

Excerpt from Chicago Tribune, January 25, 2007
http://www.chicagotribune.com/business/yourmoney/chi-0701250007jan25_0_2552439.column?coll=chi-business-hed

Bill Barnhart

Climate change foes have few investing options

Shares of corn processor Archer Daniels Midland fell in New York Stock Exchange trading Wednesday, the day after President Bush touted ethanol and similar alternative energy sources as a solution to global warming.

Stock market investors interested in the investment opportunities attached to climate change understand that the rainbow that points to this pot of gold is obscure.

Nonetheless, the consensus forming in the U.S. around the need to address global warming seems to have reached critical mass. From hippies to right-wing economists to chief executives of industrial corporations, the call for action is remarkably harmonious.

Yet Wall Street has been uncharacteristically cool to the idea of selling investment products that can be marketed under the global warming label.

Because there is almost no other popular concept that hasn't been converted into a theme for a mutual fund or an exchange-traded fund (ETF), from anti-abortion funds to pro-vice funds, it's fair to say that investment purveyors are late to the tree-hugging party.

"We have socially responsible funds, but they don't get at specifically what the president was talking about," said Patrick O'Connor, head of ETF portfolio management at Barclays Global Investors.

"You probably want to take a specific bet on those companies that have a majority of their revenues generated from this. That's tough to do, because from what I can tell--and I'm no expert on this, yet--it's not profitable yet."

Many of the companies exclusively devoted to developing green technologies are small upstarts. A fund comprising these companies is likely to produce volatile returns that are riskier than investors prefer.

"The idea is to have a completely green portfolio, where there is no Toyota or General Motors or General Electric or other companies that aren't a pure play," said John Southard, managing director at PowerShares Capital Management. PowerShares sponsors an ETF called PowerShares WilderHill Clean Energy Portfolio, one of the few funds under the theme.

"The challenge with that is you often end up with smaller names," Southard said. "It does increase volatility, but it also increases the exposure" to the theme.

....