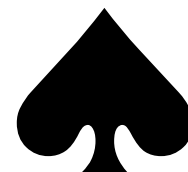


# SPADE INVESTOR



January 2009

Defense \* Homeland Security \* Aerospace

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## Inside...2009

- How Much Will Defense Receive From the Obama Infrastructure Plan?

- Increased M&As in 2009

- Bush Advises Obama to Increase Defense Spending by \$60 Billion Annually

- U.S. Army predicts that the "global fiscal slowdown likely will complicate global security".

- Low Sector Valuation: Room to Grow

**Index Achieves Nine Consecutive Years of Outperforming the S&P500**

**Morningstar Gives the Powershares ETF Tracking the Index a**

**\*\*\*\*\* 5 Star Rating \*\*\*\*\***

**for Large Growth Funds**

## SPADE Defense Index Statistics

12/31/08 Close: 1594.56

All-time Close: 2747.67

Date of all-time close: 9 October 2007

	SPADE Defense	S&P500
December	8.21%	0.78%
4th QTR	[18.14%]	[22.45%]
2008	[38.03%]	[38.49%]

## Commentary

First of all, congratulations to FLIR for being added to the S&P 500.

Secondly, although it was a brutal year for investors, hats off to the Index's Top 10 2008 performers (see page 2, full list on page 5), each of which ended the year in positive territory and the top six which were up more than 30%. Two have been acquired (DRS and SI International), four operate in the C4ISR/IT space (NCI, Mantech, SI International, Stanley), three in homeland security (Cogent, American Science & Engineering, Axsys) and one in UAVs (Aerovironment).

\*\*\*

Although the worst year the stock market has seen since the 1930s, companies involved with defense, homeland security, aerospace, and government space activities continue to outperform the broader markets, with our benchmark SPADE Defense Index beating the S&P500 *for the ninth consecutive year*.

An 8.21% surge in December saw the sector, which trailed the market most of the year, end on a positive note. Although the index finished 2008 down 38.03%, the worst it has recorded since launching in 1997, December's gain enabled the Index to finish ahead of the S&P500 by 46 basis points and overcome a year that saw the Index trade downward due to pressure from the market, a strike at Boeing which impacted a number of firms, and the uncertainty associated with a presidential election.

Three-, five-, and ten-year performance remains significantly ahead of the broader markets producing gains of [9.66%], 14.60%, and 86.69% respectively.

With the market trading on momentum rather than fundamentals or technicals, the sector was hit harder than the underlying fundamentals would indicate.

*continued on page 3*

## December 2008 Index Changes

The ISBC/SPADE Indexes announced the results of its quarterly review of the SPADE Defense Index. Effective 31 December 2008:

### Additions:

ICx Technologies (NASDAQ: ICXT): The firm develops and integrates advanced sensor technologies for homeland security, force protection, and other applications; specifically the detection of chemical, biological, radiological, nuclear and explosive threats.

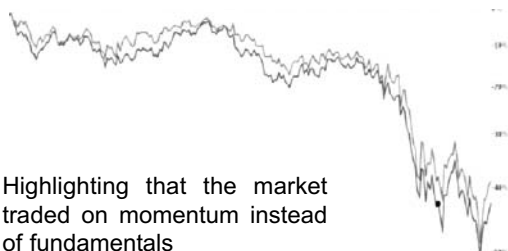
VSE Corporation (NASDAQ: VSEC): The firm is a professional services company that is ranked among the top 100 defense contractors, top 10 foreign military sales contractors, and top 50 Navy contractors in the nation. It provides engineering, technical, management, integrated logistics support, and IT services to all U.S. military services and other government agencies.

### Removals:

Gencorp (NYSE: GY) was removed when its 25-day average price at the time of the review dropped below required levels.

DRS Technologies and SI International were removed during the quarter when they ceased trading after their acquisition, by Finmeccanica (Italy) and Serco (UK), respectively, were completed.

