

# SPADE INVESTOR



March 2008

Defense \* Homeland Security \* Space

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## Inside this issue...

FY-09 Defense Budget Released	1
Largest DHS Contractors	1
Industry Statistics	3
FY-09 Intelligence Spending	3
Notes from Cowen & Co Mtg	3
Areas of Defense Sector Growth	3
Forthcoming Billion Contracts	5
Historical Defense Budget	5

## Forthcoming...

General Petraeus in March/April will present to Congress his pitch for supplemental spending needed for the rest of the year and 2009.

## Themes from the Cowen & Co. Aerospace & Defense Investor Forum

- Companies have plenty of cash on hand
- Companies are open to acquisitions but the likelihood of big deals is small.
- Extensive share buybacks ongoing
- Out-year forecasts appear strong through 2009 - 2010.
- Margins holding strong
- Defense budget slowing but growth opportunities remain.
- Diversifying skill set to non-DoD clients in advance of any changes to the market

## SPADE Defense Index Statistics

2/29/08 Close: 2281.19  
 All-time Close: 2747.67  
 Date of all-time close: 9 October 2007

	SPADE Defense	S&P500
February	[5.07%]	[3.48%]
Year to Date	[11.34%]	[9.37%]

**10-Year performance data of the Index is now available**

## Commentary

### "Irrational Dejection" ?

With the major U.S. market indexes all down for the fourth consecutive month, one might see this play on the Alan Greenspan speech in 1996 as an interesting choice of words. Back then, before the height of what has become known as the Internet bubble or the Tech bubble, the market seemed to favor all sectors and styles. Although some more than others, it was hard to identify an investment strategy that didn't work.

Today, we have the opposite, with nearly every equity sector and style seeing weakness driven by the serious economic issues in play at the moment: recession, inflation, the housing/ bank/ loan crisis, and a weak dollar. Recent conversations with money managers, and analysts that monitor the

economy and Wall Street, have said that its possible that problems may be even worse than many people realize as capital for investment moves to the sidelines. Where the mood in the irrational exuberance days was 'everything is wonderful' (even in areas where it wasn't) today the mood is 'everything is horrific', even in places where it isn't.

### Has Fear Replaced Logic?

How else am I to explain how the aerospace and defense sector, whose companies continue to report record earnings, record levels of cash on hand, historical share buybacks totaling in the billions of dollars (which will improve earnings per share over time), and a backlog that some firms are measuring not in months but years is falling in step with the rest of the market.

To put this decline in perspective, according to the SPADE Defense Index,...

*continued on page 4*

## Top DHS Contractors in FY07

1. Int'l Coast Guard Systems-\$562M
2. IBM - \$348.8 M
3. Unisys - \$315.5 M
- 4. L-3 Communications - \$306.8M**
- 5. Boeing - \$265.3 M**
- 6. SAIC - \$264 M**
7. Booz Allen - \$229.5 M
8. Accenture - \$181M
9. GE/Invision - \$175.7M
10. Fluor - \$169.2
- 11. Lockheed Martin - \$146.9 M**
12. ITS Services - \$133 M
13. Smiths Detection - \$113.3 M
- 14. Northrop Grumman - \$111.3 M**
15. American Eurocopter - \$109.7 M
- 16. General Dynamics - \$107.4 M**

*SPADE Defense Index constituents are in bold. Others are private or elements of diversified corporations.*

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

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

**Budgets from FY09 to FY13 do not include supplemental spending**

**Between FY09 - FY13**

Core procurement to rise \$21 billion

Core O&M to rise \$18 billion

RDT&E to decline by \$8.4 billion

**February 2008 Top Gainers**

1	KVH Industries	13.76%
2	Esterline Tech.	12.69%
3	ManTech Int'l	7.78%
4	Triumph Group	4.80%
5	DRS Technologies	4.61%
6	Trimble Navigation	3.36%
7	Computer Sciences	2.67%
8	American Science	1.88%
9	Cogent	1.42%
10	Viasat	0.96%

