

WITH NVIDIA AT \$2 TRILLION, WHERE IS THE RISK CONCENTRATED?

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No stock has been hotter in this [artificial intelligence \(AI\)](#) cycle than Nvidia, which recently eclipsed a [market capitalization](#) of \$2 trillion.

Whether it can continue at this pace is a much more difficult question. We scoured a universe of thematic equity exchange-traded funds (ETFs) listed in the U.S. market and found a number with more than 10% exposure to this single name.¹

If you're evaluating these ETFs, which tend to be theme-based, there may be some options for exposure to those themes with more diversification.

Three Strategies with Weight of 10% or More in Nvidia

We found three strategies with greater than 10% weight to Nvidia as of March 1, 2024:

- The [VanEck Semiconductor ETF \(SMH\)](#) is a strategy that seeks to replicate as closely as possible, before fees and expenses, the price and yield performance of the MVIS US Listed Semiconductor 25 Index, which is intended to track the overall performance of companies involved in semiconductor production and equipment.
- The [iShares Semiconductor ETF \(SOXX\)](#) seeks to track the investment results of the NYSE Semiconductor Index, which is composed of U.S.-listed equities in the semiconductor sector.
- The [Global X Robotics & Artificial Intelligence ETF \(BOTZ\)](#) seeks to invest in companies that potentially stand to benefit from increased adoption and utilization of robotics and AI, including those involved with industrial robotics and automation, non-industrial robots and autonomous vehicles. The ETF seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the Indxx Global Robotics & Artificial Intelligence Thematic Index.

We compare these strategies—associated with AI as a catalyst—to the [WisdomTree Artificial Intelligence and Innovation Fund \(WTAI\)](#).

[WTAI](#) is tracking an index designed to consider a more full-ecosystem exposure to AI as opposed to concentrating on a specific area. Sometimes the market's performance will favor concentrating on a particular position, like Nvidia, and sometimes it favors diversifying more broadly.

Figure 1 provides, by showing the top 10 positions in each fund, a sense of the concentration in the single Nvidia position as well as within the overall top 10.

A higher figure indicates that more of the overall strategy performance is being driven by the names seen in this figure as opposed to the rest of the strategy's holdings.

Figure 1: Comparison of Top 10 Holdings

WTAI		SMH		SOXX		BOTZ	
Arm Holdings Plc	3.28%	NVIDIA Corp.	25.71%	NVIDIA Corp.	10.62%	NVIDIA Corp.	21.43%
Meta Platforms, Inc.	2.48%	TSMC	9.24%	Advanced Micro Devices Inc	9.98%	Intuitive Surgical, Inc.	10.55%
Advanced Micro Devices, Inc.	2.00%	Advanced Micro Devices, Inc.	6.09%	Broadcom Inc	8.82%	ABB Ltd.	8.36%
ASML Holding NV	1.99%	Broadcom Inc	5.85%	Qualcomm, Inc.	6.17%	Keyence Corp	6.64%
NVIDIA Corp.	1.99%	ASML Holding NV	5.08%	Intel Corp.	4.86%	Fanuc Ltd	5.20%
Recursion Pharmaceuticals	1.88%	Applied Materials, Inc.	4.64%	Applied Materials, Inc.	4.23%	UiPath, Inc.	4.27%
Qualcomm, Inc.	1.79%	Lam Research Corp	4.49%	Lam Research Corp.	4.11%	SMC Corp/Japan	4.05%
Alphabet Inc.	1.74%	Qualcomm, Inc.	4.04%	Marvell Technology Inc	4.04%	Dynatrace Inc	3.97%
Microsoft Corp.	1.72%	Intel Corp	3.86%	KLA Corp.	3.93%	YASKAWA Electric Corp.	3.54%
CrowdStrike Holdings Inc.	1.70%	Texas Instruments Inc	3.57%	ASML Holding NV	3.93%	Daifuku Co Ltd	3.43%
Total	20.57%	Total	72.57%	Total	60.69%	Total	71.44%

Sources: WisdomTree, VanEck, iShares and GlobalX, data from the respective fund web pages, as of 3/3/24. Holdings subject to change.