In 2008, the SPADE Defense Index tracked the movements in the S&P500



Highlighting that the market traded on momentum instead of fundamentals

## Bush to Obama: Boost Defense Spending Through 2015

According to John Young, acquisition chief at the Pentagon, President George Bush and Secretary of Defense Robert Gates are advising the Obama administration to increase defense spending for the next five years. Although no figure was given, other estimates place it at \$60 billion. Young stated that the recommendations were a 'template' and were needed to fight the war on terror. In 1Q09, decisions on \$100 billion in weapons spending will need to be made.

**December 2008 Top Gainers**

1	Mercury Computer	130.29%
2	Oshkosh Truck	27.00%
3	Computer Sciences	26.13%
4	Elbit Systems	24.85%
5	Triumph Group	24.15%
6	TASER Int'l	21.38%
7	Honeywell	17.84%
8	VSE Corporation	16.58%
9	L-1 Identity Sol'ns	15.41%
10	SRA International	14.85%

**December 2008 Laggards**

1	Ceradyne	[22.66%]
2	AXSYS Technologies	[21.42%]
3	Ladish Co.	[16.50%]
4	Textron	[8.93%]
5	Precision Castparts	[5.14%]
6	GeoEye	[3.80%]
7	Argon ST	[3.73%]
8	American Science	[2.52%]
9	FLIR Systems	[1.03%]
10	Mantech Int'l	[0.42%]

**2008 Top Gainers**

1	NCI Information	76.10%
2	AeroVironment	52.11%
3	AXSYS Technologies	49.69%
4	DRS Technologies *	49.25%
5	Applied Signal Tech.	32.11%
6	American Sci & Eng	30.33%
7	Mantech Int'l	23.66%
8	Cogent	21.70%
9	SI International *	16.49%
10	Stanley	6.84%

**2008 Laggards**

1	Oshkosh Truck	[81.19%]
2	Textron	[80.55%]
3	Garmin Ltd	[80.24%]
4	Gencorp	[68.44%]
5	Ladish Co	[67.93%]
6	TASER International	[63.31%]
7	L-1 Identity	[62.45%]
8	Mercury Computer	[60.83%]
9	Precision Castparts	[57.12%]
10	Ceradyne	[56.72%]

\* acquired

**Largest Defense Prime Contractors**

	Dec	2008
Lockheed Martin	9.04%	[20.12%]
Boeing	0.09%	[51.21%]
General Dynamics	11.46%	[35.28%]
Northrop Grumman	9.99%	[42.73%]
Raytheon	4.59%	[15.91%]

**ETF Statistics (NYSE: PPA)**  
**Powershares Aerospace & Defense**  
 Exchange / Ticker Symbol: NYSE / PPA  
 Fee: 60 basis  
 Assets (12/31/08): \$119 M  
 Closing Price (12/31/08): \$12.69  
 December 08 Volume: 977,300  
 2008 Volume: 27,313,000  
 3 month Avg Daily Trading Volume\*\*: 69,990.6

**Powershares Aerospace & Defense ETF (PPA)**  
 Morningstar Rating (3-yr, Large Growth): 5 Star  
 Modern Portfolio Theory (comparison to S&P500)  
 Sharpe Ratio: [0.24]  
 Beta (3 month): 1.20  
 Alpha (3 month): 8.78  
 R-squared (3 month): .86  
*source: Morningstar (12/31/08)*

Year	SPADE	S&P500
2008	<b>[38.03%]</b>	[38.49%]
2007	<b>22.17%</b>	3.53%
2006	<b>19.33%</b>	13.62%
2005	<b>5.30%</b>	3.00%
2004	<b>20.47%</b>	8.99%
2003	<b>37.27%</b>	26.38%
2002	<b>[2.87%]</b>	[23.37%]
2001	<b>0.94%</b>	[13.04%]
2000	<b>4.98%</b>	[10.14%]
1999	15.31%	19.53%
1998	6.63%	26.67%

