

ACCESS THE GROWTH OF PLATFORM COMPANIES WITH AN ETF

Jeremy Schwartz — Global Chief Investment Officer

05/22/2019

WisdomTree is known as a [dividend](#) and [value](#) investing shop. This reputation stems from our roots, launching indexes that rebalanced away from [market capitalization](#), and toward [fundamentals](#), such as dividends and earnings, in an attempt to guard against speculative [bubbles](#).

But we are always looking for innovative [baskets](#) that offer the potential to outperform the market, whether it's from rules-based rebalancing, an active combination of factors or other themes that can add value over time.

Here's an example that's come to fruition: We believe there's a compelling, long-term market opportunity created by the evolution of platform business models. We're excited to announce the launch of the [WisdomTree Modern Tech Platforms Fund \(PLAT\)](#), which provides exposure to these technology-driven platform companies. WisdomTree defines a modern technology platform as a company with a non-linear, multi-sided business model focused on creating value by facilitating interactions between two or more interdependent groups through technology.

Successful platform-based businesses create large, scalable networks that facilitate transactions between interdependent groups of consumers and producers. While the traditional business model creates value through linear supply chain production, a platform business is a non-linear¹, asset-light model that creates value through connections. Many are gaining market share at the expense of traditional linear businesses, and doing so with better economies of scale and long-term profitability figures.

At a certain size, the benefit of further scale can be limited for a linear business but remains unlimited for a platform. Platform businesses can benefit from network effects, as networks become increasingly valuable to users as they grow. Put another way, the [marginal cost](#) of adding an additional user approaches zero as a platform scales; conversely, a linear model reaches a point where the marginal cost outweighs the benefit.

The structural advantages of the platform-based businesses we seek to invest in are reflected in financial metrics as solid revenue growth, margin expansion, substantial [free cash flow](#) generation and strong returns on capital.

Relative to the companies in the [S&P 500 Index](#), the constituents of the [WisdomTree Modern Tech Platforms Index \(WTMDPL\)](#) have generated greater revenue growth and consistent mid-teens earnings growth.²

WTMDPL Median Sales and Earnings Growth

Median Sales Growth			Median Earnings Growth		
Index	1-Year	3-Year	Index	1-Year	3-Year
WTMDPL	22.8%	19.2%	WTMDPL	14.4%	14.1%
S&P 500	7.2%	6.8%	S&P 500	17.6%	10.3%

Sources: WisdomTree, FactSet, as of 4/30/19. Past performance is not indicative of future results. Growth rates over 1-year are annualized. Subject to change. You cannot invest directly in an index. Index performance does not represent actual fund or portfolio performance.

These businesses have penetrated many sectors of the economy. There are nine distinct platform models, defined by the type of transaction being coordinated through a company's network.

WTMDPL Platform and Sector Exposures

Platform Type	Core Transaction	% Weight in WTMDPL	Company Examples
Product Marketplace	Physical Product	21.7%	Amazon - connects third-party sellers and buyers of products through its retail Marketplace website.
Services Marketplace	Service	20.3%	Booking Holdings Inc. - operates well-known websites (Booking.com, KAYAK, and OpenTable) which connect consumers and producers seeking to reserve a service.
Content Platform	Content (ex: Video)	17.4%	Alphabet Inc. - Google Search provides a platform connecting consumers and producers of web content.
Investment Platform	Investment (ex: Loan)	13.0%	CME Group Inc. - connects buyers and sellers of derivatives through its trading platforms.
Communication Platform	Direct Social Communication	7.2%	Atlassian Corp. - operates a marketplace for communication management applications that facilitate the information sharing between users.
Payments Platform	Monetary Payment	5.8%	Visa - connects merchants with consumers through its payment processing network.
Social Networking Platform	Double-Opt-In (ex: Friending) Social Interaction	5.8%	Facebook - offers a centralized network that facilitates social interaction between users that agree to connect with each other.
Development Platform	Software Program	5.8%	Microsoft - provides a platform-based ecosystem (Windows) that connects users and producers of software programs.
Social Gaming Platform	Gaming Interaction	2.9%	Zynga Inc. - operates a gaming network that enable users to play with one another.

