

Q4 2023 EARNINGS: QUALITY GROWTH TAKES CENTER STAGE

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Earnings season for the last quarter of 2023 has wrapped up. Despite recession fears early in the year, most reporting companies made it across the finish line with better corporate profits than analysts had expected.

We think it’s a great time to revisit the Daily Earnings Snapshot, available in the [Earnings Path tool](#) in our [Portfolio Analysis Tools Hub \(PATH\)](#).

Among the [S&P SmallCap 600](#), [S&P MidCap 400](#) and [S&P 500 indexes](#) and their respective style ([value](#) and [growth](#)) baskets, all but the SmallCap 600 and its value variant beat earnings expectations. Growth again took center stage this quarter, with the [S&P 500 Growth](#) reporting 22.1% earnings growth—well ahead of the broader S&P 500’s 4.7% growth.

The theme of growth stocks over value stocks persisted last quarter, with growth names significantly outpacing value names in terms of earnings growth. [Small caps](#) reported negative earnings growth across the board, with only the S&P SmallCap 600 Growth Index reporting a positive earnings surprise.

Earnings Snapshot, S&P Indexes

WisdomTree Earnings / Sales Dashboard														
S&P Style Indexes as of 3/19/24														
			Estimated+Reported Earnings			Earnings: Reported			Earnings: Surprise					
			Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth			
Expected	%	Reported	Large			S&P 500			S&P 500 Growth Index					
			-7.7%	4.8%	22.1%	-7.7%	4.8%	22.1%	3.2%	4.7%	6.6%			
			100%	100%	100%	100%	100%	100%	100%	100%	100%			
Count Reported			440/440	499/500	225/226									
Expected	%	Reported	Mid			Small			Small					
			-8.5%	0.3%	17.8%	-8.9%	-0.1%	17.9%	-37.0%	-26.1%	-6.0%	-21.0%	-11.9%	8.1%
			98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	
Count Reported			291/296	393/400	240/244									
Count Reported			450/457	588/600	337/344									

Sources: WisdomTree, S&P, FactSet. You cannot invest directly in an index. Past performance is not indicative of future returns.

There was one basket whose earnings growth blew these benchmark indexes out of the water: quality growth. Despite being narrowly under-weight in the the Magnificent Seven—the seven largest stocks in the S&P 500 that drove much of the index’s returns throughout 2023—relative to the S&P 500 Growth, the [WisdomTree U.S. Quality Growth Index \(WTOGRW\)](#) was able to capture a significantly larger degree of [EPS](#) growth than either the S&P 500 or its growth counterpart.

Magnificent Seven Weights, Select S&P Indexes vs. WisdomTree U.S. Quality Growth Index

Name	Weight in S&P 500	Weight in S&P 500 Growth	WTQGRW
Alphabet Inc. Class A	1.92%	3.48%	5.43%
Alphabet Inc. Class C	1.63%	2.96%	-
Amazon.com, Inc.	3.76%	6.83%	5.55%
Apple Inc.	6.18%	11.23%	9.75%
Meta Platforms Inc Class A	2.54%	4.62%	6.25%
Microsoft Corporation	7.19%	13.07%	11.09%
NVIDIA Corporation	4.57%	8.30%	8.25%
Tesla, Inc.	1.30%	2.37%	3.14%
Total	29.07%	52.87%	49.45%

Sources: WisdomTree, S&P, FactSet, as of 2/29/24. You cannot invest directly in an index.

Looking at the largest earnings growers in the WisdomTree U.S. Quality Growth Index, the top 10 companies that had the largest dollar amounts of earnings growth were all unsurprisingly in the Information Technology, Communication Services and Consumer Discretionary sectors. The Index was also able to capture significant earnings growth from companies not held in the S&P 500 Growth index, such as GoDaddy Inc. and Coupang Inc.

