Recent News Headlines

Two Reports Reveal Proxy Votes Rubber-Stamp Management Recommendations (12/08/04)

Ford HIV Report Exemplifies New Shareowner Action Strategy (12/07/04)

Bhopal, Climate Change Require Shift From Legal Liability to Moral Accountability (12/03/04)

More Headlines

News Articles by Category

- Mutual Funds
- Shareholder Activism
- Community Investing
- Education
- Business Ethics
- Corporate
- Community Economic Development
- Corporate Governance
- Environment
- Human Rights
- Workplace
- Corporate Volunteerism and Philanthropy
- Stock Indexes
- Reporting

Complete List of News Articles by Category

Corporate Social Responsibility Press Releases:

Send it to a friend | Print it | Save it

September 09, 2004

First Alternative Energy Index Spawns Exchange Traded Fund

by William Baue

Related Articles
- Nuke Producer GE Energy Buys Solar Producer AstroPower
- Is the Sun Setting on AstroPower?
- Investing in Wind Energy Is Not a Breeze
- Alternative Strategies for the Alternative Energy Sector
- Capstone Generates Interest in Microturbines
- Evergreen Solar Goes Public

The WilderHill Clean Energy Index, published by the American Stock Exchange, will serve as the basis for an exchange traded fund from PowerShares Capital Management.

SocialFunds.com -- Investing in a portfolio of companies involved in alternative energies such as wind, solar, and hydrogen fuel cells has been challenging, but it is now getting easier. Last month saw the launch of the WilderHill Clean Energy Index (ticker: ECO), a benchmark comprised of publicly traded companies involved in alternative energies that is published by the American Stock Exchange (Amex).

The index, created by San Diego-based index provider WilderShares, will serve as the basis for an exchange traded fund (ETF) offered by PowerShares Capital Management. PowerShares' registration for US Securities and Exchange Commission (SEC) authorization of the ETF is currently under a 75-day quiet period ending in October, after which the ETF could launch if approved.

"Up until now investors have had few options for investing in alternative energy mutual funds," said Zoë Van Schyndel, managing director of socially responsible investment (SRI) hedge fund firm King StarFish Capital Management, who has expertise in ETFs. "Although a number of funds include alternative energy companies in their portfolio, only one has a distinct mandate to invest in these companies"--The New Alternatives Fund (ticker: NALFX).

ETFs are similar to mutual funds in that they bundle a number of securities together, but they differ significantly in that they can be traded throughout the business day just like stocks. Mutual funds, in contrast, set their net asset value (NAV) only once a day. ETF investors can therefore legitimately capitalize on information that causes market fluctuations throughout the day and after the end of the trading day. Mutual funds, on the other hand, prohibit late trading (which takes advantage of market changes after the NAV is set) and discourage market timing (or rapid trading meant to capitalize on short-term market fluctuations.)

"With most mutual fund companies now discouraging active trading of their funds, ETFs are a product that is ideal for investors who want to actively trade," Ms. Van Schyndel told SocialFunds.com. "Those investors looking to take advantage of tax losses and gains at the most opportune time will find that an ETF offers the flexibility to pick the time of these events, flexibility that mutual funds do not provide."

"Expense ratios of .20 or even lower are common with ETFs--compare that to mutual funds, whose average expense ratio is around 1.3 percent," she added.

However, increased activity increases trading expenses, which investors will want to monitor. Charles Schwab charges $29.95 per ETF trade, E*Trade $19.95, and Ameritrade $10.99, while ShareBuilder and FOLIOfn charge only $4 per trade.

While the financial benefits of ETFs will attract some investors, the environmental benefits of this new index will likely eclipse the financial draw.

"As smart energy alternatives including wind, solar, and hydrogen fuel cells have reached billion dollar markets and gain increasing demand, we believe the WilderHill Clean Energy Index is the right product at the right time," said Rob Wilder, managing director of WilderShares. "Given that the price for this energy depends mainly on costs of technology and these costs are only dropping, clean energy contrasts sharply with the trends in fossil fuels."

"Compare clean energy against fossil fuel price fluctuations, environmental impacts, and supply vulnerability, and I believe that the WilderHill Clean Energy Index will only grow in significance," Dr. Wilder added.

The ECO index is constituted on a modified equal weighting basis, meaning that it seeks to balance company representation in the benchmark according to their dollar value. The index also predetermines sector representation. The cleaner fuel sector represents 20 percent of the index (7 companies), energy conversion 21 percent (8 companies), energy storage 10 percent (4), greener utilities 11 percent (4), power delivery and conservation 20 percent (11), and renewable energy harvesting 18 percent (6).

As of yesterday, the top three components in the index were Energy Conversion Devices (ENER--3.86 percent), FPL Group (FPL--3.78 percent), and Zoltek (ZOLT--3.68). Energy Conversion Devices is involved in solar and hydrogen fuel cells, while Zoltek produces carbon fiber. FPL has a significant wind power portfolio, but it is also involved in nuclear energy production, an aspect that deters some social investors.

Other companies in the index include industrial gases producer Praxair (PX), photovoltaic module producer Evergreen Solar (ESLR), and low-emission microturbine producer Capstone Turbine (CPST).

Top

Send it to a friend | Print it | Save it

Individual Investors | Institutional Investors | Financial Professionals | Media Center
Do Your Own Research | Work with a Professional | News | Learning Center
home | about | search | register | login | contact