

**Inside**

- Defense sector (even discounted) remains undervalued vs. the S&P500
- An analysis of the FY-2012 White House Budget
- The impact of a destabilized middle-east on defense spending
- Understanding why the Air Force chose Boeing over EADS

**SPADE Defense Index Statistics**

2/28/11 Close: 2270.80  
 All-time Close: 2747.67  
 Date of all-time close: 9 October 2007

**Commentary**

The aerospace and defense sector continues to outperform the broader market and this month's commentary should have focused solely on the President's budget proposal for FY-2012 and what it means for the sector but additional events bear consideration. The destabilization of various governments in the Middle East region is impacting the deficit reduction debate and providing increased stability to what could have been a contentious debate in Congress on the appropriate level of defense spending. Additionally, a decade-long soap opera by the Air Force to award a contract for refueling aircraft has finally come to a close (EADS has said they won't challenge the decision.) The award of the contract to Boeing instead of EADS surprised some, but not all media understood the key reasons why the decision was made.

**House Republicans plan to enact major cuts on defense spending dealt a setback**

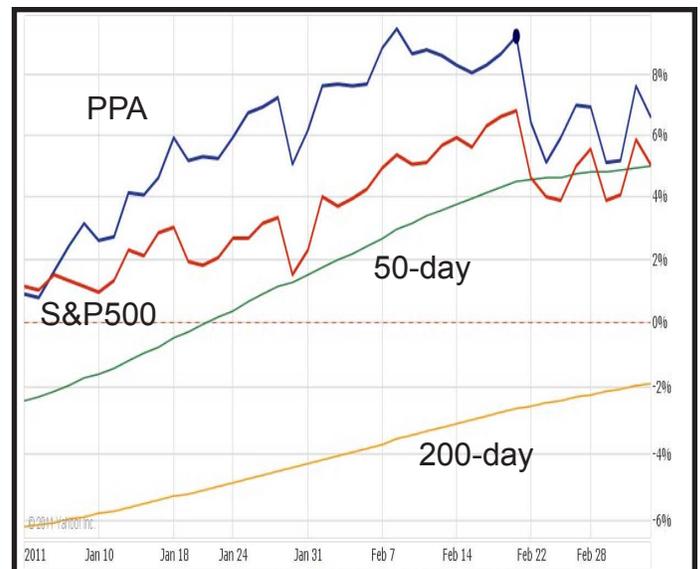
There is no question among politicians and economists that the U.S. budget needs fixing -- the 'how to do it responsibly' is the big area of contention. Although some have called for significant cuts to the defense budget, they are in minority now, and so long as the U.S. is in a time of war (although many forget, we still have major active operations ongoing in Afghanistan and Iraq), this makes major cuts to the DoD budget unlikely. Efforts by the agency to get their financial house in order -- cutting inefficient programs, reallocating resources, and cutting the bloat from personnel and 'overhead' -- is increasingly being seen as sufficient by politicians on both sides of the political aisle and something they can sell to their constituents. Surprise cuts over and above those announced by the White House and the agency are unlikely.

Geopolitical insecurity in Egypt, Libya, and Tunisia is sending shockwaves through the region and demonstrations have spread to Morocco, Oman, Saudi Arabia, Iran, and Bahrain. This is an epic change in security and stability in the Middle East; a shifting balance that threatens to alter the mideast landscape. How this upheaval evolves and whether it spreads to other areas can directly impact the threat or the perceived threat to the U.S. The Middle East region spends roughly \$100 Billion annually on defense and controls a significant portion of the world's energy reserves.

	SPADE Defense	S&P500
February	0.54%	3.20%
QTD	6.74%	5.53%
YTD	6.74%	5.53%

While mostly peaceful protests, the actions in Libya have escalated into armed conflict and is causing fear that armed interventions could spread to other nations which provide much of the world's energy. As we have seen over the past weeks, any impact on the flow oil can have devastating short-term impact on U.S. and global economics. Although in the longer-term energy needs could be met from resources from Canada, Russia, Brazil, and the world's largest oil producer -- the U.S.-- disruptions to the world's energy flow is heightening awareness of the need for world stability among members of Congress whose agenda has not aligned with the concept of stable defense budgets. From a defense perspective, the region's destabilization is

