

NANOTECHNOLOGY

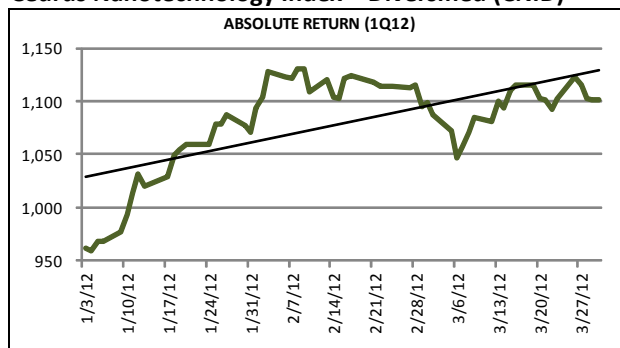
Nanotechnology Index 1Q12 Review

CNID and CNIP Outperform Many Major Indices in 1Q12

KEY POINTS:

- **CEDRUS NANOTECHNOLOGY INDICES** In 1Q12, both the Cedrus Nanotechnology Index – Diversified (CNID) and Cedrus Nanotechnology Index – Pure (CNIP) outperformed many of the major global indices with a respective sequential return of 17.3% and 17.7% (see details in the comparison tables on page 5 of this report). We attributed the outperformance to improved sentiment towards growth stocks as fears about the European sovereign debt crisis eased temporarily at the beginning of the year. On a year-over-year basis, both indices were down 13.9%, dragged predominately by the significant underperformance of the nano-energy sub-group, which was down approximately 61% in that period. During that one-year period, solar stocks in the nano-energy sub-group were battered by the cuts in government subsidies and continued expansion of capacity, causing the imbalance of supply and demand and the subsequent free fall in pricing of solar products and erosion of margins at vendors throughout the whole food chain. Likewise, the financial results of wind turbine manufacturers were hurt by over-supply and uncertainty about subsidy policies by governments worldwide while the demand for lithium ion batteries fell short of heightened expectations due to the wide price gap between a lithium-ion battery powered all-electric car and the conventional gasoline-power vehicle. However, we remain positive on the longer-term prospects of the renewable energy sector, as we believe the trend is unstoppable and demand will eventually ramp up to benefit pricing and profitability of the suppliers generally;
- **CEDRUS NANOTECHNOLOGY INDEX – DIVERSIFIED (CNID)** Nano-life science was the best-performing sub-group in the quarter, reaping a return of 23.9% Q/Q, even better than the 20.4% and 18.7% return registered for the Philadelphia Semiconductor and NASDAQ Composite indices respectively. The performance of this sub-group has been enhanced by merger and acquisition activities as larger players are active in strengthening their product pipelines to maintain growth. Nano-electronics was the second best-performing sub-group, rising 17.2% when compared with 4Q11 boosted by the double-digit sequential growth of almost all semiconductor constituents. Sequentially, nano-energy managed a rebound of 11.5% following a decline in the prior three consecutive quarters, as the risk/reward among the renewable energy stocks has become more attractive;
- **CEDRUS NANOTECHNOLOGY INDEX – PURE (CNIP)** CNIP did marginally better than CNID in 1Q12 simply because it had fewer names with unfavorable return that had weighed on its performance than CNID.

Cedrus Nanotechnology Index – Diversified (CNID)



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