



NANOTECHNOLOGY

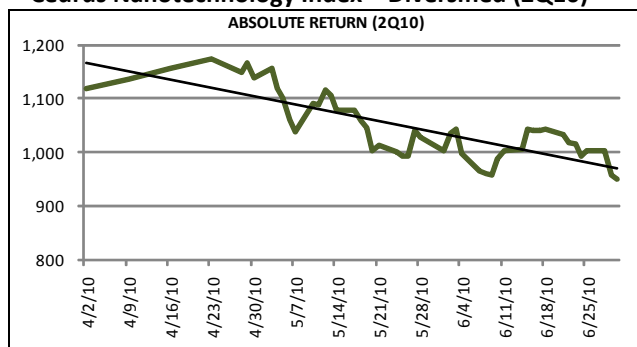
Nanotechnology Index 2Q10 Review

Nanotechnology Indices Decline in the Second Quarter of 2010 following a Strong First Quarter

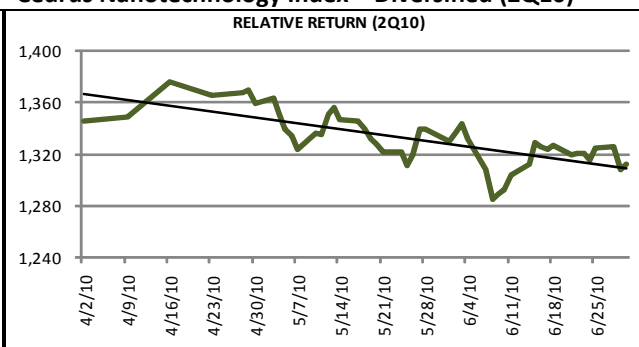
KEY POINTS:

- **CEDRUS NANOTECHNOLOGY INDICES DECLINE IN 2Q10:** After posting strong results in 1Q of this year, both indices fell by around 14% Q/Q in 2Q. CNID fell 14.3% and CNIP fell 14%, while the S&P 500 fell 11.9%. Within CNID, there was a vast difference between the best and worst performing sub-groups. While nano-manufacturing was the strongest in 1Q10 with a gain of 8.8%, it was nano-electronics that was the best performing sub-group in 2Q10 declining by 6.5% compared to the worst sub-group, nano-energy, which fell a massive 23.5% having already being the weakest sub-group in 1Q10 with a decline of 15.2%. Year-to-date, CNID has declined 11.5%, versus CNIP's -8.9% and the S&P 500's -7.6%.
- **CEDRUS NANOTECHNOLOGY INDEX - PURE (CNIP) BEST PERFORMER:** Once again, CNIP was the best performer of the two indices, CNID and CNIP. The main driver of additional weakness in CNID was due to its inclusion of FORM, which fell 39.2% in 2Q10. Since CNIP does not include FORM, its worst performing stock in the same sub-group, nano-electronics, was CREE, which declined 14.5%.
- **CEDRUS NANOTECHNOLOGY INDEX - DIVERSIFIED (CNID):** The delta in performance between the best and worst performers within a sub-group is noteworthy. Taking the difference between the best and worst performers in each sub-group for CNID yields the following: for nano-manufacturing, 85.8%, nano-electronics, 92%, nano-energy, 64.1%, nano-life science, 95.7%, nano-environment 68.3%. These numbers are just for 2Q10. On a year-to-date basis, the deltas increase, in nano-manufacturing the delta is 154.7%, nano-electronics: 95.9%, nano-energy: 72.1%, nano-life science: 125.2%, nano-environment: 86.3%.
- **DRIVERS OF NANOTECHNOLOGY PERFORMANCE:** All sub-groups, except nano-electronics, underperformed the S&P 500 in 2Q. While 2Q10 was a disappointing quarter of performance for both indices, it does highlight, on further inspection, the variability of performance of the sub-groups, the individual stocks that comprise them and the opportunity for alpha generation from stock selection.

