THERE IS ACUTE PAIN INSIDE THE NASDAQ

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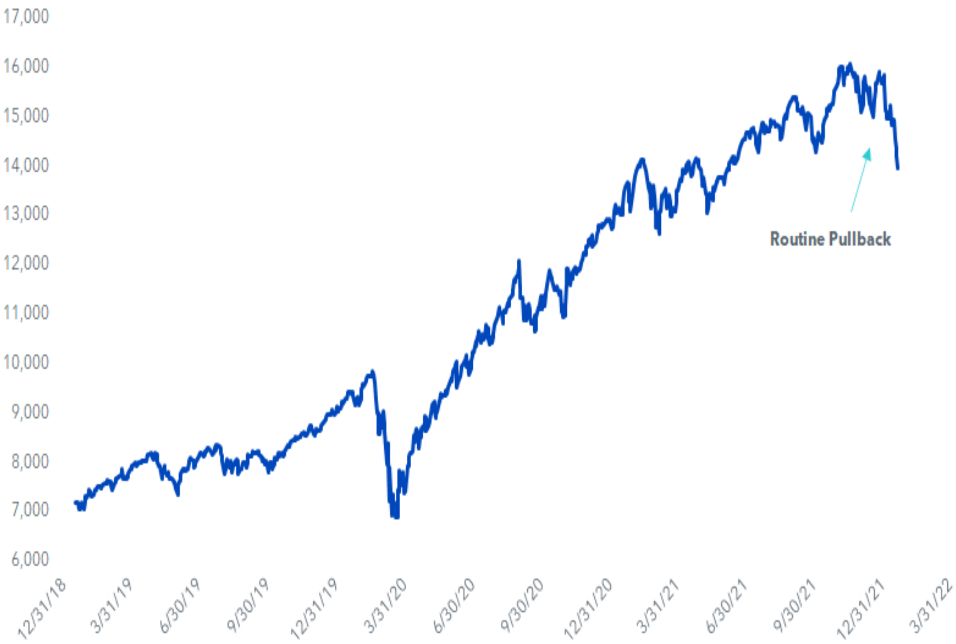
There are 85 members of the S&P 500 trading for more than 10 times sales. For context, Jesse Felder's eponymous Felder Report counted "only" 27 stocks trading at that multiple at the peak of the dot-com bubble.

If you think that's a lot, consider that the NASDAQ 100 has 46 such stocks, with a handful—namely NVIDIA and Tesla—trading north of 30x sales.

It may come as a surprise to you that there are so many stocks still priced like this, especially since there has been some real carnage in the market for more than three months. Sure, you wouldn't know the sheer extent of it from looking at the NASDAQ's correction (figure 1), but hundreds of stocks have witnessed their share prices collapse.

