

Excerpt from Seeking Alpha, October 9, 2009

<http://seekingalpha.com/article/165806-10-green-energy-gambles-a-q3-update?source=yahoo>

10 Green Energy Gambles: A Q3 Update

by Tom Konrad

I never thought 2009 would be a good year for risky stocks, but my readers asked for them anyway. The market's strong third quarter have paid off for risk-takers who gambled on my 10 Green Energy Gambles for 2009.

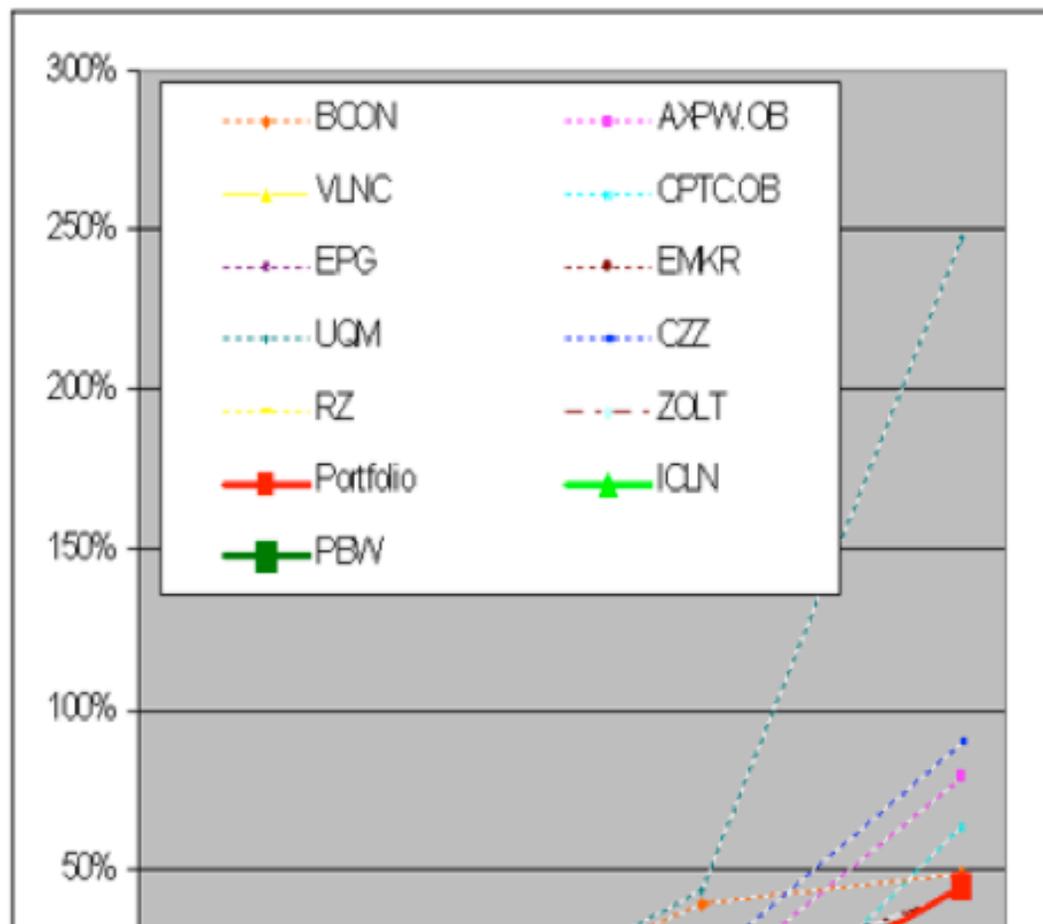
I started out the year by providing readers with a portfolio of [ten relatively conservative plays on green energy](#). That portfolio was representative of how I planned to approach the market this year, and has produced [stronger returns and less volatility when compared to both green energy stocks and the market as a whole](#). Many of my readers are looking for big gains on little stocks, so I also provided (but did not endorse) [ten such green energy gambles](#).

