Excerpt from Red Herring, December 14, 2006
http://www.redherring.com/Article.aspx?a=20261&hed=New+Clean+Fund+to+Trade+on+Nasdaq+&sector=Industries&subsector=Energy

New Clean Fund to Trade on Nasdaq

By Jennifer Kho

First Trust Advisors plans to launch an exchange-traded fund based on the Nasdaq Clean Edge U.S. Liquid Series Index in January, giving clean-energy investors another choice.

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The clean exchange-traded fund (ETF) is not the first to hit the market.

In February, PowerShares launched one based on the WilderHill Clean Energy Index (see Clean Capital). PowerShares launched two more green options in October, one based on the Cleantech Capital Group's Cleantech Index (see US Cleantech Index to Launch), and one based on WilderShares' Progressive Energy Index (see Buying Into Cleantech).

Ron Pernick, a principal at Clean Edge, said the Clean Edge index is a benchmark index that tracks clean energy. "Based on our index, the ETF would be reflective of people who looked at our approach, liked our approach, and wanted to have a tradable product off of it," he said Thursday.

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But while Robert Wilder, president of WilderShares, which manages the WilderHill indices, said the weightings are different, he said the stock choices in the Clean Edge index "largely replicate" the stocks in the WilderHill Clean Energy Index.

"Frankly, there's probably going to be a tiny difference in the two indices," he said. "Day to day, the two lines on the graph are very close."

Mr. Wilder said he'd like to see a larger variety of indices in the space, which would be useful to investors and more interesting for industry watchers. "I don't really see a big advantage for investors" if the indices are too similar, he said.

Still, he doesn't blame other indices for wanting to encourage ETFs.

After all, the fund based on the WilderHill Clean Energy Index has gone from $200 million under management in January to $720 million under management today, he said. And that inflow has happened as the index dropped 26.7 percent from May, reaching 187.81 in recent trading.

Index makers get a slice of the management fees charged by such funds, so it's no wonder ETFs are alluring.

"It must be eye opening to see all of the money that has flowed into the ETF that tracks our index, and I feel pretty confident that that's what's driving these other indexes to launch," he said. ….

In general, he said, the new ETF is a good sign for the clean-energy sector.

"Clean energy is not the niche that it was even a year ago," he said. "Just like we see more than one index for oil, coal, and other fossil fuels, there is room for more than one index in clean energy. It simply reflects a maturing of clean energy as a sector. Now that you see seven, eight, or however many new indexes in clean energy, it's a validation this industry is real."

Mr. Pernick agreed that more options in the marketplace are a good thing. And even more choices are likely on the way.

Just a few of the other clean indices out there include the German Börse's DAXglobal Alternative Energy Index, the WilderHill Clean Energy Global Innovation Index, and the Ardour Global Alternative Energy Index (see Tracking Clean Energy Globally, Cleantech Index Soup).

One could argue that there's enough investor interest to support more funds, whether or not more is actually better.

According to a report released Monday by Dow Jones VentureOne and Ernst & Young, investment in U.S. cleantech companies is already at $585.6 million so far this year, topping the whole of last year by 30 percent (see VC Investment on Track for $32B in 2006, World Energy Labs Nabs $4.5M, EnviroTower Gets $8.5M).

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