REVISITING “DISRUPTIVE GROWTH”

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This article is relevant to financial professionals who are considering offering Model Portfolios to their clients. If you are an individual investor interested in WisdomTree ETF Model Portfolios, please inquire with your financial professional. Not all financial professionals have access to these Model Portfolios.

Don’t worry, about a thing
’Cause every little thing, gonna be all right
Singin’, don’t worry, about a thing
’Cause every little thing, gonna be all right

(From “Three Little Birds” by Bob Marley, 1977)

In February, we posted a blog piece about our Disruptive Growth Model Portfolio. Two of our primary investment themes for 2021 and beyond are “disruptive growth” and thematic investing. As a reminder, we believe that, even as the global economy reopens and recovers, the COVID-19 pandemic fundamentally and perhaps permanently altered the way we work and socialize, and take care of and entertain ourselves.

We believe this has led to dramatic growth in certain “thematic” megatrends, and we think these trends will be with us for years to come. This prompted us to launch our disruptive growth model in August of last year. We identified six thematic sectors and ETFs and built a diversified portfolio accordingly. It is intended for growth-focused advisors and end clients who can tolerate highly valued companies and potentially higher volatility in exchange for potentially higher long-term growth rates.

The six sectors we are currently allocate to include **cloud computing** (via our own WCLD), diversified platform-based companies (via our own PLAT) , **cybersecurity, financial technology, genomics and biotechnology,** and **online gaming and e-sports.**

How is the portfolio performing?

Like many technology firms and the so-called “FAANGM” stocks—Facebook, Amazon, Apple, Netflix, Google (Alphabet) and Microsoft[1]—the ETFs in the disruptive growth model hold many highly valued companies that currently do not generate much in the way of current earnings or dividends. That is, investors are paying high valuations today in exchange for the potential of higher earnings in the future.

Thus, when interest rates began rising late last year and through roughly mid-March of this year, many of those stocks fell fairly hard. The NASDAQ-100 Index holds many similarly valued companies, and here is a YTD comparison of the rise in the 10-Year Treasury rate and the performance of that Index.

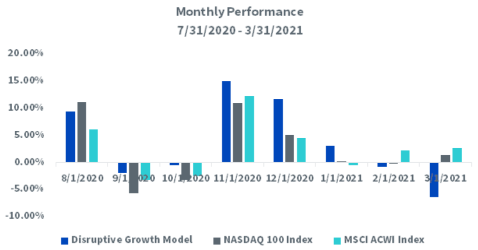
Note (a) the sharp decline in the NASDAQ-100 commensurate with the sharp increase in rates beginning in February, but also (b) the stabilization of the NASDAQ-100 over the past few weeks (it is once again positive for the year) as rates have also stabilized.

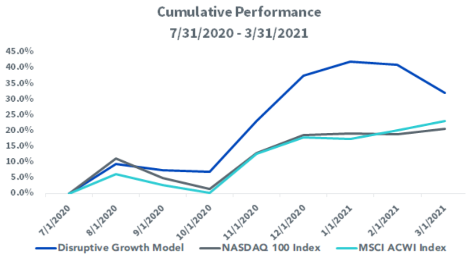
Source: YCharts, data through 4/26/21. You cannot invest in an index, and past results do not guarantee future performance.

It's not that growth stocks have performed badly in 2021. They simply have not kept up with the [cyclical rotation trades]() ([small cap]() and [value]())—a phenomenon advisors and investors have not seen for most of the past 10 years.

Source: YCharts, data through 4/26/21. You cannot invest in an index, and past performance is no guarantee of future results.

The disruptive growth model shows similar performance characteristics as the NASDAQ-100 Index. It actually holds more highly valued positions and so fell faster when rates rose, but it is recovering and has been outperforming the NASDAQ-100 since inception on July 31, 2020.





