



## Inside...

- Defense in an Obama Administration
- What Really Drives Defense Spending (see quote below)
- DoD Seeking an Additional \$360 Billion in Spending (page 3)
- Fastest Growing Private Defense and Homeland Security Companies
- Global Defense Budgets Top \$1.2 Trillion

## Are A&D Stocks Undervalued?

With 54 companies in the SPADE Defense Index:

- 38 companies have a P/S < 1.0
- 32 have a PEG of < 1.0
- 42 have a PEG of < 1.25

The sector as a whole has a P/E of 13.77, and

- 31 have a P/E < 12
- 23 have a P/E < 10

## SPADE Defense Index Statistics

10/31/08 Close: 1609.86  
 All-time Close: 2747.67  
 Date of all-time close: 9 October 2007

	SPADE Defense	S&P500
October	[17.36%]	[16.83%]
3rd Quarter	[17.36%]	[16.83%]
Year to Date	[37.43%]	[34.03%]

## Commentary: Defense in an Obama Administration

As anticipated, Barack Obama won the election for the White House and will take the office of President of the United States on 20 January 2009. With the election settled, it is time for us to turn our focus toward the impact that this new administration will have on the defense sector considering our anticipated withdrawal from Iraq; budgetary pressures from a weakening economy; and the costs associated with a revamped finance and banking system.

Instead of speculation, here is what we know based on comments made during the campaign by president-elect Obama, his campaign officials, and supporters.

**1. Iraq:** A withdrawal from Iraq is to occur, but in stages over a likely 12 to 18 month time period. Its been cited the plan is to remove 1-2 brigades a month but with no strict timetable and subject to military commanders input. The new administration is likely to retain (or try to retain) several military figures in order to reduce the learning curve necessary for understanding the situation in Iraq and to ensure stability in Iraq as

we depart. The speed of the withdrawal will rely on the recommendations of the local field commanders.

**2. Afghanistan:** The plan is to move 2 more brigades to the region. An increased mobilization of activities in the Afghan region has already begun and defense organizations have begun issuing contracts.

**3. Secretary of Defense:** It has been widely reported that a number of key officers and officials, including Secretary Gates, will be asked to continue in their posts to speed the transition and enable the administration to focus on domestic and economic issues in the early days of the administration.

**4. The Budget:** the FY09 budget has already been signed into law and will likely remain with minor changes taking us to October 2009. The FY10 budget proposal will be submitted to Congress in February with some input from Obama advisers. With a new Quadrennial Defense Review scheduled for release in 2010, elements in the FY10 budget may see a greater focus on

*continued on page 3*

## Month in Review - October

After commenting last month that September was a month to forget for almost everybody involved in the market, October saw major declines before rebounding a bit in the last days of the month. With the market downturn in early- to mid-October, the Index revisited levels last seen in mid-2005.

Still, two companies in October managed to post double-digit gains -- Aerovironment (12.43%) and AXSYS (12.03%). Unfortunately only 5 of 55 companies ended positive for the month and thirteen companies have lost more than half their market cap in 2008.

A list of the top 10 leaders and laggards is on page 2. A complete list of YTD and monthly returns can be found on page 5.

## Changes to the Index

DRS Technologies (NYSE: DRS): Finmeccanica of Italy completed their acquisition of DRS in October and the company was removed from the index when it ceased trading.

*Companies pending removal once their acquisition is completed:*

SI International is set to be acquired by SERCO of the United Kingdom.

There are two elements that drive defense spending -- to counter perception of risk and direct action. The first states that the defense sector is driven less by industrial trends and is more akin to that of insurance, paid for by nations in order to protect their citizens and way of life. While wars provide shorter-term bursts in government spending to fund the effort, spending to reduce risk (whether real or perceived) is a much longer term exercise.

Those that echo the notion that whenever we've pulled out of a war situation the defense budget has declined may evoke history, but they do not fully understand it. Only by grasping the context of the situation can parallels be drawn. At the conclusion of Iraq, the world will not be 'safe for democracy' so the need for spending on defense and security remains.

