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Hydropower Stocks as an Alternative Energy Play

by Bill Baue

SocialFunds.com -- The current three-year hot streak of energy stocks places socially responsible investors (SRIs) in a bit of a bind--most traditional energy technologies significantly degrade the environment, while most clean energy technologies are still nascent, and hence carry substantial risk and volatility.

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"With any new technology, you have to start with the presumption that there's risk embedded in it, and there are so many new technologies, the chance that any one of them will dominate is quite low--the same applies to wind power, the same applies to solar," said Mr. Kurtz. "I can't assign an 80 percent chance that any single technology is going to be the world-changing paradigm--one of them will be, but it's very tough to be smart enough to say, 'That's the one.'"

"When clients ask, 'Should I buy this or that hydro power company?'--my answer is, 'No,'" he added. "I tell them they should buy a basket of alternative energy stocks to try and compensate for the lottery-like nature of returns in any emerging technology sector."

Mr. Kurtz notes that the PowerShares WilderHill Clean Energy Portfolio ([PBW](#)), an exchange traded fund (ETF) launched in 2004, plots very closely with oil and gas drillers, allowing social investors to participate in the energy boom while maintaining diversification across clean energy.