Outpacing tech mega caps and the Magnificent 7: insights from WisdomTree Megatrends

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Key Takeaways

- WisdomTree's Megatrends global equity strategy has consistently outperformed the market, leveraging tactical adjustments and expert stock selection.
- Since its launch in October 2023, the fund's three-layer investment process has driven outperformance versus the MSCI ACWI, Nasdaq 100 and top multi-thematic peers.
- Blockchain, sustainable energy production, the rise of China tech and energy transition materials have contributed the most to the outperformance over the last three months.

2025 is shaping up to be a strong year for thematic investing. Following a year dominated by mega caps, smaller, fast-growing companies are beginning to shine, pulling thematic strategies higher. In the first three quarters of the year, 22 themes out of 42 in the WisdomTree Classification outperformed the MSCI All Country World Index performance (+18.4%) year to date. The top five strongest themes have been nuclear energy (+70.3%), rise of tensions (+60.3%), energy transition materials (+60.21%), space (+51.77%) and rise of China technology (+49.2%).

Harnessing thematic strength with a multi-thematic strategy offering differentiated growth

Over 2 years ago, we set out to harness WisdomTree's thematic expertise, combining our in-house research with insights from a network of industry specialists, to create a multi-thematic strategy designed to stand apart from the existing landscape. The goal was to deliver a multi-thematic strategy that is:

- A focused pure thematic player
- capable of delivering differentiated growth
- constructed with low overlap to major technology giants and the Nasdaq 100.

It was a bold move, as the Magnificent 71 had been outperforming the rest of the S&P 500 since the launch of ChatGPT a year earlier.

Two years on, many of these strategic decisions have proven successful, with the strategy outperforming the Nasdaq 100 by 2.5%2 and the MSCI All Country World Index by 7.9%1 since launch. Overall, it has delivered stronger returns, a higher Sharpe ratio and a superior information ratio compared to the Nasdaq 100, all while maintaining limited exposure to large-cap technology stocks. The combined weight of the Magnificent 7 currently stands at just 3.22%, with Nvidia representing the largest position at 1.35%.

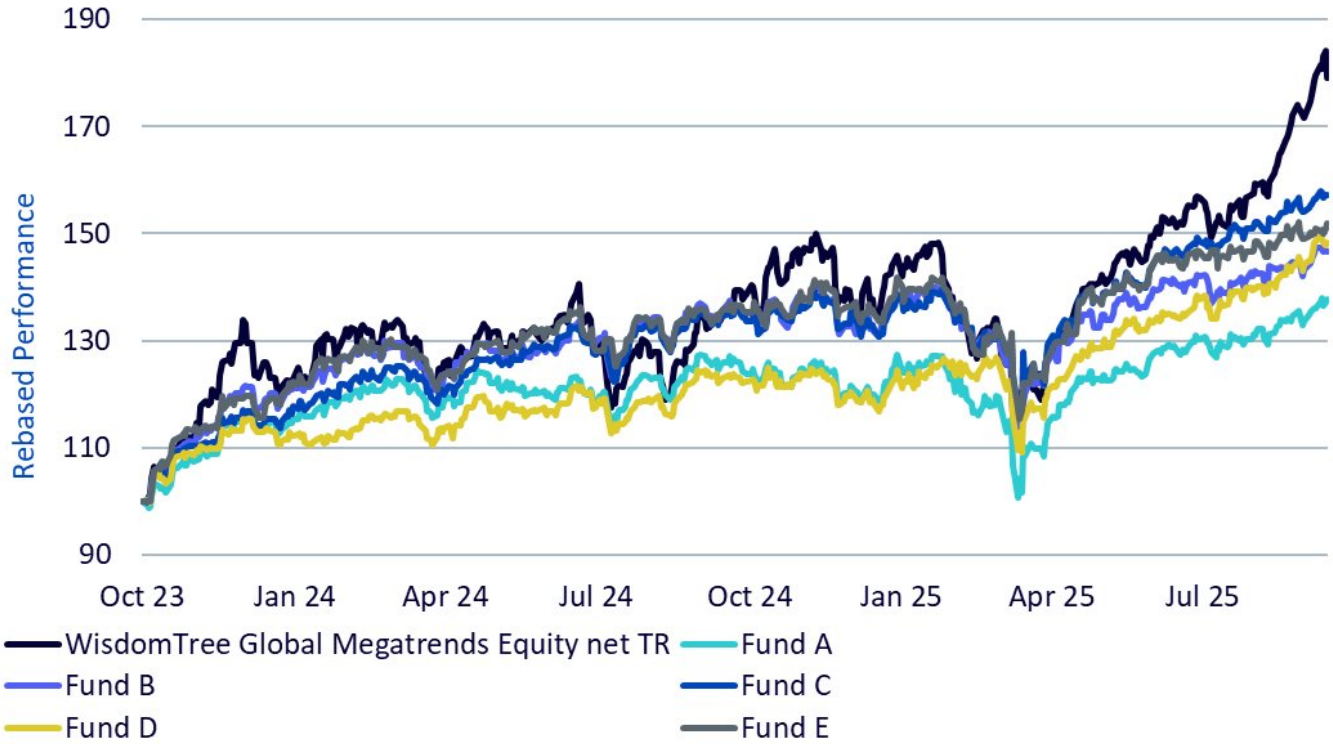
Figure 1: WisdomTree Megatrends strategy compared to the MSCI World and Nasdaq 100 since launch

Source: WisdomTree, Bloomberg. 23 October 2023 to 10 October 2025. In USD. You cannot invest directly in an index. Historical performance is not an indication of future performance and any investments may go down in value.

