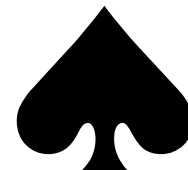


# SPADE INVESTOR



May 2008

Defense \* Homeland Security \* Space

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## In the April issue...

Last month's commentary was picked up by news organizations around the world as it offered answers to the "Ten Most Asked Questions by Investors to Analysts." The issue can be downloaded from the [www.spadeindex.com](http://www.spadeindex.com) website.

## 1Q08 Quarterly Reports

	Revenues	Net Income
Boeing	16.0 B	\$1.2B, up 38%
Lockheed Martin	10.0 B	\$730M, up 6%
General Dynamics	7.0 B	\$572M, up 32%
Northrop Grumman	7.7 B	\$264M, [32%]
Raytheon	5.4 B	\$398M, up 15%
Honeywell Aerospace	3.0 B	\$563M, up 13%
United Technologies	13.7B	\$1.0B, up 22%
L-3 Communications	3.5B	\$192M, up 19%
Rockwell Collins	1.2 B	\$168M, up 20%
Orbital Sciences	296 M	\$14M, up 19%

## SPADE Defense Index Statistics

4/30/08 Close: 2376.98  
All-time Close: 2747.67  
Date of all-time close: 9 October 2007

	SPADE Defense	S&P500
April	6.84%	4.75%
Year to Date	<7.62%>	<5.64%>

## SPADE Defense Index Historical Performance

	SPADE Defense	S&P500
Since Inception	11.90%	5.89%
1-Year	1.21%	[5.08%]
3-Year	10.84%	5.84%
5-Year	18.97%	11.32%
10-Year	9.22%	3.50%

source: Powershares

## Commentary:

### Could Aerospace & Defense Stocks Be Undervalued?

Surprised by title of this month's *SPADE Investor* commentary? Well you are not alone.

Typically, I've tended to take a broader, longer-term view of the trends driving the aerospace and defense sector, but today I'm going to primarily focus more on the short-term and statistics that many investors and financial analysts track.

For those with a longer investment horizon, past newsletters have mentioned a number of trends that should be a positive for the sector the next several years--a flattening defense budget that is projected to still see \$33 billion of growth over the next five years; a commercial aerospace market operating at full manufacturing capacity that will soon reduce its R&D expenditures [and hence improve profits] as it enters a product delivery phase; a continued, growing market for homeland security products; reinvestment of defense hardware and systems used in Iraq; new and continued Defense department investments into next generation hardware and network centric products [which will position defense companies at the forefront of an eventual commercial market]; and expanding international opportunities.

But since I've said that our focus today will be on what the short-term investor looks at:

1. For the first time since the SPADE Defense Index began a 20%+ decline in mid-November, the 10-day moving average has corrected to pass the 40-day and 200-day moving average. Starting the month at \$20.92, the next level of resistance is at \$22.50.
2. In April, the SPADE Defense Index outperformed the S&P500 by 209 basis points (2.09%) and is now trails the broader market by only 2% in 2008. After 8 consecutive years outperforming the broader market, a 9th is quite possible.
3. Delays in delivering the Boeing 787 have been priced into commercial aerospace stocks making it likely that the only news in the near future to move prices over the coming months will be to the upside.
4. The SPADE Defense Index declined over the previous three quarters for the first-time in more than 10 years. More than half the time the index dropped more than 5%, the sector rebounded with better than 12% gains.
5. Nearly 30% of the Index has a PEG (price to earnings growth) of less than 1.00. More than half the constituents are below 1.25 and 83% are less than 1.50.
6. The forward P/E has declined from more than 17 to 14.12 and the forward P/S is 0.99 with earnings growth forecasted at 13.48%.

7. Companies continue to report significant growth in revenues and earnings with several confirming or raising 2008 guidance in the recent quarterly earnings cycle.

8. Much of the sector's decline since its all-time-highs in November 2007 can be attributed to "outside factors" and non-industry related events. As investors sought safety, they cashed out their best performers. And with the defense sector outperforming the S&P500 for eight consecutive years, the selloff in defense was noticeable. But with the market returning to more "normal" conditions, a return to defense and aerospace companies is becoming more attractive once again.

