

# WCLD: A Top Performing Tech ETF Positioned for a “New Normal”

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Determining how much the coronavirus has permanently changed businesses is one of the biggest challenges facing corporations and investors today.

Disruptive events, like the COVID-19 pandemic, are often catalysts for long-term operating changes. These market dislocations can expose companies that are driving or quickly adapting to change, and create opportunities for significant gains in market share.

Last year WisdomTree launched the [WisdomTree Cloud Computing Fund \(WCLD\)](#) with high conviction that the widespread adoption of cloud-based computing could not only disrupt the software industry, but permanently alter standards of business and human interaction.

As a thematic fund, WCLD’s strategy is predicated on the long-term structural shift toward cloud-based computing, rather than short-term cyclical or technical signals.

The coronavirus has forced companies to adjust to this “new normal.” Digitizing operations and implementing tools that enable a distributed workforce are critically important to business continuity.

We believe the pandemic-induced business disruption has accelerated the shift to the cloud and will lead to rapid growth for the industry. In our view, WCLD’s year-to-date outperformance versus broad market indices demonstrates that a significant transformation is already underway. For standardized performance of WCLD, please click [here](#).

As of writing, the average large-cap blend fund, representing the overall U.S. stock market, is down 13.31% year-to-date, according to Morningstar.<sup>1</sup> The top-performing U.S. equity category has been Technology, which is flat year-to-date with average fund performance of -0.01%.<sup>2</sup>

**In the U.S. Technology category, which includes 236 funds, WCLD is among the top five performing funds year-to-date. WCLD has returned 24.81%<sup>3</sup>, outperforming the U.S. Technology category average by approximately 2,482 basis points (bps)!**

If we compare the ETFs in the U.S. Technology category, the results make a compelling case in support of WCLD.

WCLD has outperformed by approximately 2,464 bps year-to-date with an expense ratio that is 10 bps below the average U.S. Technology ETF.<sup>4</sup>

**U.S. Technology ETFs - Expense Ratio vs. Year-to-Date Performance**



Sources: WisdomTree, Morningstar, as of 5/15/20. For the period 12/31/19–5/14/20, performance at NAV. Past performance is no guarantee of future results. There are 69 U.S. Technology ETFs. Current performance may be lower or higher than quoted. Investment returns and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. The most recent month-end performance is available at [wisdomtree.com](http://wisdomtree.com)

On average, ETFs in the Morningstar U.S. Tech category hold only 12% of their total weight in pure-play cloud computing companies.<sup>5</sup> The funds ranking in the top quartile based on year-to-date performance have double the average cloud exposure, with 24% of their total weight held in cloud companies on average. Meanwhile, funds in the bottom quartile have 3% exposure to the cloud industry, on average.<sup>6</sup>

**US Technology ETFs - Cloud Exposure vs. Year-to-Date Performance**



Sources: WisdomTree, FactSet, Morningstar. Year-to-date performance for the period 12/31/19–5/14/20, at NAV. Weights as of 4/30/20. Past performance is no guarantee of future results. There are 69 U.S. Technology ETFs. Short-term performance may often reflect conditions that are likely not sustainable, and thus such performance may not be repeated in the future.

### WCLD Provides Unique, Targeted Cloud Exposure

WCLD, through a collaboration with Nasdaq, leverages the expertise of Bessemer Venture Partners (BVP), a leading venture capital investor in cloud-based businesses with more than a decade of investment success in the cloud computing industry.

WCLD seeks to track the price and yield performance, before fees and expenses, of the BVP Nasdaq Emerging Cloud Index (EMCLOUD). BVP, in collaboration with Nasdaq, sets the investment parameters for selecting eligible cloud company constituents within EMCLOUD's investment methodology.

Among key investment criteria are revenue thresholds and growth requirements that are suited to identifying emerging cloud companies with rapid growth potential. The end result of these constraints is a unique basket of 52 cloud stocks that has very limited overlap with benchmark indexes for U.S. equities, tech and growth strategies. The S&P 500, S&P 500 Growth, [S&P 500 Information Technology](#) and Nasdaq 100 Indexes only share four to five companies in common with WCLD—and they all hold less than 10% of their weight across these companies.<sup>7</sup>

The coronavirus pandemic could drive permanent changes in standards for remote work and data management. We see WCLD as a potential way for investors to position for long-term growth in the cloud computing industry and as a hedge against disruptive forces of change in technology and in our current operating environment.

<sup>1</sup>WisdomTree, Morningstar, as of 5/15/20. For the period 12/31/19–5/14/20, performance at NAV.

<sup>2</sup>WisdomTree, Morningstar, as of 5/15/20. For the period 12/31/19–5/14/20, performance at NAV.

3WisdomTree, Morningstar, as of 5/15/20. For the period 12/31/19–5/14/20, performance at NAV.

4WisdomTree, Morningstar, as of 5/15/20. For the period 12/31/19–5/14/20, performance at NAV.

5WisdomTree, FactSet, Morningstar. Year-to-date performance quartiles based on performance for the period 12/31/19–5/14/20, at NAV. Pure-play cloud computing companies are defined as the constituents of WCLD. Weights held in pure-play cloud companies are as of 4/30/20.

6WisdomTree, FactSet, Morningstar. Year-to-date performance quartiles based on performance for the period 12/31/19–5/14/20, at NAV. Pure-play cloud computing companies are defined as the constituents of WCLD. Weights held in pure-play cloud companies are as of 4/30/20.

7WisdomTree, FactSet, as of 4/30/20. Pure-play cloud computing companies are defined as the constituents of WCLD. Constituents are subject to change.

## Important Risks Related to this Article

Past performance is no guarantee of future results.

There are risks associated with investing, including the possible loss of principal. The Fund invests in cloud computing companies, which are heavily dependent on the Internet and utilizing a distributed network of servers over the Internet. Cloud computing companies may have limited product lines, markets, financial resources or personnel and are subject to the risks of changes in business cycles, world economic growth, technological progress and government regulation. These companies typically face intense competition and potentially rapid product obsolescence. Additionally, many cloud computing companies store sensitive consumer information and could be the target of cybersecurity attacks and other types of theft, which could have a negative impact on these companies and the Fund. Securities of cloud computing companies tend to be more volatile than securities of companies that rely less heavily on technology and, specifically, on the Internet. Cloud computing companies can typically engage in significant amounts of spending on research and development, and rapid changes to the field could have a material adverse effect on a company's operating results. 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.

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