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# Clean-energy ETF rallies in Hurricane Katrina's wake

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BOSTON (MarketWatch) -- A new exchange-traded fund focused on alternative-energy companies is getting a boost after Hurricane Katrina savaged the Gulf Coast and its vital oil facilities.

The PowerShares WilderHill Clean Energy Portfolio (PBW), which was introduced in March, has seen assets and trading volume pick up as investors speculate that alternative power will become increasingly viable for companies and consumers.

The $108 million ETF added $20 million the week before Katrina hit, and $35 million more the week after the hurricane left damaged oil rigs and refineries in its wake. The portfolio gained 35% in the three months through Sept. 9, according to investment research firm Morningstar Inc., and is up 17% in the past four weeks alone.

"It's not just Katrina," said Bob Wilder, manager of the fund's tracking index. "The lack of attention to alternative energy is coming home to roost, and investors wonder why the U.S. isn't diversifying with solar and wind energy."

The "green" ETF holds shares of 37 companies that focus on environmentally-conscious and renewable energy alternatives such as wind, solar, and hydrogen fuel cells.

Top holdings include Emcore Corp. (EMKR), in the renewable-energy harvesting sector, power delivery and conservation firm Itron Inc. (ITRI) and energy conservation company Medis Technologies (MDTL).

"Higher oil prices aren't a blip that will go away soon -- they're here for the long term," said Greg Kats, principal at clean-energy consultant Capital E.

The alternative-energy sector is growing and stock valuations are rising, he noted. Moreover, Kats said, traditional oil companies are exploring renewable energy.

**Powering clean energy**

Investing in environmentally-friendly energy stocks seems a reasonable strategy given political tensions in the Middle East and anticipated demand from emerging economies.

"Oil is finite, and there's going to be a demand increase because developing countries like India and China are going to see growth in automobiles," said Maurice Schoenwald, co-manager of the New Alternatives Fund (NALFX), which owns shares of alternative-energy companies.

Yet some analysts warn that a concentrated clean-energy ETF is prone to wide performance swings since it invests in small, speculative companies and is considered a hedge against oil prices, which also can be volatile.

Additionally, one of the worst mistakes investors make is chasing hot performance.

"It's dangerous to invest in funds that have recently spiked," said Morningstar analyst Dan Culloton. "They can do the same thing to you on the way down."

Proponents of clean energy counter that high oil prices are here to stay, with venture capitalists as well as oil companies making a bigger commitment to the industry.

"Over the past few years alternative energy is looking more attractive because of greater public awareness of climate change," said Andrew Brengle, senior research analyst at socially-responsible investing firm KLD Research & Analytics Inc.

"Lots of pressures are being brought to bear that weren't there a few years ago," he added. "lean energy is less of a fringe element, with mainstream investors and companies catching on."

**Wind and sales**

The real question is whether the recent spike in clean-energy stocks is a temporary reaction to Katrina or part of a long-term trend. The sector still represents a tiny fraction of the energy industry.

"Alternative energy is going to happen, but it isn't going to happen overnight," said Schoenwald of the New Alternatives Fund, which has been investing in alternative energy companies since 1982.

"A lot of this is a quick reaction to the jump in oil and gas prices, with some observers saying we never get below $50 a barrel for crude," added Julie Gorte, chief investment strategist at socially-responsible fund manager Calvert Group.

The short-term effect of Katrina is significant, Gorte said, but the damage to the area's oil facilities should be repaired within a matter of months. Also, she said, traditional sources of energy are still cheaper than alternative energy.

"Despite short-term crises, we're still decades away from shortages," Gorte said. "But just like investors need to diversify their portfolios, the U.S. has to diversify its sources of energy."

If oil prices do remain high and alternative energy becomes more affordable, a clean-energy ETF would be a way to participate.

However, "it's risky to wager on the future price of oil," said Culloton, the Morningstar analyst.

"It's tough for investors to make money on new technology, as was evidenced by the dot-com bust," he said. "Venture capitalists get in early, but fund investors almost always come to the party too late."