

Excerpt from BizSan Diego, March 2008

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## The Environmental Capitalist

By Helen Kaiao Chang

Robert Wilder thrives in the crunchy granola capital of San Diego County: Encinitas. He's a former surfer who drives an electric car, lives in a solar-heated house, grows organic fruit trees in his back yard and raises chickens that lay organic eggs.

Yeah, he's alternative all right. But his paycheck is anything but. Wilder runs WilderShares LLC, a company that indexes green energy stocks with funds now worth nearly \$2 billion. The flagship WilderHill Clean Energy Index has become a Wall Street benchmark, in the same way the Dow Jones Index measures blue chips. Its related fund is the largest and best performing in the green energy sector, with \$1.7 billion in assets and returning a whopping 58% to investors in 2007.

Having combined his passion for environmentalism and investment, Wilder is now riding the wave of green capitalism. Since launching his first index in 2005, Wilder's company has served as a nexus for environmentalists, entrepreneurs, investors, capitalists and Wall Street analysts—while also helping the world. “The fact that these stocks are profitable is the clearest way of saying to any bean counter: These things make sense,” he says. The investment world is jumping on the bandwagon. In the last two years, NASDAQ, Dow Jones and Standard & Poor's have all launched me-too indexes. Mutual fund companies have started offering clean energy portfolios. And institutional investors are putting money into green stocks.

An academic by profession, environmentalist by passion and capitalist by accident, Wilder may have been destined to unite the three worlds because he never quite fit into any. Each pushed him to seek alternative solutions. As an academic specializing in environmental policy, Wilder has consistently sought ways to improve efficiencies in clean technologies. Currently an adjunct professor at UCSD, Wilder has won numerous fellowships—Fulbright, the National Academy of Sciences and the Environmental Protection Agency, to name a few—and has studied coastal protection policies and explored potentially profitable technologies that prevent harm to ecosystems.

His recent book, *Listening to the Sea*, examines biodiversity and pollution-prevention technologies. “To me, pollution is a form of inefficiency,” he says. “When you get rid of something that's a pollutant, a wasted resource—we're saving money. It will be profitable.”

But academic scholarship has limits, he says. “It’s hard to move to solutions.”

As an environmentalist, Wilder also wanted to find solutions. Over the years, he has served as a volunteer, adviser or director to various organizations, including the Sierra Club, the Cousteau Society, the Nature Conservancy, Coast Alliance, and the Society for Conservation Biology. But Wilder felt that environmentalists often fight against a problem rather than focus on prevention.

Wilder recalls working with one group. “We kept fighting against things. A victory meant that ‘X’ wouldn’t be built. So a shopping center wouldn’t be built, a port wouldn’t be expanded, a developer couldn’t do what they wanted to do,” he says. “Instead of fighting all these projects, why don’t they say, let’s put in solar power. I wanted to fight for something.”

“Many of the nonprofits are based on what’s wrong,” he says, “and I wanted to be ridiculously positive. I wanted to be relentlessly, violently positive. And if I could work with clean energy, I could show: answer, answer, answer.” As an investor, Wilder also looked for answers. Working as an assistant professor in the early ’90s, Wilder had a retirement account, invested of course in environmentally friendly mutual funds. But looking through the prospectus, he was disappointed. “Even the greener funds would have Exxon, Dow, Coca-Cola, and it didn’t strike me as very green,” he says. “I wasn’t into chasing investments, but I wanted my money to reflect how I felt. And they weren’t.”

Wilder decided instead to buy individual stocks, opening an account with Vanguard. He picked companies involved in clean energy—solar, wind, geothermal—and those with low carbon emissions. During the ’90s, these stocks far surpassed the Dow. “It made me feel like an Einstein in stocks,” says Wilder. But in 2000, when the market crashed, so did Wilder’s stocks, wiping out his profits. “One thing was clear,” he says, “a basket made sense.”