**continued on page 3**



**NYSE: PPA (blue) continues to remain above its 50-day moving average (green) and the 200-day level (orange).**

*After large gains in January, returns in the Powershares Aerospace & Defense ETF (blue) moderated but continue to provide alpha over an investment in the S&P500 (red).*

Feb 2011 Top Gainers			Feb 2011 Laggards			YTD Top Gainers			YTD Laggards		
1	GeoEye	11.60%	1	Triumph Group	[9.83%]	1	SRA International	33.15%	1	Taser	[19.57%]
2	Teledyne Tech	10.70%	2	TASER Int'l	[9.79%]	2	Integral Systems	23.51%	2	Force Protection	[8.53%]
3	NCI Information	9.05%	3	Computer Sciences	[9.68%]	3	Esterline Tech.	22.15%	3	Viasat	[6.30%]
4	American Science	8.05%	4	Force Protection	[9.03%]	4	Ceradyne	21.25%	4	Booz Allen	[4.84%]
5	Ceradyne	7.90%	5	Oshkosh Truck	[6.06%]	5	Teledyne Tech	19.10%	5	Triumph Group	[3.15%]
6	Mantech	7.44%	6	Goodrich Corp.	[4.84%]	6	Textron	14.59%	6	Elbit Systems	[3.09%]
7	CACI	6.90%	7	Alliant Techsystems	[4.74%]	7	Moog	14.10%	7	Alliant Techsystems	[3.04%]
8	Moog	6.50%	8	Viasat	[4.12%]	8	Lockheed Martin	13.23%	8	Computer Sciences	[2.96%]
9	EMS Technologies	6.06%	9	LMI Aerospace	[4.11%]	9	L-3 Communications	12.48%	9	Key W Holding	[2.86%]
10	Digital Globe	5.11%	10	Northrop Grumman	[3.78%]	10	LMI Aerospace	12.32%	10	Comtech	[2.56%]

Largest Defense Prime Contractors		
	February	2011
Lockheed Martin	[0.55%]	13.23%
Boeing	3.64%	10.34%
General Dynamics	0.95%	7.27%
Northrop Grumman	[3.78%]	2.93%
Raytheon	2.44%	10.51%

