More than hype: why some megatrends deliver and others don’t

Published 27 April 2026

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Key Takeaways

- The WisdomTree Megatrends UCITS ETF has delivered outperformance versus the Nasdaq 100 Index through a diversified, research-led portfolio with exposure to multiple structural trends rather than from owning a narrow set of popular names.
- The latest rebalance adds four themes that are closely aligned with structural spending: Europe Infrastructure, Grid Infrastructure, Physical AI and Robotics and Space.
- WisdomTree Megatrends UCITS ETF outperformance since launch has been driven by the combined contribution of strategic allocation, tactical positioning and stock selection.

The opening months of 2026 have been as unsettled as investors feared. Equity leadership broadened beyond US mega cap technology, but thematic performance became more selective across regions and sectors. AI enthusiasm persisted, yet software and adjacent businesses came under pressure as investors questioned monetisation and returns on rising spending. At the same time, geopolitical tensions and higher oil prices brought defence, infrastructure, energy and other asset heavy segments back into focus. Unsurprisingly, Nuclear, Sustainable Energy Storage and Sustainable Energy Production led performance this quarter.

Flows told a similar story, with Rise of Tension, led by Defence, Strategic Metals Miners and Sustainable Energy Production attracting the most inflows across European mutual funds and exchange-traded funds (ETFs), at $5.5bn, $2.1bn and $1.6bn respectively.

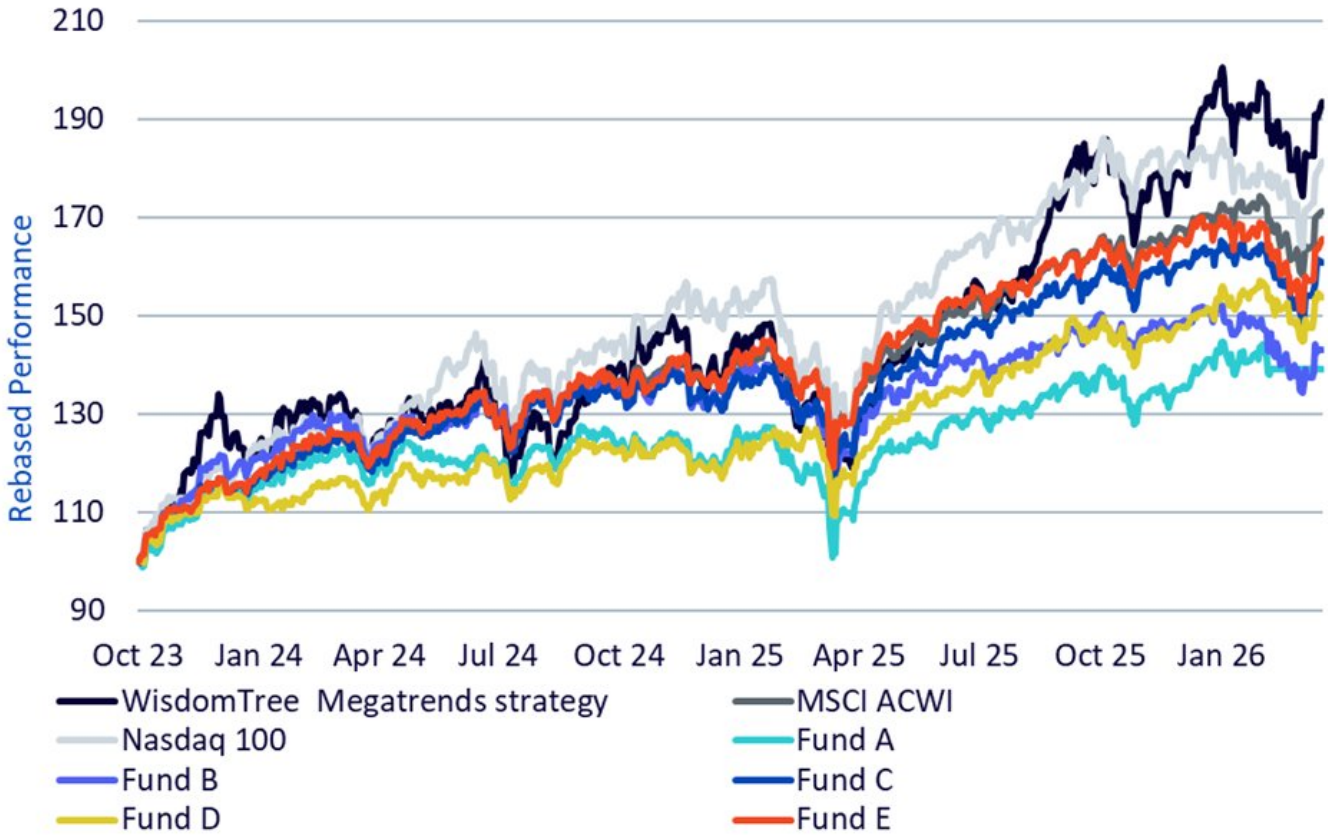
This backdrop highlights that thematic investing is more than just owning headline names. As the opportunity set expands and dispersion across themes increases, a multi-thematic approach may help investors remain exposed to long-term growth while reducing dependence on any single narrative, sector, or market regime.

