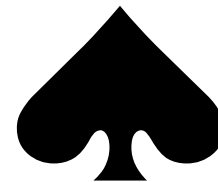


SPADE INVESTOR



January 2010

Defense * Homeland Security * Space

www.spadeindex.com

Vol 5 #1 ISSN: 1930-4781

Commentary

Although the streak where the SPADE Defense Index outperformed the broader markets ended at nine years (2000 - 2008), the Index's 21.7% gain in 2009 was nothing to cry over. For the decade, the defense sector gained an impressive 97.06% while the overall market declined by 24.10% -- giving investors an alpha of more than 121%!

More recently, from the market decline that began in 2008 and bottomed in March 2009, through the rebound that continued through the end of the year, the defense sector has essentially tracked the broader markets, rising in a rising market and declining when the markets went down.

To many that follow the sector this was a bit of a surprise. With revenues mostly dependent on government budgets, issues such as banking irregularities, mortgage foreclosures, and recession should have had less of an impact on the sector than other elements of the U.S. economy. But no one will call the last year and a half "normal" times.

Although the perception was that it has been a tough year for aerospace and defense companies the returns seem to indicate otherwise. The gain of 21.7%

for the year came as the sector weathered issues related to whether U.S. defense spending has hit a peak in the cycle; the cancellation or restructuring of several large programs; and delays for most of the year in a major commercial aerospace initiative.

Yet despite all that, the sector managed to emerge with most of its companies in a relatively healthy position, valuations that are still historically attractive to investors, and many with substantial cash on hand.

Looking forward, the sector has some upside potential although there are issues that bear watching. The next month and a half should see a tremendous focus on the sector as the White House and Pentagon release a series of planning documents and the FY-2011 budget request which will provide details through FY-2016 -- a key indicator on the long-term health of the sector. In the short-term (the next several quarters), the sector should remain strong as healthy defense spending continues and commercial activities enter a growth cycle. Meanwhile many defense companies are well positioned to weather anticipated changes.

SPADE Defense Index Statistics

12/31/09 Close: 1940.70
All-time Close: 2747.67
Date of all-time close: 9 October 2007

	SPADE Defense	S&P500
December	3.98%	1.78%
4Q09	5.34%	5.49%
2009	21.71%	23.45%

ON THE HORIZON

FY-2011 Defense Budget Request (covering the FY2012 - FY2016 period)

2010 Quadrennial Defense Review - a road map spelling out national defense strategy and how to deal with future threats.

2010 Ballistic Missile Defense Review

2010 Nuclear Posture Review - This is the third formal review (1994, 2002) of post-Cold War Nuclear Strategy and will likely focus not just on Russia but Iran, Pakistan, North Korea, and China.

A New Vision for NASA - Likely to be released with the FY-2011 budget.

U.S. Navy Future Plan - In February, the Navy will release its 30-year shipbuilding and aviation plans.

...all anticipated in late January / February

In addition...

More money for the Pentagon: Announced in late December, the White House stated it will provide \$100 billion more in the 2011-2015 budget plan to cover the rising cost of personnel and pressing modernization needs.

Since 2000, annual DoD spending on unmanned systems has soared from \$300 million to \$3 billion.

2009 Stock Market Leaders

1	Oshkosh Truck	316.54%
2	OSI Systems	96.97%
3	Precision Castparts	85.52%
4	Goodrich	73.55%
5	Computer Sciences	63.72%
6	Garmin	60.15%
7	Mercury Computer	74.48%
8	GeoEye	44.98%
9	Rockwell Collins	41.62%
10	Elbit Systems	39.95%

2009 Stock Market Laggards

1	EMS Technologies	[43.95%]
2	Gencorp	[39.97%]
3	Integral Systems	[28.13%]

Largest Defense Prime Contractors

	December	2009
Lockheed Martin	[2.43%]	[10.38%]
Boeing	3.28%	28.86%
General Dynamics	3.44%	18.37%
Northrop Grumman	1.92%	24.00%
Raytheon	[0.02%]	0.94%

