

Excerpt from Seeking Alpha, April 18, 2023

<https://seekingalpha.com/article/4594763-qcln-and-pbw-renewable-energy-bust-takes-no-prisoners>

... and PBW: Renewable Energy Bust Takes No Prisoners

Summary

- ... and PBW are two popular funds for renewable energy exposure.

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Renewable energy got an extra boost in 2022 as Russia invaded Ukraine. While the "tailwinds", pardon the pun, were already in place, there was a new urgency to develop these over the past 12 months. We last covered Invesco WilderHill Clean Energy Portfolio ETF (NYSEARCA:[PBW](#)) and ... a year back. We were certainly aware of what the macro picture was saying. Yet, we came away with a negative read on both of these.

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.

The wind has certainly been knocked out of PBW, while

The Funds

... was started just before the global financial crisis and the inception price was \$20.00 per share.

....

.... Taking a look at the current holdings we see that the fund is extremely top heavy with the top 10 forming more than 55% of the total.

Top Holdings (as of 4/17/2023)*	
Holding	Percent
Enphase Energy, Inc.	9.07%
ON Semiconductor Corporation	8.60%
First Solar, Inc.	7.86%
Tesla, Inc.	7.72%
Albemarle Corporation	6.87%
SolarEdge Technologies, Inc.	4.21%
Lucid Group, Inc. (Class A)	3.69%
Brookfield Renewable Partners LP	3.18%
Allegro Microsystems, Inc.	3.08%
Rivian Automotive, Inc. (Class A)	3.02%

... Fund Profile

Most of these are extremely familiar names unless you have been living under a wind turbine.

PBW was founded even before From that start date of March 2005, the total returns have been downright appalling.

Unlike ..., PBW goes into the more exotic area of the market. Most of these names will be new to anyone but the most serious renewable energy aficionado.

Top Holdings | [View All](#)

as of 04/14/2023

Fund Holdings subject to change

TICKER ↕	COMPANY ↕	% OF FUND ↕
NAAS	NaaS Technology Inc ADR	2.71
FTCI	FTC Solar Inc	1.94
FLNC	Fluence Energy Inc	1.79
RNW	ReNew Energy Global PLC	1.75
MAXN	Maxeon Solar Technologies Ltd	1.67
SLI	Standard Lithium Ltd	1.67
NOVA	Sunnova Energy International Inc	1.64
SGML	Sigma Lithium Corp	1.64
EVTL	Vertical Aerospace Ltd	1.61
ENVX	Enovix Corp	1.60

PBW Fund Profile

The fund is also far less concentrated compared to Only one holding makes up more than 2%. One area where the two funds are almost identical is the expense ratio. ... is at 0.58% while PBW rings in at 0.62%.

Unlike ... , PBW's numbers also include a price to earnings or P/E, ratio.

Fund as of 03/31/2023

Characteristics

Price/Earnings Ratio¹ ⓘ -14.86

Forward Price/Earnings Ratio ⓘ -23.44

Price/Book Ratio⁴ ⓘ 2.65

ROE² ⓘ -45.37%

Avg Market Cap² ⓘ \$13,061MM

¹ Weighted Harmonic Average ⓘ

² Weighted Average

PBW Fund Profile

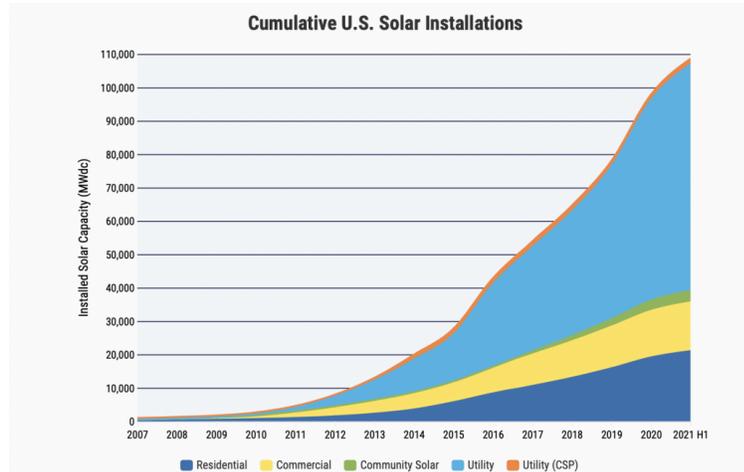
It is indeed rare to see a negative price to earnings ratio for a fund. The main reason is that funds will eliminate negative earners in calculating the P/E ratio. But PBW happily shows this. In fact, when we first slapped a Sell rating on this in September 2001, we saw an almost identical picture.

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This is great in a way as it does not allow investors to fool themselves into thinking they are "investing". This is a speculation exercise and one where things have not gone well.

Outlook

If you are here as one of those investors that lost a lot of money in this by jumping in at the top, the first question you must ask yourself is why that happened. It was not because there was no growth. In fact, since the inception of these funds, renewable energy has boomed far more than what most optimists projected back then. One example is cumulative solar installations which is about as parabolic a chart as you can find.



SGE Solar

Yet PBW is nursing a 40% loss over the same time frame. ... has also underperformed that juggernaut of a trend.

The answer to that important question is that one shouldn't confuse revenues with profitability.

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Verdict

We like renewable energy as much as [Captain Planet](#). We even like it as an investing theme. But buying a bunch of companies because they are involved with the sector, at extremely high valuations, is a recipe of punishment. Investors have been doled out this punishment save for an 18-month period post COVID-19. We don't think that has ended and will likely get worse during what we see as a coming recession. While trends for renewable energy expansion remain favorable, we are running into additional hurdles from high costs and rising interest expense. Unprofitable companies are going to struggle under that regime and we think both ETFs likely head 20-40% lower over the next 12 months. We rate both a Sell.