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

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

Beta (3 month)	1.11
Alpha (3 month)	0.16
R-squared (3 month)	87.21

Yahoo Finance - 1/31/11

**ETF Statistics (NYSEarca: PPA)**  
**Powershares Aerospace & Defense**

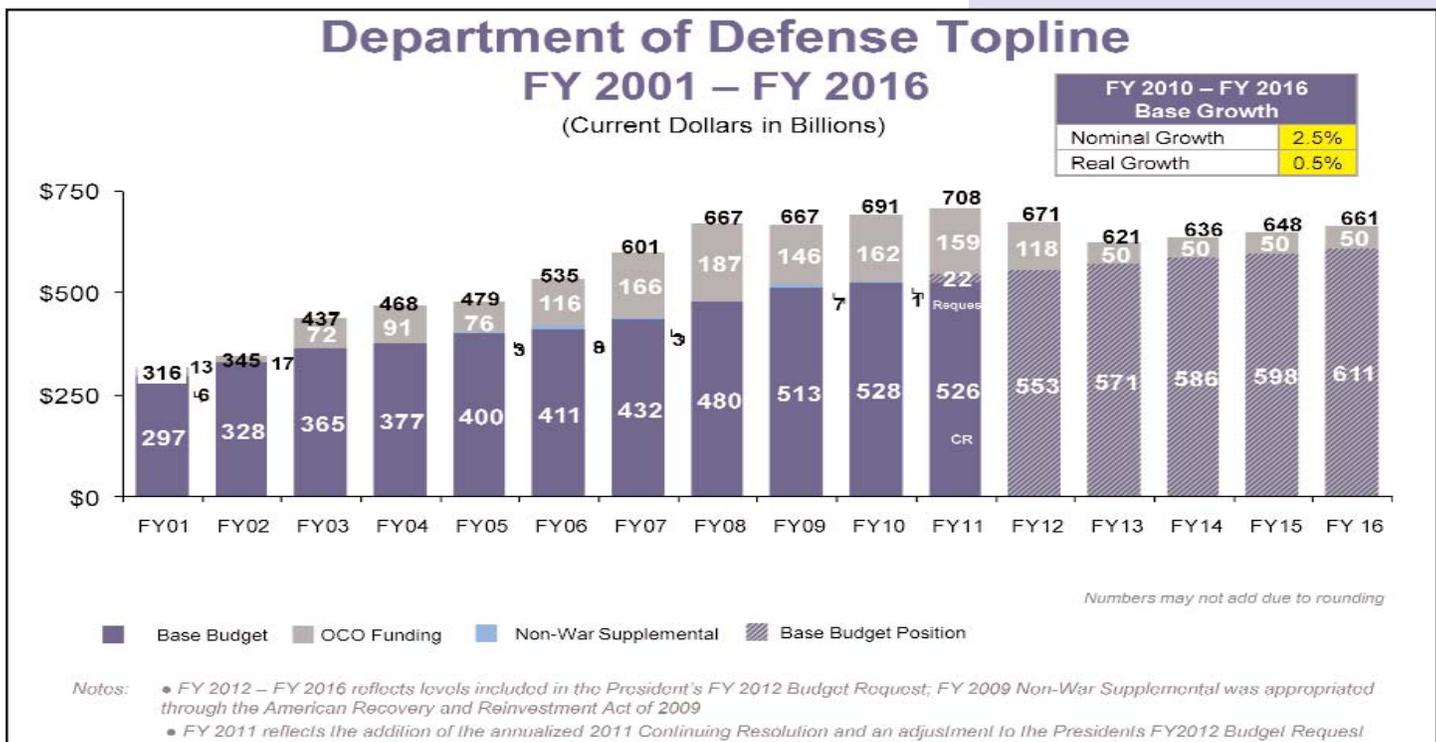
Exchange / Ticker Symbol:	NYSE / PPA
Fee	60 basis
Assets (2/28/11)	\$116 M
Closing Price (2/28/11)	\$20.00
Yield (Distribution Yield)	1.14%
February 2011 Volume	1,004,600
Turnover	17%

source: Yahoo Finance

**The baseline budget continues to grow through FY-16, increasing \$83 Billion from FY2010 - FY2016. Although war funding declines, the impact on public firms will be minimal as the \$15B in procurement will easily be made up from commercial, international, and adjacent business opportunities.**

Portfolio Price / Earnings	12.48
Portfolio Price / Book	2.41
Portfolio Price / Sales	0.81
Portfolio Price / Cash Flow	7.92
Earnings Growth Rate	8.67%

Yahoo Finance - 1/31/11



## Commentary (continued from page 1)

providing support for the Pentagon's reorganization plans and has likely limited the budget cuts Congress is looking at in this area.

With the news cycle focused on the demonstrations and increasing unrest in the Middle East, the need to maintain a healthy defense sector is becoming increasingly understood. Near-term, significant direct action by the U.S. military in Libya remains unlikely and would be difficult to accomplish after current actions in Iraq and Afghanistan. In addition to the military being stretched the appearance of U.S. involvement in another Middle East nation would not be seen kindly even though our presence has been requested by some of the locals.

### The FY-2012 Budget

Make no bones about it, the proposed DoD budget is budget reduction friendly AND good for defense stocks. Reduced war costs will trim roughly 10% from the topline budget. Meanwhile cost savings from restructuring, efficiency activities, and personnel changes is being applied to new procurement opportunities.

The base budget of \$553 billion proposed by the Obama White House is slightly below what they forecast in 2011 but right on target with estimates previously released by the Department of Defense in January. Along with \$117.6 billion for Overseas Contingency Operations (a 26% decline from the previous year), the total FY 2012 defense budget request is \$670.6 billion. As indicated on page 5, less than 13% of the OCO monies is dedicated to procurement; highlighting what most companies have been saying -- that a pullout of Iraq will not substantially impact revenues and earnings.

The new budget also reveals that procurement rises from \$113 billion in FY-2012 to \$117.6B in FY-2013, \$125.9B in FY-2014, \$129.5B in FY-2015, and \$137.2B in FY-2016. Although lower than last year's forecast, the addition of \$83 billion represents real growth of 2.6% annually.