I went into some detail on each, but I generally felt that most of those stocks would benefit disproportionately from an easing of the credit crunch. In [Q1](#) and [Q2](#), those gambles performed in-line with the green energy sector indexes, but the return of optimism in the third quarter has allowed these risky stocks to shoot ahead of the sector with the turbo-charged performance that I hoped they would provide. They've even managed to pull ahead of my [extremely strong conservative portfolio](#) (by 44% to 41%.)

If the fourth quarter is anything like the third, I'd expect the portfolio to end the year with a double. I don't expect that to happen, but [I've been wrong about the length of this rally before](#).

The following table and graph show stock-by-stock performance for the first three quarters:

Ticker	1/9/09 close	4/9/09 close	7/13/09 close	10/8/09 close	Gains 1/9 to 10/8/09
BCON	\$0.46	\$0.47	\$0.637	\$0.686	49%
AXPW.OB	\$1.20	\$0.85	\$1.34	\$2.14	78%
VLNC	\$1.77	\$2.23	\$1.51	\$1.60	-10%
CPTC.OB	\$0.30	\$0.23	\$0.245	\$0.489	63%
EPG	\$0.86	\$0.34	\$0.54	\$0.44	-49%
EMKR	\$1.43	\$0.84	\$1.07	\$1.32	-8%
UQM	\$1.72	\$1.70	\$2.46	\$5.97	247%
CZZ	\$4.18	\$4.45	\$5.00	\$7.91	89%
RZ	\$3.62	\$4.13	\$2.00	\$1.46	-60%
ZOLT	\$7.47	\$7.98	\$8.46	\$10.62	42%
Portfolio	\$1,000	\$900.20	\$986	\$1443	44%
Benchmarks					
ICLN	\$21.93	\$19.40	\$21.01	\$23.08	5%
PBW	\$9.01	\$8.55	\$9.15	\$10.81	20%



Benchmarks

The two benchmarks -- the [iShares S&P Global Clean Energy Index ETF \(ICLN\)](#) and the [PowerShares Clean Energy Index ETF \(PBW\)](#) -- most likely produced such different results because:

1. US-based clean energy companies received more of a boost from the ARRA or stimulus package than did global firms
2. The global firms in ICLN's portfolio tend to be better established and more profitable than those in PBW's portfolio, which means that ICLN will typically outperform PBW in down markets, and underperform in up markets. This is exactly what we have seen this year, with the best performance coming from ICLN in the dismal 1st quarter, but PBW gaining ground since then.

Compared to these two, the portfolio has done quite well. Even in the down first quarter the highly volatile companies in the portfolio managed to perform better than the slightly more stable companies in PBW, but they were able to take off much faster than PBW when the market turned around.

Individual Stocks

With the exception of [Axion Power \(AXPW.OB\)](#) and a small option position on [Raser Technologies \(RZ\)](#), I've sold my stake in all of these and no longer follow them.

That said, the best place to go for information on the three [energy storage stocks](#) -- ([Axion Power International \(AXPW.OB\)](#)), [Beacon Power Corporation \(BCON\)](#), and [Valence Technology Inc \(VLNC\)](#) -- is John Petersen. He recently discussed how the [stocks in the energy sector were performing](#).

The best performer so far has been [UQM Technologies \(UQM\)](#). In January, I said "[an auto bail-out which forced the big three to produce many more hybrid and electric vehicles could prove a bonanza for UQM.](#)" We had such an auto-bailout, but UQM's success did not come solely from government stimulus. Rather, the stock began to

take off when the company announced a deal to supply drive trains for an electric sedan from Coda Automotive, and then accelerated when they received a \$45 million award of ARRA funds.

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A similar story to UQM was my lone nod to biofuel, Brazilian ethanol producer **Cosan, Ltd.(CZZ)**. I said: "Either a return to high oil prices, or a reduction in America's ethanol import duty could greatly help the stock." Since then, there has been a lot of talk that the administration is considering ending ethanol import tariffs. The recent rise in oil prices also seems to be helping the stock.

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