*Scott Sacknoff, Manager, SPADE Defense Index, 1 Nov 2008*

**October 2008 Top Gainers**

1	Aerovironment	12.43%
2	AXSYS	12.03%
3	DRS Technologies	5.54%
4	American Science	5.31%
5	Applied Signal	3.11%
6	GeoEye	[2.11%]
7	AAR	[3.62%]
8	Triumph Group	[4.05%]
9	SI International	[4.16%]
10	Elbit Systems	[6.12%]

**October 2008 Laggards**

1	OSI Systems	[51.08%]
2	L-1 Identity	[46.34%]
3	Oshkosh Truck	[41.66%]
4	Textron	[39.55%]
5	Ceradyne	[35.90%]
6	Garmin	[33.85%]
7	Taser	[29.93%]
8	GenCorp	[27.30%]
9	Honeywell	[26.71%]
10	Computer Sciences	[24.96%]

**YTD Top Gainers**

1	AXSYS	80.16%
2	DRS Technologies	49.25%
3	Aerovironment	48.43%
4	NCI Information	39.10%
5	Applied Signal	31.96%
6	Mantech	23.09%
7	Argon ST	12.39%
8	American Science	10.84%
9	Stanley	7.00%
10	SI International	4.84%

**YTD Laggards**

1	Oshkosh	[83.79%]
2	Garmin	[76.81%]
3	Textron	[75.18%]
4	Taser	[65.18%]
5	Ladish	[60.57%]
6	GenCorp	[57.98%]
7	AAR	[57.95%]
8	OSI Systems	[56.55%]
9	Mercury Interactive	[55.43%]
10	L-1 Identity	[54.32%]

**Largest Defense Prime Contractors**

	Oct	YTD
Lockheed Martin	[22.45%]	[19.20%]
Boeing	[8.60%]	[40.06%]
General Dynamics	[18.07%]	[32.22%]
Northrop Grumman	[22.55%]	[40.37%]
Raytheon	[ 4.49%]	[15.80%]

**ETF Statistics (AMEX: PPA)**  
**Powershares Aerospace & Defense**  
 Exchange / Ticker Symbol: AMEX / PPA  
 Fee 60 basis  
 Assets (10/31/08) \$141.2 M  
 Closing Price (10/31/08) \$14.12  
 October 08 Volume 2,135,400  
 3 month Avg Daily Trading Volume\*\* 96,386.4

**Powershares Aerospace & Defense ETF(AMEX: PPA)**  
 Average Portfolio Market Cap\* \$13.02 Billion  
 Portfolio P/E\* 13.77  
 Portfolio P/S\* 0.95  
 Portfolio P/B\* 2.32  
 Portfolio P/Cash Flow\* 8.04  
 Earnings Growth Rate (ttm)\* 12.70%  
*source: Yahoo! Finance, [ \* 30 Sept 08] - [ \*\* 5 Nov 08]*

**Fastest Growing Private Defense & Homeland Security Companies in the Inc. 1000**

	Company	Revenue (\$M)	Growth	Notes
4	Torres Adv. Enterprise Solutions	66.2	16455.8%	Business Services
30	Hardwire	27.7	4405.6%	Armor
52	Solvern Innovations	9.3	2900.5%	Intelligence IT
57	LeGacy Resource	13.6	2750.6%	Homeland Security
88	Analysis Group	38.8	2078.6%	Services
145	Sensor Technologies	131.0	1526.2%	Sensors
164	Ideal Innovations	54.0	1413.7%	Homeland Security
166	Infoscitex	14.5	1411.3%	R&D
175	Acclaim Technical Svcs	39.8	1367.0%	Gov't IT Staffing
181	Mercom	23.3	1332.5%	IT
200	Integrated Wave Tech	8.6	1241.7%	R&D
203	Computer System Designers	17.1	1223.7%	Technology Transfer
213	Zebra Imaging	11.5	1188.2%	GIS
236	Insitu	85.9	1097.9%	UAVs
238	Alphaport	7.7	1084.8%	A&D/NASA
375	US Falcon	49.5	800.5%	IT Services
438	A-T Solutions	34.0	725.9%	Homeland Security
441	S4	16.8	723.3%	Communications
486	Assured Info Security	9.8	643.5%	Homeland Security
562	Statewide Emergency Products	3.2	581.3%	Homeland Security
578	Addx	10.2	560.5%	Support
606	Brighton Cromwell	8.8	541.8%	Supply Chain Mgmt
619	Echota Technologies	20.9	532.9%	Homeland Security
689	Alatec	6.4	492.1%	Consulting/Analysis
696	America Defense Sys.	36.3	488.4%	Armor
791	SGIS	62.0	448.3%	Technical Services

