



# **New Alternatives Fund, Inc.**

**A SOCIALLY RESPONSIBLE MUTUAL FUND EMPHASIZING  
ALTERNATIVE ENERGY AND THE ENVIRONMENT**

## **ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2010**

This report is submitted for the general information of the shareholders of the Fund. It is not authorized for distribution unless preceded or accompanied by a prospectus for the Fund.

THE FUND	150 Broadhollow Road	Melville, New York 11747	(800) 423-8383	(631) 423-7373
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**NEW ALTERNATIVES FUND, INC.**  
**MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR 2010**

**Fund Performance:** The Fund declined 7.26% for the year ended December 31, 2010. The Net Asset Value ("NAV") started at \$42.54 on January 1, 2010 and decreased to \$39.09 by year end. Shares outstanding decreased by 8.9% from 6,647,611 to 6,055,618. The Fund's net assets declined from approximately \$283 million at the beginning of the year to approximately \$235 million by year end.

**Factors Affecting the Fund:** The greatest drag on the Fund's performance in 2010 came from the renewable energy sector where we have a substantial interest in large power producers. Share prices of companies that manufacture wind, solar photovoltaic and solar thermal equipment also did poorly. These declines were somewhat offset by stronger performance of water utilities and several companies whose products improve energy efficiency.

Lagging economies in Europe, primarily in Spain and Portugal, together with policies geared toward austerity diminished enthusiasm for the renewable energy sector in Europe. In 2010, the Euro slid 6.5% versus the U.S. dollar. A significant portion of the Fund's portfolio is denominated in the Euro. As the Fund is likely to continue holding a large proportion of European shares, the relative valuation of the Euro and the U.S. dollar will affect our performance.

European companies have been leaders in the renewable energy sector, but their dominance is currently challenged by Chinese companies which appear to have financial backing from the government, as well as the competitive advantage of lower wages. The share prices of our European companies, particularly those based in Spain, Portugal, Germany and Denmark have suffered, despite the fact that a substantial portion of their assets and workforce are now located in the U.S., China, Indonesia and other countries.

Here in the United States, the growth of the alternative energy sector continues to be hampered by uncertain government policies, continuing tight credit for new projects and the sluggish economic recovery. Ironically, the bailout payments to major banks were supposed to reignite credit flows. Instead, the banks appear to have hoarded the funds to meet stricter reserve requirements.

The direct government funding has not, in most cases, made up for the lack of commercial lending quickly enough to stem job losses and accelerate growth. In February 2009, Congress approved \$3.2 billion in economic stimulus grants, to be distributed through state governments, for alternative energy and energy efficiency projects. As of August 2010, the *New York Times* reported that only 8.4% of the money had been spent.

Other stimulus measures were similarly deadlocked by conflicting regulatory requirements between the federal government, states and local authorities.

Congress failed to approve a cap and trade bill or enact a national Renewable Energy Standard. The investment grant program and tax credits for renewable energy development were approved as part of the last minute bargaining to pass the 2010 tax bill that extended the previous administration's tax policies. It was only on December 17, 2010, when President Obama signed "H.R. 4853, The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of

2010”, that dozens of developers knew there would be government funds available for the projects that had been approved and others expected in the coming year.

There was little difference in the share prices of companies which own and operate existing power generating facilities, with relatively stable earnings, and the share prices of companies which manufacture wind and solar equipment and which face severe competition. Both types of companies saw their share prices drop significantly in 2010 regardless of their underlying financial condition.

Oil ended the year at approximately \$92 a barrel, up 16% for the year. Natural gas futures, which started out 2010 near \$5.35 per million BTUs (mmBTU) declined 21%. February natural gas futures are priced at approximately \$4.40/mmBTU. The natural gas price was influenced by increased shale based supplies which accounted for 14% of marketed gas and 21% of total gas reserves.

The price of natural gas is more relevant to the competitiveness of renewable energy power producers than the price of oil, as natural gas is more easily used to generate electricity. The price of oil would have more impact on the relative cost competitiveness of bio-fuels and interest in electric vehicles.

**Portfolio Holdings and Changes:** The Fund’s portfolio’s holdings at year end were not considerably different than those at the beginning of the year, although the relative weightings changed in large part due to the appreciation or depreciation of each holding. At year end, approximately 65.4% of the Fund’s net assets were invested in foreign companies and approximately 2.6% of net assets were held in cash and cash equivalents.

Several of the Fund’s larger investments could be described as core holdings. They include renewable energy power producers, Iberdrola Renovables SA (Spain), EDF Energies Nouvelles SA (France), and EDP Renovaveis SA (Spain/Portugal). Other significant holdings include the major wind turbine manufacturers, Vestas Wind Systems (Denmark) and Gamesa Corporacion Tecnologica (Spain), as well as the larger solar thermal developers & manufacturers Acciona SA (Spain) and Abengoa SA (Spain). Our substantial energy efficiency companies include Schneider Electric SA (France), Koninklijke Philips Electronics NV (Netherlands) and Owens Corning, Inc. Our large water holdings are American Water Works Co., Inc., CIA SaneamentoBasico (Brazil) and Aqua America, Inc.

Other meaningful--but probably not core-- holdings are geothermal power producers and developers Ormat Technologies, Inc. and TrustPower, Ltd. (New Zealand); and Hafslund ASA (Norway), a hydro power and district energy developer. The share performance of these firms has, and will have, a significant influence on the Fund’s NAV. Several of these companies have recently performed poorly as investments, but we believe they are productive, well run industries playing significant roles in the expansion of alternative energy internationally. We feel they are at this time undervalued and represent a good investment opportunity going forward.

After several years of robust growth in shares outstanding, the Fund, along with virtually every other renewable energy equity fund, experienced a sell-off of shares. According to Bloomberg News (12/24/10), the 183 “environmental” funds tracked by Lipper suffered \$1.2 billion in withdrawals in the first 10 months of the year. We were forced to sell some shares to meet redemption demands at a time when we would have preferred to take advantage of the lowered prices of some solid companies. We trimmed our positions in water utilities (American Water Works, Co., Inc., Aqua America, Inc. and CIA SaneamentoBasico) and natural gas distributors (Atmos Energy Corp., Northwest Natural Gas Co. and South Jersey Industries, Inc.). Whenever possible we added shares to our core holdings.

### **Alternate Energy:**

**Wind/Hydro Power:** The wind turbine business seemed to fall apart, ironically, at about the same time as the BP oil spill in the Gulf of Mexico peaked, along with the overbearing heat wave on the East Coast. These events coincided with the deepening economic crisis in Greece and Spain and caused the Euro to lose value against the U.S. dollar. Scarcer and more expensive credit in both Europe and the U.S. was also a major factor in the sector’s weakness.

Wind turbine manufacturers Vestas Wind Systems (“Vestas”) and Gamesa Corporacion Technologica (“Gamesa”) experienced stagnation in their home markets in northern Europe and Spain. They expanded their activities in the U.S., Mexico, Turkey, Brazil and even China, although not to the extent they had anticipated. Both companies also began developing new turbine models for the growing off-shore market. Higher production costs reduced their overall profit margins. While opening new facilities in China and the U.S., Vestas closed a production plant in their home country of Denmark and laid off 3,000 workers. Gamesa shares went down by over 50%; Vestas lost almost 45%. We managed to buy more shares of both companies as we believe they are well positioned to expand into new markets. We also sold all of our shares of Nordex AG (Germany), a smaller turbine company.

Other renewable power developers and producers in Europe were similarly buffeted by austerity measures which reduced their government supported electric rates and raised the specter of future cuts. These companies are also pursuing opportunities outside of Europe and have reported positive steps in building new markets.

