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Drawing Capital

Finding the Next 10X Investment Opportunities

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Finding the Next 10X Investment Opportunities

Presented by:

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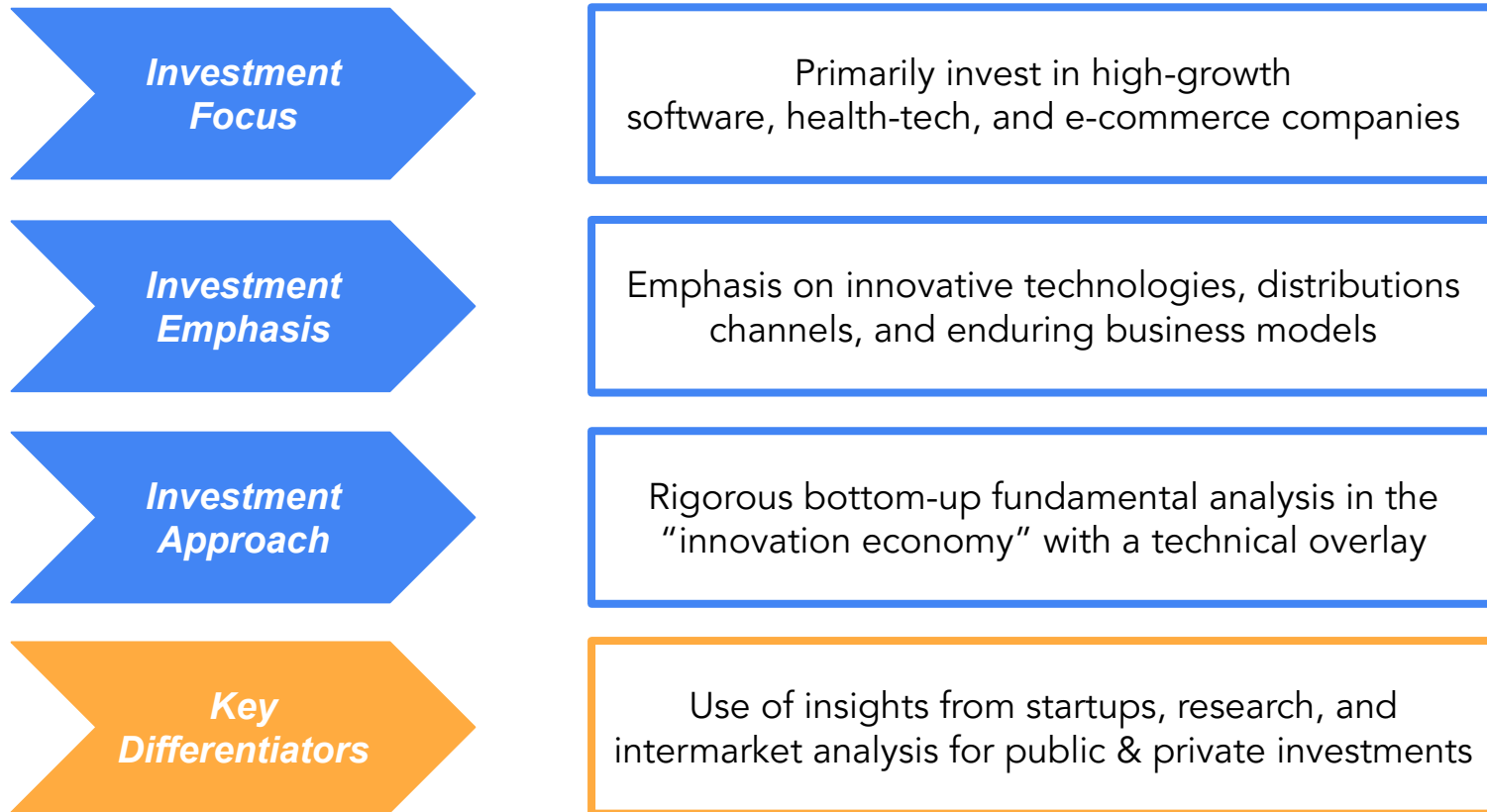


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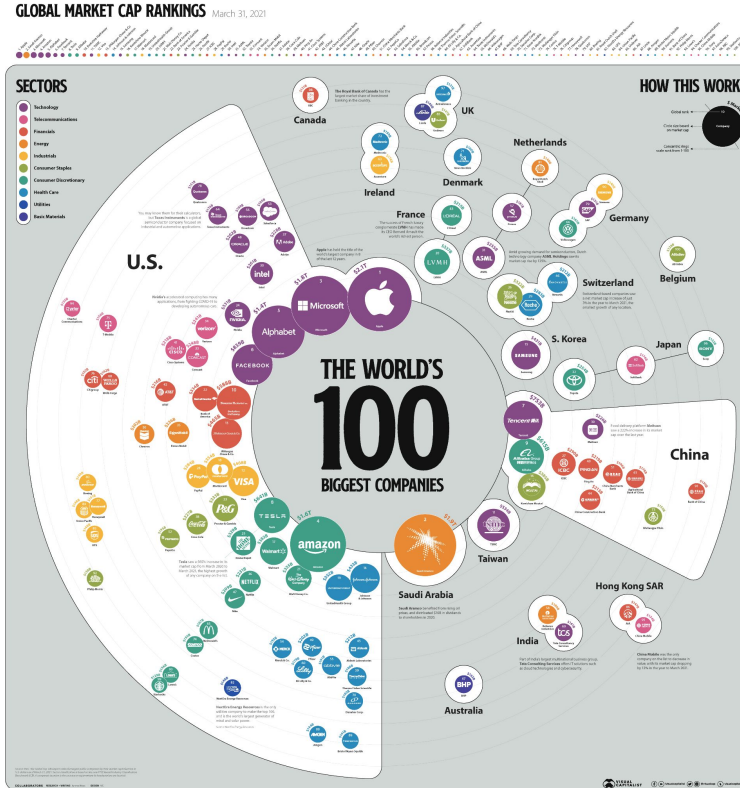
Historical Context & Rise of Large Technology Companies



- The top companies by market cap evolve over time, suggesting that change is the only constant over time.
- The FANGMAN acronym summarizes seven of the leading large technology companies today.



