



Q4 2007 Quarterly Report: WilderHill Clean Energy Index[®], December 31, 2007

The Fourth Quarter 2007 opened from the Clean Energy Index[®] (ECO) at 239.96 and ended at 288.21 for a positive Q4 return of +20.1%. Seen over this entire year since January 1st at 182.06, ECO has had a positive return of +58.3%. Robust volatility typical of clean energy unsurprisingly characterized 2007 with some sizable intra-day declines, and also as noted some increases. Sharp movements may reflect market inefficiencies: they may also mean opportunities to the downside, or up: historically, volatility is a hallmark of this sector.

Notably the one-year positive return of +58.3% for 2007 isn't sustainable. We believe moreover that one should not expect a like performance in 2008. In part that's because a contributing factor to non-negligible 2007 was a middling +5% return for the Index (ECO) in '06; that perhaps helped set up the potential for strong upside in '07. Given upwards volatility in 2007, there's sparser scope for 'regressing to mean' up again in 2008.

As we always emphasize this Index is volatile and can and does at times 'drop like a rock.' On the other hand and there's always 'the other hand', other factors are yet again visible now at end-of-2007 that *might* possibly allow for some repeated upwards volatility and so gains looking ahead next to 2008. They include the perennial support for 'energy independence' and so ever-budding enthusiasm for growing clean energy, a fragile U.S. (& global) energy portrait that may lead again to high oil prices, geophysical obstacles to ramping up oil supplies fast enough to meet unrelenting demand, peak oil, and to be sure global climate change & CO2 issues; we discuss these issues further below.

But first below are 2 Charts; the first one is for ECO (vs. NASDAQ) over just the past year through late December 2007 – and the second is for ECO since its inception in 2004 to late December 2007. Both also illustrate a marked Sector volatility that's captured by ECO:

a) Performance of ECO Index for 2007 (relative to the NASDAQ):



b) ECO from Inception August 16, 2004 through late December 2007:



Also at the outset here and before discussing a just-concluded Q4, all 2007 or 2008 ahead, we believe it's also useful to look back briefly to each Quarter of 2006 & 2007 given their potential relevance to today. The following is a quick synopsis for the past Q1-Q4 of 2007, and for Q1-Q4 of 2006 along with a brief look at the preceding years:

Recalling Q1-Q4 of 2007: The Statistics from this Past Year

Looking first at 2007 alone First Quarter opened with the Index at about 182, and ended at 197: Q1 '07 thus had a positive return of some +8.4%. The Second Quarter of 2007 next ended at 217 and Q2 thus had a positive return of roughly 9.9%. Next the Third Quarter of 2007 ended at 240: Q3 thus had a positive return of +10.6%. For 2007 as Year-to-Date through only the end of that Third Quarter, ECO had at that point posted a positive return of +31.8%. Continuing this trend to a somewhat remarkable degree, finally and as described above the Fourth Quarter 2007 ended with the Clean Energy Index® (ECO) at 288, thus posting a positive Q4 return of roughly +20.1%.

Recalling Q1-Q4 of 2006 and Before: Statistics from Two+ Years Earlier

First Quarter 2006 had started in a notable fashion when the Index (ECO) coincidentally yet interestingly closed up each day well into January: the first day down didn't come until Jan. 20, 2006. Thereafter there were only two more days that ECO closed down in that month. While the Index had opened January 1, 2006 at 173, it ended that first month at 219 for an unusual one-month performance of +26%. Although such volatile January might possibly prompt subsequent declines in Feb/March, the First Quarter 2006 nonetheless closed up +31% for the first 3 months.

After starting the Second Quarter April 1, 2006 at 227, the Index afterwards closed Q2 down on June 30, 2006 at 201, for a negative return of -11%. Third Quarter of 2006 would close downwards strongly again on September 30, 2006, ending at 176 for a second negative Q3 return of -14%, and so notably extending a downwards trend over two consecutive Quarters. The Fourth Quarter of 2006 closed with the Index at 182 for a small positive Q4 return of +3%. Hence for the whole Year of 2006, ECO had started at 173 and it had ended at 182, for a positive 2006 yearly return of +5%.

