

\$200 Billion worth of contracts and deals on pages 3 and 4.

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**Commentary: What We're Thinking About**

**SPADE Defense Index Statistics**

9/30/10 Close: 1956.36  
 All-time Close: 2747.67  
 Date of all-time close: 9 October 2007

	SPADE Defense	S&P500
September	9.67%	8.76%
3Q10	6.61%	10.72%
YTD	0.81%	2.34%

**The TERROR ALERT and What it Means for Investors**

[U.S. and Japan issue travel alert for visitors to Europe.]

[The U.K. issues a travel alert for citizens visiting in France and Germany]

U.S. Intelligence officials have been briefing European officials that they believe an attack in Europe in the near future is highly likely and it is believed that the attacks would be similar to prior incidents where individuals armed with weapons open fire on crowded areas.

Its been hard to discern a reaction in the markets to this news since several of the public companies involved with homeland security that are the most volatile are in the process of being acquired. Ultimately, any attack on Europe will raise concerns here about whether or not the U.S. should reduce defense spending and if so, how fast.

We've mentioned in past commentaries that defense is a form of insurance and there remain a number of hot spots around the globe. Whether it is Al Qaeda, Iran, North Korea, or the news that Russia recently announced it had completed a deal selling Syria missiles, security remains a key issue. Like investors consider Gold as a hedge to weakening currencies, defense stocks should be considered a hedge against global instability.

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**Flurry of M&A As Companies Acquire Small/Mid-Caps**

The past six months have seen a flurry of acquisitions as defense companies seek to position their companies in areas that are seen as growth areas over the next several years and beyond. During the previous quarter; acquisitions closed on Index constituent's DynCorp (DCP); Argon ST (STST), and Stanley (SXE). In addition, announcements were made related to the planned acquisition of L-1 Identity (ID), Cogent (COGT), and ICx Technologies (ICXT) as companies involved with security were snapped up. (see table on page 4)

In addition, rumors on upcoming deals are all over the internet: Northrop to divest its naval division; Lockheed Martin to divest an engineering division; Boeing to buy Northrop Grumman (for access to the UAV and sensor markets); Northrop buying Oshkosh Truck (for its defense vehicle capabilities and then divest the rest to pay for it); Caterpillar buying Oshkosh (using shares currently valued near its 52-week highs for its non-defense truck and vehicle business); American Science and Engineering (whose com-

**3Q10 Rebalance**

On 30 September 2010, the following changes were made to the SPADE Defense Index (NYSEamex: DXS):

**Additions:** Transdigm (NYSE: TDG); LMI Aerospace (NASDAQ: LMIA); and CPI International (NASDAQ: CPII)

**Eliminations:** None. DynCorp (NYSE: DCP), Argon ST (NASDAQ: STST); and Stanley (NYSE: SXE) were acquired during the quarter.

petitors have been recently bought); and on and on the rumors go.

In addition, several companies have either filed to go public (Booz Allen) or are mentioned as anticipated IPO candidates (TASC, which was acquired by PE firms General Atlantic and KKR in 2009; and Poland's Bumar, the country's largest defense group -- to name but two).

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**The Direction of Defense Budgets**

