

# Going Head-to-Head with QQQ

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## Key Takeaways

- The [WisdomTree U.S. Quality Growth Fund \(QGRW\)](#) has outperformed the Invesco QQQ Trust (QQQ) in 2024, driven by its focus on both quality and growth metrics.
- [QGRW](#) has maintained a strong risk-adjusted performance with higher returns on equity and assets than QQQ, appealing to investors prioritizing fundamental strength.
- While [QGRW](#) benefits from structural advantages in stock selection, it remains an alternative to QQQ for those seeking exposure to top U.S. growth companies with a quality tilt.

## Listen to the blog post below:

How many exchange-traded funds (ETFs) have roughly \$300 billion in assets under management? Very, very few.

The Invesco QQQ Trust, Series 1 (QQQ), designed to track the total return performance, before fees, of the Nasdaq 100 Index, is one of them.<sup>1</sup> Looking at figure 1, a key reason why is directly visible in the 10-year return as of September 30, 2024.

18.28%, annualized for 10 years, is an extremely strong number.

## Figure 1: Standardized Returns

Fund Name	Fund Ticker	Fund Inception Date	Fund Expense Ratio	Year-to-Date	1-Year	3-Year	5-Year	10-Year	Since Fund Inception
WisdomTree U.S. Quality Growth Fund (NAV)	QGRW	12/15/2022	0.28%	24.89%	43.97%	N/A	N/A	N/A	39.63%
WisdomTree U.S. Quality Growth Fund (MP)	QGRW	12/15/2022	0.28%	24.92%	43.91%	N/A	N/A	N/A	39.65%
Invesco QQQ Trust, Series 1 (NAV)	QQQ	3/10/1999	0.20%	19.76%	37.16%	11.65%	21.72%	18.28%	9.93%
Invesco QQQ Trust, Series 1 (MP)	QQQ	3/10/1999	0.20%	19.70%	37.16%	11.62%	21.71%	18.28%	9.93%

Sources: LSEG, FactSet and WisdomTree, specifically data is from the PATH Fund Comparison Tool, as of 9/30/24. NAV denotes total return performance at net asset value. MP denotes market price performance.

**Past performance is not indicative of future results. Investment return 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. Current performance may be lower or higher than the performance data quoted. For the most recent month-end and standardized performances, click the respective ticker: [QGRW](#), [QQQ](#).**

In our opinion, the strongest strategies with the most assets under management have the potential to inspire the best competition.

### Case in Point: the [WisdomTree U.S. Quality Growth Fund \(QGRW\)](#)

Not everyone realizes that the Nasdaq 100 Index is focused on the 100 largest non-financial companies listed on the Nasdaq exchange. Its methodology does not directly reference “growth” or “technology,” even if we might intuitively think of these things when we think of this benchmark in 2024.2

On the other hand, [QGRW](#), designed to track the total return performance, before fees, of the WisdomTree U.S. Quality Growth Index, is specifically focused on some of the largest companies by market capitalization in the U.S. equity market that deliver strongly on both growth and quality metrics. Size or exchange listing alone does not denote the constituents.

## 10 Months into 2024

As we write these words, it has been nearly two years since the world was introduced to ChatGPT. This application sparked a rally in what we now think of as the Magnificent 73—some of the largest companies by market capitalization in the world. These companies have significant exposures in the Nasdaq 100 Index, and they have contributed strongly to its recent performance.

However, we can see in figure 2 that [QGRW](#) was able to outpace QQQ for the first 10 months of 2024.

