

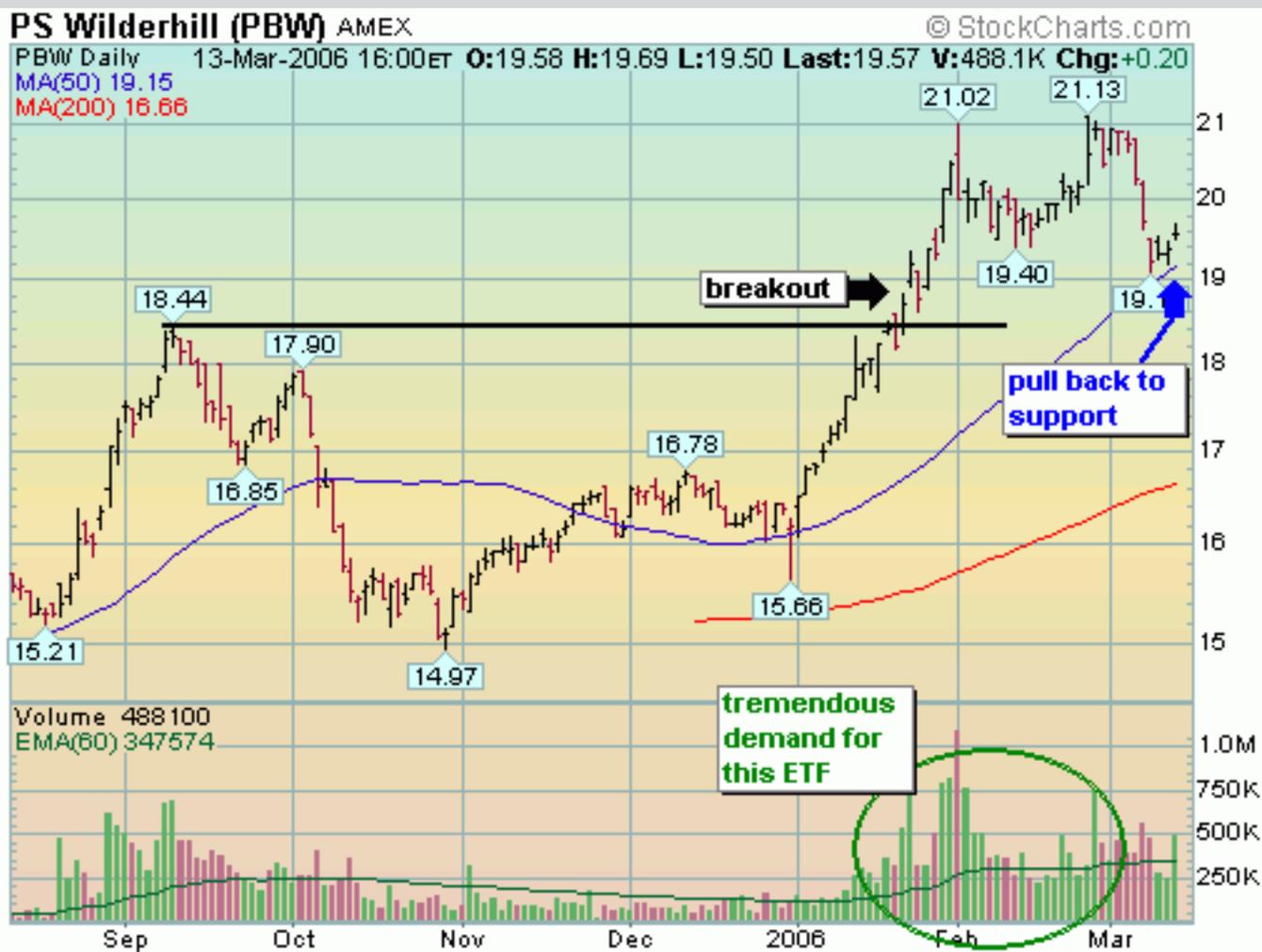


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Deconstructing PowerShares' Clean Energy Portfolio (ETF: PBW)

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Tate Dwinell (ETF Central) submits: I like the PowerShares family of ETFs because they tend to provide more unique opportunities for investments in niche markets such as clean energy (wind, solar, etc). The PowerShares Clean Energy Portfolio ([PBW](#)) provides a nice way to play this market and the ETF is currently retracing a strong break out move that began on Jan 1st of this year when the fund ran up more than 30% in just a month. Since then then it has been consolidating in a healthy manner and may just continue to bounce from support of the 50 day moving average.



