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https://seekingalpha.com/article/4501813-pbw-qcln-renewable-energy-funds-have-wind-knocked-out

PBW And … : Renewable Energy Funds Have The Wind Knocked Out Of Them

Summary

- We have covered Invesco WilderHill Clean Energy Portfolio ETF and …. Index ETF previously.
- The two ETFs hold over $3.75 billion in assets and have been the "go to" funds for renewable energy.
- We examine why the recent performance has been weak, despite strong macro tailwinds.

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It is rare to find a macro setup as good as we have for renewable energy. Whether you are a proponent for taking care of the planet or whether you want a higher level of domestic energy security, this is the place you go to. The recent Russia-Ukraine war has reinforced this even further as Europe struggled through tight natural gas supplies. Yet, the two frontline funds in this sector have struggled. Let's look at these two and see whether the recent underperformance is an opportunity.
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PBW has a very heavy leaning towards industrials, consumer discretionary and information technology sectors. ….
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There is a heavy overlap with … being primary equivalent of PBW's information technology sector. The consumer discretionary in PBW is the same as automobiles in …. There is still one major difference between the two funds. The first being that PBW has a very even distribution of assets. There is virtually no overweighting of any stock. Small fluctuations that we do see come from price movements in between rebalancing periods. The top 10 stocks just make up 15% of the fund.
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… on the other hand knows what it likes and has gone all-in on a few large stocks. The top 10 assets make up about 60% of the fund!
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PBW does a fairly good job of presenting relevant metrics from its underlying holdings and they are definitely not going to draw in any value buyer.
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Interestingly PBW presents this data as is without the massaging that we see in index ETFs. What we mean by that is index ETFs eliminate the stocks with negative earnings and show the average of the rest. That fluffy picture gives comfort to most investors looking to blow more air into the passive investing bubble. PBW deserves credit for going a different route though the results are shocking to say the least.

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…. Our overall take is that the stocks are expensive in both portfolios, but … has a higher weightage to cash producing companies while PBW is leaning heavily towards future growth.

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Outlook & Verdict

Both funds have relatively modest fees (PBW, 0.61% & … , 0.77%) so there is not much to choose there. The funds do follow different indices as shown in their names and of course, their holdings. … 's large outperformance in the last year stems from having a much higher component of defensive companies like … and … .

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It also comes from being very top heavy. You can see that 4 out of the top 5 holdings of … have decisively beaten …, PBW, and even the S&P 500 (SPY) over the last year.

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On the macro front, we like what we are seeing with deployment of renewable energy and the pace should remain robust in the decade ahead. *Unfortunately deployment is nowhere near the equivalent of profitability.* High inflation from rising labor and material costs remain a problem for all sorts of renewable plays. If you're wondering why we expect at least 80% downside for TSLA, here is one chart for you.

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In this environment, the owners of the electricity/power generating assets will be winners. Hence we prefer … , and … kind of companies versus the builders of new assets. We are hence maintaining a Sell rating on both PBW and … and look forward to revisiting this when *all* the proverbial wind has been knocked out of them.