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ETF Best-in-Class Choices in the Clean Energy Sector

The “clean energy” or “alternative energy” sector is usually defined to include renewable power sources such as solar power, wind power and geothermal power, as well as electricity sectors such as conservation, the smart grid, batteries and storage. This report will cover the broad clean energy ETFs that hold stocks from all of these various sectors in one fund.

PowerShares has four different funds in the broad clean energy space, accounting for a total of nearly \$1 billion in assets under management, making it the largest ETF issuer in the space by far. ... is the other main player in the broad clean energy ETF space with its Here is a quick description of each fund.

PowerShares WilderHill Clean Energy Portfolio (PBW) – This fund, launched in March 2005, is the oldest fund in the sector and currently has \$560 million in assets under management. The fund is based on the WilderHill Clean Energy Index (ECO). The fund holds 57 U.S.-listed stocks and is based on a modified equal-weighted index. The index assigns weights to clean energy categories and then equally weights the stocks within those categories. The categories are as follows: Renewable Energy Harvesting (solar, wind, geothermal) (24% sector weight), Power Delivery & Conservation (28%), Energy Conversion (20%), Energy Storage (18%), Cleaner Fuels (5%). The fund has an expense fee of 0.60%.

PowerShares Global Clean Energy Portfolio (PBD) – This fund, launched in June 2007, has \$145 million in assets under management. The fund is based on the WilderHill New Energy Global Innovation Index (NEX), which is a modified equal-weighted index that holds 100 globally-listed stocks. The fund is different from PBW in that more than half of the stocks held are listed on exchanges outside the U.S., whereas PBW holds only U.S.-listed stocks. The index web site lists the following sector weights: Energy Efficiency 27.55%, Solar 24.63%, Wind 19.58%, Biofuels & Biomass 10.52%, Renewables-Other (Geothermal, Marine, Hydroelectric) 9.29%, Power Storage 7.01%, Energy Conversion 1.43%. The weighting methodology involves assigning weights to each sub-sector. Then, within each subsector, the stock components are divided into large and small cap stocks and large components are assigned 3-1/2 times of the weight of small components. The fund has an expense fee of 0.75%.

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PowerShares WilderHill Progressive Energy Portfolio (PUW) – This fund, launched in October 2006, has only \$60 million in assets under management. The fund is based on the WilderHill Progressive Energy Index (WHPRO), which is focused on transitional technologies that “can serve as an energy bridge improving near-term use of fossil fuel resources by progressively reducing carbon and other pollution.” The fund holds 53 U.S.-listed stocks. The fund has an expense fee of 0.60%.

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