

Introducing the WisdomTree Global Quality Growth UCITS ETF

Published 26 February 2025

Ayush Babel

Director, Quantitative Research

Key Takeaways

- WisdomTree Global Quality Growth UCITS ETF (WGRO) provides Growth exposure to global developed markets without sacrificing Quality.
- More than 3 decades of global market data indicate that within High-Growth stocks, the dispersion of returns between High-Quality and Low-Quality is the largest over the growth spectrum, with High-Quality stocks outperforming Low-Quality stocks by more than 6% annualised returns, making the blend essential for a robust portfolio.
- WisdomTree's Quality Growth Strategy results in a high conviction portfolio with high active share versus the MSCI World Index and is designed to avoid the pitfalls of a High-Growth portfolio by blending the Quality factor.
- Related Products WisdomTree Global Quality Growth UCITS ETF - USD Acc Find out more

WisdomTree has launched the [WisdomTree Global Quality Growth UCITS ETF \(WGRO\)](#), which seeks to provide investors with a unique exposure to Growth in global developed markets without sacrificing on Quality. Contrary to some existing growth proxies of the growth in global developed markets, the [WisdomTree Quality Growth UCITS ETF \(WGRO\)](#) takes a holistic, fundamentally driven approach to portfolio construction. The [WisdomTree Global Quality Growth UCITS ETF \(WGRO\)](#) tracks the performance, before fees and trading costs, of the WisdomTree Global Quality Growth UCITS Index.

In this blog, we take you through the thought process behind the newly launched exchange-traded fund (ETF).

Identifying Growth stocks

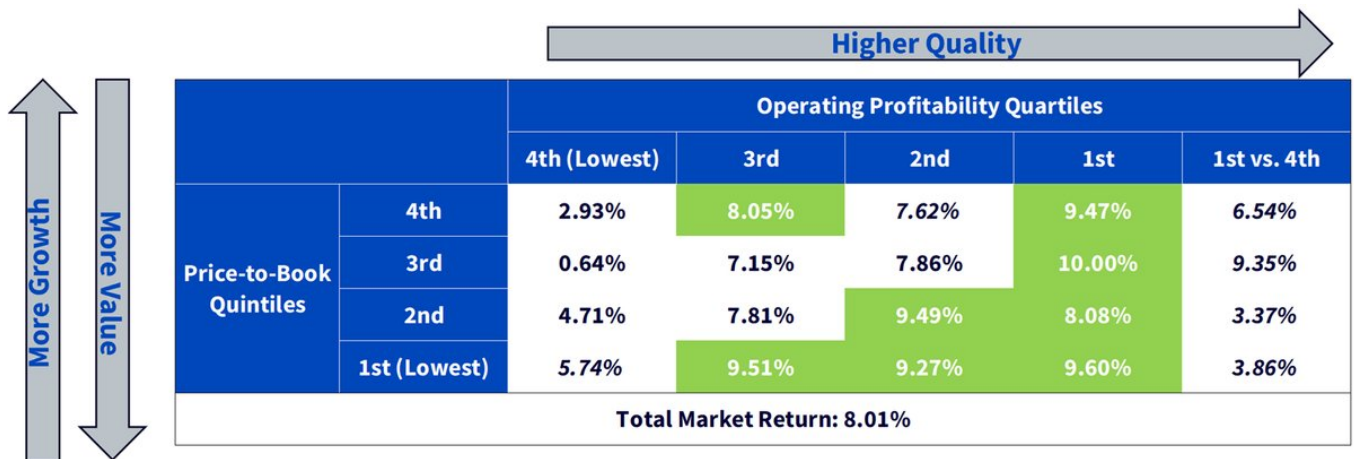
A few common measures used to identify Growth stocks include trailing sales and earnings growth, future sales and earnings growth estimates, and relative valuations like price-to-earnings, price-to-sales, and price-to-book ratios. Because earnings-based measures of Growth may be undefined for loss-making Growth companies, Growth strategies may ignore profitability considerations in favour of metrics like price-to-sales and price-to-book as proxies for Growth. At times, Growth investors become enamoured with more narrow non-earnings Growth measures like 'eyeballs' during the internet craze of the early 2000s or 'subscriber-growth' in recent years as it relates to streaming platforms and social media companies.

This can lead to an approach to Growth that over-weights highly speculative or junky Growth names. Alternatively, some investors have been considering focusing on Quality stocks—companies with higher profitability—to implicitly tilt towards profitable Growth stocks. But ignoring explicit Growth signals can exclude some of the fastest growing companies, diluting the intended growth exposure. The WisdomTree Global Quality Growth Index identifies stocks with Quality and Growth characteristics to avoid sacrificing either factor.

