
A DEEP DIVE INTO GROWTH & MOMENTUM

Jeremy Schwartz — Global Head of Research

07/12/2021

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 Randy Watts, CIO of O'Neil Global Advisors (OGA), about the history of the O'Neil team and their unique approach to identify long-term winning stocks.

Listeners will hear about:

- How William O'Neil came to select the combination of [growth](#) and [momentum](#) indicators that their team focuses on.
- The stock selection approach referred to as 'CANSLIM' that O'Neil made popular, focusing on a combination on earnings growth, sales growth, margins, innovative products, share reductions and other factors.
- A discussion of long-term stocks and how much of overall market gains are concentrated in a small percentage of stocks.
- How the O'Neil team built the new [O'Neil Growth Index](#), which WisdomTree licensed for the [WisdomTree U.S. Growth & Momentum Fund \(WGRO\)](#). WGRO seeks to track the price and yield performance, before fees and expenses, of the O'Neil Growth Index.
 - This discussion included analysis of proprietary O'Neil [factors](#) like the OGA Datagraph rating and the components of earnings growth and relative strength.
 - The risks to traditional growth investing—from stocks becoming overly extended with large drawdowns.
 - Why the O'Neil team focuses on a Pullback factor to find attractive entry points for stocks—and how this focuses on stocks with positive long-term momentum trends but that have 'pulled back' off their highs over the short term.
 - Why the Hotness factors and volatility factors are included to manage [volatility](#) and avoid crowding in more speculative names.
- Some of the [value](#) exposures that recently came into other momentum strategies, particularly one that follows a twice per year rebalancing process—and how the O'Neil index maintains its growth discipline.
- The importance of monthly rebalancing for momentum strategies.
- The concentration of traditional [mega-cap](#) growth indexes in a handful of names and why the O'Neil team set up their index with a more diversified factor weighting approach that tilts around an equal-weighted approach.
- What sectors the O'Neil team likes looking forward, and how the macro environment and [interest rates](#) might impact growth stocks.

You can listen to our full conversation with Randy Watts below.



Important Risks Related to this Article

There are risks associated with investing, including the possible loss of principal. The Fund invests in mid- and large-capitalization companies that provide exposure to a portfolio of high growth and momentum U.S. exchange-listed companies. Securities that exhibit momentum characteristics may be more volatile than the market as a whole. Growth stocks, as a group, may be out of favor with the market and underperform value stocks or the overall equity market. The Fund may experience high portfolio turnover in connection with the rebalancing or adjustment of its Index. 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.

Related Blogs

+ [Introducing the WisdomTree Growth & Momentum Fund](#)

Related Funds

+ [WisdomTree U.S. Growth & Momentum Fund](#)

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, Kara Marciscano, 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

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.

Momentum : Characterized by assets with recent price increase trends over time. This term is also associated with the Momentum Factor which associates these stock characteristics with excess return vs the market over time.

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

Factor : Attributes that based on its fundamentals or share price behavior, are associated with higher return.

Volatility : A measure of the dispersion of actual returns around a particular average level. nbsp;

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.

Mega Cap : Market Capitalization over \$100 Billion.

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