**LAUNCHING THE CLEAN ENERGY INDEX** By that time, Wilder had met Josh Landess, an environmental economist who in 1999 started a Hydrogen Fuel Cell Index, tracking clean energy companies. “I noticed these stocks were moving, but there was no index to bring out the story,” recalls Landess. The two eventually teamed up, and Wilder’s wife created a new website to show the index’s performance.

By 2001, the site was getting more than 100,000 hits each month and dozens of emails, says Wilder. “People kept asking, ‘Do you have a fund that we can buy?’ I kept emailing back saying, ‘I’m just an academic, there’s no fund.’”

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It was during this time that he searched his soul for what to do next. Wilder had about \$25,000 in retirement funds, which he planned to use to build a

rental house on his Encinitas property. But because of soil conditions, it would cost more than he had. Early that year, he received a call from PowerShares Capital Management, an Illinois-based investment house. PowerShares wanted to start a fund based on Wilder's clean energy index. It would be run as an Exchange-Traded Fund, or ETF, which offers the basket of a mutual fund, but the trading flexibility of individual stocks.

"I was so happy to get this," he says.

Wilder decided to make a run for the index business. He used his entire retirement money to pay the American Stock Exchange to determine the index's value.

The gamble paid off. On the fund's debut on March 3, 2005, the WilderHill Clean Energy Index Portfolio sold out \$10 million in shares in one day. A second fund, investing in carbon cleanup companies, followed in October 2006. And a third, tracking global companies, launched in June 2007.

Dan Culloton, senior mutual fund analyst at Morningstar, says the WilderShares Clean Energy Fund outpaces others in the clean energy sector, but it's still a niche product. "It's probably the most actively traded clean energy fund out there because it was the first, but it's not challenging the big boys yet by a long shot," he says.

**LIVING LA VIDA VERDE** Wilder lives on a one-acre site in Encinitas that is a demonstration of his values. The 2,300-square-foot house and swimming pool run nearly entirely on solar energy. And Wilder ordered a Tesla sports car, which runs on 100% electricity ...

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In Wilder's office, a photo on the wall shows him with Al Gore. Other shots depict him hugging his wife, Diana, whom he met as a graduate student at UC Santa Barbara, and son Carson, 12, and daughter Sophia, 8. A hand-painted plate, made during a family vacation to Mexico, says: "First Year \$400 million, WilderHill Clean Energy Index."

In the wood-beamed living room, Wilder leans back in his recliner. "Until we started our indexing, there was a notion that solar and wind was something pretty iffy to do," he says. "If you were a real person and you had a family, you would feed your family like everyone else did, and drive a car like everyone else did.

"What I wanted to do in part with the index is to have some small role in making the big public out there believe that this is a real area. You can invest in it, just like you can invest in oil or coal or natural gas." He smiles. "I think we've helped to do that."

**WilderShare's Portfolio of Funds** ROBERT WILDER IS THE CEO, co-founder and index manager of WilderShares, LLC, which specializes in tracking clean energy stocks. The associated funds are managed by PowerShares Capital Management.

The flagship WilderHill Clean Energy Index, introduced in 2004, tracks 42 U.S. companies pioneering clean energies, such as solar, wind and geothermal. The fund (ticker symbol: PBW) has assets of more than \$1.7 billion. The second WilderHill Progressive Energy Index (PUW), tracks 36 companies specializing in carbon cleanup. Launched in October 2006, it has \$55 million in assets.

A third WilderHill New Energy Global Innovation Index (PBD) follows 86 renewable-energy companies worldwide. The fund, launched in June 2007, has assets of \$135 million.

Risk levels are high. Pure energy stocks can rise and fall as much as 5% a day or 30% a quarter. Many financial planners do not recommend weighting more than 5% of such stocks in a portfolio.

**MORE INFO:** [www.wildershares.com](http://www.wildershares.com), [www.powershares.com](http://www.powershares.com), [www.morningstar.com](http://www.morningstar.com)

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