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PUW: The Virtue Of A 'Greenish' Energy ETF

The PowerShares WilderHill Progressive Energy Portfolio (NYSEArca: PUW) has been quietly beating the entire universe of global energy and renewable energy ETFs over the past year.

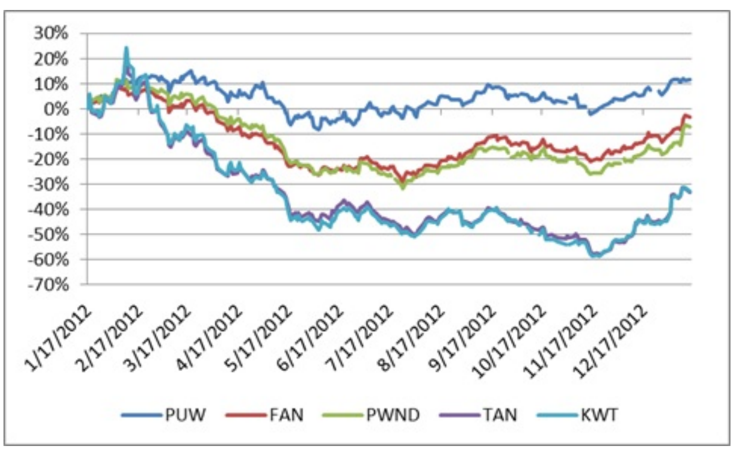
It's somewhat of a hybrid ETF, focusing neither on renewable nor traditional energy companies.

Instead, PUW holds companies that try to improve on the use of typical energy sources like oil, natural gas and coal, by either increasing their efficiency or reducing their pollution.

In other words, it may be the ideal way to capture green sentiments without the difficulties facing the truly green renewable energy sources like solar or wind energy.

Solar ETFs, like the ... or ... ETF have tanked over the past year, losing over 30 percent each.

Wind energy ETFs, like the ... or the ..., didn't do quite as badly, but still lost money: 3.5 and 7.3 percent, respectively.



The figures look even worse for the solar and wind ETFs when you expand the time series to three years. TAN and KWT lost about 80 percent, FAN lost about 50 percent and PWND 60 percent.

Ouch.

Solar and wind energy have both recovered a bit lately, driven partly by Berkshire Hathaway's announcement that it was paying $2.5 billion for solar projects from SunPower and partly by the temporary resolution of the U.S. "fiscal cliff." ... in particular has returned about 35% in recent weeks.

Still, the longer-term losses are simply staggering, and there's nothing to imply that demand will suddenly swing up without (or even with) more government subsidies.

....
Thus, I like PUW.

The fund's top holdings include Denison Mines, a uranium mining company; Rentech Inc., a company that creates synthetic fuels from biomass and waste materials; and LSB Industries, which, among other things, produces geothermal heat pumps that reduce energy consumption.

Technology that cleans up traditional sources of energy is easy to get behind. Big energy companies prefer it, since it's preferable to clean up factories rather than to shut them down.

The incentives are there for mom and pop as well—upgrading to an energy-efficient refrigerator or washer/dryer is cheaper than installing solar panels and the necessary infrastructure to keep your house running on a cloudy day or at night. And it comes with quantifiable savings on your energy bill.

Given the solid investment thesis, the lack of interest in PUW is surprising—it has just $40 million in assets, peanuts compared with the $1 billion held by the ... that it beat by 9 percentage points over the last year.

PUW's 12 percent return over the past year is three times ...'s 4 percent, which easily earns back the difference in trading costs and expense ratios.
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