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<http://www.businessweek.com/news/2010-03-19/smart-energy-s-lang-is-betting-against-hedge-funds-update1-.html>

Smart Energy's Lang Is Betting Against Hedge Funds (Update1)

The top-ranked investor in renewable energy last year is betting hedge funds are wrong.

Thiemo Lang, manager of the 500 million euro (\$681 million) SAM Smart Energy Fund, is buying stocks that most investors are selling, such as Chinese solar-panel manufacturers. He's aiming to repeat the 83 percent gain in 2009 that placed him first on Bloomberg New Energy Finance's ranking of clean-energy funds released today.

Lang's performance may guide investors considering whether to dump solar and wind-energy stocks in the benchmark WilderHill New Energy Global Innovation Index, which has lost almost 10 percent this year as the MSCI World index gained 2.5 percent.

"These companies have been hit quite hard but we're sticking to our position and increasing it," the 45-year-old German native said in a telephone interview from his office in Zurich. "The strong correction we've seen at the beginning of the year is overdone."

Lang's fund hasn't escaped the drop, heading for his worst quarter in five, yet he's increased stakes in his largest and third-largest holdings. They are solar panel-maker Yingli Green Energy Holding Co., down 25 percent this year, and Fuel Systems Solutions Inc., which develops natural gas-powered auto engines and has declined 22% since Jan. 1.

He increased his stake in New York-based Fuel Systems to about 20 million euros in 2010. The shares have fallen on concern that revenue will suffer after the Italian government allowed subsidies to expire for buying low-emissions vehicles.

Short Sellers

More than half the company's traded shares have been lent out to hedge funds and proprietary trading desks to sell short, according to Bloomberg

data. Short-sellers aim to profit from falling stocks by selling shares they don't own and buying them back at a lower price.

“This gives us a clear indication that the company may be oversold,” said Lang, whose fund is a part of Rabobank Nederland NV's SAM group, focusing on “sustainable asset management” with 10 billion euros in assets.

The fund manager's stance puts him at odds with Harvest Capital Strategies LLC and Jane Street Holdings LLC. They sold the two stocks Lang bought in the last quarter of 2009, when world leaders meeting in Copenhagen failed to adopt binding limits to greenhouse gas emissions, undermining the outlook for clean-energy companies.

Harvest Capital, a New York-based hedge fund, cut its holding in Fuel Systems Solutions by 11 percent in the fourth quarter to 230,000 shares, according to Bloomberg data. Peak6 Investment LP sold 97 percent of its 30,000 shares. Nasdaq, where the company has its primary listing, does not give details on which funds are short specific stocks.

Solar Holdings

Lang, a former development engineer at Siemens AG, Europe's largest engineering company, holds other solar-panel makers among his top holdings, namely Trina Solar Ltd. and Canadian Solar Inc. They've fallen because of concern about declines in panel prices.

China's Yingli, Lang's biggest bet accounting for about 5 percent of assets, has about 15 percent of its traded shares sold short, compared with an average of 4.5 percent for members of the U.S. benchmark index S&P 500.

The fund manager said he expects 10 gigawatts of solar power capacity to be installed in 2010 compared with the 6.5 gigawatts added in 2009, which was the equivalent of about five new nuclear-power stations.

Manufacturers of power-producing photovoltaic panels with production based in China are best-placed to resist margin pressure and capitalize on market growth, Lang said.

“Suddenly the overall cost position of the Chinese manufacturers just became so important,” he said.

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