Cyber rises, energy falls: thematic winners and losers of a quarter driven by hiking rates

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Key Takeaways

- A Fed hike, a US 10-year Treasury yield above 5% and Brent back above $100 a barrel weighed on long-duration, capital-intensive themes over the summer, while AI and cybersecurity kept delivering.
- At the 16 October rebalance, the tactical overlay became much more selective: only four themes are now overweight (AI Infrastructure, Artificial Intelligence & Big Data, Cybersecurity and HealthTech) against 12 themes in July. Together, they now represent close to half of the portfolio.
- All 19 themes stay in the portfolio, as underweight themes keep at least half of their strategic weight. That leaves room to participate if yields and energy prices turn.

If the first half of 2026 was about looking through the Iran conflict, the summer was about paying for it. A short-lived truce in June initially brought Brent back towards its pre-war level, but oil was back above $100 a barrel by late July and even higher in October as attacks on shipping in the Strait of Hormuz intensified. With energy pushing inflation higher again, central banks had little choice. The US Federal Reserve (Fed) raised rates by 25 basis points on 16 September, its first hike since July 2023. The European Central Bank (ECB) had moved a week earlier, lifting its deposit rate to 2.50%. Long-term rates also moved, with the US 10-year Treasury yield breaking above 5%.

Equities proved surprisingly resilient, but the headline numbers hide a lot. Underneath the surface, rate-sensitive segments were hit hard. In other words, the market rewarded either earnings power, mostly AI, or defensiveness, and penalised businesses that need cheap capital to grow.

The European thematic universe tells a very similar story. Performance was very narrow, with only 13 of the 48 themes we track posting a positive return in September. Flows followed the leaders: Cybersecurity attracted $605m in September alone, more than any other theme, and HealthTech gathered $238m1.

In an environment where the gap between winning and losing themes is this wide, how capital is allocated across themes matters as much as which themes are held. This is precisely what the quarterly rebalance of the WisdomTree Megatrends Equity strategy is designed to address.

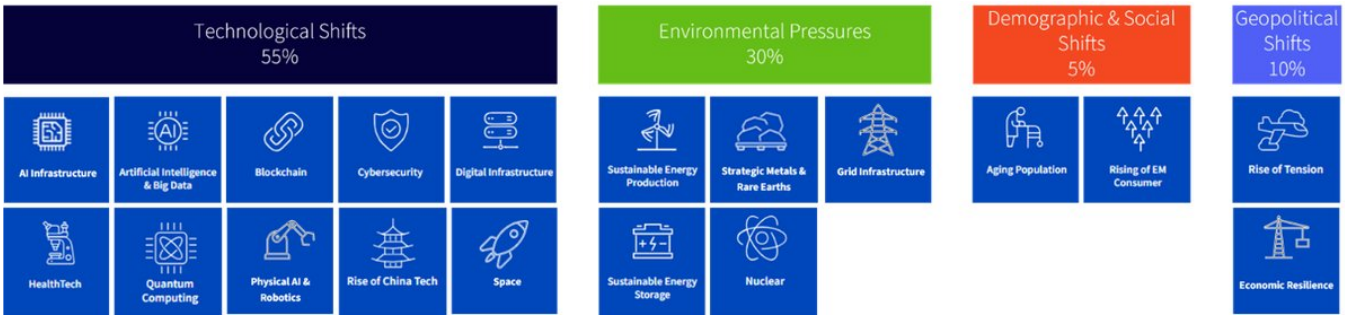
How our multi-thematic strategy works: three layers, one disciplined process

The strategy is built top-down, in three successive layers, each with its own role and its own calendar:

- **Strategic thematic asset allocation**: once a year, we select the themes that deserve a place in the portfolio over the medium to long term, based on conviction and diversification. Since the April 2026 review, the portfolio has held 19 themes.
- **Tactical thematic asset allocation**: every quarter, momentum signals tilt the weight of each theme up or down. The aim is to lean into themes that markets are rewarding and step back from those facing headwinds, without ever exiting a long-term conviction.
- **Thematic stock selection**: each theme is then built as its own portfolio, following the WisdomTree Thematic Investment Philosophy:
  - Expertise: using internal research built over the years and partnerships with external specialists to shape theme portfolios.
  - Purity: favouring the companies most exposed to the theme rather than simply the largest ones.
  - Differentiation: keeping the portfolio distinct from broad market indices. The WisdomTree multi-thematic strategy overlaps by less than 25% with the MSCI AC World or the Nasdaq, and the themes themselves overlap very little with each other.

On 16 October 2026, the strategy went through its quarterly rebalance. As the theme line-up is reviewed only once a year, in April, this quarter's changes were purely tactical, and the portfolio continues to invest in the same 19 themes (Figure 1).

Figure 1: The Strategic Thematic Asset Allocation



Source: WisdomTree. October 2026.

A narrower set of overweights: AI, Cybersecurity and HealthTech lead the way

The tactical overlay aims to capture themes with strong momentum and to reduce exposure to those facing headwinds. This quarter, it became decidedly more selective: only four of the 19 themes are now overweight, against 12 at the July rebalance. The macro backdrop explains most of those changes.