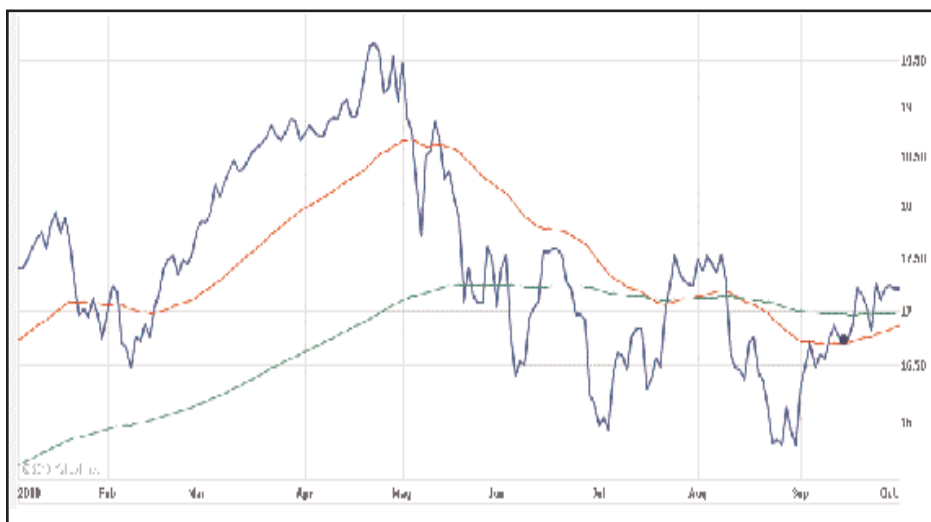
It is considered a given that defense budgets which doubled over the past decade will not see this growth trend continue (barring a new major security concern). But the question remains, "what does it mean and what impact will it have on companies?"

For 11 years, US spending on defense has increased by an average of 6% a year and the FY-11 budget provides a 2.4% increase. With a presidential election in 2012, President Obama is in a no-win situation where if he cuts defense spending to help the federal budget he will be called weak on defense and if he keeps it at current levels, he'll be accused of not doing enough to fix the nation's balance sheet.

What we are seeing is that various analysts expect the budget,

Sept 2010 Top Gainers			Sept 2010 Laggards			YTD Top Gainers			YTD Laggards		
1	Comtech	3.27%	1	NCI Information	[1.20%]	1	Ladish	106.84%	1	Aerovironment	[23.49%]
2	L1 Identity	30.48%	2	Digital Globe	[0.88%]	2	Argon ST	58.77%	2	Comtech	[21.95%]
3	Force Protection	30.23%	3	CPI International	[0.14%]	3	L1 Identity	56.61%	3	VSE Corporation	[21.76%]
4	EMS Technology	28.31%	4	FLIR Systems	2.39%	4	Triumph Group	54.59%	4	FLIR Systems	[21.48%]
5	Applied Signal Tech	26.81%	5	SRA International	2.44%	5	GeoEye	45.19%	5	ICX Technologies	[20.69%]
6	VSE Corporation	25.61%	6	Lockheed Martin	2.53%	6	Esterline Tech.	40.37%	6	Computer Sciences	[20.04%]
7	Ladish Co	25.07%	7	American Science	3.78%	7	Stanley Inc	36.26%	7	AAR Corp	[18.80%]
8	Esterline Tech.	24.41%	8	Raytheon Co.	4.08%	8	OSI Systems	33.14%	8	Elbit Systems	[18.48%]
9	OSI Systems	22.79%	9	Ball Corp.	4.94%	9	Transdigm	30.66%	9	Mantech Internat'l	[18.08%]
10	AAR Corp	21.48%	10	LMI Aerospace	5.22%	10	ViaSat	29.36%	10	L-3 Communications	[16.88%]

PPA (blue) is trending above the 50-day moving average (red) and has crossed the 200-day level (green)



**ETF Statistics (NYSEArca: PPA)**

**Powershares Aerospace & Defense**

Exchange / Ticker Symbol:	NYSE / PPA
Fee	60 basis
Assets (9/30/10)	\$105 M
Closing Price (9/30/10)	\$17.21
Yield (12-month yield)	1.18%
September 10 Volume	707,100
Turnover	9%

source: Yahoo Finance

Portfolio Price / Earnings	11.72
Portfolio Price / Book	2.04
Portfolio Price / Sales	0.70
Portfolio Price / Cash Flow	6.92
Earnings Growth Rate	10.61%
RoE (6/30/10 - Invesco)	24.31%

Yahoo Finance (downloaded 10/3/10)

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

**Modern Portfolio Theory (vs the S&P500)**

Beta (3 month)	1.11
Alpha (3 month)	2.03
R-squared (3 month)	87.39

Yahoo! Finance (downloaded 10/3/10)