Cedrus Nanotechnology Index – Diversified (2Q10)



Cedrus Nanotechnology Index – Diversified (2Q10)

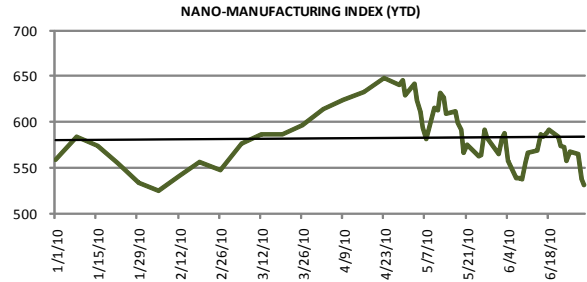




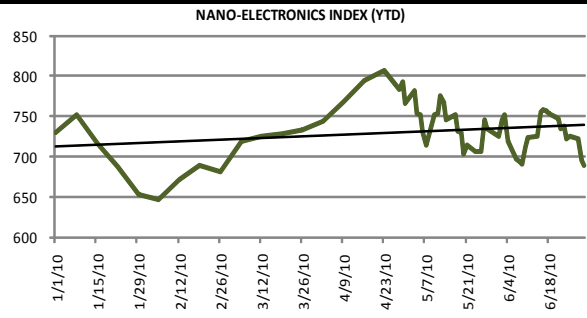
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FIVE NANO-MARKETS' PERFORMANCE IN 2Q10

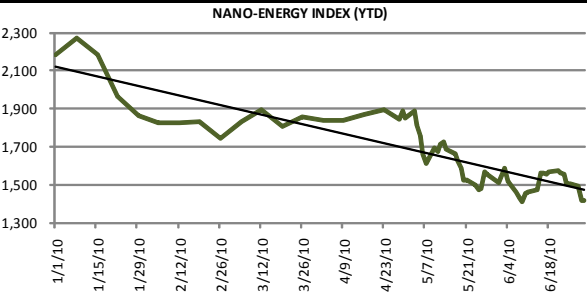
NANO-MANUFACTURING: This index outperformed both CNID and CNIP in 2Q10, continuing the trend from 1Q although it slightly trailed the S&P 500 in 2Q. **PPO**, the filtration membrane company had the best performance for both 2Q and 1H. The worst performance came from **ALTI**, a rechargeable lithium ion battery manufacturer, due to sustained unprofitability and the threat from delisting. The weakest vertical market group was semi manufacturing related to uncertainty about economic slowdown.



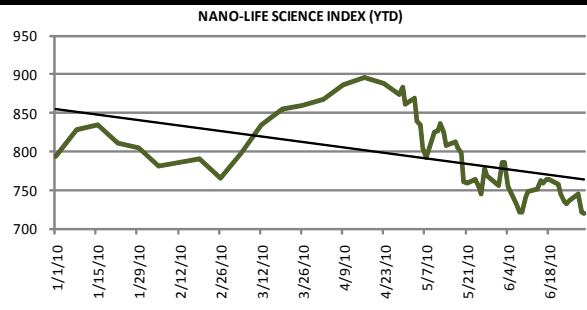
NANO-ELECTRONICS: Beat the S&P 500, CNID and CNIP in 2Q10 after lagging in 1Q10. PC and hard drive related names were the worst performers due to supply chain contraction on a below-seasonal 3Q view of the consumer, especially in Europe and a better-than-seasonal 1H. **MRVL**, **AMD** and **INTC** all fell double digit %, despite a good outlook for 2Q. **FORM** collapsed due to company-specific management problems. **SNDK** and OLED component maker, **PANL**, were two strong performers. **BRCM**, **AME** and **NVEC's** steady performance helped buoy the group.