	Jan 08 Newsletter	10/31/08 **
Avg. Market Cap.	\$12.03 Billion	\$9.42 Billion
Portfolio P/E	19.17	10.15
Portfolio P/S	1.19	0.68
Portfolio P/B	3.17	1.67
Portfolio P/Cash Flow	11.37	5.72
Earnings Growth Rate (ttm)	12.93%	12.59%

\*\* most recent estimate source: Yahoo Finance

**2008 Volume (ticker: PPA)**

January	6,964,300
February	2,205,400
March	2,315,400
April	1,685,300
May	1,406,900
June	2,155,700
July	2,052,500
August	1,392,000
September	2,556,600
October	2,135,400
November	1,466,200
December	977,300
Total	27,313,000

source: Yahoo Finance

Quarter	SPADE	S&P500
4Q08	<b>[18.14%]</b>	[22.45%]
3Q08	<b>[8.13%]</b>	[9.00%]
2Q08	[4.69%]	[3.23%]
1Q08	[13.53%]	[9.92%]
4Q07	[4.22%]	[3.82%]
3Q07	<b>[2.39%]</b>	[2.99%]
2Q07	<b>10.76%</b>	5.81%
1Q07	<b>4.37%</b>	0.18%
4Q06	<b>8.79%</b>	6.17%
3Q06	3.21%	5.17%
2Q06	[4.03%]	[1.91%]
1Q06	<b>10.65%</b>	3.73%
4Q05	[0.47%]	1.59%
3Q05	<b>4.44%</b>	3.15%
2Q05	<b>3.91%</b>	0.91%
1Q05	<b>[2.52%]</b>	[2.59%]
4Q04	<b>9.80%</b>	8.73%
3Q04	<b>2.81%</b>	[2.30%]
2Q04	<b>6.34%</b>	1.30%
1Q04	0.36%	1.29%
4Q03	<b>18.97%</b>	11.64%
3Q03	<b>5.27%</b>	2.20%

Quarter	SPADE	S&P500
2Q03	<b>19.03%</b>	14.89%
1Q03	[7.92%]	[3.60%]
4Q02	3.39%	7.92%
3Q02	<b>[17.04%]</b>	[17.63%]
2Q02	<b>[2.86%]</b>	[13.73%]
1Q02	<b>16.57%</b>	[0.06%]
4Q01	<b>14.59%</b>	10.29%
3Q01	<b>[10.40%]</b>	[14.29%]
2Q01	<b>5.91%</b>	5.52%
1Q01	<b>[7.18%]</b>	[12.11%]
4Q00	<b>[0.05%]</b>	[8.09%]
3Q00	<b>12.14%</b>	[1.24%]
2Q00	[7.11%]	[2.93%]
1Q00	0.83%	2.00%
4Q99	7.57%	14.54%
3Q99	[10.18%]	[6.56%]
2Q99	<b>21.39%</b>	6.71%
1Q99	[1.68%]	4.65%
4Q98	13.70%	20.87%
3Q98	[16.88%]	[10.30%]
2Q98	[1.88%]	2.91%
1Q98	<b>14.99%</b>	13.53%

**Cumulative Return Comparison**

	SPADE	S&P500
1-Year	[38.03%]	[38.49%]
3-Year	[9.66%]	[27.64%]
5-Year	14.60%	[18.77%]
10-Year	86.69%	[26.52%]

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**About**

The SPADE Defense Index (ticker: **DXS**) provides an investment benchmark for companies involved with defense, homeland security, and space.

The Index is designed to reflect the broad diversity of activities that is representative of companies involved with defense, homeland security, and space – including industrial firms that manufacture aircraft, tanks, ships, and missiles and those involved with current and next generation systems related to network centric warfare and information technology; intelligence, surveillance, and reconnaissance; satellites; border security; and defense systems that protect the lives of our servicemen and service-women.