**Defense News Fast 50 (1Sept08)**  
 5-Year growth, public companies

1	Force Protection	221.28%
2	Agility (Kuwait)	156.55%
3	Protective Products of America	95.15%
4	Mikros Systems	88.57%
5	Ceradyne	65.35%
6	SpaceDev	59.42%
7	Arotech	55.20%
8	Electro-Optical Systems (Australia)	54.21%
9	Argon ST	49.53%
10	Safran (France)	39.01%

*See the 1 September 2008 issue for complete list*

**Paying Down Debt (as a % of Equity)**

	Mid-2003	Mid-2008
Boeing	68%	49%
General Dynamics	37%	16%
Goodrich	69%	35%
Lockheed Martin	51%	34%
Northrop Grumman	31%	18%
Raytheon	49%	15%

*Aviation Week Top-Performing Companies Benchmarking Tool*  
 Aviation Week & Space Technology 08

**Commentary: Defense in an Obama Administration (continued from page 1)**

**4. The Budget (continued)**

upgrade and maintenance of existing systems rather than new development programs. Although it is rumored that DoD may request \$60 billion a year above the existing core budget for the next six years, it is likely that the budget will remain consistent with that proposed in the FY09 budget. Anything in addition would be a very positive upside for the sector.

**4. Budget Cuts:** Obama's advisers has repeatedly stated that they recognize that the world situation will not allow any major changes to defense spending over the next several years. To rebut Rep. Barney Frank (D-MA) who was quoted as saying that we should cut defense spending by 25%, this is a great example of a member of Congress speaking without thinking. The likelihood of this happening almost doesn't

justify a response.

**5. Acquisitions:** It is likely that many of the changes to what DoD buys and funds will reflect the fact that 2009/2010 will be a planning year focused on upgrading and maintaining existing systems. While the budget may not change, large system procurement programs are likely to face increased scrutiny as many of these efforts have gone severely over budget. Already DoD has begun to get its house in order cancelling some programs and delaying others. Its also been stated that there may be an increased focus on buying a greater number of less sophisticated weapons systems.

**6. Weapons:** Areas of interest include maintaining unparalleled air power capabilities, modernizing the current ship fleet, investing in small

capable combatants, support the Littoral Combat Ship program, a focus on cyber warfare and UAVs; and making sure the DoD doesn't become too focused on terrorists at the expense of traditional air and sea power.

**7. Contracting Reforms:** It is likely that DoD will issue more fixed price contracts in the coming years instead of cost-plus contracts in order to keep budgets in line. The impact could be a gain for companies that are able to bid effectively as it could lead to improved margins. The real issue is whether DoD can issue a defined set of requirements without numerous changes.

**8. Military Size:** Supports the drive to grow the Army by 65,000 and Marines by 27,000.

**...[I don't] see defense spending declining in the first years of an Obama administration. There are a set of demands that are very severe, very important to our national well-being**

*Richard Danzig, a U.S. Navy secretary under President Clinton in the October 3rd Wall Street Journal. Mr. Danzig is seen as a possible candidate for Secretary of Defense in an Obama administration.*

**DoD Plans to Spend \$360 Billion More Over 6 Years**

According to *Defense News* and the TV show, *This Week in Defense News*, defense budget officials confirmed that they are preparing spending plans for the next six years that would add \$60 billion a year to the base military budget.