That followed 2005, when ECO had opened at roughly 162 and closed at 175 for a return of +8.0%; and 2004 when it opened at 148 via backhistory and closed live calculations with a +12.1 return. (Or return for ECO since inception on Aug. 16, 2004 of +30.7 for 4 ½ months alone; gains of late 2004, and Q1 2006, may have possibly 'helped set up some regression' in following quarters).

A Reprise of Thoughts from one-year ago, for the Year 2007

Interestingly we're able now one-year on to now look back and so examine our thoughts offered last December 2006 for the coming 2007. We reprise it roughly below to also hopefully help ponder what may still come in 2008: recalling that last December 2006 was a time of far lower oil prices (\$61/barrel) – contemplation of (possibly much) higher oil costs to \$95/barrel and new federal legislation has indeed come to pass in 2007. It's said what's past is prologue and we consider again what was contemplated in late 2006:

[December 2006 thoughts, for the Year 2007]

We believe that some renewed volatility may return ahead to the Index (ECO) during the coming 2007 and imagine at least three catalysts could play some part here. One point stems from 1) the U.S. energy portrait having become perhaps more fragile and so more reliant on 'everything going right' than ever before. Consider that when energy/oil prices jumped in 1973 & 1979, those were mainly supply-driven spikes due to OPEC cutting its own exports. Although the total supply then only dropped modestly, human psychology led to sizable global swings in oil prices due to anxiety.

Fast-forward to a recent spike [to \$61 oil]; this time importantly it's a demand-driven event – not supply-driven as in the past. This is notable because even with most producers pumping at close to full capability, there's very little extra slack to keep up with demand. A past role of some nations as swing-producers is largely taken away with excess capacity more marginal than ever.

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We're nowhere near the end of oil, but perhaps nearing the end of 'cheap oil'. Nothing quite pushes clean energy's prospects around like sharp changes in the cost of Oil; it's the resulting cost of clean energy alternatives in relation to oil, that's key. We're skeptical of a thesis that Peak Oil is here today. Expensive oil leads to more exploration and so new production. But many nations like the U.S. are now long past – or are nearing in other important cases – their expected production peaks and the longer trend may soon be to less oil being produced worldwide in any new year, than the year before. Yes there will be years of anomaly ahead as big finds happen, but inferring from closely held data indicates some super-fields may be drawing down rather quickly.

Some noted experts argue Peak Oil (normally visible in retrospect) wherein new production globally no longer surpasses the year before, may even be here this decade. We take a more moderate view and believe it is perhaps sometime in the next decade, but even that moderate timeframe importantly is only some 10 years away. Such juncture, once apparent may act as a real shock, especially from a psychological view and may press oil prices into gyrations fairly unlike those witnessed so far. Peak oil could become more notable to energy security planning in 2007.

Entirely apart from uncertainty over peak oil is the clearer matter of our fragile U.S. energy portrait and a growing reliance on hostile oil producing nations that may not wish us well. Consider just a potential reduction of say, 4% in the global supply and how that can readily push oil past \$100/barrel. Some producing nations like Iran and Russia made noises in 2006 about using oil to achieve strategic ends and that's a possibility that ought not be ignored in 2007 given vulnerabilities. There is some utility in the U.S. strategic petroleum reserve, but other alternatives like the tar sands and oil shale all carry significant downsides and costs: simply put, it's not commonly understood how brittle is U.S. and global energy security today.

This fact has given rise to 'Green Hawks' including sage military leaders, classical conservatives, heads of industry and other traditionally level-headed 'Non-environmentalists' all of whom are concerned over the extent America is vulnerable to oil shocks. Whether the inflection point is a threat of oil that's not pumped, or not sold, refineries down for natural or human acts, pipelines unable to move oil, strategic shipping lanes threatened or a litany of other possibilities, there's very reasonable concern that energy security might become an issue of attention for America – or for China, Europe etc in 2007. It is something almost every nation faces, not just the U.S.

Energy security vulnerabilities pose not a certainty of harm but rather they simply raise the possibility of oil troubles ahead. So while 2007 may end up being rather like 2006 as another safe year where oil is plentiful and energy security a non-issue (so no impacts to clean energy stocks), there is a non-negligible risk to the contrary and that risk appears to be growing, not subsiding.

