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State retirement funds boost Tesla stake to \$72M

BY MICHAEL MARTINEZ AND MELISSA BURDEN (excerpt)

The Michigan Department of Treasury bought about \$48 million of Tesla Motors Inc. stock for state retirement funds in the second quarter, increasing its shares 224 percent in the electric-car builder that is banned from selling cars here. ...

...Michigan's stake in Tesla is notable because legislators have prohibited the automaker from selling its electric cars in the state. Gov. Rick Snyder in 2014 signed a so-called "anti-Tesla bill" into law prohibiting vehicle sales by any company other than franchised dealers.

A Treasury spokesperson said in an email that all investment decisions are made by a team of portfolio managers that are independent of state regulatory agencies.

"Our original \$25 million position in Tesla was relatively minor, and we added approximately \$50 million during the past quarter," the department said in a statement. "The additional shares did not materially add to the risk of the overall \$60 billion investment portfolio."

The Tesla stock represents 0.12 percent of the state's \$60 billion portfolio. The state owns holdings in hundreds of companies and funds. Some other notable companies it invests in include Verizon Communications Inc., Apple Inc., Wells Fargo & Co., AFLAC Inc., Microsoft Corp., Home Depot Inc., Facebook Inc. and Amazon.com.

Treasury owns 1,355,538 shares of Ford Motor Co. worth about \$17 million. It owns 486,800 shares of stock in General Motors Co. worth about \$13.7 million. It also holds about 94,000 shares of Delphi Automotive stock worth more than \$84 million. It does not own stock in Fiat Chrysler Automobiles.

Andy Dillon, former state Treasurer and now executive director of financial and management consulting firm Conway MacKenzie, said the Treasury has a large portfolio, and any one stock investment likely is just a coincidence.

"They have an obligation to chase returns and be diversified," Dillon said. "It doesn't jump out to me as anything out of the ordinary... It's very difficult to read much into that."

Tesla has applied for a dealer's license, and earlier this year State Rep. Aaron Miller introduced a bill to allow ownership of vehicle dealerships by manufacturers. The state has

continuously requested more information, putting Tesla's request at a standstill.

A Tesla executive as recently as a week ago complained that Tesla can't sell cars or service them in Michigan. Diarmuid O'Connell, Tesla's vice president of business development, speaking last week at an automotive industry conference in Acme, said the company continues to fight to be able to win a way to open sales and service centers in Michigan.

"We are of course continuing to advocate for what we think is right," he said.

"(We have) on the order of 600 vehicles (owners) who have to drive to Toledo, to Ohio, to Illinois to have their vehicles serviced," he added. "And they're buying those cars out of state, too."

In other states, including Texas and Virginia, Tesla has worked with regulators to open "galleries," or stores, without dealership licenses. Buyers can get information and see or test-drive Tesla vehicles, but not purchase them. Michigan, by comparison, won't even let Tesla offer test-drives without a dealership license.

Tesla stock in the past year has been trading between a range of \$141.05 to \$271.47 a share and closed Wednesday at \$225.65 a share. It is down 7 percent from a year ago. The California-based electric car manufacturer has not made a profit in 12 consecutive quarters. Last week it posted a loss of hundreds of millions of dollars for the second quarter, missing Wall Street expectations. ...

...Investment experts say the state is looking into the future and for the best return.

"You're investing in a company that is going to pay off years down the road," said David Kudla, CEO and chief investment strategist of Mainstay Capital Management in Grand Blanc. "(Founder) Elon Musk is an innovator, and it's been impressive. But they're starting to see the realities and go through the growing pains of becoming a mass manufacturer."