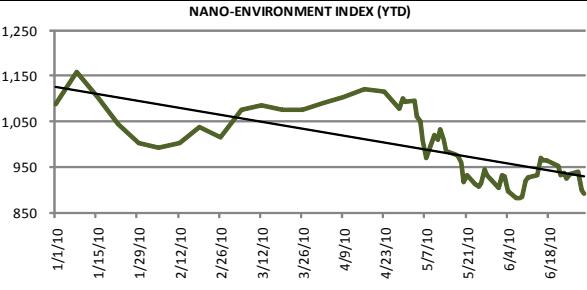
NANO-ENERGY: Continuing the trend as the worst performing segment, declining 23.5% Q/Q in 2Q, bringing the year-to-date loss to 35%. Macro concerns weighed on the group as capital moved away from high beta, speculative companies. Solar stocks were also negatively impacted by the decline in EUR and fear that credit would tighten in Europe as sovereign risk increased. Smart grid names continued to perform best as US projects continued to roll-out.



NANO-LIFE SCIENCE: This group had the largest swing, 24.1%, between 1Q and 2Q performance: 1Q10 +8.1% and 2Q10 -16%. Given this group's strength in 1Q10, there was some rotation out of the group in 2Q10. Noteworthy performance detractors include **INCY**, which had encouraging top-line Phase 2 data for its Jak inhibitor released in the quarter, yet the stock was down -20.5% following an impressive 52.9% rise in 1Q10. Continued strength was shown by **ABII** driven most recently by the announcement of its takeover by Celgene.



NANO-ENVIRONMENT: This was the second worst performing group in 2Q with a loss of 18% Q/Q, bringing year-to-date performance to a loss of 17.9%. The agricultural companies have been the laggards on fears of a slowdown in global growth, leading to weaker crop prices. Pollution control and natural gas stocks have outperformed the group, which is a trend we expect to continue, especially in light of the oil spill in the Gulf of Mexico.





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CEDRUS NANOTECHNOLOGY INDEX – DIVERSIFIED

CEDRUS NANOTECHNOLOGY INDEX – DIVERSIFIED (CNID) is an equal-weighted index of 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 2Q10:** In 2Q, the best performing stock overall was Universal Display (PANL), which posted +52.8% performance. The worst performer was FuelCell Energy (FCEL), which fell by 58.2% in value.

- Nano-Manufacturing:
 - Best - Polypore International (PPO) +30.2%
 - Worst – Altair Nanotechnologies (ALTI) -55.6%
- Nano-Electronics
 - Best – Universal Display (PANL) +52.8%
 - Worst – Cree (CREE) -14.5%
- Nano-Energy
 - Best – Ormat Technologies (ORA) +0.5%
 - Worst – FuelCell Energy (FCEL) -58.2%
- Nano-Life Science
 - Best – Abraxis BioScience (ABII) +43.4%
 - Worst – Orthovita (VITA) -52.3%
- Nano-Environment
 - Best – CECO Environmental (CECE) +31.7%
 - Worst – Duoyuan Global Water (DGW) -36.6%

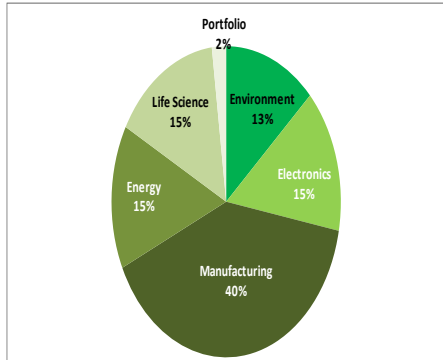
➤ **3Q10 OUTLOOK:**

- **Nano-Manufacturing:** Overall this group is unlikely to significantly outperform in 2H unless there is more certainty about the slope of the global economic expansion.
- **Nano-Electronics:** We are relatively confident about the ability of companies to manage earnings in CY11 if the world's GDP growth rate will be between 3.5% and the latest IMF forecast of 4.3%. 2H performance depends on when such a macro outlook solidifies.
- **Nano-Energy:** We expect solar related equities to perform much better in 3Q as clarity has emerged on the German and Italian subsidy fronts and demand appears more robust than even aggressive forecasts predicted. We expect wind to remain challenged and for the smart grid names to continue their strong performance.
- **Nano-Life Sciences:** M&A activity is likely to continue, which bodes well for some stocks in the group. Given the sell-off and the interest in M&A, this group is likely to rebound in 3Q10.
- **Nano-Environment:** Performance is contingent upon global growth expectations, which do not appear to be positively revised in the immediate term. As a result, we expect commodity prices to continue to decline and for the nano-environment sector to underperform.

