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<https://seekingalpha.com/article/4566422-wilderhill-clean-energy-etf-renewable-energy-megatrend>

# WilderHill Clean Energy ETF: Renewable Energy Is A Megatrend

## Summary

- Although controversial, it is relatively clear that renewables are here to stay.
- Companies focusing on renewable energy still have a lot of potential and enjoy a political tailwind.
- In my opinion, a broadly diversified investment in the renewable energy sector is almost a no-brainer.

## Investment Thesis

Invesco WilderHill Clean Energy Portfolio ETF (NYSEARCA:[PBW](#)) is an easy way to bet broadly on a megatrend that is here to stay. This industry has enormous political tailwinds and still a lot of expansion potential. In addition, the ETF already pays a dividend that is growing dynamically.

## Renewable energies are a megatrend

Although controversial, it is relatively clear that renewables are here to stay. Even though they are not perfect and have weaknesses and hopefully will be developed further technologically, they also have a lot of advantages. Anyone who has ever been in a smog-polluted city ...

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As the following chart shows, installed solar capacity worldwide has increased by 22% in 2021 compared to 2020. In most industrialized countries, solar now accounts for 1% - 3% of primary energy demand: USA 1.68%, China 1.95%, Germany 3.65%. Even more for electricity: USA 3.96%, China 3.85%, Germany 8.79%. ....

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Wind energy is even more significant and contributes to primary energy demand: USA 3.89%, China 3.92%, Germany 8.77%. And for electricity: USA 9.11%, China 7.73%, Germany 19.9%. These figures are already relatively high but still have a lot of room for expansion. On the one hand, I have only taken three countries as examples; there is much more potential in ....

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## ETF Overview

The Invesco WilderHill Clean Energy ETF invests in stocks of companies in the energy, utilities, alternative energy resources, independent power producers, and renewable electricity sectors. It uses full replication to track the performance of the WilderHill Clean Energy Index. The yearly expense ratio is 0.62%. Currently, the ETF contains 84 stocks, with the top ten representing only 17%. The ETF focuses on technology and industrial ...

## Valuation

Valuation plays less of a role due to the broad diversification. However, I want to look at the top five stocks, which comprise 9% of the ETF, to get an idea. Three key figures are sufficient for a rough overview: Forward P/E ratio (analysts' estimates), annual revenue growth over the last five years, and net income ....

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## Performance

The historical performance over ten years is worse than the S&P 500. But over the last five years, the performance has been better. This is not surprising when you consider that topics like electric cars, ESG, and renewable energy were much more unknown ten years ago. The political and social tailwind has only been there for ....

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## Dividend

A quarterly dividend of \$0.4073 was [announced](#) just a few days ago. Annualized, this would be \$1.61 and thus a dividend yield of 4.2%. So definitely an attractive dividend. Impressive is the growth rate of 48% per annum over the last three years, or 32%, compared to the previous year. This is even more astonishing as some companies in the ETF do not even generate profits, ....

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## Risks and what I don't like

But there are also risks and uncertainties here. Among other things, this concerns the potential margins of the manufacturers. We keep hearing that solar cells, for example, have become many times cheaper over the last ten years. That means manufacturers might sell more, but possibly the margin sinks. Of course, this is not certain; it depends on the production costs.

What is definitely a negative factor is when raw material prices rise, making production more expensive and less profitable. Renewable energies require various raw materials, steel, copper, rare earths, and polysilicon. Many raw materials have recently risen sharply in price, partly due to the sanctions against Russia.

One risk, of course, is that the entire industry will be disrupted, which could happen, for example, through new forms of energy generation. ....

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