Lastly, offsetting all the positives in the short and the long-term are two key unknowns which are producing a drag on the sector, namely, the forthcoming election and the slowdown in growth of the defense budget.

Time will answer these two issues but there is a growing understanding that their impact might not be as severe as some may believe.

**April 2008 Top Gainers**

1	Mercury Computer	42.70%
2	Teledyne Tech.	24.96%
3	ITT	23.53%
4	URS Corporation	23.40%
5	Ceradyne	21.90%
6	SI International	19.54%
7	Goodrich	18.50%
8	Ducommun	17.74%
9	Ball Corporation	17.07%
10	AeroVironment	16.92%

**April 2008 Laggards**

1	Garmin	[24.27%]
2	Taser	[20.64%]
3	Gencorp	[16.72%]
4	Ladish	[16.50%]
5	Stanley	[14.36%]
6	AAR	[14.19%]
7	GeoEye	[11.39%]
8	American Sci & Eng	[10.07%]
9	Northrop Grumman	[5.45%]
10	Cubic	[4.64%]

**YTD Top Gainers**

1	Ball Corporation	19.51%
2	DRS Technology	15.05%
3	CACI	11.95%
4	Teledyne Tech.	10.13%
5	Orbital Sciences	9.75%
6	FLIR Systems	9.68%
7	Mantech	9.01%
8	Trimble Navigation	8.43%
9	Esterline Tech.	7.56%
10	Raytheon	5.39%

**YTD Laggards**

1	Garmin	[57.84%]
2	Mercury Computer	[50.22%]
3	Taser	[48.16%]
4	AAR	[38.47%]
5	VSAT	[35.81%]
6	Dyncorp	[33.22%]
7	GeoEye	[31.56%]
8	Cubic	[30.84%]
9	Ladish	[30.40%]
10	Triumph Group	[28.51%]

**Index and Industry Statistics**

**ETF Statistics (AMEX: PPA)**

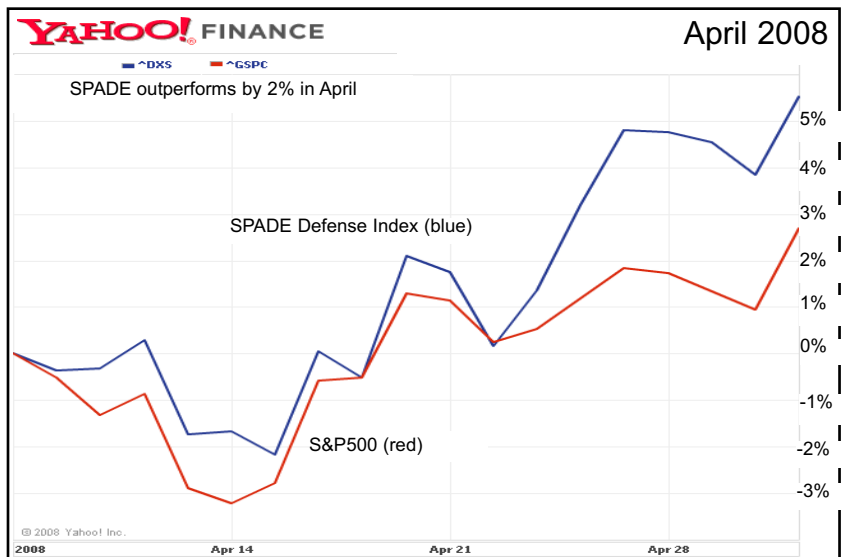
**Powershares Aerospace & Defense**

Exchange / Ticker Symbol:	AMEX / PPA
Fee	60 basis
Assets (4/30/08)	\$ 257 M
Closing Price (4/30/08)	\$20.92
April 08 Volume	1,685,300

