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MUTUAL FUNDS

Storm Boosts Clean Energy's Allure

PowerShares Fund Surges As Investors Pour In Money; Blip or Long-Term Trend?

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MarketWatch

An exchange-traded fund focusing on alternative-energy companies got a boost after Hurricane Katrina savaged the Gulf Coast and its oil facilities.

FUND TRACK

The **PowerShares WilderHill Clean Energy Portfolio**, 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. Unlike traditional mutual funds, exchange-traded funds, known as ETFs, trade all day on an exchange like a stock.

In the two weeks ended Friday—during which time Katrina damaged oil rigs and refineries—the clean-energy fund's assets grew 58% to $129 million. Bruce Bond, chief executive of PowerShares Capital Management LLC, said the fund can' handle the extra cash. The shares have risen 35% in the three months through Friday, according to investment research firm Morningstar Inc., and are up 17% in the past four weeks alone.

"It's not just Katrina," said Bob Wilder, chief executive of WilderShares LLC, which constructs the index of clean-energy companies the fund tracks. "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 ETF holds shares of 37 companies that focus on environmentally conscious and renewable energy sources such as wind, solar and hydrogen fuel cells. Top holdings include **Emcore** Corp. in the renewable-energy harvesting sector, power delivery and conservation firm **Itron** Inc. and energy-conservation company **Medis Technologies** Ltd.

"Higher oil prices aren't a blip that will go away soon," said Greg Kats, principal at clean-energy consultant Capital E. The alternative-energy sector is growing and stock valuations are rising, he said. Moreover, traditional oil companies are exploring renewable energy, he said.

"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**, a traditional mutual fund that owns shares of alternative-energy companies and has returned 13% this year through Friday. He said he hasn't noticed a rush of new money since the hurricane, but "we've been seeing more interest in our fund and clean-energy companies, even before Katrina, with higher oil prices."

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.

"It's dangerous to invest in funds that have recently spiked," Morningstar analyst Dan Culloton said. "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. A key 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 Mr. Schoenwald, whose fund has been investing in alternative-energy companies since 1982.

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