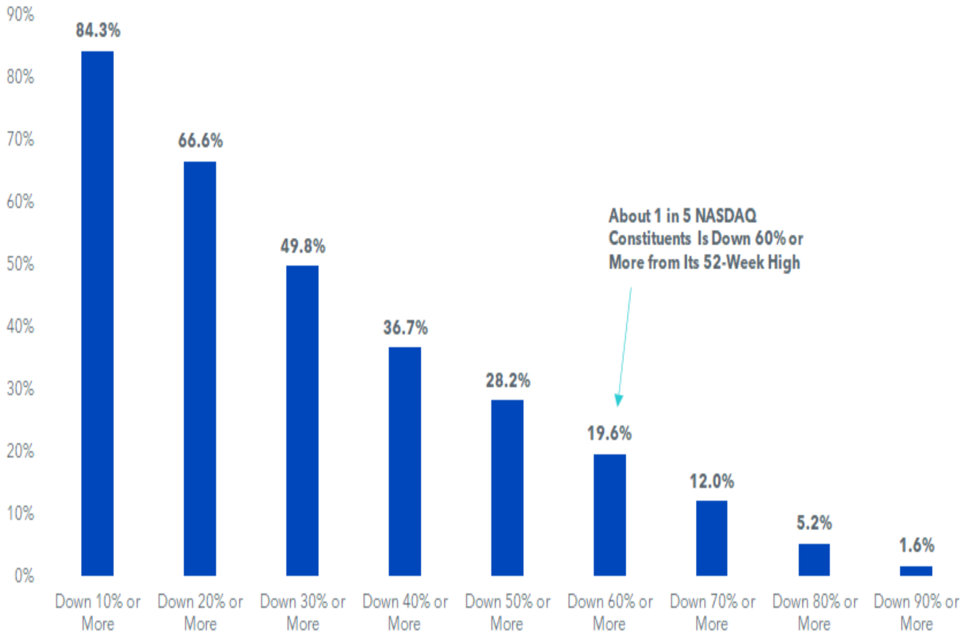
Figure 1: NASDAQ Composite



Source: Refinitiv, as of 1/21/22. Past performance is not indicative of future results. You cannot invest directly in an index.

How bad is it? Of the NASDAQ Composite's 3,000+ companies, about half are down 30% or more from their 52-week highs. About one in five has declined—gulp—60% or more (figure 2).

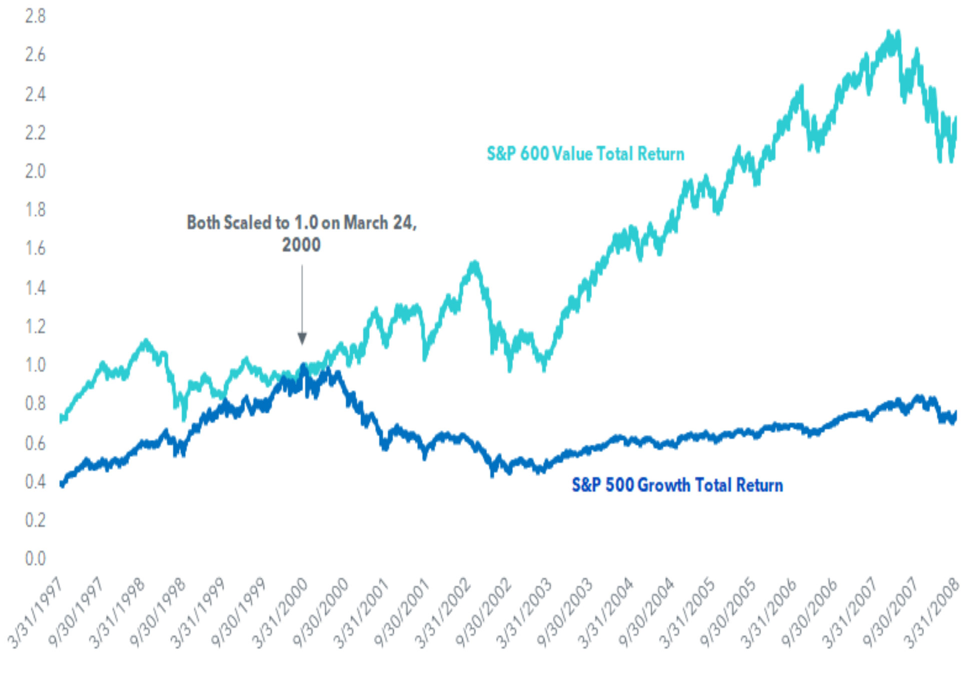
Figure 2: Percentage of Members Declining from 52-Week Highs



Source: Refinitiv, as of 1/21/22. Past performance is not indicative of future results. You cannot invest directly in an index.

In figure 3, I took the best-performing style box of the late 1990s—large-cap growth—and plotted it against the laggard of the era, small-cap value. Scaling both to 1.0 on March 24, 2000, you can see growth stocks' many years in the wilderness.