Earlier in the month, the Pentagon revealed specifics on their plans to terminate programs, reduce waste, and restructure activities in order to shift resources into more needed areas (see page 6). Going forward, it is anticipated that savings will come from three areas: personnel reform, troop cuts, and program restructuring. What this means is that **the largest obstacle to growth in the aerospace and defense sector has been held in check for another year and defense stocks which have been undervalued could see a return to historical valuations.** Investors and analysts will face increasing challenges as the sector shifts into an environment where there will be winners and losers. I don't believe that investors will be able to pick a single stock as a proxy for the entire sector as many have over the past decade. Companies involved with cybersecurity such as CACI, NCIT, KEYW, etc. should benefit. As should those with exposure to unmanned vehicles, electronics, intelligence, and surveillance. Companies that rely on new hardware develop-

ment could face increased pressure as new multi-billion initiatives become less in favor.

### Aerial Tanker

Analysts thought that EADS, purely on the grounds of technology and capabilities, should have won the competition, yet they still lost. Why you ask? Some will contend that it was a 'Buy America' decision but although the companies have yet to be briefed, here is what I expect they will say -- cost and Airbus' refueling accident roughly about a month ago were the deciding factors.

Budgets are much tighter than anticipated and Congress is putting pressure to reduce expenditures. Any dollar committed at this time by the DoD is one less dollar they have to do other aspects of its mission. Conserving and allocating limited resources in a more prudent fashion will be a key factor in future DoD awards.

According to *Defense News*, the Airbus plane is larger and burns more than a ton more fuel per flight hour. The additional size would also require changes to aircraft hangers and runways. In comparison, the Boeing plane, an older design comparable to what the Air Force currently flies, likely means fewer service surprises as compared to a new design in which problems may surface later.

In addition, EADS, a European firm, planned to build a manufacturing facility in Alabama, hiring nearly 50,000 people directly and using suppliers throughout the U.S. in order to get around the 'Buy America' sentiment. However, some likely would have seen this as a risk to the program. The increased likelihood that a new facility, with new employees, and operating under a new management system could create programmatic risk to the program and hence, cost overruns was also likely a factor.

From the Boeing perspective the win keeps its 767 production line going for another decade. Almost as importantly, it keeps EADS from getting a manufacturing foothold in the United States which would enable them to more easily compete against Boeing in the future.

So after a decade-long battle for this contract, which began with a contract to lease Boeing 767 aircraft in 2001, the soap opera is finally over. The first 17 KC-46A tankers designed to replace Eisenhower/Kennedy-era aircraft are to be delivered by 2017.

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### Summary By Appropriation Title

(Dollars in Billions)

Appropriation Title	FY 2010	FY 2011 CR	FY 2012
Military Personnel	\$135.7	\$135.2	142.8
Operation and Maintenance	183.9	184.5	204.4
Procurement	103.2	104.8	113.0
RDT&E	79.3	80.4	75.3
Military Construction	20.5	15.9	13.1
Family Housing	2.3	2.3	1.7
Revolving and Management Funds	3.1	3.1	2.7
<b>Total</b>	<b>527.9</b>	<b>526.1</b>	<b>553.1</b>

### Summary By Component

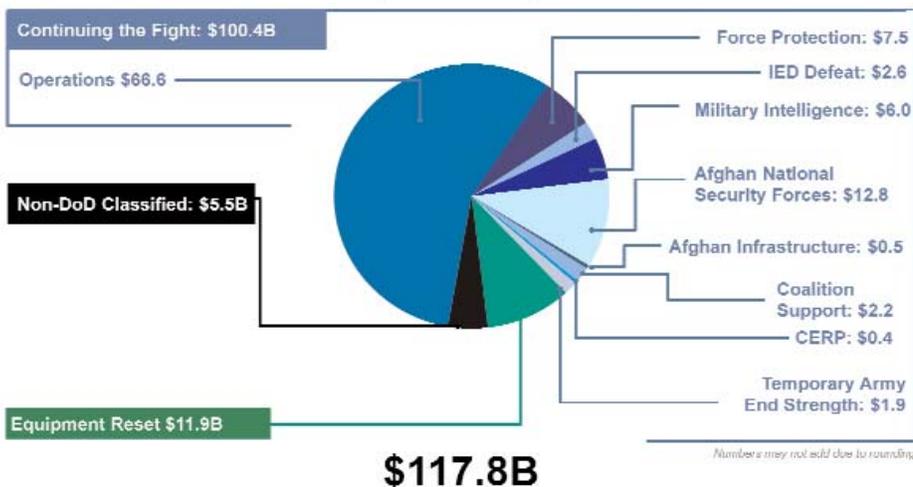
(\$ in Billions)

