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Timing Vs. Seductive Hype

In the mid-1980s discoveries in biotechnology were revealed and investors piled into many new companies such as Genentech and Amgen (AMGN). But the technology was yet to produce profits for many years to come. Mutual fund companies devoted some funds to this new area of investment, but it took over a decade before the sector started to produce results. ETFs such as iShares Nasdaq Biotechnology (IBB) and SPDR S&P 500 Biotech (XBI) naturally were to follow, but not until early in the last decade. Initial investors in the area were too soon and many lost money and became impatient leaving the sector. Eventually good results were to be had even after many companies failed or were merged with others.

The early hype proved seductive but as you may glean, timing was everything.

Former President Bill Clinton in his first State of the Union speech made a pitch for alternative energy focusing especially on fuel cell technology and Wall Street was quick to take nascent companies public. Investors quickly followed. It didn't take long before solar and wind power also entered the mix and an entire industry was born. The dream of a world powered by fuel cells, the sun and wind was seductive but still not ready for public investors. Mutual funds were created to profit from these technologies and later such ETFs as PowerShares WilderHill Clean Energy (PBW), First Trust Global Wind Energy (FAN), Guggenheim Solar (TAN) etc. followed suit.

The early hype proved seductive but again, timing was everything.

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Once again, timing is everything and these companies need time to establish their bona fides as ongoing concerns.