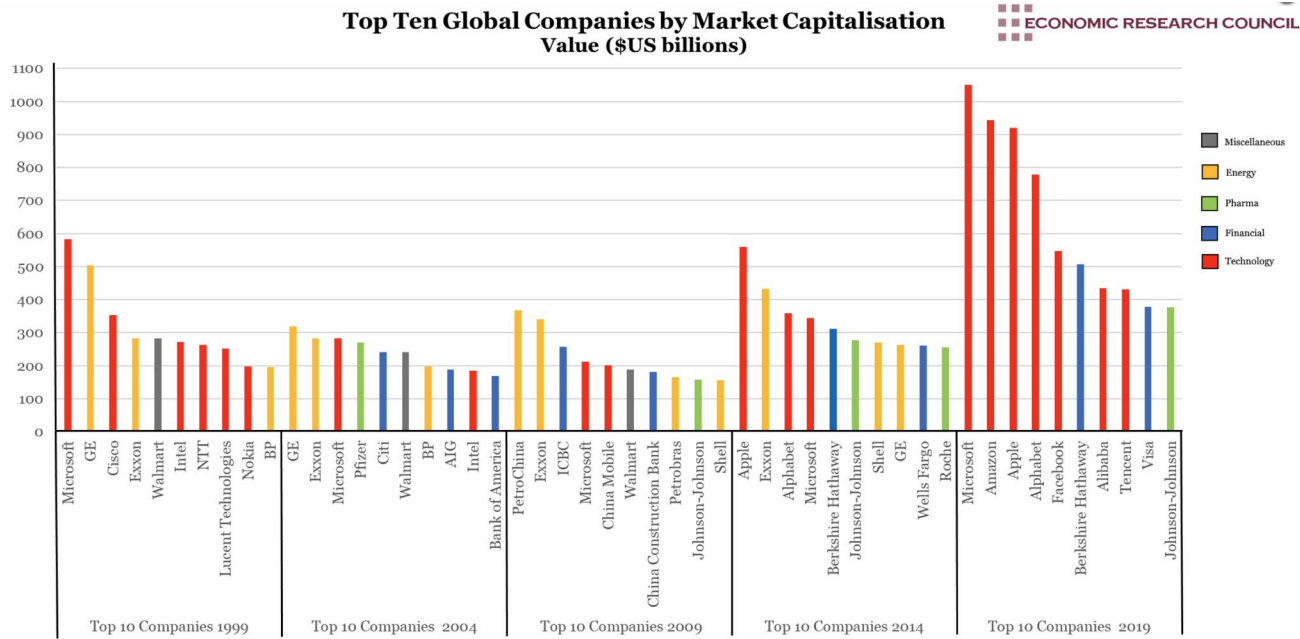
Visualizing the Largest Companies in the World



Data Source: Visual Capitalist, as of March 31, 2021. Any trading symbols, entities or investment products displayed are for illustrative purposes only and are not intended to portray recommendations. Past performance is not necessarily indicative of future results. Source: <https://www.visualcapitalist.com/the-biggest-companies-in-the-world-in-2021>



Change is the Only Constant Over Time for Large Company Rankings



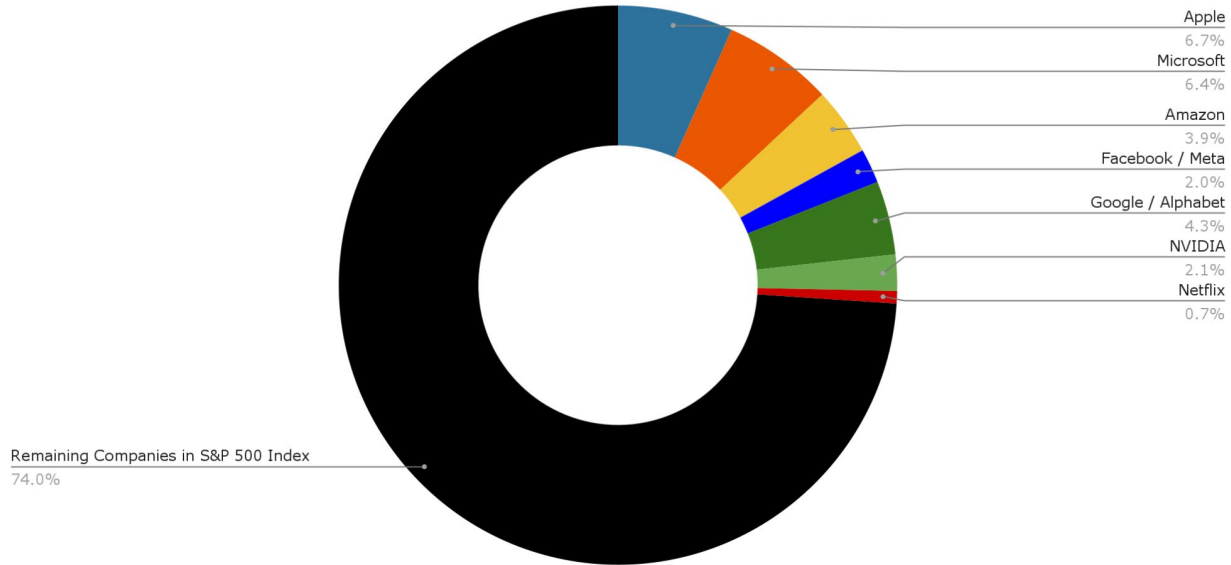
Source: ERC analysis of FT and Google Finance data via Visual Capitalist



FANGMAN Companies Represent about 25% of the S&P 500 Index

FANGMAN Percentage Allocation in S&P 500 SPY ETF (\$VOO)