## Figure 2: 10 Months of 2024

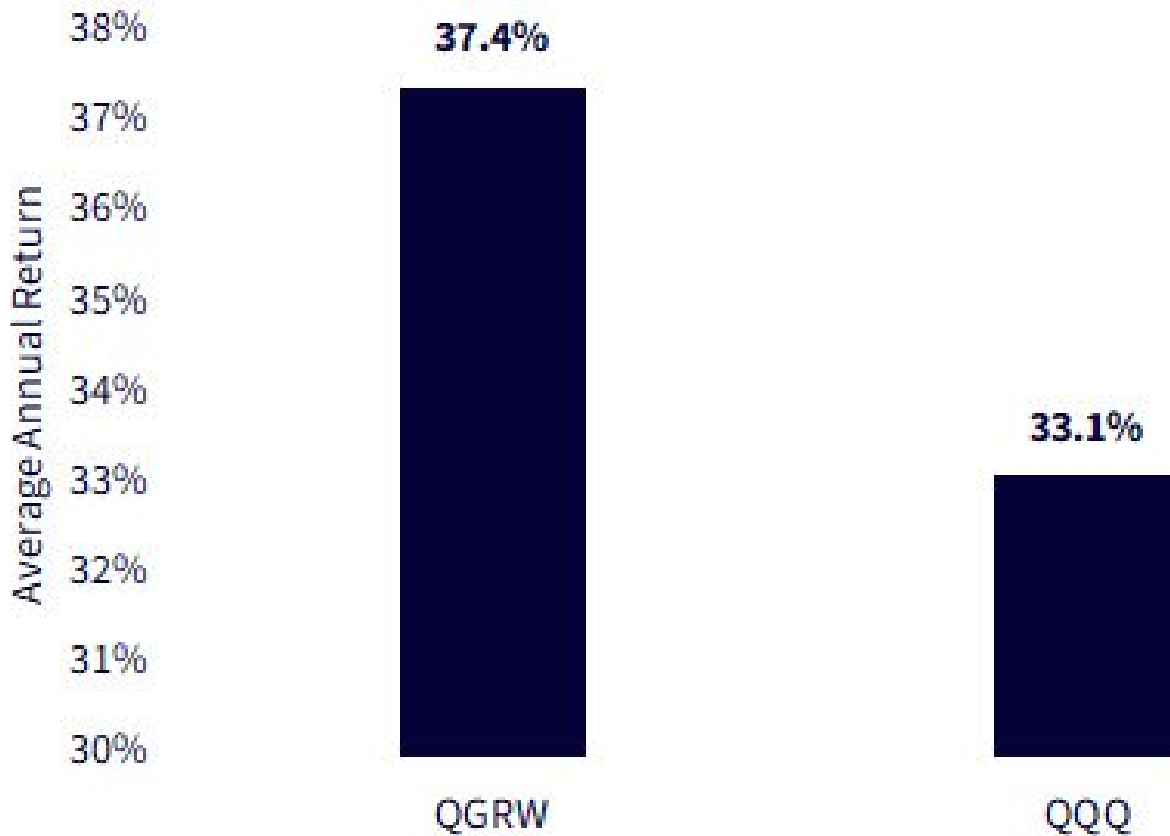


Sources: LSEG, FactSet and WisdomTree, specifically data is from the PATH Fund Comparison Tool, as of 10/31/24. NAV denotes total return performance at net asset value. MP denotes market price performance. **Past performance is not indicative of future results. Investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the most recent month-end and standardized performances, click the respective ticker: [QGRW](#), [QQQ](#).**

But **QGRW's** strength was not just a 2024 phenomenon. Figure 3 looks back at the full common period from December 14, 2022, through November 1, 2024.

We see roughly 430 basis points of annualized outperformance over QQQ.