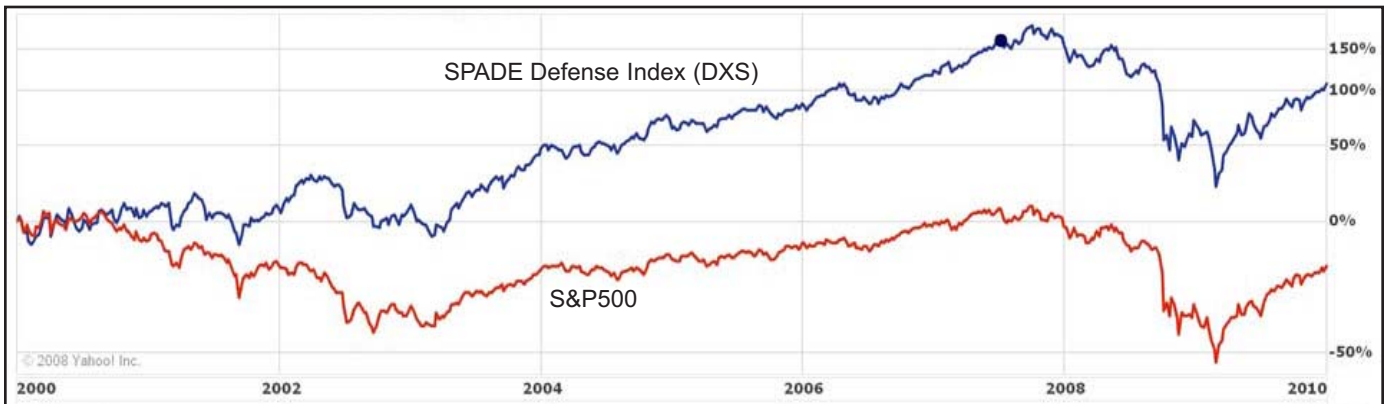
Performance details for all index constituents can be found on page 5

A Decade of Growth

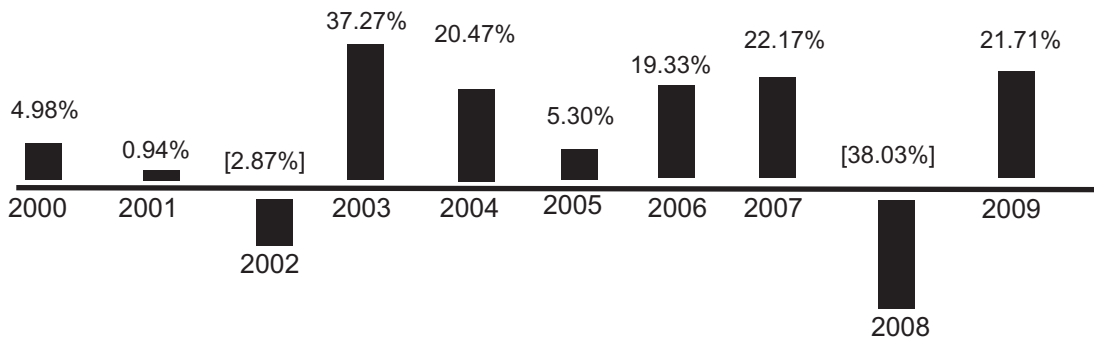
Aerospace and defense companies from 2000 to 2009 rode a period of growth that saw the SPADE Defense Index nearly double while the broader markets declined by roughly a quarter. Accelerating after the 9-11 terrorist action, the decade saw defense spending double as the U.S. undertook a war in Iraq, a War Against Terror which included significant action in the Afghan region, and invested heavily to upgrade its security for the 21st century -- all actions that continue today.

Total Return 2000 - 2009

DXS:	97.06%
S&P 500:	[24.10%]
DXS - Decade Open:	984.85
DXS - Decade Close:	1940.70



