Cybersecurity: From Investment Opportunity to Economic Necessity

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Key Takeaways

- Cybersecurity addresses immediate business needs, with demand supported by regulatory requirements, operational continuity and the expanding vulnerabilities created by digital infrastructure.
- Cybersecurity funds can differ in how directly their holdings' revenues depend on cybersecurity products and services.
- The WisdomTree Cybersecurity Fund (WCBR) combines a minimum 50% cybersecurity revenue eligibility requirement with an approach emphasizing security themes and historical revenue growth.

Why a Renewed Focus on Essential Technology Could Favor a More Targeted Approach to Cybersecurity Investing

For much of the past several years, investors have been captivated by the extraordinary potential of artificial intelligence. Semiconductor companies, infrastructure providers and other beneficiaries of the AI revolution have attracted enormous amounts of capital, driven by expectations of a technological transformation that could reshape the global economy.

Cybersecurity, meanwhile, has often taken a back seat.

But recent market volatility has offered an important reminder: **there is a meaningful difference between investing in what technology might make possible and investing in what technology makes absolutely necessary.**

Cybersecurity increasingly belongs in the second category.

And as investors reassess their exposure to technology, we believe the cybersecurity industry, and the companies most directly positioned to benefit from its growth, deserve renewed attention.

The Technology We Cannot Afford to Live Without

Consider the investment case for artificial intelligence. Much of the enthusiasm surrounding AI infrastructure is based on expectations of future adoption, productivity improvements and monetization. Those opportunities may be substantial, but the timing and ultimate magnitude of their economic benefits remain uncertain.

Cybersecurity operates under a different set of circumstances.

Businesses cannot simply postpone protecting customer information, securing networks or defending critical infrastructure until economic conditions improve. Cyber threats do not disappear during recessions, market corrections or periods of reduced technology spending.

In fact, the proliferation of AI, cloud computing, connected devices and digital infrastructure is expanding the very vulnerabilities that cybersecurity companies are tasked with addressing.

Every technological advancement creates new opportunities for innovation, and new opportunities for exploitation.

The result is an industry benefiting not simply from technological possibility, but from an increasingly unavoidable requirement to protect the digital economy.

According to data from the FBI's Internet Crime Complaint Center, reported U.S. cybercrime losses exceeded $20 billion in 2025, increasing approximately 26% from the prior year. Meanwhile, IDC has projected global security spending could reach $377 billion by 2028.

These figures underscore an important distinction: **Cybersecurity is not merely participating in the technology revolution. It is helping make that revolution possible.**

Why Market Volatility Could Change the Investment Conversation

For much of the AI-driven market rally, cybersecurity companies have competed for investor attention against semiconductor manufacturers and other technology businesses benefiting from extraordinary capital investment.

But leadership within technology is rarely permanent.

Periods of market volatility can encourage investors to reconsider not only how quickly an industry might grow, but also the durability of the demand supporting that growth.

That distinction could prove increasingly favorable for cybersecurity.

Unlike some technology investments dependent on uncertain future applications, cybersecurity addresses risks that businesses face today. Its spending priorities are supported by regulatory requirements, operational continuity, customer trust and the potentially enormous financial consequences of security failures.

This does not make cybersecurity stocks immune to market declines. Valuations, competitive pressures and company-specific execution remain important risks.

However, it does suggest that the industry's long-term growth drivers may be less dependent on speculative expectations surrounding future technology adoption.

For investors seeking exposure to innovation, cybersecurity offers an increasingly compelling combination: **structural growth supported by essential demand.**

Not All Cybersecurity ETFs Are Created Equal

If cybersecurity is becoming more important, the next question is how investors should access the opportunity.

We believe the answer lies in focusing on companies whose businesses are most directly connected to cybersecurity.

The WisdomTree Cybersecurity Fund (WCBR) was designed with that objective in mind.

Unlike broader approaches that may include diversified technology companies with only partial exposure to cybersecurity, WCBR requires eligible companies to generate at least 50% of their revenues from cybersecurity-oriented products and services.

That distinction matters.

Investors seeking cybersecurity exposure should consider whether their investment is primarily capturing the industry's growth, or whether its performance is also being influenced by unrelated technology businesses.

WCBR's methodology goes further by emphasizing both cybersecurity focus and revenue growth.

Developed in collaboration with cybersecurity specialist Team8, the strategy identifies companies positioned across emerging security themes, including AI security, data protection, identity management, cloud security and operational resilience.

Companies are evaluated based on their exposure to these themes and their historical revenue growth, with portfolio weights adjusted to favor businesses exhibiting broader cybersecurity involvement and faster growth.

The objective is straightforward: capture the cybersecurity opportunity through companies whose business models are closely aligned with its evolution.

The Next Chapter of Technology Investing

The semiconductor industry helped provide the infrastructure for the AI revolution. Cybersecurity will play an essential role in protecting the digital economy that emerges from it.

As artificial intelligence becomes more sophisticated, cyber threats are likely to become more complex. As businesses move further into the cloud, the need to secure digital infrastructure will expand. And as more of the global economy becomes connected, protecting data, identities and systems will only grow in importance.

The investment opportunity is not simply that cybersecurity spending may continue growing.

It is that **the world is becoming increasingly dependent on the very solutions cybersecurity companies provide.**

For investors reassessing technology allocations following recent volatility, we believe that distinction deserves attention.

The next phase of technology investing may increasingly reward companies addressing needs that are not optional.

And cybersecurity could be among the clearest examples.

Important Risks Related to this Article

There are risks associated with investing, including possible loss of principal. The Fund invests in cybersecurity companies, which generate a meaningful part of their revenue from security protocols that prevent intrusion and attacks to systems, networks, applications, computers and mobile devices. Cybersecurity companies are particularly vulnerable to rapid changes in technology, rapid obsolescence of products and services, the loss of patent, copyright and trademark protections, government regulation and competition, both domestically and internationally. Cybersecurity company stocks, especially those which are internet related, have experienced extreme price and volume fluctuations in the past that have often been unrelated to their operating performance. These companies may also be smaller and less experienced companies, with limited product or service lines, markets or financial resources and fewer experienced management or marketing personnel. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit and the Fund does not attempt to outperform its Index. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.