**Licensed Products**

**Exchange Traded Fund - ETF**

Licensed to Powershares, their Aerospace & Defense Portfolio ETF (NYSE: PPA) is designed to track the performance of the SPADE Defense Index.

**Rules**

The Index was designed to be RIC (Registered Investment Company) compliant for the purpose of enabling financial products. Companies are required to meet a variety of eligibility criteria including market valuation, liquidity, and listing on a major U.S. exchange. Full details are available on our website.

- \* Market Cap: Minimum \$100M
- \* Share Price: Minimum \$5.00
- \* Liquidity: 50,000 shares/day avg

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Scott Sacknoff: Index Manager

**Commentary (continued)**

Companies involved with defense, homeland security, aerospace, and government space activities generate nearly 5% of U.S. GDP. With the government as a primary customer, they are less likely to be directly affected long-term by economic factors associated with the banking crisis, recession, and inflation. Additionally, the sector remains a major source of manufacturing jobs in the United States and should benefit from the planned 2009 infrastructure initiatives. Healthy balance sheets and a number of trends suggest growth in 2009. Notably:

1. The mission to protect and defense the U.S. and its citizens remains a critical goal of government.
2. Support for defense and security initiatives inside the Obama administration is strong.
3. A tremendous need to recapitalize equipment used in Iraq and modernize defense equipment and systems exists.
4. Continued expansion in related business lines such as cybersecurity and the delivery of commercial aircraft.

What 2008 shows is that while the sector may move in sympathy with the overall market at times, the underlying factors driving the defense industry remain quite different. As investors return their focus to fundamentals, defense companies should benefit.

**2009 Sector Events to Watch**

- \* FY-2010 DoD Budget to be released in late January. The Bush team has proposed a 2010 base budget of \$587 billion, up from \$527 billion.
  - \* Quarterly earnings releases
  - \* FY-2011 DoD Budget discussions (late 2009)
  - \* Major decade-long, contract awards -- Although Secretary Gates will remain in charge, the Bush Administration decided to delay action on a number of major contracts and program decisions until the Obama administration takes control. These total more than \$100 billion and include:
    - Air Force C-17 Globemaster cargo plane
    - Air Force F-22 Raptor fighter
    - Navy DDG-1000 destroyer program
    - Aerial Tankers
    - Search and rescue helicopters
    - Transformational Satellite T-SAT program
- Other programs anticipated to receive added scrutiny on forthcoming decisions, include:
- F35 Joint Strike Fighter
  - VH-71 presidential helicopters
  - Littoral Combat Ship.

\* Acquisitions: With many of the larger firms flush with cash, we can expect to see some acquisitions of smaller and midsize firms.

\* Details on the 2010 'POM'. The Program Objective Memorandum is issued to guide Department of Defense plans for the next several years (2010-2013). Input by the services will highlight the direction they are suggesting.

**Army POM Suggestions**

The following information is not finalized and under review:

- Warfighter Information Network-Tactical: up \$64M to \$6.9 Billion for 2010-2015
- Joint Tactical Radio Systems Ground Mobile Radios - up \$635 million to \$1.7 billion
- Ground Soldier System - up \$448 million to \$1.5 billion
- Light Utility Helicopter - up \$405 million to \$1.3 billion
- Advanced Threat Infrared Countermeasure and Common Missile Warning Systems - up \$235 million to \$2 billion
- Force XXI Battle Command Brigade and Below, up \$137 million
- Abrams tank upgrades - down \$940M to \$1.9B
- Bradley tank upgrades - down \$293M to \$1.9 B
- UH-60M Black Hawk helicopter procurement, down \$630M to \$6.6 B

\* First flight test of the Boeing 787

\* Obama Infrastructure Plan - what does the defense sector get? **The defense sector is seen as good for quick job creation and good for the the manufacturing base.**

