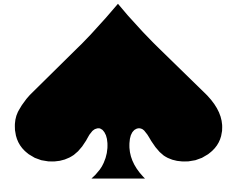


THE SPADE INVESTOR



May 2010

Defense * Homeland Security * Space

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- * Defense Sector Stocks Continue to Surge, Near 52-Week Highs
- * Index Remains Well Above the 200-day Moving Average
- * Index Currently Outperforming the Market by 530 basis points

SPADE Defense Index Statistics

4/30/10 Close: 2165.78
 All-time Close: 2747.67
 Date of all-time close: 9 October 2007

Commentary

Aerospace and Defense stocks continue to remain strong. With the release of the defense budget in late January, an improving economy and little industry-related news to steer it one way or another, the sector continues to drift higher boosted by the steady quarterly performances from its largest companies. The recent attempted terrorist bombing in Times Square in New York City, riots in Greece, and a recent assassination attempt in Saudi Arabia only serve to highlight that the world continues to be an volatile place and the need for spending in the areas of defense and homeland security remains. Overall, the SPADE Defense Index gained another 2.1% during April, the third consecutive monthly rise and is up 11.72% YTD. Since the release of the fiscal year 2011 budget, which we called one of the strongest non-war budgets ever, the sector is up 13.92%.

Quarterly Earnings

Overall, results from the companies in the index were mixed but inline with estimates and without any major surprises.

Inflows

The month saw modest inflows into PPA, the Powershares ETF that tracks the SPADE Defense Index as the number of shares outstanding ticked higher. It is too early to call a trend but it is always a positive when a sector sees money flowing in. Volume remains lower than historical (although more than \$13 million in shares traded hands) but liquidity of the underlying securities remains high.

Europe and the PIIGS

The decline in the euro and financial turmoil in the EU, in particular the PIIGS nations (Portugal, Italy, Ireland, Greece, and Spain) is seen as having minimal effect on the sector. European defense contractors competing for U.S. business do so in U.S. dollars and more often via U.S. divisions employing U.S. citizens. While it could improve their earnings back home, it is not anticipated to provide a strategic advantage. Similarly, exports by U.S. contractors should not have a major impact as defense spending by the PIIGS nations do not contribute substantially to U.S. defense firms.

CyberSecurity- Waiting for the Surge

As large cap companies continue to gain along with much of the U.S. industrial base, the area that has yet to take off has been cybersecurity -- an area expected to boom over the next several years with data security becoming a critical issue not just for national security and the government but the economy as a whole. Companies such as CACI (-2.91%), Mantech (-6.74%), and NCIT (+2.75%) have yet to see the rise that many analysts expect. The latest forecast for the market calls for the market to grow from \$27.7 billion to \$64.4 Billion between 2009 and 2013 (Key W Corp / Ken Minihan / *AvWeek*)

The Markets see a Return of the Stock Picker

Several articles this past month written by professional money managers have cited they view the market at this point in time as one driven by identifying

	SPADE Defense	S&P500
April	2.10%	1.48%
1Q10	9.31%	4.87%
YTD	11.72%	6.42%

Earnings for Quarter Ending 31 March 2010

Company	Revenue	Rev %	Earnings	%
General Dynamics	\$7.8 B	[6%]	\$918 M	[11%]
Raytheon	\$6.1 B	3%	\$453 M	1%
Lockheed Martin	\$10.6 B	3%	\$982 M	[1%]
Northrop Grumman	\$8.6 B	9%	\$765 M	24%
Rockwell Collins	\$693 M	13%	\$219 M	[14%]
Boeing	\$15.2 B	[8%]	\$1.2 B	15%
Goodrich	\$1.7 B	flat	\$259 M	[11%]
L-3 Communications	\$3.6 B	flat	\$410 M	9%
Orbital Sciences	\$296 M	flat	\$17 M	55%
UTC Pratt & Whitney	\$2.9 B	[9%]	\$436 M	flat
UTC Sikorsky	\$1.4 B	2%	\$145 M	25%
UTC Hamilton Sund.	\$1.3 B	[3%]	\$221 M	15%
Honeywell Aerospace	\$2.5 B	[5%]	\$413 M	[15%]

the winners and the losers as compared to the recent history that a rising or sinking boat will take all stocks with it. Looking at the companies that comprise the SPADE Defense Index and checking the performance over the past month as well as the YTD, and the trend appears to bear out in the aerospace and defense sector as well. Firms with exposure to commercial aerospace have been outperforming year-to-date, but small- and mid-cap companies make up the bulk of both the top performing stocks as well as the worst performing ones. Similarly, it is hard to identify winners and losers among the subsectors -- whether one looks at the prime contractors, C4ISR and IT firms, small electronics manufacturers, homeland security, or space and satellites...Perhaps this is why there was an inflow to the ETF.