WisdomTree Megatrends UCITS ETF: Outperforming markets and the Nasdaq since launch and year to date

The WisdomTree Megatrends Global Equity strategy has delivered outperformance over the period through a top-down, multi-thematic approach that begins with identifying key themes. Since its launch in October

2023, the strategy has returned 30.7% annualised, outperforming the MSCI All Country World by 6.3% (per annum) and the Nasdaq 100 by 3.4%. It has also outperformed the five largest multi-thematic active funds in Europe by more than 5% per year, as shown in the table below, which highlights the leading funds within the diversified thematic cluster of the WisdomTree thematic classification, as of 31 March 2026.

Figure 1: WisdomTree Megatrends Strategy track record



Source: WisdomTree, Bloomberg L.P. In USD. From 27 October 2023 to 13 April 2026. Comparisons are shown for illustrative purposes only. Funds A, B, C, D and E are the five biggest funds in the diversified thematic cluster in the WisdomTree thematic classification as of 31 March 2026. The strategy differs from these indices in terms of composition, sector exposure and risk profile. **You cannot invest directly in an index. Historical performance is not an indication of future performance and any investments may go down in value.**

Year to date, the strategy continues to deliver despite heightened volatility driven by the Iran War and a rotation away from Growth toward Value. It is up 9.41% when the Nasdaq Index gained only 0.7% and the MSCI All Country World Index only rose 2.9%.

While the strategy has delivered strong returns, thematic investing can involve higher volatility and investors may experience periods of underperformance or capital loss depending on market conditions.

WisdomTree thematic investment philosophy: theme alignment, expertise and purity

WisdomTree Megatrends UCITS ETF invests through three successive steps designed to capture shifts in the thematic space:

- **The strategic thematic asset allocation**: annually, this step identifies the most relevant themes for medium- to long-term investment. Following the April 2026 rebalancing, the portfolio encompasses 19 themes.
- **The tactical asset allocation**: conducted quarterly, this process adjusts theme weightings to align the portfolio with market conditions, seeking to adjust exposure during 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%, and there is minimal overlap between themes themselves.
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Space, Europe Infrastructure, Physical AI and Grid Infrastructure enter the portfolio

On 17 April 2026, the strategy underwent its quarterly rebalancing in which we reviewed:

- The selection of a theme (as we do every year in April)
- The tactical allocation to the selected themes (as we do every quarter)
- The stock selection (as we do every quarter)

The theme selection focuses every year on high-conviction themes with high diversification potential. Following this year’s review, the portfolio benefits from the introduction of four new themes.