**“The Cold War may be over, but the U.S. still has global interests and global responsibilities, and they cannot be protected on the cheap.”**

**“In the meantime, the cost of being unprepared is often measured in the lives of men and women in the armed forces and international security of the nation put at risk.”**

**“America’s military could soon pay a heavy price for any replay of the 1990s peace dividend. Except this time, there is a gap between the perceived and actual pace of peacetime operations.”**

*source: “Balancing Strategy & Budgets” by Mackenzie Eaglen, a senior policy analyst for national security at The Heritage Foundation, Armed Forces Journal, October 2008-*

## Contract News

**\$27 Billion** - Marine Cops began testing the \$27 Billion amphibious Expeditionary Fighting Vehicle built by General Dynamics.

**\$14 Billion** - By the Navy to General Dynamics Electric Boat and Northrop Grumman Shipbuilding for new eight additional Virginia-class submarines

**\$3.5 Billion** - NASA contract for space cargo to the International Space Station to Orbital Sciences and Space X(private).

**\$3.3 Billion** - Raytheon for Patriot missiles from the UAE.

**\$900+ Million** - The Pentagon is going to shift funds from the Boeing P-8 patrol aircraft toward a third Northrop Grumman / General Dynamics DDG-1000 destroyer. The move indicates that the Navy is willing to sacrifice aircraft programs to boost the fleet to 313 ships by 2020, up from the current 283.

**\$774 Million** - Lockheed Martin from the US Army Aviation & Missile Command for new PAC-3 missiles for the UAE and others

**\$136 Million** - Boeing from the Navy for two C-40A Clipper aircraft bringing the fleet to 11. Work is to be completed by February 2011.

## 2009 Forecasts and Commentaries

**Lockheed Martin** - CEO Robert Stevens - The company is unconstrained by the credit crisis and the firm plans to make acquisitions in 2009, paying mostly in cash - focusing on companies they understand, that bring additional capabilities and core competencies to the business, that they can integrate without any disruption, and add to the diversity of offerings they can provide a customer

**Barclays Capital** analyst Joe Campbell - the downturn in aerospace "will not be deep and prolonged". The much delayed 787 program could be the key to Boeing's performance through 2013 when its competitor, the Airbus 250, is scheduled to debut.

**United Technologies** - Sees a 'modest recovery' in the second half of 2009 and profits in the aerospace division that should be up 8% to 10% subject to currency exchange rates...although overall revenues for 2009 could decline 3.3% to \$57 billion.

**AIA** - The trade association for commercial aviation, defense, and space manufacturers, forecasted 2% growth for the industry in 2009. Military and space sales are expected to rise although the uncertainty of the financial markets could change things. AIA President, Marion Blakey, "[Obama] understands the criticality of an adequate defense budget and the importance of strong defense."

**Northrop Grumman** CEO Ron Sugar - "The world is not getting safer...it's probably going to be even more uncertain as a result of the global economic turmoil" citing predictions of social unrest in China if the country's growth rate falls below 8%. Even if the incoming administration slows development of new weapons systems, the need to replace equipment lost in Iraq and Afghanistan will help to prop up orders for years to come. Reuters Dec-19.

**Northrop Grumman** CEO Ron Sugar - "Defense spending will likely remain steady through the first few years of a new administration...though there could be significant deviations in Pentagon priorities for 2011 and 2012. You may see some rearrange-

## To Look for in 2009

### UAVs Expanding

The Army stated that it plans new missions in 2009 for its UAVs including counterterrorism and counterinsurgency efforts in Africa and testing surveillance situations in a jungle in Latin America.

### TSA \$2 Billion IT contract

The TSA issued a request for proposals on December 12th for an IT infrastructure contract. Contenders include Northrop Grumman, Lockheed Martin, General Dynamics, Computer Sciences Corp., and Unisys.

