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Confessions of a Money Manager: Stock market cool on alternative energy -- you shouldn't be

A phalanx of environmentalists has gathered in Copenhagen, Denmark, to deliberate on global warming and its potential impact on human civilization. It could be the most important conference since the Allies decided the fate of Europe after World War II. Unfortunately, investors have not grasped the gravity of this pivotal event. You can tell by how they've treated alternative energy stocks. The sector peaked in the summer of 2008 when oil touched \$143 per barrel. Since then, they've been as cold as an arctic wind.

In July 2008, for example, Energy Conversion Devices (ENER \$10.52), a leader in the development and manufacturer of photovoltaic cells, sold for \$80 a share. Today it's trading at just under \$11 per share.

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On the flip side, Cree (CREE \$51.19) has been a stellar performer. It develops and manufactures LEDs (light emitting diodes) and other electronic products used for video screens and a host of other visual display applications. In July 2008, Cree's stock traded in the mid-20s, so it's up roughly 100 percent since then.

Notwithstanding stocks like Avista and Cree, the broadly based alternative energy industry has suffered terribly over the last 18 months. One widely used index for tracking the sector is the WilderHill Clean Energy Index. Investors can buy this index through the PowerShares WilderHill Clean Energy Index Fund (PBW \$10.58). It's an exchange traded fund (ETF), and thus trades like a common stock on the New York Stock Exchange. As an index fund, it's not actively managed; it simply holds the stocks that make up that index. In July 2008, PBW traded as high as \$30. Today's price is down more than 60 percent from that level.

And if it didn't hold major positions in Avista and Cree, its performance could have been worse.

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A word of caution: with literally hundreds of ideas -- from big companies with market caps in the billions to virtual start-up companies with market caps barely in the millions -- investors who choose to buy individual stocks in this area will either need professional advice or be prepared to do a lot of research. Individual investments also mean highly variable returns: note that Energy Conversion Devices lost more than 80 percent of its market value while Cree rose 100 percent during the same time frame.

There are, however, easier and less volatile ways of investing: ETFs and mutual funds. Perhaps the broadest way of investing in alternative energy is the above-mentioned PowerShares WilderHill Clean Energy Fund (PBW \$10.58). Other ETFs such as ... and ... specialize in wind and solar power, respectively.

Mutual funds that specialize in this area include Unlike ETFs, these funds routinely buy and sell stocks at the discretion of their portfolio managers.

All of the above-mentioned ideas are not recommendations, but simply examples of what's available to those interested in alternative energy opportunities. One way or another, though, alternative energy is on the horizon and now is certainly a better time to invest than it was in July 2008.