While outperformance versus broad market and technology exposures is important, it is equally important to compare our live performance with that of the five largest multi-thematic mutual funds in Europe, launched before October 2023. Collectively, these funds represent more than US $23 billion in assets.

Since its inception, the WisdomTree Megatrends strategy has outperformed each of its peers by more than 8% on an annualised basis and has also demonstrated a higher Sharpe ratio. Notably, all six multi-thematic strategies maintain a similar level of tracking error, yet the WisdomTree strategy has converted that relative risk into outperformance most efficiently, as reflected by its superior information ratio.

Figure 2: WisdomTree Megatrends strategy outperformed the five biggest multi-thematic funds since launch



Source: WisdomTree, Bloomberg. 23 October 2023 to 10 October 2025. In USD. **You cannot invest directly in an index. Historical performance is not an indication of future performance and any investments may go down in value.**

Volatility

How intelligent design is driving differentiated performance

Unlike many of our market peers that build portfolios from the bottom up, the WisdomTree Megatrends Global Equity strategy is constructed using a top-down approach, applied through three distinct stages:

- **The strategic thematic asset allocation:** Once a year, we identify the most relevant themes for medium- to long-term investment. In April 2025, themes such as ‘quantum computing’, ‘rise of China tech’ and ‘rise of tensions’ were added to the portfolio, each contributing meaningfully to performance, generating 4.3%, 2.0% and 1.7% of outperformance versus the MSCI ACWI respectively (since April 2025)3.

The strategic allocation is designed with a long-term view and allows us to ride our long term conviction in themes that may temporarily lag. Our confidence in ‘sustainable energy production’, ‘sustainable energy storage’ and ‘energy transition metals’ was rewarded, with those segments strongly outperforming. Since the July rebalancing, the MSCI ACWI gained 5.1%, while these three themes returned 32.2%, 24.5% and 35.2% respectively2.

- **The tactical asset allocation:** Reviewed quarterly, this process adjusts theme weights using momentum signals to align the portfolio with market conditions. It enables the strategy to benefit from both periods of optimism and caution across individual themes while maintaining exposure to all selected areas (with underweights capped at 50%). This layer of the process has proven highly effective, generating value in six of the eight three-month periods since the strategy's launch. Since July, this layer has again contributed meaningfully to performance. While the WisdomTree thematic strategy outperformed by 10.2% since the last rebalancing, the tactical allocation alone added 1.5% of outperformance versus the MSCI ACWI2.
- **Stock selection:** Within each theme, the stock selection process leverages the WisdomTree Thematic Investment Philosophy, focusing on alignment to theme, domain expertise, purity of exposure, differentiation, transparency and discipline. Since inception, this layer has also been additive, contributing an additional 0.7%.

In summary, since the last rebalancing on 18 July 2025, the strategy has outperformed the MSCI All Country World Net Total Return Index by 10.24%, delivering a total return of 15.3% over the period2. Over the past three months, both the strategic and tactical asset allocation layers have contributed positively to performance, while stock selection created a slight drag.

Four themes performed particularly strongly and were the main contributors to outperformance:

1. **Sustainable energy production** - (+1.79%) despite being underweight following more than two years of muted performance, the theme rebounded sharply amid continued strength in global energy demand.
2. **Rise of China tech** - (+1.62%) continued to perform strongly in the wake of the Deepseek announcement earlier in 2025.
3. **Energy transition materials** - (+1.54%) benefited from increased energy demand and renewed investor interest in resource security.
4. **Blockchain** - (+1.45%) has continued to grow as the regulatory environment improves in the US.

Overall, 14 out of the 18 themes we invest in helped the strategy outperform the MSCI ACWI.

Figure 3: Performance attribution of the strategy since the last rebalancing on 17th July 2025 (by steps)

Source: WisdomTree, Bloomberg. In USD. From 18 July 2025 to 10 October 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.

Since its launch, the WisdomTree Megatrends Global Equity strategy has returned 79%1 compared to 59.1 for the MSCI All Country World Index. This outperformance reflects the combined strength of all three layers of our investment process: strategic, tactical and stock selection, each contributing positively to overall performance.

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

Source: WisdomTree, Bloomberg. In USD. From 27 October 2023 to 10 October 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.