Monthly Performance - 2010		
	PPA	S&P500
January	[1.93%]	[3.70%]
February	4.72%	2.85%
March	6.45%	5.88%
April	2.20%	1.48%

PPA by Sector	
	PPA
Industrial	79.77%
Info Tech.	17.77%
Materials	2.46%
<i>source: Powershares</i>	

April 2010 Top Gainers

1	Dyncorp	49.70%
2	Ladish Co.	36.36%
3	Argon ST	14.99%
4	Esterline Tech.	12.85%
5	Stanley Inc.	11.81%
6	SRA International	11.01%
7	Triumph Group	10.66%
8	Ducommun	8.95%
9	FLIR Systems	8.55%
10	Harris Corp.	8.40%

April 2010 Laggards

1	TASER Int'l	[19.08%]
2	Force Protection	[11.13%]
3	Integral Systems	[9.45%]
4	Mantech Int'l	[7.68%]
5	OSI Systems	[7.26%]
6	Mercury Computer	[6.27%]
7	NCI Information	[6.02%]
8	Digital Globe	[4.97%]
9	Applied Signal Tech.	[4.55%]
10	EMS Technologies	[4.28%]

YTD Top Gainers

1	Ladish Co.	82.66%
2	Triumph Group	60.75%
3	Esterline Tech.	36.82%
4	Kratos Defense	35.07%
5	Boeing Co.	33.81%
6	Moog Inc.	27.16%
7	Ducommun	22.34%
8	Northrop Grumman	21.45%
9	Textron	21.42%
10	Honeywell Int'l	21.10%

YTD Laggards

1	ICx Technologies	[26.16%]
2	Gencorp	[11.14%]
3	VSE Corporation	[10.85%]
4	Comtech	[10.84%]
5	AeroVironment	[9.97%]
6	Computer Sciences	[8.93%]
7	Alliant Techsystems	[8.34%]
8	SAIC	[8.08%]
9	Mantech Int'l	[6.74%]
10	FLIR Systems	[6.54%]

PPA remains well above its 200 day moving average, drops to 50-day avg in May



ETF Statistics (NYSEArca: PPA)

Powershares Aerospace & Defense

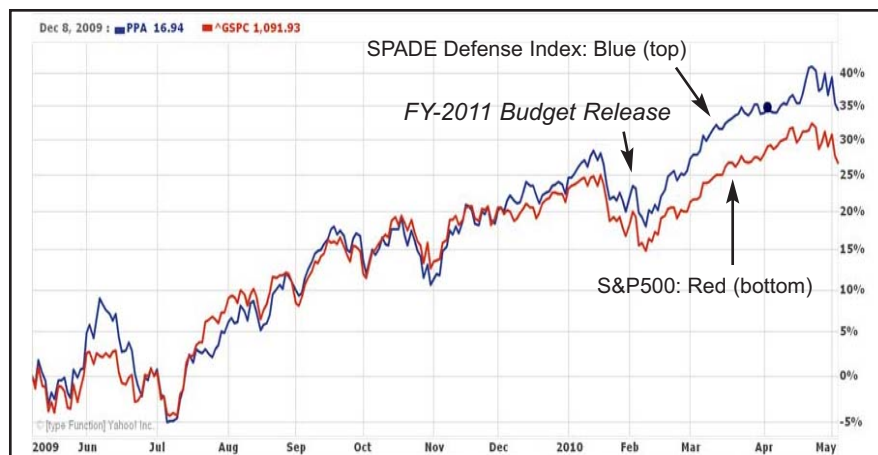
Exchange / Ticker Symbol:	NYSE / PPA
Fee	60 basis
Assets (4/30/10)	\$137.3 M
Closing Price (4/30/10)	\$19.07
Yield (12-month yield)	1.10%
April 10 Volume	696,500
Turnover	9%

source: Yahoo Finance

Avg. Market Cap.	\$10.5 Billion
Portfolio P/E	14.80
Portfolio P/B	2.46
R-Squared	85.52
Std Dev	24.67
Alpha	5.22
Beta	1.11
Sharpe Ratio	0.04

