

2014



Investing in the Defense, Homeland Security, and Space Market

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SP[♠]DE[®] Defense Index

Index: 'DXS'

Exchange Traded Fund*: 'PPA'

* ETF offered by Powershares

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SPADE Defense Index (in Blue) 10 Year vs. the S&P500



SPADE Defense Index (in Blue) 1 Year vs. the S&P500



SPADE Defense Index 2013

+48.27%

(S&P500 +29.60%)

1 Gencorp	96.94%	11 ITT Exelis	69.12%
2 Alliant Techsystems	96.38%	12 Anaren	68.41%
3 Huntington Ingalls	86.73%	13 Digital Globe	68.37%
4 Ducommun	84.35%	14 Hexcel	65.76%
5 Boeing	83.55%	15 Moog	65.59%
6 Taser	77.63%	16 Lockheed Martin	61.08%
7 Engility	73.42%	17 Viasat	61.05%
8 Oshkosh Truck	69.92%	18 Esterline Tech	60.29%
9 Northrop Grumman	69.59%	19 Raytheon	57.27%
10 Orbital Sciences	69.21%	20 Kratos	52.68%

SPADE Defense Index YTD (thru 2/28/14)

+5.16%

(S&P500 +0.60%)

1 KeyW Holdings	36.16%	11 Huntington Ingalls	12.58%
2 Engility	24.94%	12 Rockwell Collins	11.66%
3 Orbital Sciences	21.97%	13 Alliant Techsystems	10.77%
4 TASER	21.10%	14 Transdigm	10.63%
5 OSI Systems	15.74%	15 Booz Allen	9.82%
6 Oshkosk Truck	14.79%	16 Lockheed Martin	9.18%
7 General Dynamics	14.64%	17 Textron	8.00%
8 FLIR Systems	13.42%	18 L3	7.99%
9 Computer Sciences	13.10%	19 Raytheon	7.95%
10 SAIC	12.79%	20 CACI	7.66%

Public Markets

\$603 Billion

Total Market Cap

The 49 Companies in the
Powershares Aerospace &
Defense ETF (NYSE: PPA)

\$473 Billion – Apple

\$410 – Exxon Mobil

\$408 Billion – Google

- **\$1.3 Trillion** – Annual Global Spending on Defense
- **U.S. Spending: 4-5% of its GDP**

Investing in Defense: Some Key Thoughts

1. Very Long Investment Cycles

2. Not all Downturns are Created Equal

Post-Soviet Union <> Post-Iraq

3. To Identify Future Trends

Look for Counter and Counter to the Counter

Technology

Many new systems are developed over 10-15-20 year timeframes.

- IT/Network Centric Warfare and Battlefield Visualization
- Cyber
- Armor and Protection
- UAVs / GPS / Etc. -- Put the soldier and equipment further out of harm's way

- **1916 – 1918 WWI**
 - Aircraft, the tank, machine guns
- **1939 - 1945 WWII**
 - Introduction of the jet, missiles
- **1946-1960+**
 - Nuclear weapons age
- **1957- today**
 - Satellite systems
- **1980s**
 - Stealth technology
- **2000s**
 - Network-centric warfare, Cyber

How Defense Companies Grow

1. Rising Defense Budgets
2. Supplemental Budgets
3. Outsourcing to Private Sector
4. Increasing International Sales Acquisitions
5. Shift in the Investment Cycle from Operations to Investment
6. 'Internal' Diversification

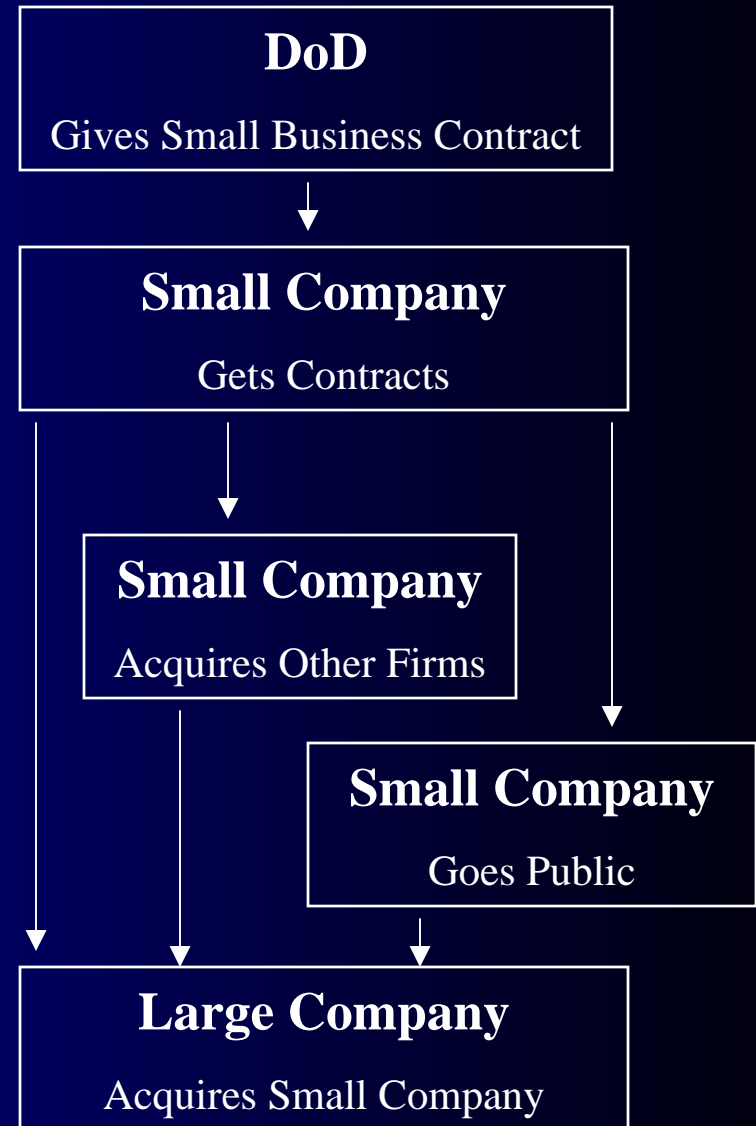
Acquisitions

100+ Deals Annually

- Mostly small, <\$100 million
- Mostly private

The acquisitions provide...

- Exposure to long-term contracts
- Key personnel (& clearances)
- Access to classified programs and personnel
- Technology & capabilities



For More Information ...



Visit www.spadeindex.com to learn about:

- Index Rules / Methodology
- Index Constituents and Details
- Links to historical data and performance

Index: DXS
ETF: PPA

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