

Excerpt from Businessweek, December 18, 2008

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## Investing in Cleantech Companies

Clean-technology companies were hammered in 2008, but many still make good long-term plays, especially if a huge federal green initiative is launched

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If you missed the boom in green energy and environment stocks back in 2007, you're probably lucky. "Cleantech" shares soared much higher than the broader market that year, which made it all the more harrowing for investors when the stocks crashed to earth in 2008. As measured by the WilderHill New Energy Global Innovation Index, cleantech dropped 63%, compared with a 44% decline for the benchmark MSCI World Index. A basket of solar companies, which investors bid up to dot-com-like multiples, plunged 76%. "These markets dropped off a cliff starting last January," says Michael Herbst, mutual fund analyst at Morningstar ([MORN](#)). "It's been ugly."

All things being equal, the green sector should recover once the global economy rallies and energy prices start to rise again. "Cleantech will come back with, not ahead of, the broader market," says Steven Milunovich, a Merrill Lynch ([MER](#)) strategist who covers this area. He and other analysts also believe the sector could regain its luster much sooner if President-elect Barack Obama pushes through a huge federal green initiative in his first few months. Any payoff for near-term bets investors place on cleantech stocks will depend greatly on the scale of his efforts.

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For any investor who doesn't enjoy trudging through technical minutiae on thin-film solar cells and fuel cells, it's best to leave the stockpicking to a fund manager. There are around 50 mutual funds and exchange-traded funds (ETFs) covering renewable power and cleantech. The biggest of the bunch, the PowerShares WilderHill Clean Energy ([PBW](#)) ETF, has more than \$700 million in about 50 companies. In line with the sector, it fell some 70% in the year to Dec. 12. With holdings in U.S., European, and Asian stocks in a mix of small-cap, medium, and large companies, the fund offers broad exposure by placing bets on various green technologies.

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