Top 10 Earnings Growers in the WisdomTree U.S. Quality Growth Index

Name	Sector	Earnings Growth (US\$m)
NVIDIA	Information Technology	\$ 10,668.64
Amazon	Consumer Discretionary	\$ 10,300.76
Meta Platforms	Communication Services	\$ 9,371.50
Alphabet	Communication Services	\$ 7,072.93
Microsoft	Information Technology	\$ 4,543.88
Apple	Information Technology	\$ 3,960.33
GoDaddy	Information Technology	\$ 1,038.14
Coupang	Consumer Discretionary	\$ 924.09
Netflix	Communication Services	\$ 883.26
Broadcom	Information Technology	\$ 700.76

Sources: WisdomTree, FactSet, as of 12/29/23. You cannot invest directly in an index.

The WisdomTree U.S. Quality Growth Index, which invests in growth stocks with strong quality metrics, had a reported earnings growth rate of 41.4%, almost double the 22.1% of the S&P 500 Growth Index.

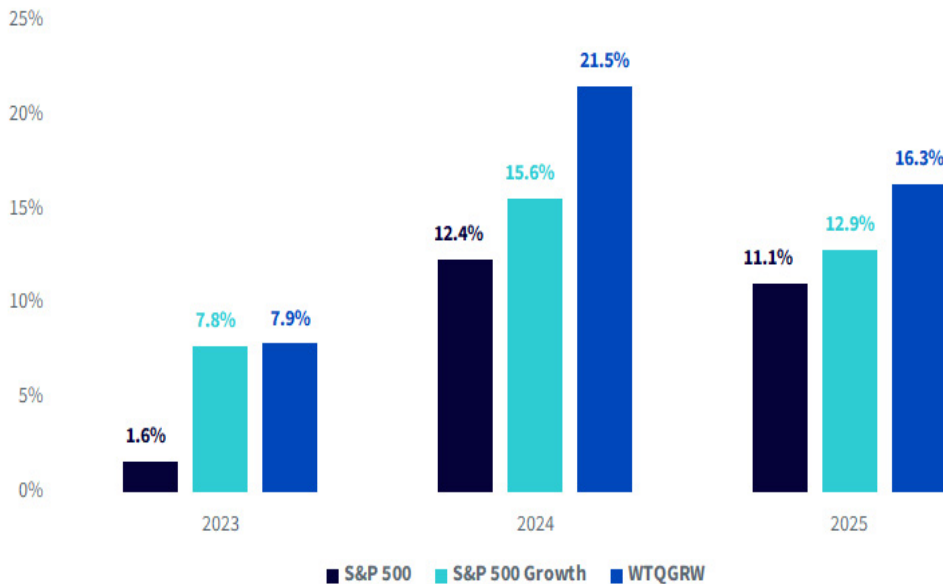
Earnings Snapshot, Select WisdomTree Indexes

WisdomTree Earnings / Sales Dashboard											
WisdomTree U.S. Indexes as of 3/19/24											
Expected			Earnings: Reported			Earnings: Surprise					
Dividend	Earnings	Qual. Gwth.	Dividend	Earnings	Qual. Gwth.	Dividend	Earnings	Qual. Gwth.	Dividend	Earnings	Qual. Gwth.
2.7%	6.7%	41.4%	2.7%	6.7%	41.4%	4.7%	5.5%	8.4%			
100%	100%	100%									
297/297	497/498	100/100									
WT U.S. Quality Growth											
Expected			Earnings: Reported <td colspan="3">Earnings: Surprise <td colspan="3"></td> </td>			Earnings: Surprise <td colspan="3"></td>					
-4.4%	0.2%	-10.8%	-4.7%	-0.1%	-10.8%	4.3%	6.8%	9.8%			
100%	99%	98%									
326/330	538/547	122/125									
Expected			Earnings: Reported <td colspan="3">Earnings: Surprise <td colspan="3"></td> </td>			Earnings: Surprise <td colspan="3"></td>					
-17.1%	-34.2%	-28.2%	-17.1%	-34.5%	-29.2%	-3.1%	-16.0%	2.6%			
98%	97%	97%									
647/665	874/906	315/329									

Sources: WisdomTree, FactSet. You cannot invest directly in an index. Past performance is not indicative of future returns.

