What’s Hot – Rules Over Headlines: A Different Approach to Growth Investing

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Ayush Babel
Director, Quantitative Research

Key Takeaways

- Rules over headlines: Consistent, transparent rules are at the heart of indices. The WisdomTree US Quality Growth UCITS Index applies its quality and growth screens consistently and without exceptions.
- A fundamentally different portfolio: The index focuses on companies with strong profitability and growth characteristics, resulting in holdings that differ significantly from traditional growth benchmarks such as the NASDAQ-100.
- Differentiation has delivered results: Since inception in November 2023, the WisdomTree Quality Growth UCITS Index has outperformed the NASDAQ-100, S&P 500 and Russell 1000 Growth Index, demonstrating the potential value of a disciplined, fundamentals-driven investment process.

The anticipated IPO of SpaceX has become one of the most closely watched events in global equity markets. In response, some index providers have made special accommodations to gain exposure to the company ahead of their standard inclusion timelines.

Such developments reflect the growing demand from investors to access innovative companies earlier in their lifecycle. They also highlight an important point about index construction: rules should be assessed in the context of the exposure an index is designed to deliver.

While for some strategies, faster inclusion of a newly listed company may be consistent with the objective of capturing a specific market segment or an investment theme, for strategies driven by fundamentals, the answer should be straightforward and depends on where the fundamentals of the company lands.

That distinction matters. During the latest reconstitution, Tesla was removed from the WisdomTree US Quality Growth UCITS Index after falling below the quality and growth thresholds required by the methodology. The exclusion is not a judgment on Tesla’s long-term potential, nor a view on investor demand for disruptive companies. It is the outcome of a rules-based process applying the same fundamental tests to every eligible company.

Regardless of market attention, company size or investor popularity, constituents of the WisdomTree US Quality Growth UCITS Index must continue to meet the index's quality and growth requirements.

Companies that no longer satisfy those criteria are removed, while companies that qualify are added. The process is systematic, transparent and consistently applied.

Growth Investing Grounded in Fundamentals

Many growth-oriented indexes are heavily influenced by market capitalisation, resulting in portfolios that increasingly concentrate in the largest and most widely owned technology companies. They can also be driven by listing venues or commercial considerations instead of the pure fundamentals of the companies. Over time, this can create exposure to businesses whose index weight is driven primarily by market value rather than by the strength of their underlying fundamentals.

The WisdomTree US Quality Growth UCITS Index takes a different approach.

Rather than simply owning the largest growth companies, the index seeks businesses that combine strong growth characteristics with high-quality fundamentals. Companies are evaluated using objective measures of profitability, earnings and sales growth, creating a portfolio designed to identify businesses capable of sustaining growth through strong underlying economics.

This disciplined screening process often leads to a portfolio composition that differs significantly from traditional growth benchmarks such as the NASDAQ-100.

The result is a strategy that seeks exposure to companies demonstrating both growth and quality, rather than simply those attracting the greatest investor attention.

A Different Portfolio by Design

The differences between the two approaches become evident when examining the stocks that are unique to each index.

Comparison of unique stocks in WisdomTree US Quality Growth UCITS Index (effective post rebalance in June 2026) and the NASDAQ 100 Index

Figure 1: Comparison of unique stocks in WisdomTree US Quality Growth UCITS Index (effective post rebalance in June 2026) and the NASDAQ 100 Index



Source: WisdomTree, FactSet. As of 29 May 2026. **Historical performance is not an indication of future performance and any investments may go down in value.**

Top 5 Unique Holdings in the WisdomTree US Quality Growth UCITS Index

Name	Weight
Eli Lilly & Co	2.86%
Oracle	1.58%
Visa	1.47%
Mastercard	1.18%
Caterpillar Inc /US	1.11%

Top 5 Unique Holdings in the NASDAQ-100 Index

Name	Weight
Tesla	3.46%
Intel	2.52%
Walmart	2.48%

Costco Wholesale	1.86%
Texas Instruments	1.22%

These differences are not accidental. They are the natural outcome of two distinct index construction philosophies.

One approach is designed to represent the largest companies listed on NASDAQ while the other seeks to identify businesses that exhibit a combination of strong growth potential and high-quality fundamentals across all US exchanges.