**February 2008 Laggards**

1	Ceradyne	[35.39%]
2	Mercury Computer	[22.77%]
3	DynCorp	[18.93%]
4	Garmin	[18.63%]
5	Teledyne Tech.	[14.00%]
6	GeoEye	[13.59%]
7	SRA International	[12.50%]
8	Ducommun	[12.50%]
9	Oshkosh Truck	[12.43%]
10	AAR Corp.	[12.42%]

**YTD Top Gainers**

1	KVH Industries	7.69%
2	Raytheon	6.82%
3	DRS Tech.	3.35%
4	Esterline Tech.	1.26%
5	MTC Tech.	0.85%
6	Mantech Int'l	0.59%
7	L-3 Communications	0.33%
8	Northrop Grumman	0.04%
9	Lockheed Martin	[1.96%]
10	Ball	[2.00%]

**YTD Laggards**

1	Mercury Comp.	[60.21%]
2	Garmin	[39.47%]
3	Viasat	[39.09%]
4	DynCorp	[38.17%]
5	Cubic	[34.77%]
6	Ceradyne	[33.71%]
7	L-1 Identity	[33.37%]
8	AAR	[31.92%]
9	Triumph Group	[31.28%]
10	Ducommun	[27.03%]

**Index and Industry Statistics**

**ETF Statistics (AMEX: PPA)**

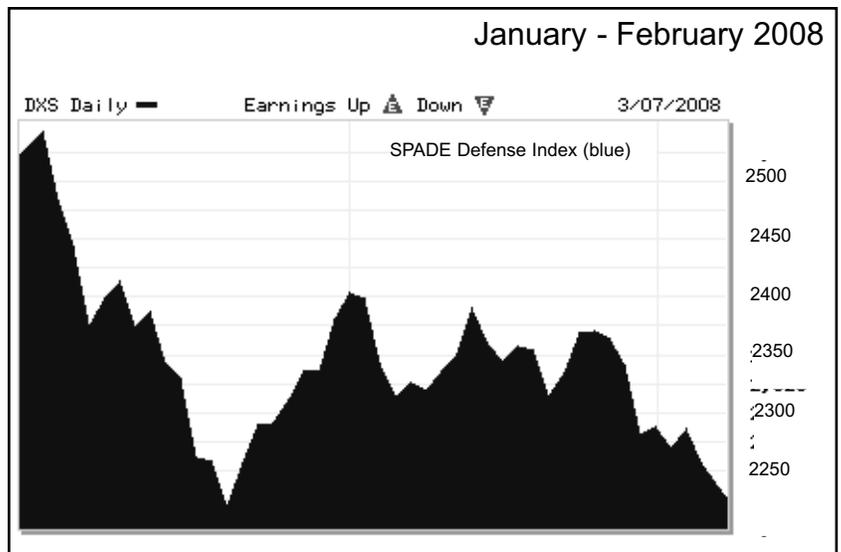
**Powershares Aerospace & Defense**

Exchange / Ticker Symbol:	AMEX / PPA
Fee	60 basis
Assets (2/29/08)	\$ 267.3 M
Closing Price (2/29/08)	\$20.10
February 08 Volume	2,205,400

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

Average Portfolio Market Cap*	\$14.02 Billion
Portfolio P/E*	17.78
Portfolio P/S*	0.90
Portfolio P/B*	2.29
Portfolio P/Cash Flow*	8.82
Earnings Growth Rate (ttm)*	13.32%
3 month Avg Daily Trading Volume**	184,947
Turnover	16%

source: Yahoo! Finance



**Quotes**

“The U.S. defense market will remain strong for several years. The defense industry has got to contract at some point, but knowing the momentum the industry tends to have, it doesn't really turn down for a couple of years. We don't see a sudden falloff. Wear and tear on weapons used in Iraq will force the military to purchase replacements.”