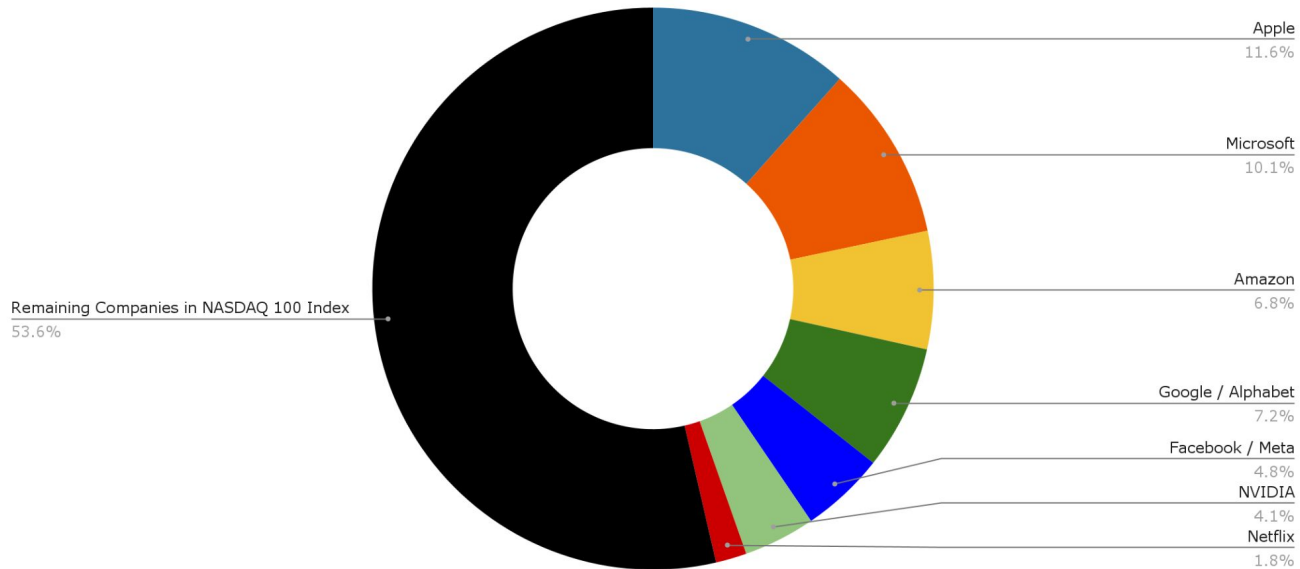
Chart by Drawing Capital and Data from Morningstar as of November 30, 2021 (<https://www.morningstar.com/etfs/arcx/spy/portfolio>)

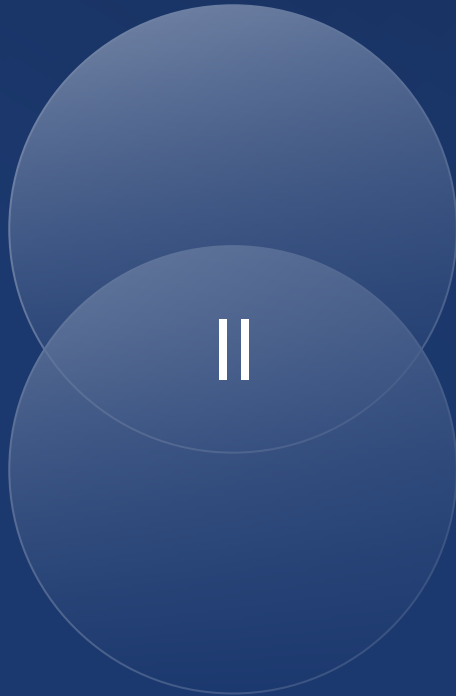


FANGMAN Companies Represent about Half of the NASDAQ 100 Index

FANGMAN Percentage Allocation in NASDAQ 100 ETF (\$QQQ)

Chart by Drawing Capital and Data from Morningstar as of December 30, 2021 (<https://www.morningstar.com/etfs/xnas/qqq/portfolio>)



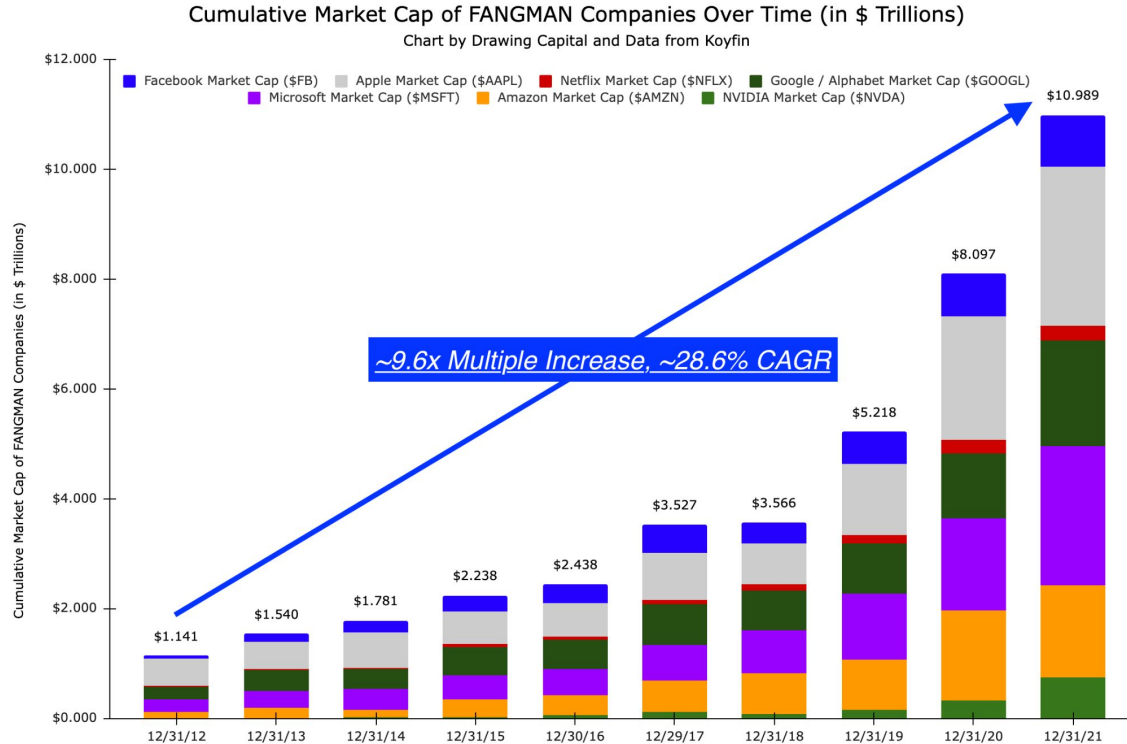


FANGMAN Company Performance

- The market valuations of FANGMAN companies cumulatively reached nearly \$11 trillion in December 2021.
- The market valuations of FANGMAN companies grew about 7x from 2013-2020.
- The 7 FANGMAN companies represent about half of the NASDAQ 100 Index and about one-quarter of the S&P 500 Index.