On an average the unique stocks in WisdomTree US Quality Growth UCITS Index exhibited more than twice sales growth in the last 5 years (15.2%) dwarfing the single digit sales growth of unique NASDAQ 100 stocks (6.7%).

While Tesla, along with Intel might at first appear to have higher growth metrics they lacked profitability which led to their exclusion from the WisdomTree index. While Tesla ranked outside the top third by profitability among the top 500 US stocks by market capitalization, Intel fared much poorly ranking outside the top 95% by profitability.

Staying Disciplined When Markets Are Focused on Individual Companies

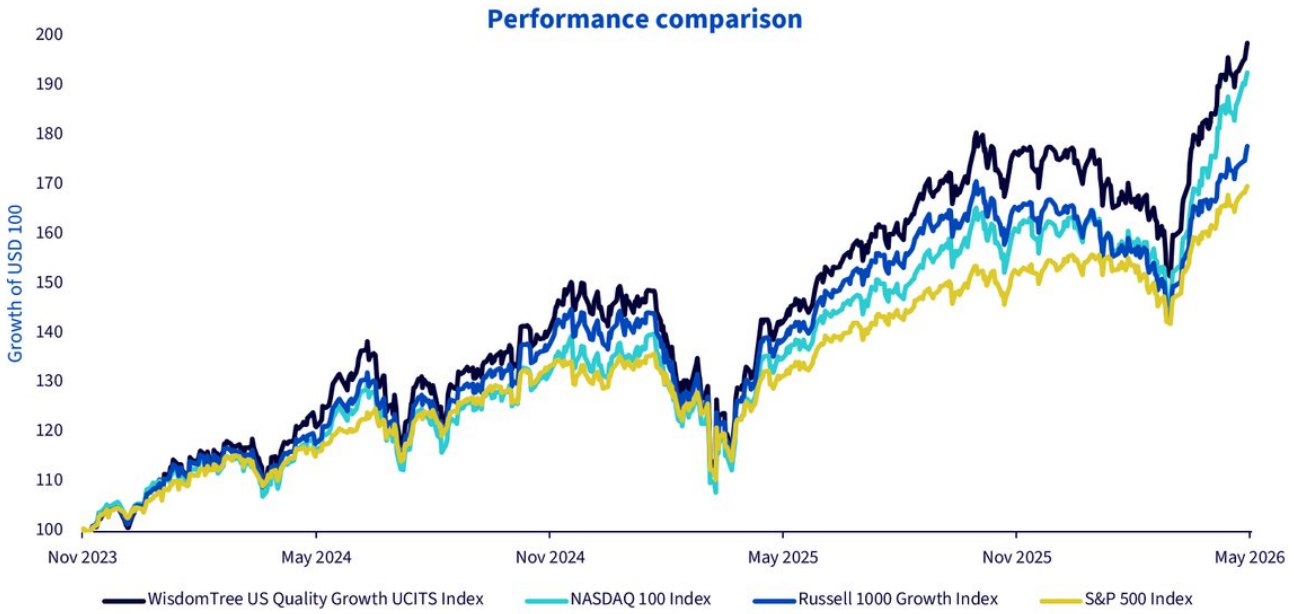
Periods of heightened investor interest often test the discipline of investment methodologies. Whether driven by a highly anticipated IPO, a popular investment theme or a company that has become synonymous with market leadership, there can be pressure to adapt index construction rules to reflect prevailing market sentiment.

The value of a rules-based process lies in its ability to remain consistent through these periods.

The differences between the WisdomTree US Quality Growth UCITS Index and traditional growth benchmarks are not the result of discretionary decisions. They are the outcome of a systematic process designed to identify companies that combine strong growth potential with high-quality fundamentals.

This approach naturally leads to a portfolio that can look very different from market-cap-weighted growth indexes. At times, it may exclude some of the market's most popular stocks while highlighting companies that receive far less attention from investors.

Importantly, this differentiated exposure has translated into results. Since its inception in November 2023, the WisdomTree US Quality Growth UCITS Index has outperformed several widely followed benchmarks, including the NASDAQ-100, S&P 500 and Russell 1000 Growth Index. While past performance does not guarantee future returns, the track record to date demonstrates the potential benefits of maintaining a disciplined focus on fundamentals.



Source: Bloomberg Finance L.P. From 30 Nov 2023 to 31 May 2026. Based on net total USD returns. **Historical performance is not an indication of future performance and any investments may go down in value.**

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