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Another Clean Energy Index Launches to Capitalize on Transition from Dependence on Fossil Fuels

by Bill Baue

The NASDAQ Clean Edge US Index joins several other recently launched clean energy indexes tracking solar photovoltaic, biofuel, wind, and fuel cell companies.

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The NASDAQ Clean Edge US Index joins other indexes tracking this space, including the WilderHill Clean Energy Index (ticker: [ECO](#)), the WilderHill New Energy Global Innovation Index ([NEX](#)), and the Cleantech Index ([CTIUS](#)), all recently-launched on the [American Stock Exchange](#).

"This is a rapidly growing sector with long-term interest--so we expect that there will be other indexes tracking clean energy," said Mr. Pernick. "We are not the first index in the space, but we believe that the combination of [NASDAQ](#) and Clean Edge make for a very strong partnership."

The ECO index compares most closely with the NASDAQ Clean Edge US Index, as both cover clean energy providers in the domestic market, while NEX covers clean energy in the global market. The purview of the Cleantech index extends to cover clean technologies not included in the clean energy sectors, such as services that improve operational performance or efficiency while reducing energy consumption, waste, or pollution.

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As for weighting, the NASDAQ Clean Edge US Index uses a modified market capitalization weighted approach. The ECO index, on the other hand, uses a modified equal weighting approach.

"We weight the Index sectors according to importance and technological relevance, not views about individual stocks," said Rob Wilder, CEO of index provider [WilderShares](#).

"ECO components are evenly divided within a sector to assign weights--we feel this modified equal weighting is the most intellectually-robust approach for ECO."

The NEX index uses a double-modified equal-weighting methodology. This approach first modifies weighting by sector to ensure fair representation across different technologies within the clean energy industry; and then separates into two market capitalization bands within each sector, to reflect the mix of larger and smaller companies in the sector.

Of course the key indicator of the success of an index is the launching of investment vehicles tracking it. For example, the PowerShares Clean Energy ([PBW](#)) is an exchange traded fund (ETF) tracking the ECO index that launched in March 2005.

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