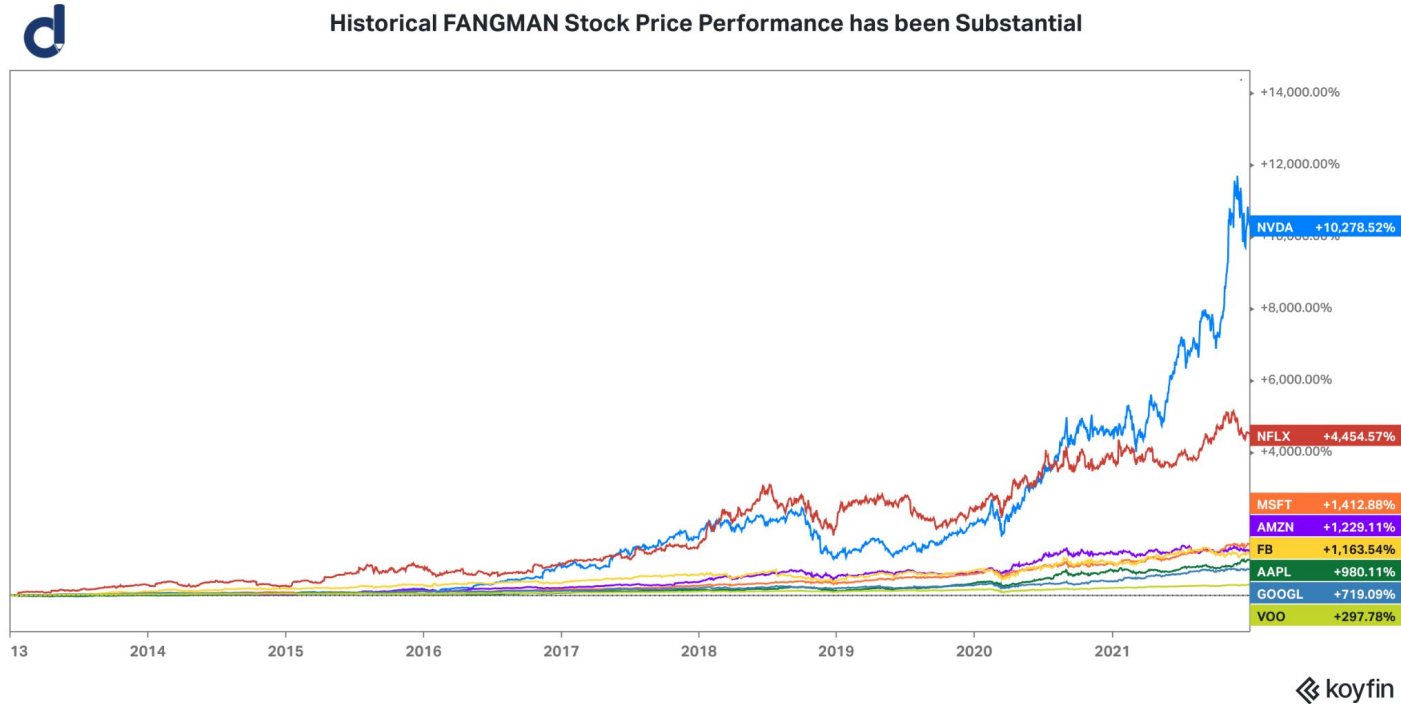
Growth in FANGMAN Company Market Valuations



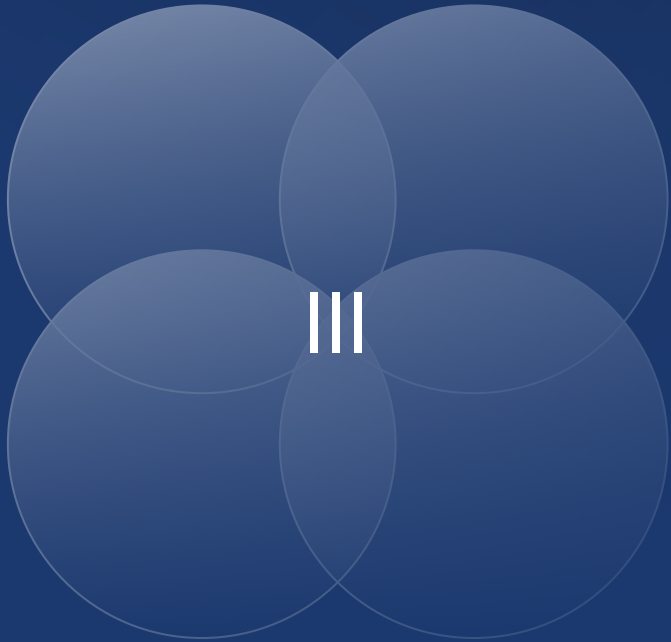
Data Source: Koyfin. Companies or investment products displayed are for illustrative purposes only and are not intended to portray recommendations. Past performance is not necessarily indicative of future results.



Historical FANGMAN Stock Price Performance has been Substantial



Data Source: Koyfin. Any stock, options or futures symbols, companies or investment products displayed are for illustrative purposes only and are not intended to portray recommendations. Past performance is not necessarily indicative of future results.



Performance of Innovation ETFs

- We propose 6 metrics to evaluate internet scale businesses.
- Technology index funds have delivered better performance than the S&P 500 and Dow Jones over the past 10 years.
- WCLD and other software & tech ETFs have been popular methods for investors in achieving index exposure to cloud computing & software companies.
- A sample of innovation-focused ETFs has lagged in 2021 YTD performance compared to the unprecedented performance 2020 calendar year.

6 Metrics to Evaluate Internet Scale Businesses

1

Revenue Growth Rate

2

% of Revenue that is
Recurring Revenue

3

Revenue Growth Endurance

4

Contribution Margin

5

Total Addressable Market &
Market Share

6

Free Cash Flow Per Share



Technology Index Funds have Delivered Strong Historical Performance

Ticker Symbol & Fund Name	Historical 10-Year Annualized Return, As of December 31, 2021
VGT: Vanguard Information Technology ETF	+23.66%
IGV: iShares Expanded Tech Software Sector ETF	+22.43%
FDN: First Trust Dow Jones Internet Index ETF	+21.48%
PSJ: Invesco Dynamic Software ETF	+19.25%
DIA: SPDR Dow Jones Industrial Average ETF	+14.05%

Data Source: Morningstar. Any stock, options or futures symbols, companies or investment products displayed are for illustrative purposes only and are not intended to portray recommendations. Past performance is not necessarily indicative of future results.