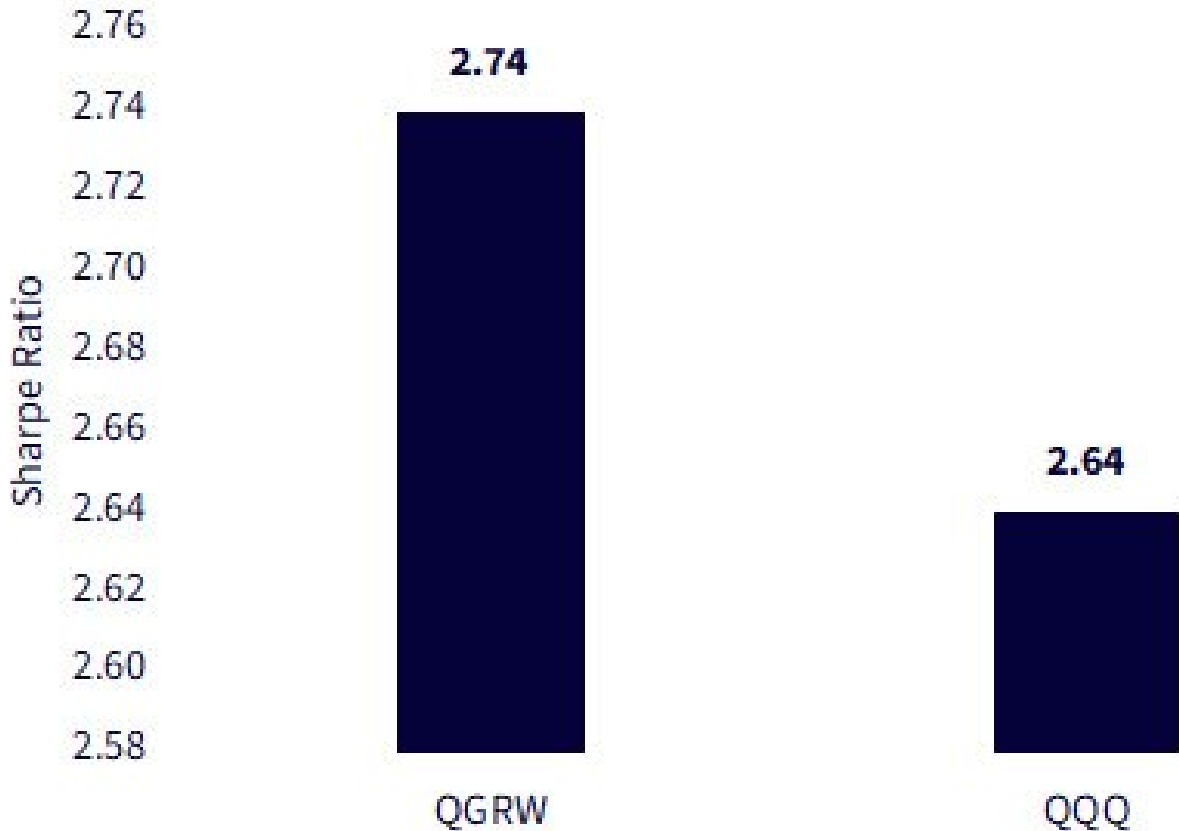
## Figure 3: Average Annual Returns since QGRW’s Inception



Sources: LSEG, FactSet and WisdomTree, specifically data is from the PATH Fund Comparison Tool, as of 11/1/24. Period is from QGRW inception through 11/1/24. NAV denotes total return performance at net asset value. MP denotes market price performance. **Past performance is not indicative of future results. Investment return 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. Current performance may be lower or higher than the performance data quoted. For the most recent month-end and standardized performances and to download the respective Fund prospectuses, click the respective ticker: [QGRW](#), [QQQ](#).**

**QGRW** did exhibit, however, a higher standard deviation, so it makes sense to also look at the Sharpe ratio, a statistic that relates the return minus the risk-free rate divided by the standard deviation. A higher value indicates that a strategy's risk-adjusted return is stronger, and in this case, **QGRW** is again the winner.

#### Figure 4: Sharpe Ratio since QGRW Inception



Sources: LSEG, FactSet and WisdomTree, specifically data is from the PATH Fund Comparison Tool, as of 11/1/24. Period is from QGRW inception through 11/1/24. NAV denotes total return performance at net asset value. MP denotes market price performance. **Past performance is not indicative of future results. Investment return 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. Current performance may be lower or higher than the performance data quoted. For the most recent month-end and standardized performances and to download the respective Fund prospectuses, click the respective ticker: [QGRW](#), [QQQ](#).**

WisdomTree recently added a new functionality to its Fund Compare tool within the PATH suite of tools, which is the capability to look at rolling returns.

Looking at rolling 1-year returns in figure 5, [QGRW](#) has consistently outpaced QQQ. The more recent 1-year periods are showing a larger gap in favor of [QGRW](#), but there is no guarantee that this will continue. Still, we note that this is happening during a period when the world's focus is on the largest companies—many of which are well-represented within the Nasdaq 100 Index that QQQ is tracking.