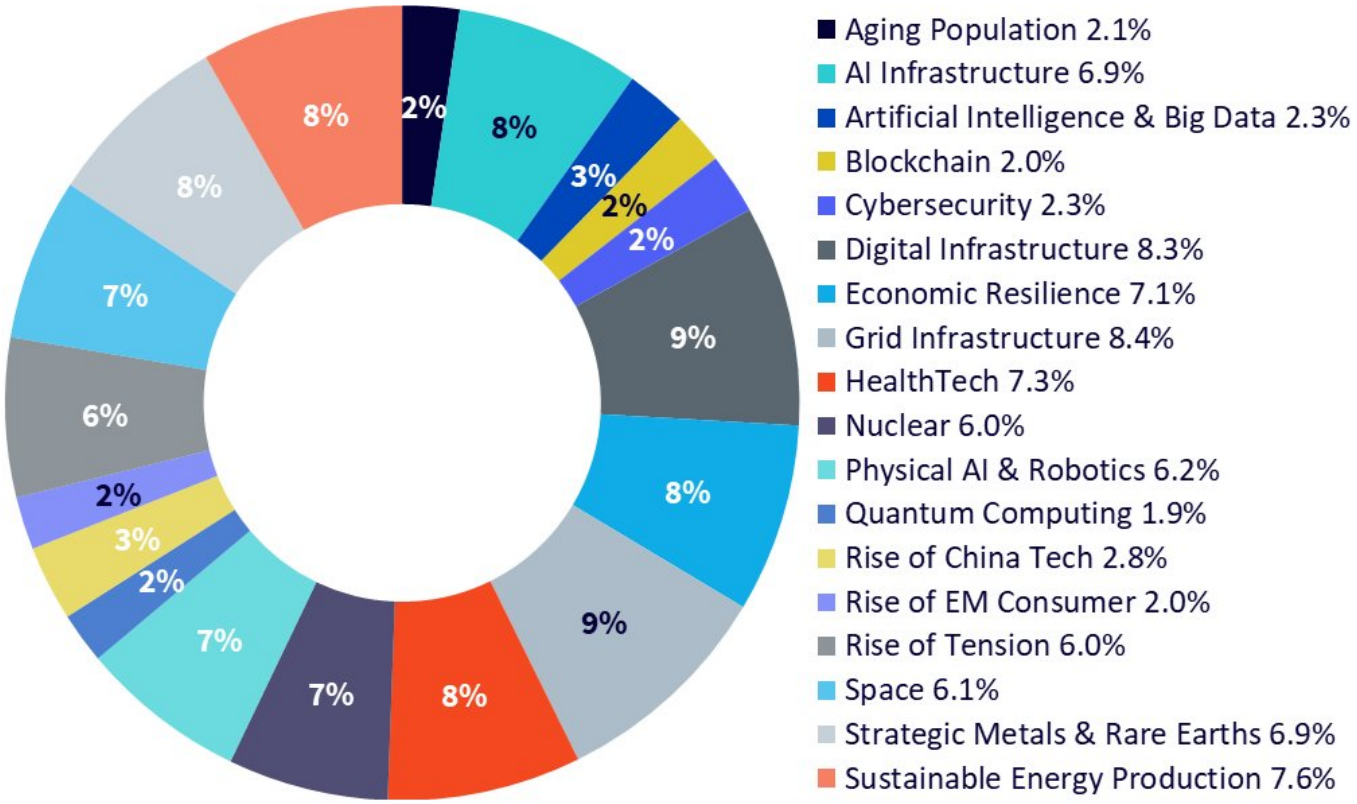
- **Economic resilience through Europe infrastructure**
  Europe's infrastructure is moving from policy ambition to a funded investment cycle. Ageing assets, electrification, digitalisation and security priorities are forcing spending on grids, transport and critical networks, while EU and national programmes are improving visibility on project pipelines. The theme offers exposure to the builders, engineers and specialist suppliers that may benefit from Europe's push for resilience and competitiveness.
- **Grid infrastructure**
  Grid infrastructure deserves its own place because it has become the bottleneck for electrification. Power demand from AI, data centres and renewables is rising, but ageing networks, connection queues and underinvestment are slowing deployment. The multi-hour blackout in Iberia last year is only one example of this need. The opportunity may sit in the picks-and-shovels of the system: cables, transformers, switchgear, substations and smart-grid technology, where spending is increasingly hard to defer.
- **Physical AI and robotics**
  Physical AI and robotics capture the next stage of the AI story: intelligence moving off the screen and into machines that can sense, decide and act. As labour shortages, reshoring and defence priorities accelerate automation, the opportunity broadens from software into humanoids, drones, autonomous mobility and smart manufacturing. That makes the theme attractive as a more tangible and diversified way to access AI-led capex.
- **Space**
  Space is becoming a strategic infrastructure layer for communications, intelligence, navigation and security. The opportunity now spans launch systems, satellite operators, Earth observation, defence space and emerging in-orbit technologies. The theme captures both the backbone of the space economy and the commercial applications built on top of it, as government and private demand continue to deepen. As SpaceX's initial public offering (IPO) approaches, this theme is getting increasing attention from investors.