Largest Defense Prime Contractors		
	September	YTD
Lockheed Martin	2.53%	[5.40%]
Boeing	8.85%	22.93%
General Dynamics	12.42%	[7.86%]
Northrop Grumman	12.03%	8.56%
Raytheon	4.08%	[11.28%]

PPA by Sector	
Industrial	78.55%
Info Tech.	17.74%
Materials	2.88%
Other	0.83%

source: Powershares

Year	SPADE	S&P500
2009	21.71%	23.45%
2008	<b>[38.03%]</b>	[38.49%]
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%

## Industry News and Information

## Selected Recent Contracts

**\$40 Billion+** - The long-awaited Air Force tanker contract has slipped in order to announce it following the mid-term elections and could be announced as late as Dec 20. (Reuters)

**\$15 Billion** - NASA announced that four companies will be able to compete on its NASA Launch Services II contract for up to 70 launches over the next decade -- Lockheed Martin, Orbital Sciences, United Launch Services, and SpaceX.

**\$12 Billion** - To Boeing from the Air Force to modernize B-52 bombers over the next eight years.

**\$5.3 Billion** - To Boeing from the Navy for 124 F/A-18 fighter jets and electronic attack planes from 2012 to 2015. The deal was a fixed price with an incentive fee, limiting the government on cost overruns and generating savings of more than \$600 million

**\$5 Billion** - The Pentagon arrived at a fixed price agreement with Lockheed Martin for a fourth batch of F-35 jets including 30 for the U.S., one for Britain, and an option for one from the Netherlands. (Washington Post)

**\$2 Billion** - Boeing received an initial \$182 million from the Air Force to start work on a seventh WGS - Wideband Global SATCOM satellite

**\$1.24 Billion** - Boeing from NASA as a 5-year extension for engineering work on the International Space Station.

**\$909 Million** - United Space Alliance, a joint venture between Boeing and Lockheed Martin, for work to support the Space Station and the Space Shuttle's final two missions.

**\$900 Million** - Amount Raytheon reported winning in new classified business in 2Q10.

**\$770 Million** - The US Army bought Enhanced Night Vision Goggles for 50,000 more soldiers. Three firms involved in this area are ITT, L-3's Insight Technology, and Finmeccanica's DRS Systems. Each company will produce 220 ENVGs by August 2013. Once production and quality goals are achieved, an order for 4,500 will go out for each of the three contracts, followed by a bulk order of 12,000 for each.

**\$450 Million** - Raytheon was picked by the Air Force for its GBU-53/B design for the Small Diameter Bomb II program over a competing Boeing/Lockheed Martin team. The contract could be worth billions over the program life. Deliveries to begin in 2013. (Arizona Daily Star)

**up to \$400 Million** - Northrop Grumman received a base year plus an option for four additional year contract for software and support services for the A-Mod Mission Service Bus Framework.

**\$298 Million** - Lockheed Martin from the Pentagon for 26 Terminal High-Altitude Area Defense (THAAD) system interceptors, to be used for the 3rd and 4th batteries. (Aviation Week)

**\$301 Million** - Ball Aerospace (\$180.6M) and ITT (\$120.5M) from DigitalGlobe Inc to build and integrate its WorldView-3 satellite. (Business Journal/Denver)

**\$280 Million** - United Technologies' Pratt & Whitney division received a contract for additional F-22 fighter jet engines. (Hartford Courant)

**\$89 Million** - to Boeing from DARPA for a 5-year endurance UAV. The Boeing/QinetiQ Solar Eagle will keep 1000 lbs of payload aloft for five years with just five kilowatts of power.

**\$22 Million** - Raytheon beat out ATK for an Army contract for the next-generation of Excalibur Ib GPS-guided artillery rounds.

**\$18 Million** - Harris from the Air Force for fighter jet AMRAAM missile telemetry.

#### What's in the Senate's Proposed \$8.1 Billion Cut for FY-11

It received a lot of press, but the devil is really in the details. Many of the reductions were enabled by schedule slippages.

