

Commentary

The perception is that it's been a tough year to be an investor in aerospace and defense. Yet even though for the first time in a decade it's likely the sector won't outperform the broader market, a 20% gain for the sector in 2009 is still possible.

With just a month to go in the year, the A&D sector has failed (so far) to break out of the trend of moving as the broader market moves. Even President Obama's primetime speech calling for 30,000 more troops to head to the Afghan region has failed to spark a rush of investors into the sector. Overall though, the past month has seen some gains in performance and an increasing number of analysts being more positive about the sector.

There was little in the speech that provided insight into the strategic changes in defense philosophy and future spending plans that will emerge from the 2010 Quadrennial Defense Review however it did call for the addition of \$30 billion and 30,000 troops for the Afghan-region effort while highlighting some of the budgetary pressures that he faces.

Combined with some recent news and "trial balloons from Congress" the past month has given us some things to ponder about when identifying the direction of, and the factors that will influence the business and investment performance of the sector -- for the next month, the next year, and the next several years.

1. The Concept of a War Tax: Congress in late November floated the concept of a special tax on high-income Americans to help pay for the wars in Iraq and Afghanistan. When discussed on CNBC it was pointed out that this is not a new concept, has been done in the past, and that it presents an interesting challenge to those who want to support our troops yet are against new taxes.

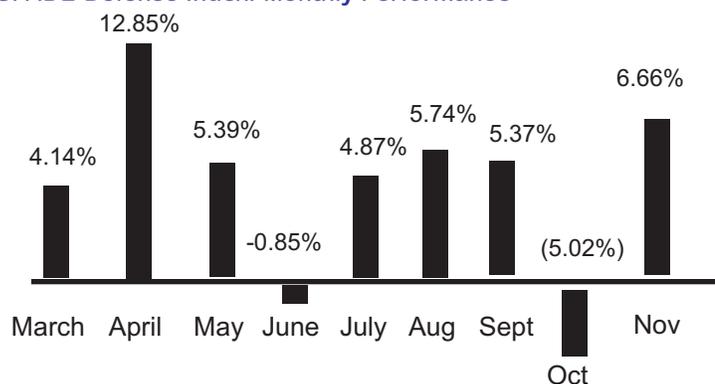
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About PPA

With prospects for one of the fund's largest holding's [Boeing] looking brighter, PPA may prove beneficial as a small overweight sector position in a well diversified portfolio. [The] fund shows strong short-term momentum, even though they remain in the middle of the pack relative to other sector ETFs. With additional forces headed to Afghanistan, more equipment will eventually need to be replaced and that will be another positive for this ETF.

Don Dion - *Seeking Alpha*

SPADE Defense Index: Monthly Performance



SPADE Defense Index Statistics

11/30/09 Close: 1866.39
 All-time Close: 2747.67
 Date of all-time close: 9 October 2007

	SPADE Defense	S&P500
November	6.66%	5.74%
QTD	1.31%	3.64%
YTD	17.05%	21.30%

Increased Defense Spending Coming?

Request for More War Funding Expected

The chairman of the Joint Chiefs of Staff says he plans to ask Congress for emergency funding in the next few months to help pay for the wars in Iraq and Afghanistan. Congress just authorized \$130 billion for the wars last month, and while no figures have been announced, analysts expect a request for another \$50 billion. *The New York Times* (11/4)

An Increased Focus on Afghanistan

On December 1, President Obama called for 30,000 troops to be shipped to the Afghanistan region, costing an estimated \$30 billion.

Additional Supplementals via a War Tax?

Congress is talking about implementing a special tax on high-income individuals to help fund the war and near-term defense spending needs as a means to not increase the debt level. A war tax has been implemented several times in the past but presents a conundrum for elected officials against raising taxes but for supporting the troops.

From the Analysts

Pierre Chao, managing partner, Renaissance Strategic Advisors, at a recent investor conference noted that defense companies are relatively healthy, in terms of debt levels and performance [as we enter] into a likely slowdown in defense spending. They also are well-positioned to take advantage of spending at other government agencies, given their experience in dealing with government contracts. "If you think about defense contractors, they're also very good companies at dealing with government as a core capability". Companies that proactively respond to changes in government spending priorities, such as health care, stand to have an advantage.

on the Pentagon's acquisition strategy

...as focused on the Army, rapid acquisition, small company suppliers, and immediate needs on one end and large networks, the Air Force and Navy, and large integrators on the other. In that context, budget restraints are forcing the military services to decide between modernization and recapitalizing equipment worn out by the wars.