Abengoa, SA (“Abengoa”), a company which mostly focuses on solar thermal power, bio-fuels and recycling (see below) is seeking a contract to build a wind farm in Uruguay. Acciona SA (“Acciona”) is expanding its wind turbine plants in India and partnering with Nissan/Renault to build charging stations for a new generation of electric cars in Europe. EDF Energies Nouvelles SA and EDP Renovaveis SA are completing wind farms already in progress in Spain and France. In addition, they have existing contracts for projects in Italy, the U.S., Mexico and Canada. Iberdrola Renovables SA, the largest renewable power producer in Spain, has been stuck paying higher interest rates on loans despite being profitable and solvent because of general fears about the Spanish economy.

The prices of all these companies went down significantly in 2010 but the Fund was able to take this opportunity to buy more shares of each. In our smaller investments in this sector, we bought additional shares of Hafslund ASA and Electricidades del Norte (Spain) and held our position of TrustPower Ltd. We added Algonquin Power & Utilities Corp., a small Canadian hydro and wind power producer with a healthy dividend.

We took profits and sold our shares of Brookfield Asset Management, a superbly run Canadian company with substantial hydropower and energy storage assets. In recent years, the company has been more focused on its real estate management business and we were not comfortable with their acquisition of a marine transport terminal serving the coal industry in Australia. We are keeping an eye out for the possibility that they will spin off the renewable power assets as a separate company in the future.

**Solar:** The good news in this sector went largely unrewarded as prices of most companies fell across the board. This was the most volatile area of alternative energy in 2010. Overall photovoltaic (PV) solar module prices have been coming down due to cost efficiencies gained in greater manufacturing volume, lower prices for silicon and pressure from Chinese companies who enjoy the advantages of lower labor costs and large government subsidies. According to Bloomberg New Energy Finance, global solar electric generation, both from PV and concentrated solar thermal (CSP) systems grew at least 120% in 2010.

Toward the end of the year silicon prices began to creep upwards and supply tightened which further cut into profit margins of solar cell producers. The most robust markets for roof-top PV installations—Germany, France and Spain—have all announced reductions in the feed-in tariffs that fueled much of this growth. Meanwhile the enormous Chinese market is restricted to most outside companies and the U.S. market, while growing, proceeds erratically as economic conditions and fluctuating policies create an uncertain future for all renewable energy development.

Abengoa and Acciona are both involved in significant solar power developments. Abengoa has recently secured funding for the Solana project in Arizona, which will be the largest solar thermal generating plant (250 MW) in the U.S. For the moment Acciona is the world leader in solar thermal generating capacity at 214 total MW with two new plants in Spain and one in Nevada coming on line. In addition, the Fund maintained its holdings of two other solar companies in 2010: Solar Millennium (Germany) and Kyocera Corp. (Japan). Solar Millennium is a major developer of utility-scale solar thermal projects which incorporates energy storage capacity to provide electric power continuously. In addition to commissioning new plants in Spain and Egypt, Solar Millennium has recently secured permits and financing for the largest solar thermal station in the world, a 500 MW installation in southern California. The company is also the lead developer of new plants in Nevada and Arizona. Despite this positive news, Solar Millennium's share price fell by 43.5% during the year. We sold some of our shares to raise cash for redemptions.

Kyocera Corp. is a larger diversified electronics company that also produces solar cells. Its stock price has been relatively stable and it pays a dividend. At the beginning of 2010, we held two other solar cell companies, MEMC Electronic Materials and SolarWorld AG (Germany), but sold both to

reduce our exposure in this sector. As business conditions improved toward the end of the year, we added shares of First Solar, Inc., the largest U.S. manufacturer of thin-film PV solar cells, inverter producer SMA Solar Technology AG (Germany) and SunPower Corp..

**Geothermal:** We have kept the same two companies in this sector—Ormat Technologies, Inc. (“Ormat”) and WFI Industries Ltd. (Canada; also known as WaterFurnace Renewable Energy). Both of these companies pay small dividends. Ormat continues to be the major developer of utility-scale geothermal electric power projects. In addition to their existing plants in the U.S., Guatemala, Kenya and Nicaragua, the company has recently received a land grant from the Chilean government to explore for a site for that nation’s first major facility. Ormat is also building three new plants in Nevada and California and is working on a recovered energy generation (REG) project in Wisconsin that will recycle waste heat from gas turbines to increase their energy efficiency without increasing greenhouse gas emissions. WFI Industries Ltd. (“WFI”) continues to build its core business of residential and small commercial building heat pump/heat exchange systems. Ormat’s share price fell by 21% and we added a small amount of stock to our holdings. WFI’s share price went up slightly and we kept our position unchanged.

**Bio-Fuel:** We continue to be cautious and skeptical about the potential of ethanol and other bio-fuels to significantly replace oil and gas for transportation. Among our current holdings, Abengoa, in addition to its other power projects, is also engaged in developing bio-fuels and recently announced that it will be re-opening an existing ethanol production plant in New Mexico that became uneconomical to operate when gas and oil prices fell.

**Energy Conservation/Efficiency/Power Transmission:** The Fund now holds shares of seven companies, comprising approximately 17.3 % of our net assets, which manufacture energy conservation materials or develop and install energy efficiency systems.

Many analysts predicted that companies in this sector would get a boost from the fact that energy conservation and efficiency is the quickest and most cost effective way to reduce greenhouse gas emissions and reduce overall energy use. The down side these companies faced was the continuing weakness in the construction industry and lack of credit availability. Telvent GIT, a Spanish company which produces and operates energy management systems for transportation and buildings, did lose about 32% of its value. “Smart” meter and grid control producer Itron, Inc. lost just under 18%. Most other holdings gained in price. Schneider Electric SA, a large, diversified engineering and manufacturing firm, gained 40%. Owens Corning, Inc., producer of insulation materials, gained 21.5%. Electric transmission system installer and power grid manager ITC Holdings Corp. saw its share price rise almost 22%. Koninklijke Philips Electronics NV, a major manufacturer of energy efficient light bulbs and lighting systems, gained 7.3%. The Fund sold some of its shares in Itron, Inc., Owens Corning Inc., and Schneider Electric SA to raise cash for redemptions. We also added shares of Koninklijke Philips Electronics NV and maintained our position in ITC Holdings Corp.

We sold all our shares of Stantec, a growing engineering firm based in Canada. Many of its projects involve LEED architecture and engineering work for wind generation facilities in Canada. This move was motivated by recent activity that included work for companies involved in the Canadian

tar sands projects. We also sold our holdings of Eaga, Plc. (UK), a company whose business was energy conservation in urban areas, when the new government in the United Kingdom sharply curtailed the program. Lastly, the Fund sold its shares of Quanta Services, a power transmission construction company, which was reasonably profitable, but did not pay a dividend.

In addition to the companies mentioned above, we added three new holdings in 2010: Johnson Controls, Inc., a Milwaukee-based manufacturer of batteries for hybrid vehicles and energy management equipment for buildings; Power-One, Inc., a producer of electric transmission management equipment, electric motor controls and converters for renewable energy generation sources to feed electricity into power grids; and A.O. Smith Corp, a leading manufacturer of electric motors, water pumps and water heaters, including a line of new solar thermal hot water systems.

**Natural Gas Utilities:** We continued our investment in natural gas distribution and utility companies to provide some stability and regular income to the Fund and as a substitute, in some ways, to our previous policy of holding short U.S. Treasury Bills for cash requirements. Treasury yields continued to be incredibly low, to the point where these gas utilities (and some of our water companies) are paying dividends in excess of the T-Bills. They are also relatively stable in price and are highly traded which makes them a reasonable source when the Fund needs cash. We did, in fact, sell some shares of all three of these companies—Atmos Energy Corp., Northwest Natural Gas Co. and South Jersey Industries, Inc.—to replenish our cash reserve during the year.