**Powershares Aerospace & Defense ETF(PPA)**

Average Portfolio Market Cap*	\$ 13.08 Billion
Portfolio P/E*	14.12
Portfolio P/S*	0.99
Portfolio P/B*	2.43
Portfolio P/Cash Flow*	10.01
Earnings Growth Rate (ttm)*	13.48%
3 month Avg Daily Trading Volume**	96,385
Turnover	16%

source: Yahoo! Finance, 31 March 08 data



**Historical U.S. Defense Spending (\$ billions)**

	DoD Budget*	Wartime Supplementals	Wartime bridge funding	TOTAL
FY2002	\$344.8	\$17.3		\$362.1
FY2003	\$382.7	\$72.6		\$455.3
FY2004	\$400.5	\$65.3		\$465.8
FY2005	\$420.0	\$75.9	\$25.0	\$520.9
FY2006	\$441.5	\$65.8	\$50.0	\$557.3
FY2007	\$462.8	\$93.4	\$70.0	\$626.2
FY2008	\$506.9	\$102.5 **	\$86.8	\$696.2
FY2009 (Request)	\$535.7	\$100.0 **	\$70.0	\$705.7

**Department of Defense FY-09 Discretionary Budget Authority (\$ billions)**

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Military Personnel	\$117.5	\$125.2	\$128.6	\$133.9	\$139.0	\$143.8
Operations & Maintenance	\$221.7	\$179.8	\$181.5	\$187.2	\$190.2	\$197.2
Procurement	\$126.1	\$104.2	\$113.3	\$117.8	\$122.5	\$125.1
RDT&E	\$76.5	\$79.6	\$77.0	\$72.4	\$71.1	\$68.6
Military Construction	\$17.8	\$21.2	\$17.8	\$14.5	\$11.5	\$10.2
Family Housing	\$2.9	\$3.2	\$2.7	\$2.1	\$2.0	\$1.8
Working Capital Funds	\$3.7	\$2.2	\$3.0	\$2.4	\$2.8	\$2.1
Total Budget Authority	\$566.2	\$515.4	\$523.8	\$530.3	\$539.1	\$548.9

Budgets from FY09 to FY13 do not include supplemental spending

source: FY09 Green Book

\* including spending from other defense agencies including Department of Energy on nuclear weapons and other agencies.  
 \*\* Supplemental in FY08 is pending, in FY09 is an estimate. \$86.8 billion funding in FY08 was a second supplemental.

CREDIT: Office of Management & Budget, Defense News Research

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Year	SPADE	S&P500
YTD	[7.62%]	[5.64%]
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%

Quarter	SPADE	S&P500
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%
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%

**Lockheed CEO Doesn't see Downscaling of Defense in Next Administration**

*An Interview with Robert Stevens*

[Disclaimer: This interview is not meant to be construed as an endorsement of Lockheed Martin or its stock. As CEO of the largest defense contractor, we though the interview presented some interesting perspectives on the defense sector which would be of value to the readers of the SPADE Investor newsletter.]

25 April 2008

Conventional political wisdom holds that the next president is unlikely to support defense-spending growth at the levels President Bush has consistently advocated.

But given the continued demands of U.S. troop deployments to fight in Iraq and Afghanistan, the wear and tear on equipment resulting from those conflicts, and the aging of legacy planes and ships, some military and industry leaders say the U.S. needs to spend more, not less.

One person vitally interested in those discussions is Robert Stevens, chief executive of Lockheed Martin, the nation's largest defense contractor. Stevens met with reporters...where Lockheed held its annual shareholders meeting. Here are excerpts:

**We will have a new administration next year and possibly a shift in defense policy. Recently, your industry group, the Aerospace Industries Association, put out a study saying the nation needs to spend more on defense-systems procurement. Does this country have a rational, well-thought-out defense strategy? Does it need to have a discussion or a debate about defense policy?**

From our point of view our country...is having that debate. We're active participants in that debate. There are some very different views. Some of those views continue to mature.

The fact we're having an election here is pretty good testimony to the fact that the security strategy we've had in this country for more than 200 years has enabled the democracy to function well. We can discuss all these issues in public, in open political discourse, and people can state their views candidly, and we can develop a good national security policy.