In the last downturn in defense spending in the 1990s, "the companies that figured out strategies the fastest the earliest, and rolled them out aggressively outperformed everybody else."

Defense News, 16Nov09, p22

November 2009 Top Gainers

1	Integral Systems	28.84%
2	Oshkosh Truck	28.45%
3	Harris	16.76%
4	VSEC	16.51%
5	GeoEye	16.31%
6	ViaSat	15.31%
7	OSI Systems	11.70%
8	United Technologies	10.36%
9	Alliant Techsystems	10.11%
10	Goodrich	9.20%

November 2009 Laggards

1	EMS Technologies	[38.14%]
2	DynCorp	[22.33%]
3	Garmin	[20.83%]
4	SRA International	[16.40%]
5	Orbital Sciences	[16.30%]
6	Cogent	[15.54%]
7	Applied Signal	[15.04%]
8	AAR Corp	[14.95%]
9	Comtech	[13.49%]
10	NCI Technologies	[12.21%]

YTD 2009 Top Gainers

1	Oshkosh Truck	346.91%
2	Precision Castparts	74.31%
3	Mercury Computer	68.15%
4	GeoEye	62.09%
5	Goodrich	60.29%
6	Computer Sciences	57.40%
7	Garmin	55.87%
8	OSI Systems	47.51%
9	Textron	44.56%
10	Rockwell Collins	36.76%

YTD 2009 Laggards

1	EMS Technologies	[50.21%]
2	Comtech	[37.28%]
3	Cogent	[37.14%]
4	Orbital Sciences	[35.84%]
5	Moog	[27.78%]
6	Integral Systems	[26.72%]
7	Teledyne Tech.	[24.76%]
8	Stanley Inc.	[22.01%]
9	Aerovironment	[21.92%]
10	ManTech	[20.13%]

Largest Defense Prime Contractors

	November	2009
Lockheed Martin	[1.09%]	[8.15%]
Boeing	[3.21%]	22.83%
General Dynamics	2.01%	14.43%
Northrop Grumman	5.89%	21.67%
Raytheon	7.42%	0.96%

Year	SPADE	S&P500
09YTD	17.05%	21.30%
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%

ETF Statistics (NYSEarca: PPA)
Powershares Aerospace & Defense

Exchange / Ticker Symbol: NYSE / PPA
 Fee: 60 basis
 Assets (11/30/09): \$130.6 M
 Closing Price (11/30/09): \$ 16.53
 Yield (12-month yield): 1.20%
 November 09 Volume: 1,487,000
 3 month Avg Daily Trading Volume: 61864.1
 Turnover: 9%

source: Yahoo Finance

Avg. Market Cap.	9.25 Billion
Portfolio P/E	13.06
Portfolio P/S	0.67
Portfolio P/B	2.36
Portfolio P/Cash Flow	6.67
Earnings Growth Rate (ttm)	11.71%

source: Yahoo! Finance (10/31/09)

Powershares Aerospace & Defense ETF (NYSE: PPA)

Modern Portfolio Theory (vs the S&P500)

Beta (3 month): 1.11
 Alpha (3 month): 5.34
 R-squared (3 month): 84.52

source: Yahoo! Finance (10/31/09)

New ETFs in the Market

Geary Advisors has launched ETFs designed to track our SPADE Oklahoma Index (NYSEarca: OOK) and the SPADE Texas Index (NYSEarca: TXF). Both indexes were created to provide a benchmark for companies headquartered in their respective state. Additional information can be found at <http://www.spadeindexes.com>