This would bring the 2010 base budget to \$587 billion from the previously proposed \$527 billion. Supplemental spending will still be required to fight wars in Iraq and Afghanistan.

It was unclear to some analysts what prompted this increase although the official cited the addition of 92,000 soldiers and Marines.

By adding \$60 billion a year to the long-range defense spending plan, the outgoing administration is putting pressure on the incoming one who could be seen as reducing spending even if they only bring it back to the current level.

**Obama Advisers Brief Industry Executives**

*Defense News* reported that advisers to Barack Obama impressed defense insiders during a recent high-level Aerospace Industries Association meeting of defense and aerospace

executives organized by the Center for Strategic and International Studies.

The Obama team reiterated that given the security situation in the world, serious cuts in defense are not anticipated.

Attendees commented that they thought that the Obama people got high marks for being good listeners who understood the industry's problems.

**Barack Obama Advisers**

- Jacques Gansler (Pentagon Acquisition Chief during the Clinton administration)
- Former Navy Secretary Richard Danzig
- Former Air Force Secretary Whit Peters
- John Hamre, President CSIS
- Former Senator Sam Nunn, D-Ga, former chair of the Senate Armed Services Committee
- Sen Jack Reed, D-RI, chairman of the Senate Armed Services Committee's emerging threats and capabilities subcommittee
- John Douglas, former Navy acquisition chief and retired president of Aerospace Industries of America

**A&D M&A in 2007**

PricewaterhouseCoopers reported that mergers and acquisitions in the aerospace and defense

sectors amounted to \$30.8 billion in 2007. The average deal was \$280 million, nearly three times higher than in 2006. Transatlantic M&A was at a record and European companies invested \$6.6B in the U.S., four times higher than in 2006.

**Congress and the Tanker - Revisiting Industrial Base Factors**

The 2009 Defense Appropriations Act which President Bush signed on October 1st included the statement, "Section 2440 of Title 10 of the United States Code specifically addresses the need for consideration of the industrial base when developing an implementing acquisition programs" while ceding that the defense secretary has the authority to determine exactly how such information should shape competitions -- in other words -- the Sec Def has the discretion to do what they want.

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Scott Sacknoff: Index Manager

Year	SPADE	S&P500
YTD	[37.43%]	[34.03%]
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%

Quarter	SPADE	S&P500
3Q08	<b>[8.13%]</b>	[9.00%]
2Q08	[4.69%]	[3.23%]
1Q08	[13.53%]	[9.92%]
4Q07	[4.22%]	[3.82%]
3Q07	<b>[2.39%]</b>	[2.99%]
2Q07	<b>10.76%</b>	5.81%
1Q07	<b>4.37%</b>	0.18%
4Q06	<b>8.79%</b>	6.17%
3Q06	3.21%	5.17%
2Q06	[4.03%]	[1.91%]
1Q06	<b>10.65%</b>	3.73%
4Q05	[0.47%]	1.59%
3Q05	<b>4.44%</b>	3.15%
2Q05	<b>3.91%</b>	0.91%
1Q05	<b>[2.52%]</b>	[2.59%]
4Q04	<b>9.80%</b>	8.73%
3Q04	<b>2.81%</b>	[2.30%]
2Q04	<b>6.34%</b>	1.30%
1Q04	0.36%	1.29%
4Q03	<b>18.97%</b>	11.64%
3Q03	<b>5.27%</b>	2.20%
2Q03	<b>19.03%</b>	14.89%
1Q03	[7.92%]	[3.60%]
4Q02	3.39%	7.92%
3Q02	<b>[17.04%]</b>	[17.63%]
2Q02	<b>[2.86%]</b>	[13.73%]
1Q02	<b>16.57%</b>	[0.06%]
4Q01	<b>14.59%</b>	10.29%
3Q01	<b>[10.40%]</b>	[14.29%]
2Q01	<b>5.91%</b>	5.52%
1Q01	<b>[7.18%]</b>	[12.11%]
4Q00	<b>[0.05%]</b>	[8.09%]
3Q00	<b>12.14%</b>	[1.24%]
2Q00	[7.11%]	[2.93%]
1Q00	0.83%	2.00%
4Q99	7.57%	14.54%
3Q99	[10.18%]	[6.56%]
2Q99	<b>21.39%</b>	6.71%
1Q99	[1.68%]	4.65%
4Q98	13.70%	20.87%
3Q98	[16.88%]	[10.30%]
2Q98	[1.88%]	2.91%
1Q98	<b>14.99%</b>	13.53%

