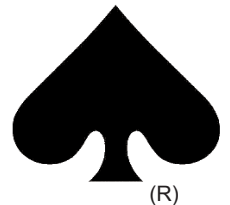


THE SPADE INVESTOR^(R)



End of 2012

Defense * Homeland Security * Space

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Commentary

As the year concludes there are significant headwinds based on some real unknowns as Congress and the White House get prepared to battle over sequestration and budget cuts. Until these become clear, as we've mentioned before, everything is just a guess.

After underperforming in the middle of the year as budget fears took hold, the sector rebounded at the end of the year.

Taken as a whole, 2012 ended with the SPADE Defense Index outperforming the broader market by several percent, 289 basis points in total -- performance that most investors would take in any year.

The year also saw a big divergence between the winners and losers with a dozen companies returning more than double the broader market and more than a dozen underperforming by double digits. Additionally investors in all the largest defense prime contractors except for Raytheon would also have been better served by investing in the Powershares ETF.

SPADE Defense Index Statistics

12/31/12 Close: 2406.23
 All-time Close: 2758.58
 Date of all-time close: 11 October 2007

	SPADE Defense	S&P500
2012	16.30%	13.41%

2012 Top Gainers

1	TASER	74.61%
2	Gencorp	71.99%
3	Key W Holdings	71.49%
4	Computer Sciences	68.99%
5	Digital Globe	42.84%
6	Transdigm	42.52%
7	Oshkosh Truck	38.68%
8	Huntington Ingalls	38.55%
9	GeoEye	38.30%
10	Harris	35.85%

2012 Laggards

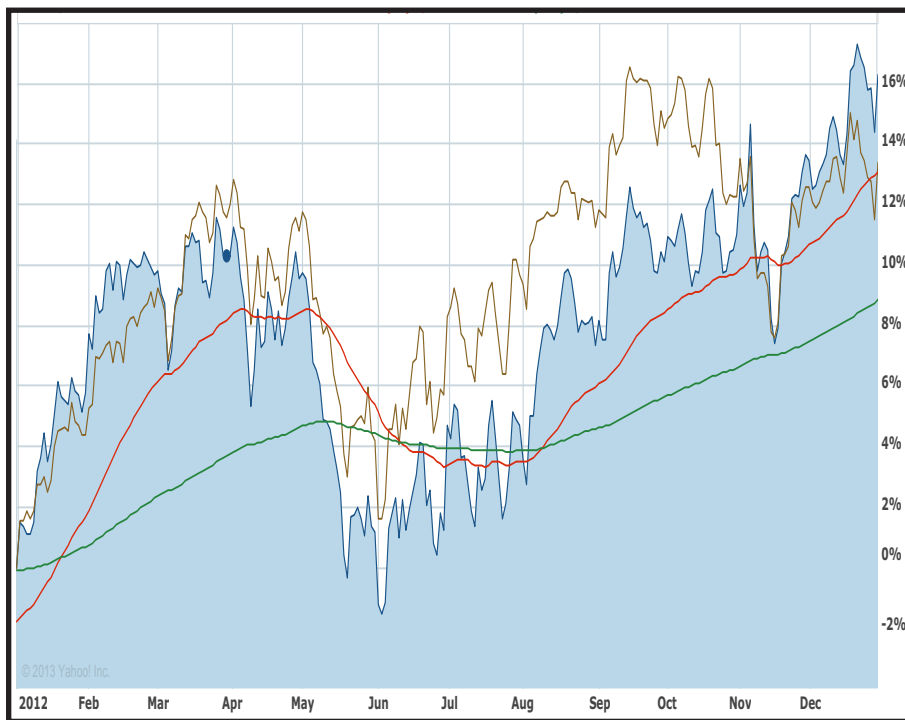
1	Aerovironment	[30.92%]
2	Mercury Computer	[30.78%]
3	Heico	[23.46%]
4	Booz Allen	[19.30%]
5	Mantech	[16.97%]
6	Kratos	[15.75%]
7	Viasat	[15.65%]
8	Comtech	[11.32%]
9	FLIR	[10.97%]
10	SAIC	[7.89%]

Largest Defense Prime Contractors

2012	
Lockheed Martin	14.08%
Boeing	1.38%
General Dynamics	4.31%
Northrop Grumman	15.56%
Raytheon	18.97%
L-3	14.91%

ETF Statistics (NYSEarca: PPA) Powershares Aerospace & Defense

Exchange / Ticker Symbol: NYSE / PPA
 Assets (12/31/12) \$ 43.8M
 Closing Price (12/31/12) \$20.94
 Yield (12-Month Yield) 2.10%
 1Q13 Volume 931,300
 Turnover 8%
 source: Yahoo Finance