International Threats on the Horizon

Chinese missiles, radar threaten U.S. Navy
 U.S. intelligence sources say China is close to completing the world's first anti-ship ballistic missile, potentially creating a "no-go zone" for U.S. carriers in the international waters around Taiwan. Besides the land-based missile with a range of nearly 900 miles, China is developing radar capable of pinpointing U.S. ships far from its shores, and the Chinese navy now has 36 vessels equipped with anti-ship weapons. In response, the U.S. Navy plans to build up to seven additional Aegis-class DDG-51 destroyers armed with sophisticated radar and missiles. *Bloomberg* (11/16)

CRS Analyst: Asia threatens U.S. military dominance

A defense analyst at the Congressional Research Service says U.S. global military dominance is fading, threatening the "Pax Americana" that has ruled since the end of World War II. Stephen Daggett says the rise

of Asian economies is shifting power to the east. "The days of the American Century were really in the last 50 years of the 20th century," Daggett said Wednesday before a meeting of the House Armed Services Committee. *The Washington Times* (11/19)

Weapons in space inevitable

After years of pushing for the peaceful use of outer space, China appeared to signal a shift on Monday when a top air force commander said the militarization of space is probably inevitable. Xu Qiliang said the People's Liberation Army must develop both offensive and defensive capabilities in space. "As far as the revolution in military affairs is concerned, the competition between military forces is moving towards outer space ... this is a historical inevitability and a development that cannot be turned back," he told an army newspaper. *Google/Agence France-Presse* (11/2)

Iran announces expansion of nuclear facility program - Nothing more need said.

About

The SPADE Defense Index (ticker: **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

Licensed to Powershares, their 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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At The Cutting Edge of Intelligence

The *C4ISR Journal* in its October 2009 issue highlighted the projects that are making the biggest difference in the world of intelligence. Their list contains:

Raytheon's Airborne Standoff Radar (ASTOR)

Analysts in Afghanistan are craving all-weather radar images and ground-moving target indicator data

ITT - AN/PSQ-20 Enhanced Night Vision Goggles

L-3 Wescam - MX15 HD

High definition full motion video cameras for piloted and unmanned aircraft

Raytheon's ARTEMIS imaging spectrometer

An experimental satellite camera capable of producing images in hundreds of detail-revealing spectral bands

Northrop Grumman - Fire Scout

Unmanned helicopter

Sierra Nevada & ITT - Gorgon Stare

A suite of cameras that can be installed on a Reaper UAV for day and night wide-area surveillance

L-3 Rover 5

A small computer capable of sending and receiving full-motion video.

Lockheed Martin VUIT-2

Communications link installed on Apache helicopters to enable co-pilot/gunners to receive video feeds from unmanned aircraft and relay them to the ground

Lockheed Martin - Aegis weapons system

Designed to enable Navy vessels to shoot down enemy ballistic missiles

GeoEye

Launched in September 2008, it is the first commercial satellite capable of spotting objects as small as 0.41 meters

Boeing - Their Insitu subsidiary's Scan Eagle

Catapult-launched UAV equipped with EO/IR cameras or a synthetic aperture radar

Textron's AAI Corp - Shadow UAV

A catapult-launched UAV equipped with a variety of ISR sensors and communications relays.

Inside the QDR and DoD Strategy

- Brett Lambert, "the director of Industrial policy at the Pentagon" stated that they will pay special attention to 2nd, 3rd, and 4th tier vendors, the people who make the nozzles...that's where we're going to focus a lot of energy in the next few years.

- Alan Chovtkin, Professional Services Council, "...Defense Secretary [Robert] Gates has been talking about realignment of defense away from major systems and toward asymmetrical warfare to greater use of UAVs and other kings of technologies, force multipliers other than bringing in the tanks and aircraft carriers."

Other Issues:

New organizational conflict-of-interest rules. Weapons Systems Acquisition Reform legislation that was enacted on May 22, prohibits firms from performing systems engineering and technical assistance work while also working as a prime contractor or major subcontractor on the same program. This led to Northrop Grumman's decision to sell TASC for \$1.65 billion to an investor group.

Pentagon takes aim at growing number of contract protests

Last year saw a record 611 challenges to defense contract awards, and the Pentagon is reviewing its contracting procedures in an effort to reverse the trend. According to the GAO, contract protests surged 24% in 2008, including high-profile efforts to build new aerial refueling tankers and search-and-rescue helicopters. A Pentagon official refused to speculate whether his department might ask Congress to rewrite the 25-year-old law that made such protests possible. *Bloomberg* (11/17)

Fixed-price contracting as a preferred contract type is expected to increase.

