Quantum computing, nuclear and blockchain delivered in the second quarter of 2025

Published 5 August 2025

Pierre Debru
Head of Research, Europe

Key Takeaways

- WisdomTree's Megatrends Global Equity Strategy has consistently outperformed the market, leveraging tactical adjustments and expert stock selection.
- Since rebalancing in April 2025, the strategy has outperformed the MSCI All Country World by 10.64%.
- Blockchain, quantum computing and artificial intelligence (AI) have contributed the most to that outperformance thanks to outstanding performance and their overweight in the strategy.

A 90-day pause on US tariffs reignited equity markets in Q2, leading to a strong performance across the board, particularly in the US and Emerging Markets (EM). Thematic equities also benefited with 26 themes out of 42 in the WisdomTree Classification outperforming the MSCI All Country World performance (+11.5%) over the quarter. "Blockchain", "Nuclear", "Space", or "Rise of Tension" (Defence) particularly stood out, with performances flirting or even beating 30% over the quarter.

Overall, thematic equities had one of their strongest quarters in recent years, attracting renewed investor interest. While single themes can deliver strong performance and be used with great effect as satellites in equity portfolios, more and more investors are looking to delegate their thematic investment to an expert by investing in a multi-thematic strategy.

At WisdomTree, our Megatrends Global Equity strategy uses three successive steps to deliver a portfolio designed to capitalise on shifts in the thematic space:

- **Strategic thematic asset allocation:** This step annually identifies the most relevant themes for medium-to-long-term investment. Currently, the portfolio encompasses 18 themes, with the addition of "Quantum Computing," "Rise of China Tech," and "Rise of Tensions" in April this year.

- **Tactical asset allocation:** Conducted quarterly, this process adjusts theme weightings to align the portfolio with market conditions, taking advantage of both periods of optimism and caution within individual themes.

- **Stock selection:** Within each theme, the stock selection process leverages the WisdomTree Thematic Investment Philosophy, emphasising:
  - Expertise: Collaborating with external experts on the theme to enhance portfolio construction.
  - Purity: Selecting stocks that are the most relevant for each theme.
  - Differentiation: Building thematic portfolios that are distinct from broader market indices. For instance, the overlap between the WisdomTree Multi-Thematic Strategy and the MSCI AC World or Nasdaq indices is less than 20%, with minimal overlap between themes.
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WisdomTree Thematic Tactical Overlay: How are we positioned

On July 18 2025, the WisdomTree Megatrends Global Equity Index adjusted its tactical positioning based on quantitative momentum and mean reversion signals. These tactical adjustments aim to position the portfolio advantageously, capitalising on themes exhibiting strong momentum while mitigating exposure to areas facing potential headwinds. As thematic equities performed strongly over the period, a few more themes shifted to an overweight position.

- Themes in the “Technological Shifts” cluster continue to dominate, weighting-wise, with 60.8% of the portfolio:
  - “Artificial Intelligence & Big Data”, “Cybersecurity” and “Cloud Computing” were all overweighted for the period and held their promises, delivering outperformance versus the MSCI AC World. Artificial intelligence (AI) stood out particularly with +38.21% (22 April to 18 July 2025, based on WisdomTree AI sub portfolio in the megatrend strategy).
  - Blockchain continues to benefit from structural and regulatory tailwind in the US. The recent signing of the GENIUS[1] Act into law is another indication of the shift in sentiment surrounding the technology. The theme returned 62.47%, which is very much in line with our overweight expectations. Of course, the theme remains overweight for the next period.
  - The cluster's two new entrants, Quantum Computing and Rise of China Tech, suffered opposite fates. Quantum Computing, overweighted over the period, gained +62.91%. The second-best performance after Nuclear and just before Blockchain. Rewarding the strategy of its overweight. China Tech, however, returned 15.4%, which is better than the benchmark, but not by much. Both themes remain overweighted.
  - Finally, semiconductor remains underweighted despite a very strong performance during the period.

    - Digital Infrastructure and HealthTech remain underweighted.