**The presidential candidates are talking a lot about Iraq, but there doesn't seem to be much discussion of defense policy beyond the situation in Iraq.**

We're always hopeful to hear more views. But there has been discussion about national security policy, what role America plays in the world, how we play that role. The degree to which we need to make the right investments--sometimes spending money is making a long-term investment in the security of

this country.

**Are you concerned there will be retrenchment by the next administration in regard to defense investment?**

I don't believe, in any wholesale fashion, there will be. The reason I say that is the sense that we have, and the sense I think others have, of the demands in the global-security environment. I think those demands do require investment, and those investments are a prudent application of resources to protect a \$14 trillion economy and 300 million American citizens.

**Has Lockheed had to change how agile it is to get new technologies to the front faster to meet new threats? Has that been an adjustment for Lockheed?**

I think it depends on what aspect of security we are describing. Some elements of security have a more natural long cycle. And some have a more natural short cycle. The situations you're describing, insurgency and counterinsurgency, they change by the minute.

One of the interesting challenges of our business is to make the right investment in the right technology to align with the right systems in the cycle we're talking about. Some parts of our business are adapting to the short things and some parts of our business are thinking 50 years from now. If you want to challenge yourself intellectually, tell me what you think the world will look like 50 years from now. We have more than a dozen programs that have been active and in-service for five decades. It is not an exaggeration for us to talk about, in our planning horizon, not the next four quarters but the next 40 years.

We know that we have to have the flexibility to adapt quickly, flexibly, and without huge cost...when the nation needs that.

I'll give you an illustration. A satellite was destroyed in orbit. The principal guidance system that enabled that shoot-down was the Aegis system aboard the USS Lake Erie, a Lockheed Martin product. That system was never designed to guide anything into a satellite intercept. But in a matter of 40 to 45 days it was reprogrammed and turned into a near-perfect intercept. I think near-perfect is going to be the standard against which we should measure ourselves.

The interview was conducted by and appears courtesy of Bob Cox of the *Fort Worth Star Telegram*. The full interview is located at [www.star-telegram.com/business/story/603934.html](http://www.star-telegram.com/business/story/603934.html)

**About**

The SPADE Defense Index (AMEX: 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)**

The Powershares Aerospace & Defense Portfolio ETF (AMEX: PPA) is designed to track the performance of the SPADE Defense Index

**Options**

ETF options are traded by the American Stock Exchange using the underlying ticker.

**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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**News/ Statistics / Contracts**

**FY09 - U.S. War Costs Could be Under \$170 Billion**

The Pentagon's budget chief said that she expects the total cost of the wars in Iraq and Afghanistan in fiscal 2009 to be less than the \$170 billion estimate given earlier this year by Defense Secretary Robert Gates.

The Bush Administration has already requested \$70 billion in war funds for the fiscal year starting October 1 but says it will need additional funds.

Total U.S. defense spending (base budget and supplemental war spending) was around 4.7% of U.S. GDP. This compares to 8.9% during the Vietnam War and 6% during the defense buildup under President Reagan.

Rising operational costs, such as a tripling of fuel costs and increases in health care, remain a huge concern.

**Supplemental Defense Spending Bill Anticipated Before Elections**

The \$108 billion fiscal 2008 defense supplemental spending bill may be sent to the White House before the November elections but lawmakers are still at odds with the White House over cuts in non-defense areas.

**Army Needs \$190 Billion to Restructure/Replace Weapons**

The GAO (Government Accountability Office) projected the Army will need to spend \$190 billion to replace older weapons, expand its force and restructure through 2013. This amount does not include spending on the Future Combat Systems modernization program.