Increased R&D / Fighting with Prototypes

In a *Defense News* 23Nov09 article, Zachary Lemnios, the Pentagon's Director of Defense research and engineering cited as a goal to "fight with prototypes" and allow combat lessons to drive upgrades on later versions. This means a bigger focus on analyzing the architectural trades early on, lock in designs sooner, and a push to shift some spending to earlier R&D investments. This is what they are referring to as the 75% solution -- being able to develop and field projects when they achieve a 75% technology maturity level. The four-star combat commanders are looking for one-year acquisition cycles to try things out in the field and then have them developed from what is learned.

Historical Quarterly Performance of the SPADE Defense Index

Quarter	SPADE	S&P500
3Q09	16.36%	14.98%
2Q09	17.78%	15.22%
1Q09	[15.71%]	[11.67%]
4Q08	[18.14%]	[22.45%]
3Q08	[8.13%]	[9.00%]
2Q08	[4.69%]	[3.23%]
1Q08	[13.53%]	[9.92%]
4Q07	[4.22%]	[3.82%]
3Q07	[2.39%]	[2.99%]
2Q07	10.76%	5.81%
1Q07	4.37%	0.18%
4Q06	8.79%	6.17%
3Q06	3.21%	5.17%
2Q06	[4.03%]	[1.91%]
1Q06	10.65%	3.73%
4Q05	[0.47%]	1.59%

Quarter	SPADE	S&P500
3Q05	4.44%	3.15%
2Q05	3.91%	0.91%
1Q05	[2.52%]	[2.59%]
4Q04	9.80%	8.73%
3Q04	2.81%	[2.30%]
2Q04	6.34%	1.30%
1Q04	0.36%	1.29%
4Q03	18.97%	11.64%
3Q03	5.27%	2.20%
2Q03	19.03%	14.89%
1Q03	[7.92%]	[3.60%]
4Q02	3.39%	7.92%
3Q02	[17.04%]	[17.63%]
2Q02	[2.86%]	[13.73%]
1Q02	16.57%	[0.06%]

Quarter	SPADE	S&P500
4Q01	14.59%	10.29%
3Q01	[10.40%]	[14.29%]
2Q01	5.91%	5.52%
1Q01	[7.18%]	[12.11%]
4Q00	[0.05%]	[8.09%]
3Q00	12.14%	[1.24%]
2Q00	[7.11%]	[2.93%]
1Q00	0.83%	2.00%
4Q99	7.57%	14.54%
3Q99	[10.18%]	[6.56%]
2Q99	21.39%	6.71%
1Q99	[1.68%]	4.65%
4Q98	13.70%	20.87%
3Q98	[16.88%]	[10.30%]
2Q98	[1.88%]	2.91%
1Q98	14.99%	13.53%

INSIDE THE DEFENSE MARKET

Report: Increase in defense spending needed to meet plans

Defense spending will need to increase by 6%, to \$567 billion annually, in constant 2010 dollars, in order to meet the current administration's plans, according to the Congressional Budget Office. The need for more funds could squeeze suppliers of advanced systems, and steadily rising maintenance and personnel costs are among other factors requiring increased spending. *Reuters* (11/19)

Second-tier defense contractors on the rise

The Pentagon is increasingly turning to small business as communications and hand-held technologies become more important to soldiers on the ground. "Second-tier defense contractors focused on information technology and intelligence applications will probably do well in the emerging military market," predicts Loren Thompson of the Lexington Institute. Other experts note that much of the technology being produced for the Pentagon has secondary civilian applications. *The New York Times* (11/18)

Feds split on subsidies for NextGen avionics

Some of the president's top advisers are pushing federal subsidies to help cash-strapped airlines install the advanced avionics needed to make the NextGen air-traffic control system a reality. But White House budget hawks are opposing the plan, which could cost \$10 billion over five years. Many industry groups have joined forces to support the push for avionics upgrades, and they have found support among transportation officials and Lawrence Summers, the senior White House economic adviser. *Wall Street Journal* (11/13)