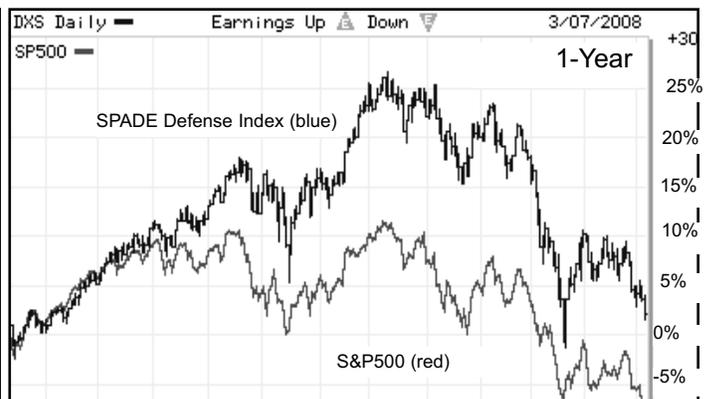
Ed Wheeler, President, Defense and Space, Honeywell Aerospace  
*Reuters, February-27.*

“There were people four or five years ago who were looking for this to be the next crazy market that you could put money into and it would return you a hundred-fold for simply showing up. That said, the [security sector] has grown and matured into a very, very serious market that continues to have a lot of potential growth”.

Civitas as quoted in *Government Security News* - February 2008

“When the Pentagon shifts from wartime expenses to other programs that have been put on hold, [there will be] opportunities for contractors. ...As the military draws down troops in Iraq, the expenses necessary to house them, to feed them, to provide ammunition for them, all get reduced. Those funds can be redeployed to other needs of the Army, Navy, Air Force, and Marines. So the money's going to go to things like intelligence and homeland security”.

Paul Cofoni, President & CEO, CACI  
as quoted in the *Washington Post*



charts created on Marketwatch

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<u>Year</u>	<u>SPADE</u>	<u>S&amp;P500</u>
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%

<u>Quarter</u>	<u>SPADE</u>	<u>S&amp;P500</u>
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%
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%]
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%

**ADDITIONAL BUDGET NOTES**

The 2008 war supplemental budget includes more than \$500 million for unmanned aircraft systems that lawmakers have yet to appropriate.

The \$515.4 billion defense spending proposal for fiscal 2009 is 7.5% higher...It includes \$104.2 billion for weapons procurement and nearly \$80 billion for research, development, testing, and evaluation.

Supplemental Spending: The White House will make a another request for funding for the Iraq war this spring. The current plan includes \$70 billion in war funding.

A run of healthy profits for defense contractors that has lasted nearly a decade will continue for at least another year.

**INDUSTRY STATISTICS**

**China** announced that defense spending would rise 17.6% to about \$57.2 billion in 2008, following a similar increase last year. The Pentagon has estimated that China's military spending in 2007 was actually between \$97 and \$139 billion, more than double China's announced \$45 billion dollars. China has the second largest military budget outside of the United States.

**War Burn Rate**

\$6.7 billion/month - Iraq  
 \$1.2 billion/month - Afghanistan  
 BGen Raymond Fox - Feb 2008

**FY-2009 Intelligence Spending**

During a presentation at the below conference, it was estimated that the U.S. government budget for intelligence and classified items would be \$43.5 billion in its FY-09.

**More Notes from the Cowen & Co. Aerospace & Defense Investor Form**

*Kudos to the staff at Cowen & Company for putting on a fantastic (and informative) event featuring the CEOs and key executives of many of the sector's leading companies.*

**Areas of Defense Sector Growth**

Summarizing the perspectives of several companies, they see a slowing defense budget but growing demand for information sharing, persistent surveillance, enhanced situational awareness, navigation, advanced sensors, government

services, ground vehicles, and networked communications

Market selloff has more to do with sympathy with the markets than any underlying issue with the defense sector or companies.

Fixed-price contracts helps margins compared to cost plus time and material.

**L-3 Communications**

...could a pull-out aid contractors? If you eliminate the military presence, would that create a vacuum for contractors to fill if support for the region continues? ...that is still open for interpretation.

**Northrop Grumman**

\$32 billion in sales in 2007  
 \$64 billion in backlog  
 \$69 million shares repurchased  
 85% increase in dividends since 2003.  
 4 straight years of double digit increases.

**Boeing**

\$66.4 billion in sales in 2007, up 8%  
 \$327 billion in backlog, up 31%  
 Dividend up 14%  
 \$7 billion worth of shares repurchased  
 Raising EPS for 2008  
 20-year forecast of \$2.8 Trillion representing 28,6000 planes.