Sector	Platform Type	% Weight in Platform Type per Sector	Company Examples
Communication Services 36.2%	Content Platform	17.4%	Baidu Inc
	Services Marketplace	5.8%	ANGI Homeservices Inc
	Payments Platform	4.3%	Zillow Group Inc
	Social Networking Platform	4.3%	Match Group Inc
	Communication Platform	2.9%	Snap Inc
	Social Gaming Platform	1.4%	Zynga Inc
Consumer Discretionary 24.6%	Services Marketplace	11.6%	GrubHub Inc
	Product Marketplace	10.1%	Alibaba Group Holding Ltd
	Social Gaming Platform	1.4%	Stars Group Inc/The
	Development Platform	1.4%	Sony Corp
Information Technology 14.5%	Payments Platform	4.3%	Mastercard Inc
	Communication Platform	4.3%	Dropbox Inc
	Development Platform	4.3%	Apple Inc
	Product Marketplace	1.4%	Coupa Software Inc
Financials 14.5%	Investment Platform	13.0%	Nasdaq Inc
	Payments Platform	1.4%	American Express Co
Industrials 8.7%	Product Marketplace	5.8%	KAR Auction Services Inc
	Services Marketplace	1.4%	Lyft Inc
	Social Networking Platform	1.4%	51job Inc
Health Care 1.4%	Services Marketplace	1.4%	Teladoc Health Inc

Sources: WisdomTree, FactSet, as of 5/1/19. Weights and exposures are subject to change.

Investment Methodology

To build this new Index, WisdomTree licensed data from Applico, a platform consulting business. Applico's founder and CEO, Alex Moazed, and principal, Nicholas Johnson, researched platform models extensively to write *Modern Monopolies*, an Amazon best seller, detailing the characteristics of different platforms.

WTMDPL is an equally weighted Index composed of mid- and large-cap companies. The WisdomTree Modern Tech Platforms Fund seeks to track the price and yield performance, before fees and expenses, of WTMDPL.

Modernizing Your Portfolio

PLAT provides exposure to U.S., Asian and European equities with strong past and prospective fundamental growth and could be a suitable candidate to complement or replace growth-oriented investment strategies.

Index Holdings and Statistics

Sector Exposure		Country Exposure		Fund Information	
Sector	Weight	Country	Weight	Ticker	PLAT
Communication Services	36.23%	U.S.	59.42%	Expense Ratio	0.45%
Consumer Discretionary	24.64%	China	18.84%	Number of Holdings	69
Information Technology	14.49%	Europe	11.59%	Weighting Mechanism	Equally Weighted
Financials	14.49%	Japan	2.90%	Median Market Cap	\$8.9 bn
Industrials	8.70%	Canada	2.90%	% Weight Large Cap	49.3%
Health Care	1.45%	Russia	1.45%	% Weight Mid Cap	42.0%
		India	1.45%		
		Australia	1.45%		

Top 10 Holdings by Market Cap			
Company	Country	Sector	Weight
Microsoft Corp	US	Information Technology	1.45%
Apple Inc	US	Information Technology	1.45%
Amazon.com Inc	US	Consumer Discretionary	1.45%
Alphabet Inc	US	Communication Services	1.45%
Facebook Inc	US	Communication Services	1.45%
Alibaba Group Holding Ltd	CH	Consumer Discretionary	1.45%
Visa Inc	US	Information Technology	1.45%
Mastercard Inc	US	Information Technology	1.45%

Sources: WisdomTree, FactSet, as of 5/1/19. Holdings subject to change. Sector exposure, country exposure, top 10 holdings, number of holdings, median market cap, % weight large cap and % weight mid cap are based on WTMDPL.

¹Linear business models create value downstream through a supply chain; non-linear business models do not create value downstream through a supply chain.

²1- and 3-year median sales growth for WTMDPL and the S&P 500 Index are calculated as the median value of each constituent's 1- and 3-year annualized sales growth metrics. 1- and 3-year median earnings growth for WTMDPL and the S&P 500 Index are calculated as the median value of each constituent's 1- and 3-year annualized net income, adjusted for unusual items, growth metrics.

Important Risks Related to this Article

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.

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.

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

Dividend : A portion of corporate profits paid out to shareholders.

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.

Market Capitalization : 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.

Fundamentals : Attributes related to a company's actual operations and production as opposed to changes in share price.

Bubble : when market participants drive stock prices above their "fair value" in relation to some system of stock valuation.

Baskets : The composition of an ETF in terms of one creation/redemption unit.

Marginal Cost : The cost added by producing one additional unit of a product or service.

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.