A next catalyst and entirely separate from energy security is 2) a chance climate change /climate risk may attain new importance in 2007 as a fresh factor influencing clean energy broadly. Unlike energy security that's a bipartisan issue, this has tended to be more partisan though that seems to be noticeably changing. We'd note pressure here stems not from increasing oil costs, or peak oil but rather the harm fossil fuels may do from mere use – regardless of how plentiful they are in the ground. Despite being an opposite sort of issue in some ways from energy security, the problem of climate risk points to a case for finding cleaner & better energy alternatives. This may be a catalyst for movements (down or up) in clean energy and hence ECO in 2007 if a new Congress acts to elevate climate risk on the American political or legislative agenda.

No fossil fuel escapes attention in a changing Agenda. Start with cheap, plentiful coal that affords the U.S. better energy security to boot; here climate risk may lead to new calls for carbon regulations perhaps raising the costs of coal rather noticeably. This is especially the case for presently unregulated CO2 from coal. 2007 is the year before Presidential elections in late 2008, and some candidates from both parties are already talking about possibly addressing carbon in 2009. It may become a case where the U.S becomes more like the rest of the world and regulates CO2 as from coal – than the rest of the world becoming like us and moving away from regulating CO2 at all. For Congress starting in 2007, coal's pollution may be more closely reviewed than ever.

Rather the same might be said of inherently dirty oil, and the greenhouse gas emissions that come unavoidably from using it in transportation as well. It wouldn't be surprising if Congress attempts to roll back recent tax breaks granted oil companies, and instead seeks to fund clean energy research. Or Congress may move to limit emissions more dramatically than before. In any case the costs of using coal, and oil may likewise become further impacted in 2007 and that generally works in favor of increasing the volatility of the clean energy sector broadly.

A third catalyst is 3) Jobs and Profits: increasingly in bipartisan ways both parties may throw support to the job growth clean energy can bring. Germany & Japan are growing jobs in solar; India, China in wind; biofuels like cellulosic and biobutanol may hold promise. The Governor of California aims to get ahead of the curve as a way to strengthen economic health. The importance clean energy may hold in providing Americans good high-paying jobs is not something to be lightly dismissed. It might find support from Conservatives, and Liberals; ultimately that's a good thing.

On the other hand, and there's always the 'other hand' there's ample reasons for stock declines ahead and thus to be bearish on the whole clean energy sector in 2007. Indeed that 'difference of opinion is what makes a market', and a robust certainty in not reality in equities. Some factors that favor possible declines in 2007 include ongoing constraints in polysilicon supply in solar PV, the ongoing lack of grid capacity harming growth in wind power, continuing lack of appreciation for the serious constraints in rapidly growing corn-based ethanol, an ongoing lack of progress in bringing down costs for LEDs, OLEDs or better batteries like Li-Ion and NiMH, or for thin film and crystalline PV, for solar thermal and concentrators, for ultracapacitors, for superconductors, and for the costs of fuel cells, hydrogen storage, energy efficiency, etc.

More broadly, either a global recession or robust inflation in 2007 will harm clean energy companies. So too would declines from 2006 into 2007 in the price of oil, as would any change by governments away from subsidizing clean energy, or any trend that moves away from growing scientific consensus over an anthropogenic signal in recent & projected climate change. In sum where clean energy shall go in 2007 is entirely uncertain now in December 2006, but there's some reason to project movements – downwards or up – will return and so resume sizable volatility.

Contemplating Possibilities that Might Impact Clean Energy in 2008

Looking forward 2 factors are different in this December 2007, from last year. One is that 1) the risks of recession and/or higher inflation appear at this point modestly higher going into 2008, than they were going into 2007. Either a slowdown in the world economy (dampening demand for oil & energy in the first place) or the higher costs of money such as a credit crunch could certainly have dramatically negative impacts on clean energy.

A second factor is 2) with the oil prices today much greater now at some \$95/barrel, or 50% higher than last December @\$61, prospects for a swift-rise in prices that in turn buoys clean energy seems reduced compared to December 2006. It is now more likely too we'll see major new oil finds such as in the South Atlantic deep-water, or Arctic and elsewhere as dearer oil makes previously uneconomic exploration worthwhile. Yet that said, geophysical realities still constrain (think of Cantarell, Mexico) and Peak Oil still raises the very hard work of merely keeping up with new demand, as China, India etc come online.