- \* JSF production in 2011 reduced from 42 to 32 saving \$3B.
- \* Build 1 Littoral Combat Ship vs. 2 in FY11, saving \$615 M.
- \* Cancel the 2nd engine for the JSF (which the Pentagon doesn't want), saving \$450 M.
- \* Save \$425 M in THAAD due to production delays
- \* Cut \$1B in support to the Iraq Security Forces.

Overall, the Senate approved spending of \$702 Billion:

\$670 Billion including \$158B for Afghanistan/Iraq + \$18B for nuclear activities, and \$14B for military constructions. Procurement remained the same \$104.8 billion as FY-2010 and R&D rose by \$100 million.

*Ultimately though, it appears that the budget will be delayed until after the November elections, and the DoD will operate at FY-10 levels.*

## Industry News and Information

**International Trade / Exports**

Changes to U.S. export licensing policy regarding hardware and technology that previously had to undergo DoD review (adding time and cost) is anticipated to open up markets for A&D suppliers.

**\$60 Billion** - To be acquired by Saudi Arabia including the plans to purchase or upgrade up to 154 F-15 fighter jets, 70 UH-60 Black Hawk helicopters, and 60 Longbow Apache helicopter. Additional talks to shore up missile defense and naval systems could add billions to the deal. This would be the largest ever sale of such weapons and requires the approval of Congress.

**\$13 Billion** - Iraq is preparing to up to this amount in U.S. arms and military equipment including a "huge order of tanks, ships, and hardware." About half the deals are finalized, the rest is in negotiations.

**\$11 Billion** - India is expected to seal a deal for more than 100 combat jets. (Financial Times)

**\$10 Billion** - The UAE asked for a quote from Boeing to replace 62 Mirage fighter planes.

**\$5.8 Billion** - India is in talks to acquire 10 Boeing C-17 Globemaster III planes, its largest ever defense deal with the U.S. and designed to counter China's increasing military power. (Reuters)

**\$2.75 Billion** - Israel's defense minister approved the purchase of 20 F-35 Joint Strike Fighters with delivery expected to begin in 2015. (Jerusalem Post)

**\$900 Million** - The Pentagon announced plans to sell Raytheon's Patriot interceptor missile to Kuwait (209 MIM-104E GEM-T interceptors).

**Delayed:** South Korea's plans to acquire 40-60 more F-X fighter planes scheduled for a 2011 competition--budget constraints and a reconsidering of its priorities after the March 26 sinking of the frigate ship Cheonan. (Korea Times)

**Reduced Barriers:** The Senate ratified Defense Trade Cooperation Treaties with the U.K. and Australia regarding the exchange and acquisition of military equipment and information.

**Commercial Aerospace**

**\$700 Billion** - Boeing predicted that 7200 aircraft will be delivered in North America during the next 20 years and be driven by the need to retire older, less fuel-efficient single-aisle airplanes and regional jets.

**\$130 Billion** - Value of the 1150 commercial jetliners Boeing anticipates India will need over the next two decades.

Boeing confirmed an early 2011 delivery for the **first 787 Dreamliner**.

Boeing's **747-8 cargo freighter** will need six more months to deliver the plane due to the redesign of parts and to add another plane to its test fleet. This pushes deliveries to 3Q11.

Boeing plans to increase the **737 production rate** in 2Q13 to 38 planes a month in response to global demand.

Boeing **dropped 25 wide body aircraft** valued at \$5B from its order books, 15 were the 787 Dreamliner.

**Cool Technologies**

- DARPA is developing a "**flying Humvee**" that could patrol the ground like a regular vehicle but have the capability to lift off when necessary. The goal is to carry four troops and equipment weighing 1000 pounds and fly and drive about 250 miles on a single tank of gas (Defense News)

- Boeing's 747-8 Freighter set a record by holding **1 million pounds of cargo** and becoming airborne.

- A **United Technologies** helicopter - the Sikorsky's X2 counter-rotating coaxial rotor technology, unofficially tested at 258 mph setting the previous record. The company hopes to reach 288 mph by year's end.

