

Excerpt from Morningstar, Sept 14, 2022

5 Clean Energy Funds to Consider

Comparing your options for investing in clean energy and electric vehicle ETFs.

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Those who haven't yet invested in these areas are not too late to the party. Investing in clean energy funds and EVs is not really a short-term play on the climate bill; it's a long-term investment in the energy transition that is taking place now and will continue for decades. When it comes to choosing a fund to provide thematic exposure to clean energy and EVs, investors have an array of choices. A number of funds have launched in the past year or two that reference the energy transition and climate solutions as broad themes. But several more-seasoned ETFs exist that focus more specifically on renewable energy, electric vehicles, and battery technology. Even among these, there is a fair amount of variation

The five clean energy ETFs discussed below invest in companies producing renewable energy and in "clean tech" companies providing the technology that supports the development of renewable energy, including energy storage and efficiency solutions. Clean energy ETFs differ in a number of important ways. Investors need to consider whether they want mainly U.S. exposure or global exposure, how much small-cap exposure to take on, and concentration risk. Not all devote assets to EVs and related technologies, so I will also take a look at some ETFs that are specifically focused on those areas.

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Clean Energy ETFs

Exhibit 2

Clean Energy ETFs	Ticker	US %	Ave Mkt Cap \$bil	Utilities %	Technology %	Industrials %	Cons Cyc %	Basic Materials %	# Holdings	% in Top 10	Largest Holding	% Largest Holding
iShares Global Clean Energy ETF	ICLN	48	12	39	37	21	0	3	97	51	Enphase Energy	9.9
First Trust NASDAQ Clean Edge Green Energy ETF	OCLN	84	16	10	46	12	18	13	65	59	Enphase Energy	11.2
Invesco WilderHill Clean Energy ETF	PBW	76	3	8	31	30	18	12	81	19	Fluence Energy	2.2
ALPS Clean Energy ETF	ACES	87	9	28	30	12	19	8	44	54	First Solar	7.4
SPDR Kensho Clean Power ETF	CNRG	78	8	32	37	27	3	0	46	32	First Solar	4.1
Lithium ETFs												
Global X Lithium & Battery Tech ETF	LIT	23	22	0	18	20	14	49	40	59	Albemarle	13.7
Amplify Lithium & Battery Tech ETF	BATT	22	20	0	10	22	24	45	84	39	BHP Group	6.9
EV ETFs												
Global X Atmos & Electric Vhcls ETF	DRIV	56	22	0	27	18	35	16	76	26	Tesla	3.3
iShares Self-Driving EV and Tech ETF	IDRV	48	69	0	36	10	45	5	117	40	Tesla	5.1

Source: Morningstar Direct. Data as of August 31, 2022.

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The distinguishing feature of the third-largest clean-energy ETF, Invesco WilderHill Clean Energy PBW, is its focus on U.S. small caps. Two thirds of assets in this \$1.3 billion ETF are in small-cap stocks, and only 7% are in large caps. The portfolio is spread in roughly equal fashion across its 80 holdings, so it avoids the risk of taking large positions. The fund's emphasis is on clean energy and energy storage. Its largest holding, Fluence Energy FLNC, a producer of storage, takes up only 2.2% of assets. The second-largest holding, First Solar FSLR, produces utility-scale solar arrays. The third-largest holding, Stem STEM, is another energy storage producer. The fund has 31% of assets in technology, 30% in industrials, 18% in consumer cyclicals, and only 8% in utilities. Its three-year standard deviation is 50.4, a reflection of the volatility that comes with its small-cap and thematic focus. While other funds on this list have posted smaller losses or even gains this year, PBW has lost 18.5% this year through August in what has been a difficult year for small caps. Its five-year trailing return is 23.1%. Its expense ratio is 0.62%.

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