**Defense and aerospace contractors have been knocked down with the rest of the bear. But P/E ratios haven't been this cheap since the beginning of the decade.**

Gary Gordon, ETF Expert Newsletter

Change in TPC Solvency Ratio, mid-03 to mid-08	
Boeing	up 45%
General Dynamics	up 18%
Goodrich	up 101%
Lockheed Martin	up 57%
Northrop Grumman	up 73%
Raytheon	up 76%
Rockwell Collins	up 37%

*Aviation Week*  
 Top-Performing Companies Benchmarking Tool  
*Aviation Week & Space Technology - 29Sept08*

**No sector is fully immune from an economic downturn, but here is where we are looking.**

**Defense:** Given the way things are going lately with our friends in Russia, Iran, and Afghanistan, it's probably not likely that defense spending will be cut anytime soon. Defense is one of those sectors that is traditionally a safe haven during recessionary times...It's worth noting that one of the cons to investing in this sector is that defense always gets bundled with aerospace...Commercial aerospace is much more cyclical than defense, but overall, we think this fund (AMEX: PPA) is weighted more heavily toward defense and should be alright through the downturn. *Morningstar - Sept 17, 2008*

**Global Defense Spending Tops \$1.2 Trillion**

	07 Budget	% of World	% GDP
United States	\$547B	45%	4.0%
United Kingdom	\$59.7B	5%	2.6%
China	\$58.3B	5%	2.1%
France	\$53.6B	4%	2.4%
Japan	\$43.6B	4%	1.0%
Germany	\$36.9B	3%	1.3%
Russia	\$35.4B	3%	3.6%
Saudi Arabia	\$33.8B	3%	8.5%

source: SIPRI Yearbook, 2008  
 UN reported that China's defense budget rose 17.6%  
 U.S. DoD estimate of China's defense budget: \$97-\$139 B

**Mideast Spending +11.6%**

	2006	2007
Egypt	\$3.04 B	\$3.42 B*
Iran	\$6.48 B	\$7.16 B
Israel	\$7.53 B	\$9.45 B
Kuwait	\$3.49 B	\$3.92 B*
Saudi Arabia	\$29.54 B	\$33.33 B
Syria	\$1.73 B	\$1.46 B
UAE	\$9.48 B	\$10.08 B