For current WTAI Fund holdings, please click [here](#). Holdings are subject to risk and change.

Quantifying the Performance Wave

Nvidia’s share price after the launch of ChatGPT in November 2022 has been historic. Investors that we speak to are often nervous because they are simply not sure how long it can continue, particularly if they are initiating positions at present in 2024. We all recognize that a stock with a \$2 trillion market capitalization can drop by 25% and still be worth \$1.5 trillion—a very big number.

[WTAI](#), SMH, SOXX and BOTZ all had different exposures to Nvidia in figure 1—figures 2a, b and c showcase differences in performance across these four strategies.

- In figure 2a, we see the standardized performance as of year-end 2023, where it is clear that SMH and SOXX had the stronger returns in 2023, at least relative to [WTAI](#) and BOTZ. Recall that SMH and SOXX can be thought of as “[semiconductors](#),” whereas WTAI and BOTZ—in their own distinct ways—are seeking to be “broader AI.”
- In figure 2b, we see that [WTAI](#) and BOTZ had a downdraft from roughly the end of June 2023 through the end of October 2023, and it was this downturn that was the primary driver of their underperformance relative to SMH and SOXX. All four of the strategies rallied during November and December 2023.
- In figure 2c, we can see that the reign of Nvidia continued, and it continued to be better to simply focus on semiconductors as opposed to broader AI, at least if we are using performance to judge the result. SMH had the biggest exposure to Nvidia and it did the best. It is notable that BOTZ had the second-biggest exposure to Nvidia, but due to the broader exposure across robotics it was pulled down below the return of SOXX over this period, roughly the first two months of 2024. [WTAI](#), with the broadest focus of the four funds, lagged.

Figure 2a: Standardized Returns

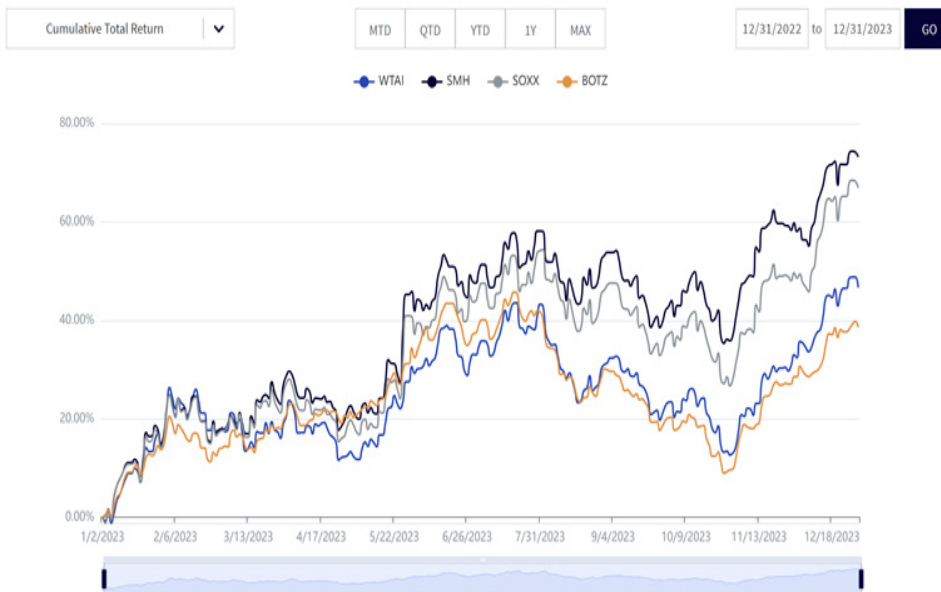
Fund Name	Ticker	Expense Ratio	Inception Date	1-Year	3-Year	5-Year	10-Year	Since Inception
WisdomTree Artificial Intelligence and Innovation Fund (NAV)	WTAI	0.45%	9-Dec-21	46.68%	N/A	N/A	N/A	-9.01%
WisdomTree Artificial Intelligence and Innovation Fund (MP)	WTAI	0.45%	9-Dec-21	46.12%	N/A	N/A	N/A	-8.99%
VanEck Semiconductor ETF (NAV)	SMH	0.35%	20-Dec-11	73.21%	17.90%	33.16%	24.94%	24.25%
VanEck Semiconductor ETF (MP)	SMH	0.35%	20-Dec-11	73.37%	17.88%	33.18%	24.95%	24.22%
iShares Semiconductor ETF (NAV)	SOXX	0.43%	10-Jul-01	66.90%	16.01%	31.13%	24.47%	11.07%
iShares Semiconductor ETF (MP)	SOXX	0.43%	10-Jul-01	67.13%	16.06%	31.14%	24.49%	11.08%
Global X Robotics & Artificial Intelligence ETF (NAV)	BOTZ	0.68%	12-Sep-16	38.62%	-4.62%	11.47%	N/A	9.86%
Global X Robotics & Artificial Intelligence ETF (MP)	BOTZ	0.68%	12-Sep-16	38.97%	-4.71%	11.62%	N/A	9.92%

