Is WisdomTree a Value or Growth Shop?

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The murmurings are starting. Maybe a value stock cycle is underway. Are you looking?

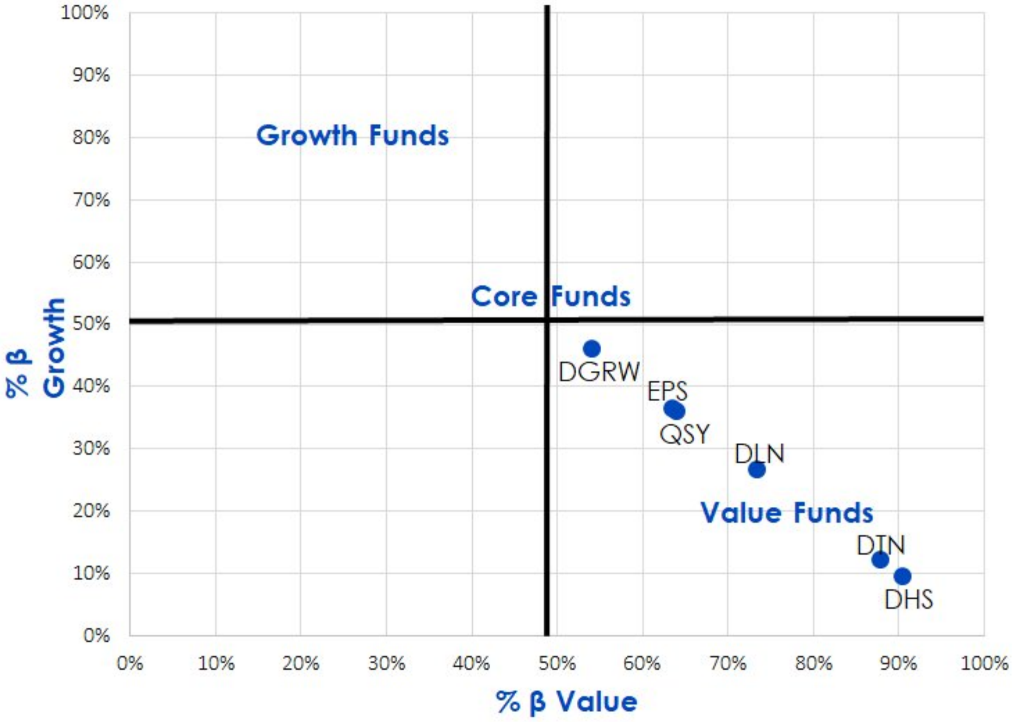
Growth stocks ran up 271% from July 2006 through September 2018, more than doubling the 129% gain in value stocks over that time.1

But an ever-so-slight rotation has taken hold, with value strategies beating growth by 313 basis points (bps) since the end of the third quarter of 2018. Maybe it's time to start considering that new market leadership may be upon us.

If so, is WisdomTree the place to be? I've staked my career on it.

The chart below shows that all six WisdomTree U.S. large-cap exchange-traded funds2 (ETFs) in existence for at least five years tilt more toward value than growth, including one of our core offerings that has the word "Growth" in its name—the WisdomTree U.S. Quality Dividend Growth Fund (DGRW), which tracks the WisdomTree U.S. Quality Dividend Growth Index.

Percentage of Commonality with S&P 500 Growth and S&P 500 Value Indexes



Sources: WisdomTree, Bloomberg Fund Style Analysis. The grid shows U.S. funds that have a large-cap emphasis on "growth" and "value" scales using S&P 500 Growth and S&P 500 Value indexes. Data for the period 1/31/14–1/31/19. Percentage β to Growth + β to Value add up to 100% in binary style attribution. Past performance is not indicative of future results. You cannot invest directly in an index.

That means even the most "growthy" of the six has slightly more of a value flavor than the S&P 500 Index.

Another core WisdomTree Fund is the WisdomTree U.S. Earnings 500 Fund (EPS), our answer to the S&P 500. It tracks the WisdomTree U.S. Earnings 500 Index and also has a value skew because it often trades a couple of P/E multiple points below the broad market (currently 14.2 against the S&P's 16.7 forward P/E).

After the core Funds (DGRW, EPS and QSY), the three other ETFs are clearly value. The one that is "deepest value"—for those believing that a shift in market internals is upon us—is the WisdomTree U.S. High Dividend Fund (DHS). It has been around since Day 1 in 2006. For people interested in the FAANGs (Facebook, Amazon, Apple, Netflix and Google's parent, Alphabet), those types of companies aren't going to show up in DHS—at least, not at the moment.

For investors like me who think the 100+% performance gap between growth and value since 2006 is ripe for reversal, the graph is a reference point for deciding where to be on the spectrum. At least within U.S. equities, WisdomTree is primed if value starts to click. We are a value shop.

Unless otherwise stated, all data is from Bloomberg through February 22, 2019. "Value" and "growth" refer to the respective S&P 500 indexes with those names.

1Source: Bloomberg, using S&P 500 Growth and Value, 07/31/2006-09/30/2018.
2Large Cap ETFs include: WisdomTree U.S. Quality Dividend Growth Fund (DGRW), WisdomTree U.S. Earnings 500 Fund (EPS), WisdomTree U.S. Quality Shareholder Yield Fund (QSY), WisdomTree U.S. LargeCap Dividend Fund (DLN), WisdomTree U.S. Dividend ex-Financials Fund (DTN), WisdomTree U.S. High Dividend Fund (DHS)

Important Risks Related to this Article

There are risks associated with investing, including possible loss of principal. Funds focusing their investments on certain sectors increase their vulnerability to any single economic or regulatory development. This may result in greater share price volatility. While QSY 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.