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Energy Bill, Oil Spike Push Up 'Clean' ETFs

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INVESTOR'S BUSINESS DAILY

Keeping it clean recently has translated to keeping the profits rolling in for many investors.

Those who put their money behind "clean" energy companies, which focus on renewable resources, saw the happy results all week.

Several factors were behind the rise. Last week, President Bush signed the Energy Independence and Security Act of 2007 into law. The bill mandates lowered fossil fuel use and quadrupled alternative biofuel use over the next 15 years.

Exchange traded funds that track clean energy began to rise immediately after the bill became law. The largest and oldest, **PowerShares**

WilderHill Clean Energy, ([PBW](#)) jumped nearly 10% during that time.

Almost half the fund, which has an IBD Relative Strength Rating of 94, is invested in alternative energy sources.

Some of the WilderHill fund's largest holdings include **Sunpower** ([SPWR](#)), **Suntech Power Holdings** ([STP](#)) and **Yingli Green Energy**, ([YGE](#)) all of which hold a 99 RS.

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The uptick for all the funds continued Wednesday after a Chinese government report announced that the country plans to increase renewable energy consumption to 10% of total energy consumption by 2010 and 15% by 2020. The 44-page report said China will promote development of hydropower, solar, methane, wind and other renewable energy sources and increase their market shares.

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Emerging Markets

There's much to recommend these ETFs. There's an acknowledged need for improved infrastructure and energy in emerging markets. Coupled with governments' and environmentalists' increased call for clean energy sources in existing markets, these funds could grow steadily in the coming months.

But investors should proceed with caution, warns analyst Matthew Hougan, who edits Journal of Indexes and IndexUniverse.com. Because many of the companies are in emerging markets, there's a greater risk as those markets tend to be more volatile.

Investors also shouldn't simply jump on the environmental bandwagon without doing research first. Look carefully at the companies in a fund before. What's their track record? Just because they're called "alternative"

doesn't make them successful. Efficient water or power delivery is also crucial.

"I see too much hype in alternative energy," Hougan said. "But energy efficiency makes sense to me."