Component	FY 2010	FY 2011 CR	FY 2012
Army	138.8	136.8	144.9
Navy	155.3	155.6	161.4
Air Force	142.4	143.2	150.0
Defense-wide	91.5	90.5	96.8
<b>Total</b>	<b>527.9</b>	<b>526.1</b>	<b>553.1</b>

Numbers may not add due to rounding

### FY 2012 Overseas Contingency Operations Budget Request

(Dollars in Billions)



Numbers may not add due to rounding

Year	SPADE	S&P500
2010	9.62%	12.78%
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%

### 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

### **\$640 Billion: Russia's 10-Year Procurement Plan**

With the goal to bring 80% of the military's arsenal up to modern standards by 2020.

- \* 600 airplanes and 1000+ helicopters
- \* 100 new Navy vessels including 35 corvettes, 15 frigates, and 20 subs including 8 nuclear Borei class
- \* A new liquid-fuel heavy ICBM to replace the RS-18 Stiletto and RS-20 Satan
- \* 10 Batteries of advanced S-500 anti-missile and anti aircraft defense missiles and 56 S-400 missile batteries

source: Defense News 24 Feb 2011

### **Citibank Analyst Note - February 2011**

"Aerospace and defense stocks are trading at historically low valuations and bears are forecasting too much doom in the sector...companies are now trading at 9 times expectations for the next 12 months of earnings, 35% below the broader market. That's well below the historical average of 10 to 15 times. The companies should be trading at the same level where they were between 1995 and 11 September 2001, when shares traded at a 25% discount to the market..."

Even with flat U.S. defense spending, the companies can increase earnings by selling to international customers and adjacent markets.

Also, even if the Defense Department budget doesn't grow, the department will likely spend more on procuring existing weapons systems rather than spending on research and development. That could lead to better margins.

We think investors are pricing zero to negative growth into defense stocks indefinitely. In a nutshell: The DoD has to spend money to refresh and update equipment

Jason Gursky and Jonathan Raviv

### **Understanding Government Math**

If you made \$50,000 this year and your boss said he wanted to give you a raise to \$70,000 but their only able to give you \$60,000 -- is that a \$10k bonus or a \$10k loss? The government sees this as a decline counting anticipated but not authorized funds. So if you read that DoD is spending \$113 billion for weapons and this is \$7 billion less than last year's plan, before you assume that this is a drop in spending, you'll need to check the actual budget from the prior year. The agency may or may not be spending more money than it did in the prior year.

### **Budget Insight: FY 2012 War Funding**

A total of \$117.8 B is requested for FY2012.

- \$11.229 B - Military Personnel
- \$90.761 B - Operations and Maintenance
- \$15.022 B - Procurement
- \$ 0.397 B - R&D
- \$ 0.435 B - Revolving and Management Funds

*Only 12.8% of the total amount is spent on procurement of items supplied by public and private companies*

### **Budget Notes**

- \* Anticipated troop cuts are not expected until 2015 with the final troop pullout from Afghanistan.
- \* The Navy's 5-year plan envisions spending 416.9B to buy 12 ships in FY15 and \$15.1B in 2016, up from \$14.1B next year for 10 vessels.
- \* The Air Force will see an \$800 million increase in its R&D budget over 2011's \$18.2 billion.
- \* \$7 billion: The amount the Army has proposed to spend on UAVS in its FY-2012 budget.

### **News and Notes**

#### **China**

According to a paper published by the U.S. National Air & Space Intelligence Center, "People's Liberation Army Air Force: 2010", China is planning to expand its capabilities to operate regionally in the Asia-Pacific region and perhaps one day beyond by the year 2020.

#### **Israel**

The Ministry of Defense has been told to add \$1 billion in multi-year funding to speed production of its Iron Dome interceptors to protect civilian areas.

Rafael (of Israel) is the prime contractor. Raytheon is working with the firm on the upgrade, David's Sling, slated for initial prototype deployment in 2012.