Additionally, the allocation to Semiconductors has been broadened to AI Infrastructure, better aligning the portfolio with the AI tailwind that has driven semiconductor performance in recent years. The Rise of Tension allocation, which in 2025 focused on European defence, has also evolved to include both Europe and Asian defence, reflecting a rapidly shifting geopolitical landscape under pressure from the Trump administration.

Finally, three themes, Cloud Computing, Rise of the Middle Class and Sustainable Food, have been retired.

Figure 2 shows the updated theme by theme portfolio allocation following the Strategic and Tactical Thematic Asset Allocation outlined below.

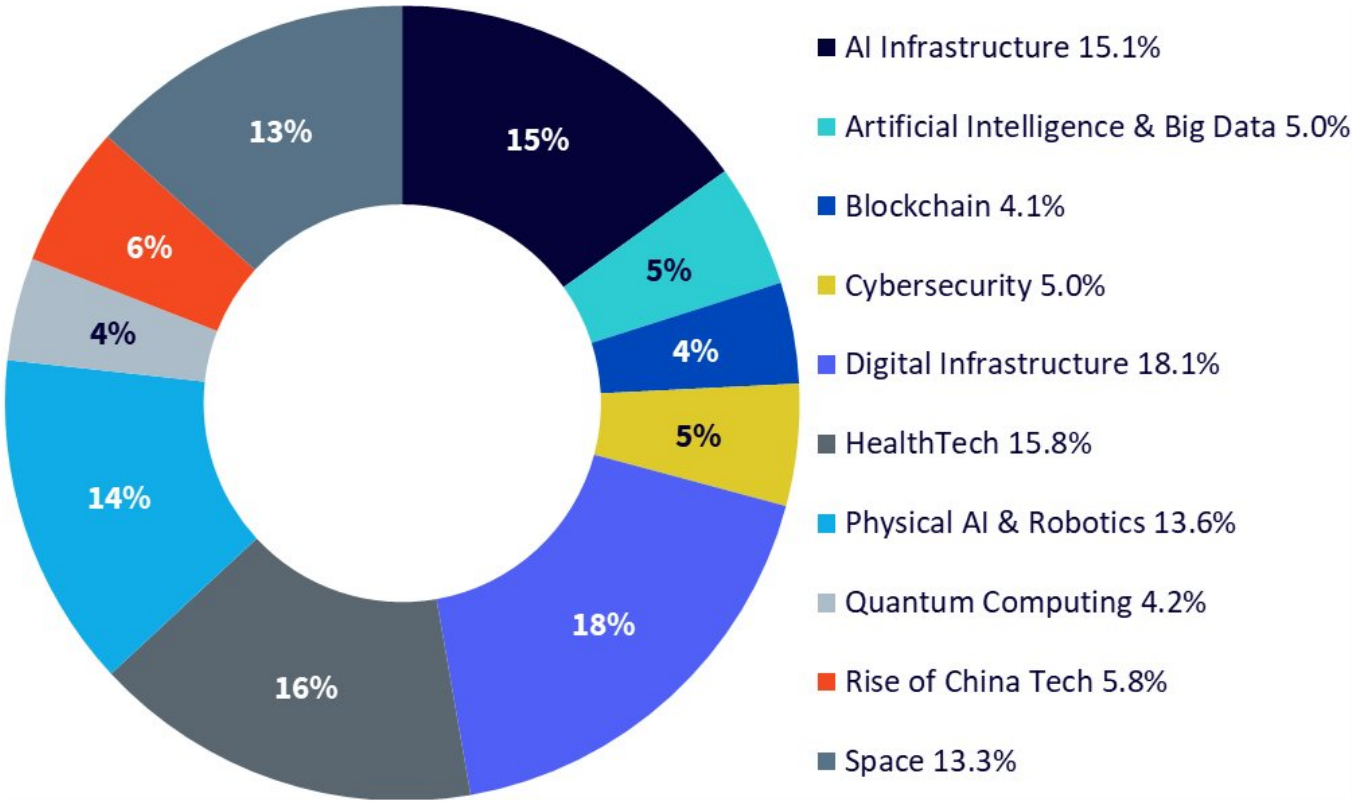
Figure 2: WisdomTree Megatrends UCITS ETF: allocation by themes