- “Rise of Tension” in the “Geopolitical Shifts” cluster, performed strongly for its first period in the strategy returning 25.5% (22 April to 18 July 2025, based on WisdomTree European Defence sub portfolio in the megatrend strategy). The theme remains, therefore, strongly overweighted for the summer.

- In the “Environment Pressures” cluster, most themes remain underweighted despite some relatively strong performance in Sustainable “Energy Production” or “Energy Transition Miners”. The main exception is “Nuclear”, which jumped to a full overweight after returning +83.71% since the last rebalancing (22 April to 18 July 2025, based on WisdomTree Nuclear sub portfolio in the megatrend strategy).

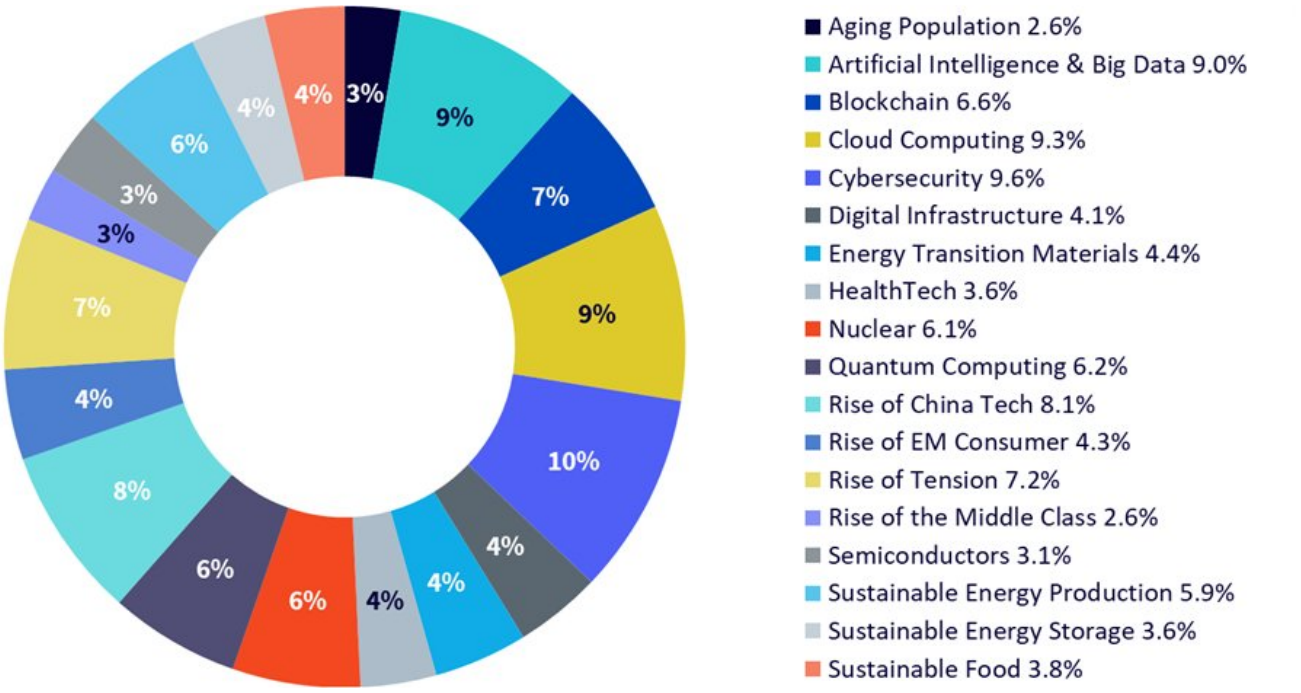
- The “Demographic and Social Shifts” cluster saw strong changes with “Rise of the Middle Class” switching from Overweight to underweight while “Rise of EM Consumer” did the opposite.
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Figure 1: WisdomTree Global Megatrends Equity – Tactical Signals

Tactical Positioning compared to strategic one (18 July 2025)			
Theme	Positioning	Tactical Signal	Weight
Aging Population	Underweight	50%	2.6%