### Revised Tanker Bids

Boeing and Northrop Grumman are lobbying behind the scenes to ensure bidding guidelines for the revised \$40 billion tanker contract favor the product. Boeing is seeking the 'lowest bidder' whereas Northrop and EADS are seeking 'best value' equation. The *Mobile Register* (AL - 12/21) cited an analyst who believes Boeing will low-ball its bid in order to prevent EADS from gaining a foothold in the U.S. market

### MRAP RFP

"Probable" order quantity of 2080 vehicles with a ceiling of 10,000. Army officials hope to buy M-ATVs as quickly as MRAPS, with delivery in less than two years. Written proposals and armor samples are due Jan 12. The request is for a vehicle weighing up to 12.5 tons not including payload, up from the 7-10 ton vehicle mentioned a few months ago. Potential bidders include: Lockheed Martin, Oshkosh, Force Protection, BAE, and Navistar.

### \$40 Billion Needed for New Soldiers?

The U.S. Army stated in a November 2008 'pre-decision' report that it would require an addition \$40 billion annually in order to add the planned 74,200 troops. Independent analysis have the cost to recruit and train 10,000 soldiers at \$1.2 billion per year. A independent CBO analysis stated that the cost would be \$80 billion through 2013 (about \$14 billion annually).

ment of what's emphasized and what's not emphasized, but the way this system works, the next several years are pretty well understood....cybersecurity and UAVs are two areas that should see significant growth" -- as cited in Reuters on 11/19

**Rockwell Collins** CEO, Clay Jones, "The basic, core defense budget will not be reduced because I don't think it can afford to be reduced."

**Boeing** - Jim Albaugh, head of Boeing's Integrated Defense Systems unit told Reuters - Boeing is seeking to increase defense sales by up to 5% over the next 5 to 10 years and that the firm is focused on boosting foreign sales to 20% of its total.

**Boeing** - Cited in Bloomberg on Dec-11, girding for any forthcoming military budget cuts, Boeing said it will offer cheaper weapons systems based on existing technology that still provide "80% or 90% of the capability" of newer, higher priced systems. Cited as an example was the F/A-18 Super Hornet over the costlier F-35 Lightning II made by Lockheed Martin. The article said that it is not necessarily a win-win option for the firm citing that Boeing's role on complex, new technologies for missile defense could lead to themselves being undercut by their rivals.

**FTN Midwest Securities** analyst, Mike Derchin, stated that U.S. airlines could earn \$5.2 billion in 2009 due to the decline in oil prices, consolidation, reductions in capacity, and higher average fares. [ed note: this bodes well for companies providing operations and maintenance services and aircraft manufacturers concerned that a recession might delay / cancel orders.]

