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Robert Dehollander on Alternative Energy

by Murray Coleman

Robert Dehollander used to be an environmental engineer. His specialty was working on air quality and wastewater projects for large corporations. After serving as a consultant for about 10 years, the Greenville, S.C., resident decided to change careers.

At first a hobby, the 44-year-old ex-engineer had become a professional practitioner of modern portfolio theory. His technical background made number crunching seem easy. Now, a decade later, Dehollander runs his own financial advising business.

Earlier this week, IndexUniverse.com's Managing Editor Murray Coleman caught up with the busy independent portfolio manager, who takes a top-down approach to portfolio construction for long-term-oriented investors.

HardAssetsInvestor.com [HAI]: Do you focus solely on alternative energy investments?

Robert Dehollander (Dehollander): No, we take a diversified portfolio approach for our clients. But we like to play long-term themes we see developing in the economy. One of the major ones we see now is development of alternative energy companies.

HAI: How big of a portion is alternative energy in your asset allocation plans?

Dehollander: It depends on the client. But we'll typically go anywhere from 3-7% of total assets under management. An allocation of less than 3% doesn't have much impact on overall portfolio returns. But we've found that going above 7% really can

change the risk characteristics of a portfolio.

HAI: What are your favorite plays in the alternative energy space right now?

Dehollander: I like to buy the sector as a whole right now. In any type of emerging space like this, there's always going to be technological developments and consolidation that you just can't predict today. So if you don't know which horse is going to win, you buy all of the horses. That's an old adage, but it's one we use a lot with our clients when discussing emerging sectors like alternative energies.

HAI: What ETFs do you favor now?

Dehollander: Right now, we're using some of the PowerShares funds. That includes the Invesco PowerShares Global Clean Energy Portfolio (AMEX: [PBD](#)). It includes a broad array of alternative energy sources. So it's not just wind and solar. And it's primarily global, which is good since Europe and some other parts of the world have a real head start on the U.S. in this space. It's our core holding in the alternative energy sleeve of our portfolios.

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HAI: There have been some recent developments in solar power, haven't there?

Dehollander: Yes, there are some companies making advances in a thinner waferlike solar panel. The bottom line is that these new solar panels will be much lighter than the ones on the market right now. One of the main problems is that these solar panels are so heavy, roofs in the average home can't really support many without additional structural reinforcements. And that can result in a very costly repair bill for home owners. But imagine if you had shingles that acted like solar panels. They could very easily replace your old

roof. That's where solar power starts to get really exciting. That's the main breakthrough we're tracking – can the technology get to that point?

HAI: How close are they?

Dehollander: We've heard that some major Fortune 100 companies are working on it. But they keep the key developments in those types of technologies pretty close to the vest. So it's difficult to really know for sure how close we are to seeing really practical solar panels being mass-produced. But it's an exciting concept. If it can be done, we'd have an almost limitless supply at no real cost other than just maintenance on the systems. The sun generates 10,000 more times solar energy than we'd ever need. We just haven't been able to harness that energy yet.

HAI: What about wind power?

Dehollander: It's the most proven and competitive alternative technology. But a lot of people don't want wind turbines in their backyards, or even off the coast of their favorite beaches. The technology works and it's already competitively priced with traditional energy sources. The main hurdle is that you've got to build the infrastructure for wind farms.

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