# Beyond big tech: capturing the next generation of tech innovation

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## Key Takeaways

- Technology is evolving rapidly, and investing in tech requires looking beyond a handful of mega-cap stocks.
- A multi-thematic approach can offer broader and more diversified exposure to the key technological trends shaping the future.
- Combining theme selection, tactical allocation and stock picking can help capture innovation more effectively than traditional passive tech exposures or bottom-up, highly concentrated strategies.

Technology has long been a driver of equity market leadership, but the tempo of innovation is now increasing in a way few investors can afford to ignore. New technologies are scaling faster, and commercial adoption curves are getting steeper.

That makes exposure to technology increasingly important in long-term portfolios. Yet accessing that growth efficiently is not easy. Broad technology indices are now dominated by a very small group of mega-cap stocks, while many of the most compelling structural opportunities sit further down the market-cap spectrum and across multiple distinct innovation themes.

A multi-thematic technology strategy can help address that challenge. Rather than asking investors to choose among individual technology themes or rely on broad benchmarks that include companies they already own, it combines multiple technology themes into a single portfolio. The result is a one-stop solution to participate in technological innovation: one that seeks exposure to the next wave of technological growth while reducing dependence on today's tech mega caps.

WisdomTree is a leader in thematic exchange-traded funds (ETFs). Since 2018, we have developed robust research frameworks and investment processes for both single-theme and multi-theme strategies. On 5 December 2023, we launched the WisdomTree Megatrends UCITS ETF, a multi-thematic strategy that invests across themes. The ETF has outperformed both the MSCI All Country World Index and the Nasdaq 100 Index since its launch.[1]

We are now applying that same investment process to a dedicated tech-focused thematic strategy with the launch of the WisdomTree Tech Megatrends UCITS ETF. The strategy is designed to give investors an opportunity to access the most powerful technological changes of our time.

While thematic technology strategies can provide exposure to high-growth areas of the market, they may also be subject to higher volatility, sector concentration risk and greater sensitivity to changes in technological adoption or market sentiment.

## WisdomTree Tech Megatrends UCITS ETF: accessing technological innovation beyond the mega caps

The WisdomTree Tech Megatrends UCITS ETF uses the same expert-led, top-down investment framework as our broader multi-thematic approach, but narrows the opportunity set to themes within the Technological Shifts cluster of the WisdomTree Thematic Classification. In doing so, it seeks to preserve the benefits of diversification across innovation themes while providing more focused exposure to the parts of the market where technology-led growth is emerging. The process is built around three potential sources of alpha:

## The Strategic Thematic Asset Allocation

The first layer of the process is designed to identify a set of technology themes that, when combined in a portfolio, offer strong long-term potential and meaningful diversification benefits. Each year in April, the relevant technology themes are reviewed and selected using a mix of qualitative judgement and quantitative analysis centered on two key pillars:

- Conviction: High-conviction themes are those with the strongest combination of market size, future growth potential and investability.
- Diversification potential: Themes are analysed using hierarchical clustering based on excess returns relative to a global equity benchmark to evaluate how they interact with one another. The objective is to combine themes in a way that improves diversification at the portfolio level.

The selected themes are then equally weighted at the strategic rebalance.

## Tactical Thematic Asset Allocation

The second layer gives the portfolio the flexibility to increase exposure to themes when the backdrop becomes particularly supportive. At times, a combination of stronger investor attention and positive price behaviour can reinforce a theme's momentum as seen with Cloud during 2020 or AI in 2023. The tactical layer is intended to capture those shifts.

In practice, this tactical allocation is reviewed quarterly using a proprietary momentum score calculated for each theme. Based on those scores, theme weights are adjusted through multipliers ranging from 0.5 to 1.5. The weight assigned to each theme at the quarterly rebalance is therefore its strategic allocation multiplied by its tactical multiplier.

## Thematic Stock Selection

The third layer of the process applies expert-driven stock selection within each chosen theme. The goal is to build a diversified portfolio of companies that best capture the underlying thematic opportunity and its long-term growth profile, while remaining investable and liquid.

Each theme basket is built independently, creating a diversified set of pure-play and up-and-coming companies highly relevant to the theme. The investment process is based on the same five key principles as our single-theme ETFs: Alignment, Expertise, Purity, Differentiation and Discipline.

The final step introduces stock-level momentum to improve portfolio timeliness and refine the number of holdings. At each quarterly rebalance, the weakest-momentum stocks in each theme basket are removed, while maintaining the overall balance between themes.

