



NANOTECHNOLOGY

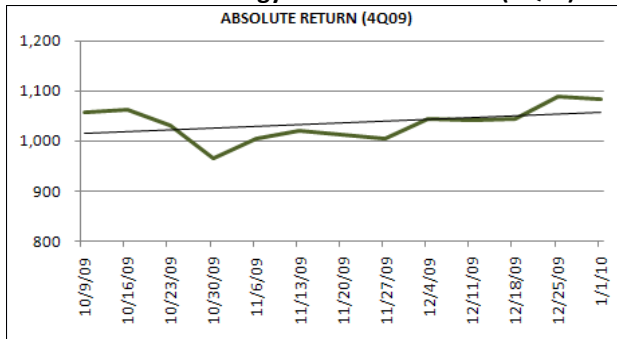
Nanotechnology Index 4Q09 Review

Nanotechnology Maintains Momentum, but on a Relative Basis Faces Pressure in 4Q09; We Continue to Recommend Rotating into Energy & Life Science Due to Govt. Stimulus

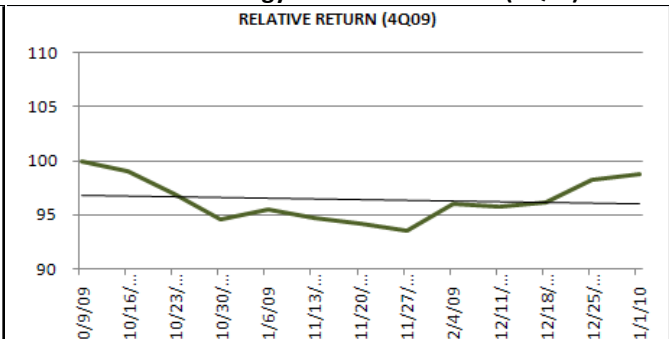
KEY POINTS:

- **CEDRUS NANOTECHNOLOGY INDICES TAKE A BREATH:** After formally launching two nanotechnology indices in 3Q09 – **Cedrus Nanotechnology Index – Diversified** and **Cedrus Nanotechnology Index – Pure**, we further refined the universe of constituents to improve the investment worthiness. The purpose of these indices is to identify the fastest growth technology companies spanning each of the five nano-markets that we have identified: nano-manufacturing, nano-electronics, nano-energy, nano-life science and nano-environment. Cedrus Nanotechnology Index – Diversified is the broader index, including 100 companies spanning all five nano-markets and is inclusive of both diversified companies that have nanotechnology as only one of many growth drivers, and pure-plays that have nanotechnology as their primary driver of growth. Cedrus Nanotechnology Index – Pure is more concentrated, including 68 companies that rely on nanotechnology as their primary growth driver.
- **CEDRUS NANOTECHNOLOGY INDEX – DIVERSIFIED (CNID):** CNID was up 8% in 4Q09 on an absolute basis, and performed roughly in line with the market (S&P 500 +8%), yet still underperformed by 80 bps. CY09 has been a good year for nanotechnology stocks, with the CNID +64% YTD – after trading down -36% in 2H08, which was the worst two sequential quarters of relative performance in the past decade. The best performing nano-markets in CY09 were nano-manufacturing and nano-electronics, yet all markets, even including *relative laggards* nano-energy and nano-life science, all outperformed the S&P 500.
- **CEDRUS NANOTECHNOLOGY INDEX – PURE (CNIP):** CNIP was up 7.5% in 3Q09 on an absolute basis, and underperformed the market by 125 bps. Similar to the broader CNID, CY09 has been a good year for nanotechnology and thus CNIP +24% YTD. When looking at attribution among only the pure-plays, our analysis comes to the same conclusion that nano-manufacturing is still the best performing nano-market YTD. Since the market trough in March 2009, smaller cap less liquid names have outperformed, albeit from severely depressed levels, as investors put a premium on liquidity. Exiting 4Q09 and into CY10 we expect CNID to outperform.
- **DRIVERS OF NANOTECHNOLOGY OUTPERFORMANCE:** We believe the primary factors for this outperformance include 1) a general lift in the market driving higher beta names to outperform (through 1Q10), especially following the largest relative-to-market pullbacks in nanotechnology stocks; 2) investors returning to emerging growth instead of value; and 3) a general belief that investment in technology from both governments (stimulus) and enterprises will pick up into CY10.