Boeing to share 787 delivery schedule, set to begin in early 2009, at the end of 1Q08. Test flights in 2Q08.

To launch 747-8 freighter in late-2009  
 To launch 747-8 intercontinental in late 2010

**Precision Castparts**

Sees market growth to 2010 and beyond. Current focus is on international but they expect the U.S. airlines to start placing orders for new aircraft in the 2009-2010 timeperiod.

**Share Buybacks**

**L-3** - \$750M of common stock over two years  
**Northrop Grumman** - \$2.5 billion, 9% of outstanding shares.  
**Boeing** - \$7 billion buyback, 9% of outstanding shares.

**Raytheon** - \$2 billion share buyback.

**Lockheed Martin** - 20 million shares on top of the 20 million shares remaining from its prior authorization. From October 2002 to June 2007, the firm bought back 88.1 million shares.

## 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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## Commentary (continued)

...investors have driven the value of the sector down more than 17% from its November highs -- meaning that defense and aerospace companies are approaching bear market territory.

The FY09 defense budget was released by the White House in mid-February and it was pretty much where everyone thought it would be, if anything slightly stronger than what was expected. Before it was released, one might have expected a decline and perhaps a bump in the road for a sector that has outperformed the market for eight straight years. But once this worry came off the table, it becomes hard to understand how a sector whose trends have not changed since the benchmark SPADE Defense Index hit historic highs in November 2007 could decline by double digits without wondering if fear has replaced logic, and if it's just the pressure caused by the 'irrational dejection' of investors.

### Is Now the Time to Buy?

This is definitely a question on a lot of investor's minds. What is important in choosing investments in this type of market is understanding the underlying trends driving longer-term performance so that you can determine which areas will perform or rebound quicker when investor sentiment improves.

As stated before, the defense sector still has a number of underlying positive trends that bear consideration. Even as the defense budget shows flattening growth, the forecast is for at least \$30 billion in new monies by FY2013. On top of this are supplemental appropriations of nearly \$8 billion per month for as long as we are in Iraq and Afghanistan at the current strength. For those worried about once the withdrawal begins, while there are questions about what will happen, it should be noted that new opportunities for contractors will arise as the U.S. military anticipates that it will maintain a presence in the region for some time. Combined with increased outsourcing of support, maintenance and operations to private contractors and greater involvement of firms as the military resets and invests in new technologies and hardware, many firms see successful days ahead.

In particular, summarizing the perspectives of several companies in speeches given during the Cowen & Co. Aerospace & Defense Investors Forum, even in light of the slowing defense budget, they see growing demand for trucks and vehicles, new aircraft systems, information sharing, persistent surveillance, enhanced situational awareness, navigation, advanced sensors, government services, and networked communications.

## A More Complicated Investing Market

Determining which part of the defense sector was the 'hot' place to be and picking the individual companies that were poised to benefit appears to be a more difficult exercise going forward.

Following 9-11, small- and mid-cap companies involved with defense IT and network centric warfare were favored as the defense community worked to develop systems that would enable better communications and intelligence collaboration and ensure that the gaps that could have prevented 9-11 were filled.

The invasion into Iraq changed that as resources shifted to the large companies supplying the equipment necessary for the war effort. Defense IT became a drag on the returns of the index even as the sector was collectively outperforming the broader market.

Now the answer isn't as clear. A case can be made that defense IT will rebound after we reduce our forces in Iraq as resources are freed up. A case can also be made that firms involved in any reset to replace equipment worn out over the past several years is the place to be. Still others will point to companies with exposure to the commercial aerospace market where new orders may slow but the backlog is at historic highs. In a market where things aren't as clear, funds offered by Powershares (AMEX: PPA) may gain favor.

But getting back to the original theme of this commentary, I believe that the sector likely sold off as investors sold good (those with significant gains) to pay for bad (those that had dropped and investors hoped were at the bottom). But with the defense sector down some 17% from its highs, I think we may start seeing investors increase their positions in aerospace and defense.