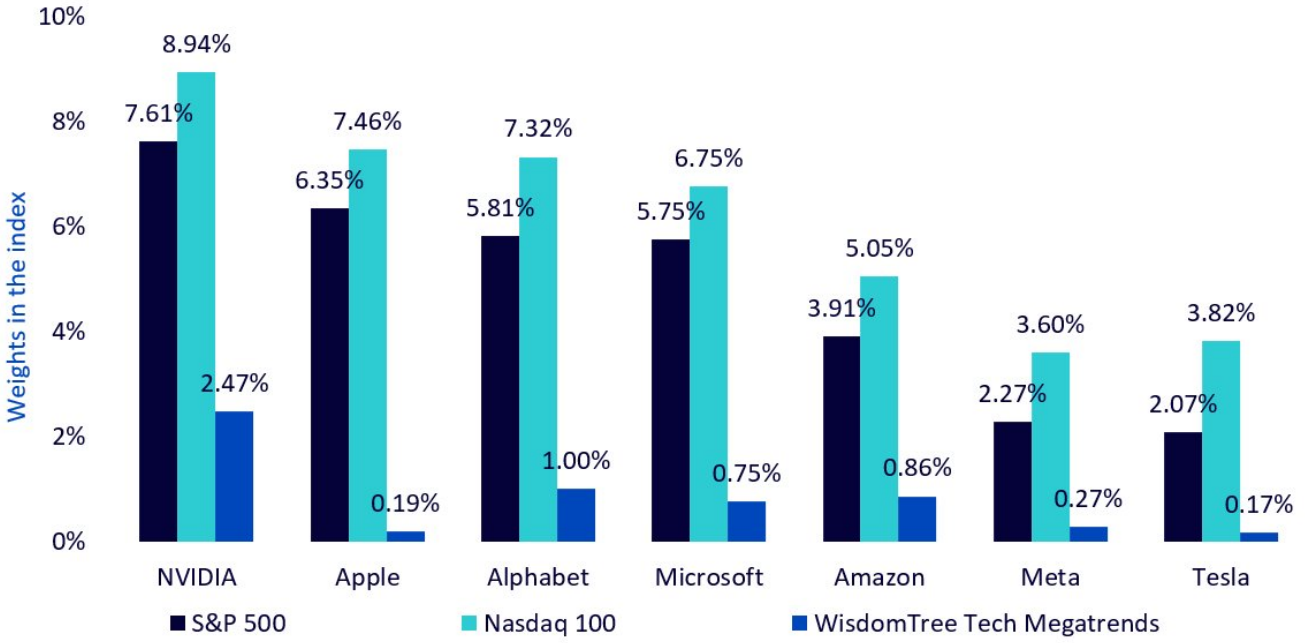
## A closer look at the WisdomTree Tech Megatrends strategy

The portfolio is intended to capture structural growth while maintaining limited overlap with conventional tech indices such as the Nasdaq-100 Index. That matters in an environment where many investors already have substantial exposure to a small number of large technology companies through broad technology benchmarks.

For example, the strategy has only 71.3% of weights allocated to large caps (22.6% in mid-cap and 6% in small caps).[2] Also, looking at weights in the Magnificent 7, the WisdomTree Tech Megatrends strategy exhibits significantly smaller weights than the S&P 500 Index or the Nasdaq 100 Index, with a total of 5.7% (vs 33.8% and 43%).

That is an important feature of the approach: it aims to provide access to a broader innovation set, including businesses whose fortunes are tied more directly to specific technological shifts than to benchmark concentration.

## Figure 1: Weights of the strategy in the Magnificent 7

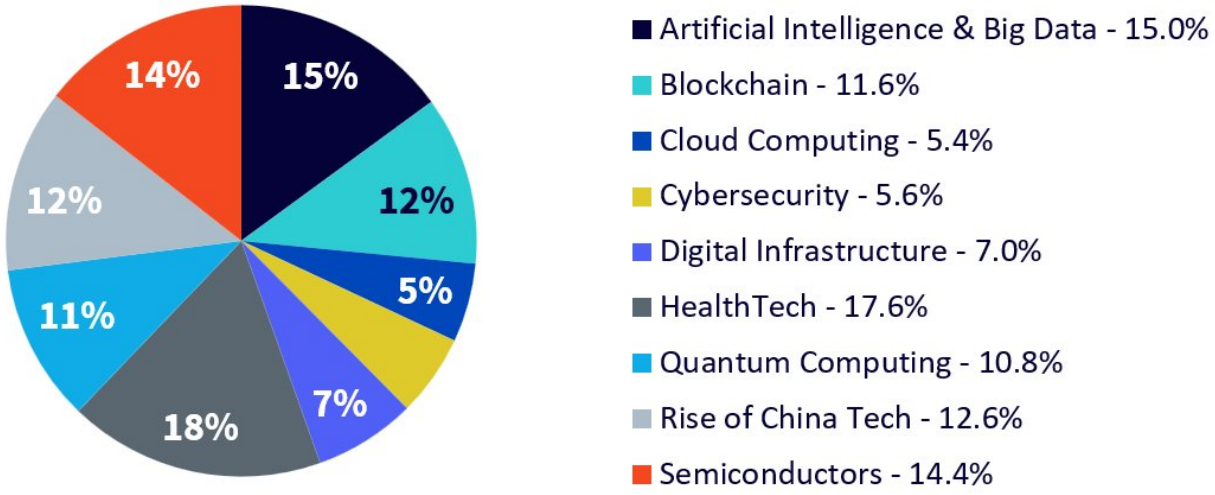



Source: WisdomTree, Bloomberg. As of 19 January 2026. **Historical performance is not an indication of future performance and any investments may go down in value.**

## Key takeaways

The WisdomTree Tech Megatrends UCITS ETF provides investors with a thoughtfully designed strategy that delivers a differentiated way to access technological innovation. By combining a curated set of technology themes, expert-led stock selection and a tactical overlay across themes, the strategy is designed to participate in long-term growth while adapting to changing market conditions. It offers a credible alternative to traditional technology funds and passive growth exposures by broadening the opportunity set beyond established tech mega caps and directing capital toward a diversified group of innovative, emerging leaders.

## Figure 2: WisdomTree Tech Megatrend strategy – Theme Allocation




Source: WisdomTree. As of 19 January 2026. **Historical performance is not an indication of future performance and any investments may go down in value**

1. Source: WisdomTree. As of 11th March 2026. Considering net TR indices in USD. **Historical performance is not an indication of future performance and any investments may go down in value.**
2. Source: WisdomTree. As of 19th January 2026. **Historical performance is not an indication of future performance and any investments may go down in value.**

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