

# The Other Energy Pullback

Many Clean-Energy Investments Are Following Oil Down

By LIZ MOYER

These are dark days for investors in Big Oil. That doesn't mean clear skies for investors in clean energy.

The sharp plunge in oil prices has dragged down the share prices of many global energy giants. But a number of companies that provide alternatives to fossil fuel have taken a similar hit.

U.S. oil prices have fallen 15% this month through Friday, and the \$10.6 billion **Vanguard Energy Fund**, a mutual fund that holds shares in large oil and gas producers, has fallen 3%. In the same period, the **New Alternatives Fund**, one of the largest mutual funds focused on alternative energy, is down 4.7%.

Government policies and social acceptance may support the investment argument for more environmentally friendly energy sources.

But investors who worry about the outlook for traditional energy providers—or who don't want to support the industry with their investments—should be alert to the risks of investing in clean energy and consider other options, such as putting money in funds that simply avoid oil and gas producers, financial advisers say.

A large-scale shift to solar, wind and other energy sources will take time. Moreover, falling oil prices could slow the adoption of alternatives by making some of them economically undesirable or impractical.

## Potential for Big Gains

"It's a very volatile sector," says Harris Roen, who publishes research on alternative-energy investments in the Burlington, Vt.-based Roen Financial Report. "For a portion of someone's portfolio, the more speculative portion, it's fine. There is the potential for big gains. But short-term, there is a lot of flux. You have to be prepared for that."

High-profile investors have gained widespread attention this year for making plans to dump

investments in fossil fuels or bet on clean energy.

The Rockefeller family announced in September that it would shed its holdings in coal and other fossil fuels. Billionaire investor Warren Buffett said in June that Berkshire Hathaway, the company he heads, plans to double an existing \$15 billion commitment to renewable-energy projects, including wind farms.

Many people are drawn to such investments both because of social aims and potential profits. Environmental factors, such as clean and renewable energy, are incorporated into the man-

**Many people are drawn to renewable-energy investments both because of social aims and potential profits.**

agement strategies of 672 mutual funds, hedge funds and other investment funds that collectively have \$2.9 trillion in assets, according to the Forum for Sustainable and Responsible Investment's annual report.

The New Alternatives Fund, whose largest holdings include **Brookfield Renewable Energy Partners**, which operates renewable-power facilities, and **NextEra Energy Partners**, which owns an array of clean energy projects, is up 1% this year.

The fund has \$171.3 million in assets as of Nov. 30, according to Chicago-based investment-research firm Morningstar. It charges 1.16% in annual fees, or \$116 on a \$10,000 investment, as well as a sales charge of up to 4.75%. Accrued Equities, an investment firm that runs the New Alternatives Fund, says it will introduce a similar mutual fund that carries no sales fee next month.

The **Guggenheim Solar** exchange-traded fund, the largest

ETF that focuses on alternative energy, includes **Hanergy Thin Film Power Group**, a solar-energy firm, and **SunEdison**, a semiconductor and solar-technology company, among its largest holdings. The fund has \$262 million in assets, and charges 0.7% in annual fees. The fund is down 4.2% this month and down 2.7% so far this year.

## Investing at a Discount

The recent pullback across the energy sector could provide an opportunity to invest in alternative energy at a discount, says Tom Moser, a financial adviser with High Impact Investments in Marana, Ariz., who specializes in the sector.

"We are not at the point where the big energy companies are going away," he says. "But this is a transition. If one goes out 10 years from now and looks backward, they will probably say to themselves, 'I should have seen it.'"

Still, the portfolios that Mr. Moser recommends to clients are diversified across dozens of stocks, and include both alternative-energy firms, such as Sun Edison, and companies that emphasize sustainability but that aren't directly involved in producing energy, such as Lifeway Foods, a health-food purveyor.

Energy and organic food "are like kissing cousins," he says.

Some funds avoid fossil fuels but don't particularly focus on alternative energy, and therefore may avoid much of the pain or gain that can be associated with energy stocks.

For example, the **Pax World Growth Fund** says that it "strives to be fossil-fuel-free" by not investing in companies whose mission is to extract or refine fossil fuels, according to the prospectus.

The fund holds shares of other large mainstream companies, such as **Apple**, **PepsiCo** and **Google**. The fund is down 0.8% this month and up 11% this year. It has \$202.8 million in assets and charges 1.24% in annual fees.



## What to Do in

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rose. "December will be the first month of 2014 where high yield wasn't overvalued," says Martin Fridson, chief investment officer of Lehmann Livian Fridson Advisors, a money-management firm based in New York and Miami.

As recently as late October, junk bonds yielded less than 6%. At their yield this week of about 7%, "you're getting fairly paid" for the risk you are taking at this time of the economic cycle, Mr. Fridson says, "but it's nothing sensational."

## THE INTELLIGENT INVESTOR

Could the implosion in oil prices cause lasting damage to the economy? Energy companies such as Exxon Mobil have long paid robust dividends and been among the largest repurchasers of their own stock, helping drive the boom in share buybacks that has boosted the market.

Even so, energy companies have played a smaller role than you might expect. They account for 12% of the total dividends paid by the S&P 500. That is fourth among the 10 industrial sectors that now make up the index, according to Howard Silverblatt, senior analyst at S&P Dow Jones Indices, behind technology (15%), financials (15%) and consumer staples (13%).