**Water/Recycling:** Our water-related and recycling companies hardly changed in 2010. We held the same companies including water utilities American Water Works Co., Inc., Aqua America, Inc. and CIA SaneamentoBasico; water treatment company, Hyflux Ltd. (Singapore) (“Hyflux”) and Befesa Medio Amibente (Spain) (“Befesa”), which builds and operates both water treatment facilities and a growing portfolio of industrial waste treatment and materials recycling projects in its home country and Argentina, Chile, Peru and Mexico. We trimmed our holdings of these water utilities to meet redemption requests, but we were able to add small additional purchases in Befesa and Hyflux. Our investment in Australian recycling company Sims Metal Management Ltd. remained unchanged.

**Natural Food:** After selling our holdings in Whole Foods Markets in late 2009, we have not identified another natural food company we feel would be a good purchase. We continue to look for a strong investment in natural foods.

**Cash and Treasury Holdings:** We ended the year with approximately 2.6 % of net assets in cash. We owned no short-term U.S. Treasury Bills, as explained above, because the interest rates were nominal.

**Income from Dividends and Interest/Expenses:** The Fund’s net ordinary investment income dividend decreased from \$0.37 in 2009 to \$0.36 per share this year.

**Expenses:** The Fund’s cost of operations increased while the number of shareholder accounts and the net assets decreased during the year. The amounts paid to the investment advisor, Accrued

Equities Inc. (the “Advisor”), and BNY Mellon Investment Servicing (U.S.), Inc. (the Fund’s accounting agent, transfer agent, custodian and administrator) are largely based on net assets. The Fund’s net assets were higher during the first quarter of 2010 and then declined gradually during the year before recovering slightly in the fourth quarter. BNY Mellon, in its role as transfer agent, bases fees on the number of shareholder accounts established during the year, this figure decreased slightly and was allocated across fewer outstanding shares which increased the Fund’s expense ratio from 1.02% in 2009 to 1.04% in 2010. Total Fund Expenses increased by \$300,738, or 13.07%.

**Realized and Unrealized Capital Gain/Loss:** The Fund did not have or distribute any net realized capital gains during 2010. The Fund ended the year with net unrealized losses of approximately \$12.5 million.

**Corporate Governance and Regulatory:** All eight of the Fund’s directors (five of whom are considered “Independent”) were re-elected by shareholders at the annual meeting held on September 24, 2010. David Schoenwald will continue as President, Treasurer and Chairperson of the Board, Sharon Reier as Vice-Chairperson, Maurice Schoenwald as Vice-President and Secretary, and Murray Rosenblith as Assistant Secretary. Joseph Don Angelo continues to serve as the Fund’s Chief Compliance Officer. Preston Pumphrey continues to serve as Chairperson of the Audit Committee.

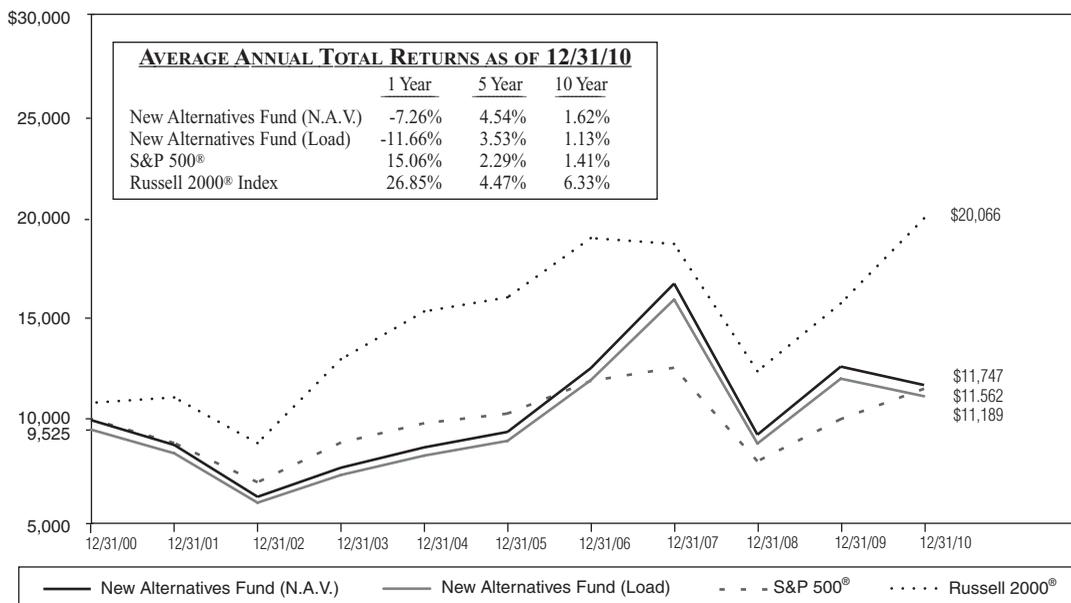
The Fund’s directors re-approved the investment advisory agreement (the “Advisory Agreement”) with the Advisor, Accrued Equities Inc., at the directors meeting on June 25, 2010.

The Board of Directors decided to approve the renewal of the Advisory Agreement for a one-year period commencing July 1, 2010 based upon their evaluation of: (i) the long-term relationship between the Advisor and the Fund; (ii) the Advisor’s commitment to the Fund’s socially responsible investment objectives and its ability to manage the Fund’s portfolio in a manner consistent with those objectives; (iii) the depth of experience and expertise of the Advisor with regard to the alternative energy market; (iv) the nature, extent and quality of the services provided; (v) the performance of the Fund; and (vi) the costs of the services provided and the profitability of the Advisor from its relationship with the Fund. Information regarding the material factors the Board considered in approving the Advisory Agreement is included in the Semi-Annual Report to Shareholders dated June 30, 2010.

**Strategy:** The Fund’s investment objective remains unchanged. We continue to seek long-term capital appreciation.

The Fund seeks to achieve its investment objective by investing in equity securities, such as common stocks. The Fund makes investments in a wide range of industries and in companies of all sizes. The Fund invests in equity securities of both U.S. and foreign companies, and has no limitation on the percentage of assets invested in the U.S. or abroad. The Fund concentrates at least 25% of its total assets in equity securities of companies which have an interest in alternative energy. “Alternative Energy” means the production and conservation of energy in a manner that reduces pollution and harm to the environment, particularly when compared to conventional coal, oil or atomic energy.

## New Alternatives Fund Growth of \$10,000 vs. The S&P 500® Index and The Russell 2000® Index



*Performance quoted represents past performance and does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown here. The performance quoted reflects a deduction for the maximum front-end sales charge of 4.75%. Performance data current to the most recent month-end may be obtained by calling 800-423-8383. The graph and table do not reflect the deduction of taxes that a Shareholder would pay on fund distributions or the redemption of fund shares.*

The Fund's total annual operating expenses, as stated in the current prospectus are 1.02%\*.

The S&P 500® and the Russell 2000® indices are unmanaged stock market indices and do not reflect any asset-based charges for investment management or transaction expenses. You cannot invest directly in these indices.

\* Per prospectus. The expense ratio presented above may vary from the expense ratio presented in other sections of this report which is based on expenses incurred during the period covered by this report.

**NEW ALTERNATIVES FUND, INC.  
FUND EXPENSE EXAMPLE**

**(Unaudited)**

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs such as the sales charge; and (2) ongoing costs, including management fees and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period shown (July 1, 2010) and held for the entire six months ended December 31, 2010.

**Actual Expenses**

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expense that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During Six Months Ended December 31, 2010” to estimate the expenses you paid on your account during this period.

Note: The Fund’s Transfer Agent, BNY Mellon Investment Servicing (US) Inc. charges an annual IRA maintenance fee of \$15 for IRA accounts. That fee is not reflected in the accompanying table.