Blending Quality with Growth

Investors are familiar with the standard Value, Blend, and Growth styles. So why blend Quality with Growth? Higher operating profitability (Higher Quality) has outpaced Lower Quality over time. And that outperformance has been most pronounced in the market's Higher Growth (less Value) segments. In the below table the highest profitability quartile (1st quartile) outperformed the broad market controlling for valuation (price-to-book). When looking at the 4th quartile on price-to-book (the least Value/most Growth quartile), there was a spread of 6.54% annually between the highest and lowest profitability quartile. These historical returns suggest that investing in Growth stocks can be a losing game over the long run. We believe investors should, instead, consider investing in High-Quality Growth stocks.

Figure 1: Global developed markets Quality-Growth matrix



Source: Kenneth French Data Library, 01 Jul 1990– 31 December 2024. Period based on the availability of annual operating profitability returns sorted into quintiles, which begins on 01 Jul 1990. The market is developed markets listed equities grouped on the basis of operating profitability and price-to-book in the higher market cap (ME2 category). **Returns are annualised. Historical performance is not an indication of future performance and any investment may go down in value.**

WisdomTree Global Quality Growth UCITS Strategy

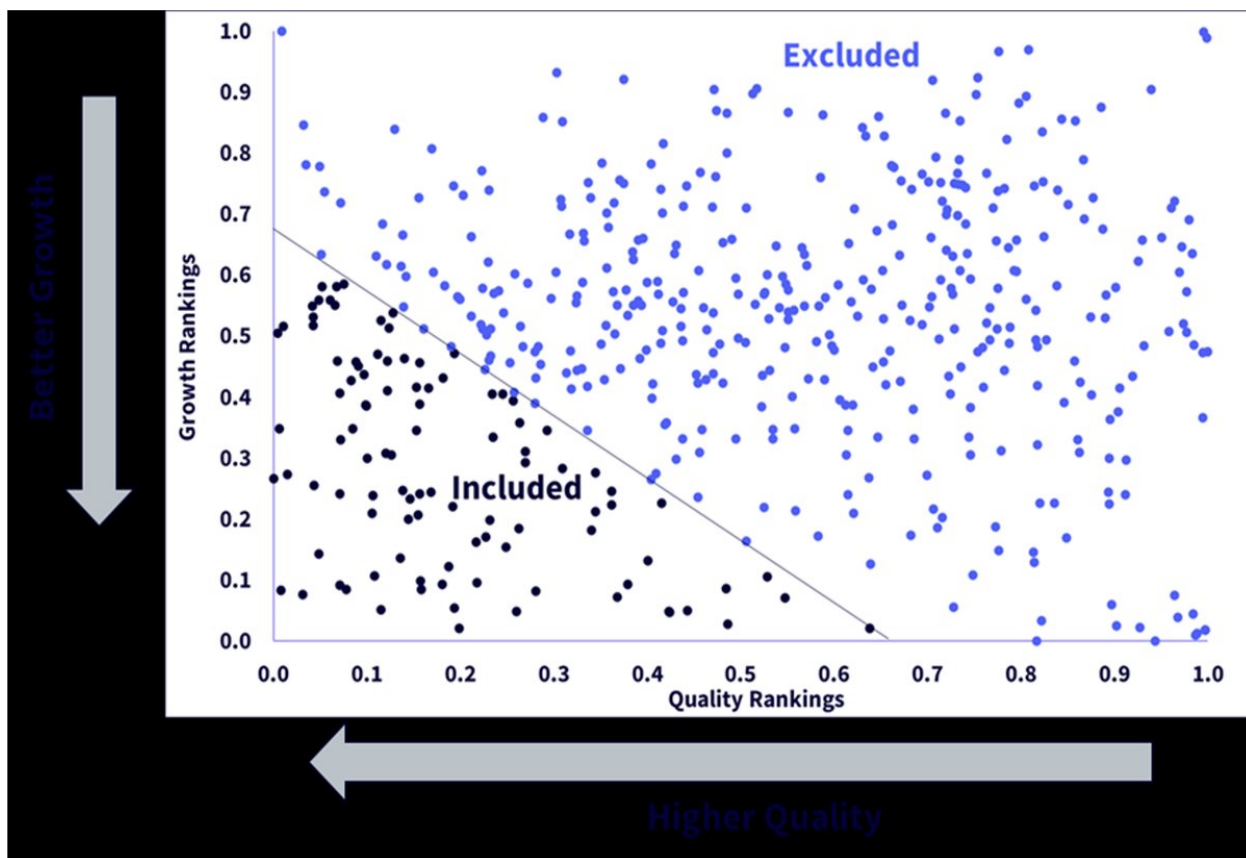
The WisdomTree Global Quality Growth UCITS Index is a market-cap-weighted index consisting of companies with Quality and Growth characteristics. The top 5001 listed US companies, 300 listed European companies, and 200 listed other international developed market companies, that satisfy the WisdomTree

ESG criteria, are ranked on a composite score of two fundamental factors: Growth and Quality, which are equally weighted. The Index comprises the top quintile selected independently from the 3 regions defined above, that leads to 100 US companies, 60 European companies, and 40 other international developed market companies with the highest composite scores in the portfolio.

