

Excerpt from Wall Street Journal, April 12, 2010

http://online.wsj.com/article/SB10001424052748703775504575135442370379422.html?mod=googlenews_wsj

Betting on Solar and Wind Energy, and Against Some Sovereign Debt

Q: Can you please give your recommendations on investments in either solar or wind energy?

—Phyllis D..., Lee's Summit, Mo.

A: As energy prices soared in the summer 2008 and oil futures reached record levels, many investors shifted to alternative-energy investments, expecting those companies to prosper. Spending on the area from the Obama administration was expected to give the sector an additional boost.

Energy prices collapsed last year, dashing some investors' hopes. But they've edged higher again lately, stirring renewed interest in solar and wind power.

Finding an appropriate investment is a challenge, however. Some popular choices have proved quite volatile. One example: The PowerShares WilderHill Clean Energy fund (PBW), which focuses on shares of alternative-energy providers, has climbed 17% over the past year, but is down 13% over the last 13 weeks and is off 48% over the past three years.

Solar and wind companies have unique difficulties because they usually depend on subsidies from governments, even as politicians around the globe search for ways to cut spending.

"The whole group doesn't get as high a rating as it once did because government subsidies have been reduced," especially in Germany, says

Rob Lutts, president of Cabot Money Management, an independent wealth-management firm in Salem, Mass. Various U.S. states are dealing with their own fiscal issues and don't have as much money to subsidize alternative energy.

An overhang of supply in both the solar and wind industries has helped push prices for modules and other parts lower, while putting a crimp on the building of new wind and solar operations.

For longer-term investors, Mr. Lutts recommends shares of [First Solar](#), a \$10 billion company that makes solar modules. First Solar is "the overall cost leader in thin-film technology," says Mr. Lutts.

He also is a fan of Trina Solar, a low-cost manufacturer of photovoltaic wafers and other solar-power products based in China.

Mr. Lutts owns shares of First Solar, though he has trimmed his holdings because he's not sure how long it will take before business improves. He doesn't own shares of Trina, though he's examining a purchase.

Because so many companies in these industries have limited track records, many analysts recommend exchange-traded funds.

....