Artificial Intelligence & Big Data	Overweight	150%	9.0%
Blockchain	Overweight	150%	6.6%
Cloud Computing	Overweight	150%	9.3%
Cybersecurity	Overweight	150%	9.6%
Digital Infrastructure	Underweight	50%	4.1%
Energy Transition Materials	Underweight	89%	4.4%
HealthTech	Underweight	50%	3.6%
Nuclear	Overweight	150%	6.1%
Quantum Computing	Overweight	150%	6.2%
Rise of China Tech	Overweight	150%	8.1%
Rise of EM Consumer	Overweight	150%	4.3%
Rise of Tension	Overweight	150%	7.2%
Rise of the Middle Class	Underweight	50%	2.6%
Semiconductors	Underweight	50%	3.1%
Sustainable Energy Production	Underweight	94%	5.9%
Sustainable Energy Storage	Underweight	50%	5.9%
Sustainable Food	Underweight	50%	5.9%

For the period from mid-July to mid-October, the portfolio remains overweight in technological and Geopolitical shifts, but the weights are a bit more spread out than in the preceding quarters.



A knockout quarter for the strategy

Since the last rebalancing on 22 April 2025, the strategy has outperformed the MSCI All Country World net total return index by 10.64%, having returned 27.7% over the period[2].

The source of this outperformance is twofold:

- The period was a very strong period for thematic, leading to a very strong contribution to the strategic asset allocation.
- The tactical allocation delivered on its promises and added 1.29% to the performance.

On a relative basis, Quantum Computing contributed the most with a +3.51% added value. Blockchain (+3.2%) and Artificial Intelligence (+2.67%) followed closely, adding to the strategy's relative performance.

Figure 3: Performance attribution of the strategy since the last rebalancing on 22 April 2025 (by steps)

	Relative Contribution of Strategic Allocation (vs MSCI ACWI)	Relative Contribution of Tactical Allocation (vs MSCI ACWI)	Relative Contribution of Stock Selection (vs MSCI ACWI)	Total Relative Contribution (vs MSCI ACWI)
Total	**10.30%**	**1.29%**	**-0.95%**	**10.64%**

Looking back further, the WisdomTree Megatrends Global Equity strategy has returned 55.22% since launch on 27 October 2023[3]. This represents an outperformance of 3.77% compared to the MSCI All Country World.

In contrast to this quarter, the last two years have not been the strongest for thematic equities, characterised by very narrow market breadth and a large domination of market juggernauts. However, tactical overlay and stock selection are the primary sources of strategy outperformance.

Overall, the tactical overweight in Blockchain, Quantum Computing, and Cybersecurity created the most outperformance. Our unique approach to thematic equities, focusing on smaller, more focused stocks, was also successful, with stock selection contributing 2.15% of relative outperformance. Selection in Semiconductors, Sustainable Energy Storage, and Energy Transition Materials was particularly impactful.

Figure 4: Performance attribution since inception of the strategy (by layers)

	Relative Contribution of Strategic Allocation (vs MSCI ACWI)	Relative Contribution of Tactical Allocation (vs MSCI ACWI)	Relative Contribution of Stock Selection (vs MSCI ACWI)	Total Relative Contribution (vs MSCI ACWI)
Total	**-5.75%**	**6.74%**	**2.15%**	**3.2%**

What is happening now?

Almost two years since its launch, the Megatrends Strategy continues to create value compared to the market benchmark and its large peers in the space. European Defence, Quantum Computing, Nuclear, Blockchain and Cybersecurity are five themes with clear macro tailwinds and are WisdomTree's high-conviction thematic ideas for the remainder of 2025 and beyond. The WisdomTree Megatrends strategy is currently overweighted in all five, delivering a very differentiated exposure.

[1]Guiding and Establishing National Innovation for US Stablecoins
[2]*Source: WisdomTree, Bloomberg. In USD. From 22 April 2025 to 18 July 2025.* ***You cannot invest directly in an index. Historical performance is not an indication of future performance and any investments may go down in value.***
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