## Figure 5: Rolling 1-Year Returns



Sources: LSEG, FactSet and WisdomTree, specifically data is from the PATH Fund Comparison Tool, as of 11/1/24. The rolling 1-year periods are calculated on a monthly basis, such that the starting date, 12/31/22, represents the first month-end after QGRW inception. NAV denotes total return performance at net asset value. MP denotes market price performance. **Past performance is not indicative of future results. Investment return 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. Current performance may be lower or higher than the performance data quoted. For the most recent month-end and standardized performances, click the respective ticker: [QGRW](#), [QQQ](#).**

## Conclusion: Consequences of Index Design

It would be remarkable to design a strategy that will always outperform the Nasdaq 100 Index—we cannot claim to have done that. Future returns are always unknown.

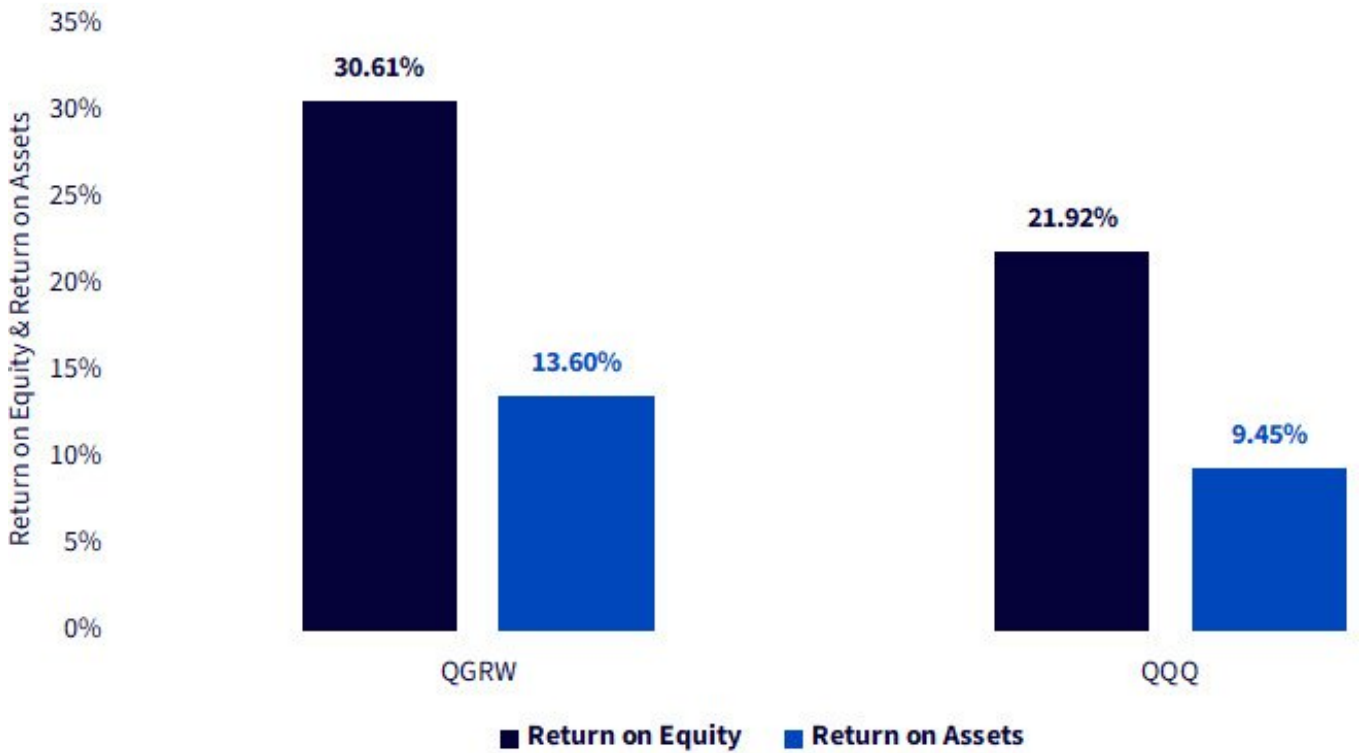
However, an index is designed to focus on particular areas. The WisdomTree U.S. Quality Growth Index is directly designed to measure the quality and growth characteristics of the underlying companies. The Nasdaq 100 Index is not directly measuring these things or using them to determine which companies to include and exclude.