#### **Fuel Costs**

The military spent more than \$11.4 Billion on petroleum, natural gas, and jet fuel in FY-2009. Changes at U.S. TRANSCOM to focus more on a mix of land, air and sea along with the roll-out of the KC-X tanker which could help save up to 25% more fuel than its predecessor are expected to generate significant cost savings. A decision on how to transport M-ATVs to Afghanistan saved \$110 million per month.

## 2011 Weapons Terminations and Reductions

**F-35 Joint Strike Fighter - 2nd Engine Option** The Pentagon has wanted to cut this since FY-2007 but was always blocked by Congress. This will free up several hundred million dollars.

**C-17 Globemaster Transport Aircraft:** Congress provided unrequested funds for 28 C-17s in the FY-08 to FY-10 budgets costing \$7.1 billion. Cancellation of this Boeing plane will save an estimated \$3 billion per year.

**Next Generation CG-X Cruiser:** Instead the Navy plans to build an improved version of the DDG-51 Aegis destroyer called the Flight III version.

**3GIRS** - Rather than continue the Third Generation IR Surveillance satellite, which was developed as a backup to the SBIRS program, the technology will be integrated into future SBIRS satellites.

**Net-Enabled Command Capability (NECC):** Cancelled because the program could not be completed on time. DoD will instead upgrade its existing Global Command and Control Systems.

**Command Ship Replacement (LCC-R):** The procurement has been delayed beyond 2015. Instead the Navy will extend the service life of the two existing command ships to 2029, saving \$3.8 Billion in procurement costs over 5 years.

**Expeditionary Fighting Vehicle:** On 6 January 2011, the Pentagon announced it would cancel the high-speed amphibious assault vehicle program, saving \$12 billion.

## 2012 Weapons Terminations and Reductions

**F-35 Joint Strike Fighter - Second Engine Option Expeditionary Fighting Vehicle:  
C-17 Globemaster Transport Aircraft**

**F-35B Short Take Off/Vertical Landing Joint Strike Fighter:** On 6 January 2011, it was announced that the Marine Corps version would be placed on a two-year probation during which time testing problems either need to be resolved or the variant will be cancelled. The Pentagon will purchase more Navy F/A-18s to compensate.

**TRICARE:** Future enrollees will see coverage shift into Medicare when they become eligible after age 65, saving \$34M from 2012-2016 and \$279M from 2012-2021.

**SLAMRAAM Surface-to-Air Missile:** The cost to procure has tripled since initial estimates so the program has been reduced in order to perform more R&D.

**Non-Line of Sight Launch Systems (NLOS-LS):** This self-contained box launcher system which was designed to launch 15 precision attack missiles has performed poorly in tests and was deemed to no longer be cost effective.

**EP-X Manned Airborne ISR Aircraft** - Cancelled while the Pentagon determines the strategic need for it.

**SM-2 Block IIIB Missile:** The Navy first introduced this in 1999 as an evolutionary improvement to the SM-2. With the transition to the SM-6 Block I missile, the variant is no longer needed.

## Restructuring Winners and Losers

As part of Secretary Gates efficiency efforts, the Pentagon was able to shift or cut \$178 billion in spending.

### Winners:

- \* Boeing - The Navy will buy 41 more F/A-18 fighters at an estimated cost of \$3 billion over the next three years.
- \* The Pentagon plans to buy more long-range interceptors for missile defense and advanced radar systems. Raytheon and Lockheed are seen to benefit.
- \* The Army plans to buy more MC-12 UAVs built by L-3 Communications.
- \* Boeing, Lockheed Martin, and Northrop are expected to compete for design work on the Air Force's new long-range nuclear bomber.
- \* Accelerated work on a new electronic stand-off jammer is seen to benefit Northrop according to the Lexington Institute.

### Losers:

- \* General Dynamics was developing the the Marine Corps Expeditionary Fighting Vehicle which has been cancelled. Although \$3 billion had been spend, it would cost \$12 billion to complete the program.
- \* The cancelled SLAMRAAM missile was being built by Raytheon
- \* Lockheed's F-35 JSF Fighter saw its production numbers scaled back and the development program extended to early 2016. In addition, the production of 325 fighters over the next five years is 124 less than the previous plan.
- \* Lockheed was also told that the Marine Corps variant of the JSF could be cancelled depending on the rate of progress, an issue which Lockheed believes can be resolved.

