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Note: This is an excerpt from the December issue of Progressive Investor - link: <http://www.sustainablebusiness.com/progressiveinvestor/index.cfm>

THE PROGRESSIVE INVESTOR

Feature Story:

The Greenest Mutual Funds in the U.S.

One of the most frequent questions investors ask us is, "Which are the green mutual funds?"

The answer to this question isn't as simple as you might expect. There are only a handful of socially responsible investment (SRI) mutual funds in the U.S. that call themselves "green" funds. Each fund has a different approach to choosing companies.

Besides investing with your values, you also want your money to grow. That's the rub: SRI portfolio managers have a fiduciary responsibility to invest your money wisely - which is the core reason you won't see lists of the most exciting renewable energy or other "green" companies on most fund's top holdings.

You want to invest in the "best" companies and you also need to have a diversified portfolio that meets your needs in terms of your stage in life, risk tolerance etc. To attain stable growth, you'll need a mix of large and small caps, and bonds.

There aren't any "pure green" large cap companies yet. There are only Fortune 500 companies that are in various stages of enlightenment and activity when it comes to their sustainability footprint. You need these companies in your portfolio to provide stability and long-term value. Large cap "green" mutual funds strive to pick the best of these companies that also have strong financial performance.

Therefore, every mutual fund you invest in serves a different purpose. You might invest in a number of funds: one as a stable, large cap core holding; another for small cap growth; another for international exposure; and another to get exposure to the most exciting companies. You'll find all these opportunities in the "green" mutual funds.

When you understand how each fund chooses their portfolio holdings, you can decide whether some or all of them fit the bill in terms of what makes you comfortable.

Some key questions to ask yourself:

* Do you absolutely want to stay clear of certain industries like fossil fuels? Or can you handle being in a fund that invests in some natural gas or even mining companies if they are known to manage themselves well environmentally?

* Are you also concerned about social issues as well as environmental, or is your focus really on the environmental side?

* Do you have the risk tolerance to be in a fund that invests in the most proactive companies and is therefore likely to be volatile?

The U.S. Funds

Out of the 60 or so SRI funds (in about 25 fund families) in the U.S. there are six funds that call themselves "green": Portfolio 21; Winslow Green Growth; Sierra Club Funds; New Alternatives; Green Century and the PowerShares WilderHill Clean Energy Portfolio.

We'll look at the funds briefly here and provide more extensive profiles starting with the next article.

Portfolio 21 (PORTX) invests in companies of all sizes around the world that are incorporating sustainability into everyday business practices. Says Indigo Teiwes, research analyst, "a company has to be making some serious progress on environmental issues and understand the impending ecological crisis, and what it means for their business, for me to recommend them for the fund."

Companies are evaluated on a wide range of factors: their products and services, investments, leadership on environmental sustainability, environmental management processes, liabilities and facility-level improvements. To get in the fund, a company doesn't have to be outstanding in all areas, but must have strengths in multiple areas.

Winslow Green Growth Fund (WGGFX) invests in small cap growth companies primarily in the U.S. "We invest exclusively in companies whose impact on the environment is either beneficial or benign. First and foremost, we look for good companies with rising stock prices. We do an environmental review to make sure they aren't causing environmental degradation and that they have a good profile on their environmental impact," says managing partner, Matt Patsky.

New Alternatives Fund (NALFX) invests in companies of all sizes around the world that have a positive impact on the environment. The fund emphasizes investments in renewable energy and the environment such as clean air and water, conservation and pollution prevention. The Fund's goal is to invest 25% or more of assets in companies involved in alternative energy.

Sierra Club Funds invest in large cap, primarily U.S. companies that are thoroughly screened to avoid industries the Sierra Club considers environmentally destructive. Explains Garvin Jabusch, Managing Director, "We're trying to identify corporate environmental liabilities and keep them out of the portfolio. Our orientation is primarily exclusionary. The companies we end up including might not have a compelling environmental story - they don't make fuel cells or wind turbines - but when large companies minimize their ecological footprint that's good for the environment and can have a widespread effect."

Green Century Funds invest in companies of all sizes with an emphasis on large caps. "Our intention is for the fund to be a balance of really progressive companies and those that are trying to lead their sectors in improving their environmental impact," says Ethan Berkwits, VP Marketing.

PowerShares WilderHill Clean Energy Portfolio (PBW): tracks the WilderHill Clean Energy Index (ECO), a basket of 36 clean energy stocks that define the U.S. clean energy sector: businesses that stand to benefit substantially from a societal transition toward use of cleaner energy and conservation.