SPADE Defense Index: Annual Performance

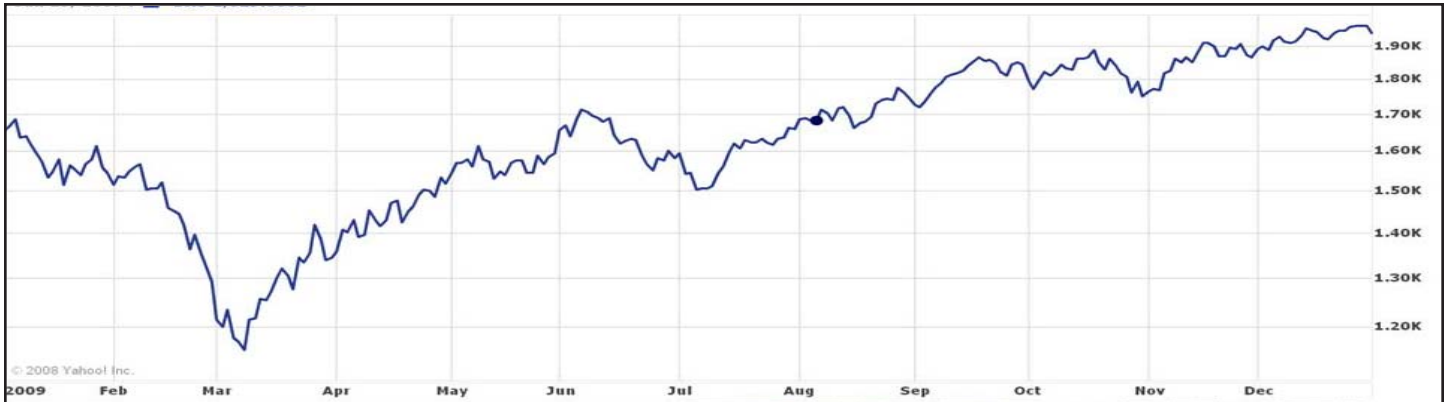


	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
SPADE Defense Index	21.71%	[38.03%]	22.17%	19.33%	5.30%	20.47%	37.27%	[2.87%]	0.94%	4.98%
S&P500	23.45%	[38.49%]	3.53%	13.62%	3.00%	8.99%	26.38%	[23.37%]	[13.04%]	[10.14%]

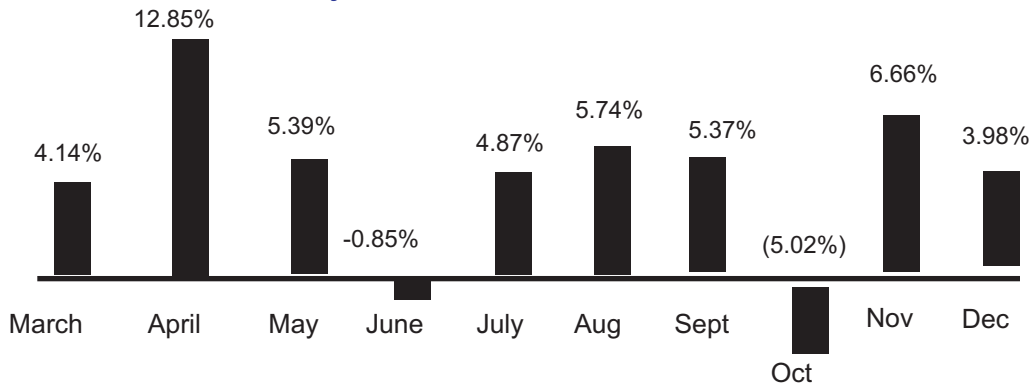
SPADE Defense Index: Quarterly Performance

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Q1	[15.71%]	[13.53%]	4.37%	10.65%	[2.52%]	0.36%	[7.92%]	16.57%	[7.18%]	0.83%
Q2	17.78%	[4.69%]	10.76%	[4.03%]	3.91%	6.34%	19.03%	[2.86%]	5.91%	[7.11%]
Q3	16.36%	[8.13%]	[2.39%]	3.21%	4.44%	2.81%	5.27%	[17.04%]	[10.40%]	12.14%
Q4	5.34%	[18.14%]	[4.22%]	8.79%	[0.47%]	9.80%	18.97%	3.39%	14.59%	[0.05%]

2009 Overview



SPADE Defense Index: Monthly Performance



Rise from Index Bottom: %
(March 2009 - December 31, 2009)

Decline from Peak: %
(October 2007 - March 2009)