* Index Universe 3/31/10, Powershares

PPA decouples from the S&P500 with FY-11 Budget Release in February



Largest Defense Prime Contractors

	April	YTD
Lockheed Martin	2.01%	12.66%
Boeing	[0.25%]	33.81%
General Dynamics	[1.09%]	12.01%
Northrop Grumman	3.45%	21.45%
Raytheon	2.05%	13.14%

Year	SPADE	S&P500
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%

Defense Plans & Policy Changes

The Air Force plans to use Air National Guard F-15C Golden Eagles upgraded with advanced long-range radars [APG-63(V)3] to supplement its air dominance force due to a 187 plane cap in the F-22 stealth fighter.

Defense Secretary Gates told naval officers and defense contractors that the Navy needs to accept some “hard fiscal realities” and reduce dependence on expensive aircraft carriers and subs stating, As quoted in the *Wall Street Journal*, “We have to ask whether the nation can really afford a Navy that relies on \$3-\$6 billion destroyers, \$7 billion submarines, and \$11 billion carriers”.

Heard on the Street

NCI Information Systems - Featured in the April 2010 *Washington Technology*, the article stated that the firm has seen its organic growth the past six years has averaged 14%. Acquisitions such as the 2009 of TRS Consulting, the firm’s president sees as a building block to get them to \$1 billion in revenue from \$460 million today.

DynCorp - Bill Loomis, Stifel Nicolaus, in the April 2010 *Washington Technology* stated that DynCorp has more than 14,000 employees in the Middle East (and rising); providing police training and counternarcotics operations to the State Department and translators and support logistics to the Army. Overall, 61% of revenues come from Iraq and Afghanistan and 11% from work in other Middle East countries. ManTech’s support of mine-resistance ambush protected vehicles accounted for 32% of revenues. However, he points out that much of this work is under broader contracts whose decline is an unknown when U.S. efforts in Iraq and Afghanistan decline.

Analysts believe that the proposed merger between Continental Airlines and United Airlines could boost **Boeing** and its suppliers which have close ties to Continental.

Boeing’s first-quarter earnings slipped 15% to \$519 million although much was due to an accounting charge related to new health care rules. The firm also cited “clear progress” on the 787 Dreamliner and 747-8. Jim Albaugh, the division’s president added the plane was “increasingly looking like the game-changer envisioned by the company.”

Selected Contracts

\$2.8 Billion - CSC and Stanley each won a prime contract under the Global Services Strategy Contract to run non-immigrant visa application processing for the State Dep’t. Valued at \$2.8 billion over 10 years, both firms will compete for task orders.

\$1.7 Billion - Northrop and Lockheed Martin are competing for task orders under the Navy’s Consolidated Afloat Networks and Enterprise Services program.

\$940 Million - Lockheed Martin won a Navy sole-source, IDIQ contract to deliver improvised explosive device jammers.

\$625 Million - SAIC won a \$625 million contract from the Navy.

\$500 Million - In March, SRA won a contract to modernize farm programs.

\$400 Million - NASA to five defense contractors to help with aerospace vehicle R&D -- ATK Space Systems, Boeing, Lockheed Martin, Analytical Services, and Northrop Grumman.

\$88 Million - Raytheon from the Transportation Security Administration to equip airports with passenger screening equipment.

About

The SPADE Defense Index (**ticker: 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 sector and regional indexes. These include the SPADE Oklahoma Index (OKLAH) licensed to Geary Companies for its OOK Oklahoma ETF (NYSE: OOK) and the SPADE Texas Index (TEXAS) for its TXF Texas ETF (NYSE: TXF).