**Hypothetical Example for Comparison Purposes**

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs such as the sales charge, redemption fees or exchange fees. The Fund does not charge any redemption fees or exchange fees, but these may be present in other funds to which you compare the Fund. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if transactional costs were included, your costs would have been higher.

NEW ALTERNATIVES FUND, INC.

	Beginning Account Value July 1, 2010	Ending Account Value December 31, 2010	Expenses Paid During Six Months Ended December 31, 2010*
Actual	\$1,000.00	\$1,141.20	\$5.56
Hypothetical (assumes 5% return before expenses)	\$1,000.00	\$1,020.01	\$5.24

\* Expenses are equal to the Fund’s annualized expense ratio for the six-month period of 1.03%, multiplied by the average account value over the period, multiplied by the number of days (184) in the most recent fiscal half year, then divided by the days in the year (365) to reflect the half year period. The Fund’s ending account value on the first line in the table is based on its actual total return of 14.12% for the six-month period of July 1, 2010 to December 31, 2010.

**NEW ALTERNATIVES FUND, INC.**  
**PORTFOLIO HOLDINGS SUMMARY**  
**December 31, 2010**  
**(Unaudited)**

<u>Sector Diversification</u>	<u>% of Net Assets</u>	<u>Value</u>
Alternate Energy:		
Renewable Energy Power Producers & Developers	29.4%	\$ 69,601,911
Wind Turbines	7.2	17,104,048
Geothermal	5.2	12,221,400
Solar Thermal	2.3	5,346,572
Solar Photovoltaic	2.3	5,332,317
Energy Storage	1.9	4,582,500
Water:		
Water Utilities	15.7	37,117,750
Water Related	1.7	4,080,609
Energy Conservation	14.3	33,825,910
Natural Gas Distribution	13.9	32,878,500
Electric Transmission	2.6	6,198,000
Recycling	0.9	2,184,000
Certificates of Deposit	0.2	500,000
Other Assets in Excess of Liabilities	2.4	5,722,804
	<u>100.0%</u>	<u>\$ 236,696,321</u>

**Top Ten Common Stock Portfolio Holdings**  
**December 31, 2010**  
**(Unaudited)**

<u>Name</u>	<u>% of Net Assets</u>
American Water Works Co., Inc. ....	6.1%
EDF Energies Nouvelles SA (France) .....	5.8
Schneider Electric SA (France) .....	5.4
Iberdrola Renovables SA (Spain).....	5.3
Abengoa SA (Spain) .....	5.2
CIA SaneamentoBasico (Brazil) ADR .....	5.0
South Jersey Industries, Inc. ....	5.0
Atmos Energy Corp. ....	4.9
EDP Renovaveis SA (Spain/Portugal) .....	4.9
Kloninkijke Philips Electronics NV (Netherlands) .....	4.5
Total Top Ten .....	<u>52.1%</u>

**NEW ALTERNATIVES FUND, INC.**  
**SCHEDULE OF INVESTMENTS**  
**December 31, 2010**

	<b>Shares</b>	<b>Value</b>
<b>COMMON STOCKS — 97.4%</b>		
<b>Alternate Energy — 48.3%</b>		
<b>Renewable Energy Power Producers &amp; Developers — 29.4%</b>		
Abengoa SA (Spain)	500,000	\$ 12,277,337
Acciona SA (Spain)	150,000	10,623,655
Algonquin Power & Utilities Corp. (Canada)	100,000	504,878
EDF Energies Nouvelles SA (France)	325,000	13,749,950
EDP Renovaveis SA (Spain/Portugal)*	2,000,000	11,591,143
Electrificaciones del Norte (Spain)	125,000	1,667,045
Hafslund ASA, Class A (Norway)	325,264	3,902,020
Iberdrola Renovables SA (Spain)	3,500,000	12,422,327
TrustPower Ltd. (New Zealand)	500,000	2,863,556
		69,601,911
<b>Wind Turbines — 7.2%</b>		
Gamesa Corporacion Tecnologica (Spain) *	1,000,000	7,632,996
Vestas Wind Systems (Denmark)*	300,000	9,471,052
		17,104,048
<b>Geothermal — 5.2%</b>		
Ormat Technologies, Inc.	350,000	10,353,000
WFI Industries Ltd. (Canada)	75,000	1,868,400
		12,221,400
<b>Solar Thermal — 2.3%</b>		
Solar Millennium (Germany) *	200,000	5,346,572
<b>Solar Photovoltaic — 2.3%</b>		
First Solar, Inc.*	2,000	260,280
Kyocera Corp. (Japan) SP ADR	25,000	2,557,750
SMA Solar Technology AG (Germany)	25,000	2,321,837
SunPower Corp., Class A*	15,000	192,450
		5,332,317

The accompanying notes are an integral part of these financial statements.

**NEW ALTERNATIVES FUND, INC.**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**December 31, 2010**

	<b>Shares</b>	<b>Value</b>
<b>Energy Storage — 1.9%</b>		
Panasonic Corp. (Japan) SP ADR	325,000	\$ 4,582,500
<b>Total Alternate Energy</b>		114,188,748
<b>Water — 17.4%</b>		
<b>Water Utilities — 15.7%</b>		
American Water Works Co., Inc.	575,000	14,541,750
Aqua America, Inc.	475,000	10,678,000
CIA SaneamentoBasico (Brazil) ADR	225,000	11,898,000
		37,117,750
<b>Water Related — 1.7%</b>		
A. O. Smith Corp.	37,500	1,428,000
Befesa Medio Ambiente (Spain)*	50,000	1,025,617
Hyflux Ltd. (Singapore)	900,000	1,626,992
		4,080,609
<b>Total Water</b>		41,198,359
<b>Energy Conservation — 14.3%</b>		
Itron, Inc.*	5,000	277,250
Johnson Controls, Inc.	25,000	955,000
Koninklijke Philips Electronics NV (Netherlands)	350,000	10,745,000
Owens Corning, Inc.*	200,000	6,230,000
Power-One, Inc. *	25,000	255,000
Schneider Electric SA (France)	85,000	12,721,660
Telvent GIT (Spain)*	100,000	2,642,000
		33,825,910
<b>Natural Gas Distribution — 13.9%</b>		
Atmos Energy Corp.	375,000	11,700,000
Northwest Natural Gas Co.	200,000	9,294,000
South Jersey Industries, Inc.	225,000	11,884,500
		32,878,500
<b>Electric Transmission — 2.6%</b>		
ITC Holdings Corp.	100,000	6,198,000

The accompanying notes are an integral part of these financial statements.

**NEW ALTERNATIVES FUND, INC.**  
**SCHEDULE OF INVESTMENTS (Concluded)**  
**December 31, 2010**

	<b>Shares</b>	<b>Value</b>
<b>Recycling — 0.9%</b>		
Sims Metal Management Ltd. (Australia) SP ADR	100,000	\$ 2,184,000
<b>Total Common Stocks (Cost \$243,047,542)</b>		<b>230,473,517</b>
<b>Par</b>		
<b>CERTIFICATES OF DEPOSIT — 0.2%</b>		
<b>Socially Concerned Banks — 0.2%</b>		
Alternatives Federal Credit Union 0.35% due 01/31/11	\$100,000	100,000
Carver Federal Savings Bank 0.90% due 12/31/11	100,000	100,000
Urban Partnership Bank 0.20% due 01/16/11	100,000	100,000
People's United Bank 0.75% due 12/03/11	100,000	100,000
Self-Help Credit Union 1.01% due 02/10/11	100,000	100,000
<b>Total Certificates of Deposit (Cost \$500,000)</b>		<b>500,000</b>
<b>TOTAL INVESTMENTS (Cost \$243,547,542) — 97.6%</b>		<b>230,973,517</b>
Other Assets in Excess of Liabilities — 2.4%		5,722,804
<b>Net Assets — 100.0%</b>		<b>\$236,696,321</b>
* -Non-income producing security		
ADR -American Depositary Receipt		
SP ADR -Sponsored American Depositary Receipt		

The accompanying notes are an integral part of these financial statements.