Pentagon considers adding \$200M to JSF

With a recent report indicating that delays on the new Joint Strike Fighter program could cost the program up to \$16.6 billion more than expected over the next five years, the Pentagon is considering a plan to add more than \$200 million to the program and provide more aircraft for flight tests. A meeting is planned with Lockheed Martin. *The New York Times* (11/20)

DHS eyes contract reforms

The Department of Homeland Security is working to reform its contracting policies, urging, among other things, that fixed-price contracts be used whenever possible, rather than award-fee contracts. DHS is reportedly facing a flat or reduced budget request for fiscal 2011, giving urgency to such cost-cutting measures. *Homeland Security Today* (11/23)

Updated Presidential Helicopter Revisited

The Pentagon's chief weapons buyer said Monday that the competition to build a new presidential helicopter could start as early as next spring. Ashton Carter vowed the new model would cost less than the ill-fated VH-71.

Expansion into Adjacent Markets

Pratt & Whitney Rocketdyne, a United Technologies company, spent much of their meeting with *Aviation Week* discussing the company's ventures in solar power, coal gasification, and oil extraction touting a partnership with Exxon Mobil. The goal is to find 50% of sales from markets outside space propulsion by 2018 in areas where it can apply its expertise in combustion, heat transfer, pumps, and cooling.

Did you know that after World War I, Boeing put its employees to work making furniture?

Contractors await KC-X RFP

Changes in the Air Force's plan to buy KC-135 fuel tanker replacements are due later this month. The draft RFP emphasizes cost and includes 373 pass-fail threshold requirements, and Boeing is expected to propose a 767- or 777-based tanker. Northrop Grumman/EADS has hinted that it may put out of the competition if the specification issues are not resolved that will allow it to propose an Airbus A330.

Shift in Iraq Contract Awards:

Congress has been critical of KBR over the past several years as whistleblower complaints concerning work quality and overbilling has become public. The firm had a sole source for the LOGCAP III contract in which it billed an estimated \$37 billion since 2001 for activities from laundry to mail delivery. Although the firm is part of LOGCAP IV (along with Fluor and DynCorp), of the seven task orders awarded so far in the past year, DynCorp received \$750M, Fluor \$500M, and KBR \$0.

Growth Seen in Training Markets

According to defense analyst Michael Lewis (BB&T), the Pentagon spent about \$12.8 Billion (\$13.3 B if Future Combat System spending is included) in FY-09 up from the \$10.1 billion spent on training, including equipment in FY-07.

Defense News on 30Nov09 cited an article highlights that advanced flight simulators could save hundreds of millions in fuel costs, reduce maintenance costs, and extend the time between acquiring replacement systems.

Commentary (continued)

2. The bad press concerning the launch of Boeing's 787 Dreamliner aircraft has finally been supplanted by positive news focused on the anticipated first test flight, scheduled to take place most likely the week of December 14th but before the end of the month. Next year should see a shift from R&D to production and enable companies with commercial exposure to this program to begin recording billions in backlogged revenues.

3. The growing threats in Asia and the Middle East continue -- Unlike prior "post-war" periods when defense budgets declined significantly, comparing today's climate with that after the Cold War or Vietnam is folly. Military and defense needs will still exist after 2011/2012 when the Afghan and Iraq pullouts are proposed to be completed. In fact, if one looks at the news items on page 2 related to Iran's nuclear expansion plans and China's expanding cyberterrorism activities, calls for offensive weapons in space, and

increasing naval capacities, a number of possible conflict scenarios can easily be seen...and this assumes that the violence associated with Islamic fundamentalism has been resolved.

4. As highlighted in the president's speech, the vice that keeps defense spending in check is the economy and the national debt. Between now and 2013, it is likely that improvements in the U.S. economy and an expansion that creates jobs, leads to economic growth, and improves the tax revenue stream will relieve some pressure in the budget. Similarly, the government relief programs have yet to be played out and the total cost may still be less than forecast once private companies repay the government. By the pullout in FY-12/FY-13, we'll know more about our economic situation and the impact it'll have on discretionary spending for the military. Until then though, future budget pressures are a risk although it appears that the FY-11 and FY-12 budget levels appear stable.