Lastly, a few thoughts on the highly publicized Air Force award to Northrop Grumman and EADS to build the next fleet of tankers. The up to \$40 billion contract has caused an uproar among politicians and analysts as about half the work goes overseas instead of supporting the U.S. industrial base. One side will argue about U.S. jobs being lost, the other, that the goal should be to choose the proposal that best meets the military's needs at an appropriate cost. In the end, it is likely that, while this contract will go forward, Congress will consider new rules regarding how to include foreign subsidies and health care costs in bids relying on suppliers outside the United States. But there is something for all of us to ponder...doesn't the participation of our international partners in joint efforts imply that foreign governments are subsidizing our defense initiatives? If so, would that mean that DoD has more money to invest in R&D destined for U.S. firms? The issue is more complicated than one would initially think.

**CONTRACT AND OTHER NEWS**

**Tanker Contract Worth Up to \$40 Billion Awarded to Northrop Grumman / EADS**

The contract gives EADS and entry into the U.S. defense market. A surprise to many, especially in light of current economic conditions, the award was based on a number of factors including the proposed delivery schedule, cost, and the fact that the Northrop/EADS plane would require fewer flights in a rapid deployment situation.

\*\*\* Air Force Lt Gen Donald Hoffman said the Air Force has “three separate buys” planned in its acquisition strategy and that it could split the second and third buys between different companies.

The likelihood that the contract is revisited is unlikely, however, one can expect new rules and guidelines on future contract bids.

**More \$40 Billion Contracts**

According to the *New York Times*, India has become one the strongest defense markets and many U.S. companies are competing for large contracts that could amount to \$40 billion over the next several years. Boeing and Lockheed Martin are among those competing to supply India with fighter jets.

**The Next Big Contract**

The Joint Air-to-Ground Missile will become

the new standard for helicopters, fighters, and armed UAVs and will be the largest tactical missile contract over the next 20 years. Raytheon is assembling a team of companies to compete. Lockheed, BAE Systems, and Northrop Grumman are considering their options.

**Weapons System Support**

Boeing & Lockheed Martin will bid separately for \$5.4 billion worth of Air Force contracts to support all of the service’s weapons systems.

\* \* \*

**Raytheon / Allied TechSystems**

Raytheon won a \$1 billion contract to provide 75 Standard Missile-3 to the U.S. and 27 to foreign countries. Allied Techsystems is a major subcontractor.

**Northrop Grumman / General Dynamics**

Each received a \$1.4 billion Navy contract to build a new Zumwalt-class destroyer. Each will build one ship based on one design. With radar and other weapons and technology, each ship will cost more than \$2 billion.

**Lockheed Martin**

Won a \$1 billion contract to build a database that will contain biometric information for the FBI. The one-year contract contains nine one-year options.

Air Force leaders are asking Congress to extend

the production of the C-130J aircraft which is due to end in 2010. Lockheed has offered 120 additional planes for more than \$6 billion.

Received a \$1 billion order from India for six Super Hercules C-130J military transport aircraft.

**Problems with DHS’ Virtual Fence**

Congress was informed by Boeing and DHS that technology for a virtual fence to secure the Mexican border is not working as expected. When this highly publicized contract was issued for this test phase of a future multi-billion effort, many thought that problems would surface. The *St. Louis Post Dispatch* stated that observers said the project was rushed and the software used to integrate all the information was not designed to handle data collected by cameras, radars, and sensors.

**The Trillion Dollar War Pricetag ?**

*Fortune Magazine* on 4 February 2008 cited economists estimates of the economic cost beyond what the U.S. government spends.

\$1.7 Trillion - Congressional Budget Office (high estimate on cost of Iraq, Afghanistan, War on Terrorism 2001-2017) - Oct07

\$3.5 Trillion - Congressional Joint Economic Committee (Iraq and Afghanistan, 2003-2017.)

**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

\* 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 is in FY08 was a second supplemental.

