**Q: Is it too late to be buying "green energy" stocks?**

**Brian Lockhart:** For many investors, it probably feels too late to be buying any quality stock as prices have soared even in the face of unprecedented uncertainty. Consider earnings (which almost no green energy stocks have), S&P is forecasting 2021 aggregate earnings to be at the same level as what was earned in 2018 even though the markets are 44% higher today. For markets to be that much higher on the same dollar amount of earnings is astonishing.

Buying any of the battery companies today seems more akin to gambling than investing, as it is very hard to know which breakthrough technology will ultimately prevail. My guess is that for every "winner" there will be many losers who never achieve a viable market share.

It is undeniable that the current Administration is going to focus on sustainability and renewable energy sources moving towards a carbon-free footprint in the future. An interesting way to take advantage of this easily identifiable trend is with companies who have been around for a very long time and have the ability to transition from traditional energy to renewable energy. Companies like London-based Atlantica Sustainable Infrastructure or NextEra Energy are examples of established companies with real earnings who have the resources to be leaders in delivering renewable energy, yet trade at reasonable multiples. I suggest avoiding the hype with these stocks and find companies you are confident will be around decades from now.

**Clint Pekrul, CFA:** If you look at the S&P Global Clean Energy Index – which represents a basket of 30 stocks that are involved in clean energy businesses – it has soared roughly 300% off the market lows in March 2020. The current price-to-earnings multiple is about 50 (compared to roughly 27 for the broader S&P 500) and the price-to-book value is roughly 5.5 (compared to about 4 for the S&P 500). By any historical measure, clean energy stocks as a group look incredibly expensive. One of the top holdings in the index – PLUG Power – is up just over 100% year-to-date, but has no earnings. Meanwhile, the volatility of clean energy stocks is likely well above the risk tolerance of the average investor. I believe that ESG themed investing is real and sustainable. There is no question that we are moving away from fossil fuel and that the opportunities in clean energy going forward are abundant. But as with any investment, you must question current valuations. In other words, what are you paying today for a potential return in the future? A multiple of 50 times earnings seems like a high hurdle. From a portfolio standpoint, you might want to tread lightly and maintain only a modest allocation.