The second factor impacting where monies

in the defense budget go is the steady rise in military personnel costs; those associated with health care, retirement, training, housing, etc. In a flat budget environment, "M-1" increases have to be offset with declines in procurement (P-1), R&D (R-1), and/or Operations (O-1). Reduced force levels after troops return from combat should help (and reduce O-1 costs and preserve procurement and R&D spending) although the reality is that the budget is a complicated juggling act.

Ultimately though, these are not new problems. While they will impact the total amount allocated, from an investor standpoint, changes to which programs DoD invests in, the types of contracts, and how well individual firms have positioned themselves to align with strategic defense changes are more important to a company's revenues and profits and their stock's performance in the market.

It's beginning to appear that there may be more positives for 2010 than negatives

NEW TECHNOLOGIES

By next year, the Pentagon plans to dramatically upgrade the video capabilities of its most advanced UAVs, allowing a single aircraft to monitor "nearly everything that moves within an area of 1.5 square miles." Reaper aircraft currently equipped with a single video feed soon will carry 12 and eventually could boast 65. By 2011, a single UAV will be able to monitor three square miles, allowing the U.S. to "project power without vulnerability," according to one Pentagon official. *Los Angeles Times* (11/2)

The Pentagon's Rapid Reaction Technology Office is seeking to prove that sophisticated weapons systems don't have to spend years in development. From ships to aircraft, the focus is "primarily on technologies that can be matured in six to 18 months for purposes of counterterrorism," and director Benjamin Riley says the office maintains a success rate of approximately 50%. *The Washington Post* (11/10)

Cardiff Airport is one of 10 in the U.K. testing facial-recognition technology for arriving passengers. The system scans passengers' faces, then matches the scans against the digital photos on their biometric passports. The airport's acting director of operations says business travelers in particular have been quick to embrace the technology for its convenience. *BBC* (11/17)

GLOBAL DEFENSE BUSINESS

Although France, China, and Russia are increasingly aggressive in courting customer for their military products...it is the U.S. that is raking in the big dollars...A decade ago, the U.S. booked about \$10 billion in foreign military sales, this reached \$28 billion in FY2008, and this year could top \$50 billion based on estimates of deals in the negotiating pipeline. *Aviation Week* 30Nov09.

U.S. arms sales to foreign governments hit a record \$38.1 billion in fiscal 2009, an increase of 4.7%. For fiscal 2010, the Pentagon's Foreign Military Sales program expects to achieve nearly the same record, with sales estimated at \$37.9 billion. Middle Eastern countries were the biggest buyers of U.S. arms, with the UAE, Afghanistan and Saudi Arabia filling the top three spots. *Reuters* (11/6)

India hopes to buy 10 Boeing C-17 transport aircraft in a deal valued at some \$1.7 billion, according to the country's Defense Ministry. U.S. and Indian air forces recently flew joint exercises with the Globemaster, and sources say the contract could be finalized in early 2010. *Defense News* (11/5)

Lockheed Martin has offered to include Israeli-built command, control, communications, computer and intelligence systems for a unique version of the radar-evading F-35 Joint Strike Fighter, a Pentagon official says. If a deal for the jet is finalized in upcoming months, the jet would be delivered to Israel by 2015. *Reuters* (11/23)

New Report: "Projecting Power -- Trends Shaping Canada's Air Force in the Year 2019".

MERGERS & ACQUISITIONS

Defense contractor Northrop Grumman Corp. is in a deal to sell its government advisory business to a group of private investors for \$1.65 billion. It represents Northrop's effort to comply with a new federal conflict-of-interest law, which regulates companies that advise the government on weapons systems while building them. *Los Angeles Times* (11/9)