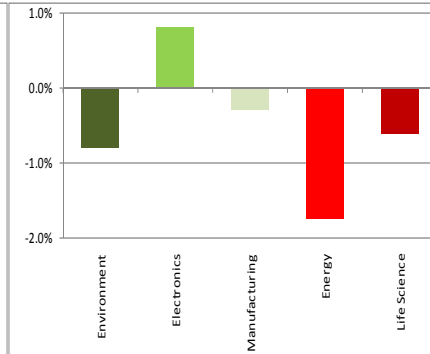


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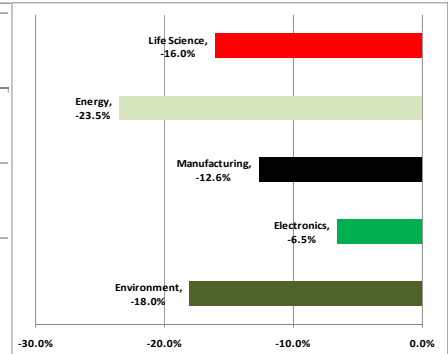
Distribution of Index as of 6/30/10



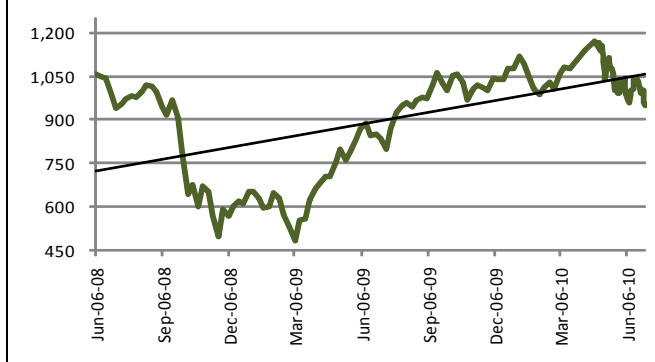
Relative Performance by Segment



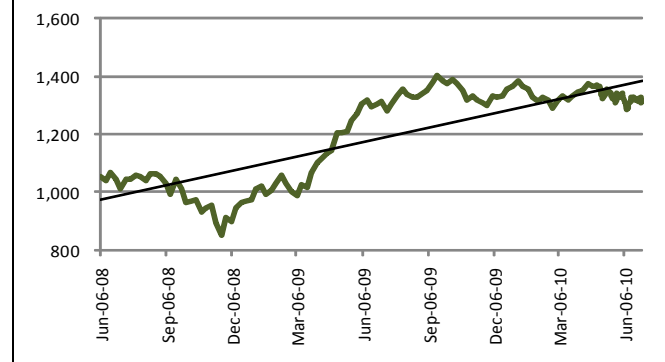
Rank Performance of Nano-Markets



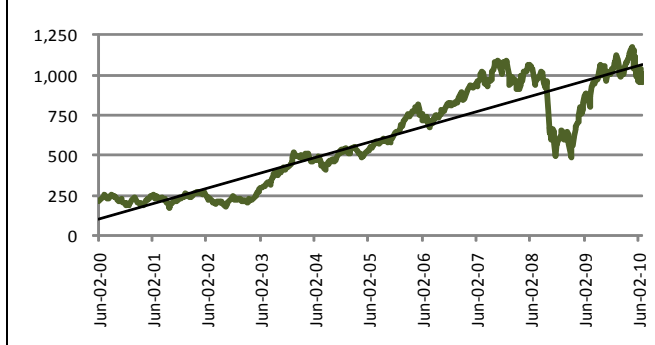
ABSOLUTE RETURN (2 Years)



