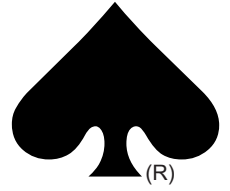


THE SPADE INVESTOR^(R)



May 2012

Defense * Homeland Security * Space

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Commentary

Sequestration will remain the dominant issue until it is resolved. Until then, while there will be short-term trades in both directions, it is impossible to accurately forecast the sector until this headwind is removed. Many companies continue to exhibit good fundamentals and cash on the balance sheet. Commercial aerospace will see strength as will C4ISR and cybersecurity. However, until the specifics, duration, timing, and impact of sequestration is known (and therefore the depth of the problem, what programs it will impact, and which companies will be impacted the hardest), this newsletter is essentially on hiatus until 4Q12. We will continue to provide statistics on the performance of the SPADE Defense Index and its constituents as well as the ETF that tracks it. However, until there is some clarity, providing a commentary and details/news on the direction of the defense sector that would be of interest to A&D investors really would be of little value.

SPADE Defense Index Statistics

4/30/12 Close: 2266.92
 All-time Close: 2747.67
 Date of all-time close: 9 October 2007

	SPADE Defense	S&P500
April	[0.74%]	[0.75%]
1Q12	10.39%	12.00%
2012 YTD	9.57%	11.16%

ETF Statistics (NYSEarca: PPA)

Powershares Aerospace & Defense

Exchange / Ticker Symbol: NYSE / PPA
 Assets (5/30/12) \$55 M
 Closing Price (5/30/12) \$20.15
 Yield (12-Month Yield) 1.00%
 May 2012 Volume 357,800
 Turnover 12%

source: Marketwatch

Largest Defense Prime Contractors

	April	2012
Lockheed Martin	0.76%	11.92%
Boeing	3.27%	4.70%
General Dynamics	[8.01%]	1.64%
Northrop Grumman	3.60%	8.21%
Raytheon	2.58%	11.91%
L-3	4.89%	10.29%

Portfolio Price / Earnings	12.86
Portfolio Price / Book	2.29
Portfolio Price / Sales	0.77
Earnings Growth Rate	5.31%
Beta (3 year)	1.06
Alpha (3 year)	[4.18%]
R-squared (3 year)	86.01

Yahoo Finance - 3/31/12

YTD Top Gainers

1	Textron	44.08%
2	OSI Systems	37.06%
3	Transdigm	31.81%
4	Gencorp	29.14%
5	ITT Exelis	27.40%
6	Key W	27.03%
7	Harris	26.36%
8	Huntington Ingalls	26.12%
9	Esterline Tech.	22.37%
10	Computer Sciences	18.40%

YTD Laggards

1	NCI Information	[57.42%]
2	Heico	[31.05%]
3	Digital Globe	[28.29%]
4	Aerovironment	[22.72%]
5	AAR Corp	[19.41%]
6	Orbital Sciences	[13.56%]
7	FLIR Systems	[10.41%]
8	TASER	[10.16%]
9	Ducommun	[7.45%]
10	Kratos Defense	[7.04%]

April 2012 Top Gainers

1	Key W	21.29%
2	Hexcel	14.04%
3	OSI Systems	9.07%
4	Transdigm	8.95%
5	Alliant Techsystems	6.34%
6	TASER	5.99%
7	L-3 Communications	4.89%
8	Kratos	3.93%
9	Northrop Grumman	3.60%
10	Boeing	3.27%

April 2012 Laggards

1	NCI Information	[22.38%]
2	Ceradyne	[22.24%]
3	Heico	[21.85%]
4	AAR Corp	[15.34%]
5	FLIR	[11.26%]
6	Aerovironment	[9.29%]
7	Mantech	[8.82%]
8	Digital Globe	[8.02%]
9	General Dynamics	[8.01%]
10	ITT Exelis	[7.91%]

About the SPADE Defense Index

The SPADE Defense Index (NYSE-amex: 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 NYSEamex 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

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