Energy companies have made up less than 9% of total buy-

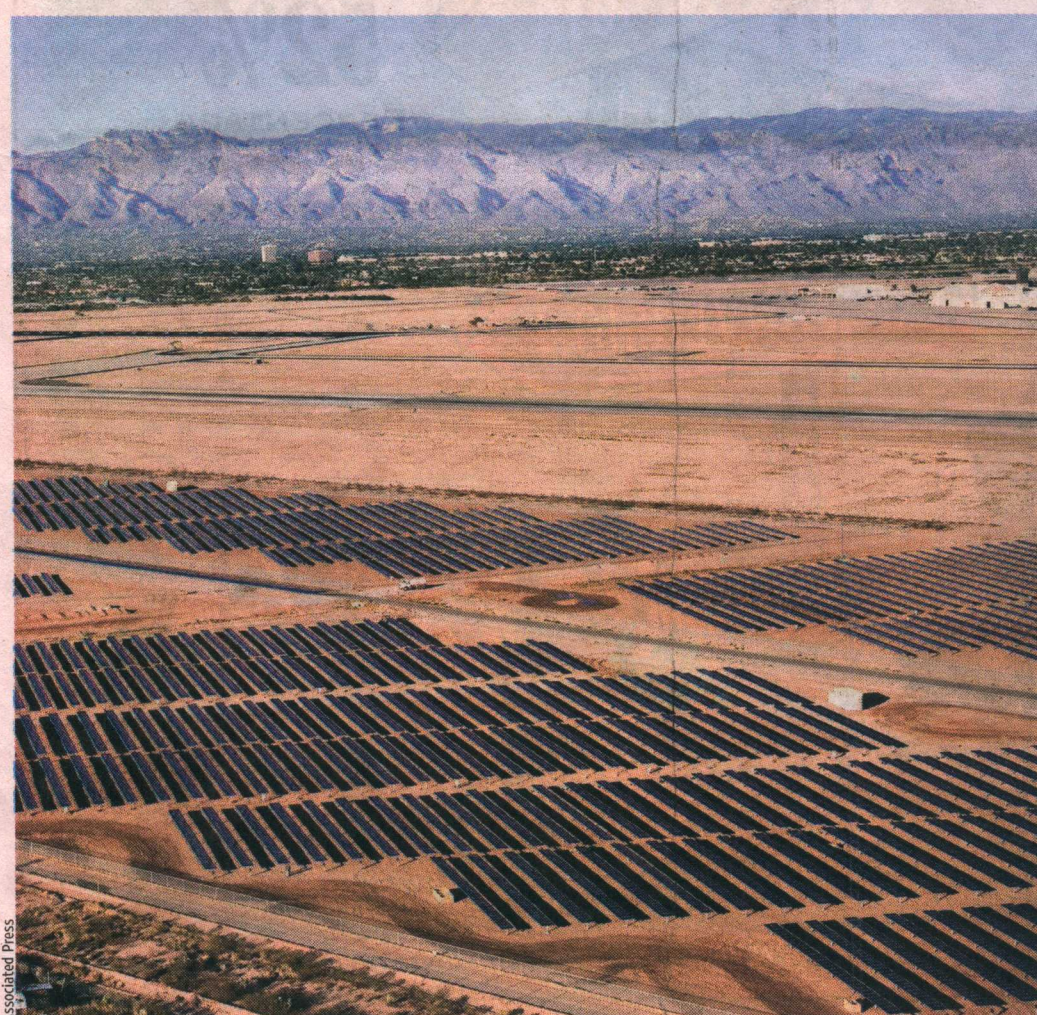
backs over the last year, says \$176 billion that companies chased of the Silverblatt says.

So the fall seems unlikely to back severe the costs of transportation companies industry.

Rather than moves that ill-timed, you're getting the end text for take make your more tax-eff diversified.

"One of the things you can do is to careful look the year to see you can take managing Wealth Management advisory firm manages \$1.5 billion in stock or fund paid, you can use to come, reduce.

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Associated Press

A California solar facility operated by SunEdison, a semiconductor and solar-technology company.

## Investors Behave

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Charles Darwin had a knack for obsessing over information that disproved his own theories. Investors should try to do the same.

◆ **Anchoring bias.** This phenomenon causes us to cling to an irrelevant piece of information when estimating how much something is worth.

Your opinion on how much a stock is worth may be anchored to how much you paid for it. If you paid \$100 for a share of Apple stock, you are probably more likely to think shares are worth more than \$100 than another investor who paid \$80 for the stock.

But the market doesn't know how much either you or you paid

for the share care what e a fair price they please price you a

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## Total Return: Highlights of the Journal's personal-finance blog

### Move Quickly on 2104 IRA Charitable Transfers

With little time to spare, Congress this past week reauthorized charitable transfers from individ-

donation directly to the specified charity, bypassing the owner.

Gifts of IRA assets have several benefits for taxpayers who are charitably minded. One is that the transfer can count as part of

Medicare premiums rise with income.

Another benefit of lower income is the possibility of avoiding the 3.8% surtax on net investment income. This levy

other post-high-school education.

### ◆ Educator-expense deduction.

Another highly popular break, this allows millions of K-12 classroom teachers and others who