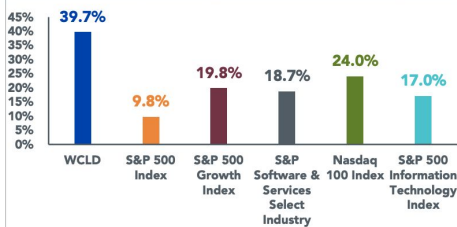


WCLD Holdings Have Higher Revenue Growth than S&P 500 Holdings

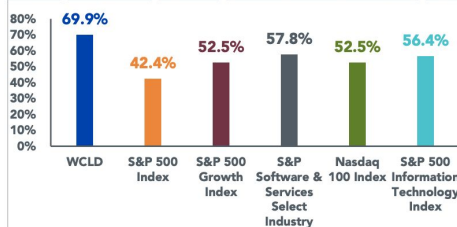
WisdomTree Cloud Computing Fund (WCLD) Fundamentals: Robust Growth and Efficiency

WCLD seeks to track the price and yield performance of the BVP Nasdaq Emerging Cloud Index before fees and expenses

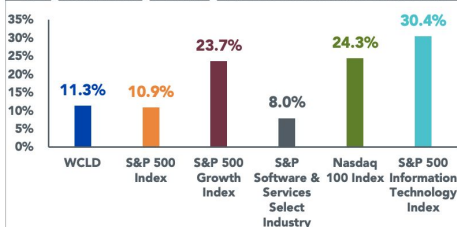
Weighted Average Trailing-Twelve Month Revenue Growth



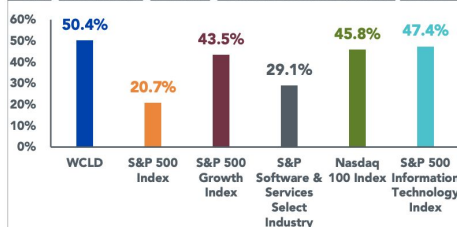
Weighted Average Trailing-Twelve Month Gross Margin



Weighted Average Trailing-Twelve Month Free Cash Flow



Weighted Average Trailing-Twelve Month Efficiency Score



Sources: WisdomTree, Bessemer Venture Partners, FactSet, S&P Global as of 6/30/2021. Weighted average fundamentals calculated as the sum product of constituent weight and fundamentals. Please note that the metrics calculated for WCLD predate the fund's inception date because they are trailing metrics specific to each company held in WCLD as of 6/30/2021. Past performance is not indicative of future results. You cannot invest directly in an index. The Fund's metrics are derived from the fund's underlying securities compared and should not be considered reflective of any Fund performance. In addition, favorable fund metrics may not translate to favorable fund performance.

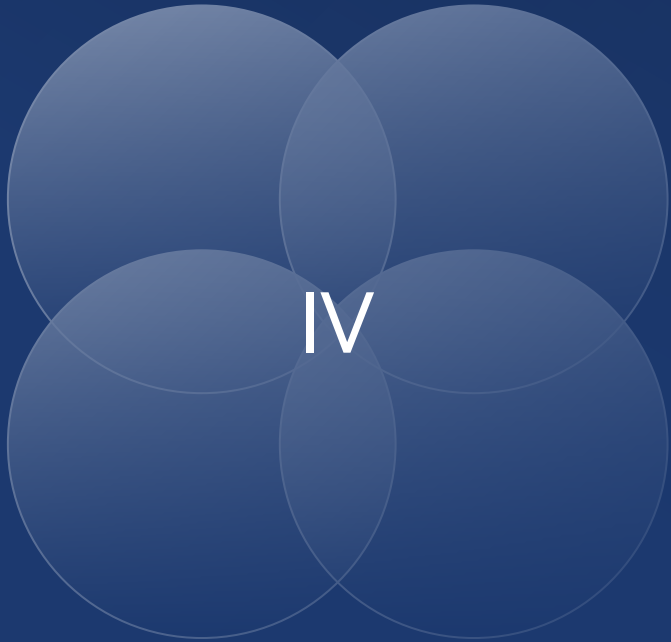
Data Source: WisdomTree. Any stock, options or futures symbols, companies or investment products displayed are for illustrative purposes only and are not intended to portray recommendations. Past performance is not necessarily indicative of future results.

Source Link: https://www.wisdomtree.com/-/media/us-media-files/documents/resource-library/presentations/wisdomtree_wclد_presentation.pdf

Sample Innovation ETFs & Themes: Performance Divergence in 2020 vs 2021

Innovation Theme	Sample ETF	2020 Performance	2021 Performance
Biotech	XBI	+48.33%	-20.45%
Cloud Computing	WCLD	+109.71%	-3.21%
Chinese Tech	CQQQ	+57.34%	-24.54%
Climate & Solar Power	TAN	+233.95%	-25.10%
Cybersecurity	HACK	+41.33%	+7.03%
E-Commerce	IBUY	+123.80%	-22.99%
E-Sports & Gaming	ESPO	+83.95%	-2.08%
Fintech	FINX	+53.76%	-9.72%
General Innovation	ARKK	+152.82%	-23.59%
Internet of Things, 5G & Connectivity	SNSR	+35.05%	+23.66%
Medical Devices	IHI	+24.17%	+21.03%
Robotics & Automation	ARKQ	+107.22%	+1.75%
Semiconductors, Chips & Hardware	SOXX	+52.73%	+44.09%

Data Source: Morningstar. Any stock, options or futures symbols, companies or investment products displayed are for illustrative purposes only and are not intended to portray recommendations. Past performance is not necessarily indicative of future results.



