

HOW MUCH TESLA DO YOU OWN?

Jeff Weniger – Head of Equity Strategy
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It’s official. Elon Musk’s auto company—or tech company, or alternative energy company—is in the [S&P 500 Index](#).

With the stock having multiplied eightfold in 2020 alone, Tesla entered the index on December 21, at a 1.6% weight.

There are several WisdomTree ETFs that do not hold Tesla. Here are two:

[The WisdomTree U.S. Quality Dividend Growth Fund \(DGRW\)](#)

[The WisdomTree U.S. LargeCap Dividend Fund \(DLN\)](#)

In addition to Tesla, other market darlings such as Amazon, Facebook, Netflix and Google-parent Alphabet are also out of DGRW and DLN—because of these stocks’ non-existent dividends.

I worked in private banking for 11 years. When we bid for new business, a competitor’s brokerage statement would land on my desk with a thud. It was a common scenario to be looking at an XYZ Corp executive’s \$20 million portfolio, of which \$17 million was in XYZ stock.

Step one in these situations was to look under the hood at the funds comprising the other \$3 million and figure out how much more XYZ was actually in the portfolio.

Let’s do the same for Tesla’s influence on this seemingly innocent sample portfolio.

Figure 1: Tesla in a Sample Asset Allocation

	Name	Weight	Tesla Weight	Tesla Contribution to Portfolio
Indexes	S&P 500	60.0%	1.7%	1.01%
	S&P 500 Consumer Discretionary	10.0%	15.6%	1.56%
	S&P 500 Utilities	10.0%	--	--
	S&P 500 Healthcare	7.5%	--	--
Individual Stocks	Procter & Gamble	2.5%	--	--
	Tesla	2.5%	100.0%	2.50%
	Amazon	2.5%	--	--
	Microsoft	2.5%	--	--
	Honeywell	2.5%	--	--
	Total	100.0%		5.08%

Source: WisdomTree, as of 12/31/20. You cannot invest directly in an index. This example is for illustrative purposes and does not represent an actual investment.

For definitions of

indexes in the chart, please visit our [glossary](#).

Tesla is not the only problem. Say hello to Amazon.

Figure 2: Amazon in the sample Asset Allocation

	Name	Weight	Amazon Weight	Amazon Contribution to Portfolio
Indexes	S&P 500	60.0%	4.4%	2.62%
	S&P 500 Consumer Discretionary	10.0%	22.9%	2.29%
	S&P 500 Utilities	10.0%	--	--
	S&P 500 Healthcare	7.5%	--	--
Individual Stocks	Procter & Gamble	2.5%	--	--
	Tesla	2.5%	--	--
	Amazon	2.5%	100.0%	2.50%
	Microsoft	2.5%	--	--
	Honeywell	2.5%	--	--
	Total		100.0%	

Source: WisdomTree, as of 12/31/20. You cannot invest directly in an index. This example is for illustrative purposes and does not represent an actual investment.

I made the individual stock line items equal to 2.5%, but you know they could easily be a lot more. Tesla closed at \$83.67 *last New Year's Eve*. Just over one year later, it's an "8-bagger," a stock that has multiplied itself eight times. For this portfolio, increase the Tesla line item by the additional holdings of the stock inside the S&P 500 and the sector index. Congratulations, a concentrated stock work-out is now on the 2021 "To Do List."

What can be done? At the very least, use tracker funds that do not own the stock.

DGRW is our flagship for [large-cap](#) core equity. The "D" in the ticker symbol refers to the ETF's dividend requirement. No dividend, no allocation, no Tesla.

If your concern is even deeper—that large-cap [growth](#) stocks in general are vulnerable—another "D" fund, DLN, is our large-cap [value](#) ETF. Like DGRW, it covers a broad swath of firms. Because it owns only dividend payers, it too has nothing allocated to Tesla.

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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 this blog.

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DEFINITIONS

S&P 500 Index: Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor's Index Committee designed to represent the performance of the leading industries in the United States economy.

Large-Capitalization (Large-Cap): A term used by the investment community to refer to companies with a market capitalization value of more than \$10 billion. Large cap is an abbreviation of the term "large market capitalization". Market capitalization is calculated by multiplying the number of a company's shares outstanding by its stock price per share.

Growth: Characterized by higher price levels relative to fundamentals, such as dividends or earnings. Price levels are higher because investors are willing to pay more due to their expectations of future improvements in these fundamentals.

Value: Characterized by lower price levels relative to fundamentals, such as earnings or dividends. Prices are lower because investors are less certain of the performance of these fundamentals in the future. This term is also related to the Value Factor, which associates these stock characteristics with excess returns vs the market over time.