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

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May-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-Apr-10	31-Mar-10	30-Apr-10	YTD	MTD	intraday	(ttm)	ttm	mrq	expected	forward %
Honeywell Intl	HON	6.86%	45.27	47.47	21.10%	4.86%	36.37	15.72	1.19	4.14	1.91	2.50%
United Technologies	UTX	6.56%	73.61	74.94	7.97%	1.81%	77.10	14.01	1.35	3.55	1.37	2.30%
Boeing Co	BA	6.43%	72.61	72.43	33.81%	-0.25%	52.80	15.09	0.80	18.28	2.25	2.30%
Lockheed Martin	LMT	6.06%	83.22	84.89	12.66%	2.01%	31.49	10.91	0.70	7.96	1.31	3.00%
General Dynamics	GD	5.58%	77.20	76.36	12.01%	-1.09%	29.45	10.83	0.96	2.35	1.49	2.20%
Precision Castparts	PCP	4.59%	126.71	128.34	16.30%	1.29%	18.18	16.98	3.35	3.30	1.50	0.10%
Northrop Grumman	NOC	4.58%	65.57	67.83	21.45%	3.45%	20.54	10.17	0.62	1.68	1.16	2.50%
Raytheon Co	RTN	4.50%	57.12	58.29	13.14%	2.05%	22.21	10.92	0.90	2.22	1.34	2.60%
Itt Indus	ITT	4.14%	53.61	55.57	11.72%	3.66%	10.09	12.32	0.97	2.71	1.57	1.80%
Goodrich Corp	GR	4.11%	70.52	74.18	15.46%	5.19%	9.29	14.49	1.42	3.22	1.89	1.50%
Rockwell Collins	COL	4.06%	62.59	65.00	17.41%	3.85%	10.23	16.29	2.35	6.99	2.36	1.50%
L-3 Communications Hldgs	LLL	3.95%	91.63	93.57	7.61%	2.12%	10.84	10.45	0.71	1.65	1.12	1.70%
Computer Sciences	CSC	3.78%	54.49	52.39	-8.93%	-3.85%	8.05	10.07	0.52	1.25	1.13	
SAIC	SAI	3.42%	17.70	17.41	-8.08%	-1.64%	6.74	11.76	0.63	3.00	1.00	
Harris Corp	HRS	3.34%	47.49	51.48	8.26%	8.40%	6.73	11.73	1.45	3.49	0.79	1.70%
Textron	TXT	3.09%	21.23	22.84	21.42%	7.58%	6.24	16.08	0.63	2.26	1.96	0.40%
Ball Corp	BLL	2.48%	53.38	53.21	2.92%	-0.32%	5.01	10.86	0.69	3.20	1.56	0.80%
Flir Systems	FLIR	2.32%	28.18	30.59	-6.54%	8.55%	4.68	17.99	4.80	3.79	1.20	
URS Corporation	URS	2.14%	49.61	51.35	15.34%	3.51%	4.31	13.73	0.47	1.12	1.68	
Oshkosh Truck	OSK	1.71%	40.34	38.62	4.29%	-4.26%	3.46	11.53	0.57	5.31	0.40	
Alliant Techsystems	ATK	1.32%	81.30	80.91	-8.34%	-0.48%	2.67	9.26	0.55	2.77	0.73	
Ebit Systems	ESLT	1.29%	64.01	61.65	-5.23%	-3.69%	2.60	12.33		3.15		2.25%
Moog Inc.	MOGA	0.84%	35.42	37.17	27.16%	4.94%	1.69	14.08	0.94	1.64	1.71	
Esterline Technologies	ESL	0.82%	49.43	55.78	36.82%	12.85%	1.66	14.68	1.18	1.38	1.50	
Mantech International'a'	MANT	0.80%	48.83	45.08	-6.74%	-7.68%	1.62	11.65	0.81	2.01	1.18	
Teledyne Technologies	TDY	0.78%	41.27	43.60	13.66%	5.65%	1.58	14.16	0.90	2.39	4.61	
Caci Intl	CACI	0.71%	48.85	47.43	-2.91%	-2.91%	1.43	12.65	0.49	1.32	0.99	
Viasat Inc	VSAT	0.67%	34.61	35.42	11.45%	2.34%	1.39	18.74	2.23	2.07	1.81	