Nations too as in the Middle East and elsewhere that were once far and away oil exporters only, may begin to see a significant shift in 2008; a demographic that combines young populations with new domestic industries may make their own oil key to desired growth at home. Or as oil or gas supply becomes more constrained and so energy portraits brittle, it can alternatively strengthen the possibility oil or gas exports are used as a political tool by diverse yet strategic suppliers such as Iran, Russia, Venezuela, Nigeria and others.

That said we also are aware of the recent forecasts by others that oil demand is instead about to crash in 2008 due to a supply glut and we'll again revisit oil at a \$30 range. We do not agree with that assessment, but there clearly does seem a greater range of possibilities now with oil perched at once-very-high sounding prices near \$95/barrel, than we saw last December at \$61. And excess oil can dampen demand for clean energy.

Drill down on the issue of clean energy specifically, and there are some factors that point to a possibility of some robust sector growth in 2008. One to be sure is the political front. The Congress was able to pass legislation late 2007 that the President signed, elevating fuel efficiency standards for cars (in rather distant future) and mandating more biofuels including new cellulosic ethanol other than from corn. But is any more possible in 2008?

It might be argued much more was possible in 2007 and a recent vote in Congress on subsidies for key renewables solar and wind power lost by only 1 vote in the Senate, thus nearly passing in Congress. But that view overlooks the fact the White House made it clear there would be a veto of any bill to reverse the subsidies for oil and instead put that roughly \$20+ billion instead into advancing clean energy. Lacking a veto-proof majority in the Senate (or 60 votes for Cloture to avoid certain filibuster), there was probably little chance for proponents in 2007 given a 'pay-go' that requires covering new spending.

What about the political front ahead in 2008? There's an absolute need to renew the production tax credit for wind power and given that fact plus the growing influence (and wide support for) the solar industry in the House, some attention likely will be paid again to national energy legislation in 2008, despite diversions of a Presidential-election. But absent major unforeseen events there seems to be only moderate probability for creating some \$20 billion+ worth of new incentives in 2008. The following year however, appears dramatically different: an assuredly new President in the White House and potentially different Congress (including the Senate) indicates that 2009 should be interesting.

Indeed it might be that an election in November of a new U.S. President from either party who is noticeably pro-action on both U.S. energy security and global climate change, could bring considerable attention to clean energy in very-late-2008. That may potentially even catalyze a brief anticipatory rally of attention to renewable energy in Fall 2008.

Consider however that at the level of the States in 2008 it can be expected new incentives and activities will accelerate. Despite a not surprising decision in late December 2007 by EPA (after two years) that still favors the *status quo ante* and holds California hasn't the authority to take action on CO2 emissions, that's likely to be only a temporary-obstacle: California's Governor and those of other coastal States will again likely sue the federal government for jurisdiction to act on climate change. Whether States win yet again in Courts or a new President translates to a new EPA, it appears State-action is only growing.

Similarly at the City and local level, action is increasingly taken in innumerable ways. Around the world, cities are not waiting for national leadership especially where it lags. This is pointedly so in the United States as great opportunities lately become uncovered locally, wherein addressing both climate and energy security are seen to unleash vast new human potential and unlock fresh paths to profits, jobs and sound economic growth. Benefits and profits moreover are snowballing, meaning there's no reason to turn back.

More is anticipated over 2008 on many fronts outside of politics too. In philanthropy for instance, more funding is increasingly going intentionally to early-stage development of 'green technologies' that may offer possible 'solutions' on both the climate and energy security fronts – which had previous difficulty attracting early funding. These include e.g. concentrating solar power and lower-grade-heat geothermal that may allow essential baseload electrical power to be generated without CO2. An innovative quasi-charitable action combines the goal of giving in the public-interest with new venture capitalism.

As we'd noted a year ago, there's now doubt now that clean energy is going mainstream. We easily recall how different things were just one decade ago when the entire sector was regarded as more 'do-gooder' than real capitalism, and so largely disregarded as a viable sector for investment. The change of the last few years is little short of breathtaking.

But at a global level action is the most lugubrious of all since consensus is held up by slowest-actors such as the U.S. (Treaties to which the U.S. is signatory must be approved by the Senate). A recent summit in Bali laid out a two-year map post-Kyoto; that plus U.S. plans for a side-approach beginning January for 'major economies' ensures some talks happen in 2008. Doubtless some participants in these global discussions are waiting more for the robust U.S. participation that *might* come after January 2009. Too, some of the other industrialized nations may choose to move ahead in meantime with carbon trading. Now that one past opponent (Australia) has made its about-face and China too is revising its position as it sees the benefits, there seems to be an evolution towards clean energy.