PPA (blue) 50-day MA (red)
 S&P500 (rust) 200-day MA (green)

SPADE Defense Index (DXS)
Actual Performance (ex div)

	SPADE Defense Index (NYSE: DXS)	S&P500 (ex-div)
2012	16.30%	13.41%
2011	[2.73%]	0.00%
2010	9.61%	12.78%
2009	21.71%	23.45%
2008	[38.03%]	[38.49%]
2007	22.17%	3.53%
2006	19.33%	13.62%
2005	5.30%	3.00%
2004	20.47%	8.99%
2003	37.27%	26.38%
2002	[2.87%]	[23.37%]
2001	0.94%	[13.04%]
2000	4.98%	[10.14%]
1999	15.31%	19.53%
1998	6.63%	26.67%

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About the SPADE Defense Index

The SPADE Defense Index (NYSE: DXS) provides an investment benchmark for the value that the market ascribes to 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 the sector – 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.

* * *

SPADE Indexes publishes a variety of private and public sector and regional indexes. Public indexes listed on the NYSE include the SPADE Defense Index (ticker: DXS), the SPADE Oklahoma Index (ticker: OKLAH); and the SPADE Texas Index (ticker: TEXAS).

Licensed Products

Exchange Traded Fund - ETF

Licensed to Invesco Powershares, the Powershares 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