Growth factor: the Growth factor is determined by a company's ranking based on a 50% weight in its median analyst earnings growth forecast, a 25% weight in its trailing five-year EBITDA2 growth, and a 25% weight in its trailing five-year sales growth.

Quality factor: the Quality factor is determined by a company's ranking based on a 50% weight to each of its trailing three-year average return on equity and trailing three-year average return on assets.

Figure 2: Visual representation of the selection process for each region



Source: WisdomTree, FactSet, as of 31 Dec 2024. Universe in purple dots (right of line) includes companies in the Top 500 of US equities, by market-cap filtered for WisdomTree ESG criteria. Navy dots (left of line) include companies included in the WisdomTree Global Quality Growth UCITS Index at the rebalance screening. **You cannot invest directly in an index.**

Conclusion: a Growth-oriented portfolio of High-Quality stocks with high active share

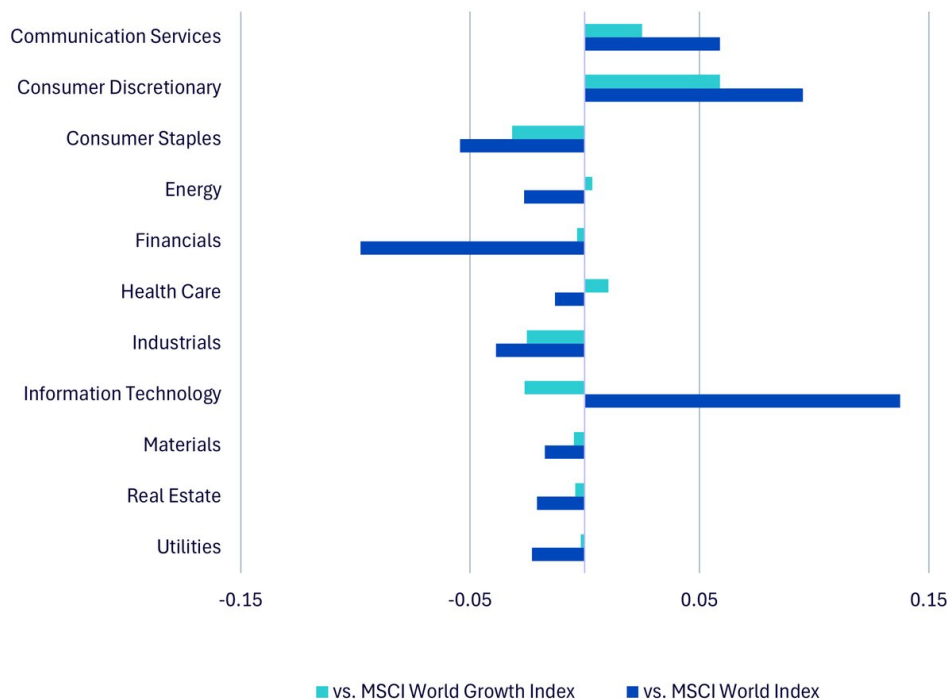
The index is intended to be a high-conviction, relatively concentrated Growth portfolio aimed at selecting High-Quality, High-Growth companies. As a result, the resulting portfolio has a high active share, and a high percentage weight allocated to the top 10 holdings

Source: WisdomTree, Factset. Data based on the underlying index WisdomTree Global Quality Growth UCITS Index as of 31 Dec 2024. Historical performance is not an indication of future performance and any investment may go down in value. You cannot invest directly in an index.

Source: WisdomTree, Factset. Data based on the underlying index WisdomTree Global Quality Growth UCITS Index as of 31 Dec 2024. Historical performance is not an indication of future performance and any investment may go down in value. You cannot invest directly in an index.

The resulting sector weights adapt dynamically to Quality and Growth tilts and, at present, indicate high exposure to ‘Information Technology’ and overweight to ‘Communication Services’ and ‘Consumer Discretionary’.