Interestingly as the previous key leaders Germany and Japan move to a more mature solar and wind installed base and so towards cessation or dramatically paring back their past subsidies for renewables, a fresh assortment of nations is entering the scene. They come from around the world, China, Spain, and North Africa for instance – and each one sees the many advantages they can gain as early movers in this field: it is certainly exciting.

Other Events of Note in Q4 2007:

ECO in Q4: Two Additions (ASTI, OPTT) and Two Deletions (PSD, PX)

There were 2 Additions to ECO at the rebalance for the start of Q1 2008, and 2 Deletions. One addition was Ascent Solar Technologies (ASTI) as a maker of PV modules of thin film copper-indium-gallium-diselenide (CIGS) on flexible plastic substrate; while less efficient today than flat crystalline-based PV, the CIGS is less costly and efficiencies are improving.

Another Addition to start Q1 2008 was small Ocean Power Technologies (OPTT) that's in speculative early-development stages for harnessing renewable marine energy from ocean waves and they aim to create future large scalable grid-tied utility-sized applications in 100's of megawatts, also small autonomous power systems powering remote electronics at sea. The two Deletions from ECO were Puget Energy Holdings (PSD), and Praxair (PX).

Q4: Index (ECO) Doubles since its Inception in 2004

On October 5, 2007 the Index (ECO) moved above 251, which meant coincidentally that it had more than doubled since live calculations commenced (at 125) on Aug. 16, 2004. Looking back this Index divisor initially had been determined in its backhistory to have a starting value of exactly 100.00 on the close of trading December 30, 2002. Moreover the Index passed 300 for the first time during Q4 meaning it had also increased by three-fold since early 2003. As we emphasize ECO is highly volatile and so strong downturns must be expected (as well as at times, upside volatility) as characteristics of this young sector.

Q4: Completion of first Six+ Months at a Tracker for NEX Global Index

An independent Index product is the "WilderHill New Energy Global Innovation Index" (NEX) and we observe it began live calculations Feb. 1, 2006 as the first *Global* Index for clean energy (with stocks mainly outside the U.S). Since January 1, 2006 it has gained more than +100% as measured over the past 24 months in a strong period to the upside. Also a tracking fund for the NEX Index is now the "PowerShares Global Clean Energy Portfolio" (PBD) and we note this completed its first six+ months of trading since launch June 13, 2007 at 24.81: PBD closed December 2007 at 31.70 for a roughly six-month positive return of +27.7%. If interested in the Global NEX, see <http://www.nex-index.com>

Q4: First-Year Anniversary of another Different, Independent Index (WHPRO)

Of possible other interest we briefly also point to a much different, and also independent "WilderHill Progressive Energy Index" (WHPRO) that started live October 13, 2006, and thus a one-year anniversary for it was during Q4 2007. The quite-different Index is instead for the technologies that may serve as an energy bridge improving near-term use of fossil fuels by progressively reducing carbon and other pollution. WHPRO is directed towards extant fossil fuels and the businesses that may benefit by a response to climate change.

The WHPRO Index is very different from ECO: none of the stocks in ECO during any single Quarter are also found in that other Index (WHPRO). We note too that WHPRO completed its first-year at 278.38 on Oct. 12, 2007 with an increase of +20.7%: it may potentially be interesting to occasionally contrast WHPRO vs. ECO ahead. Also an exchange traded fund to track WHPRO launched Oct. 24, 2006; one year later that closed on Oct. 23, 2007 for a positive return of +21.0%. If interested in WHPRO see <http://whprogressive.com>

Other Products Enter the Field; Another Index launches in 2007

While the WilderHill Clean Energy Index[®] (ECO) began in 2004 as the original (and now has arguably has become the benchmark) for this sector, our Clean Energy Index[®] no longer is the only product. A sizable number of roughly overlapping Indexes aiming to define clean energy have launched in 2006 & 2007 and we welcome that as a useful development, one that reflects the substantial growth and escalating interest towards this sector.