**Mergers & Acquisitions**

**\$1.5 Billion** - **Dyncorp** acquired by PE firm Cerebus Capital

**\$1.27 Billion** - **TransDigm Group** bought McKechnie Aerospace, a manufacturer of parts for commercial aircraft.

**\$1.1 Billion** - Safran is acquiring **L-1 Identity Solutions'** biometrics, secure identification documents, and enterprise access businesses.

**\$295.8 Million** - **BAE Systems** bought **L-1 Identity Solutions'** intelligence services business.

**\$943 Million** - 3M announced it is acquiring **Cogent**, a manufacturer of biometric-recognition system.

**\$903 Million** - **Stanley** (SXE) was bought by Canada's CGI Group

**\$775 Million** - Boeing acquired **Argon STST**

**\$268 Million** - **ICx Technologies** (ICXT) was bought by **FLIR**

**SAIC** bought Reveal Imaging Technologies, a maker of compact CT scanners used by TSA to screen checked baggages. Revenue at the firm has been estimated to reach \$100 million this year. Terms not disclosed. (AP / Boston Globe)



**Commentary (continued from page 1)**

... which was \$726 billion in 2011 will see cuts of 3-4% annually eventually bringing the budget to roughly \$500 Billion in 2011 dollars. Some see this happening by 2016-2018 and some by 2020-2025.

A decline of \$226 billion may seem like a large amount but once the details become known, the impact on companies in the sector is much less negative.

\$160 billion in war costs will be eliminated over the next five years. In addition, according to the GAO, DoD spends 52% of its budget on health care, retirement pay, education, and other benefits. Other structural changes such as consolidating four brigades in Europe into two as suggested by the 2010 QDR, would save some \$2 billion over the next 10 years. Shrinking the force levels to pre-Iraq buildup levels will also save billions.

Ultimately, there are a lot of options for cost savings that don't directly impact the procurement or R&D budgets and could free up additional money for new programs. And while tolerance for defense spending is waning at the moment, what happens after another attack?

**Defense Stocks: Rebound from the Bottom or a Dead-Cat Bounce?**

**Technicals.** At roughly \$17 per share, the Powershares A&D ETF (PPA) is currently trading in a channel with resistance levels at \$16 and \$17.50. It is up more than 67% from its recent lows yet still remains down 28% from its all-time highs.

**Current valuations.** The S&P 500 currently has a P/E of 13, well below its historical average of 17-18. The SPADE Defense Index's

P/E is even lower at 11.72. In addition, more than half the firms in the Index have a P/S <1.0 and 40% have a P/E less than 11.

**Rising global exports.** Defense spending worldwide continues to grow and with changes to the export licensing rules in the U.S., companies are anticipated to benefit. Nearly \$100 billion worth of activity is detailed on page 4.

**Commercial aerospace cycle growth.** Although there is pressure on the defense sector budget, commercial aerospace is at the beginning of what is likely a decade-long expansion.

**U.S. Defense [investment budget] stability.** It is highly likely that the budget will not see the 1% above inflation growth that DoD has proposed. However, efforts to restructure the military are underway and combined with reductions to benefits and health care and reductions in war costs, spending on procurement and R&D is likely to remain relatively stable over the next several years.

**Opening of new markets.** Companies involved with defense have known for several years that a flattening and/or decline in the defense budget was coming and have been positioning their firms for the future. Flush with cash (at all-time highs), firms are acquiring other firms and technologies to position themselves to capture new contracts in new markets and weaning operations to identify cost savings. Combined with U.S. policy changes to increase the export of defense products around the globe and the ability of defense firms to apply their cutting-edge technologies and skills toward non-defense issues, and non-DoD budget revenue sources are expected to see several years of high growth.

With all of this in mind, it wouldn't surprise me in the least if the defense sector hits and/or passes its 52-week high of \$19.76 reached in April.

