Excerpt from MarketWatch, DowJones, April 3, 2007
http://www.marketwatch.com/news/story/courts-move-greenhouse-gases-pump/story.aspx?guid=%7B3FB22BF8%2D08BD%2D4601%2D9354%2DE1B92F48A059%7D&siteid=yhoo&dist=yhoo

High court ruling a green light

Alternative-energy stocks gain momentum as clean-fuel search grows

By Murray Coleman, MarketWatch

SAN FRANCISCO (MarketWatch) -- While utilities and automakers are seen as the big losers after this week's U.S. Supreme Court ruling that greenhouse gases are pollutants, money managers say several industries stand to gain from the landmark case.

Although analysts say the ruling is not likely to spark any immediate regulatory action, the fact that the nation's highest court has entertained debate of such climate issues is sure to provide more momentum to so-called green or alternative-energy producers, says Ian Naismith, a portfolio manager at Sarasota Capital Management LLC.

The Supreme Court's decision is the first time it has acted specifically on greenhouse gases," he said. "Combined with other recent events, that's bound to give alternative energy stocks more of a bounce in the short term. But we think it also bodes well for the industry's longer-term prospects."

He points to ex-Vice President Al Gore's recent Academy Award for a documentary on global warming and President Bush's raising of greenhouse issues in his State of the Union address in January.

"Both events gave immediate boosts to alternative energy stocks," Naismith said. "We're expecting the same thing to happen again."

Exchange-traded funds focusing on alternative energy stocks joined a broad market rally on Tuesday. Included in that wave were PowerShares WilderHill Clean Energy Fund (PBW) **....**

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Sarasota Capital is taking a cautious approach, however. The Osprey, Fla.-based adviser is keeping its high-net-worth clients in the PowerShares WilderHill fund, which has been a longer-term holding.

But their portfolio managers are keeping that stake at around 5% of total assets. "This is a very volatile industry made up of a lot of tiny companies," Naismith said. "We're bullish on their potential over the next several years. But we're advising people to take a cautious, measured approach."

The PowerShares WilderHill ETF, for example, is up more than 8% this year. But in the past 12 months it has lost more than 10%, according to Morningstar Inc. "This fund is by far the most popular in this space, attracting more than $1 billion in assets in a short period of time after it launched early in 2005," said Tom Lydon, president of Global Trends Investments Inc. in Newport Beach, Calif.

The ETF hit the market with good timing, he added. "In the first half of 2005, oil prices were moving dramatically to the upside and people were looking for alternatives," Lydon said. "With most of the stocks smaller-cap names, all of the money flowing into that space at the time gave them a nice amount of appreciation."

But as energy markets corrected, so did alternative suppliers. "You see some great companies making headway with new technologies," Lydon said. "But it's energy for the future. It's going to have a lot of ups and downs before alternative energy becomes more mainstream."

For his high-net-worth clients, Lydon is avoiding energy names of all types. "We're gaining energy exposure through broader-based emerging markets and international ETFs," he said. "Right now, we're staying away from energy-specific sector funds."
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