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Dec-09		SPADEFENSE Index					Market	Forward	Price/	Price/	PEG	
Company	Ticker	Float %	Price	Price	% Ch	% Ch	Cap	P/E	Sales	Book	5 yr	Div Yld
			30-Oct-09	30-Nov-09	YTD	MTD	intraday	(ttm)	ttm	mrq	expected	forward %
United Technologies	UTX	7.06%	61.45	67.24	25.45%	10.36%	63.04	14.84	1.20	3.41	1.60	2.30%
Boeing Co	BA	6.57%	47.80	52.41	22.83%	-3.21%	36.56	12.05	0.58		5.25	3.20%
Honeywell Intl	HON	6.18%	35.89	38.47	17.18%	3.55%	29.35	14.97	0.93	3.09	1.54	3.10%
Lockheed Martin	LMT	6.34%	68.79	77.23	-8.15%	-1.09%	29.19	10.49	0.67	9.28	1.12	3.30%
General Dynamics	GD	5.42%	62.70	65.90	14.43%	2.01%	25.42	10.11	0.81	2.21	1.39	2.30%
Northrop Grumman	NOC	4.69%	50.13	54.80	21.67%	5.89%	17.19	9.89	0.49	1.38	1.16	3.10%
Precision Castparts	PCP	4.51%	95.53	103.68	74.31%	1.78%	14.59	13.55	2.51	2.71	0.95	0.10%
Raytheon Co	RTN	4.73%	45.28	51.53	0.96%	7.42%	19.75	10.35	0.81	2.07	1.19	2.40%
Rockwell Collins	COL	4.17%	50.38	53.46	36.76%	5.24%	8.41	13.78	1.89	6.53	1.11	1.80%
Itt Indus	ITT	3.90%	50.70	51.72	12.46%	-0.82%	9.45	13.13	0.86	2.62	2.04	1.60%
Computer Sciences	CSC	4.15%	50.71	55.31	57.40%	4.93%	8.43	10.68	0.52	1.31	1.09	
L-3 Communications Hldgs	LLL	3.85%	72.29	78.37	6.22%	-2.43%	9.11	9.81	0.59	1.43	1.15	1.80%
SAIC	SAI	3.51%	17.71	17.82	-8.52%	1.60%	7.09	12.73	0.68	3.32	1.10	
Goodrich Corp	GR	3.64%	54.35	59.34	60.29%	9.20%	7.38	13.43	1.11	2.59	1.14	1.80%
Garmin Ltd	GRMN	2.97%	30.26	29.88	55.87%	-20.83%	6.00	12.05	2.12	2.43	0.85	2.40%
Harris Corp	HRS	2.85%	41.72	43.90	15.37%	16.76%	5.78	10.87	1.15	2.97	0.83	2.00%
Textron	TXT	2.68%	17.78	20.05	44.56%	5.64%	5.44	23.31	0.47	1.84	18.91	0.40%
Ball Corp	BLL	2.30%	49.33	49.41	18.80%	0.43%	4.65	11.26	0.65	3.17	1.58	0.80%
Flir Systems	FLIR	2.15%	27.81	28.70	-6.45%	2.61%	4.36	18.64	3.84	3.87	1.16	
URS Corporation	URS	1.73%	38.86	41.55	1.91%	-4.81%	3.49	12.75	0.35	0.90	1.53	
Oshkosh Truck	OSK	1.76%	31.26	39.73	346.91%	28.45%	3.55	13.16	0.65	6.67	0.89	
Ebit Systems	ESLT	1.27%	60.51	61.01	31.26%	-10.48%						2.13%
Alliant Techsystems	ATK	1.40%	77.78	85.72	-0.05%	10.11%	2.82	9.44	0.60	3.38	0.75	
Trimble Navigation Ltd	TRMB	1.32%	20.97	22.33	3.33%	-6.61%	2.69	17.18	2.46	2.20	1.17	
Mantech International'a'	MANT	0.76%	43.86	43.28	-20.13%	-8.11%	1.55	12.92	0.80	2.01	1.10	
Caci Intl	CACI	0.69%	47.62	46.42	2.95%	-1.80%	1.40	12.48	0.49	1.31	1.05	
Esterline Technologies	ESL	0.59%	42.11	40.39	6.60%	3.01%	1.20	11.47	0.84	0.97	0.95	
Teledyne Technologies	TDY	0.60%	34.16	33.52	-24.76%	-6.86%	1.21	10.71	0.68	2.01	1.83	