**NEW ALTERNATIVES FUND, INC.**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**December 31, 2010**

**ASSETS**

Investment securities at fair value (cost: \$243,547,542) (Notes 2A and 7) .....	\$230,973,517
Cash .....	6,450,381
Receivables:	
Investments sold .....	923,894
Dividends .....	465,483
Capital stock subscribed .....	217,014
Tax reclaims .....	56,186
Interest .....	81
Prepaid insurance .....	<u>11,772</u>
<b>Total Assets</b>	<u><u>239,098,328</u></u>

**LIABILITIES**

Payables:	
Capital stock reacquired .....	881,351
Investment securities purchased .....	732,455
Distributions .....	494,444
Management fees .....	102,487
Accrued expenses and other liabilities .....	<u>191,270</u>
<b>Total Liabilities</b>	<u>2,402,007</u>
<b>Net Assets</b>	<u><u>\$236,696,321</u></u>

**ANALYSIS OF NET ASSETS**

Net capital paid in shares of capital stock .....	\$274,288,769
Undistributed net investment income .....	5,526
Accumulated net realized loss on investments .....	(25,024,402)
Net unrealized appreciation of translation of other assets and liabilities in foreign currency .....	453
Net unrealized depreciation on investments .....	<u>(12,574,025)</u>
<b>Net Assets</b>	<u><u>\$236,696,321</u></u>
Net asset value and redemption price per share (\$236,696,321/6,055,618 shares of outstanding capital stock, 40 million shares authorized with a par value of \$0.01 per share)	<u><u>\$39.09</u></u>
Maximum offering price per share (100/95.25 of \$39.09)	<u><u>\$41.04</u></u>

The accompanying notes are an integral part of these financial statements.

**NEW ALTERNATIVES FUND, INC.**  
**STATEMENT OF OPERATIONS**  
**For the Year Ended December 31, 2010**

**Investment Income:**

Dividends (net of \$379,324 foreign taxes withheld) .....	\$ 4,741,539
Interest .....	3,086
Total Investment Income	<u>4,744,625</u>

**Expenses:**

Management fee (Note 4) .....	1,274,080
Transfer agent fees .....	490,376
Administration and accounting fees .....	243,486
Postage and printing fees .....	173,160
Legal fees .....	136,889
Custodian fees .....	117,872
Registration fees .....	51,461
Compliance service fees .....	42,000
Audit fees .....	24,264
Directors' fees (Note 5) .....	19,438
Insurance fees .....	16,673
Other expenses .....	12,235
Total Expenses	<u>2,601,934</u>
<b>Net Investment Income</b>	<u>2,142,691</u>

**Net Realized and Unrealized Gain/(Loss) from Investments and Foreign Currency Related Transactions:**

**Realized Gain/(Loss) from Investments and Foreign Currency Related Transactions (Notes 2B & 6):**

Net realized gain from investments .....	4,520,784
Net realized loss from foreign currency transactions .....	(28,105)
Net increase from payments by affiliates (Note 4) .....	69,621
Net Realized Gain	<u>4,562,300</u>

**Net Change in Unrealized Appreciation/(Depreciation) of Investments and Foreign Currency Related Transactions:**

Net change in unrealized appreciation/(depreciation) on investments .....	(28,948,158)
Net change in unrealized appreciation/(depreciation) on foreign currency translations .....	(150)
Net change in unrealized appreciation/(depreciation)	<u>(28,948,308)</u>
Net Realized and Unrealized Loss on Investments and Foreign Currency Related Transactions .....	<u>(24,386,008)</u>
<b>Net Decrease in Net Assets Resulting from Operations</b>	<u><u>\$(22,243,317)</u></u>

The accompanying notes are an integral part of these financial statements.

**NEW ALTERNATIVES FUND, INC.**  
**STATEMENTS OF CHANGES IN NET ASSETS**

	<b>For the Year Ended <u>December 31, 2010</u></b>	<b>For the Year Ended <u>December 31, 2009</u></b>
<b>Investment Activities:</b>		
Net investment income .....	\$ 2,142,691	\$ 2,389,834
Net realized gain/(loss) from investments, foreign currency transactions and payments by affiliates.....	4,562,300	(9,016,589)
Net change in unrealized appreciation/(depreciation) on investments and foreign currency translations.....	<u>(28,948,308)</u>	<u>78,639,668</u>
Net increase/(decrease) in net assets derived from operations.....	<u>(22,243,317)</u>	<u>72,012,913</u>
<b>Dividends and Distributions to Shareholders:</b>		
Dividends from net investment income.....	<u>(2,175,010)</u>	<u>(2,442,455)</u>
Total dividends and distributions to shareholders.....	<u>(2,175,010)</u>	<u>(2,442,455)</u>
<b>Capital Share Transactions:</b>		
Net increase/(decrease) in net assets from capital share transactions (Note 3)	<u>(21,690,414)</u>	<u>28,977,130</u>
<b>Total Increase/(Decrease) in Net Assets</b> .....	<b>(46,108,741)</b>	<b>98,547,588</b>
<b>Net Assets:</b>		
Beginning of the year .....	<u>282,805,062</u>	<u>184,257,474</u>
<b>End of the year*</b> .....	<b><u>236,696,321</u></b>	<b><u>282,805,062</u></b>

\* Includes undistributed (overdistribution) of net investment income of \$5,526 and (\$3,670) for the years ended 12/31/10 and 12/31/09, respectively.

The accompanying notes are an integral part of these financial statements.

**NEW ALTERNATIVES FUND, INC.**  
**FINANCIAL HIGHLIGHTS**  
**STATEMENT OF PER SHARE INCOME AND CAPITAL CHANGES**  
**For a share of capital stock outstanding throughout each year**

	For the Years Ended December 31,				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net asset value at beginning of year	\$ 42.54	\$ 31.41	\$ 57.28	\$ 43.91	\$ 34.46
<b><i>Investment Operations</i></b>					
Net investment income	0.35	0.36	0.24	0.34	0.18
Net realized & unrealized gain/(loss) on investments	(3.45)	11.14	(25.93)	14.39	11.47
Payments by affiliates	<u>0.01</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total from investment operations	<u>(3.09)</u>	<u>11.50</u>	<u>(25.69)</u>	<u>14.73</u>	<u>11.65</u>
<b><i>Distributions</i></b>					
From net investment income	(0.36)	(0.37)	(0.18)	(0.34)	(0.18)
From net realized gain on investments	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1.02)</u>	<u>(2.02)</u>
Total distributions	<u>(0.36)</u>	<u>(0.37)</u>	<u>(0.18)</u>	<u>(1.36)</u>	<u>(2.20)</u>
Net asset value at end of year	<u>\$ 39.09</u>	<u>\$ 42.54</u>	<u>\$ 31.41</u>	<u>\$ 57.28</u>	<u>\$ 43.91</u>
Total return (Sales load not reflected)	(7.26)%*	36.61%	(44.85)%	33.53%	33.83%
Net assets, end of the year (in thousands)	\$236,696	\$282,805	\$184,257	\$301,650	\$117,035
Ratio of operating expenses to average net assets	1.04%	1.02%	1.09%	0.95%	1.25%
Ratio of net investment income to average net assets	0.86%	1.06%	0.56%	0.82%	0.51%
Portfolio turnover	16.16%	33.94%	25.67%	14.24%	39.83%
Number of shares outstanding at end of the year	6,055,618	6,647,611	5,866,871	5,266,358	2,665,296

\* In 2010, 0.02% of the Fund's total return consisted of a voluntary reimbursement by the investment advisor for a realized investment loss. Excluding this voluntary reimbursement, total return for the year would have been (7.28)%.

