



## **Opalesque Exclusive: Tech and alternative energy investing, Connective Capital Management launching additional funds focused on the future**

Kirsten Bischoff, Opalesque New York: The topic of alternative energy has gone from a conversational rarity to daily water cooler banter as the price of oil has skyrocketed over the past few months. But for Rob Romero and his team at Connective Capital Management, a Palo Alto, California-based firm, alternative energy and technology have been pretty much their sole focus since the launch of their first hedge fund in 2003.

That the topic is at the forefront of discussions in the news is evident as this week alone saw:

- The Governor of Michigan sign a law designed to put state resources into businesses and educational institutions focused on alternative energy.
- The Pennsylvania state budget which cut heavily on many items, significantly increased funding for alternative energy
- T. Boone Pickens announced he will spend \$58 million on a multimedia campaign designed to bring more focus to solving the nation's energy crisis.

Romero, whose Silicon Valley background includes founding eVoice (which sold to AOL in 2001), management stints at Cisco, Netsys, and others, and co-founding a VC company which made early stage investments into companies such as Vonage, iRon Port and LiveOps, founded Connective with \$5m in 2003. Together with his 8 person team, he now manages \$135m in assets using a fundamental long/short strategy to invest in technology and alternative energy focused equities.

### **Connective Capital Emerging Energy Master Fund launch**

On August 1, with approximately \$10m the team will launch a third fund The Connective Capital Emerging Energy Master Fund, Ltd. Alternative energy has always been a part of Connective's portfolios, but Romero says "as that area has grown more and become more attractive on the long side what we have done is taken that and carved it out into an energy strategy by itself...That long biased strategy will give investors opportunity to invest in a great growth area of alternative energy (solar, bio-fuels, etc) and the transformation we believe the world economy is going to go through as it weaves its way towards a more diversified renewable approach to generating energy."

Romero cites the team's extensive network of contacts within the technology sector as a key factor in their research. The ripple effect that alternative energy and technology innovations have with one another also provides the team with additional insight into the firms they are researching. One example is the conservative view the Fund took on battery technology and how it would affect industries such as electric vehicles. "Our sense is that the battery technology needed for electric vehicles is not ready today...and the basis for that reasoning is that we had direct access to entrepreneurs locally who work on the batteries and which gave us a sense that it will be 5-6 years out before the technology is there."



**Alternative energy – a global industry**

50% of Connectives positions are outside the US. Romero sees the solar power industry as one of the major areas the fund will be looking at. Specifically, thin film technology (faster, more efficient and less expensive solar technology) which is currently the focus of much of the solar industry's attention. Within the US there are several VC funded firms launching within this arena that Connective is watching and Romero notes that Germany, which has solid manufacturing techniques is another country with strong leads in thin film technology. Additionally, in the arena of wind generation, US-based GE is one leader, but Denmark also has Vesta Wind Systems and in the arena of bio-fuels Brazil has COSAN, the biggest producer of sugar cane ethanol in the world.

**Corporate website: [www.connectcap.com](http://www.connectcap.com)**