Moog Inc.	MOGA	0.59%	24.97	26.41	-27.78%	-10.47%	1.13	10.08	0.61	1.06	1.30	
Sra International'a'	SRX	0.51%	18.76	18.05	4.64%	-16.40%	1.02	13.47	0.66	1.36	1.10	
Digital Globe	DGI	0.51%	22.33	23.01	0.04%	2.86%	1.03	27.39	3.75	2.28	1.51	
DynCorp	DCP	0.39%	17.00	13.98	-7.84%	-22.33%	0.79	7.85	0.26	1.55	0.82	
Cubic Corp	CUB	0.46%	34.71	34.82	28.01%	-11.78%	0.93	14.94	0.99	2.25	1.42	0.50%
Viasat Inc	VSAT	0.48%	29.15	30.65	27.28%	15.31%	0.98	16.48	1.50	1.93	1.53	
Comtech	MTL	0.40%	32.12	28.74	-37.28%	-13.49%	0.81	12.83	1.40	1.30	0.56	
Cogent Inc.	COGT	0.38%	9.65	8.53	-37.14%	-15.54%	0.77	17.41	5.90	1.42	1.62	
Triumph Group	TGI	0.40%	46.81	47.99	13.02%	0.00%	0.80	10.06	0.65	0.96	0.95	0.30%
AAR Corp	AIR	0.36%	19.61	18.66	1.36%	-14.95%	0.71	10.03	0.51	1.01	1.07	
Orbital Sciences Corp	ORB	0.35%	12.88	12.53	-35.84%	-16.30%	0.71	16.71	0.63	1.47	1.34	
Stanley Inc.	SXE	0.32%	28.25	26.68	-22.01%	3.73%	0.64	13.21	0.76	2.52	0.98	
American Science & Engineering	ASEI	0.30%	66.12	69.55	-5.96%	2.22%	0.62	17.97	2.60	3.07	1.10	1.10%
AeroVironment	AVAV	0.31%	26.66	28.74	-21.92%	2.31%	0.62	20.38	2.68	3.04	1.17	
L-1 Identity Solutions	ID	0.28%	5.91	6.14	-8.90%	-12.16%	0.56	87.71	0.87	0.76	31.00	
GeoEye	GEOY	0.29%	25.37	31.17	62.09%	16.31%	0.60	17.22	2.49	2.31	1.12	
Ceradyne Inc	CRDN	0.22%	16.12	16.91	-16.74%	-7.75%	0.43	22.85	0.98	0.67	2.75	
Argon St	STST	0.19%	18.60	17.98	-4.67%	-5.62%	0.39	14.98	1.09	1.28	1.17	
NCI Information Technology	NCIT	0.17%	26.91	25.16	-16.50%	-12.21%	0.34	14.13	0.79	3.03	1.09	
Osi Systems	OSIS	0.18%	19.63	20.43	47.51%	11.70%	0.36	14.19	0.62	1.27	0.88	
Force Protection	FRPT	0.18%	4.40	5.16	-13.71%	-5.49%	0.36	9.56	0.38	1.22	0.69	
EMS Tech	ELMG	0.10%	17.43	12.88	-50.21%	-38.14%	0.20	15.33	0.53	0.75	0.68	
Applied Signal Technology	APSG	0.13%	20.49	19.77	10.20%	-15.04%	0.26	16.75	1.35	1.95	0.98	2.50%
TASER International Inc.	TASR	0.13%	4.09	4.23	-19.89%	-10.38%	0.26	38.45	2.75	2.36		
Mercury Computer Sys	MRCY	0.12%	10.70	10.61	68.15%	7.61%	0.25	14.34	1.30	1.59	2.27	
VSE Corporation	VSEC	0.12%	43.79	45.45	15.86%	16.51%	0.23	7.30	0.21	2.38		0.50%
Ladish Co	LDSH	0.11%	12.96	13.89	0.27%	-8.20%	0.22	25.25	0.57	0.97	140.00	
Ducommun	DCO	0.10%	17.02	18.65	11.68%	-1.37%	0.19	8.29	0.46	0.82	0.72	1.60%
Herley Industries	HRLY	0.08%	11.31	11.56	-5.86%	-11.42%	0.16	9.25	0.99	1.04	3.55	
Integral Systems	ISYS	0.08%	8.40	8.89	-26.22%	28.84%	0.15	25.40	0.87	1.26	2.97	

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