The accompanying notes are an integral part of these financial statements.

**NEW ALTERNATIVES FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2010**

**1) ORGANIZATION** – New Alternatives Fund, Inc. (the “Fund”) was incorporated under the laws of the State of New York on January 17, 1978 and is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company. The Fund commenced operations on September 3, 1982. The investment objective of the Fund is to seek long-term capital appreciation. The Fund seeks to achieve its investment objective by investing in equity securities, such as common stocks. The Fund makes investments in a wide range of industries and in companies of all sizes. The Fund invests in equity securities of both U.S. and foreign companies, and has no limitation on the percentage of assets invested in the U.S. or abroad. The Fund concentrates at least 25% of its total assets in equity securities of companies which have an interest in alternative energy. “Alternative Energy” means the production and conservation of energy in a manner that reduces pollution and harm to the environment, particularly when compared to conventional coal, oil or atomic energy.

**2) ACCOUNTING POLICIES** – The following is a summary of significant accounting policies followed by the Fund.

**A. PORTFOLIO VALUATION** – The Fund’s net asset value (“NAV”) is calculated once daily at the close of regular trading hours on the New York Stock Exchange (“NYSE”) (generally 4:00 p.m. Eastern time) on each day the NYSE is open. Securities held by the Fund are valued based on the official closing price or the last reported sale price on a national securities exchange or on the National Association of Securities Dealers Automatic Quotation System (“NASDAQ”) market system where they are primarily traded, as of the close of business on the day the securities are being valued. That is normally 4:00 p.m. Eastern time. If there were no sales on that day or the securities are traded on other over-the-counter markets, the mean of the last bid and asked prices prior to the market close is used. Short-term debt securities having a remaining maturity of 60 days or less are amortized based on their cost.

Non-U.S. equity securities are valued based on their most recent closing market prices on their primary market and are translated from the local currency into U.S. dollars using current exchange rates on the day of valuation.

If the market price of a security held by the Fund is unavailable at the time the Fund prices its shares at 4:00 p.m. Eastern time, the Fund will use the “fair value” of such security as determined in good faith by the Fund’s investment advisor under methods established by and under the general supervision of the Fund’s Board of Directors. The Fund may use fair value pricing if the value of a security it holds has been materially affected by events occurring before the Fund’s pricing time but after the close of the primary markets or exchange on which the security is traded. This most commonly occurs with foreign

securities, but may occur in other cases as well. The Fund does not invest in unlisted securities.

The inputs and valuations techniques used to measure fair value of the Fund's net assets are summarized into three levels as described in the hierarchy below:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.
- Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.
- Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used, as of December 31, 2010, in valuing the Fund's assets carried at fair value:

	<i>Total Value at December 31, 2010</i>	<i>Level 1 – Quoted Prices</i>	<i>Level 2 – Other Significant Observable Inputs</i>	<i>Level 3 – Significant Unobservable Inputs</i>
<i><u>Investments in Securities:</u></i>				
Common Stocks* .....	\$230,473,517	\$230,473,517	\$ —	\$—
Certificates of Deposit .....	500,000	—	500,000	—
Total .....	<u>\$230,973,517</u>	<u>\$230,473,517</u>	<u>\$500,000</u>	<u>\$—</u>

\* See Schedule of Investments for sector diversification.

For the year ended December 31, 2010, the Fund held no securities which measured their fair value using Level 3 inputs.

Transfers in and out of levels 1, 2 and 3 of the fair value hierarchy are recognized at the beginning of the reporting period. There were no transfers between any of the levels during the year ended December 31, 2010.

**B. FOREIGN CURRENCY TRANSLATION** – Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. If foreign currency translations are not available, the foreign exchange rate(s) will be valued at fair market value using procedures approved by the Fund’s Board of Directors.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund’s books and the U.S. dollar equivalent of the amounts actually received or paid.

**Foreign Securities** — Investing in foreign securities (including depositary receipts traded on U.S. exchanges but representing shares of foreign companies) involves more risks than investing in U.S. securities. Risks of investing in foreign companies include currency exchange rates between foreign currencies and the U.S. dollar. The political, economic and social structures of some foreign countries may be less stable and more volatile than those in the U.S. Brokerage commissions and other fees may be higher for foreign securities. Foreign companies may not be subject to the same disclosure, accounting, auditing and financial reporting standards as U.S. companies. These risks can increase the potential for losses in the Fund and affect its share price.

**C. SECURITY TRANSACTIONS AND RELATED INVESTMENT INCOME** – Security transactions are accounted for on the trade date (date order to buy or sell is executed). The cost of investments sold is determined by use of a first in, first out basis for both financial reporting and income tax purposes in determining realized gains and losses on investments.

**D. INVESTMENT INCOME AND EXPENSE RECOGNITION** – Dividend income is recorded as of the ex-dividend date. Foreign dividend income is recorded on the ex-dividend date or as soon as possible after the Fund determines the existence of a dividend declaration after exercising reasonable diligence. Interest income, including amortization/accretion of premium and discount, is accrued daily. Expenses are accrued on a daily basis.

E. DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS – Dividends from net investment income and distributions from net realized capital gains, if any, will be declared and paid at least annually to shareholders and recorded on ex-date. Income dividends and capital gain distributions are determined in accordance with U.S. federal income tax regulations which may differ from accounting principles generally accepted in the United States of America.

F. U.S. TAX STATUS – No provision is made for U.S. income taxes as it is the Fund’s intention to qualify for and elect the tax treatment applicable to regulated investment companies under Subchapter M of the Internal Revenue Code of 1986, as amended, and make the requisite distributions to its shareholders which will be sufficient to relieve it from U.S. income and excise taxes.

G. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

H. OTHER – In the normal course of business, the Fund may enter into contracts that provide general indemnifications. The Fund’s maximum exposure under these arrangements is dependent on claims that may be made against the Fund in the future, and therefore, cannot be estimated; however, based on experience, the risk of material loss for such claims is considered remote.

I. NEW ACCOUNTING PRONOUNCEMENT – In January 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2010-06 “Improving Disclosures about Fair Value Measurements”. ASU 2010-06 clarifies existing disclosure and requires additional disclosures. Effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years, entities will need to disclose information about purchases, sales, issuances and settlements of Level 3 securities on a gross basis, rather than as a net number as currently required. Management is currently evaluating the impact ASU No. 2010-06 will have on its financial statement disclosures.

**3) CAPITAL STOCK** – There are 40,000,000 shares of \$0.01 par value capital stock authorized. On December 31, 2010, there were 6,055,618 shares outstanding. Aggregate paid-in capital including reinvestment of dividends was \$274,288,769. Transactions in capital stock were as follows:

	<b>For the Year Ended December 31, 2010</b>		<b>For the Year Ended December 31, 2009</b>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Capital stock sold	826,721	\$ 32,362,329	1,608,858	\$ 58,541,603
Reinvestment of distributions	43,051	1,683,069	44,111	1,876,247
Redemptions	<u>(1,461,765)</u>	<u>(55,735,812)</u>	<u>(872,229)</u>	<u>(31,440,720)</u>
Net Increase/(Decrease)	<u>(591,993)</u>	<u>\$(21,690,414)</u>	<u>780,740</u>	<u>\$ 28,977,130</u>

**4) MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES** – Accrued Equities, Inc. (“Accrued Equities” or the “Advisor”), an SEC registered investment advisor and broker-dealer, serves as investment advisor to the Fund pursuant to an Investment Advisory Agreement, as amended, and as an underwriter (but not a principal underwriter) of the Fund’s shares pursuant to a Sub-Distribution Agreement. For its investment advisory services, the Fund pays Accrued Equities an annual management fee of 1.00% of the first \$10 million of average net assets; 0.75% of the next \$20 million of average net assets; 0.50% of average net assets more than \$30 million and less than \$100 million; and 0.45% of average net assets more than \$100 million.