Mar-11		57 SPADE Defense Index					Market	Forward	Price/	Price/	PEG	
Company	Ticker	Float %	Price	Price	% Ch	% Ch	Cap	P/E	Sales	Book	5 yr	Div Yld
		28-Feb-11	31-Jan-11	28-Feb-11	YTD	MTD	intraday	(ttm)	ttm	mrq	expected	forward %
Boeing Co	BA	7.18%	69.48	72.01	10.34%	3.64%	53.02	13.59	0.83	19.22	1.88	2.30%
Honeywell Intl	HON	7.00%	56.01	57.91	8.94%	3.39%	45.41	13.16	1.35	4.20	0.98	2.30%
United Technologies	UTX	6.81%	81.30	83.54	6.12%	2.76%	76.89	13.70	1.41	3.59	1.54	2.00%
General Dynamics	GD	5.69%	75.40	76.12	7.27%	0.95%	28.37	9.90	0.87	2.12	1.33	2.20%
Lockheed Martin	LMT	5.64%	79.60	79.16	13.23%	-0.55%	27.39	9.18	0.61	7.48	1.30	3.70%
Raytheon Co	RTN	4.75%	49.99	51.21	10.51%	2.44%	18.42	9.19	0.73	1.89	1.26	2.90%
Northrop Grumman	NOC	4.36%	69.30	66.68	2.93%	-3.78%	19.42	8.48	0.56	1.43	0.90	2.80%
Precision Castparts	PCP	4.28%	142.99	141.75	1.82%	-0.87%	20.33	16.60	3.40	3.00	1.72	0.10%
Itt Indus	ITT	4.19%	58.92	57.93	11.17%	-1.68%	10.68	11.25	0.97	2.36	1.15	1.70%
Rockwell Collins	COL	4.16%	64.14	64.44	10.66%	0.47%	9.97	14.04	2.11	6.79	1.67	1.50%
L-3 Communications Hldgs	LLL	3.96%	78.25	79.29	12.48%	1.33%	8.88	8.92	0.57	1.32	1.19	2.30%
Goodrich Corp	GR	3.71%	90.62	86.23	-2.09%	-4.84%	10.83	13.80	1.57	3.25	1.54	1.30%
Textron	TXT	3.29%	26.29	27.09	14.59%	3.04%	8.36	14.49	0.80	2.82	1.02	0.30%
Computer Sciences	CSC	3.28%	53.29	48.13	-2.96%	-9.68%	7.46	8.80	0.47	1.05	0.98	1.60%
Ball Corp	BLL	2.82%	71.13	36.10	6.10%	1.50%	6.28	11.65	0.82	3.79	1.33	0.80%
SAIC	SAI	2.68%	16.57	16.34	3.03%	-1.39%	6.08	11.51	0.54	2.38	1.29	
Harris Corp	HRS	2.64%	46.54	46.66	3.00%	0.26%	5.97	9.28	1.06	2.45	1.57	2.20%
Flir Systems	FLIR	2.26%	31.04	32.30	8.57%	4.06%	5.13	16.07	3.67	3.34	1.26	0.80%
Transdigm	TDG	1.76%	77.48	80.38	11.62%	3.74%	3.99	16.51	4.52	6.69	1.85	
URS Corporation	URS	1.70%	44.45	46.53	11.82%	4.68%	3.85	12.68	0.43	0.91	1.26	
Oshkosh Truck	OSK	1.43%	37.97	35.67	1.22%	-6.06%	3.24	9.17	0.36	2.26	0.71	
Booz Allen & Hamilton	BAH	1.13%	18.66	18.49	-4.84%	-0.91%	2.36	12.25	0.44	2.69	0.84	
Alliant Techsystems	ATK	1.06%	75.76	72.17	-3.04%	-4.74%	2.42	8.48	0.50	2.22	1.93	1.10%
Elbit Systems	ESLT	0.97%	50.82	51.49	-3.09%	1.32%	2.20	10.51	0.83	2.30	1.10	2.30%
Esterline Technologies	ESL	0.96%	71.18	71.57	22.15%	0.55%	2.17	13.71	1.42	1.53	1.31	
Triumph Group	TGI	0.93%	96.03	86.59	-3.15%	-9.83%	2.10	11.27	0.91	1.47	1.40	0.20%