Source: WisdomTree, Bloomberg as of 17 April 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.**

It is worth noting that the recently launched WisdomTree Tech Megatrends UCITS ETF follows the same three-step investment process but focuses solely on the Technological Shifts cluster. Theme addition and deletion apply to both exchange-traded funds (ETFs), and tactical weights are also applied uniformly across both strategies.

Figure 3: WisdomTree Tech Megatrends UCITS ETF: allocation by themes



Source: WisdomTree, Bloomberg as of 17 April 2026. The strategy provides exposure to these themes through equities held within a UCITS ETF. **You cannot invest directly in an index. Historical performance is not an indication of future performance and any investments may go down in value.**

WisdomTree thematic tactical overlay: how are we positioned

On 17 April 2026, the WisdomTree Megatrends strategy also 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.

- Only Digital Infrastructure moved from underweight to overweight this quarter.
- Amid the value rotation and the “SaaSpocalypse”, AI, Blockchain, Quantum Computing and Rise of China Tech move to underweight, while Cybersecurity remains underweight.
- As the Energy Addition theme continues to drive performance and flows, most Environment Pressures exposures remain overweight, including Nuclear, Strategic Metals and Rare Earths, Sustainable Energy Production and Storage, and AI Infrastructure. Grid Infrastructure has also moved to overweight.
- Space, Economic Resilience and Physical AI and Robotics have all moved to overweight.
- Rise of Tensions also remains overweight.

Figure 4: WisdomTree Megatrends UCITS ETF: tactical signals

Every step of the process has been adding value

Looking back since inception, the WisdomTree Megatrends strategy has returned 93.3% since launch on 27 October 2023 and as of 13 April 20261. This is an outperformance of 22.05% versus the MSCI All Country World over the period.

A closer look at performance across the three layers of the strategy highlights that each has contributed meaningfully to overall outperformance:

- The Strategic Asset Allocation contributed 5.53%, with Blockchain, Semiconductors, Strategic Metals and Rare Earths, and Nuclear among the primary drivers.
- The Tactical Allocation added 14.15% over the period, supported by strong positioning in Blockchain and, more broadly, by effective allocation decisions across themes, with 12 of 19 delivering positive contributions over time.
- Stock selection contributed a further 2.37%, reflecting WisdomTree's expert-driven approach, with notable contributions from Blockchain, Semiconductors, Sustainable Energy Storage, Quantum Computing and Energy Transition Materials.

Figure 5: Performance attribution since inception of the strategy (by layers)

Source: WisdomTree, Bloomberg. In USD. From 27 October 2023 to 13 April 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.

Conclusion

Thematic investing remains a powerful way to access structural growth, but capturing its full potential requires active and disciplined navigation. The WisdomTree Megatrends and Tech Megatrends strategies provide a robust, research-driven framework to manage this complexity, combining strategic theme selection, tactical flexibility and targeted stock selection. By expanding into areas such as infrastructure, physical AI and space, while continuing to lean into themes with positive momentum, both strategies are designed to provide exposure to the next phase of structural growth.

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1 Source: WisdomTree, Bloomberg. In USD. From 27 October 2023 to 17 April 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.**

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