*continued on page 5*

**Major U.S. Defense Program Competitions**

*For a full list of worldwide competitions, see pages 20-21 of the 14 April 2008 issue of Defense News.*

Program	Cost	Time Frame
200,000 Joint Light Tactical Vehicles to replace Humvees	\$100 B	3 technology contracts to be awarded this summer
179 aerial tankers to replace the KC-135 fleet	\$40 B	EADS/Northrop Grumman selected but under protest by Boeing
Littoral combat ship	up to \$28B	Initially to seek 2-3 ships per year toward a total of 55.
141 combat search and rescue helicopters	\$15 B	Decision by late 2008.
Joint Air-Ground Missile	\$7 B	Vendors to submit proposals by May 19
5500 Mine Resistant Ambush Protected Vehicles. 10,000 already ordered.	\$5 B	Plans to make purchases by 2010.
Broad Area Maritime Surveillance	\$3 B	
Transformational Satellite Network	\$2 B in 09	Award expected this summer

**Largest Forthcoming Defense Contracting Recompetes**

*For a full list see pages 16-17 of the 7 April 2008 issue of Washington Technology.*

Program	Cost	Notes
Army Rapid Response 3rd Generation	\$34.1 B	Support Command & Control systems. Incumbents: Arinc, Computer Sciences, DRS, Lockheed Martin, Northrop Grumman, SRA Int'l, URS, and VSE
Army STOC II - Simulation, Training & Instrumentation Services	\$11.0 B	Nearly 2 dozen Incumbents including: Boeing, General Dynamics, L-3, Lockheed Martin, Rockwell Collins, SAIC, and United Industrial
Navy Next Generation Enterprise Network	\$9.2 B	RFP expected in October, award in January 2010. It is the follow-on the Marine Corps Intranet contract held by EDS, Alcatel-Lucent, and General Dynamics
Air Force Network Centric Solutions 2	\$9.0 B	RFP expected in August, award in June 2009. Incumbents are: Booz Allen, Centech Group, General Dynamics, Harris, Lockheed Martin, Northrop Grumman, NCI, and Telos.
Special Operations Support Activity	\$2.1 B	RFP in April, award in September. Incumbent is L-3.
Army Military Missions Response Program	\$2.0 B	RFP in April, award in April 2009. Contract for recovering conventional and chemical weapons.
Air Force Design & Development Support	\$1.9 B	RFP expected in August, award in 2010. Engineering and technical support to Air Force Materiel Command

## News/ Statistics / Contracts (continued)

### AIA Urges that U.S. Must Boost Defense Spending

The Aerospace Industries Association released a report urging the White House to boost spending on efforts that modernize and recondition the military. They said the U.S. risks creating a "hol-low force" if it does not increase the overall defense budget to pay for more weapons. It called for a floor of 4% of GDP for defense spending. It advocated spending up to \$150 billion annually on weapons procurement, up from \$104 billion requested for FY09.

### Public Safety IT market

According to a recent survey from Compass Intelligence, in the area of homeland security, the market for IT goods and services for public safety -- including fire, police, and first responders - will reach \$21.3 billion in 2011, up from \$17.4 billion today.

### Inside the Rotorcraft / Helicopter Market

Forecast International stated that 3,706 new medium and heavy military rotorcraft are expected to be manufactured from 2008 to 2017, a market valued at \$84.3 billion. Of this, United Technology's Sikorsky had the biggest share at 37.7%. Other U.S. manufacturers, Bell/Boeing and Boeing, had 8.66% and 7.85% respectively.

### Draft U.S. National Military Strategy

The April 14th *Defense News* reported that the U.S. Joint Staff is preparing an updated version of the National Military Strategy. The document is one of several produced every few years to guide defense and security policy. The report asserts the U.S. has entered "a period of persistent engagement" in which the greatest threat is the nexus between extremist groups and illicit weapons. *The strategy highlights that the next president will inherit a long list of security challenges including transnational terrorism, the proliferation of mass destruction, regional instability, rising peer competitors, natural resource competition, pandemics and natural disasters, and cyber and space vulnerabilities.*

### World Arms Transfer Decline in 2007, Expected to Rise in 2008

According to a report issued by the Stockholm International Peace Research Institute (SIPRI) and reported on in *Defense News*, China's arms imports declined 62% in 2007 leading to an overall decline in world arms transfers of 8%, the first drop in seven years. The Chinese decline is due to an increase in its internal production capabilities. Strong orders from countries in Asia and the Middle East are anticipated to boost 2008. The U.S., Russia, Germany, France, and Britain accounted for roughly 80% of international arms exports.

