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<http://www.marketwatch.com/news/story/etfs-add-fuel-alternative-energy-sectors/story.aspx?guid=%7B5881C64F%2D0D46%2D48E9%2DAACF%2D9D5BF0963ADE%7D>

SPECIAL REPORT

Advisers taking hard look at alternative energy ETFs

Broad stock-index strategy adds stability to choppy, uncharted sector

By [Murray Coleman](#), MarketWatch

SAN FRANCISCO (MarketWatch) -- When Robert DeHollander thinks about investing in emerging markets, he doesn't focus only on developing nations. The Greenville, S.C.-based financial adviser is steering more of his high-net-worth clients into alternative-energy stocks through exchange-traded funds.

But he says investors need to approach this nascent sector with caution. "Whether you're looking at an emerging type of business in the U.S. or overseas," DeHollander said, "prices can fluctuate enormously in the short term. That can especially be the case when you're dealing with commodities."

The former environmental engineer adds that putting money into alternative-energy firms should be a "no-brainer" for investors. "A decade from now, we're going to look back and view putting money into alternative-energy stocks much like we do technology today," DeHollander said. [See related story on 'green' mutual funds.](#)

But as a developing sector, he says it's difficult at this point to tell which alternative-energy firms will dominate. "A tremendous amount of consolidation and technological innovation is still left to do in this field," DeHollander said. "Our view is that since we don't know which horse is going to win the race, we're going to buy the whole stable."

He's guiding some of his high-net worth clients into PowerShares WilderHill Clean Energy Fund ([PBW](#) :

PowerShares WildHill CE

It's a broad-based, small-cap-focused ETF with more than 40 stocks. Those include firms with direct ties to the industry as well as businesses that are peripheral players.

DeHollander's clients keep no more than 5% of their total assets in the ETF. More-conservative accounts even have a stop-loss order on their alternative energy funds. "If there's a big sell-off of around 15%, we'll automatically move their money into cash," he said.

And that's certainly happened. Shares of the WilderHill Clean Energy fund

slumped below \$17 in August from almost \$24 three months earlier. Since then, the ETF's value has recovered slightly to about \$19 a share.

"Some of the names in this and other alternative-energy ETFs are owned by broad-based mutual funds we hold for clients," DeHollander said. "That's why we use the ETFs to slightly overweight energy towards emerging players. But we don't like to go too overboard."

Yellow light on 'green' stocks

That's why advisers like Matthew Murphy recommend investors stay away from such niche funds altogether. "A lot of the names in these alternative energy ETFs are barely making money," he said from his Buckeye, Ariz., headquarters. "I'll stick to known quantities that play in energy but remain more mainstream."

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Alternative energy ETFs

Fund	Ticker	YTD Return
PowerShares WilderHill Progressive Energy	<u>PUW</u>	14.0%
PowerShares WilderHill Clean Energy	<u>PBW</u>	10.8
Van Eck Market Vectors Environmental Services	<u>EVX</u>	10.6
PowerShares Water Resources	<u>PHO</u>	9.4
PowerShares Cleantech	<u>PZD</u>	9.3