Over the 2023 calendar year, the WisdomTree U.S. Quality Growth Index reported similar operating earnings growth to the S&P 500 Growth, and far ahead of the broader S&P 500. Analyst forecasts for 2024 and 2025 call for greater relative growth.

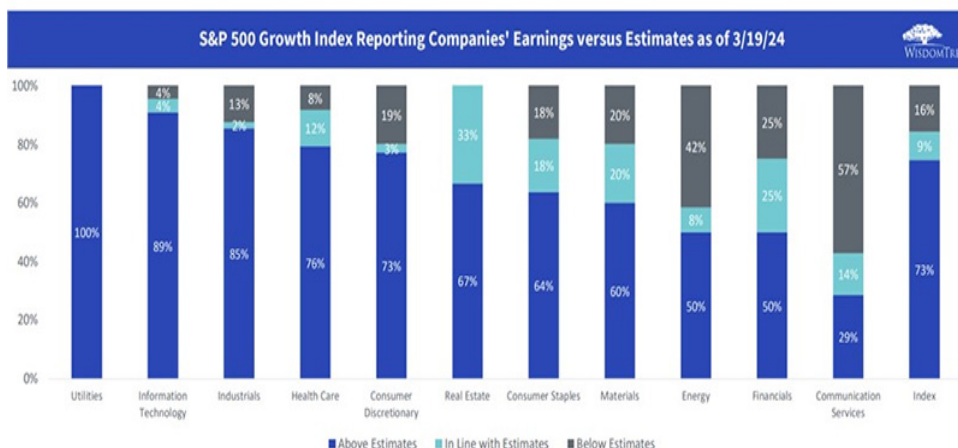
Reported Operating Earnings and Forecasts



Sources: WisdomTree, FactSet, as of 3/19/24. 2024 and 2025 figures are median analyst estimates. You cannot invest directly in an index. Past performance is not indicative of future returns.

Across all sectors in the S&P 500 Growth Index, most companies showed positive earnings surprises, with over 73% of companies in the index beating analyst earnings estimates. Aside from the Utilities sector (which has only one company in the Index), the information technology sector had the greatest earnings surprise among the sectors, with 40 out of 45 reporting companies beating estimates. On the other hand, four out of seven reporting Communications Services companies reported earnings below analyst estimates.

Earnings Snapshot, S&P 500 Growth Earnings Surprise Sector Breakdown



Sources: WisdomTree, S&P, FactSet. You cannot invest directly in an index. Past performance is not indicative of future returns.

Closing Thoughts

The [Daily Earnings Snapshot](#) is a useful asset for investors to get a broad understanding of what earnings look like across indexes and sectors and compare WisdomTree Indexes and ETFs to benchmarks. As the first quarter of 2024 wraps up and the first earnings season of the year begins, we hope investors can leverage the Snapshot as well as the growing suite of tools in our [PATH hub](#) to make informed decisions.

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

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DEFINITIONS

S&P SmallCap 600 Index: Market capitalization-weighted measure of the performance of small cap equities within the United States, with constituents required to demonstrate profitability prior to gaining initial inclusion.

S&P MidCap 400 Index: provides investors with a benchmark for mid-sized companies. The index covers over 7% of the U.S. equity market, and seeks to remain an accurate measure of mid-sized companies, reflecting the risk and return characteristics of the broader mid-cap universe on an on-going basis.

S&P 500 Index: Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor's Index Committee designed to represent the performance of the leading industries in the United States economy.

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.

S&P 500 Growth Index: A market capitalization-weighted benchmark designed to measure the growth segment of the S&P 500 Index.

Small caps: new or relatively young companies that typically have a market capitalization between \$200 million to \$2 billion.

Earnings per share: Total earnings divided by the number of shares outstanding. Measured as a percentage change as of the annual Index screening date compared to the prior 12 months. Higher values indicate greater growth orientation.