INNOVATION AS THIRD STYLE AND CORE ALLOCATION

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On Behind the Markets*, a podcast brought to you by Jeremy Schwartz, WisdomTree's Global Head of Research, we talk to market strategists, business executives and financial advisors about important trends in the financial markets.*

In this episode, Jeremy talks to Tom Ricketts, President & CIO of Evolutionary Tree Capital Management.

In this episode, listeners will hear about:

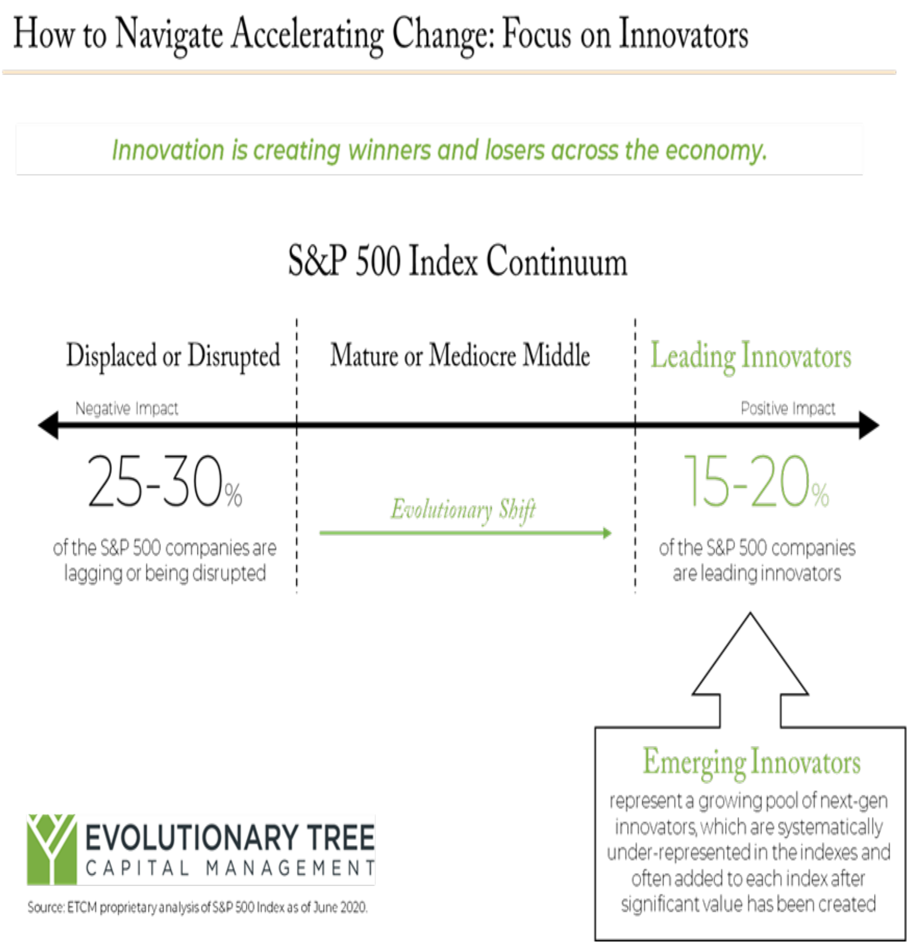
1. The rise of *innovation* investing as a new investment style—the "third style"
   - How innovation relates to traditional investment styles of growth and value
   - The difference between growth investing, which looks at companies that have grown their earnings or sales over the previous three to five years, and companies operating at the frontiers of the innovation S-curve—how that portends future profits and added value

2. Managing risk when investing in innovative businesses

3. How to avoid hype around innovation that is too early

4. Examples of important innovations and innovators
   - Subscription-based businesses and the growing dominance of software-as-a-service (SAAS) businesses
   - New marketing models
   - Biotechology stocks and new platforms that suggest the genomics and biology revolution is at the most exciting phase in Ricketts's 20 years of looking at the space

5. Why Ricketts believes an innovation allocation should become a core allocation in portfolios, and what segments of the market are either being disrupted by innovation (25%–30% of the S&P 500) and which companies are the real innovators (only 15%–20%)



You can listen to the full episode below.

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DEFINITIONS

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.

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.

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.