Jan-13		SPADE Defense Index					Market		Forward	Price/	Price/	PEG	
Company	Ticker	Float %	Price	Price	% Ch	% Ch	Cap	P/E	Sales	Book	5 yr	Div Yld	
		31-Dec-12	30-Nov-12	31-Dec-12	2012	MTD	intraday	(ttm)	ttm	mrq	expected	forward %	
AAR Corp	AIR	0.42%	15.36	18.68	-2.56%	21.61%	0.71	9.25	0.32	0.77	1.06	1.70%	
Anaren	ANEN	0.15%	18.21	20.85	25.45%	14.50%							
American Science & Engineering	ASEI	0.31%	63.88	65.21	-4.26%	2.08%	0.54	26.29	2.79	2.36	1.69	3.10%	
Alliant Techsystems	ATK	1.16%	60.00	61.96	8.40%	3.27%	2.02	8.81	0.44	1.46	-2.51	1.70%	
AeroVironment	AVAV	0.28%	20.41	21.74	-30.92%	6.52%	0.48	15.20	1.48	1.54	1.36		
Boeing Co	BA	6.27%	74.28	74.36	1.38%	0.11%	56.83	14.72	0.71	7.42	1.25	2.60%	
Booz Allen & Hamilton	BAH	1.15%	14.01	13.92	-19.30%	-0.64%	1.89	9.04	0.32	15.45	1.13	2.60%	
Ball Corp	BLL	3.94%	44.69	44.75	25.32%	0.13%	6.88	13.28	0.79	5.24	1.37	0.90%	
Caci Intl	CACI	0.72%	51.15	55.03	-1.59%	7.59%	1.26	8.59	0.32	1.12	0.59		
Comtech	CMTL	0.25%	25.56	25.38	-11.32%	-0.70%	0.44	17.27	1.08	1.01	0.59	4.40%	
Rockwell Collins	COL	3.97%	57.18	58.17	5.06%	1.73%	8.16	11.87	1.71	6.50	1.35	2.10%	
Computer Sciences	CSC	3.56%	38.06	40.05	68.99%	5.23%	6.22	12.06	0.39	2.12	1.93	2.00%	
Cubic Corp	CUB	0.73%	48.95	47.97	10.05%	-2.00%	1.28	14.11	0.91	1.87	1.78	0.50%	
Ducommun	DCO	0.10%	15.67	16.17	26.82%	3.19%	0.17	9.29	0.22	0.76	-4.80		
Digital Globe	DGI	0.66%	24.94	24.44	42.84%	-2.00%	1.15	19.24	2.95	2.24	3.04		
Engility Holdings	EGL	0.18%	18.36	19.26	11.01%	4.90%							
Esterline Technologies (7/18/12 IPO)	ESL	1.12%	61.14	63.61	13.65%	4.04%	1.96	10.23	0.97	1.20	0.76		
Flir Systems	FLIR	1.91%	20.40	22.32	-10.97%	9.41%	3.35	14.40	2.33	2.07	1.22	1.30%	
General Dynamics	GD	5.06%	66.50	69.27	4.31%	4.17%	24.46	9.48	0.74	1.68	1.94	3.00%	
GeoEye	GEOY	0.40%	30.56	30.73	38.30%	0.56%	0.69	14.99	1.95	1.28	1.95		
Gencorp	GY	0.32%	9.20	9.15	71.99%	-0.54%	0.55	26.14	0.57				
Heico	HEI	1.36%	41.18	44.76	-23.46%	8.69%	2.37	21.83	2.57	3.73	1.31	0.30%	
Huntington Ingalls	HII	1.23%	40.85	43.34	38.55%	6.10%	2.15	11.44	0.32	2.01	1.50	0.90%	
Honeywell Intl	HON	6.29%	61.33	63.47	16.78%	3.49%	49.72	12.87	1.31	3.75	1.38	2.60%	
Harris Corp	HRS	3.18%	47.13	48.96	35.85%	3.88%	5.56	9.42	1.02	2.96	3.23	3.10%	
Hexcel	HXL	1.54%	25.85	26.96	11.36%	4.29%	2.69	15.41	1.70	2.77	1.17		
KEY W Holding	KEYW	0.25%	12.86	12.69	71.49%	-1.32%	0.44	50.76	1.98	1.54	12.59		
Kratos Defense & Security	KTOS	0.16%	4.45	5.03	-15.75%	13.03%	0.29	167.67	0.29	0.66	-0.23		
L-3 Communications Hldgs	LLL	3.96%	76.85	76.62	14.91%	-0.30%	7.21	9.64	0.47	1.24	-16.22	2.60%	
Lockheed Martin	LMT	6.18%	93.30	92.29	14.08%	-1.08%	29.66	11.23	0.62	12.02	2.24	5.00%	
Mantech International'a'	MANT	0.55%	24.98	25.94	-16.97%	3.84%	0.96	10.17	0.36	0.82	1.07	3.30%	
Moog Inc.	MOGA	1.06%	36.76	41.03	-6.60%	11.62%	1.86	10.36	0.74	1.41	1.36		
Mercury Computer Sys	MRCY	0.17%	8.79	9.20	-30.78%	4.66%	0.30	26.29	1.17	0.81	-1.11		
Northrop Grumman	NOC	4.45%	66.70	67.58	15.56%	1.32%	16.59	9.70	0.65	1.50	-33.37	3.30%	
Orbital Sciences Corp	ORB	0.47%	13.09	13.77	-5.23%	5.19%	0.82	12.29	0.56	1.13	0.89		
Osi Systems	OSIS	0.73%	61.28	64.04	31.28%	4.50%	1.28	16.55	1.55	2.85	0.99		
Oshkosh Truck	OSK	1.55%	29.35	29.65	38.68%	1.02%	2.71	10.30	0.32	1.41	0.82		
Precision Castparts	PCP	5.70%	183.39	189.42	14.95%	3.29%	27.57	16.15	3.53	2.98	1.33	0.10%	
Raytheon Co	RTN	4.50%	57.13	57.56	18.97%	0.75%	18.99	10.64	0.76	2.06	1.34	3.50%	
SAIC	SAI	2.21%	11.53	11.32	-7.89%	-1.82%	3.87	8.71	0.34	1.54	0.83	4.30%	
TASER International Inc.	TASR	0.26%	8.26	8.94	74.61%	8.23%	0.46	34.38	4.27	5.92	1.20		
Transdigm	TDG	4.03%	136.02	136.36	42.52%	0.25%	7.05	17.15	4.05	5.64	1.31		
Teledyne Technologies	TDY	1.37%	63.00	65.07	18.63%	3.29%	2.4	14.69	1.15	2.05	2.61		
Triumph Group	TGI	1.87%	65.61	65.30	11.72%	-0.47%	3.24	9.86	0.88	1.63	1.17	0.20%	
Textron	TXT	4.00%	23.49	24.79	34.07%	5.53%	6.99	10.87	0.56	2.05	0.40	0.30%	
URS Corporation	URS	1.73%	37.68	39.26	11.79%	4.19%	3.02	8.59	0.29	0.82	0.92	2.10%	
United Technologies	UTX	6.32%	80.11	82.01	12.20%	2.37%	75.17	13.53	1.28	2.97	1.41	2.60%	
Viasat Inc	VSAT	0.98%	38.23	38.90	-15.65%	1.75%	1.71	33.83	1.73	1.86	-1.55		
ITT Exelis	XLS	1.21%	11.30	11.27	24.53%	-0.27%	2.11	6.87	0.37	1.81	-1.04	3.70%	

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