Figure 3: GICS3 sector exposures vs broader market



Source: WisdomTree, Factset. Data based on the underlying index WisdomTree Global Quality Growth UCITS Index as of 31 Dec 2024. **Historical performance is not an indication of future performance and any investment may go down in value. You cannot invest directly in an index.**

1 'Top' = by market capitalisation.

2 Earnings before interest, taxes, depreciation, and amortisation.

3 GICS = Global Industry Classification Standard.

Important Risks Related to this Article

IMPORTANT INFORMATION

Marketing communications issued in the European Economic Area (“EEA”): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

This marketing communication has been prepared for professional investors, but the WisdomTree products set out in this document may be available in some jurisdictions to any investors, subject to applicable laws and regulations. As the product may not be authorised or its offering may be restricted in your jurisdiction, it is the responsibility of every person or entity to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction. Prior to any application investors are advised to take all necessary legal, regulatory, tax and investment advice on the suitability and consequences of an investment in the products. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment.

An investment in exchange-traded products (“ETPs”) is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or

distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes.

This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements.

WisdomTree Issuer ICAV

The products discussed in this document are issued by WisdomTree Issuer ICAV ("WT Issuer"). WT Issuer is an umbrella investment company with variable capital having segregated liability between its funds organised under the laws of Ireland as an Irish Collective Asset-management Vehicle and authorised by the Central Bank of Ireland ("CBI"). WT Issuer is organised as an Undertaking for Collective Investment in Transferable Securities ("UCITS") under the laws of Ireland and shall issue a separate class of shares ("Shares") representing each fund.

The Fund is described in a Key Information Document (KID) or Key Investor Information Document (KIID) for UK investors, and the prospectus of WT Issuer ("WT Prospectus"). A copy of the WT Prospectus and the KID / KIID is available, for EEA/UK only, in English at www.wisdomtree.eu. Where required under national rules, the KID will also be available in the local language of the relevant EEA Member State. Investors should read the WT Prospectus before investing and should refer to the section of the WT Prospectus entitled »Risk Factors¼ for further details of risks associated with an investment in the Shares.

The summary of investor rights associated with an investment in the fund is available in English on WisdomTree Europe's website. WisdomTree Management Limited may decide to terminate the arrangements made for the marketing of its collective investment undertakings. In such circumstances, shareholders in the affected EEA Member State will be notified of this decision and will be provided with the opportunity to redeem their shareholding in the fund free of any charges or deductions for at least 30 working days from the date of such notification.

Notice to Investors in Switzerland – Qualified Investors

This document constitutes an advertisement of the financial product(s) mentioned herein.

The prospectus and the key investor information documents (KIID) are available from WisdomTree's website: <https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports>

Some of the sub-funds referred to in this document may not have been registered with the Swiss Financial Market Supervisory Authority ("FINMA"). In Switzerland, such sub-funds that have not been registered with FINMA shall be distributed exclusively to qualified investors, as defined in the Swiss Federal Act on Collective Investment Schemes or its implementing ordinance (each, as amended from time to time). The representative and paying agent of the sub-funds in Switzerland is Société Générale Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich, Switzerland. The prospectus, the key investor information documents (KIID), the articles of association and the annual and semi-annual reports of the sub-funds are available free of charge from the representative and paying agent. As regards distribution in Switzerland, the place of jurisdiction and performance is at the registered seat of the representative and paying agent.

For Investors in France:

The information in this document is intended exclusively for professional investors (as defined under the MiFID) investing for their own account and this material may not in any way be distributed to the public. The distribution of the Prospectus and the offering, sale and delivery of Shares in other jurisdictions may be restricted by law. WT Issuer is a UCITS governed by Irish legislation, and approved by the Financial Regulatory as UCITS compliant with European regulations although may not have

to comply with the same rules as those applicable to a similar product approved in France. The Fund has been registered for marketing in France by the Financial Markets Authority (Autorité des Marchés Financiers) and may be distributed to investors in France. Copies of all documents (i.e. the Prospectus, the Key Investor Information Document, any supplements or addenda thereto, the latest annual reports and the memorandum of incorporation and articles of association) are available in France, free of charge at the French centralizing agent, Societe Generale at 29, Boulevard Haussmann, 75009, Paris, France. Any subscription for Shares of the Fund will be made on the basis of the terms of the prospectus and any supplements or addenda thereto.

For Investors in Malta: This document does not constitute or form part of any offer or invitation to the public to subscribe for or purchase shares in the Fund and shall not be construed as such and no person other than the person to whom this document has been addressed or delivered shall be eligible to subscribe for or purchase shares in the Fund. Shares in the Fund will not in any event be marketed to the public in Malta without the prior authorisation of the Maltese Financial Services Authority.

For Investors in Monaco: This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.