Top Investment Ideas for 2025

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Jeremy Schwartz, CFA
Global Chief Investment Officer

Kevin Flanagan
Head of Investment and Fixed Income Strategy

Jeff Weniger, CFA
Head of Equity Strategy

Samuel Rines
Macro Strategist, Model Portfolios

Key Takeaways

- **Fixed Income Recalibration:** With Treasury yields normalizing at 4%–5%, a barbell strategy combining floating rate and yield-enhanced funds can help investors balance rate volatility and credit exposure.
- **Equity Opportunities:** Diversified equity strategies blending growth and value funds, alongside targeted plays in energy infrastructure, provide a balanced approach to navigating shifting market dynamics.
- **Global Growth Drivers:** Japan's corporate earnings and India's economic expansion present standout opportunities for international diversification, with currency-hedged and broad-based strategies mitigating risks and enhancing returns.

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The financial landscape is constantly evolving and, as we enter 2025, investors are faced with a myriad of opportunities and challenges. At WisdomTree, our approach centers on navigating these shifts through informed strategies that align with macroeconomic trends, market dynamics and emerging global opportunities. Here, we explore key investment ideas and the broader themes shaping the upcoming year.

Fixed Income: Recalibrating for Normalized Rates

The fixed income market has entered a new phase as Treasury yields stabilize around historical norms of 4%–5%, a stark contrast to the near-zero rates of the past decade. This shift demands a recalibrated approach. Floating rate Treasury funds, such as the WisdomTree Floating Rate Treasury Fund (USFR), offer a low-duration, high-yield solution for managing rate volatility. Pairing these with yield-enhanced and/or active strategies, like the WisdomTree Yield Enhanced U.S. Aggregate Bond Fund (AGGY) and

the WisdomTree Bianco Total Return Fund (WTBN), provides a barbell approach that balances interest sensitivity with credit exposure.

This active-passive combination reflects our belief that a more nuanced fixed income strategy is essential in today's market environment. Investors should prioritize tools that adapt to volatility while capturing opportunities in this normalized rate era.

Equities: Balancing Value and Growth

Equity markets remain a tale of two worlds: growth and value. While the "Magnificent Seven" tech giants have dominated headlines, value-oriented sectors like energy and financials are gaining traction. Combining growth-focused strategies like the WisdomTree U.S. Quality Growth Fund (QGRW) with value-oriented funds such as the WisdomTree U.S. Value Fund (WTV) creates a diversified portfolio that captures potential upside across market cycles.

Infrastructure investments also stand out, particularly in energy. Traditional oil giants like Exxon and Chevron continue to thrive, but the real growth story lies in the infrastructure needed to support liquefied natural gas (LNG) and renewable energy. "Build, baby, build" is the mantra, highlighting the untapped potential in pipelines and conversion facilities.

Global Diversification: Spotlight on Japan and India

On the international stage, Japan and India emerge as standout opportunities. Japan's corporate earnings yield offers compelling value, while India's economic growth positions it as a leader in emerging markets. These regions benefit not only from favorable valuations but also from geopolitical dynamics that encourage investment.

Currency-hedged strategies, particularly in Japan, mitigate the risks associated with local currency depreciation while capitalizing on local market strength. Meanwhile, broad-based Indian funds such as WisdomTree India Earnings Fund (EPI) provide diversified exposure to this growth engine, outperforming many traditional emerging markets benchmarks.

Macro Themes: Inflation and Fiscal Dynamics

Inflation remains a central theme for 2025. As the Federal Reserve recalibrates its policy stance, its focus has apparently shifted back toward managing inflationary risks rather than aggressive rate cuts. This environment underscores the importance of active management in both equity and fixed income portfolios.

Additionally, fiscal policies could significantly impact market dynamics. Investors should remain vigilant, leveraging diversified strategies to navigate these uncertainties.

Actionable Strategies for the Year Ahead

Based on current trends, we recommend the following strategies:

- **Equity Blends:** Balance value and growth through combined strategies like QGRW and WTV.

- **Fixed Income Barbell:** Pair floating rate funds like USFR with enhanced yield and/or active core strategies like AGGY or WTBN.
- **Global Allocation:** Prioritize Japan and India for diversification and growth potential.
- **Energy Infrastructure:** Focus on companies poised to benefit from LNG and pipeline developments.

Looking Forward

As 2025 begins, the financial markets present a dynamic landscape where opportunities abound for the informed investor. By blending active and passive strategies, embracing global diversification and focusing on sectors with structural tailwinds, investors can position themselves for success.

At WisdomTree, we remain committed to providing insights and tools to navigate this journey. As always, we encourage a proactive and adaptable approach to investment, ensuring portfolios are equipped to meet the challenges and opportunities of the coming year.

For more on our top investing ideas for the new year, check out our 2025 Actionable Ideas and 2025 Economic & Market Outlook.

Important Risks Related to this Article

There are risks associated with investing, including the possible loss of principal. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

USFR: Securities with floating rates can be less sensitive to interest rate changes than securities with fixed interest rates, but may decline in value. Fixed income securities will normally decline in value as interest rates rise. The value of an investment in the Fund may change quickly and without warning in response to issuer or counterparty defaults and changes in the credit ratings of the Fund's portfolio investments. Due to the investment strategy of this Fund it may make higher capital gain distributions than other ETFs.

AGGY: Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. Fixed income investments are also subject to credit risk, the risk that the issuer of a bond will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. Investing in mortgage- and asset-backed securities involves interest rate, credit, valuation, extension and liquidity risks and the risk that payments on the underlying assets are delayed, prepaid, subordinated or defaulted on. Due to the investment strategy of the Fund, it may make higher capital gain distributions than other ETFs.

WTBN: Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. Fixed income investments are also subject to credit risk, the risk that the issuer of a bond will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. While the Fund attempts to limit credit and counterparty exposure, the value of an investment in the Fund may change quickly and without warning in response to issuer or counterparty defaults and changes in the credit ratings of the Fund's portfolio investments. 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 or take defensive positions in declining markets.

QGRW: Growth stocks, as a group, may be out of favor with the market and underperform value stocks or the overall equity market. Growth stocks are generally more sensitive to market movements than other types of stocks. The Fund is non-diversified and, as a result, changes in the market value of a single security could cause greater fluctuations in the value of Fund shares than would occur in a diversified fund. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit. The Fund does not attempt to outperform its Index or take defensive positions in declining markets and the Index may not perform as intended.

WTV: Funds focusing their investments on certain sectors increase their vulnerability to any single economic or regulatory development. This may result in greater share price volatility. While the Fund is actively managed, the Fund's investment process is expected to be heavily dependent on quantitative models and the models may not perform as intended.