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Fund Cleans Up In '06 With Alternative Fuels

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Alternative energy is in the spotlight. Credit is due President Bush, who is pushing the U.S. to reduce its reliance on foreign oil.

At least that's how Rob Wilder sees it. He's the developer of the index used by PowerShares WilderHill Clean Energy Fund. ([PBW](#)) It gained 27% in January. Wilder says much of that move came in anticipation of Bush's State of the Union address in which alternative fuel sources were a major theme.

The exchange traded fund has also raced up IBD's rankings. It's a top name in screens of ETFs comparing Relative Price Strength and Accumulation/Distribution Ratings. In the past three months, it has moved into the top four. In the last month WilderHill Clean Energy Fund has been picking up even more steam. It now sits at No. 1 with a Relative Strength Rating of 84 and an Accumulation/Distribution Rating of A-, indicating big institutional investors are climbing aboard.

"Other funds that invest in renewable energy stocks are around," said Wilder. "But this is the only fund devoted to just clean energy."

The ETF opened last March. By year's end, it had collected \$200 million in assets. In January alone its assets swelled past \$300 million.

"Its recent performance is attracting a lot of eyeballs," said Wilder. "But this fund is very volatile. It can drop like a rock."

Wilder picks 40 stocks in different energy subsectors based on long-term business fundamentals. The fund is rebalanced quarterly according to set allocations among the industries. Each stock is equal-weighted within sector allocations.

"What I tell my own family and friends is that this shouldn't be more than a little sliver of their holdings," said Wilder.

The fund has 27% of its assets in 10 solar panel and wind power producers. Two of those names are Ormat Technologies ([ORA](#)) and Distributed Energy Systems. ([DESC](#))

"This is our most heavily weighted sector," said Wilder. "It's also one of our best performing areas."

Companies focused on power delivery and conservation take up 26% of its assets. A top name is Itron. ([ITRI](#)) It makes meters to monitor when power is being used.

"Consumers, manufacturers and utilities are increasingly trying to divert power usage to nonpeak hours," said Wilder. "And people are starting to change their habits. It's going to be very difficult to get away from the types of products Itron makes."

The fund is also invested in five developers of clean fuels. That industry takes up 9% of assets. It includes Pacific Ethanol. ([PEIX](#)) Most ethanolbased U.S. fuel is produced in the Midwest. Pacific Ethanol plans to expand to the West Coast. "It only costs about \$200 per vehicle for automakers to convert to ethanol-friendly cars," said Wilder.

Energy conversion is another industry group in the fund. It comprises 18% of assets with eight stocks. "These are mostly fuel-cell companies that convert fossil fuels into electricity," said Wilder. "But they don't use combustion engines. They're converting anything with hydrogen into

energy very cleanly."

