



2007 Q3 Quarterly Report: WilderHill Clean Energy Index[®], September 30, 2007

The Third Quarter of 2007 opened with the Index ([ECO](#)) at 216.96, and ended at 239.96. Q3 thus had a positive return of +10.6%, and for '07 Year-to-Date since the Index started 2007 at 182.06 it has had a positive return of +31.8%. Robust volatility typical of clean energy has unsurprisingly returned, and ECO showed its 'normal' intra-Quarterly activity in Q3. Such sharp movements may in theory create market inefficiencies and opportunity to a downside, or up: historically, volatility is one of the hallmarks of this young sector.

One Addition, and One Deletion in ECO for Q4 2007

At times we anticipate we will have very few – or even no component changes for the Index Quarterly Rebalancings and indeed there are only two stock changes to the Index (ECO) for Q4 2007. We've added Cosan, CZZ to our Cleaner Fuels Sector as a key Brazilian producer and exporter of ethanol that's using sugarcane as feedstock – and deleted MGPI. Relatively passive management is a natural aspect of Indexing and lends tax efficiency. We're mindful of course of companies potentially approaching candidacy and monitor for possible additions ahead. As always we welcome your thoughts and suggestions.

A Look Back over our first Three-Years of Index (ECO) History:

The Initial, Year-One ECO Performance from August 2004, to August of 2005

WilderHill Clean Energy Index[®] initially began calculating August 16, 2004 at 125.0 (more precisely 124.99) and it closed twelve months later on August 16, 2005 at 163.4 for a (first) one-year performance of +30.7%. A few comments are suggested by those first-year data. One is risk and return may go hand-in-hand: it might be substantial risks across this sector that's so dominated by small-cap stocks, that helps engender such dynamism. As we often highlight, the Index can and will at times 'drop like a rock'; it doesn't attempt to mitigate volatility – for instance as an Index we don't take defensive positions, nor seek larger-caps with less exposure to clean energy simply to help 'smooth' performance. Significant movements are expected over time, and surely as sharply downwards (or up).

Look back too in retrospect, and the Index by coincidence began calculating at a bit of a relatively low-point; we believe this contributed to 'strong' subsequent +30.7% Year 1 performance. Below we'll next report on the Year 2 performance, plus a just-concluded Year 3 to boot. As this Index goes on with calculating years to come we look forward to greater data-richness and seeing the Index (ECO) go on serving as a smart tool recognized as a robust reflection and benchmark for this emerging sector. Steeped in clean energy and Indexing, we aim to remain the leaders and 'the Clean Energy Index'[®] that captures and tracks a 'green' sector that we believe might potentially grow with some vigor.

Next: the Year-Two Performance of ECO from August 2005 to August 2006

We were pleased next to see ECO mark two-years of calculations in Q3 2006 when subsequent to ECO beginning its live calculations on August 16, 2004 at a value of 125, two years later on August 16, 2006 the Index closed at 186.4. This meant usual volatility and a two-year total increase across clean energy as captured & tracked by ECO of +49%.

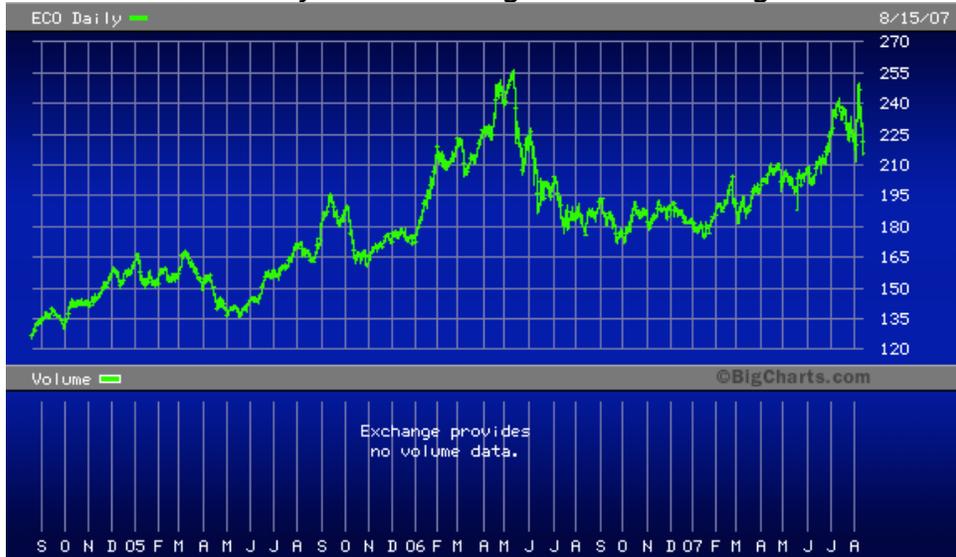
That of course followed the previous year's August 16, 2005 close at 163.4, when ECO then had its first-year return of +31%. A thought suggested by the fairly strong first-year+ ongoing rather-strong second-year 2006 is to repeat that risk and reward well go hand-in-hand, and it may be these very substantial ongoing risks across the sector that's so dominated by many small-cap stocks that helps engender dynamism in the first place. That risk will require strong declines too. Significant movements in ECO are expected over time and the movement will at times be sharply downwards (or even upwards).