Theme by theme, this translated as follows:

- **HealthTech moves back to overweight**. It is the largest change of the quarter, with its weight rising significantly. As yields climbed, health care held up well, supported by defensive earnings and innovation increasingly powered by AI. Investors have noticed too: HealthTech funds in Europe attracted $238m in September, taking year-to-date (YTD) inflows to $634m1.
- **Cybersecurity and Artificial Intelligence & Big Data stay overweight**, at around 11% each. Cybersecurity led the software recovery after the "SaaSpocalypse", the AI-driven sell-off in software earlier this year. In September, warnings from industry leaders about AI safety revived expectations of higher security spending. With a 39.7% return, Cybersecurity ranks third among all themes YTD (as of 30 September 2026, based on the WisdomTree Thematic Classification)1. AI Infrastructure also keeps its overweight. The July chip sell-off did not derail it, as earnings remained strong and the theme kept outperforming over the longer run.
- **Energy addition themes move to underweight**. Grid Infrastructure, Sustainable Energy Production and Sustainable Energy Storage were all overweight last quarter. Because they are long-duration and largely project-financed, they were among the most exposed to rising yields. Nuclear, which was already underweight, stays there. It is now one of the five worst-performing themes YTD (-4.3%) after an 11.6% fall in September1.
- **Strategic Metals & Rare Earths moves to underweight**. The theme keeps making headlines, and its strategic importance for Western governments is hard to overstate. Having said that, after an exceptional 2025, those stocks have spent most of 2026 consolidating, and the theme dropped 10.9% in September alone1. The signal has followed.
- **Space, Quantum Computing and Physical AI & Robotics also move to underweight**. These themes sit earlier in their adoption curve. In Space, the SpaceX IPO in June pulled investor attention towards the newly listed giant and away from smaller listed peers. Quantum Computing stocks went through some volatility but remain a strong performer for the year. The long-term case for all three themes keeps getting stronger, with increasingly ambitious roadmaps and rising public spending. The short-term picture is more mixed, however, hence the underweight.
- **The other underweights are unchanged**. Blockchain, Rise of Tension, Rise of China Tech, Ageing Population and Rise of EM Consumer remain underweight. Digital Infrastructure and Economic Resilience are also underweight.

As always, the process is rules-based: each theme keeps at least 50% of its strategic weight, so all 19 themes remain in the portfolio. These tilts reflect current market conditions, not a change in our long-term convictions.

Figure 2: Tactical thematic allocation using momentum signals

Source: WisdomTree, Bloomberg as of 16 October 2026. **You cannot invest directly in an index. Historical performance is not an indication of future performance and any investments may go down in value.**

The WisdomTree Tech Megatrend strategy is similarly positioned with the same four themes overweighted while the remaining seven technology themes are underweighted.

Difficult performance since the last rebalancing

Since the last rebalancing on 17 July 2026, the WisdomTree Global Megatrends Equity index net total return lost -5.65% while the MSCI All Country World Index net TR gained 2.16%. Figure 3 shows the attribution of that underperformance by theme (rows) and across the 3 strategy steps (columns).

As discussed above, the macro environment was not positive for a growth portfolio focused on mid- and small-cap stocks.

- The strategic contribution is a clear illustration of that, with only three themes outperforming the MSCI All Country World Index: Cybersecurity, HealthTech and Sustainable Energy Storage.
- The tactical contribution remains positive, meaning that the momentum-driven overweight and underweight created value. Positioning in Nuclear, Rise of China Tech and Sustainable Energy Storage was positive.
- Finally, stock selection was also a drag on performance for the strategy. While our stock selection in HealthTech and Cybersecurity was additive, the selection in themes like Energy Storage, Physical AI and Sustainable Energy Production was not.

Figure 3: Performance attribution of the strategy from 17 July to 16 October 2026

Source: WisdomTree, Bloomberg. From 17 July 2026 to 16 October 2026. Performance is calculated in US Dollars. **You cannot invest directly in an index. Historical performance is not an indication of future performance and any investments may go down in value.**

The WisdomTree Tech Megatrends strategy suffered from similar performance attribution, returning -4.95% over the period.

Conclusion

After a summer dominated by oil and rates, the portfolio enters the final quarter of 2026 with a clear, and deliberately narrow, tilt. The four overweight themes, AI Infrastructure, Artificial Intelligence & Big Data, Cybersecurity and HealthTech, now represent around 47% of the portfolio.

The AI investment cycle shows no sign of slowing. AI capital expenditure is expected to reach around $900bn in 20262, and hyperscalers could spend close to $1trn next year3. As long as that spending turns into earnings, AI and AI infrastructure should retain momentum. Between 16 and 27 October 2026, the WisdomTree Global Megatrends Equity Index outperformed the MSCI All Country World Index by 1.93%4, with positive contributions from all three components of the strategy's portfolio construction process

Thematic dispersion is very high today, and the gap between winning and losing themes can change quickly. The WisdomTree Megatrends strategies are designed for exactly this kind of environment: it keeps

investors exposed to 19 megatrends while a rules-based process decides when to lean in and when to hold back. In markets like these, that discipline may matter as much as the choice of themes itself.

Thematic equity investments may be exposed to higher volatility and concentration risk than broader equity markets. The performance of individual themes can be sensitive to changes in market conditions, and tactical allocation strategies may not consistently identify outperforming themes.

1 Source: WisdomTree, Morningstar, Bloomberg. All data as of 30/09/2026 and based on WisdomTree's internal classification of thematic funds. Performance is based on monthly returns from Bloomberg and Morningstar. **Historical performance is not an indication of future performance and any investments may go down in value.**
2 Source: J.P. Morgan Global Research, What unprecedented AI capex means for markets and investors, 19 October 2026.
3 Source: Goldman Sachs, Global AI Investment Is Forecast to Exceed $1 Trillion in 2026, 7 August 2026.
4 Source: WisdomTree, Bloomberg. Performance from 16 October 2026 to 27 October 2026, calculated in US dollars. **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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