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Investing: Themes for 2007 and beyond

By Linda Stern

REUTERS

WASHINGTON – Visionary investors make money by figuring out what's going to happen and putting their money where their prognostications lie.

This strategy, often known as “theme” investing, involves looking at the economy, world events, the environment and population shifts, and predicting key developments in those areas. These investors then look for stocks and mutual funds that essentially act as bets on the themes they've identified.

They aren't always right. In fact, whole swaths of the investment world, including more than a few Nobel laureates, would argue that theme investing is too risky to be worthwhile.

Add to that caveat this warning: Most themes that investors follow aren't exactly secrets. And when the masses all throw their money at the same themes at the same time, you get overpriced stocks, bubbles and, eventually, bloodied portfolios.

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- Oil alternatives. You'd hardly be the first one in, but with an unstable Middle East, volatile oil prices, and Democrats in control on Capitol Hill, other energy sources are starting to look better and better. Especially old dissed approaches like coal and nuclear. Companies that could benefit include General Electric (GE), which builds power plants, and Cameco (CCJ) and USEC Inc. (USU), which provide enriched uranium to power companies.

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- Helping the earth. Going green is trendy, and there are many ways to play this theme. Invest in organic food companies, like United Natural Foods (UNFI). Or alternative energy companies through the Parnassus Fund (PARNX) or the index-owning PowerShares Wilderhill Clean Energy ETF (PBW). Or companies that sell natural gardening products, hybrid cars or the like.

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