Source: WisdomTree, data from the PATH Fund Comparison Tool, as of 12/31/23. NAV denotes total return performance at net asset value. MP denotes market price performance.

Past performance is not indicative of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

For the most recent month-end and standardized performance and to download the respective Fund prospectuses, click the relevant ticker: [WTAI](#), [SMH](#), [SOXX](#) and [BOTZ](#).

Figure 2b: The 2023 Year (12/31/22–12/31/23)



Source: WisdomTree, data from the PATH Fund Comparison Tool, as of 3/3/24. NAV denotes total return performance at net asset value. MP denotes market price performance.

Past performance is not indicative of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

For the most recent month-end and standardized performance and to download the respective Fund prospectuses, click the relevant ticker: [WTAI](#), [SMH](#), [SOXX](#) and [BOTZ](#).

Figure 2c: The First Two Months of 2024 (12/31/23–3/1/24)



Source: WisdomTree, data from the PATH Fund Comparison Tool, accessed as of 3/3/24. NAV denotes total return performance at net asset value. MP denotes market price performance.

Past performance is not indicative of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

For the most recent month-end and standardized performance and to download the respective Fund prospectuses, click the relevant ticker: [WTAI](#), [SMH](#), [SOXX](#) and [BOTZ](#).

Conclusion: \$2 Trillion Is a Rather Big Number for a Firm's Market Capitalization

While we can agree there is not necessarily an upper limit that defines how big any firm can be by way of market capitalization, execution takes time. Even if Nvidia's revenues and profits march upwards, the share price incorporates a mix of those fundamentals alongside the hopes and dreams and aspirations of the broader crowd.

Those aspirations and ultimately expectations can get ahead of reality, and it's possible the share price will have to pause and let the execution and fundamentals catch up. The environment of the continual upward adjustments to the size of the AI accelerator chip market will eventually change, and the growth will eventually slow.

We remind investors that AI, the theme, has been marching forward for decades, even if the combination of social media and smartphones put the headlines into the palms of our hands every minute of every day today, and the advent of processing power and cheap data storage allow for greater and greater breakthroughs.

If you cannot predict where the hype might go next, we advocate a more holistic, broad ecosystem approach, like [WTAI](#), such that there is a greater chance of capturing that next big AI topic.