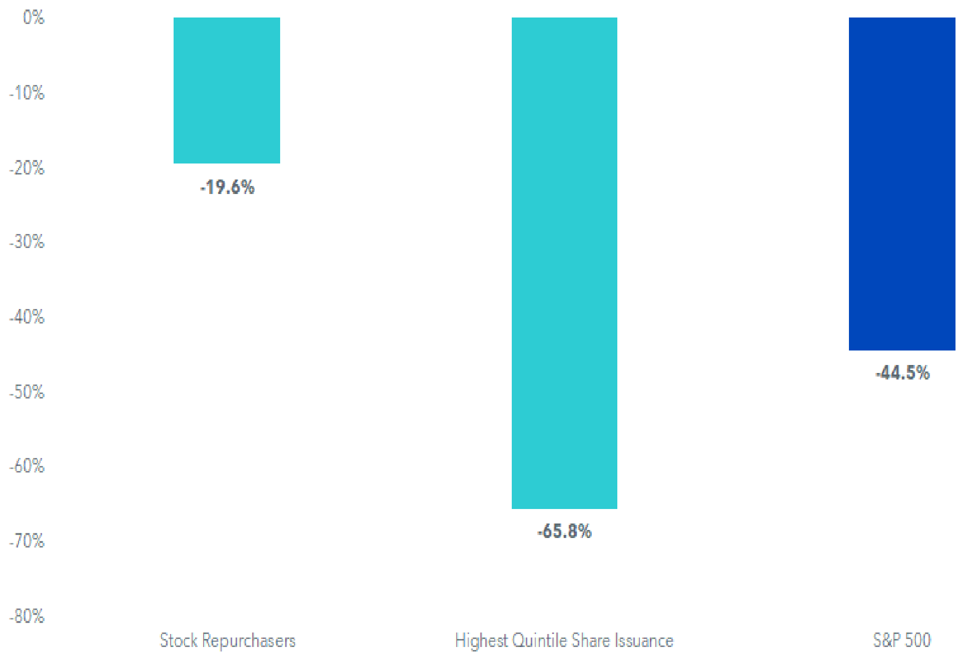
Figure 3: S&P 600 Value vs. S&P 500 Growth, Tech Bubble & Aftermath



Source: Refinitiv, 3/31/1997–3/31/2008. Past performance is not indicative of future results. You cannot invest directly in an index.

In the 2000–2002 bear market, companies that were actively buying back stock held up notably, while those that diluted their shareholders were punished heavily. We run an explicit buyback screen in the WisdomTree U.S. Value Fund (WTV).

Figure 4: U.S. Stock Market Cumulative Loss: 8/31/00–9/30/02.



Source: Ken French (Dartmouth) database, using CRSP. Compiled by WisdomTree. Past performance is not indicative of future results. You cannot invest directly in an index.

Figure 5 shows the percentage of each Russell Index that is unprofitable, along with a bunch of ETFs that tend to kick out negative earners. All the ones I included were launched in either 2006 or 2007. If your portfolio is lopsided toward small and mid-growth—and you're thinking this market looks a bit "dot-commy"—this exhibit is a guide.

Figure 5: Percentage of Companies with Negative Earnings

Russell Family			
	Value	Core	Growth
Large	3.4%	4.5%	5.5%
Mid	7.3%	13.8%	25.0%
Small	20.6%	28.5%	36.2%

WisdomTree Strategies			
	Value	Core	Growth
Large	DLN: 0.0% DHS: 0.3% WTV: 0.3%	DGRW: 0.0% EPS: 0.2%	
Mid	DON: 1.7% EZM: 2.5%		
Small	DES: 4.9% EES: 4.3%	DGRS: 0.3%	

Source: WisdomTree Digital Portfolio Developer, as of 11/30/21. Russell Family = Russell 1000, Russell Mid Cap and Russell 2000, with respective value and growth indexes. Index and portfolio compositions are subject to change.

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While the Fund is actively managed, the Fund's investment process is expected to be heavily dependent on quantitative models, and the models 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

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.

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.

Nasdaq Composite Index : The market capitalization-weighted index of over 2,500 common equities listed on the Nasdaq stock exchange.

Large-Capitalization (Large-Cap) : A term used by the investment community to refer to companies with a market capitalization value of more than $10 billion. Large cap is an abbreviation of the term "large market capitalization". Market capitalization is calculated by multiplying the number of a company's shares outstanding by its stock price per share.

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.

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.

Bear market : A sustained downturn in market prices, increasing the chances of negative portfolio returns.