

Not All Is Green in Alternative Energy ETF Land

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By Murray Coleman

No matter what you call it—clean technologies or alternative energy—ETFs are flocking to the market. Apparently, so are venture capitalists.

In a new report released by Dow Jones VentureSource, VC capitalists last year plowed a record \$3 billion into alternative energy businesses. The number of deals shot up to 221 in 2007.

And most of those are with companies in the product development stage.

While the vast majority were in the U.S., Europe saw a fair amount of activity. China's VC-reach actually fell, though.

What's this mean to investors? Probably nothing right now. Green is everywhere and it's not surprising the venture vultures are circling. But how much should it make up of your portfolio? Perhaps a better question is whether so-called green ETFs even need to be in your allocation.

They're certainly not for those with weak stomachs. Look at PowerShares WilderHill Clean Energy (AMEX: [PBW](#)). After gaining nearly 60% last year, it's down more than 23% in 2008. But energy as a whole is down pretty significantly this year.

So let's be fair. What's being called alternative energy covers a lot of ground. Take, for example, First Trust ISE Water (NYSE: [FIW](#)). It's down this year, but not out. Although FIW has lost a bit more than 4% so far, that's still more than two full percentage points from the broader stock market.

A leading performer this year in its portfolio is a Latin American sanitation provider. Flowserve Corp. ([FLS](#)) is up 15% and some change, and Lindsay Manufacturing ([LNN](#)) has gained 13%-plus.

The top holdings for PBW include Cree Inc. ([CREE](#)) and Applied Materials. ([AMAT](#)) Both are up by double digits this year. But aren't those computer manufacturers? I guess they're going green ... which begs the question, if everyone's going that way, why not wait until really big established names get into the field? Won't they basically buy up all of the smaller competitors?