Figure 3: Important Further Information about the Funds Mentioned

Fundamentals	WisdomTree Artificial Intelligence and Innovation Fund	VanEck Semiconductor ETF	iShares Semiconductor ETF	Global X Robotics & Artificial Intelligence ETF
Objective	The WisdomTree Artificial Intelligence and Innovation Fund (WTAI) is designed to track, before fees and expenses, the total return performance of the WisdomTree Artificial Intelligence and Innovation Index. This Index is designed to generate exposure across the broad AI ecosystem, including semiconductors, software, other hardware and even innovative use cases.	The VanEck Semiconductor ETF (SMH) is an ETF that seeks to replicate as closely as possible, before fees and expenses, the price and yield performance of the MVIS US Listed Semiconductor 25 Index, which is intended to track the overall performance of companies involved in semiconductor production and equipment.	The iShares Semiconductor ETF seeks to track the investment results of the NYSE Semiconductor Index, which is an index composed of U.S. listed equities in the semiconductor sector.	The Global X Robotics & Artificial Intelligence ETF (BOTZ) seeks to invest in companies that potentially stand to benefit from increased adoption and utilization of robotics and AI, including those involved with industrial robotics and automation, non-industrial robots, and autonomous vehicles. The ETF seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the Index Global Robotics & Artificial Intelligence Thematic Index.
Price-to-Sales Ratio	6.34x	8.76x	6.62x	4.47x
Price-to-Book Ratio	4.93x	7.20x	5.56x	5.11x
Price-to-Cash Flow Ratio	61.94x	27.12x	23.59x	49.57x
Est. Price-to-Earnings Ratio	71.46x	27.49x	26.11x	35.47x
Est. Price-to-Earnings Ratio (excludes firms with negative earnings)	34.92x	27.49x	25.81x	31.13x
% of Firms with Negative Earnings	39.63%	5.59%	9.29%	14.68%
Total Expense Ratio	0.45%	0.35%	0.43%	0.68%
Total Assets under Management (USD, millions)	\$255.30	\$16,970.00	\$12,779.86	\$2,690.00

Sources: WisdomTree, the Fund Compare Tool, data quoted is the most recently available as of 3/3/24. Due to certain complexities of fundamental aggregation, the Price-to-Sales, Price-to-Book, Price-to-Cash Flow, Est. Price-to-Earnings, Est. Price-to-Earnings (excludes firms with negative earnings) and % of Firms with Negative Earnings Statistics are as of 1/31/24. Total Expense Ratio and Total Assets Under Management are as of 3/3/24, with these measures taken from the specific fund websites.

If you are interested in diving more into the comparison of these Funds, please check out our [Fund Comparison Tool](#).

¹ Source: WisdomTree’s thematic universe is a monthly report available [here](#) that includes measures of all U.S. listed thematic equity funds.

Important Risks Related to this Article

For current Fund holdings, please click [here](#). Holdings are subject to risk and change.

There are risks associated with investing, including the possible loss of principal. The Fund invests in companies primarily involved in the investment theme of artificial intelligence (AI) and innovation. Companies engaged in AI typically face intense competition and potentially rapid product obsolescence. These companies are also heavily dependent on intellectual property rights and may be adversely affected by loss or impairment of those rights. Additionally, AI companies typically invest significant amounts of spending on research and development, and there is no guarantee that the products or services produced by these companies will be successful. Companies that are capitalizing on innovation and developing technologies to displace older technologies or create new markets may not be successful. 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. The composition of the Index is governed by an Index Committee and the Index may not perform as intended. Please read the Fund’s prospectus for specific details regarding the Fund’s risk profile.

For the top 10 holdings of WTAI please visit the Fund's fund detail page at <https://www.wisdomtree.com/investments/etfs/megatrends/wtai>

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany

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IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

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DEFINITIONS

Artificial intelligence: machine analysis and decision-making.

Market Capitalization: Market cap = share prices x number of shares outstanding. Firms with the highest values receive the highest weights in approaches designed to weight firms by market cap.

Semiconductor: A semiconductor is a material product usually comprised of silicon, which conducts electricity more than an insulator, such as glass, but less than a pure conductor, such as copper or aluminum. Their conductivity and other properties can be altered with the introduction of impurities, called doping, to meet the specific needs of the electronic component in which it resides.