Year-One +Year-Two +Year-Three for ECO from August 2004 through August 2007

Marking a full-three-years of live calculations, the Index (ECO) on August 16, 2007 stood at 215.9. So going from its start of roughly 125 in 2004 to (roughly) 216 in 2007, the Index had increased by 72.8% over three years. This averaged out to about +24%/year.

Perhaps most dramatic of all, however, are sharp brief declines seen below in clean energy along the way over three years. That said, if one takes a longer-term perspective, then the increasing line may be seen below and so +72%. As noted the index began by coincidence at a bit of a bottom; but arguably marking now a full three-years of data allows an opportunity to glean a fuller picture of clean energy over some time. Below we present this chart for the first-three years of this sector as captured & tracked by ECO:

3 Years of ECO History: from late August 2004- late August 2007



Given that large – yet neither historically outsized nor surprising volatility for Q3 2007, we'll reprise next our statement on clean energy stocks from the Q3 2005 Report:

Mitigating for Single-Stock risk

Having so many small and risky stocks naturally heightens the Index volatility. It also reflects that these are often unproven technologies; in particular some firms in ECO (fuel cells, superconductors, etc) may *never* bring viable products to market: so there's inefficiencies in pricing such equities. But we'd received a great many inquiries regarding Indexing instruments over years working on an antecedent (volatile & narrower H2 Fuel Cells) Index, and felt confident an Index tracking genuine clean energy was sought. We thus embraced inevitable volatility, because that's part & parcel of this emerging sector.

The idea of Indexing is based at heart on assembling a thematic basket of stocks and that simple act alone can perhaps offer some helpful mitigation of sizable single-stock risk. Hence while one or more stocks in the Index might swing 10% or 20%+ downwards (or up) in a single day, and this often happens – the Index is itself relatively less dynamic in one trading day. The WilderHill Clean Energy Index® will doubtless be exceptionally volatile over time and likely see very dramatic short or long declines (or increases), but compared to single stocks themselves comprising ECO, there's some degree of mitigation of volatility and that's arguably notable when viewing here return as a function of risk.

Because the WilderHill Clean Energy Index® can close up a bit sizably in some Quarters, it may misleadingly engender a belief that there's less risk premium here. That would be incorrect. *There's ongoing substantial risk in this emerging sector:* we believe and stress there's always a non-negligible risk of very significant downturns – especially after a run-up. While a 'basket of stocks' may dampen single-stock risk somewhat, it does not eliminate it. Recent Index (ECO) movements in any Quarter (upside, then quickly down) recall and embody the fact dynamism is common here and can go in either direction.

The mitigation of single-stock risk was briefly highlighted in our Q3 2005 WilderHill Index (ECO) Quarterly Report, in context of two superconductor stocks there. Yet it applies as well to solar: one solar stock in the ECO's back-testing history was Astropower (APWR). Several years ago the prospects for APWR seemed sunny: it was a part of a growing solar PV industry, their PV panels were sold in home improvement stores and one might be hard-pressed to favor for instance ESLR, over APWR then. Since that time, APWR collapsed, while ESLR soon grew many-fold and provided investors with favorable returns. A misplaced bet on APWR would have had far different ramifications than a bet on ESLR, as an example where a basket of stocks (in solar) may help mitigate single-stock risk.

More than a few small cap clean energy stocks within this Index (ECO) may stumble badly, or someday go out of business. An Indexing approach can help address that risk (though the universe of possible stocks in superconductors, FCs etc is small indeed). This benefit is balanced by the fact only a small part of increases in a single-stock may be captured.

Moreover even (or perhaps especially) in the case of any stock with a strong recent upside, there is risk. For any single equity to rise so quickly that it briefly reaches high internal Index weighting—or for an Index itself to rapidly increase, may not be unalloyed 'good'. It may proffer an unhelpful imbalance; for instance should the same stock also soon sharply decline within the same Quarter, it could have initially amplified effect on the Index overall. An arguable utility of the WilderHill Clean Energy Index then, is that as a basket of stocks it may potentially help mitigate single-stock risk in a volatile sector: but that benefit is limited by great many risks always still presented in any Index here.

Website for the WilderHill Index (ECO)

Our website at <http://www.wildershares.com> is in continuous refinement and we monitor for glitches as the website develops and grows. Years of experience in posting dynamic data on Index websites has taught us glitches will happen, given software/ hardware issues that inevitably arise. It's worth repeating then that the WilderHill Clean Energy Index (ECO) is calculated independently by the American Stock Exchange, as totally apart from our own website. And of course the exchange traded fund that further aims to track that Index is itself calculated in a robust fashion and independently of our site as well. More data on this Index (ECO) and tracking fund (PBW) are on the site of the American Stock Exchange, <http://www.amex.com> Lastly we continue to upgrade our site with the aim of robust uptime and providing ample information: we welcome your suggestions.

