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MUTUAL UNDERSTANDING

'Clean' energy shares run low on gas

Share prices are down, but investors see green

By Jonathan Burton, MarketWatch

SAN FRANCISCO (MarketWatch) -- It is not only traditional energy companies that are suffering from the sector's recent downturn. Alternative energy shares have had the wind knocked out of them as well.

The natural-resources sector is still among the year's better performers, but these stocks and the mutual funds that own them are rapidly losing steam.

Still, some analysts view the correction as a speed bump in a profitable road, particularly for so-called clean-energy companies involved in harnessing power from sun, wind and other renewable fuels such as corn-based ethanol.

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Now, with shares of mainstream oil, gas and coal producers in a slump, the more speculative alternative-energy stocks, with their limited revenues and high or non-existent P/E ratios, are taking a drumming.

PowerShares WilderHill Clean Energy (PBW) , an alternative-energy focused ETF, shed 17.3% in the past month. Winslow Green Growth Fund (WGGFX) , a small-cap portfolio that has investments in clean-energy stocks, fell 9.4%. A similarly focused midcap offering, New Alternatives Fund (NALFX) , lost 12.7% in the period, while the newly launched Guinness Atkinson Alternative Energy Fund (GAAEX) , gave back 16.2%.

"Valuations got ahead of themselves," said Matt Patsky, the Winslow fund's co-manager. "It's a volatile category."

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Proponents of alternative power say it's different this time. Their argument hinges on several broad factors: the pressing thirst for energy from rapidly industrializing China and India; existing demand from developed economies; the finite nature of fossil fuels; global warming, and, not least, the uncertain geopolitics of oil. In such a world, they say, it pays -- both economically and politically -- to find other power sources.

"All these factors point to clean energy becoming more important," said Robert Wilder, founder and chief executive of WilderShares LLC, an Encinitas, Calif.-based firm that manages the WilderHill Clean Energy Index (ECO) , on which the PowerShares ETF is based. Wilder also co-sponsors the recently introduced WilderHill New Energy Global Innovation Index (NEX) , an international-stock benchmark on which PowerShares hopes to base an ETF.

Said Wilder: "Oil is not infinite; at some point something is going to have to take

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its place."
That time has arrived, according to Thomas Van Dyck, who heads Piper Jaffray & Co.'s socially responsible investment wealth management group in San Francisco.
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Four funds for the future

Fund	Ticker	Expense ratio	1-month return	1-year return	3-year annualized return
PowerShares WilderHill Clean Energy	PBW	0.70%	- 17.3%	34.8%	N/A
Winslow Green Growth Fund	WGGFX	1.45%	- 9.0	24.2	19.8
New Alternatives Fund (4.75% Front-end load)	NALFX	1.28%	-12.7	17.5	16.3
Guinness Atkinson Alternative Energy Fund	GAAEX	1.98%*	-16.2	N/A	N/A

Source: Morningstar Inc. (Data through 6/12/06)