Moog Inc.	MOGA	0.91%	42.64	45.41	14.10%	6.50%	1.91	14.37			1.49	
Teledyne Technologies	TDY	0.84%	47.31	52.37	19.10%	10.70%	1.93	15.31	1.09	2.46	2.52	
Caci Intl	CACI	0.79%	55.49	59.32	10.26%	6.90%	1.80	13.30	0.53	1.44	1.07	
Viasat Inc	VSAT	0.75%	43.40	41.61	-6.30%	-4.12%	1.73	34.68	2.16	2.10	3.63	
Mantech International'a'	MANT	0.69%	40.21	43.20	4.52%	7.44%	1.57	11.08	0.60	1.62	1.16	
Sra International'a'	SRX	0.69%	26.68	27.23	33.15%	2.06%	1.56	17.46	0.91	1.90	1.21	
Digital Globe	DGI	0.66%	30.71	32.28	1.80%	5.11%	1.49	87.24	4.80	3	30.07	
Cubic Corp	CUB	0.59%	48.75	50.31	6.70%	3.20%	1.35	16.28	1.10	2.68	1.92	0.40%
L-1 Identity Solutions	ID	0.49%	11.93	11.91	0.00%	-0.17%	1.11	297.75	1.73	1.52	---	
AAR Corp	AIR	0.48%	26.79	27.29	-0.66%	1.87%	1.05	12.81	0.68	1.35	1.32	
Orbital Sciences Corp	ORB	0.46%	17.06	17.79	3.85%	4.28%	1.03	15.74	0.81	1.84	1.82	
GeoEye	GEOY	0.44%	39.92	44.55	5.10%	11.60%	0.98	23.70	3.06	2.37	1.51	
Ceradyne Inc	CRDN	0.42%	35.43	38.23	21.25%	7.90%	0.95	19.31	2.40	1.48	2.11	
Ladish Co	LDSH	0.38%	53.54	54.24	11.56%	1.31%	0.85	24.88	2.10	3.35	3.11	
American Science & Engineering	ASEI	0.37%	87.00	94.00	10.29%	8.05%	0.85	18.25	3.05	3.37	1.64	1.30%
Comtech	CMTL	0.33%	28.06	27.05	-2.56%	-3.60%	0.74	18.66	0.91	1.07	0.39	3.70%
Osi Systems	OSIS	0.31%	37.99	37.62	3.47%	-0.97%	0.71	16.87	1.18	2.09	0.99	
AeroVironment	AVAV	0.28%	28.20	29.01	8.13%	2.87%	0.63	24.38	2.42	2.74	1.24	
Mercury Computer Sys	MRCY	0.24%	18.88	18.98	3.26%	0.53%	0.53	23.15	2.54	2.34	1.78	
Force Protection	FRPT	0.16%	5.54	5.04	-8.53%	-9.03%	0.35	13.26	0.47	1.10	2.38	
KEY W Holding	KEYW	0.16%	14.57	14.25	-2.86%	-2.20%	0.36	24.15	3.19	1.96	1.71	
Gencorp	GY	0.14%	5.13	5.19	0.39%	1.17%	0.30	---	0.35	---	---	
NCI Information Technology	NCIT	0.14%	21.00	22.90	-0.39%	9.05%	0.31	11.45	0.53	2.03	0.84	
EMS Tech	ELMG	0.13%	18.33	19.44	-1.72%	6.06%	0.30	16.20	0.88	1.21	1.09	
Kratos Defense & Security	KTOS	0.12%	14.02	14.41	9.42%	2.78%	0.27	22.87	0.74	1.64	0.46	
Ducommun	DCO	0.10%	21.96	22.37	2.71%	1.87%	0.24	9.24	0.57	0.91	0.83	1.40%
Integral Systems	ISYS	0.10%	12.19	12.24	23.51%	0.41%	0.22		1.19	1.94	30.23	
TASER International Inc.	TASR	0.10%	4.19	3.78	-19.57%	-9.79%	0.24	21.00	2.44	2.05	3.13	
LMI Aerospace	LMIA	0.09%	18.73	17.96	12.32%	-4.11%	0.21	12.14	0.91	1.4	1.47	