To varying degrees those many entrants (there's now more than two dozen!) often largely replicate the components in our WilderHill Clean Energy Index[®] (ECO), but there are some differences making those additional Indexes useful for investors and public. Just as there are many Indexes & ETFs for fossil fuels, so should there be choice in clean energy.

We thus briefly recall here one well-executed Index/tracker that went live in first half of 2007 since as noted it presents subtle contrasts with ECO. While that Index may at times move slightly ahead & at other times slightly lag ECO, and is strictly-speaking a 'competitor', we believe it's well conceived and adds useful albeit subtle differences in approach.

Perhaps most significant is that the other Index and hence its tracker too has as expected correlated closely with WilderHill Index/tracker over the second half of 2007, which is the longest & the most recent period of time in which both are in operation. Why so close? First the components themselves making up that Index, like most other recent entrants have largely replicated the stocks already in ECO. (We take this as a vote of confidence in our own approach, while of course thinking well of their independent stock selection!)

On the other hand that other Index isn't exactly the same as ECO – and so what are some contrasting differences? Less than one year of history is clearly insufficient to tell much about relative performance long term – but some interesting differences can be seen. For instance one notable thin-film solar stock already in ECO, but not at first in the other Index initially moved up considerably the first 2 months of 2007. That performance was captured by ECO, but not by the other Index – though had this stock moved the other way (down) that too would impact ECO only. Even such a temporary discrepancy among component stocks may add up to some overall difference, if compounded over time.

So assuming any Index adds a stock later (as it later would add this stock) that an Index may reconstitute stocks 2X times per year – as compared to the 4X times per year for ECO presents a slight difference in that ECO rebalances twice as often. Of course as passive instruments not too much should be made of this variance – but it helps illuminate where two similar Indexes and hence trackers might differ a bit though in pretty subtle way.

A much less subtle, really more interesting difference is that the other Index is based on a modified market cap weighting – in contrast to a modified equal weighting we have chosen for ECO. While modern portfolio theory indicates modified equal weighting style *may* outperform a modified market cap style over time, it is still an uncertainty – and we feel this contrast may prove a fascinating practical test for academic theory especially since the components in that recent Index have to such degree replicated our own.

We'd emphasize the above are stylistic choices of Index philosophy and so mainly 'artistic differences' in our view. For greater divergence, consider that for ECO we seek rough parity among stocks through our Rule of a 4% cap at rebalance, so top-weighted stocks don't influence total performance to a great degree compared to bottom weighted ones.

Hence the top 5 stocks by weight in our ECO may 'only' constitute a total of roughly, say, 20% of the Index near rebalance. By comparison top 5 stocks in another Index might come to roughly say, 35%, a noticeably higher figure. There's thus greater concentration at top in the other Index; it should do especially well when its stocks top-weighted by market cap do well – conversely it may be more impacted downwards when those stocks decline. So too smaller stocks in ECO can have relatively more impact, than those in the other Index. There's nothing 'wrong' with either approach; they helpfully offer choice.

In sum the point isn't the small gains by one over the other any period since they're perhaps likely to trade leadership back and forth over time, by a very slight amount. But rather it's notable how very little the two trackers may be expected to diverge over fairly long periods of time. Comparing apples to apples below is a Chart for roughly the past 10 months of 2007 showing the tracker for our Index in green (PBW) and that other tracker in brown since inception, wherein the closeness of 2H 2007 performance is pretty well seen:



Finally there's now a mutual fund focusing on alternative energy and for the year 2007 that mutual fund has had a positive return of roughly +42.7%: by comparison the tracking ETF for the WilderHill Clean Energy Index (ECO) has had a positive return of roughly +58.2%. It could prove interesting to see if academic theory regarding a difficulty that active management may face in beating passive Indexes is born out over long periods. Indexes/ETFs may carry the benefits of low-cost, transparency & tax-efficiency to boot.

Website for the WilderHill Index (ECO)

Our website at <http://www.wildershires.com> is in continuous refinement and we monitor for glitches as that website grows. Years of experience in posting dynamic data on websites has taught us glitches do happen, given software & hardware issues that arise. It's thus worth repeating the WilderHill Clean Energy Index (ECO) is calculated independently by the American Stock Exchange and totally apart from own website. Of course an exchange traded fund too that tracks the Index is itself calculated in a robust fashion independently of our site as well. More data on this Index (ECO) and a tracking fund (PBW) are found on the website of the American Stock Exchange, <http://www.amex.com> Lastly, we continue to develop our site with the goal of robust uptime and ample information: we welcome your suggestions.