Cedrus Nanotechnology Index – Diversified (4Q09)



Cedrus Nanotechnology Index – Diversified (4Q09)

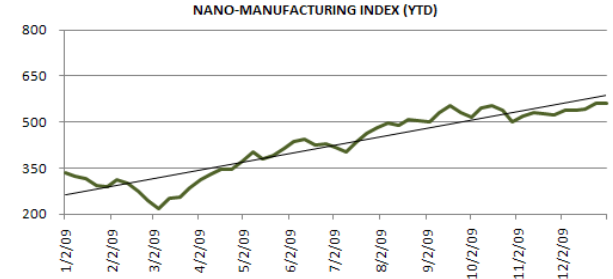




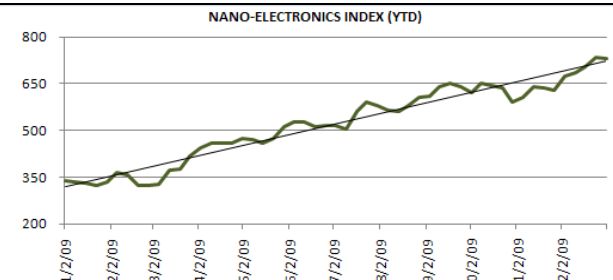
NANOTECHNOLOGY

FIVE NANO-MARKETS PERFORMANCE IN 4Q09

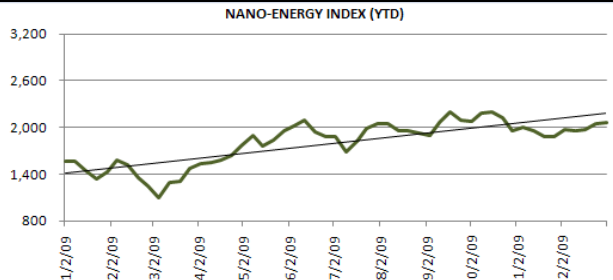
NANO-MANUFACTURING: The nano-manufacturing index is up 159% from the lows reached in the first week of March. In 4Q09 leadership came from LED equipment vendors (**AIXG, VECO and ASMI**) for TV backlighting build-out and from our top 4Q09 pick (**ASMI**) that have exposure to copper bonder upgrade cycle. Momentum is positive in the space, but we would look for a rotation from electronics-focused vendors into life science as a result of government stimulus starting in late 1Q10.



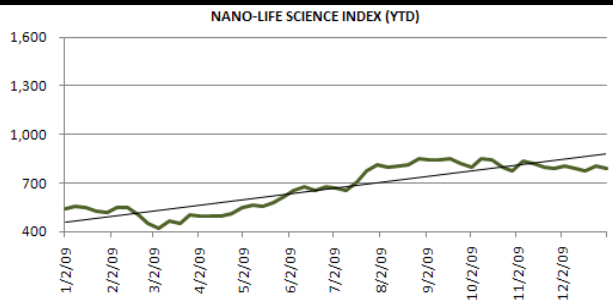
NANO-ELECTRONICS: The nano-electronics index is up 124% from the lows reached in the first week of March. In 4Q09 leadership came from memory makers (**MU** and **SNDK**) as supply tightens up and LED makers (**Seoul Semi** and **CREE**), and the strongest was **AMD** following Intel's announcement to stop current architecture that integrates graphics. Momentum is positive and pricing trends for memory chips suggest that equipment orders will continue to improve through CY10.



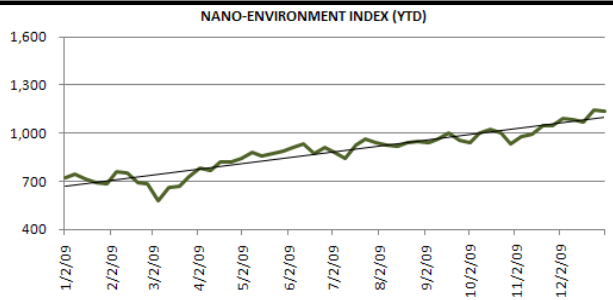
NANO-ENERGY: The nano-energy index is up 87% from the lows reached in the first week of March. In 4Q09 leadership came from smart grid/infrastructure plays (**ITRI** and **AMSC**) likely for government stimulus, but we note that solar came back after a weak start to the quarter. Momentum is positive in the space, but we worry that CY10 global stimulus is rotating away from alternative energies into broader market after strong CY07/CY08.