Company	Dec-09 Ticker	SPADE Defense Index				% Ch		Market Cap	Forward P/E	Price/ Sales	Price/ Book	PEG 5 yr expected	Div Yld forward %
		Float %	Price 28-Nov-08	Price 31-Dec-08	YTD	MTD	intraday						
Boeing Co	BA	7.30%	42.63	42.67	-51.21%	0.09%	32.57	7.53	0.48	3.59	0.81	3.90%	
United Technologies	UTX	7.27%	48.53	53.60	-29.97%	10.45%	51.50	11.17	0.87	2.42	1.03	2.90%	
Lockheed Martin	LMT	7.19%	77.11	84.08	-20.12%	9.04%	33.73	10.51	0.79	3.43	0.95	2.70%	
Honeywell Intl	HON	6.52%	27.86	32.83	-46.68%	17.84%	24.63	10.49	0.64	2.50	0.87	3.40%	
General Dynamics	GD	6.14%	51.67	57.59	-35.28%	11.46%	22.93	8.69	0.78	1.85	1.04	2.40%	
Raytheon Co	RTN	5.78%	48.80	51.04	-15.91%	4.59%	21.47	11.10	0.92	1.66	1.02	2.20%	
Northrop Grumman	NOC	4.48%	40.95	45.04	-42.73%	9.99%	15.02	8.54	0.44	0.84	0.68	3.60%	
Precision Castparts	PCP	4.00%	62.70	59.48	-57.12%	-5.14%	8.63	7.26	1.16	1.83	0.50	0.20%	
SAIC	SAI	3.95%	17.80	19.48	-3.18%	9.44%	7.93	16.06	0.80	4.03	1.33		
Itt Indus	ITT	3.94%	41.86	45.99	-30.36%	9.87%	8.65	12.63	0.74	1.89	0.89	1.50%	
L-3 Communications Hldgs	LLL	3.91%	67.17	73.78	-30.36%	9.84%	8.95	9.99	0.60	1.45	0.94	1.60%	
Rockwell Collins	COL	3.51%	34.08	39.09	-45.69%	14.70%	6.33	9.01	1.30	4.40	0.79	2.50%	
Computer Sciences	CSC	3.02%	27.86	35.14	-28.97%	26.13%	5.49	8.52	0.31	0.93	0.75		
Harris Corp	HRS	2.91%	34.88	38.05	-39.29%	9.09%	5.31	8.64	0.94	2.22	0.54	2.10%	
Goodrich Corp	GR	2.59%	33.65	37.02	-47.57%	10.01%	4.77	7.71	0.65	1.67	0.52	2.70%	
Flir Systems	FLIR	2.42%	31.00	30.68	-1.98%	-1.03%	4.35	20.08	4.19	5.55	1.06		
Ball Corp	BLL	2.23%	36.45	41.59	-7.58%	14.10%	4.00	10.56	0.52	2.81	1.02	1.00%	
Garmin Ltd	GRMN	2.20%	17.03	19.17	-80.24%	12.57%	4.14	6.37	1.06	1.81	0.39	3.90%	
URS Corporation	URS	1.93%	37.96	40.77	-24.96%	7.40%	3.39	13.66	0.37	0.94	1.17		
Textron	TXT	1.90%	15.23	13.87	-80.55%	-8.93%	3.56	5.37	0.23	0.94	0.32	6.60%	
Alliant Techsystems	ATK	1.59%	82.20	85.76	-24.61%	4.33%	2.79	10.12	0.64	3.29	0.94		
Trimble Navigation Ltd	TRMB	1.47%	20.36	21.61	-28.54%	6.14%	2.63	13.68	1.88	2.23	0.66		
Elbit Systems	ESLT	1.11%	37.23	46.48	-21.96%	24.85%	1.95	12.66	0.77	3.09	1.41	1.90%	
Mantech International'a'	MANT	1.09%	54.42	54.19	23.66%	-0.42%	1.91	18.38	1.07	2.96	1.08		
Teledyne Technologies	TDY	0.91%	40.62	44.55	-16.46%	9.68%	1.61	13.09	0.86	2.48	0.80		
Moog Inc.	MOGA	0.89%	32.18	36.57	-20.17%	13.64%	1.59	11.26	0.82	1.57	1.05		
Caci Intl	CAI	0.77%	44.41	45.09	0.71%	1.53%	1.34	13.42	0.53	1.47	1.02		
Cogent Inc.	COGT	0.69%	13.44	13.57	21.70%	0.97%	1.20	23.86	11.31	2.43	1.27		
Orbital Sciences Corp	ORB	0.65%	17.20	19.53	-20.35%	13.55%	1.13	21.04	0.96	2.44	1.24		
Esterline Technologies	ESL	0.64%	36.91	37.89	-26.78%	2.66%	1.16	9.79	0.76	1.09	0.48		
Sra International'a'	SRX	0.55%	15.02	17.25	-41.43%	14.85%	0.96	13.14	0.63	1.41	0.96		