**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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Oct-10		55 SPADE Defense Index					Market	Forward	Price/	Price/	PEG	
Company	Ticker	Float %	Price	Price	% Ch	% Ch	Cap	P/E	Sales	Book	5 yr	Div Yld
		30-Sep-10	31-Aug-10	30-Sep-10	YTD	MTD	intraday	(ttm)	ttm	mrq	expected	forward %
Boeing Co	BA	6.98%	61.13	66.54	22.93%	8.85%	48.69	13.83	0.74	15.68	1.79	2.60%
United Technologies	UTX	6.73%	65.21	71.23	2.62%	9.23%	66.18	13.41	1.24	3.33	1.46	2.40%
Honeywell Intl	HON	6.72%	39.06	43.94	12.09%	12.49%	33.93	14.45	1.07	3.78	1.57	2.70%
Lockheed Martin	LMT	5.74%	69.52	71.28	-5.40%	2.53%	25.84	9.43	0.57	6.98	1.16	4.10%
General Dynamics	GD	5.31%	55.87	62.81	-7.86%	12.42%	23.89	8.90	0.76	1.87	1.22	2.70%
Raytheon Co	RTN	4.50%	43.92	45.71	-11.28%	4.08%	17.10	8.86	0.68	1.72	1.36	3.30%
Northrop Grumman	NOC	4.49%	54.12	60.63	8.56%	12.03%	17.84	9.12	0.51	1.38	0.80	3.10%
Precision Castparts	PCP	4.40%	113.18	127.35	15.41%	12.52%	18.11	14.79	3.32	3.00	1.75	0.10%
Goodrich Corp	GR	4.05%	68.48	73.73	14.75%	7.67%	9.24	14.29	1.39	3.14	1.94	1.50%
Rockwell Collins	COL	4.03%	53.93	58.25	5.22%	8.01%	9.16	14.71	1.99	5.79	1.71	1.70%
L-3 Communications Hldgs	LLL	4.03%	66.60	72.27	-16.88%	8.51%	8.27	8.18	0.53	1.22	1.01	2.20%
Itt Indus	ITT	3.97%	42.50	46.83	-5.85%	10.19%	8.59	10.27	0.78	2.13	0.96	2.10%
Computer Sciences	CSC	3.76%	39.81	46.00	-20.04%	15.55%	7.10	8.17	0.44	1.09	1.24	1.30%
SAIC	SAI	3.15%	14.88	15.98	-15.63%	7.39%	5.94	10.65	0.54	2.59	0.95	
Harris Corp	HRS	3.03%	42.07	44.29	-6.86%	5.28%	5.72	9.34	1.11	2.61	1.93	2.20%
Textron	TXT	2.99%	17.07	20.56	9.30%	20.45%	5.64	15.34	0.55	1.95	0.90	0.40%
Ball Corp	BLL	2.85%	56.08	58.85	13.83%	4.94%	5.39	11.38	0.69	3.73	1.40	0.70%
Flir Systems	FLIR	2.15%	25.10	25.70	-21.48%	2.39%	4.06	14.69	3.38	3.10	1.10	
URS Corporation	URS	1.69%	35.67	37.98	-14.69%	6.48%	3.08	10.38	0.35	0.77	1.01	
Transdigm	TDG	1.62%	57.89	62.05	30.66%	7.19%	3.06	17.09	3.88	5.8	3.82	
Alliant Techsystems	ATK	1.33%	65.90	75.40	-14.58%	14.42%	2.50	8.56	0.51	2.85	0.89	
Oshkosh Truck	OSK	1.32%	24.88	27.50	-25.74%	10.53%	2.49	7.99	0.26	2.08	0.23	
Elbit Systems	ESLT	1.20%	49.35	53.03	-18.48%	7.46%	2.26	10.82	0.85	2.50	1.12	2.20%
Triumph Group	TGI	0.96%	66.38	74.59	54.59%	12.37%	1.80	10.39	1.31	1.32	2.50	0.20%
Esterline Technologies	ESL	0.91%	46.00	57.23	40.37%	24.41%	1.72	13.63	1.14	1.29	1.05	