ETF Statistics (NYSEarca: PPA)
Powershares Aerospace & Defense

Exchange / Ticker Symbol:	NYSE / PPA
Fee	60 basis
Assets (12/31/09)	\$ 126.3 M
Closing Price (12/31/09)	\$ 17.07
Yield (12-month yield)	1.20%
December 09 Volume	1,392,300
3 month Avg Daily Volume	61,328
Turnover	9%

source: Yahoo Finance

December 2009 Top Gainers

1	OSI Systems	33.53%
2	AAR Corp.	23.15%
3	L-1 Identity	21.99%
4	Comtech Telecom	21.92%
5	Orbital Sciences	21.79%

For the Technician



Average Market Cap.	\$8.8 Billion
Portfolio P/E	12.67
Portfolio P/S	0.64
Portfolio P/B	2.25
Portfolio P/Cash Flow	6.37
Earnings Growth (ttm)	11.74%

source: Yahoo! Finance (11/30/09)

December 2009 Laggards

1	GeoEye	[10.56%]
2	Gencorp	[10.37%]
3	Oshkosh Truck	[6.80%]
4	Textron	[6.18%]
5	ITT	[3.83%]

Powershares Aerospace & Defense ETF (NYSE: PPA)
Modern Portfolio Theory (vs the S&P500)

Beta (3 month)	1.11
Alpha (3 month)	4.96
R-squared (3 month)	84.97

Powershares Aerospace & Defense ETF (NYSE: PPA)
On 18 December 2009 - The ETF paid a \$.104 dividend

2010 Forecast

Reasons to be Positive in 2010

- * Near-term budget should be stable with forecasts. The proposed War Tax, the White House's plans to add \$100 billion to the core defense budget, and other 'surprises' could provide upside.
- * End-of-year should see the first deliveries of the Boeing 787 and suppliers booking revenues and increased profit margins.
- * Instability, fear, and uncertainty drive defense spending -- akin to insurance for a stable way of life. Rising concerns in China and Iran along with random terrorist incidents will continue to necessitate a need for security.
- * Increased spending on electronic warfare tools, UAVs, C4ISR, and cybersecurity to name but a few markets.
- * Rise of new programs including an updated presidential helicopter, new bomber program, stealth UAVs, etc.
- * M&A and IPOs, which were down across the whole market are likely to see renewed vigor in 2010. Several defense IPOs are anticipated and a rise in acquisition activity is likely as companies deploy cash and make a series of strategic acquisitions.
- * An improving U.S. economy will put less pressure on the government to make substantial cuts.
- * Increased spending on homeland security -- specifically related to information technology initiatives that enable officials to better monitor who is entering the country and improved scanners of people and cargo -- is likely in light of the recent failed airline terrorist attempt.

Issues for Investors to Watch

- * Politics is always an unknown and the release of the FY-2011 budget could reveal out-year budget declines in the middle of the decade.
- * Tighter defense budgets are anticipated to lead to increase competition among defense contractors. One would also expect a lot more partnerships to take place as firms seek to gain a share of major procurements.
- * Additional delays to the Boeing 787 are less likely at this stage of development -- but one never knows.
- * Economic issues -- the budget deficit, national debt, double-dip recession, etc. -- could impact the budget in future years.
- * Will DoD continue to give contracts to non-traditional prime contractors including smaller companies and foreign-based firms?

Some Questions for 2010

- * The continuing KC-X tanker drama
- * The future of the C-17 program
- * Will the Air Force use the F-22 for ISR?
- * More details on the previously classified RQ-170 drone which is being used in Afghanistan for ISR.
- * How big will the acquisition of MRAP and Tactical Vehicles to meet needs in Afghanistan be?
- * How will DoD restrict or limit companies from filing protests on every procurement?

What Some Internet Analysts Are Saying

Motley Fool

Four Star Stocks on the Upswing -- The Powershares Aerospace & Defense ETF (NYSE: PPA) -- All-stars saying outperform 103 of 108.

The Small Cap Newsletter

The reports of instability in Iran, suicide bombings in Pakistan, and ongoing hostilities in Afghanistan are well known. Yet, the expansion of the war on terror into Yemen suggests that the fronts are expanding and that U.S. involvement in that general region of the world is not likely to end anytime soon, despite political talk of it continuing.