When we, therefore, look at figures 6 and 7, we can see that:

- [QGRW](#) has a stronger return on equity (ROE) and return on assets (ROA) than QQQ.

Again, these things do not automatically lead to “better returns” all of the time, but we’d note that many investors we speak to do appreciate what these statistics represent about the underlying basket of stocks.

**Figure 6: Return on Equity and Return on Assets as the “Quality” Statistics**



Sources: LSEG, FactSet and WisdomTree, specifically data is from the PATH Fund Comparison Tool, as of 11/1/24.

**Figure 7: Gauging the Earnings Growth of the Underlying Companies of QGRW vs. QQQ**



Sources: LSEG, FactSet and WisdomTree, specifically data is from the PATH Fund Comparison Tool, as of 9/30/24.

## Figure 8: Important Information

Fundamentals	WisdomTree U.S. Quality Growth Fund	Invesco QQQ Trust, Series 1
Objective	The WisdomTree U.S. Quality Growth Fund is designed to track the total return performance, before fees, of the WisdomTree U.S. Quality Growth Index. The Index focuses on companies with strong growth and quality fundamentals and targets exposure to the top 100 companies ranked on these fundamentals which are then market capitalization-weighted.	The Invesco QQQ Trust, Series 1, is designed to track the total return performance, before fees, of the Nasdaq 100 Index. The Index includes 100 of the largest domestic and international nonfinancial companies listed on the Nasdaq Stock Market based on market capitalization.
Risks	There are risks associated with investing, including the possible loss of principal. Growth stocks, as a group, may be out of favor with the market and underperform value stocks or the overall equity market. Growth stocks are generally more sensitive to market movements than other types of stocks. The Fund is non-diversified; as a result, changes in the market value of a single security could cause greater fluctuations in the value of Fund shares than would occur in a diversified fund. 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.	There are risks involved with investing in ETFs, including possible loss of money. Shares are not actively managed and are subject to risks similar to those of stocks, including those regarding short selling and margin maintenance requirements. Ordinary brokerage commissions apply. The Fund's return may not match the return of the Underlying Index. The Fund is subject to certain other risks. Please see the current prospectus for more information regarding the risk associated with an investment in the Fund. Investments focused in a particular sector, such as technology, are subject to greater risk, and are more greatly impacted by market volatility, than more diversified investments.
Price to Sales Ratio	7.53x	5.58x
Price to Book Ratio	13.74x	8.29x
Price to Cash Flow Ratio	28.96x	24.65x
Est. Price to Earnings Ratio	30.99x	27.32x
Est. Price to Earnings Ratio (excludes firms with negative earnings)	30.62x	27.00x
% of Firms with Negative Earnings	1.74%	3.52%
Total Expense Ratio	0.28%	0.20%
Total Assets Under Management (millions)	\$536.40	\$294,670.00

Sources: LSEG, FactSet and WisdomTree; specifically, data is from the PATH Fund Comparison Tool, as of 9/30/24, except for the Total Assets Under Management, which is as of 11/1/24.

1 Source: Invesco's website with general information on QQQ, available as of the November 1, 2024 market close.

2 Source: [chrome-extension://efaidnbmninnibpcjpcglclefindmkaj/https://indexex.nasdaq.com/docs/Methodology\\_NDX.pdf](https://indexex.nasdaq.com/docs/Methodology_NDX.pdf)

3 The Magnificent 7 is a term coined to denote Alphabet, Amazon, Apple, Microsoft, Meta Platforms, Nvidia and Tesla.

## Important Risks Related to this Article

There are risks associated with investing, including the possible loss of principal. Growth stocks, as a group, may be out of favor with the market and underperform value stocks or the overall equity market. Growth stocks are generally more sensitive to market movements than other types of stocks. The Fund is non-diversified; as a result, changes in the market value of a single security could cause greater fluctuations in the value of Fund shares than would occur in a diversified fund. 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.