



**SPADE® Defense Index**  
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## FOR IMMEDIATE RELEASE

### **SPADE Defense Index Outperforms S&P 500 for Seventh Consecutive Year** *Quarterly Rebalance Sees Addition of SAIC and Stanley Inc.*

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Defense and homeland security companies continued to outperform the broader market in 2006 as the benchmark SPADE Defense Index (AMEX: DXS) gained 19.33% and marked the seventh consecutive year it has outperformed the S&P500.

#### **Year End Summary**

- Outperformed the S&P500 for the seventh consecutive year and in 20 of the last 26 quarters
- Since 2000, the Index has gained 113.86% compared with a (3.47%) loss by the S&P 500.
- Reached an all-time intraday high of 2142.82 on December 28, 2006. This was the 40<sup>th</sup> intraday high reached during the year and follows 25 ATH in 2005.
- The Powershares Aerospace & Defense Portfolio ETF (AMEX: PPA), which tracks the SPADE Defense Index, saw its assets increase more than 80% to nearly \$110 million

According to Scott Sacknoff, manager of the SPADE Defense Index, performance gains can be attributed to five factors:

1. Across-the-board increases in government spending,
2. Rising budgets for defense and homeland security,
3. Supplemental spending to cover the estimated \$7 billion monthly cost of the wars in Iraq and Afghanistan,
4. An ongoing rebound in the commercial aircraft manufacturing business, and
5. Continued expansion of the space and satellite market

#### **2007 Outlook**

With the Defense budget scheduled to grow by nearly \$30 billion in FY07 and supplemental spending forecast to add between \$110 Billion and \$170 Billion, CNBC cited defense as one of their seven plays for 2007 and Merrill Lynch cited defense as one of its top 10 picks. Investors Business Daily asked on 7Dec06, "...with global tensions high...where else would you want to be?" and the Economic Times stated on 6Dec06, "...Wall Street may be fretting that the U.S. economy is slowing down, but the aerospace and defense industries are hard pressed to figure out when their party will end." Overall, the U.S. currently spends roughly 4.6% of GDP, the same percentage on defense as it did in 1991 during the Gulf War.

#### **Leading Gainers in 2006**

Sixteen companies (of the 58 in the Index) posted gains in excess of 30% and the 12 largest constituents all posted gains of 10% or more with 10 of the 12 posting gains of 20%+. Returns generated by the large-cap infrastructure prime contractors were: Lockheed Martin (NYSE: LMT) 44.70%; General Dynamics (NYSE: GD) 30.38%; Raytheon (NYSE: RTN) 31.51%, Boeing (NYSE: BA) 26.48%, and Northrop Grumman (NYSE: NOC) 12.63%.

#### **December 2006 Rebalance**

On December 29<sup>th</sup>, the Index added SAIC (NYSE: SAI) and Stanley Inc. (NYSE: SXE), bringing the number of constituents to 58. SAIC provides scientific, engineering, systems integration, and technical services and solutions. Stanley Inc. provides IT services and solutions to defense and federal civilian government agencies.

#### **About the Index**

The SPADE Defense Index is a modified cap-weighted index designed to benchmark the performance of companies involved with defense, homeland security, and space. The Index methodology and constituents can be found at [www.spadeindex.com](http://www.spadeindex.com)

#### **Disclaimers**

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