Sources: WisdomTree and FactSet. Data range is from 7/31/20 (WisdomTree Disruptive Growth ETF Model Portfolio inception) to 3/31/21. Model Portfolio performance shown is at NAV. **Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when sold, may be worth more or less than their original cost.**

The Model Portfolio performance results shown are theoretical and do not reflect any investor's actual experience with owning, trading or managing an actual investment. Thus, the performance shown does not reflect the impact that economic and market factors had or might have had on decision-making if actual investor money had been managed and allocated per the Model Portfolio. Actual performance achieved in seeking to follow the Model Portfolio may differ from the theoretical performance shown for a number of reasons, including the timing of implementation of trades (including rebalancing trades to adjust to Model Portfolio changes), market conditions, fees and expenses (e.g., brokerage commissions, deduction of advisory or other fees or expenses charged by advisors or other third parties to investors, strategist fees and/or platform fees), contributions, withdrawals, account restrictions, tax consequences and/or other factors, any or all of which may lower returns. While a Model Portfolio may have performed better than the benchmark for some or all periods shown, the performance during any other period may not have, and there is no assurance that a Model Portfolio will perform better than the benchmark in the future. Model Portfolio performance calculations assume reinvestment of dividends, are pre-tax and are net of Fund expenses.

ETF shares are bought and sold at market price (not NAV) and are not individually redeemable from the Fund. Total returns are calculated using the daily 4:00 p.m. EST net asset value (NAV). Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns you would receive if you traded shares at other times. You cannot invest in an index.

Click here for standardized performance.

In addition, although three of our current six ETF allocations have generated slightly negative performance YTD (NAV) over their common investment period dating back to October 2019, each of those individual six strategies has shown high double-digit returns (NAV).[2]

The portfolio also continues to show a distinct lack of security overlap between the different allocations. As of March 31, 2021, no two of the current six ETF positions have had more than 18% of securities overlap each other, and most had less than 10%. (Holdings and weightings are subject to change.) There likewise is a nice diversification of sector exposures.

This portfolio carries high valuations corresponding to its high growth rates, and its performance will likely continue to be influenced by changing interest rates and may be volatile (and has been YTD), but we believe the level of diversification provided by the current lack of sector and securities overlap will help to generate a more consistent performance while still taking advantage of each individual strategy's potential future growth.

Conclusion

With COVID-19 vaccinations accelerating and the global economy in what we believe is the early stages of a steady recovery, we anticipate that 2021 generally will be a constructive "risk-on" market environment.

We believe our disruptive growth investment theme will play out well in this environment, as will our corresponding Model Portfolio. It can be allocated to as a stand-alone equity model or as a complementary "sleeve allocation" in broader portfolios where advisors are seeking to improve performance. Financial advisors registered on the WisdomTree website can learn more about this and other WisdomTree models by accessing our newly launched Model Adoption Center ("MAC").

Despite recent volatility, we continue to like how we are positioned to take advantage of what we believe will be enduring megatrends in global markets. So, for the most part, we are "not worrying about a thing."

[1]As of March 31, 2021, the WisdomTree ETF PLAT held positions in Alphabet (9.35%), Microsoft (8.02%), Amazon (7.05%) and Facebook (6.80%), but it did not hold positions in Netflix or Apple. The WisdomTree ETF WCLD does not hold any positions in any of the "FAANGM" stocks.

[2]Past performance does not guarantee future results.

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PLAT: There are risks associated with investing, including possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty; these risks may be enhanced in emerging, offshore or frontier markets. Technology platform companies have significant exposure to consumers and businesses, and a failure to attract and retain a substantial number of such users to a company's products, services, content or technology could adversely affect operating results. Technological changes could require substantial expenditures by a technology platform company to modify or adapt its products, services, content or infrastructure. Technology platform companies typically face intense competition, and the development of new products is a complex and uncertain process. Concerns regarding a company's products or services that may compromise the privacy of users, or other cybersecurity concerns, even if unfounded, could damage a company's reputation and adversely affect operating results. Many technology platform companies currently operate under less regulatory scrutiny, but there is significant risk that costs associated with regulatory oversight could increase in the future. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit, and the Fund does not attempt to outperform its Index or take defensive positions in declining markets. 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.

WCLD: There are risks associated with investing, including possible loss of principal. The Fund invests in cloud computing companies, which are heavily dependent on the Internet and utilizing 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.

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You cannot invest directly in an index.

DEFINITIONS

Interest rates : The rate at which interest is paid by a borrower for the use of money.

Nasdaq 100 Index : Includes 100 of the largest domestic and international non-financial companies listed on The Nasdaq Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies, including investment companies.

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

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 tim.

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.

Diversification : A risk management strategy that mixes a wide variety of investments within a portfolio.