I like to take a look at the companies that make up the top holdings of an ETF to get an idea of where the fund might be headed. Most of the top holdings in the Powershares Clean Energy ETF have been retracing over the past few weeks and may be ready for another advance. Let's have a look at those individual charts, with the largest holdings of the fund at the top (although all are around 3% of the fund, so the fund is well diversified within this industry).

Energy Conversion Devices, Inc. (ENER) is a technology, product development and manufacturing company engaged in the invention, engineering, development and commercialization of new materials, products and production technology in the fields of alternative energy technology and information technology.

The Company has developed materials that permit them to design and commercialize products, such as thin-film solar cell (photovoltaic) products, nickel metal hydride (NiMH) batteries, and phase-change memory devices. These products have chemical, electrical, mechanical and optical properties and superior performance characteristics. ECD's materials, products and technologies are referred to as Ovonic.

The fundamentals aren't all that impressive, nor are they very consistent. The company is expected to lose money in '06 after posting its first profitable year in company history in '05.



Suntech Power Holdings Co., Ltd. (STP) is a solar energy company designing, developing, manufacturing and marketing a range of photovoltaic (PV) cells and modules, which are devices that convert sunlight into electricity through a process known as the photovoltaic effect. It also provides PV system integration services in China.

Its products are used to provide electric power for residential, commercial, industrial and public utility applications in a range of markets worldwide, including a number of European countries, such as Germany and Spain, as well as China and the United States. It sells its products outside of China primarily through distributors and in China primarily to end users directly. During the year ended December 31, 2004, the Company sold 92.2% of its products to customers outside of China.

China? Alternative Energy? What's not to like. Suntech had its IPO just a few months ago and more than doubled in less than 2 months. Since late January it's been digesting those gains in a healthy manner. It will most likely spend at least a few more weeks consolidating and may touch down at support once again around 30.

The fundamentals are much stronger (albeit inconsistent from quarter to quarter) in Suntech with yearly EPS of .01, .18 and .28 over the past 3 years. EPS expectations for '06 is .62/share. Sales have been soaring with quarter over quarter growth of well over 100% every quarter for the last 2 years.



SunPower Corporation (SPWR) designs, manufactures and sells solar electric power products or solar power products, based on its processes and technologies. The solar power products offered by the Company include solar cells, solar panels and inverters that convert sunlight to electricity compatible with the utility network.

In addition, SunPower offers imaging detectors based on its solar power technology, primarily for medical imaging applications, and infrared detectors for use primarily in computing and mobile phone applications. The Company sells its solar power products to system integrators and original equipment manufacturers (OEMs). On November 9, 2004, Cypress Semiconductor Corporation (CY) completed a reverse triangular merger with SunPower, in which all of the outstanding minority equity interest of SunPower was retired, effectively giving Cypress 100% ownership of all of the Company's outstanding shares of capital stock.

Another recently launched promising IPO that has more than doubled since the IPO price. It has yet to carve out any significant base and may just continue to trend along the 50 day moving average.

This is a company experiencing tremendous growth and high expectations. They just reported their first profitable quarter in company history a few weeks ago and are expected to post their first profitable year in '06. To me, this looks like the top solar play right now.



Hydrogenics Corporation (HYGS) is a global developer of hydrogen and fuel-cell products. The Company has a diversified product portfolio of fuel-cell power products, hydrogen generation systems and fuel-cell test stations. In February 2005, the Company completed its acquisition of Stuart Energy shares.