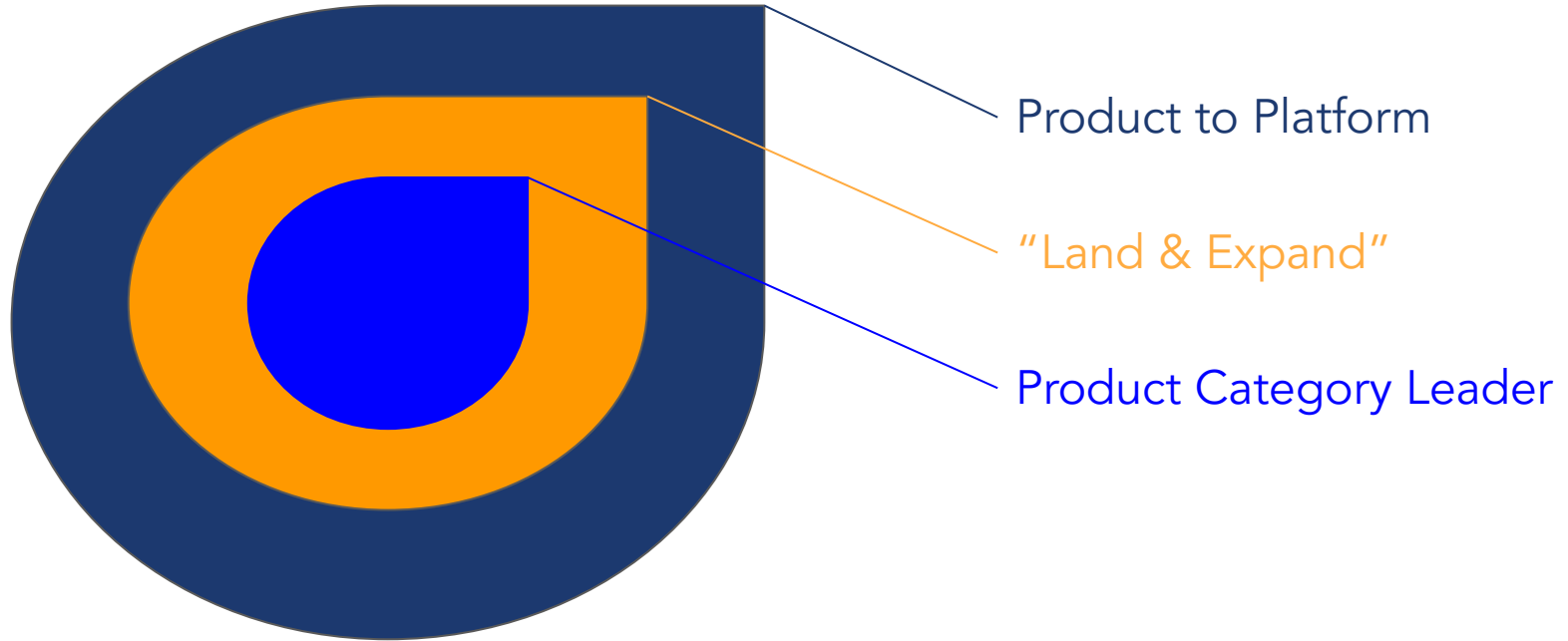
Business Strategy: Circles of Excellence & Expansion

- We define the business strategy titled “Circles of Excellence & Expansion” and share the 5 steps in how startup founders and organizations can utilize and implement this business strategy.
- Companies can expand their size, scope, and scale by following the “Pathway for Circles of Excellence & Expansion”.
- We provide 6 sample successful case studies for “Circles of Excellence & Expansion”

Pathway for Circles of Excellence & Expansion



Business Strategy: "Circles of Excellence & Expansion"





The 5 Steps in “Circles of Excellence & Expansion”

- 1 Build 1 product that becomes a category leader
- 2 Improve the product offering over time to improve sales, create better customer experiences, and reply to customer feedback. Pivot or improve the product approach until strong product market fit is achieved.
- 3 Based on positive customer feedback and customer demand, earn the right to expand the product offering and/or form new concentric circles.
- 4 Transform ideas into products and a suite of products into a platform. Platforms with positive network effects and a virtuous data cycle can benefit from accumulating business advantages at scale.
- 5 "Hyperscale the Business": Pursue growth opportunities. Continue to develop and improve product quality, business sales cycles, talent acquisition & retention, and corporate capital allocation decisions. Make thoughtful decisions about building products in-house vs. buying other companies.