### TSA to request bids on \$2B IT contract

The agency announced it will soon issue an RFP for the 5-year, \$2 billion, Information Technology Managed Services program.

### New Study: U.S. Export Controls Hinder Space Industrial Base

Continued confirmation that policies governing the export of commercial satellites and components are harming the sector. The study, performed, by the Center for Strategic and International Studies, recommended moving these items from the U.S. Munitions List and suggested further study to determine whether other non-military systems should be available for export.

### TSAT Satellite Communications Network

The DoD continues to review its plans for a new network of laser-linked communications satellites that would cost \$26 billion over the next decade. The system dramatically expands capacity would offer jam-resistant services to U.S. forces. Boeing and Lockheed Martin are competing for the contract which Boeing officials expect will be awarded in July 2008.

### Costs Stabilize for Joint Strike Fighter

DoD officials stated that Lockheed Martin has stabilized the cost of its F-35 Joint Strike Fighter. The total program cost is expected to be \$298.8 billion, slightly below last year's estimate.

### Military to Run Short of Fighter Jets

Air Force and Navy officials stated that they could be 900 fighter jets short of what it will need by 2020. The Navy stated that they wouldn't have enough planes to carry out possible missions in the 2015 to 2025 timeframe. The Air Force stated that they wanted 300 F-22 Raptors but Congress supports the purchase of only 183 planes.

### Honeywell signs \$23 billion contract

The firm will build 1200 engines for Embraer's new family of mid-sized aircraft. First deliveries are expected in 2011 with the contract and maintenance work lasting up to 25 years.

### Unmanned Plane to Remain in Air for Five Years

DARPA awarded contracts to Boeing, Lockheed Martin, and Aurora Flight Services to study the development of a plane that can remain in the air for five years. The plane would carry surveillance or communications equipment and be flexible to change course and fly around the world.

### Indian Fighter Jet Contract Worth up to \$10 billion

Lockheed Martin and Boeing are among six companies that bid on a contract to supply India with 126 fighter jets. Indian officials will downselect to two or three finalists before making a decision.

### Lawmakers Push for Increase in NASA Budget

The *Houston Chronicle* reported that 12 members of the Texas House delegation have joined with 18 other members of Congress in an effort to boost NASA's budget by \$2 billion per year.

### Boeing: Strong 787 Demand to Persist

In a *Wall Street Journal* article, Boeing officials stated that they expect demand to remain strong for the 787 jet with sales approaching 1,000 by the time deliveries start in 3Q09.

### Northrop - \$1.16 Billion UAV Contract

The company received a Navy contract to design an unmanned aircraft for patrolling coastlines and the open ocean. Lockheed Martin and Boeing also competed.

### Inside 1Q08 Numbers

#### Boeing

1Q profits rose 38% to \$1.2 billion. Backlog is at a record high.

#### Lockheed

Posted stronger sales of electronic information and space systems. Profit was up 6% to \$730 million. Lockheed also boosted its profit forecast for the full year.

#### United Technologies

Profit rose 22% and the company noted that strong commercial aerospace markets helped results. Earnings at its Sikorsky unit rose 12% on a 1.7% increase in revenue.

#### Textron

Profit rose nearly 18% to \$231M bolstered by strong demand for aircraft and military equipment.

#### General Dynamics

Profits climbed 32% as sales of ammunition and armored vehicles boosted revenues. The firm also cited increased deliveries of its Gulfstream business jets.

#### Raytheon

Announced record backlog and strong bookings along with decreased interest expenses. Sales rose 11%, profits were up 15% and its defense technology for ground, sea, and air battle coordination saw a 6% increase in profits and a 9% increase in sales.

#### Northrop Grumman

Profits declined 32% as its Gulf Coast shipbuilding operations hurt results. The company took a \$326 million charge in the quarter, mostly related to cabling problems with a Navy amphibious assault ship. Without it, profits would have risen an estimated 52%.

