

Insider

First Clean Energy ETF Debuts!

If you're not a subscriber to our sustainable investing newsletter, [Progressive Investor](#), you may not be aware that the WilderHill Clean Energy Index (ECO) debuted on AMEX in August, 2004. The index is up 27.7% since its launch compared to the Dow Jones Industrial Index, which has risen about 8.1% since then.

This Thursday, March 3, marks the day the ETF begins trading, enabling investors to purchase shares in a fund based on the index's basket of clean energy stocks. PowerShares Capital Management LLC is introducing an exchange traded fund (ETF) replicating the WilderHill Clean Energy Index, the "PowerShares WilderHill Clean Energy Portfolio" (Amex: PBW). Shares will start trading at \$15.

The index is the brainchild and consummation of a dream for Robert Wilder, Elias Azrak and Josh Landess, long time clean energy advocates. It currently consists of 37 of the top clean energy companies and serves as a benchmark for the sector, as well as a means to invest in clean energy as a whole. The index is rebalanced quarterly.

Although the goal is to eventually include clean energy companies worldwide, because of certain AMEX rules, it is limited to U.S. companies and those foreign companies that trade on major U.S. stock exchanges, or have ADRs over a certain volume (an ADR is a way for U.S. citizens to purchase foreign stocks without going to foreign exchanges). Therefore, major industry players like Vestas and Gamesa are not currently represented on the WilderHill Index, but may be as they grow in size and begin to trade globally.

It's generally a small cap index comprised of pure-play companies, but there is a limit to how small - a company has to have at least a \$50 million market cap and must trade at a minimum of \$1 per share to get in. That leaves out the tiniest and riskiest public companies. Other criteria are qualitative: no fossil fuel, oil, nuclear or coal companies. "We're including companies that stand to benefit substantially should global warming and carbon become more of an issue, and those that may grow as society moves toward the use of cleaner energy and conservation," says Rob Wilder. The index does not include 'cleaner' technologies, like those that reduce the impact of using fossil fuels, rather "It consists of companies that a green energy investor, or those seeking diversification, might want to invest in."

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In a article in *Red Herring*, Bruce Bond, president of PowerShares Capital Management said, "The fund starts to legitimize clean energy as a group. Alternative energy companies are still fairly new to the market, and most are not even categorized as part of the energy industry in the major indexes. The S&P codes, for instance, list the bulk of clean energy companies under 'industrials,' he said. Other clean energy companies are categorized as 'information technology,' 'consumer discretionary,' or 'consumer staples.'

The index uses modified equal dollar weighting and is composed of companies that are working in six clean energy areas:

- (1) Power Delivery and Conservation
- (2) Cleaner Utilities
- (3) Energy Conversion
- (4) Cleaner Fuels
- (5) Energy Storage
- (6) Renewable Energy Harvesting

Of course, like any investment in emerging companies, an investment in the ETF based on this index should represent less than five percent of an individual's portfolio.

To learn more and see the companies included in the index:

go to www.amex.com and enter the symbol ECO.

www.WilderShares.com