

# How to use thematic investments in a portfolio

Published 3 November 2023

## WisdomTree

Contributor

Building a multi-thematic portfolio can be challenging as there are many pitfalls that can lead to subpar results. An overly concentrated portfolio, a lack of control around the allocation between themes, a lack of focus on smaller, high-potential companies or a lack of discipline and expertise in stock selection can all diminish or even erase the impact of thematic investments. In April 2021, we published '*Thematic Universe: How to harness the power of megatrends in your portfolio*', our first Thematic white paper. This research paper introduced WisdomTree's Thematic Classification system that organises more than two thousand funds and exchange-traded funds (ETFs) into 45 themes and also proposed a qualitative and quantitative framework to select thematic strategies.

To build on our first Thematic paper, we have published our second thematic white paper: *Investing in the world's future: The efficient use of thematic investment in a portfolio*. In this paper, we dig further into the best way to use Thematic investments in a portfolio. We focus on four topics:

1. Why a theme-based investment approach can boost long-term performance
2. How to build a thematic portfolio: 3 layers of alpha generation
3. Targeting maximum growth with a diversified multi thematic portfolio
4. Multi thematic strategies: An integral part of a multi asset portfolio

### Key takeaways from our research:

- Thematic growth is not shared equally across all the stocks in the theme. It is a 'winners take all' world.
- Thematic investments are long-term endeavours, however, a tactical overlay using momentum can help create extra performance in a multi-thematic portfolio and this is where investors can use theme-specific dynamics to their advantage.

- Careful thematic stock selection, based on pure play stocks, expert-selected, is fundamental and allows further improvement of the growth potential of the overall strategy but also enables investors to cast a wide net across the different themes to maximise the chances of picking the future winners in each theme.

## Important Risks Related to this Article

### Important Information

**Marketing communications issued in the European Economic Area (“EEA”):** This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

**Marketing communications issued in jurisdictions outside of the EEA:** This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

**For professional clients only. The information contained in this document is for your general information only and is neither an offer for sale nor a solicitation of an offer to buy securities or shares. This document should not be used as the basis for any investment decision. Investments may go up or down in value and you may lose some or all of the amount invested. Past performance is not necessarily a guide to future performance. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.**

The application of regulations and tax laws can often lead to a number of different interpretations. Any views or opinions expressed in this communication represent the views of WisdomTree and should not be construed as regulatory, tax or legal advice. WisdomTree makes no warranty or representation as to the accuracy of any of the views or opinions expressed in this communication. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

This document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares or securities in the United States or any province or territory thereof. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States.

Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.