6 Historical Case Studies for “Circles of Excellence & Expansion”

1

Google / Alphabet

2

Facebook / Meta

3

Amazon

4

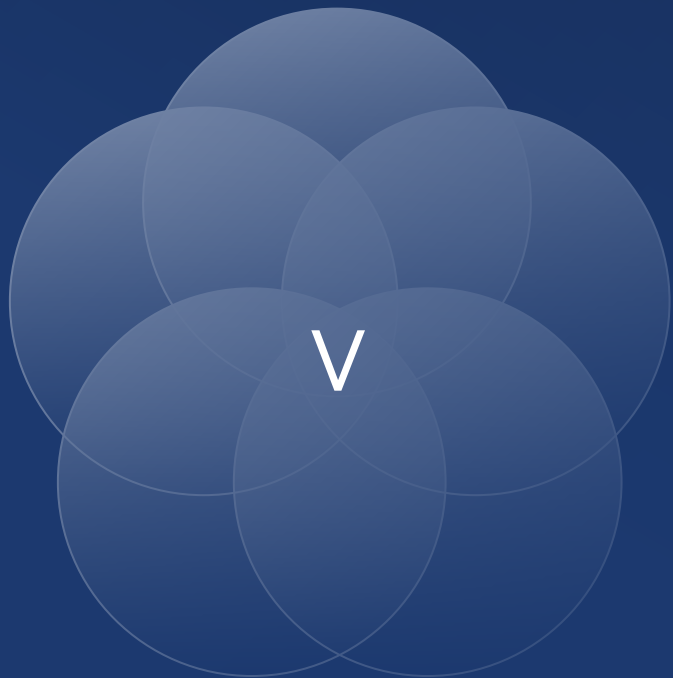
PayPal

5

Qualtrics

6

Square

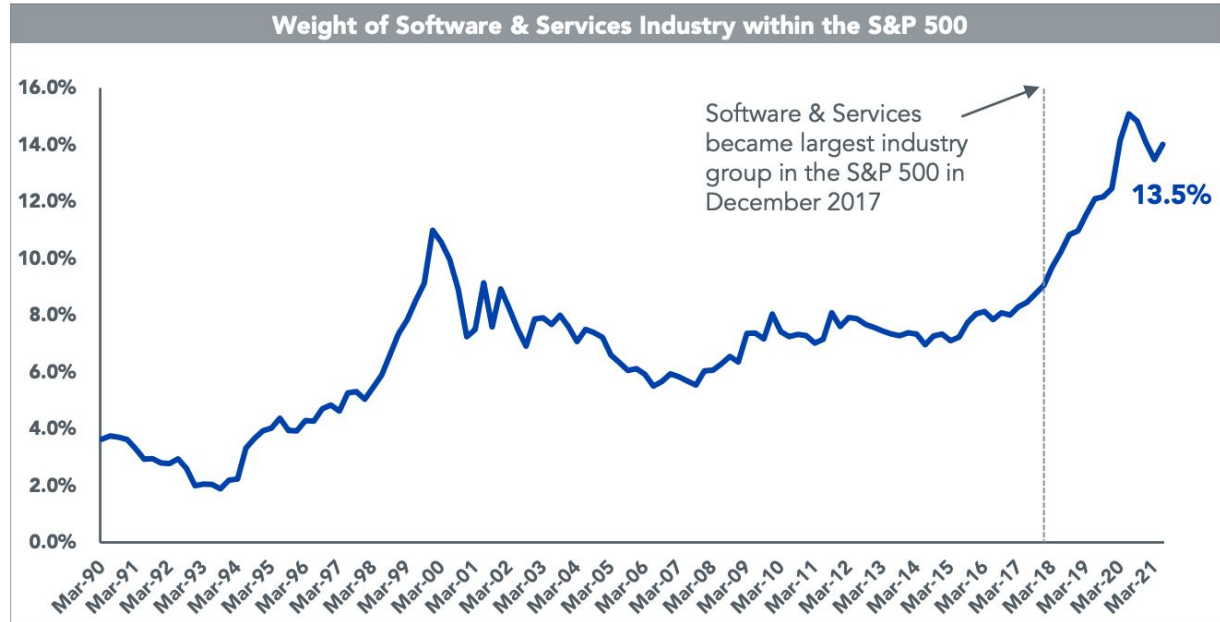


Finding 10X Investment Opportunities

- Industry Tailwinds
- Business Moats
- 10-Step Framework for Seeking Large Investment Opportunities



Software Industry is Becoming a Greater % Share of the S&P 500 Index



Source: WisdomTree. As of 6/30/2021. Subject to change

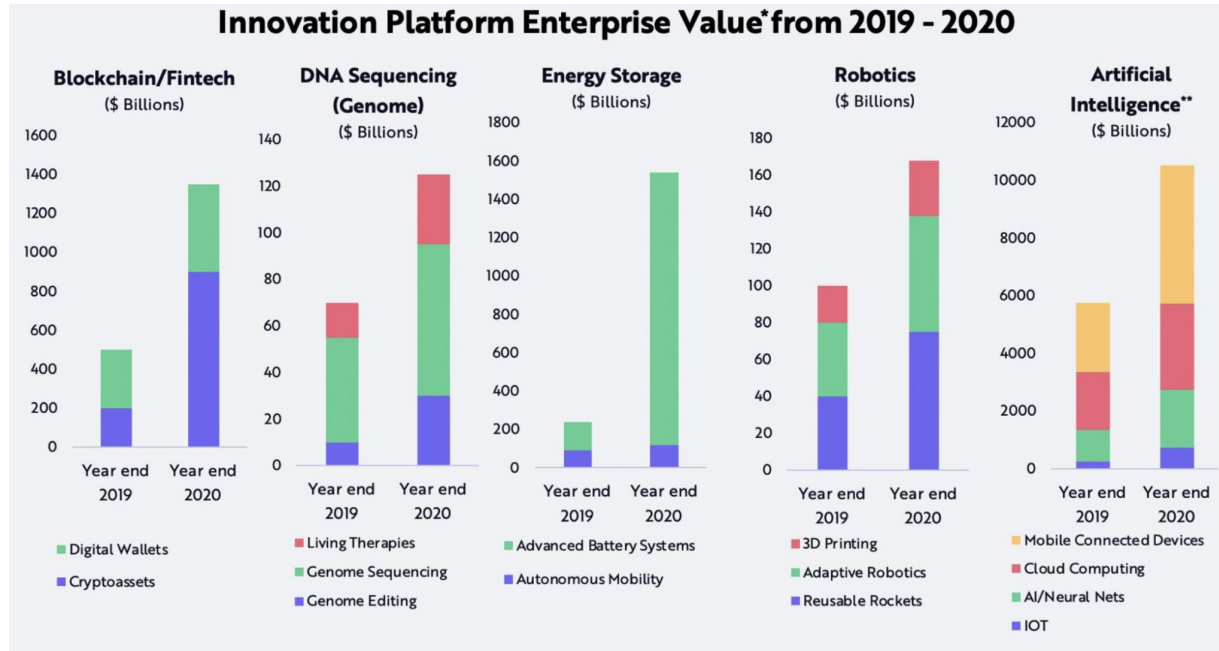
¹The weight of the Software & Services industry within the S&P 500 Index is currently 13.5% of the index's total weight. You cannot invest directly in an index.

Data Source: WisdomTree. Any stock, options or futures symbols, companies or investment products displayed are for illustrative purposes only and are not intended to portray recommendations. Past performance is not necessarily indicative of future results.

Source Link: https://www.wisdomtree.com/-/media/us-media-files/documents/resource-library/presentations/wisdomtree_wcld_presentation.pdf