Almost two years since launch, the WisdomTree Megatrends Global Equity strategy has outperformed both broad equity markets and the Nasdaq 100, despite maintaining minimal exposure to large technology mega caps. By leveraging bold and distinctive decisions within the investment process, the strategy offers a differentiated source of growth that complements both core market holdings and broader technology allocations.

WisdomTree thematic tactical overlay: how we are positioned

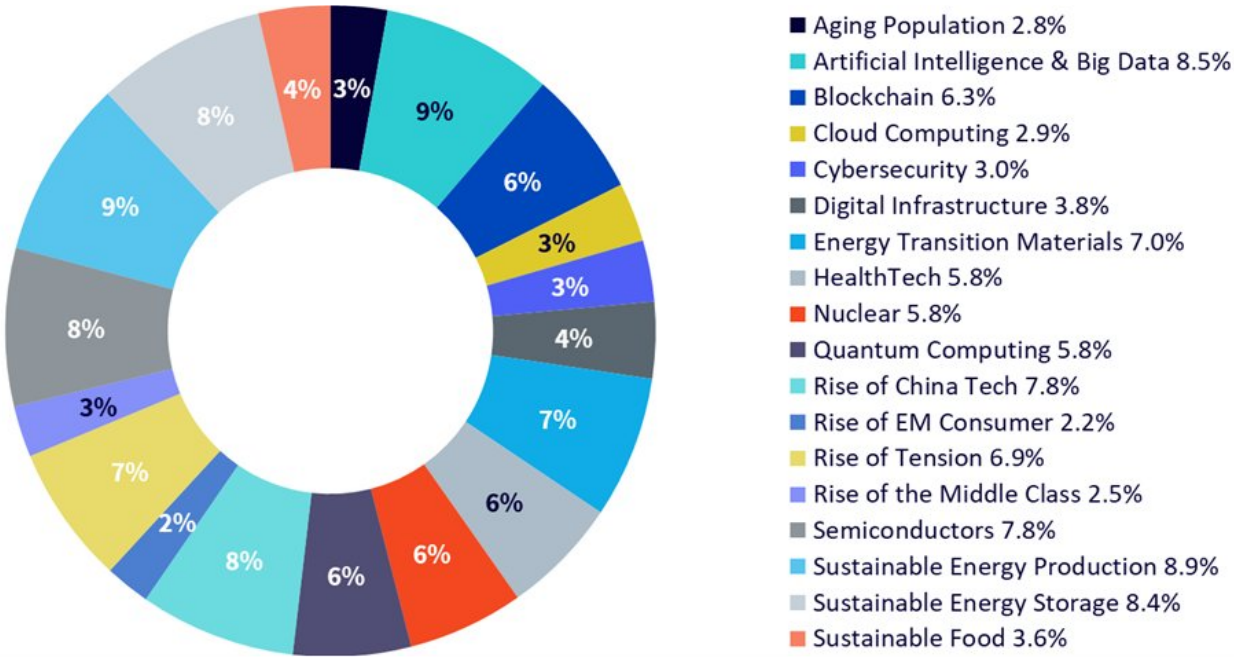
On 17 October 2025, the WisdomTree Megatrends Global Equity Index adjusted its tactical positioning based on quantitative momentum and mean reversion signals, as it does each quarter.

- Themes within ‘environmental pressures’ performed strongly since April, leading to overweight positions in ‘energy transition materials’, ‘sustainable energy production’ and ‘sustainable energy storage’.
- ‘Semiconductors’ also rebounded during the last quarter, resulting in an overweight allocation after two consecutive quarters of underweight positioning.
- ‘Cloud computing’, ‘cybersecurity’ and ‘rise of EM consumer’, underperformed relative to other themes and therefore shifted to underweight.
- ‘HealthTech’ benefited from recent tailwinds, resulting in a smaller underweight for the next quarter.
- ‘Artificial intelligence and big data’, ‘blockchain’, ‘nuclear’, ‘quantum computing’, ‘rise of China tech’, ‘rise of tensions’ remain overweight.

Figure 5: WisdomTree Global Megatrends Equity – tactical signals

Source: WisdomTree, Bloomberg as of 10 October 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.

Figure 6: WisdomTree Global Megatrends Equity – the allocation by themes



Source: WisdomTree, Bloomberg as of 10 October 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.**

Conclusion

As thematic strategies continue to build momentum, WisdomTree Megatrends is not only capturing upside but also demonstrating the strength and resilience of its design. Through its multi-layered, top-down framework applied in live markets, the strategy continues to convert today's thematic tailwinds into disciplined, focused and differentiated performance.

1 The Magnificent 7 refers to a group of high-performing and influential companies in the US stock market: Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA and Broadcom.
2 Source: WisdomTree, Bloomberg. 23 October 2023 to 10 October 2025. In USD. **You cannot invest directly in an index. Historical performance is not an indication of future performance and any investments may go down in value.**
3 Source: WisdomTree, Bloomberg. 18th July 2025 to 10th October 2025. In USD. **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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