NANO-LIFE SCIENCE: The nano-life science index is up 87% from the lows reached in the first week of March, which although appears weak, understates that these names were much more defensive and did not sell-off as much in 2H08. In 4Q09, leadership came from smaller higher beta names (**BDX, INCY and ABII**). Momentum is positive in the space, and although healthcare reform is a cloud of uncertainty, we expect outperformance in CY10, especially those companies with leverage to stimulus.



NANO-ENVIRONMENT: The nano-environment index is up 97% from the lows reached in the first week of March, but similar to life science did not feel as much pain in 2H08. In 4Q09 (strongest segment) leadership was broad-based; standouts include (**ADES, NLC and SYT**). Momentum is positive in the space, but we would look for next big wave of leadership to come when commodities come back into favor and fear of shortage (specifically of agriculture/water) resurfaces.





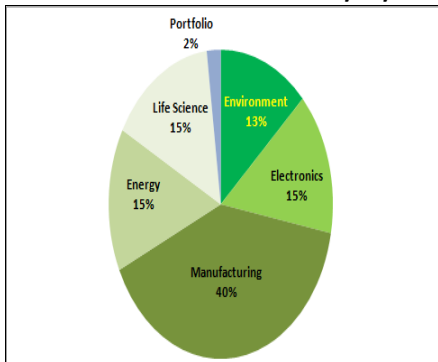
NANOTECHNOLOGY

CEDRUS NANOTECHNOLOGY INDEX – DIVERSIFIED

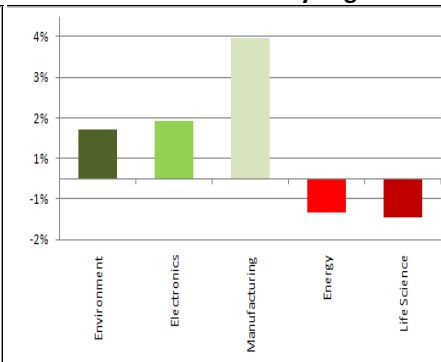
CEDRUS NANOTECHNOLOGY INDEX – DIVERSIFIED (CNID) is an equal-weighted index of 100 companies spanning all five nano-markets and is inclusive of both diversified companies that have nanotechnology as only one of many growth drivers, and pure-plays that have nanotechnology as their primary driver of growth.

- **LEADERS & LAGGARDS OF INDEX IN 4Q09:** In 4Q09, the leading stocks remained the electronics names including the white-hot LED food chain, but nano environment companies played catch-up in 4Q09 after a slower start in CY09. The weakest stocks in 4Q09 were in energy and life science, but we note that sentiment was changing in the latter part of the quarter more favorably towards the PV sector, led by activity in China.
- **EXPECTED LEADERS OF INDEX IN 1Q10:** We expect nano-manufacturing, specifically tool makers, to remain strong in 1Q10, but looking into CY10, we favor nano-energy (solar comeback) and nano-life science driven by stimulus.