May-08		SPADEF Defense Index							Market	Forward	Price/	Price/	PEG	
Company	Ticker	Float %	Price	Price	% Ch	% Ch	Cap	P/E	Sales	Book	5 yr	Div Yld		
		3-May-08	31-Mar-08	30-Apr-08	YTD	MTD	intraday	(ttm)	ttm	mrq	expected	forward %		
Boeing Co	BA	7.60%	74.37	84.86	-2.97%	14.11%	64.39	12.26	0.96	7.10	1.06	1.90%		
Honeywell Intl	HON	7.38%	56.42	59.40	-3.52%	5.28%	44.96	14.17	1.27	4.67	1.27	1.80%		
United Technologies	UTX	7.30%	68.82	72.47	-5.32%	5.30%	73.09	13.78	1.29	3.36	1.31	1.70%		
Lockheed Martin	LMT	7.15%	99.30	106.04	0.74%	6.79%	42.77	12.95	1.01	4.60	1.25	1.60%		
Genl Dynamics	GD	6.14%	83.37	90.42	1.61%	8.46%	36.12	13.93	1.29	3.06	1.56	1.50%		
Raytheon Co	RTN	4.69%	64.61	63.97	5.39%	-0.99%	27.37	14.64	1.25	2.16	1.06	1.70%		
Precision Castparts	PCP	4.45%	102.08	117.56	-15.24%	15.16%	16.87	14.92	2.49	4.50	0.96	0.10%		
Itt Indus	ITT	4.37%	51.81	64.00	-3.09%	23.53%	11.68	13.88	1.21	2.79	1.16	1.10%		
Northrop Grumman	NOC	4.31%	77.81	73.57	-6.45%	-5.45%	25.65	12.08	0.79	1.44	0.93	2.10%		
Textron	TXT	4.15%	55.42	61.01	-14.43%	10.09%	15.45	13.42	1.12	4.28	1.14	1.50%		
Rockwell Collins	COL	3.94%	57.15	63.11	-12.31%	10.43%	10.42	14.38	2.21	6.86	0.94	1.50%		
L-3 Communications Hldgs	LLL	3.89%	109.34	111.45	5.20%	1.93%	13.71	15.03	0.98	2.33	0.74	1.10%		
Goodrich Corp	GR	3.21%	57.51	68.15	-3.48%	18.50%	8.57	13.48	1.32	3.16	0.95	1.30%		
SAIC	SAI	2.97%	18.59	19.00	-5.57%	2.21%	7.91	16.66	0.90	4.23	1.43			
Computer Sciences	CSC	2.76%	40.79	43.59	-11.89%	6.86%	7.14	10.48	0.45	1.33	1.36			
Harris Corp	HRS	2.70%	48.53	54.03	-13.80%	11.33%	7.11	12.89	1.42	3.32	0.85	1.10%		
Garmin Ltd	GRMN	2.62%	54.01	40.90	-57.84%	-24.27%	9.22	9.59	2.77	3.77	0.61	1.70%		
Ball Corp	BLL	1.97%	45.94	53.78	19.51%	17.07%	5.24	12.51	0.70	3.61	1.26	0.70%		
Fliir Systems	FLIR	1.80%	30.09	34.33	9.68%	14.09%	4.78	24.94	5.64	7.10	1.54			
Trimble Navigation Ltd	TRMB	1.51%	28.59	32.79	8.43%	14.69%	4.20	18.34	3.30	3.67	1.26			
Alliant Techsystems	ATK	1.40%	103.53	109.98	-3.32%	6.23%	3.73	15.38	0.92	5.31	2.22			
URS Corporation	URS	1.30%	32.69	40.34	-25.75%	23.40%	3.46	14.25	0.64	0.99	1.21			
Oshkosh Truck	OSK	1.10%	36.28	40.60	-14.09%	11.91%	2.93	7.72	0.44	2.07	0.42	1.00%		
Drs Technologies	DRS	1.00%	58.28	62.44	15.05%	7.14%	2.68	16.14	0.83	1.62	1.51	0.20%		
Eibit Systems	ESLT	0.89%	55.45	54.73	-8.11%	-1.30%	2.37	16.84	1.19	4.41	1.91	1.30%		