Thus defense companies, who depend on government money for their living are in a good position to continue to make money. To be sure, this is a sensitive area for investors. And our role here is not to condemn or condone war or the defense industry. It's just a fact of life that there is a huge long term conflict underway and that defense companies are in a

good position to profit from it.

-- Dr. Joe Duarte

The ETF Professor

Defense spending is always a hot-button political issue and with 2010 being an election year, politicians don't figure to be cutting defense spending anytime soon. Factor in two wars in the Middle East and rising concerns over the war on terrorism and it's safe to say that companies like Boeing, Lockheed Martin, and United Technologies won't see their Washington war chests shrink anytime soon.

ETF Trends

The past year has kept the aerospace and defense sector subdued, but increases in spending and other global factors may make this sector's exchange traded funds a top gun. In the past month, the aerospace and defense sector has seen some gains in performance and more analysts are feeling bullish on the sector.

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 servicewomen.

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
- * Sufficient Liquidity

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Contracts

\$100 Billion - The Obama administration plans to boost the Pentagon base budget to cover increased personnel and modernization costs.

\$3.2 Billion - To Lockheed Martin from Egypt for as many as 24 F-16 fighter jets. The company hopes to get the contract signed "early" 2010.

\$2.7 Billion - The Department of Homeland Security began taking grants from state and local programs. Monies will be spent on transportation security, infrastructure security, and emergency management.

\$2 Billion - *Aviation Week* reported that Northrop Grumman is working on a major classified demonstration program for a new bomber, a program sought to be seeking \$2 billion for development. In 2005, Northrop proposed an X-47C with very long endurance after the J-UCAS program was terminated.

\$1.1 Billion - Raytheon received approval by Congress and the Pentagon for a Patriot missile sale to Taiwan.

\$851 Million - From the U.S. Navy to Lockheed Martin for work on the Trident II nuclear missile launched from submarines.

\$554 Million - to Northrop Grumman saving 1000 California jobs when Congressional negotiators agreed to build an addition five Global Hawk aircraft as the Pentagon requested.

\$171 Million - Sikorsky (United Technologies) - for aircraft work from the UAE

\$100 Million - Included in the 2010 Pentagon spending bill to continue work on the recently cancelled Lockheed Martin VH-71 presidential helicopter program.

\$TBD - Britain is seeking to order 24 Chinook helicopters from Boeing in 2010.

\$TBD - President Barack Obama is considering expediting the implementation and use of full-body scanners throughout airports in the U.S.; currently being used at only 19 airports. American Science & Engineering made an appearance on CNBC following this announcement.

Market Statistics

According to the Aerospace Industries Association (AIA):

- Total Aerospace sales in 2009: \$214 billion - a record for the sixth straight year
- Military aircraft led the growth curve while civil aircraft, missiles and space posted increases.
- Military aircraft sales increased by 8% in 2009 to \$61.7 billion and forecast \$63 billion for 2010.
- Missile sales are forecast to increase by more than 25% over the next two years.
- The aerospace trade surplus remains a solid \$54 billion -- the largest of any manufacturing sector.
- Employment is forecast to drop 2% in 2009 to 641,100, the first decline since 2003.
- Aerospace employment fell by 4% in the first three quarters, while manufacturing jobs dropped by 11.7%.
- Despite shifting priorities, AIA believes that defense spending should increase by about 4% in 2010 even as officials decide where to make cuts in future years.

New Systems

Littoral Combat Ship: According to *Aviation Week*, the Navy says it will field all 55 ships "one way or another" and is making big changes to its procurement including the selection of a single structure instead of two hulls.

New ETFs Launched

During 4Q09, Geary Advisors launched ETFs designed to track our SPADE Oklahoma Index and the SPADE Texas Index. Tickers respectively are OOK and TXF. Both indexes were created to provide a benchmark for companies headquartered in their respective state. Additional information on the indexes can be found at <http://www.spadeindexes.com>

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 Scott Sacknoff: Index Manager