	Mar-08		SPADEF Defense Index						Market	Forward	Price/	Price/	
Split	Company	Ticker	Float %	Price	Price	% Ch	% Ch	Cap	P/E	Sales	Book	Div Yld	
			29-Feb-08	31-Jan-08	29-Feb-08	YTD	MTD	intraday	(ttm)	ttm	mrq	forward %	
	Boeing Co	BA	7.06%	83.18	82.79	-5.34%	-0.47%	63.32	11.58	0.98	7.23	1.90%	
	Honeywell Intl	HON	7.06%	59.07	57.54	-6.55%	-2.59%	42.83	13.51	1.27	4.79	1.90%	
	Lockheed Martin	LMT	7.00%	107.92	103.20	-1.96%	-4.37%	42.25	12.65	1.03	4.39	1.60%	
	United Technologies	UTX	6.96%	73.27	70.51	-7.88%	-3.77%	69.21	12.99	1.30	3.32	1.80%	
	Genl Dynamics	GD	5.41%	84.53	81.85	-8.02%	-3.17%	32.92	12.79	1.23	2.85	1.40%	
	Raytheon Co	RTN	5.39%	65.14	64.84	6.82%	-0.46%	27.44	14.74	1.32	2.24	1.50%	
	Northrop Grumman	NOC	5.06%	78.36	78.61	-0.04%	0.32%	26.56	12.64	0.84	1.53	1.90%	
	L-3 Communications Hldgs	LLL	4.55%	110.28	106.29	0.33%	-3.62%	13.25	14.50	0.99	2.35	1.10%	
	Itt Indus	ITT	3.95%	59.40	56.24	-14.84%	-5.32%	10.15	12.53	1.17	2.68	1.20%	
	Rockwell Collins	COL	3.72%	63.13	58.90	-18.16%	-6.70%	9.57	13.12	2.12	6.42	1.10%	
	Precision Castparts	PCP	3.63%	113.80	110.39	-20.41%	-3.00%	15.34	13.56	2.42	4.37	0.10%	
	Textron	TXT	3.44%	56.11	54.17	-24.03%	-3.46%	13.47	11.75	1.05	3.99	0.02	
	SAIC	SAI	3.36%	18.90	19.06	-5.27%	0.85%	7.88	18.69	0.88	4.36		
	Computer Sciences	CSC	3.23%	42.32	43.45	-12.17%	2.67%	6.90	10.13	0.44	1.32		
	Goodrich Corp	GR	3.16%	62.45	59.23	-16.12%	-5.16%	7.41	11.97	1.20	2.96	1.50%	
	Garmin Ltd	GRMN	2.95%	72.15	58.71	-39.47%	-18.63%	12.74	11.63	4.12	5.58	1.20%	
	Harris Corp	HRS	2.86%	54.60	48.83	-22.10%	-10.57%	6.67	12.36	1.52	3.30	1.10%	
	Ball Corp	BLL	1.89%	45.82	44.10	-2.00%	-3.75%	4.30	10.89	0.60	3.41	0.90%	
	Flir Systems	FLIR	1.65%	30.28	28.49	-8.98%	-5.91%	3.88	20.62	5.01	6.27		
	Alliant Techsystems	ATK	1.46%	105.85	104.94	-7.75%	-0.86%	3.44	14.26	0.86	4.99		
	Trimble Navigation Ltd	TRMB	1.42%	26.45	27.34	-9.59%	3.36%	3.53	15.90	2.99	3.29		
	URS Corporation	URS	1.42%	43.90	40.28	-25.86%	-8.25%	2.15	13.29	0.47	1.34		
	Oshkosh Truck	OSK	1.27%	45.76	40.07	-15.21%	-12.43%	2.97	7.65	0.46	2.17	1.00%	
	Elbit Systems	ESLT	1.01%	63.06	56.45	-5.22%	-10.48%	2.37	19.40	1.32	4.77	1.00%	
	Drs Technologies	DRS	0.99%	53.62	56.09	3.35%	4.61%	2.32	13.99	0.75	1.47	0.20%	
	Moog Inc.	MOGA	0.75%	46.04	41.04	-10.41%	-10.86%	1.75	13.15	1.09	1.99		
	Teledyne Technologies	TDY	0.67%	51.63	44.40	-16.74%	-14.00%	1.62	13.45	1.03	3.14		