All SRI funds use environmental criteria. Says Steve Faci, Chief Investment Officer, Equities, for the *Calvert Fund* family, which bills itself as an SRI fund family rather than a "green" mutual fund company: "We look for both good performance in terms of the past - a fairly good compliance record; management of environmental impacts - as well as the right policies and programs to manage environmental impacts in the future: ownership of environmental issues at the board and executive, as well as staff, level. The kind of management systems we look for depends on the type of company and its impacts: for a forest products company, for instance, we'd look not only at the impacts of production (papermaking or lumber manufacture) but habitat management; for a software company, most environmental performance is about energy use and management."

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Feature Story:

PowerShares WilderHill Clean Energy Portfolio (PBW)

The PowerShares WilderHill Clean Energy Portfolio is an Exchange Traded Fund (ETF) that seeks to mirror the WilderHill Clean Energy Index (ECO); it launched on AMEX in March 2004.

The basket of 36 clean energy company stocks defines the U.S. clean energy sector: businesses that stand to benefit substantially from a societal transition toward use of cleaner energy and conservation. Stocks and sector weightings in the WilderHill Clean Energy Index are based on their significance for clean energy.

Because of certain AMEX rules, the fund is limited to U.S. companies and those foreign companies that

trade on major U.S. stock exchanges, or have ADRs over a certain volume [an ADR is a way for U.S. citizens to purchase foreign stocks without going to foreign exchanges].

PBW is mostly comprised of small, pure-play companies, with a minimum market cap of \$50 million and trading at no less than \$1 per share. The fund excludes fossil fuel, oil, nuclear and coal companies. It also leaves out multinationals where renewable energy is a small part of overall revenue: companies like General Electric (world's second largest wind turbine manufacturer), Shell and BP (among the largest producers of solar systems).

Since its launch, the ETF has been widely accepted by individual and institutional investors looking for exposure to the clean energy industry as a whole. The activity volume in the fund has risen much faster than anyone predicted - currently at \$192 million in assets.

Since inception in August 2004, the Clean Energy Index is up 40.2%. PBW, which launched in March 2004, is up 4.5% at this writing. "By coincidence," explains founder Rob Wilder, "PBW launched at a high for the index. Clean energy stocks have been on a roll but you have to look back to May to really see the rise."

Bruce Bond, president of PowerShares Capital Management said, "The fund starts to legitimize clean energy as a group. Alternative energy companies are still fairly new to the market, and most are not even categorized as part of the energy industry in the major indexes. The S&P codes, for instance, list the bulk of clean energy companies under 'industrials.' Other clean energy companies are categorized as 'information technology,' 'consumer discretionary,' or 'consumer staples.'"

The index uses a modified equal dollar weighting system and is composed of companies that are working in six clean energy areas:

- (1) Power Delivery and Conservation
- (2) Cleaner Utilities
- (3) Energy Conversion
- (4) Cleaner Fuels
- (5) Energy Storage
- (6) Renewable Energy Harvesting

Index Components as of 12/16/05

Company Name	% Weighting
Evergreen Solar (ESLR)	4.44%
Ormat Technologies (ORA)	3.89%
Emcore Corp (EMKR)	3.75%
Maxwell Technologies (MXWL)	3.72%
Intermagnetics General (IMGC)	3.49%
Cree Inc (CREE)	3.34%
Power Integrations (POWI)	3.29%
Cypress Semiconductor (CY)	3.28%
Ultralife Batteries (ULBI)	3.21%
Kyocera Corp ADR (KYO)	3.13%
Distributed Energy Systems (DESC)	2.99%
Active Power (ACPW)	2.89%
MGP Ingredients (MGPI)	2.89%
Energy Conversion Devices (ENER)	2.82%
Itron Inc (ITRI)	2.81%
American Power Conversion (APCC)	2.70%

Echelon Corp (ELON)	2.65%
Impco Technologies (IMCO)	2.64%
Zoltek Co (ZOLT)	2.63%
Praxair Inc (PX)	2.60%
Magnetek (MAG)	2.55%
Air Products & Chemicals (APD)	2.53%
Ballard Power Systems (BLDP)	2.50%
Plug Power (PLUG)	2.43%
Fuelcell Energy (FCEL)	2.43%
Medis Technologies (MDTL)	2.42%
Capstone Turbine (CPST)	2.39%
BOC Group (BOX)	2.36%
American Superconductor (AMSC) 2.28%	2.28%
UQM Technologies (UQM)	2.27%
International Rectifier (IRF)	2.24%
Mechanical Technology (MKTY)	2.17%
Quantum Fuel Systems Tech (QTWW)	2.15%
Hydrogenics Corp (HYGS)	2.07%
Idacorp (IDA)	2.03%
Scottish Power (SPI)	2.02%

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Learn more:

www.amex.com and enter the symbol ECO for the Index and PBW for the ETF.

www.wildershares.com

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