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Green Tech Grows Up

Is the grass getting greener for alternative energy investing?

By Scott Bernard Nelson

If peak-oil theorists are right, the decades ahead will see steadily rising crude oil prices and a mad rush toward alternative sources of energy. And if they're wrong, the decades ahead will probably still see a mad rush toward alternative energy. Call it **clean** tech, green tech or alt energy; by any name, it's likely to be a fast-maturing investment sector in the years to come. Unfortunately, that doesn't mean it'll be an easy one in which to turn a little bit of **money** into a lot.

Silicon Valley is into green tech in a big way, and soon it will fund its share of startups lead by bright, young MBA graduates from Stanford and Northwestern. If you have the scratch and the connections to get in on a green-tinted venture fund, give it some consideration. Wall Street is **starting** to wake up to the possibilities of alternative energy, too, as evidenced by the founding of at least a couple of mutual funds dedicated to the sector in the past year: Calvert Global Alternative Energy Fund (CGAEX) and Firsthand Alternative Energy Fund (ALTEX). Neither has done particularly well (in an admittedly tough market) and both have high expense ratios, but they're accessible to practically anyone and should be watched as harbingers of things to come.

So how should you play this sector? If you can tolerate a big front-end load, the old man of the green-fund sector is the New Alternatives Fund (NALFX), founded in 1982. It has struggled lately alongside the others, but its long-term record is solid. Another good choice at the moment is the exchange-traded fund Invesco PowerShares WilderHill Clean Energy Portfolio (PBW). It has a pretty good long-term record, it follows a clean-tech index rather than chasing upstarts, and it allows you to invest in a broad array of solar, wind and power companies without digging too deeply into your pockets for expenses.

At this stage, it's difficult to chase individual alternative-energy stocks. Most of the growth in the sector is still off in the future somewhere; the winners are unclear and the losers are likely to outnumber them. Owning an index or a broad basket of holdings seems to be the easier call--for now. Just keep an eye on the investing horizon because sooner or later, it will start to come into sharper relief--and, as with the early days of the '90s dotcom boom, you'll want to be there when it does.

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