The Fund pays no remuneration to its directors, David J. Schoenwald, Maurice L. Schoenwald and Murray D. Rosenblith, who are also officers or employees of Accrued Equities. BNY Mellon Distributors, Inc., formerly PFPC Distributors (the “Underwriter”) serves as the principal underwriter of the Fund’s shares. The Underwriter has entered into a Sub-Distribution Agreement with Accrued Equities. The Underwriter receives as compensation for its services: (i) a base underwriting fee of \$25,000 per year; (ii) a compliance systems fee of \$2,500; and (iii) commissions on the sale of Fund shares. The Fund charges a maximum front-end sales charge of 4.75% on most new sales. Of this amount, the Underwriter and Accrued Equities retain the net underwriter commission and pay out the remaining sales commission to other brokers who actually sell new shares. Their share of the sales commission may vary. The aggregate underwriter concession on all sales of Fund shares during the year ended December 31, 2010 was \$86,882, and the amounts retained by Accrued Equities and the Underwriter were \$57,921 and \$28,961, respectively. The Underwriter and Accrued Equities are also entitled to receive sales commissions for the sale of Fund shares. For the year ended December 31, 2010, Accrued Equities and the Underwriter received \$72,032 and \$12,286 in sales commissions, respectively, for the sale of Fund shares. The Underwriter is a registered broker-dealer affiliated with BNY Mellon Investment Servicing (U.S.) Inc., formerly PNC Global Investment Servicing (U.S.) Inc., the Fund’s administrator, transfer agent and fund accounting agent.

During the year ended December 31, 2010, the Advisor voluntarily reimbursed the Fund \$69,621 for investment transaction losses.

**5) DIRECTORS' FEES** – For the year ended December 31, 2010, the Fund paid directors' fees and out of pocket expenses of \$20,000 to its Directors who are not “interested persons” of the Fund, as that term is defined in the 1940 Act (the “Independent Directors”).

Each Independent Director receives an annual fee of \$3,500 for their services as Independent Directors of the Fund. As Vice Chairperson of the Fund's Board of Directors, Sharon Reier receives an additional annual fee of \$1,000. Each member of the Audit Committee receives an additional \$500 annual fee and Preston V. Pumphrey, Chairperson of the Audit Committee, receives an additional annual fee of \$500. The Independent Directors also receive reimbursement of “coach” travel expenses to attend Board Meetings. The Directors and Officers of the Fund who are officers and employees of the Advisor do not receive compensation from the Fund for their services and are paid for their services by the Advisor. The Fund's Chief Compliance Officer is not an officer or employee of the Advisor and is compensated directly by the Fund for his services.

**6) PURCHASES AND SALES OF SECURITIES** – For the year ended December 31, 2010, the aggregate cost of securities purchased totaled \$39,157,395. Net realized gains (losses) were computed on a first in, first out basis. The proceeds received on sales of securities for the year ended December 31, 2010 was \$60,409,911.

**7) FEDERAL INCOME TAX INFORMATION** – At December 31, 2010, the federal tax basis cost and aggregate gross unrealized appreciation and depreciation of securities held by the Fund were as follows:

Cost of investments for tax purposes	<u>\$244,394,770</u>
Unrealized appreciation for tax purposes	\$ 31,887,522
Unrealized depreciation for tax purposes	<u>(45,308,775)</u>
Net unrealized depreciation on investments	<u><u>\$(13,421,253)</u></u>

The tax character of distributions paid during 2010 and 2009 was as follows:

Distribution paid from:	<u>2010</u>	<u>2009</u>
Ordinary Income	\$2,175,010	\$ 2,442,455
Long-term Capital Gains	<u>—</u>	<u>—</u>
	<u><u>\$2,175,010</u></u>	<u><u>\$ 2,442,455</u></u>

For federal income tax purposes, distributions from net investment income and short-term capital gains are treated as ordinary income dividends.

The following permanent differences as of December 31, 2010, attributable to transactions involving foreign securities and currencies, were reclassified to the following accounts:

Accumulated Net Realized Loss	\$ (41,515)
Undistributed Net Investment Income	41,515

As of December 31, 2010, the components of distributable earnings on a tax basis were as follows:

Undistributed Ordinary Income	\$ 5,526
Capital Loss Carryforward	(24,177,174)
** Net Unrealized Depreciation on Investments and Foreign Currency Translations	<u>(13,420,800)</u>
	<u><u>\$ (37,592,448)</u></u>

\*\* The primary difference between distributable earnings on a book and tax basis is due to wash sales losses.

As of December 31, 2010, the Fund has a capital loss carryforward of \$24,177,174 which can be used to offset future capital gains. The capital loss carryforward will expire December 31, 2016 (\$15,782,056) and December 31, 2017 (\$8,395,118) if not utilized by future capital gains.

Management has analyzed the Fund's tax positions taken on federal income tax returns for all open tax years (current and prior three tax years), and has concluded that no provision for federal income tax is required in the Fund's financial statements. The Fund's federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

**8) SUBSEQUENT EVENTS** – Management has evaluated the impact of all subsequent events on the Fund through the date the financial statements were available to be issued, and has determined that there were no subsequent events.



## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

### **To the Shareholders and Board of Directors of New Alternatives Fund, Inc.**

We have audited the accompanying statement of assets and liabilities of New Alternatives Fund, Inc., including the schedule of investments, as of December 31, 2010, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two year period then ended, and the financial highlights for each of the years in the four year period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for the year ended December 31, 2006 were audited by other auditors whose report dated February 20, 2007 expressed an unqualified opinion on such financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2010 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of New Alternatives Fund, Inc. as of December 31, 2010, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two year period then ended and its financial highlights for each of the years in the four year period then ended, in conformity with accounting principles generally accepted in the United States of America.

*BBD, LLP*

**BBD, LLP**

**Philadelphia, Pennsylvania  
February 21, 2011**

**OTHER INFORMATION**  
**(Unaudited)**

**1) PROXY VOTING** – The Fund has proxy voting policies which are available: (1) without charge, upon request by calling the Fund at 800-423-8383 and (2) on the SEC’s website at <http://www.sec.gov>. Information regarding how the Fund voted proxies during the most recent twelve-month period ended June 30 is available on form N-PX: (1) without charge, upon request, by calling the Fund at 800-423-8383 and (2) on the SEC’s website at <http://www.sec.gov>.

**2) QUARTERLY PORTFOLIO SCHEDULES** – The Fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year (quarters ended March 31 and September 30) on Form N-Q. The Fund’s Form N-Q’s are available on the SEC website at <http://www.sec.gov> and may be reviewed and copied at the SEC Public Reference Room in Washington, D.C. Information on the operation of the SEC Public Reference Room may be obtained by calling 1-800-SEC-0330.

**3) SHAREHOLDER MEETING INFORMATION** – The Annual Meeting of Shareholders of the Fund (the “Meeting”) was held on September 24, 2010 pursuant to notice given to all shareholders of record at the close of business on August 4, 2010. At the Meeting, the shareholders were asked to approve the election of eight directors and to ratify the Board of Directors’ appointment of BBD, LLP as the Fund’s independent registered public accounting firm for its fiscal year ending December 31, 2010.