Military Balance 2008, *Defense News*  
 \* Estimated

**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

**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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Split	Company	Ticker	Float %	SPADEFense Index				Market Cap	Forward P/E	Price/Sales	Price/Book	PEG	Div Yld
				Price	Price	% Ch	% Ch						
				30-Sep-08	31-Oct-08	YTD	MTD						
	United Technologies	UTX	8.69%	60.06	54.96	-28.19%	-8.49%	52.25	10.47	0.87	2.42	0.98	2.80%
	Boeing Co	BA	8.51%	57.35	52.42	-40.06%	-8.60%	38.42	8.28	0.57	4.27	0.98	3.10%
	Lockheed Martin	LMT	7.20%	109.67	85.05	-19.20%	-22.45%	34.07	10.60	0.78	3.36	0.98	2.70%
	General Dynamics	GD	6.47%	73.62	60.32	-32.22%	-18.07%	23.65	8.99	0.82	1.96	1.04	2.30%
	Honeywell Intl	HON	6.12%	41.55	30.45	-50.54%	-26.71%	22.12	8.08	0.59	2.29	0.81	3.60%
	Raytheon Co	RTN	5.76%	53.51	51.11	-15.80%	-4.49%	21.16	10.97	0.88	1.61	1.01	2.20%
	Northrop Grumman	NOC	4.28%	60.54	46.89	-40.37%	-22.55%	15.33	8.59	0.45	0.87	0.71	3.40%
	SAIC	SAI	4.15%	20.23	18.47	-8.20%	-8.70%	7.47	15.14	0.76	4.05	1.27	
	L-3 Communications Hldgs	LLL	4.10%	98.32	81.17	-23.38%	-17.44%	9.82	10.82	0.64	1.53	1.06	1.50%
	Itt Indus	ITT	4.03%	55.61	44.50	-32.62%	-19.98%	8.08	10.55	0.69	1.76	0.93	1.60%
	Precision Castparts	PCP	3.98%	78.78	64.81	-53.27%	-17.73%	9.03	7.31	1.28	2.09	0.50	0.20%
	Rockwell Collins	COL	3.21%	48.09	37.13	-48.41%	-22.79%	5.92	8.46	1.22	3.65	0.58	2.60%
	Harris Corp	HRS	2.61%	46.20	35.95	-42.65%	-22.19%	4.78	7.90	0.88	2.11	0.52	2.20%
	Garmin Ltd	GRMN	2.51%	33.94	22.45	-76.86%	-33.85%	4.55	6.62	1.29	2.20	0.45	3.30%
	Computer Sciences	CSC	2.47%	40.19	30.16	-39.03%	-24.96%	4.56	6.67	0.25	0.77	0.59	
	Goodrich Corp	GR	2.47%	41.60	36.56	-48.22%	-12.12%	4.50	7.18	0.65	1.67	0.49	2.70%
	Flir Systems	FLIR	2.42%	38.42	32.10	2.56%	-16.45%	4.47	20.71	4.36	5.77	1.24	
	Textron	TXT	2.38%	29.28	17.70	-75.18%	-39.55%	4.36	5.10	0.26	1.11	0.38	5.20%
	Ball Corp	BLL	1.79%	39.49	34.20	-24.00%	-13.40%	3.31	8.32	0.43	2.16	0.99	1.20%
	Alliant TechtSystems	ATK	1.47%	93.94	82.54	-27.44%	-12.14%	2.72	9.91	0.62	3.33	0.92	
	Trimble Navigation Ltd	TRMB	1.34%	25.86	20.57	-31.98%	-20.46%	2.48	12.24	1.78	2.11	0.65	
	URS Corporation	URS	1.34%	36.67	29.39	-45.90%	-19.85%	2.48	9.76	0.30	0.65	0.81	
	Elbit Systems	ESLT	1.10%	51.67	48.51	-18.55%	-6.12%	2.04	14.02	0.84	3.42	1.60	1.60%
	Mantech International'a'	MANT	1.02%	59.29	53.94	-23.09%	-9.02%	1.91	18.47	1.00	2.78	1.19	
	Teledyne Technologies	TDY	0.88%	57.16	45.57	-14.55%	-20.28%	1.67	13.09	0.87	2.50	0.87	