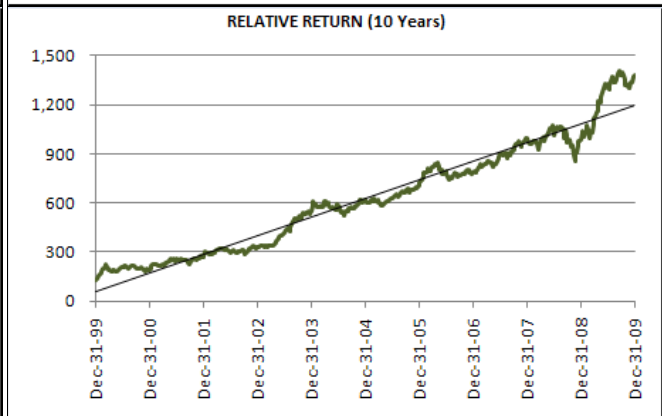
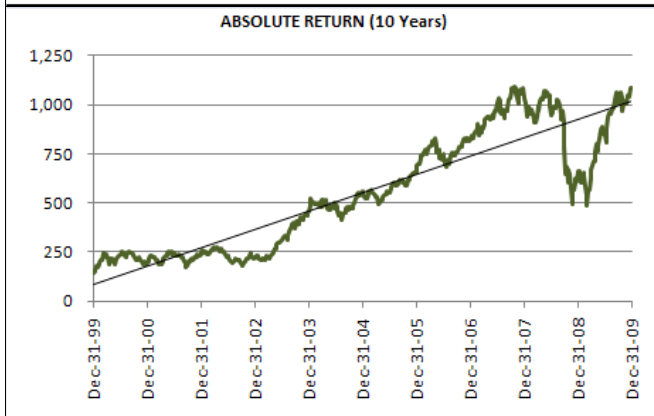
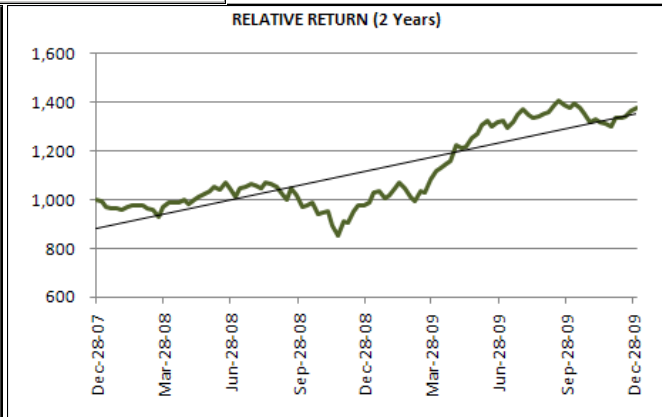
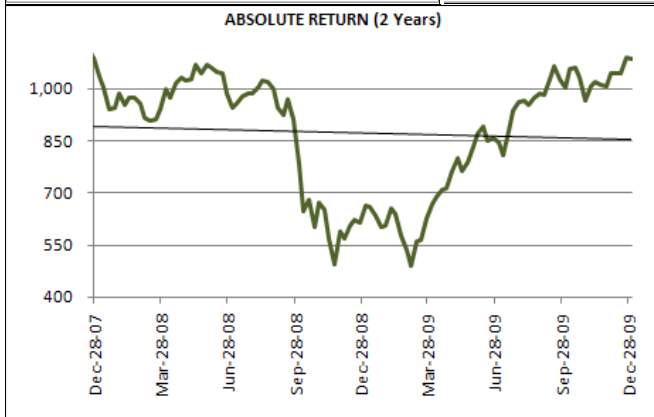
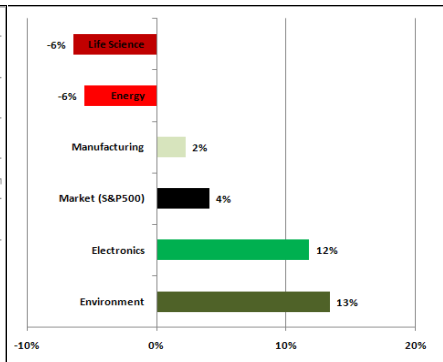
Distribution of Index as of 12/31/09