Sra International'a'	SRX	0.65%	20.79	23.08	20.84%	11.01%	1.31	16.37	0.83	1.70	1.22	
Triumph Group	TGI	0.64%	70.09	77.56	60.75%	10.66%	1.29	13.35	1.07	1.60	3.25	0.20%
Digital Globe	DGI	0.60%	27.95	26.56	9.75%	-4.97%	1.20	21.25	4.51	2.64	4.02	
Orbital Sciences Corp	ORB	0.52%	19.01	18.38	20.45%	-3.31%	1.06	15.19	0.97	2.10	1.53	
Cubic Corp	CUB	0.49%	36.00	37.31	0.03%	3.64%	1.00	15.55	1.01	2.37	2.27	0.50%
DynCorp	DCP	0.48%	11.49	17.20	19.86%	49.70%	0.97	10.82	0.29	1.73	1.07	
AAR Corp	AIR	0.47%	24.82	24.38	6.09%	-1.77%	0.93	13.70	0.71	1.31	1.64	
Cogent Inc.	COGT	0.46%	10.20	10.36	-0.29%	1.57%	0.93	19.92	7.20	1.69	1.65	
Comtech	CMTL	0.44%	32.02	31.24	-10.84%	-2.44%	0.88	14.20	1.66	1.39	0.78	
L-1 Identity Solutions	ID	0.40%	8.93	8.67	15.75%	-2.91%	0.80	45.63	1.27	1.13	7.49	
Stanley Inc.	SXE	0.38%	28.29	31.63	15.40%	11.81%	0.76	15.50	0.88	2.83	1.34	
American Science & Engineering	ASEI	0.34%	74.92	75.15	-0.91%	0.31%	0.68	17.56	3.05	3.27	1.53	1.60%
GeoEye	GEOY	0.30%	29.50	28.50	2.22%	-3.39%	0.60	17.17	2.28	2.08	0.95	
Argon St	STST	0.28%	22.61	26.00	19.76%	14.99%	0.57	20.47	1.64	1.79	1.97	
Ceradyne Inc	CRDN	0.28%	22.71	22.20	15.50%	-2.25%	0.56	19.65	1.43	0.91	3.30	
AeroVironment	AVAV	0.28%	26.11	26.18	-9.97%	0.27%	0.57	22.57	2.56	2.67	1.29	
Osi Systems	OSIS	0.23%	28.08	26.04	-4.55%	-7.26%	0.48	15.98	0.87	1.63	0.83	
Ladish Co	LDSH	0.22%	20.16	27.49	82.66%	36.36%	0.43	18.21	1.27	1.91	3.79	
NCI Information Technology	NCIT	0.19%	30.23	28.41	2.75%	-6.02%	0.39	14.21	0.84	3.15	1.10	
Force Protection	FRPT	0.19%	6.02	5.35	2.69%	-11.13%	0.38	10.29	0.40	1.25	0.28	
Gencorp	GY	0.18%	5.76	6.22	-11.14%	7.99%	0.36	---	0.47	---	---	
Mercury Computer Sys	MRCY	0.15%	13.72	12.86	16.80%	-6.27%	0.30	20.41	1.68	2.01	2.82	
TASER International Inc.	TASR	0.15%	5.87	4.75	8.45%	-19.08%	0.30	19.79	2.93	2.55	2.64	
Ducommun	DCO	0.12%	21.01	22.89	22.34%	8.95%	0.24	9.70	0.58	1.07	0.83	1.30%
EMS Tech	ELMG	0.12%	16.60	15.89	9.59%	-4.28%	0.24	14.58	0.73	1.10	0.98	
Applied Signal Technology	APSG	0.12%	19.58	18.69	-3.06%	-4.55%	0.25	16.54	1.28	1.86	1.31	2.70%
ICX Technologies	ICXT	0.12%	6.97	7.03	-26.16%	0.86%	0.24	19.53	1.35	1.45	1.57	
Kratos Defense & Security	KTOS	0.11%	14.27	14.25	35.07%	-0.14%	0.23	15	0.69	1.84	1.06	
VSE Corporation	VSEC	0.10%	41.16	40.19	-10.85%	-2.36%	0.21	8.50	0.21	2.11		0.50%
Integral Systems	ISYS	0.08%	9.63	8.72	0.69%	-9.45%	0.15	13.42	1.02	1.39	1.23	

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