Summary

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Notably that one-year positive return of +58.3% for 2007 isn't sustainable. We believe moreover that one should not expect a like performance in 2008. In part that's because a contributing factor to non-negligible 2007 was a middling +5% return for the Index (ECO) in '06; that perhaps helped set up the potential for strong upside in '07. Given upwards volatility in 2007, there's sparser scope for 'regressing to mean' up again in 2008.

There were the two additions of ASTI, OPTT to the Index at the rebalance for the new start of Q1 2008 – and the two deletions of PSD, PX. Following a second half of 2006 when normally-striking volatility downwards, or up that has typically been a hallmark of clean energy was then overshadowed by extended unusually 'sideways' movement, the entire year 2007 has resumed the sharp movements we've normally seen over a long-term.

Looking ahead we expect an ongoing striking, and yet 'normal' Index volatility in 2008. This may due to dramatic changes ahead in the price of oil starting at a lofty \$95/barrel, a growing importance of Peak Oil, or attention to both energy security and climate risk. At the same time, wind power is organically moving to very large-scale adoption while solar is moving closer towards an important grid-parity figure as distributed energy. A new look at efficiency, LEDs, PHEVs & battery-cars etc all add up to an interesting 2008 ahead.

Sincerely,



Dr. Rob Wilder
rwilder@wildershires.com

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Appendix I: Index (ECO), Past Q4 2007 Components and Weights:

The following were Q4 weightings at about 2 weeks before rebalance to start Q1 2008; after rebalance each stock floats according to its share price over the new Quarter.

Index Components as of: 12/16/2007

| Company Name | Symbol | % Weighting |
|----------------------------|---------------|--------------------|
| First Solar | FSLR | 5.72% |
| Suntech Power Holdings Ltd | STP | 5.18% |
| Evergreen Solar | ESLR | 4.69% |
| Sunpower | SPWR | 4.06% |
| JA Solar Holdings | JASO | 3.85% |
| American Superconductor | AMSC | 3.78% |
| Emcore | EMKR | 3.77% |
| MEMC Electronic Materials | WFR | 3.56% |
| Yingli Green Energy ADR | YGE | 3.48% |
| Ormat Technologies | ORA | 2.94% |
| Energy Conversion Devices | ENER | 2.86% |
| Universal Display | PANL | 2.82% |
| International Rectifier | IRF | 2.59% |
| Zoltek | ZOLT | 2.59% |
| VeraSun Energy | VSE | 2.57% |
| Comverge | COMV | 2.34% |
| Plug Power | PLUG | 2.32% |
| Trina Solar Ltd | TSL | 2.21% |
| Applied Materials | AMAT | 2.19% |
| Om Group | OMG | 2.14% |
| Itron | ITRI | 2.11% |
| Medis Technologies Ltd | MDTL | 2.08% |
| Praxair | PX | 2.03% |
| Air Products & Chem | APD | 1.96% |
| Puget Energy | PSD | 1.94% |
| China BAK Battery | CBAK | 1.81% |
| Cree | CREE | 1.80% |
| Idacorp | IDA | 1.80% |
| Amerigon | ARGN | 1.71% |
| FuelCell Energy | FCEL | 1.71% |
| Portland General Electric | POR | 1.66% |
| Ballard Power Systems | BLDP | 1.65% |
| Cosan Limited | CZZ | 1.64% |
| Fuel Systems Solutions | FSYS | 1.61% |
| Verenium | VRNM | 1.58% |
| Nova Biosource Fuels | NBF | 1.50% |
| Pacific Ethanol | PEIX | 1.43% |
| Maxwell Technologies | MXWL | 1.40% |
| Echelon | ELON | 1.39% |
| Active Power | ACPW | 0.61% |
| Ultralife Batteries | ULBI | 0.53% |
| Uqm Technologies | UQM | 0.39% |

**Appendix II: Index (ECO) Components & Weights at the Rebalance:
SECTORS & STOCKS FOR THE START OF Q1 2008. 42 STOCKS.**

Each stock freely floats according to its share price after this rebalance.

*Stocks below \$200 million in size at rebalance are banded with a 0.5% weight.