Relative Performance by Segment



Rank Performance of Nano-Markets





NANOTECHNOLOGY

CEDRUS NANOTECHNOLOGY INDEX – DIVERSIFIED CONSTITUENTS

Nano Electronic		Nano Energy		Nano Life Science		Nano Environment		DIVERSIFIED	
1	ASML	1	SOLR	1	TMO	1	ARJ	1	AMAT
2	AIXG	2	CTN-DE	2	LIFE	2	CCC	2	FEIC
3	ASMI	3	IOSP	3	A	3	HWKN	3	VECO
4	CYMI	4	BOOM	4	WAT	4	FMC	4	IVAC
5	CCMP	5	FSLR	5	SIAL	5	VRNM	5	ACCL
6	ENTG	6	SPWRA	6	AMAG	6	MBLX	6	MMM
7	INTC	7	ENER	7	GILD	7	PENX	7	DOW
8	AMD	8	VWS-DK	8	GENZ	8	MON	8	DD
9	TXN	9	CWP.LN	9	ELN	9	POT	9	APD
10	BRCM	10	ORA	10	QGEN	10	SYT	10	HXL
11	MRVL	11	ITRI	11	INCY	11	ADM	11	PPO
12	TSM	12	ENOC	12	ABII	12	MOS	12	FOE
13	005930-KR	13	COMV	13	NVAX	13	CECE	13	SXS-GB
14	SNDK	14	AONE	14	SRDX	14	DCI	14	IIVI
15	CREE	15	ENS	15	BCRX	15	WPRT	15	SMMX
16	2448-TW	16	HEV	16	FLML	16	FTEK	16	ALTI
17	PANL	17	FCEL	17	BAX	17	NLC	17	NANX
18	KOPN	18	PLUG	18	BDX	18	ERII	18	TINY
19	AME	19	AMSC	19	VITA	19	DGW	19	ARWR
20	NVEC			20	NSPH	20	DAR		
21	FORM			21	HBIO				

CEDRUS NANOTECHNOLOGY INDEX – PURE CONSTITUENTS

Nano Electronic		Nano Energy		Nano Life Science		Nano Environment		DIVERSIFIED	
1	ASML	1	SOLR	1	TMO	1	CCC	1	AMAT
2	AIXG	2	IOSP	2	LIFE	2	HWKN	2	FEIC
3	CCMP	3	BOOM	3	A	3	FMC	3	VECO
4	ENTG	4	FSLR	4	AMAG	4	VRNM	4	IVAC
5	INTC	5	SPWRA	5	ELN	5	MBLX	5	ACCL
6	SNDK	6	ENER	6	QGEN	6	PENX	6	PPO
7	CREE	7	ORA	7	INCY	7	SYT	7	FOE
8	PANL	8	ITRI	8	ABII	8	ADM	8	IIVI
9	KOPN	9	AONE	9	NVAX	9	MOS	9	SMMX
10	AME	10	FCEL	10	SRDX	10	CECE	10	ALTI
11	NVEC	11	PLUG	11	BCRX	11	DCI	11	NANX
		12	AMSC	12	FLML	12	WPRT	12	TINY
				13	BDX	13	FTEK	13	ARWR
				14	VITA	14	ERII		
				15	NSPH	15	DGW		
				16	HBIO	16	DAR		



NANOTECHNOLOGY

IMPORTANT DISCLOSURES

Cedrus Investments Ltd. ("Cedrus") does seek to do business with companies covered in research reports distributed by Cedrus. Investors should consider this report as only a single factor in making their investment decision.

For additional information, please send an e-mail to information@cedrusinvestments.com

This report is prepared by Cedrus. This report is for informational purposes only and is not intended to be, nor should it be construed to be, an advertisement or an offer or a solicitation of an offer to buy or sell any securities. The information herein, or upon which opinions have been based, has been obtained from sources believed to be reliable, but no representations, express or implied, or guarantees, can be made as to their accuracy, timeliness or completeness. The information and opinions in this report are current as of the date of the report. We do not endeavor to update any changes to the information and opinions in this report. Unless otherwise stated, all views expressed herein (including estimates or forecasts) are solely those of our research analysts and subject to change without notice.

This report does not take into account the specific investment objectives, financial situation, and the particular needs of any specific company that may receive it. Before acting on any advice or recommendation in this report, companies should consider whether it is suitable for its own particular circumstances. The value of securities mentioned in this report and income from them may go up or down, and investors may realize losses on any investments. Past performance is not a guide to future performance. Future terms are not guaranteed, and a loss of original capital may occur.

Neither the analysts responsible for this report nor any related household members are officers, directors, or advisory board members of any covered company. No one at a covered company is on the Board of Directors of Cedrus. Neither Cedrus nor any of its owners, officers, or employees own shares equal to one percent or more of the subject company in this report. The compensation for the analysts who prepare reports is determined exclusively by senior management. Cedrus' research analysts are not prohibited from owning securities they cover through Research Reports.

Copyright 2010 Cedrus Investments Ltd. All rights reserved. Any unauthorized use or disclosure prohibited.