Information regarding shares voted for and against the matter before the Meeting follows:

To elect eight Directors to serve for ensuing year:

	<u>For</u>	<u>Withhold</u>
Jonathan D. Beard	4,627,702.473	133,879.476
Susan Hickey	4,647,921.124	111,818.825
Jeffrey E. Perlman	4,634,128.031	125,611.918
Preston V. Pumphrey	4,626,625.919	133,114.030
Sharon Reier	4,647,300.817	112,439.132
Murray D. Rosenblith	4,636,089.315	123,650.634
David J. Schoenwald	4,595,510.142	166,071.807
Maurice L. Schoenwald	4,599,864.436	161,717.513

Matter: To ratify the selection of BBD, LLP as the Fund’s independent registered public accounting firm for its fiscal year ending December 31, 2010.

<u>For</u>	<u>Against</u>
4,537,348.391	106,471.697

**NEW ALTERNATIVES FUND, INC.**  
**SHAREHOLDER TAX INFORMATION (Unaudited)**

During the fiscal year ended December 31, 2010, the following dividends and distributions per share were paid by the Fund:

Ordinary Income	\$0.36
Long-Term Capital Gains	—

The Fund paid foreign taxes of \$462,712 and recognized foreign source income of \$1,226,468. Pursuant to Section 853 of the Internal Revenue Code, the Fund will elect to pass these foreign taxes through to shareholders as a foreign tax credit and designates such amounts as having been paid in connection with dividends distributed from investment taxable income during the year ended December 31, 2010.

For the year ended December 31, 2010, certain dividends may be subject to a maximum tax rate of 15%, as provided for by the Jobs and Growth Tax Relief Reconciliation Act of 2003. For individual shareholders, 100% of their ordinary income dividends for the Fund qualify for the maximum tax rate of 15%. Complete information will be computed and reported in conjunction with your Form 1099-DIV.

For corporate shareholders, 95.29% of the ordinary income dividends qualify for the dividends received deduction.

Shareholders are advised to consult their own tax advisors with respect to the tax consequences of their investments in the Fund.

**MANAGEMENT OF THE FUND** – Information pertaining to the Directors and Officers of the Fund is set forth below. The Statement of Additional Information includes additional information about the Directors and is available without charge, upon request, by calling the Fund at 800-423-8383 or by visiting our website at [www.newalternativesfund.com](http://www.newalternativesfund.com). The mailing address for the Directors and Officers of the Fund is c/o New Alternative Funds, Inc., 150 Broadhollow Road, Suite PH2, Melville, New York 11747.

## DIRECTORS

<u>Name, Address and Age</u>	<u>Position(s) Held with the Fund</u>	<u>Term of Office and Length of Time Served<sup>1</sup></u>	<u>Principal Occupation(s) During the Past Five Years</u>	<u>Number of Portfolios in Fund Complex To Be Overseen by Director<sup>2</sup></u>	<u>All Directorships Held by Director During the Past Five Years<sup>3</sup></u>
<b>Interested Directors:</b>					
Maurice L. Schoenwald* Longboat Key, FL Age: 90	Founder, Director, Vice President and Secretary	1982 to present	Founder and Director, Accrued Equities, Inc.**; Formerly, Chairperson of the Board of the Fund (1982-2008).	1	None
David J. Schoenwald* Huntington Bay, NY Age: 61	Founder, Director, President, Treasurer and Chairperson of the Board	Founder, Director, President and Treasurer, 1982 to present; Chairperson of the Board, 2008 to present	President and Treasurer, Accrued Equities, Inc.**	1	None
Murray D. Rosenblith* Brooklyn, NY Age: 59	Director, Assistant Secretary	Director, 2003 to present; Assistant Secretary 2009 to present	Manager, Accrued Equities, Inc. (2008 to present); Formerly, Executive Director, A.J. Muste Memorial Institute, an organization concerned with exploration of the link between non-violence and social change (1985 to 2008).	1	None

<u>Name, Address and Age</u>	<u>Position(s) Held with Fund</u>	<u>Term of Office and Length of Time Served<sup>1</sup></u>	<u>Principal Occupation(s) During the Past Five Years</u>	<u>Number of Portfolios in Fund Complex To Be Overseen by Director<sup>2</sup></u>	<u>All Directorships Held by Director During the Past Five Years<sup>3</sup></u>
<b>Independent Directors:</b>					
Sharon Reier Coconut Creek, FL and Paris, France Age: 64	Director and Vice-Chairperson of the Board	Director 1982 to present; Vice-Chairperson 2008 to present	Freelance financial journalist; Contributor to the International Herald Tribune since 1995; former contributor to Business Week International; former regional editor, Financial World; former editor, Boardroom Reports; former contributing editor, Institutional Investor; former staff, Forbes and American Banker.	1	None
Preston V. Pumphrey Syosset, NY Age: 76	Director and Audit Committee Chairperson	2003 to present	Registered Principal, C.E. Gaye & Sons Securities, Ltd. (July 2008 to present); FINRA Dispute Resolution Board of Arbitrators (June 2002 to present); Formerly, Adjunct Professor of Finance, C.W. Post College.	1	None
Susan Hickey East Northport, NY Age: 58	Director and Audit Committee Member	2005 to present	Accounting Software Developer, AccountantsWorld, LLC.; Member of National Association of Enrolled Agents and New York Society of Independent Accountants; Former IRS Tax Return Auditor; BA International Affairs, Stonehill College, North Easton, MA.	1	None
Jonathan D. Beard New York, NY Age: 63	Director	2005 to present	Self-employed Freelance Journalist for various American and European Science Magazines; Lifetime Member, Sierra Club and New York-New Jersey Trails Conference; Graduate of Columbia University 1970.	1	None

<u>Name, Address and Age</u>	<u>Position(s) Held with Fund</u>	<u>Term of Office and Length of Time Served<sup>1</sup></u>	<u>Principal Occupation(s) During the Past Five Years</u>	<u>Number of Portfolios in Fund Complex To Be Overseen by Director<sup>2</sup></u>	<u>All Directorships Held by Director During the Past Five Years<sup>3</sup></u>
Jeffrey E. Perlman New York, NY Age: 31	Director	2009 to present	President and Founder, Bright Power, a company advancing clean, cost-effective energy solutions (2004 to present); Clarinetist/Saxophonist, Romashka and various klezmer music ensembles (1996 to present); Formerly, Consultant, Capital E, a renewable energy consulting and investment services company (2002 to 2005).	1	None

#### Officers of the Fund who are not Directors:

<u>Name, Address and Age</u>	<u>Position(s) Held with the Fund</u>	<u>Term of Office and Length of Time Served<sup>1</sup></u>	<u>Principal Occupation(s) During the Past Five Years</u>
Joseph A. Don Angelo Syosset, NY Age: 62	Chief Compliance Officer	2007 to present	Accountant and Owner, Don Angelo and Associates, CPAs P.C. (1984 to present).

<sup>1</sup> Each Director holds office until the next annual meeting of shareholders at which Directors are elected following his or her election or appointment and until his or her successor has been elected and qualified.

<sup>2</sup> Currently, there is only one portfolio and no fund complex.

<sup>3</sup> Includes directorships of companies required to report to the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (i.e., “public companies”), or other investment companies registered under the 1940 Act.

\* “Interested person”, as defined in section 2(a)(19) of the 1940 Act. Maurice L. Schoenwald is Director and minority shareholder of Accrued Equities, Inc., the Fund’s investment advisor. David J. Schoenwald is majority shareholder and President of Accrued Equities, Inc. Maurice L. Schoenwald and David J. Schoenwald are father and son. Murray D. Rosenblith is considered an “interested person” as a result of his employment with Accrued Equities, Inc.

\*\* Maurice L. Schoenwald and David J. Schoenwald have no present enterprise, employment, position or commercial investment activity except for their positions with Accrued Equities, Inc., the Fund’s investment advisor and Sub-Distributor. At the present time, Accrued Equities, Inc. provides services only to the Fund. David J. Schoenwald is licensed to practice law in New York and is President and sole shareholder of Schoenwald and Schoenwald, P.C.