DynCorp	DCP	0.49%	14.85	15.17	-43.56%	2.15%	0.90	10.26	0.33	1.85	0.80		
Stanley Inc.	SXE	0.48%	31.90	34.21	6.84%	7.24%	0.82	20.08	1.24	4.47	1.13		
AeroVironment	AVAV	0.44%	32.23	36.81	52.11%	14.21%	0.79	26.51	3.35	4.02	1.53		
Viasat Inc	VSAT	0.42%	21.43	24.08	-30.06%	12.37%	0.74	13.75	1.21	1.73	0.99		
Cubic Corp	CUB	0.41%	26.44	27.20	-30.61%	2.87%	0.76	15.24	0.83	1.87	1.10	0.70%	
AAR Corp	AIR	0.40%	16.94	18.41	-51.59%	8.68%	0.69	7.87	0.48	1.15	0.57		
Triumph Group	TGI	0.40%	34.20	42.46	-48.44%	24.15%	0.72	7.16	0.57	0.95	0.45	0.40%	
Oshkosh Truck	OSK	0.38%	7.00	8.89	-81.19%	27.00%	0.75	4.28	0.09	0.48	0.49	4.50%	
American Science & Engineering	ASEI	0.37%	75.87	73.96	30.33%	-2.52%	0.65	20.74	3.60	3.94	1.48	1.10%	
AXSYS Technologies	AXYS	0.35%	69.81	54.86	49.69%	-21.42%	0.6	19.62	2.67	3.4	1.19		
L-1 Identity Solutions	ID	0.33%	5.84	6.74	-62.45%	15.41%	0.60	69.20	1.10	0.47			
Ceradyne Inc	CRDN	0.30%	26.26	20.31	-56.72%	-22.66%	0.55	8.33	0.73	0.86	0.46		
Argon St	STST	0.23%	19.59	18.86	1.62%	-3.73%	0.40	14.72	1.20	1.40	0.81		
NCI Information Technology	NCIT	0.23%	28.80	30.13	76.10%	4.62%	0.43	22.16	1.07	4.33	1.29		
GeoEye	GEOY	0.20%	19.99	19.23	-42.85%	-3.80%	0.36	19.57	2.33	1.53	2.05		
TASER International Inc.	TASR	0.18%	4.35	5.28	-63.31%	21.38%	0.33	88.83	3.34	3.03	8.92		
ICX Technologies	ICXT	0.15%	7.82	7.91	-17.78%	1.15%	0.27		1.68	1.51			
Osi Systems	OSIS	0.14%	13.88	13.85	-47.68%	-0.22%	0.26	13.51	0.39	0.90	0.99		
Applied Signal Technology	APSG	0.13%	15.69	17.94	32.11%	14.34%	0.23	21.17	1.22	1.82	1.47	2.80%	
Ladish Co	LDSH	0.12%	16.59	13.85	-67.93%	-16.50%	0.26	5.32	0.47	0.85	0.76		
VSE Corporation	VSEC	0.11%	33.65	39.23	-19.68%	16.58%	0.20		0.21	2.83		0.50%	
Ducommun	DCO	0.10%	16.72	16.70	-56.05%	-0.12%	0.19	8.02	0.45	0.76	0.71	1.80%	
Mercury Computer Sys	MRCY	0.08%	2.74	6.31	-60.83%	130.29%	0.15	19.42	0.68	0.97			

Data Provided by Yahoo Finance & Capital IQ, and Forward P/E by Thompson

**Commenting on developing systems that are strategic 'relics' of earlier wars**

**"You try to never fight the last war when developing weapon systems... (and you) can't afford to be surprised by the next."**

*Col. Keith Moore, Marine Corps Expeditionary Fighting Vehicle program manager*

**U.S. Army - November 2008 Report**

...predicts that the global fiscal slowdown likely will complicate global security, and predicts a threat picture shaped by the conflicts in Iraq, Afghanistan, globalization, demographic shifts, resource competition among nations, climate change, natural disasters, and the proliferation of weapons of mass destruction.

...the next administration will face hybrid threats defined as dynamic combinations of terrorist, irregular, conventional, and similar elements".

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