Teledyne Technologies	TDY	0.78%	47.00	58.73	10.13%	24.96%	2.14	17.43	1.28	3.83	1.35			
Moog Inc.	MOGA	0.71%	42.21	43.11	-5.89%	2.13%	1.89	14.19	1.09	2.03	1.12			
Mantech International'a'	MANT	0.63%	45.36	47.77	9.01%	5.31%	1.67	17.60	1.21	3.18	1.15			
Esterline Technologies	ESL	0.62%	50.37	55.66	7.56%	10.50%	1.65	14.81	1.21	1.48	0.64			
Orbital Sciences Corp	ORB	0.59%	24.10	26.91	9.75%	11.66%	1.58	25.21	1.39	3.66	1.75			
Sra International'a'	SRX	0.58%	24.31	26.27	-10.80%	8.06%	1.55	18.91	1.13	2.30	1.34			
Caci Intl	CAI	0.58%	45.55	50.12	11.95%	10.03%	1.55	16.39	0.69	1.71	1.20			
Triumph Group	TGI	0.45%	56.93	58.87	-28.51%	3.41%	1.16	12.37	0.88	1.41	0.72	0.30%		
L-1 Identity Solutions	ID	0.41%	13.30	14.41	-19.72%	8.35%	1.09	39.00	2.85	1.02	4.81			
Ceradyne Inc	CRDN	0.40%	31.96	38.96	-16.98%	21.90%	1.04	8.09	1.39	1.76	1.34			
DynCorp	DCP	0.38%	16.68	17.95	-33.22%	7.61%	1.02	13.21	0.48	2.45	1.41			
AAR Corp	AIR	0.36%	27.27	23.40	-38.47%	-14.19%	0.95	10.86	0.73	1.67	0.76			
Cogent Inc.	COGT	0.34%	9.43	9.33	-16.32%	-1.06%	0.91	18.09	8.62	1.76	1.46			
Cubic Corp	CUB	0.34%	28.43	27.11	-30.84%	-4.64%	0.72	14.57	0.84	1.91	1.88	0.60%		
Viasat Inc	VSAT	0.26%	21.72	22.10	-35.81%	1.75%	0.68	14.24	1.22	1.74	0.95			
Stanley Inc.	SXE	0.21%	29.46	25.23	-21.21%	-14.36%	0.57	19.13	1.03	3.56	1.45			
Gencorp	GY	0.19%	10.29	8.57	-26.50%	-16.72%	0.51	12.94	0.66					
AeroVironment	AVAV	0.18%	20.45	23.91	-1.20%	16.92%	0.49	21.18	2.43	3.02	1.15			
TASER International Inc.	TASR	0.17%	9.40	7.46	-48.16%	-20.64%	0.46	21.41	4.35	3.84	1.37			
Ladish Co	LDSH	0.17%	36.00	30.06	-30.40%	-16.50%	0.45	10.37	0.99	2.08	1.46			
GeoEye	GEOY	0.16%	25.99	23.03	-31.56%	-11.39%	0.42	16.77	2.28	1.92	0.41			
American Science & Engineering	ASEI	0.16%	54.57	48.73	-14.13%	-10.70%	0.44	15.13	2.61	2.57	1.24	1.60%		
Osi Systems	OSIS	0.16%	23.02	24.45	-7.63%	6.21%	0.42	19.60	0.75	1.66	1.72			
Argon St	STST	0.15%	17.01	18.41	-0.81%	8.23%	0.40	17.06	1.39	1.49	1.03			
MTC Technologies Inc.	MTCT	0.14%	23.78	23.86	1.53%	0.34%	0.36	17.54	0.85	1.95	1.33			
Ducommun	DCO	0.12%	27.67	32.58	-14.26%	17.74%	0.33	13.03	0.88	1.52	0.00			
Si International	SINT	0.12%	19.19	22.94	-16.49%	19.54%	0.31	13.79	0.57	1.15	0.98			
Applied Signal Technology	APSG	0.07%	11.80	11.44	-15.76%	-3.05%	0.18	18.99	0.89	1.28	1.37	4.20%		
Mercury Computer Sys	MRCY	0.07%	5.62	8.02	-50.22%	42.70%	0.18		0.86	1.12				