	Moog Inc.	MOGA	0.81%	42.88	35.12	-23.34%	-18.10%	1.50	10.06	0.78	1.48	1.00	
	Caci Intl	CAI	0.67%	50.10	41.18	-8.02%	-17.80%	1.24	12.29	0.47	1.28	0.93	
	Orbital Sciences Corp	ORB	0.65%	23.97	20.49	-16.44%	-14.52%	1.20	21.12	0.99	2.51	1.17	
	Esterline Technologies	ESL	0.58%	39.59	36.05	-30.34%	-8.94%	1.07	9.08	0.66	0.83	0.45	
	Sra International'a'	SRX	0.57%	22.63	18.48	-37.25%	-18.34%	1.05	12.57	0.66	1.45	0.84	
	Cogent Inc.	COGT	0.44%	10.22	9.14	-18.03%	-10.57%	0.82	16.93	8.78	1.69	0.92	
	Stanley Inc.	SXE	0.42%	36.91	34.26	7.00%	-7.18%	0.80	19.92	1.06	3.82	1.29	
	DynCorp	DCP	0.41%	16.76	13.22	-50.82%	-21.12%	0.75	8.93	0.31	1.62	0.68	
	AeroVironment	AVAV	0.41%	31.95	35.92	48.43%	12.43%	0.75	26.03	3.44	4.17	1.60	
	AXSYS Technologies	AXYS	0.40%	58.94	66.03	80.16%	12.03%	0.74	24.46	3.01	3.82	1.28	
	Triumph Group	TGI	0.39%	45.71	43.86	-46.74%	-4.05%	0.72	7.33	0.59	0.98	0.89	0.40%
	L-1 Identity Solutions	ID	0.34%	15.28	8.20	-54.32%	-46.34%	0.66	24.85	1.08	0.46	2.73	
	Ceradyne Inc	CRDN	0.33%	36.66	23.50	-49.93%	-35.90%	0.62	5.11	0.78	0.92	0.86	
	AAR Corp	AIR	0.33%	16.59	15.99	-57.95%	-3.62%	0.62	6.92	0.39	0.92	0.53	
	Cubic Corp	CUB	0.32%	24.59	22.25	-43.24%	-9.52%	0.59	12.03	0.67	1.43	0.93	0.80%
	Oshkosh Truck	OSK	0.31%	13.13	7.66	-83.79%	-41.66%	0.57	3.23	0.08	0.36	0.15	5.20%
	Viasat Inc	VSAT	0.30%	23.58	18.22	-47.08%	-22.73%	0.56	10.07	0.88	1.27	0.74	
	American Science & Engineering	ASEI	0.30%	59.73	62.90	10.84%	5.31%	0.55	19.06	3.33	3.42	1.21	1.30%
	Argon St	STST	0.24%	23.49	20.86	12.39%	-11.20%	0.45	18.46	1.30	1.50	1.05	
	GeoEye	GEOY	0.21%	22.13	21.64	-35.69%	-2.21%	0.39	34.35	2.24	1.88	2.67	
	Si International	SINT	0.21%	30.05	28.80	4.84%	-4.16%	0.38	18.23	0.68	1.38	1.49	
	NCI Information Technology	NCIT	0.21%	28.48	23.80	39.10%	-16.43%	0.32	16.76	0.82	3.36	1.06	
	TASER International Inc.	TASR	0.17%	7.15	5.01	-65.18%	-29.93%	0.31	83.50	3.01	2.73	7.93	
	Gencorp	GY	0.15%	6.74	4.90	-57.98%	-27.30%	0.28	7.66	0.35			
	Ladish Co	LDSH	0.13%	20.25	17.03	-60.57%	-15.90%	0.26	6.31	0.50	0.89	0.82	
	Ducommun	DCO	0.12%	23.88	20.19	-46.87%	-15.45%	0.21	8.59	0.56	0.95	0.91	1.50%
	Applied Signal Technology	APSG	0.12%	17.38	17.92	31.96%	3.11%	0.23	24.22	1.16	1.73	1.77	2.80%
	Osi Systems	OSIS	0.11%	23.51	11.50	-56.55%	-51.08%	0.21	10.75	0.32	0.75	0.67	
	Mercury Computer Sys	MRCY	0.09%	8.90	7.18	-55.43%	-19.33%	0.16	18.41	0.74	1.09		
	Drs Technologies	DRS		76.75	81.00	49.25%	5.54%						0.20%

Data Provided by Yahoo Finance & Capital IQ, and Forward P/E by Thompson