5 Major Innovation Platforms Have Experienced Surging Growth

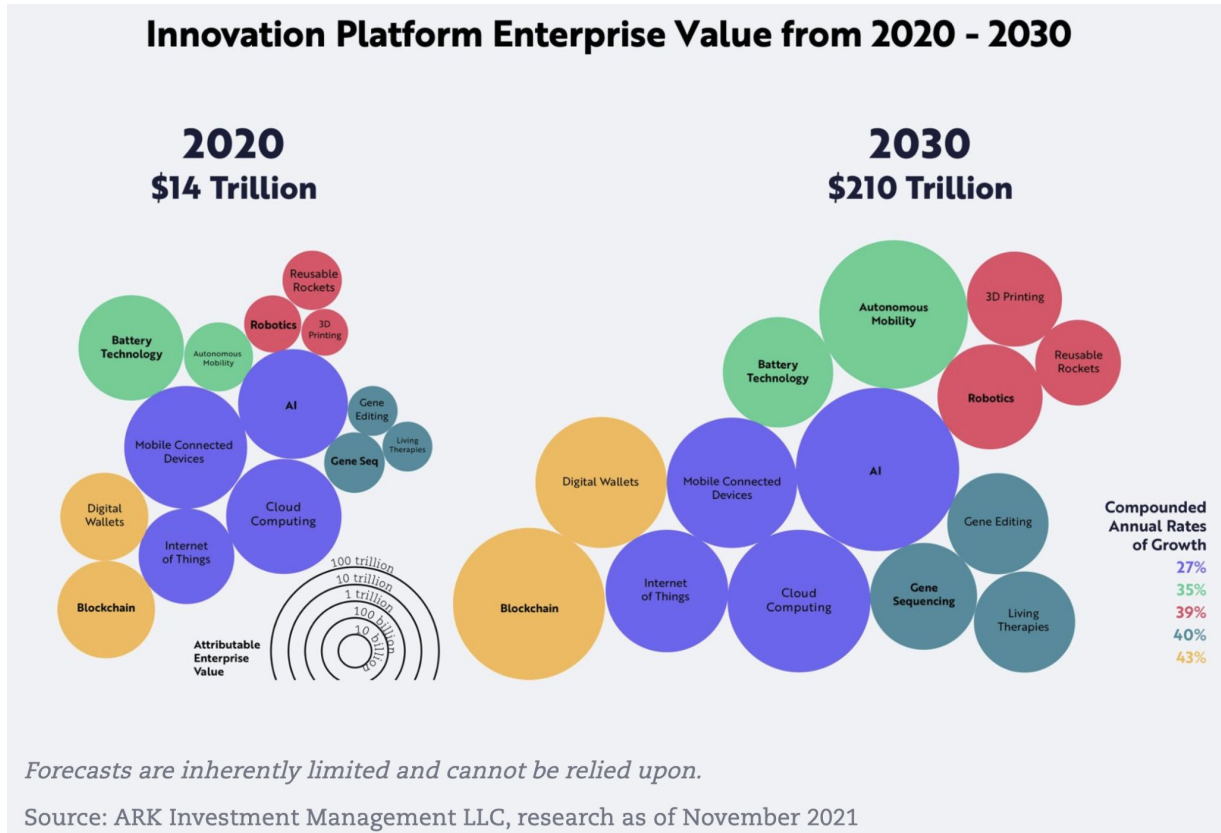


**Enterprise value is a measure of a company's total value, often used as a more comprehensive alternative to equity market capitalization. **Artificial Intelligence (AI) — Artificial neural networks, or neural networks, are computing systems modeled loosely after biological neural networks like the human brain. Forecasts are inherently limited and cannot be relied upon.*

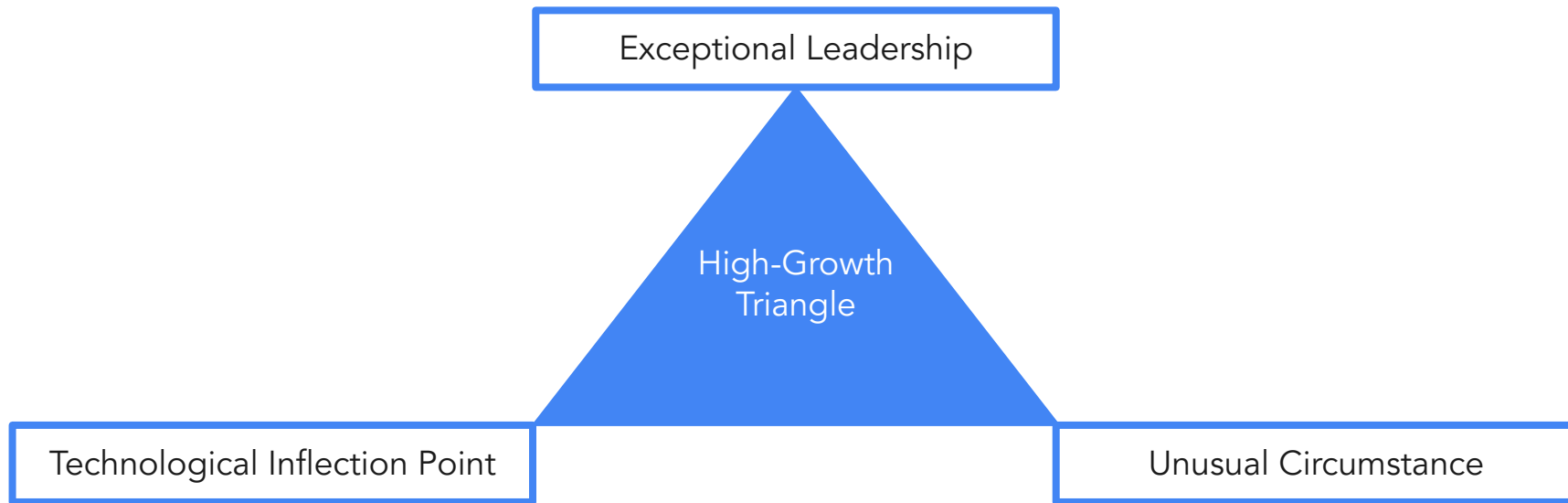
Source: ARK Investment Management LLC, 2021



ARK Estimates a 15x Increase in Value in a Decade



Identifying Exponential Opportunities: The High-Growth Triangle



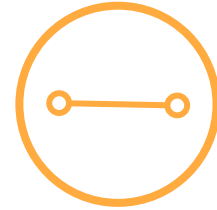
3 Traits to Understand if a Business Has a Moat with a Competitive Edge



Competitive Win Rate &
Strong Customer Retention



Pricing Power for
Advantaged Business Models



Returns on
ROE & ROIIC



10-Step Framework for Seeking Potential 10x Investment Opportunities

10X Improvement over Incumbents

Market Share & Total Addressable Market

High Team Quality & High Product Quality

Economics of Scale with High Contribution Margin

Financial Metrics, Revenue Growth, and Growth Endurance

Idea >> Product >> Platform

Network Effects & Virtuous Data Cycle

Branding

Distribution Channels & Hyperscale Capabilities

Unusual Circumstance or Contrarian Insight

Summary

- 1 Change is the only constant over time for large company rankings, and it is abundantly clear that software companies benefit from a significant secular tailwind. In aggregate, Big Tech companies and software companies continue to grow in revenue and business size.
- 2 Performance of technology & software index funds has historically been strong and created higher returns than the Dow Jones Index. We also survey a series of innovation themes and provide a performance summary table for sample innovation ETFs.
- 3 The business strategy titled “Circles of Excellence & Expansion” has successful historical case studies and can be immensely useful for startup founders and management teams inside organizations.
- 4 We propose a “10-Step Framework”, discuss the “High-Growth Triangle Framework”, and share additional insights for seeking large potential investment opportunities.

Resources



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