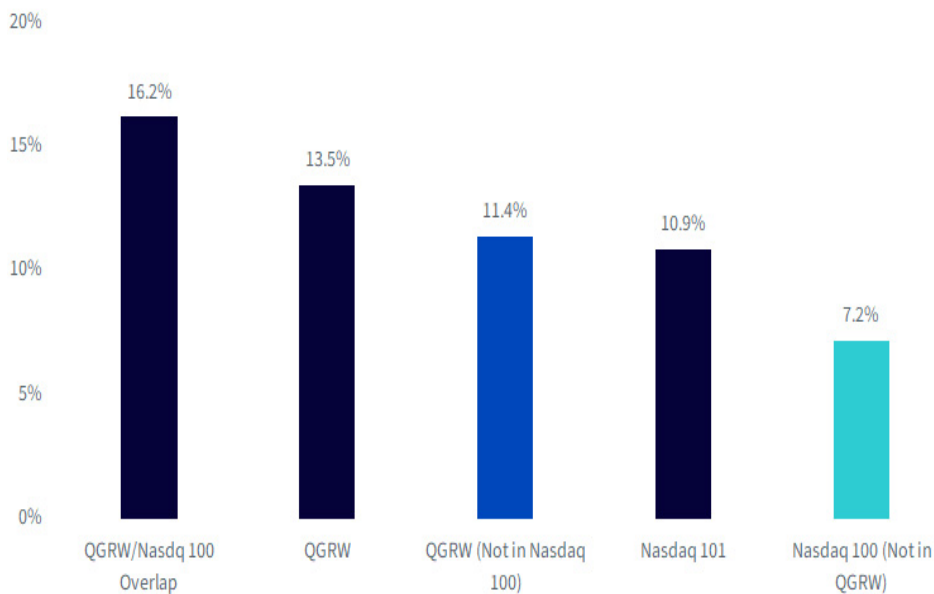
Like the Nasdaq 100, the wisdomTree Index selects 100 securities. The Indexes hold 37 securities in common with a common holdings score (or overlap) of 63%.

If we look at the chart below, we can see the difference in trailing earnings growth of constituents held in [QGRW](#) that are not held in the Nasdaq 100 and vice versa.

The main takeaway: Because the Nasdaq 100 has no fundamental selection criteria, it sacrifices on its growth criteria by including some slower-growth securities that happen to pass its market-cap and listing requirements.

For investors considering a more pure-play exposure to growth while also including a profitability bet, consider the [Wisdom U.S. Quality Growth Fund \(QGRW\)](#).

**WisdomTree U.S. Quality Growth Fund (QGRW) vs. Nasdaq 100 Overlap
Median Trailing Five-Year Sales Growth**



Sources: WisdomTree, Nasdaq, FactSet, as of 5/31/24. You cannot invest directly in an index.

Conclusion: How Long will the Seven Stay Magnificent?

The “Magnificent Seven” group of stocks, led by its poster child NVIDIA (NVDA)—which recently surpassed the combined market cap of the entire German stock market—is still mostly going strong after a breakout performance in 2023. Putting aside a floundering Tesla (TSLA) for now (down 25% year-to-date), the million-dollar question is: how long will this last?

The WisdomTree U.S. Quality Growth Index has a rules-based methodology that reconstitutes on a semiannual basis each June and December. The design of the Index is to not bet on individual names or a basket of several names over the long run but to represent a relatively high-conviction allocation to 100 companies with high profitability and growth characteristics.

Fundamentals



Sources: WisdomTree, Russell, S&P, FactSet, as of 5/31/24. You cannot invest directly in an index. Past performance is not indicative of future results.

Important Risks Related to this Article

There are risks associated with investing, including the possible loss of principal. Growth stocks, as a group, may be out of favor with the market and underperform value stocks or the overall equity market. Growth stocks are generally more sensitive to market movements than other types of stocks. The Fund is non-diversified; as a result, changes in the market value of a single security could cause greater fluctuations in the value of Fund shares than would occur in a diversified fund. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit. The Fund does not attempt to outperform its Index or take defensive positions in declining markets, and the Index may not perform as intended. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

For the top 10 holdings of QGRW please visit the Fund's fund detail page at <https://www.wisdomtree.com/investments/etfs/equity/qgrw>

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 Blogs

+ [Keeping up with the Nasdaq 100 Index](#)

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.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only. You cannot invest directly in an index.

DEFINITIONS

Morningstar Large Growth Category: Large-growth portfolios invest in big U.S. companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).