	Esterline Technologies	ESL	0.65%	46.50	52.40	1.26%	12.69%	1.54	14.12	1.12	1.26		
	Mantech International'a'	MANT	0.65%	40.90	44.08	0.59%	7.78%	1.51	16.27	1.16	2.94		
	Sra International'a'	SRX	0.59%	27.43	24.00	-18.51%	-12.50%	1.39	17.02	1.04	2.12		
	Caci Intl	CAI	0.56%	43.59	43.66	-2.48%	0.16%	1.31	14.13	0.62	1.54		
	Orbital Sciences Corp	ORB	0.55%	23.30	21.65	-11.70%	-7.08%	1.27	20.23	1.22	3.07		
	AAR Corp	AIR	0.42%	29.56	25.89	-31.92%	-12.42%	0.98	11.36	0.85	1.91		
	Triumph Group	TGI	0.40%	54.00	56.59	-31.28%	4.80%	0.95	11.48	0.86	1.39	0.30%	
	Cogent Inc.	COGT	0.40%	9.86	10.00	-10.31%	1.42%	0.94	19.23	8.92	1.85		
	DynCorp	DCP	0.40%	20.50	16.62	-38.17%	-18.93%	0.95	12.78	0.45	2.30		
	L-1 Identity Solutions	ID	0.38%	13.56	11.96	-33.37%	-11.80%	0.87	34.17	2.28	0.82		
	Ceradyne Inc	CRDN	0.36%	48.15	31.11	-33.71%	-35.39%	0.85	6.40	1.18	1.54		
	TASER International Inc.	TASR	0.30%	11.49	11.27	-21.68%	-1.91%	0.71	22.54	7.37	6.15		
	Cubic Corp	CUB	0.29%	27.56	25.57	-34.77%	-7.22%	0.68	14.21	0.80	1.83	0.70%	
	Viasat Inc	VSAT	0.27%	20.77	20.97	-39.09%	0.96%	0.64	13.27	1.17	1.67		
	Stanley Inc.	SXE	0.26%	27.88	27.69	-13.52%	-0.68%	0.62	20.66	1.14	3.95		
	Gencorp	GY	0.25%	11.74	10.40	-10.81%	-11.41%	0.59	15.07	0.86	---		
	GeoEye	GEOY	0.23%	34.96	30.21	-10.22%	-13.59%	0.53	12.80	3.01	2.52		
	Ladish Co	LDSH	0.22%	35.49	35.70	-17.34%	0.59%	0.52	10.41	1.28	2.70		
	American Science & Engineering	ASEI	0.21%	53.16	54.16	-4.56%	1.88%	0.49	17.30	2.92	2.87	1.50%	
	AeroVironment	AVAV	0.18%	23.01	21.24	-12.23%	-7.69%	0.43	18.47	2.21	2.82		
	MTC Technologies Inc.	MTCT	0.15%	23.59	23.70	0.85%	0.47%	0.36	20.43	0.83	1.92		
	Argon St	STST	0.15%	17.62	16.25	-12.45%	-7.78%	0.35	15.19	1.18	1.26		
	Osi Systems	OSIS	0.15%	23.33	21.15	-20.10%	-9.34%	0.38	16.79	0.66	1.45		
	Si International	SINT	0.14%	27.63	24.88	-9.43%	-9.95%	0.32	13.52	0.64	1.26		
	Force Protection	FRPT	0.12%	4.10	4.11	-12.18%	0.24%	0.28	4.07	0.59	1.23		
	Ducommun	DCO	0.12%	31.69	27.73	-27.03%	-12.50%	0.29	10.87	0.79	1.36		
	Herley Industries	HRLY	0.07%	12.38	11.99	-12.80%	-3.15%	0.16	13.62	1.06	0.82		
	Kvh Industries	KVHI	0.06%	7.63	8.68	7.69%	13.76%	0.13	18.08	1.63	1.63		
	Applied Signal Technology	APSG	0.06%	13.36	11.90	-12.37%	-10.93%	0.15	16.53	0.87	1.25	4.20%	
	Mercury Computer Sys	MRCY	0.06%	8.30	6.41	-60.21%	-22.77%	0.47	13.93	0.69	0.84		