Jan-10		SPADEFENSE Index					Market	Forward	Price/	Price/	PEG	
Company	Ticker	Float %	Price	Price	% Ch	% Ch	Cap	P/E	Sales	Book	5 yr	Div Yld
			30-Nov-09	31-Dec-09	YTD	MTD	intraday	(ttm)	ttm	mrq	expected	forward %
United Technologies	UTX	6.64%	67.24	69.41	29.50%	3.23%	65.07	15.12	1.26	3.57	1.66	2.20%
Boeing Co	BA	6.62%	52.41	54.13	26.86%	3.28%	37.76	12.62	0.61		5.42	3.10%
Honeywell Intl	HON	6.43%	38.47	39.20	19.40%	1.90%	29.91	16.27	0.96	3.20	1.56	3.00%
Lockheed Martin	LMT	6.16%	77.23	75.35	-10.38%	-2.43%	28.48	10.21	0.66	9.16	1.09	3.30%
General Dynamics	GD	5.65%	65.90	68.17	18.37%	3.44%	26.30	10.44	0.83	2.26	1.41	2.20%
Northrop Grumman	NOC	4.64%	54.80	55.85	24.00%	1.92%	17.52	10.08	0.51	1.44	1.18	3.00%
Precision Castparts	PCP	4.45%	103.68	110.35	85.52%	6.43%	15.53	14.42	2.67	2.88	1.02	0.10%
Raytheon Co	RTN	4.45%	51.53	51.52	0.94%	-0.02%	19.74	10.35	0.82	2.10	1.19	2.40%
L-3 Communications Hldgs	LLL	4.06%	78.37	86.95	17.85%	10.95%	10.11	10.86	0.67	1.62	1.22	1.60%
Computer Sciences	CSC	4.01%	55.31	57.53	63.72%	4.01%	8.77	11.13	0.55	1.40	1.25	
Goodrich Corp	GR	4.01%	59.34	64.25	73.55%	8.27%	7.99	14.57	1.19	2.79	1.25	1.70%
Rockwell Collins	COL	4.00%	53.46	55.36	41.62%	3.55%	8.78	14.23	1.98	6.84	1.14	1.70%
SAIC	SAI	3.99%	17.82	18.94	-2.77%	6.29%	7.50	13.43	0.71	3.31	1.18	
Itt Indus	ITT	3.98%	51.72	49.74	8.15%	-3.83%	9.09	12.62	0.84	2.56	2.00	1.70%
Harris Corp	HRS	3.44%	43.90	47.55	24.97%	8.31%	6.26	11.80	1.25	3.25	0.88	1.80%
Textron	TXT	2.72%	20.05	18.81	35.62%	-6.18%	5.10	23.22	0.45	1.74	19.93	0.40%
Flir Systems	FLIR	2.65%	28.70	32.73	6.68%	14.04%	4.97	20.98	4.43	4.46	1.28	
Ball Corp	BLL	2.59%	49.41	51.70	24.31%	4.63%	4.87	11.78	0.68	3.32	1.64	0.80%
URS Corporation	URS	1.99%	41.55	44.52	9.20%	7.15%	3.74	13.66	0.38	0.98	1.41	
Oshkosh Truck	OSK	1.77%	39.73	37.03	316.54%	-6.80%	3.31	12.18	0.64	6.58	0.68	
Alliant Techsystems	ATK	1.55%	85.72	88.27	2.93%	2.97%	2.91	9.64	0.62	3.50	0.77	
Ebit Systems	ESLT	1.46%	61.01	65.05	39.95%	6.62%						2.13%
Mantech International'a'	MANT	0.92%	43.28	48.34	-10.80%	11.69%	1.74	14.39	0.90	2.28	1.21	
Caci Intl	CACI	0.78%	46.42	48.85	8.34%	5.23%	1.47	13.13	0.53	1.41	1.11	
Teledyne Technologies	TDY	0.74%	33.52	38.36	-13.89%	14.44%	1.38	12.26	0.80	2.35	2.09	
Moog Inc.	MOGA	0.71%	26.41	29.23	-20.07%	10.68%	1.33	11.37	0.72	1.26	1.41	
Esterline Technologies	ESL	0.65%	40.39	40.77	7.60%	0.94%	1.21	11.17	0.86	0.98	1.10	
