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Winning ETFs under Obama

When Obama takes office in January, he will inherit a host of economic problems—from subprime mortgages to unemployment—and his campaign messages of hope and change will be put to the test in one of the most brutal and unforgiving arenas imaginable: U.S. equity markets.

While some ETF investors are leery about the toll that the political transition will render on their investments, others view this period as an opportunity to reallocate their ETF portfolios or invest additional capital in sectors of the economy that could benefit from an Obama administration. In a videoconference released November 5, Don Dion, publisher of ETF Report and Sector Momentum Tracker, noted that “big events, like elections, have an impact on long-term portfolio performance, and investors should make changes to their portfolios, especially in light of Obama’s presidency.”

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Obama’s campaign addressed the energy crisis by lauding oil alternatives—a plan that may bode well for some alternative energy ETFs. While ETFs heavily loaded with large oil companies, such as iShares Oil & Gas ([IEO](#)), could feel the pressure of an energy shift, natural gas ETFs, such as First Trust’s Revere Natural Gas Fund ([FCG](#)), could benefit from the conversion. As other clean energy alternatives are probed for viability, funds such as PowerShares WilderHill Clean Energy ([PBW](#)) could gain momentum.

Obama has emphasized the need for U.S. energy independence throughout his campaign—pledging \$150 billion over the next 10 years to renewable energy sources. If Obama also achieves his proposed requirement for utilities to make 10% of their electricity

reusable, clean energy portfolios could receive an even larger upswing. In an article in Fortune magazine detailing the potential for PBW, senior writer Jon Birger asserts that “the case for buying this ETF is simple” in an Obama administration. When discussing Obama’s proposals, Birger concludes, “All of this adds up to a potential bonanza for the solar, wind, biofuel and other companies included in PBW.”

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While the upcoming transition to an Obama White House may add uncertainty to an already gun-shy marketplace, ETF opportunities exist in sectors that stand to benefit from Democratic policies. Sector ETFs have the unique feature of offering investors exposure to “sectors of sectors” that could outperform in Obama’s administration. While the broader energy sector—including oil and gas—could experience volatility as clean energy policies are implemented, ETFs offer investors unique opportunities, like PBW, to participate in the clean energy play.