Viasat Inc	VSAT	0.88%	34.95	41.11	29.36%	17.63%	1.67	25.22	2.30	2.14	2.66	
Moog Inc.	MOGA	0.85%	31.20	35.51	21.48%	13.81%	1.61	13.06	0.81	1.48	1.30	
Teledyne Technologies	TDY	0.76%	36.18	39.82	3.81%	10.06%	1.44	12.37	0.82	2.00	3.21	
Mantech International'a'	MANT	0.76%	35.39	39.60	-18.08%	11.90%	1.44	10.53	0.61	1.57	1.02	
Digital Globe	DGI	0.74%	30.67	30.40	25.62%	-0.88%	1.39	23.21	4.62	2.85	6.39	
Caci Intl	CACI	0.73%	40.81	45.26	-7.35%	10.90%	1.37	11.04	0.43	1.15	1.00	
Sra International'a'	SRX	0.60%	19.25	19.72	3.25%	2.44%	1.12	12.89	0.66	1.43	0.95	
Cubic Corp	CUB	0.58%	38.19	40.80	9.38%	6.83%	1.09	16.06	0.99	2.36	1.78	0.40%
L-1 Identity Solutions	ID	0.58%	8.99	11.73	56.61%	30.48%	1.09	73.31	1.69	1.48	58.75	
Cogent Inc.	COGT	0.50%	11.00	10.64	2.41%	-3.27%	0.95	22.17	8.11	1.71	2.34	
GeoEye	GEOY	0.47%	36.44	40.48	45.19%	11.09%	0.89	19.37	2.81	2.80	1.00	
Orbital Sciences Corp	ORB	0.47%	12.99	15.30	0.26%	17.78%	0.88	13.08	0.74	1.65	1.53	
Comtech	CMTL	0.41%	20.37	27.35	-21.95%	34.27%	0.77	16.99	0.99	1.10	0.38	
AAR Corp	AIR	0.39%	15.36	18.66	-18.80%	21.48%	0.71	10.14	0.51	0.95	0.99	
American Science & Engineering	ASEI	0.35%	70.97	73.65	-2.89%	3.78%	0.66	16.82	2.72	2.88	1.06	1.60%
Osi Systems	OSIS	0.35%	29.58	36.32	33.14%	22.79%	0.67	16.66	1.12	2.12	0.94	
Ceradyne Inc	CRDN	0.31%	21.84	23.35	21.49%	6.91%	0.59	18.39	1.44	0.95	3.67	
AeroVironment	AVAV	0.26%	22.60	22.25	-23.49%	-1.55%	0.48	19.18	1.95	2.11	0.71	
Ladish Co	LDSH	0.26%	24.89	31.13	106.84%	25.07%	0.49	16.74	1.32	2.06	2.11	
Force Protection	FRPT	0.19%	3.87	5.04	-3.26%	30.23%	0.35	10.50	0.40	1.09	0.20	
Applied Signal Technology	APSG	0.18%	19.62	24.88	29.05%	26.81%	0.33	21.82	1.54	2.29	1.60	2.10%
Mercury Computer Sys	MRCY	0.15%	11.07	12.03	9.26%	8.67%	0.28	14.67	1.44	1.54	1.92	
Gencorp	GY	0.15%	4.38	4.92	-29.71%	12.33%	0.29	19.68	0.33			
EMS Tech	ELMG	0.15%	14.52	18.63	28.48%	28.31%	0.29	15.66	0.82	1.18	0.99	
ICX Technologies	ICXT	0.14%	7.65	7.55	-20.69%	-1.31%	0.26	94.38	1.58	1.59		
NCI Information Technology	NCIT	0.14%	19.15	18.92	-31.57%	-1.20%	0.26	10.40	0.52	1.85	0.75	
TASER International Inc.	TASR	0.13%	3.63	3.88	-11.42%	6.89%	0.24	48.50	2.38	2.03		
Ducommun	DCO	0.12%	19.20	21.78	16.41%	13.44%	0.23	9.51	0.54	0.94	0.81	1.40%
CPI International	CPII	0.12%	14.05	14.03	5.97%	-0.14%	0.24	10.79	0.66	1.22	0.98	
VSE Corporation	VSEC	0.10%	28.08	35.27	-21.76%	25.61%	0.18	6.98	0.19	1.64	0.67	0.70%