Renewable Energy Harvesting - 36% sector weight (11 stocks @3.2% each; + 2 banded stocks)

**Ascent Solar*, ASTI. Solar, early-development of thin film CIGS flexible PV.

Emcore, EMKR. Solar, concentrating PV for CPV terrestrial uses, also satellites.

Evergreen ESLR. Solar, builds string-ribbon PV with reduced silicon-demand.

First Solar, FSLR. Thin film, CdTe solar panels, greatly reduces silicon need.

JA Solar, JASO. Solar, China-based sells PV modules in Asia, Europe, U.S. etc.

MEMC, WFR. Producer of polysilicon needed in many crystalline solar PV cells.

**Ocean Power Technologies*, OPTT. Wave power, early-development stage.

Ormat, ORA. Geothermal, works as well in areas of recovered energy.

SunPower, SPWR. Solar, Efficient PV panels with all-rear-contact cells.

SunTech Power, STP. Solar, fast-growing major producer of PV is based in China.

Trina Solar, TSL. Solar, produces ingots, wafers, solar PV modules; China-based.

Yingli Green Energy, YGE. Vertically-integrated solar PV manufacturer, China.

Zoltek, ZOLT. Wind, makes carbon fiber for wind blades, product 'lightening'.

Power Delivery and Conservation - 24% sector weight (8 stocks @2.9% each; +1 banded stock)

Applied Materials, AMAT. Solar PV fabrication, thin film, crystalline.

American Superconductor, AMSC. Wind power, also superconducting 2G HTS.

Comverge, COMV. Demand-side energy management for smarter grids.

Cree, CREE. LEDs, Efficient lighting, a maker of power-saving electronics.

Echelon, ELON. Networking, for management of whole energy systems.

International Rectifier, IRF. Efficiency-enabling electronics producer.

Itron, ITRI. Monitoring for energy measurement and management systems.

Universal Display, PANL. Organic light emitting diode OLED panel displays.

**UQM Technologies*, UQM. Hybrid vehicle electrics; motor & power systems.

Energy Storage - 13% sector weight (5 stocks @2.4% each; +2 banded stocks)

**Active Power*, ACPW. Flywheel power storage, a firm power alternative to batteries.

China BAK Battery, CBAK. China-based large OEM manufacturer, lithium-based cells.

Energy Conversion Devices, ENER. Very diversified: in batteries, solar PV, also FCs.

Fuel Systems Solutions, FSYS. Gaseous fuels integrator for cleaner-fueled vehicles.

**Maxwell*, MXWL. Ultracapacitors, battery alternative such as for hybrid vehicles.

OM Group, OMG. Produces cobalt & precursors to Li-Ion rechargeable batteries, FCs.

Ultralife Batteries, ULBI. Batteries, advanced lithium ion, polymer rechargeable.

Cleaner Fuels - 12% sector weight (6 stocks @2.0% each)

Air Products & Chemicals, APD. Hydrogen, is a supplier of industrial gases.

Cosan, CZZ. Biofuels, Brazil-based, uses sugarcane feedstock, ethanol exporter.

Nova Biosource Fuels, NBF. Biodiesel, refining and marketing renewable fuels.

Pacific Ethanol, PEIX. Biofuels, aims to be a leading ethanol producer in Western U.S.

VeraSun Energy, VSE. Biofuels, one of largest corn-based ethanol producers in U.S.

Verenium, VRNM. Enzymes for converting diverse cellulosic feedstocks to biofuels.

Energy Conversion - 10% sector weight (5 stocks @2.0% each)

Amerigon, ARGN. Thermoelectrics, subsidiary is in conversion of waste heat to power.

Ballard Power, BLDP. Mid-sized fuel cells R&D, PEM FCs such as for transportation.

FuelCell Energy, FCEL. Large fuel cells as stationary high-temp. flex-fuel MCFCs.

Medis, MDTL. Micro fuel cells, designed for liquid-fuels and a unique electrolyte.

Plug Power, PLUG. Mid-sized fuel cells for distributed generation, home power.

Greener Utilities - 5% sector weight (2 stocks @2.5% each)

Idacorp, IDA. Hydroelectric, Utility, significant hydroelectric with some small hydro.

Portland General Electric, POR. Utility, hydro & thermal, growing renewables use.