Summary

The Third Quarter opened with Clean Energy Index® (ECO) at 216.96 and ended at 239.96. Q3 thus had a positive return of +10.6%. Following the second half 2006, when volatility downwards and up that's normally a hallmark of clean energy was overshadowed by much unusually 'sideways' movement, the first half of 2007 and now a Third Quarter 2007 have resumed the sharp movements we've normally seen over the long-term perspective. For Q3 we have added one new stock: CZZ, which is a major Brazil-based producer of ethanol using sugarcane feedstock into our Cleaner Fuels Sector – and we have deleted MGPI.

Sincerely,



Robert Wilder
rwilder@wildershares.com

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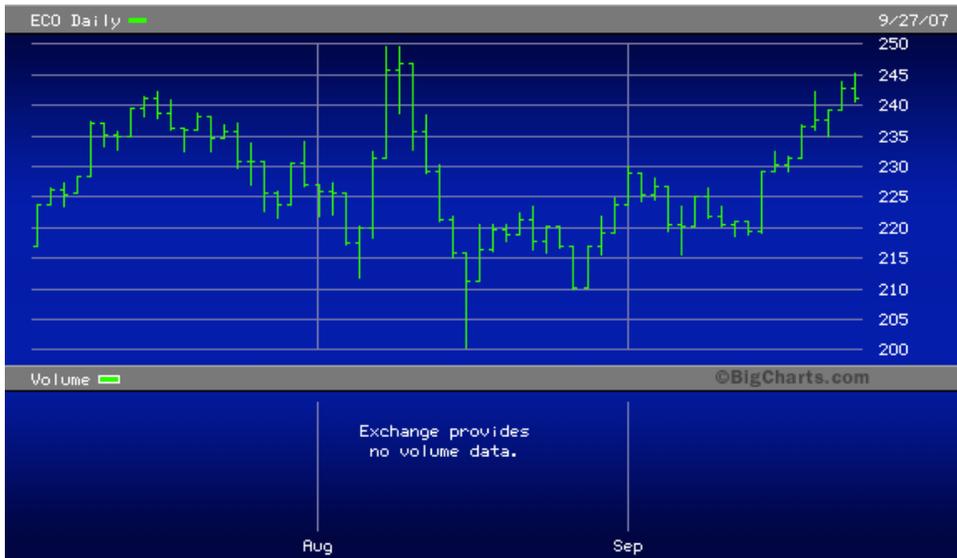
Appendix I: The Index (ECO) Q3 Components and Weights

The following were Q3 Index weightings about 2 weeks before Rebalancing to start Q4. After rebalancing, every stock floats according to share price over the new Quarter.

Index Components as of: 09/17/07

Company Name	Symbol	% Weighting
Echelon	ELON	4.30%
Yingli Solar	YGE	4.27%
Emcore	EMKR	4.04%
Ormat Technologies	ORA	3.48%
Sunpower	SPWR	3.44%
JA Solar	JASO	3.38%
Itron	ITRI	3.24%
Suntech Power	STP	3.15%
Cree	CREE	3.09%
First Solar	FSLR	3.06%
Fuel Systems Solutions	FSYS	2.96%
Applied Materials	AMAT	2.93%
Comverge	COMV	2.91%
Zoltek	ZOLT	2.87%
Evergreen Solar	ESLR	2.81%
MEMC Electronic Materials	WFR	2.80%
Trina Solar	TSL	2.74%
Universal Display	PANL	2.62%
American Superconductor	AMSC	2.62%
Verenium	VRNM	2.56%
International Rectifier	IRF	2.33%
Maxwell Technologies	MXWL	2.25%
FuelCell Energy	FCEL	2.22%
Om Group	OMG	2.20%
Air Products & Chem	APD	2.20%
Nova Biosource Fuels	NBF	2.17%
Praxair	PX	2.12%
Portland General Electric	POR	1.91%
Energy Conversion Dev.	ENER	1.91%
Idacorp	IDA	1.88%
Puget Energy	PSD	1.87%
Amerigon	ARGN	1.87%
VeraSun Energy	VSE	1.79%
Plug Power	PLUG	1.74%
Ballard Power Systems	BLDP	1.71%
Pacific Ethanol	PEIX	1.68%
MGP Ingredients	MGPI	1.53%
Medis Technologies	MDTL	1.40%
China BAK Battery	CBAK	0.60%
Ultralife Batteries	ULBI	0.54%
Active Power	ACPW	0.40%
Uqm Technologies	UQM	0.40%

Appendix II: The WilderHill Index (ECO) Performance in Q3 2007 only



Appendix III: WilderHill Index (ECO) Performance Year-to-Date, January 1, 2007 through the end of Q3, September 30, 2007

