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IN PERSON

His energy's in energy

Mutual fund part of personal crusade

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Last month wasn't the best time to launch a mutual fund, especially a fund based in such a speculative field as alternative energy, Encinitas academic Robert Wilder has learned.

CHARLIE NEUMAN / Union-Tribune
Environmentalist and fund innovator Robert Wilder in the array of 21 solar panels on his Encinitas home.

On March 3, Wilder – a longtime environmentalist specializing in energy issues – launched the PowerShares WilderHill Exchange-Traded Fund, based on a stock index he devised last summer to track solar, wind and fuel-cell technology companies.

For Wilder, who invested $50,000 in savings to bring the fund to Wall Street, the fund is part of a personal crusade to improve the environment.

"I've been working for much of my career on environmental issues for academia and nonprofits, but I wanted to go beyond that and make a difference," he said.

At a time when oil prices were hitting record highs, the fund – backed by the American Stock Exchange and boosted by reports in *Business Week*, on CNN and MSN Money – touched a nerve among investors. In its first day of trading, the fund sold 650,000 shares, worth $10 million.

But as prices on Wall Street softened – dragged down by signs of a weakening economy – the fund began a downhill slide that it has just recently started to end, dropping from $15.82 to $13.18.

To critics of the fund – one of a number of exchange-traded funds that the American Stock Exchange floated lately – the slide was to be expected, given the experimental nature of many clean-energy technology companies.

"Buying for exposure to clean energy or any other sector is like spending money on the lottery because you want exposure to gambling," stock analyst Tim Beyers wrote in the popular Motley Fool.com Web site. "Neither make sense unless, of course, you want to lose money."

But Wilder defends the fund.

"If you look at the past few weeks, we're down 15 percent," he said. "But if you look at where the index was last August, it is still up nearly 12 percent. A lot of things are just a matter of timing."

So far, many of the fund's major investors have stuck with it despite the volatility.

"I invested when the fund first came out, and it's gone down ever since," said Rona Fried, head of SustainableBusiness.com, who has invested in WilderHill as well as serving on its advisory board.

"But if we want to reflect the sector as a whole, we have to understand that a lot of these are emerging companies," she said. "Some of these companies will eventually go by the wayside, but others will do well. In general, I still feel the clean-energy field is a very exciting place to be."

To Wilder, the short-term movements of the stock fund are almost irrelevant, compared with the long-term potential of some companies listed in the index – and their potential impact on the way the United States uses energy.

Wilder notes that some industry sources – led by Clean Edge Inc., an energy research consulting firm – project that the market for clean energy, including wind, solar and fuel cells, will grow to $92 billion over the next eight years, roughly seven times its present size.

As prices for clean energy go down, he says, usage will go up. The cost of wind and solar technology has declined by 80 percent over the past two decades, according to the U.S. Department of Energy, and continued price declines are projected into the future, even as the price of oil and gas rises.

"This is an important field," Wilder said. "San Diego spends so much time talking about being a biotech center. Maybe we can help make it a clean-energy center as well."

At his home-and-office complex on a one-acre lot in Encinitas, Wilder lives and breathes energy conservation. He refers to his home as a "demonstration site," a showcase for how new technologies can be used to save energy and reduce the world's dependence on fossil fuels.

An array of 21 solar panels generate electricity for his house. Solar-powered thermal collectors heat his water. An experimental hydrogen fuel cell runs a fan. The lighting system relies on energy-saving fluorescent tubes instead of the more traditional incandescent bulbs. He is laying the groundwork for using wind power on the property. And he is scouting around for a hydrogen-powered car as well – "something to drive the kids to school in."

Wilder has been involved in the environmental field for 20 years – but not on the investment end.

He originally envisioned a career in environmental law, obtaining his law degree from the University of San Diego in 1985. Instead of working in the courtroom, however, he drifted toward academia, specializing in environmental policy and technology.

After gaining a doctorate at the University of California Santa Barbara in 1991, Wilder taught at the University of the South Pacific in Fiji and subsequently lectured or worked as an assistant professor at the University of Massachusetts at Dartmouth and the San Diego, Santa Barbara and Santa Cruz campuses of the University of California.

During most of his academic career, Wilder was involved in research on how the use of clean technologies on land could affect water quality and life in the ocean, eventually publishing a book on the subject: "Listening to the Sea."

About five years ago, Wilder took on the hobby of tracking

firms that were involved in clean energy, especially wind and solar firms. He thought that a mutual fund based on those companies would not only benefit investors – putting them on the ground floor of some cutting-edge technology – but would help advance the cause of cleaner energy.

"I looked around Wall Street and saw that there were a lot of environmental funds, based on waste management or pollution remediation," he said. "And there were a lot of energy funds, but they're all based on oil and other traditional power supplies. But there weren't any funds concentrating in clean energy. I felt that if we were going to address climate change, we needed to look at ways to emphasize clean energy."

With the help of founding partner Elias Aznak, a pioneer in the hydrogen energy field, and securities research director Josh Landess, who holds an economics degree from the University of Illinois, Wilder began putting together a list of companies that he thought were building "energy-saving technologies that were economically and environmentally smart."

After word of Wilder's index began to spread, he was approached by a mutual-fund company named PowerShares, which asked him if he would like to put the fund on Wall Street. Wilder, who had saved $50,000 for energy-related innovations for his house, instead invested the money in the creation of the mutual fund, to pay management and registration fees.

The American Stock Exchange, which has been promoting exchange-traded funds, offered Wilder support. Two officials from the exchange now sit on his board of advisers.

The index includes a broad range of companies. Japan's Kyocera Corp., a leader in solar panels, is one of the best known companies, followed by San Diego's Maxwell Technologies, which appears on the list because of its energy-storage and power-delivery systems.

But because of the experimental nature of the energy field, the index is dominated by relatively small companies that tend to be much more volatile than, say, the Fortune 500.

Among the smaller companies are fuel-cell makers Ballard Power, which Motley Fool analyst Beyers describes as "perennially unprofitable," and Plug Power, which Beyers describes as "bleeding money." Beyers says the presence of such firms violates the general reason to purchase mutual funds, which is to "hire an expert who will make more cash than you."

But Wilder defends the picks, saying that in such an

experimental field, it is impossible to pick which firms are ultimately going to succeed or fail.

"If there are four or five solar power companies out there, and two or three meet our criteria (which include more than $50 million in capital and $1 per share price), then we'll include those two or three companies," he said.

The volatility is exacerbated by the fact that some of the companies specialize in experimental technologies that may never make it to market – or that might strike an unexpected gold mine.

"The energy technology sector tends to be very volatile," said John Quealy, equity analyst at the Adams Harkness investment firm, which has an ownership stake in a couple of firms listed on the WilderHill index. "Some of the companies are in the speculative stage now, meaning that investors have to have their expectations adjusted because of the high risk. But high risk can also mean high reward."

The past eight months have been a roller-coaster ride for the index.

From its inception in August to its peak early last month, the index shot up more than 33 percent, rising to its high of 167.03. Within the past six weeks, however, the index has fallen about 16 percent to 141.45 – roughly coinciding with the launching of the WilderHill fund.

Any investor who bought a portfolio based on the fund last August would still be well ahead of their starting point, but the recent downturn shows that there is a bit of risk involved with the stocks.

Nevertheless, Winter insists he is very positive about the fund.

"I really think this thing can't end," he said. "I hope that over time clean energy will be a significant part of people's portfolios. As fossil fuels keep going up, the demand is just going to keep growing."

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