Sra International'a'	SRX	0.58%	18.05	19.10	10.72%	5.82%	1.08	14.25	0.71	1.45	1.20	
Digital Globe	DGI	0.58%	23.01	24.20	5.22%	5.17%	1.09	28.47	3.90	2.37	1.55	
Cubic Corp	CUB	0.53%	34.82	37.30	37.13%	7.12%	1.00	15.10	1.00	2.42	1.52	0.50%
Viasat Inc	VSAT	0.53%	30.65	31.78	31.98%	3.69%	1.01	16.13	1.62	2.09	1.52	
Comtech	CMTL	0.53%	28.74	35.04	-23.53%	21.92%	0.99	15.44	1.90	1.56	0.46	
Cogent Inc.	COGT	0.50%	8.53	10.39	-23.43%	21.81%	0.93	21.20	6.93	1.67	1.90	
Orbital Sciences Corp	ORB	0.46%	12.53	15.26	-21.86%	21.79%	0.87	20.08	0.77	1.79	1.70	
DynCorp	DCP	0.43%	13.98	14.35	-5.41%	2.65%	0.81	8.20	0.25	1.49	0.79	
Triumph Group	TGI	0.43%	47.99	48.25	13.64%	0.54%	0.80	9.89	0.67	0.98	0.79	0.30%
AAR Corp	AIR	0.36%	18.66	22.98	24.82%	23.15%	0.88	12.03	0.64	1.23	1.25	
American Science & Engineering	ASEI	0.36%	69.55	75.84	2.54%	9.04%	0.67	19.60	2.93	3.47	1.11	1.00%
L-1 Identity Solutions	ID	0.36%	6.14	7.49	11.13%	21.99%	0.68	107.00	1.04	0.91	32.80	
Stanley Inc.	SXE	0.35%	26.68	27.41	-19.88%	2.74%	0.66	13.57	0.80	2.64	1.00	
AeroVironment	AVAV	0.33%	28.74	29.08	-21.00%	1.18%	0.63	20.77	2.94	3.07	1.30	
GeoEye	GEOY	0.28%	31.17	27.88	44.98%	-10.56%	0.53	19.36	2.20	2.04	1.13	
Ceradyne Inc	CRDN	0.26%	16.91	19.22	-5.37%	13.66%	0.49	25.63	1.13	0.78	3.02	
Osi Systems	OSIS	0.26%	20.43	27.28	96.97%	33.53%	0.48	18.94	0.84	1.72	1.18	
Argon St	STST	0.25%	17.98	21.71	15.11%	20.75%	0.47	16.57	1.28	1.47	1.38	
Gencorp	GY	0.22%	7.81	7.00	-39.97%	-10.37%	0.41	9.33	0.55	81.86	---	
NCI Information Technology	NCIT	0.20%	25.16	27.65	-8.23%	9.90%	0.37	15.53	0.85	3.26	1.16	
Force Protection	FRPT	0.19%	5.16	5.21	-12.88%	0.97%	0.36	9.83	0.40	1.28	0.69	
Applied Signal Technology	APSG	0.14%	19.77	19.28	7.47%	-2.48%	0.25	16.91	1.24	1.81	1.30	2.60%
TASER International Inc.	TASR	0.14%	4.23	4.38	-17.05%	3.55%	0.27	39.82	2.80	2.41	---	
Mercury Computer Sys	MRCY	0.14%	10.61	11.01	74.48%	3.77%	0.26	14.88	1.38	1.68	2.42	
Ladish Co	LDSH	0.13%	13.89	15.05	8.64%	8.35%	0.24	27.36	0.63	1.06	150.50	
EMS Tech	ELMG	0.12%	12.88	14.50	-43.95%	12.58%	0.22	17.26	0.61	0.87	0.70	
VSE Corporation	VSEC	0.12%	45.45	45.08	14.91%	-0.81%	0.23	7.24	0.22	2.47	---	0.40%
Ducommun	DCO	0.10%	18.65	18.71	12.04%	0.32%	0.20	8.39	0.45	0.81	0.66	1.60%
Herley Industries	HRLY	0.10%	11.56	13.89	13.11%	20.16%	0.19	11.77	1.11	1.23	3.47	
Integral Systems	ISYS	0.08%	8.89	8.66	-28.13%	-2.59%	0.15	15.75	0.96	1.34	1.23	

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