Following this acquisition, Hydrogenics operates in two segments: fuel cell power products and onsite hydrogen generation systems, or Hydrogenics Power and Generation; and fuel cell test and diagnostic stations, or Hydrogenics Test. Its wholly owned subsidiaries include Greenlight Power Technologies, Inc., EnKat GmbH, Hydrogenics Japan Inc., Hydrogenics USA, Inc., Stuart Energy Systems Corporation and Stuart Energy Europe N.V.

Not the most beautiful chart you've ever seen and HYGS is a long ways off from turning a profit. If I were putting this fund together, HYGS would be a much smaller portion.



Quantum Fuel Systems Technologies Worldwide, Inc. (QTWW) provides power-train engineering, system integration, manufacturing and assembly of packaged fuel systems and accessories for specialty vehicles and applications, including fuel cells, hybrids, alternative fuels, hydrogen refueling, new body styles, mid-cycle vehicle product enhancements, and high-performance engines and drive trains for original equipment manufacturers (OEMs) and OEM dealer networks. It also designs, engineers and manufactures hybrid and fuel cell vehicles.

On November 23, 2004, the Company entered into an agreement, and plan of merger to acquire Starcraft Corporation. The merger was completed on March 3, 2005. As a result of the merger, Starcraft became a wholly owned subsidiary of Quantum. Starcraft's continuing operations primarily consist of second-stage manufacturing and engineering activities under its Tecstar operations.

Another hydrogen fuel cell player and also a long ways away from profitability. As for the stock it's not going anywhere anytime soon.



DayStar Technologies, Inc. (DSTI) has developed a thin-film copper-indium-gallium-selenide solar cell, commonly known as a CIGS solar cell, for the direct conversion of sunlight into electricity. The Company's solar cell technology and manufacturing process is designed to use raw materials that do not suffer from the same supply constraints as silicon and use volume manufacturing equipment and procedures already proven in other industries. During the year ended December 31, 2004, the Company was in the process of installing its first and second-generation batch and batch-continuous production lines at its Halfmoon, New York facility.

DayStar isn't the cream of the crop as far as solar plays go, but technically it looks OK here, with support of the 200 day moving average. As for the fundamentals, they're awful. This is a very small company that did around a million dollars in sales last year. Also, a long ways from profitability it would appear.



UQM Technologies, Inc. (UQM) is a developer and manufacturer of electric motors, generators and power electronic controllers. The Company, together with its wholly owned subsidiary, UQM Power Products, Inc., is engaged in the research, development and manufacture of permanent magnet electric motors and the electronic controls for such motors. UQM operates in two business segments: technology and power products.

The technology segment is engaged in the advancement and application of the Company's motors, generators, power electronics and software. The power products segment is engaged in the manufacture of motors and generators. The Company's revenue is derived primarily from product sales to customers in the automotive, agriculture, industrial, medical and aerospace markets, and from contract research and development services. On May 18, 2004, UQM completed the divestiture of its wholly owned subsidiary UQM Electronics, Inc.

Much of the same here... ugly looking chart and no profits yet.



Active Power, Inc. (ACPW) designs, manufactures and markets power quality products that provide electric power required by customers during electric utility disturbances. The Company has commercialized a flywheel energy storage system that provides a non-toxic replacement for the lead-acid batteries used in conventional power quality installations. Its first commercial product was a battery-free direct current (DC) system that is used as a bridging energy source in typical power quality installations and is compatible with other uninterruptible power supply (UPS) brands.

The Company has also developed a battery-free UPS system that incorporates its flywheel technology. This system is marketed by Caterpillar Inc., a maker of engine generators for the power reliability market, under the Caterpillar brand name Cat UPS and by Active Power under the brand name CleanSource UPS.

Another clean energy play I wouldn't touch on an individual basis - wide and loose chart and no profits to speak of.



Bottom line: many of these alternative energy company are a long ways off from turning a profit. If you don't mind some added risk (and added reward), singling out those alternative energy plays that are growing rapidly and turning a profit (such as Sunpower and Suntech) might be a good way to go. For those looking for more of a buy and hold, longer term approach, the Powershares Clean Energy Portfolio can provide a lower risk way to play this industry.

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