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An ETF to Plug Into Alternative Energy

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Every time *CNBC* does a segment on how expensive oil, gasoline and natural gas are, my wife asks why we don't have more solar energy. All of the politics notwithstanding, that's the right question.

Alternative energy seems like it has been the next big thing for years. Perhaps now, with the cost of energy so much higher, more car companies making hybrid vehicles and a greater need for alternative power sources such as wind, this could be a time when money could be made by investing in alternative energy. PowerShares has a year-old alternative energy ETF, the **PowerShares WilderHill Clean Energy Portfolio** (PBW:Amex -[commentary](#) - [research](#) - [Cramer's Take](#)). The fund has 41 stocks in it, most of which you probably haven't heard of, but as is the case with most PowerShares funds, no one stock has too large a weighting. Its largest holding, at 4.1% of assets, is the carbon-fiber maker **Zoltek** (ZOLT:Nasdaq - [commentary](#) - [research](#) - [Cramer's Take](#)).

Industrials, including a number of fuel-cell and solar-panel makers, account for 37% of the fund's assets. Its second-largest concentration is 30% in information technology. It holds a number of semiconductor companies.

Despite the heavy weighting to industrials and semiconductors, the fund has no real correlation to either sector.

It has had a much tighter correlation to the energy sector over the past year, though it has no oil stocks. I think the reason for this is that whenever we have a panic over higher oil prices, money flows into stocks that offer the chance of reducing our dependence on oil.

The fund's components will likely continue to benefit from this zeitgeist. I think we are probably quite a few years away from mainstream use of solar cells and cars running on sugar, but there will be intense debate and political wrangling about this topic. The hotter the rhetoric, the more capital that might flow into the PowerShares fund or its component stocks.

Alternative in Name, Performance the Same

The PowerShares Clean Energy Portfolio (PBW) has tracked the energy sector at large over the past year, as represented by the Energy Select Sector SPDR (XLE)