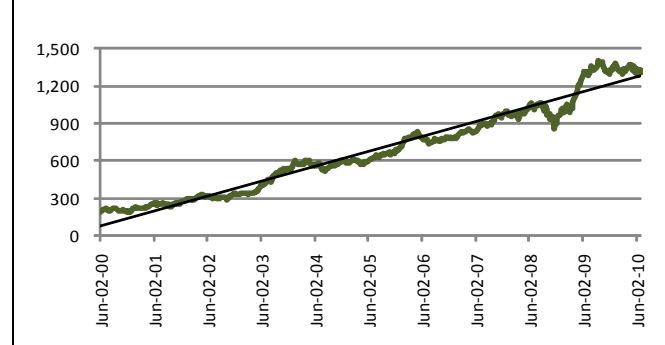
RELATIVE RETURN (2 Years)



ABSOLUTE RETURN (10 Years)



RELATIVE RETURN (10 Years)





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CEDRUS NANOTECHNOLOGY INDEX – DIVERSIFIED CONSTITUENTS

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

*Constituents of the Nano Manufacturing sub-group index

CEDRUS NANOTECHNOLOGY INDEX – PURE CONSTITUENTS

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

*Constituents of the Nano Manufacturing sub-group index

Note: SMMX merged with ACCL with effect from July 1, 2010



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NANOTECHNOLOGY INDUSTRY COMPARABLE METRICS

Jun-30-10	Share Price	Mkt Cap (\$-Mn)	Ent Val (\$-Mn)	Shares		Price Performance			Sales					Book Value		Earnings					
				Out	Daily Vol	% to	% from		CY09	% Y/Y ('09)	% Y/Y ('10)	EV/Sales	5 Year Peak	5 Year Trough	Book/Share	P/B	CY08	CY09	CY10	P/E (CY10)	
							High	Low													% YTD
NANO LIFE SCIENCE																					
1	ABT	46.78	72,208	89,543	1,544	0.7%	21%	-7%	-12%	30,765	4%	15%	2.9 x	4.6 x	2.4 x	13.51	3.5 x	3.32	3.72	4.15	11.3 x
2	AMGN	52.60	50,388	55,283	958	0.9%	23%	-4%	-9%	14,642	-2%	3%	3.8 x	9.4 x	3.1 x	23.13	2.3 x	4.48	4.91	5.11	10.3 x
3	TEVA	51.99	48,625	53,666	931	0.8%	25%	-7%	23%	13,899	25%	15%	3.9 x	6.2 x	2.8 x	21.11	2.5 x	2.93	3.37	4.54	11.4 x
4	GILD	34.28	30,506	42,101	903	1.1%	46%	-4%	-34%	7,011	31%	15%	6.0 x	15.4 x	3.3 x	7.08	4.8 x	2.10	3.06	3.60	9.5 x
5	MDT	36.27	39,279	52,987	1,102	0.7%	29%	-11%	13%	15,417	8%	5%	3.4 x	6.9 x	2.3 x	13.00	2.8 x	2.82	3.12	3.40	10.7 x
6	BAX	40.64	24,361	36,024	603	0.8%	52%	-1%	-25%	12,562	2%	3%	2.9 x	4.0 x	2.0 x	11.97	3.4 x	3.38	3.80	3.92	10.4 x
7	NVO	81.02	41,524	30,436	457	0.1%	6%	-35%	61%	9,849	16%	-3%	3.1 x	4.9 x	2.2 x	10.59	7.6 x	2.94	3.44	3.65	22.2 x
8	GENZ	50.77	13,549	12,541	267	1.3%	18%	-11%	-24%	4,516	-2%	10%	2.8 x	9.1 x	2.6 x	28.21	1.8 x	4.00	2.27	2.57	19.8 x
9	BDX	67.62	15,778	18,450	233	0.9%	19%	-6%	-1%	7,252	1%	5%	2.5 x	3.6 x	2.1 x	22.07	3.1 x	4.59	4.98	5.19	13.0 x
10	ILMN	43.53	5,302	3,067	122	1.4%	5%	-41%	67%	666	16%	24%	4.6 x	20.4 x	4.3 x	7.73	5.6 x	0.68	0.80	0.98	44.3 x
11	ELN	4.50	2,632	4,472	585	0.5%	91%	-1%	-25%	1,113	11%	6%	4.0 x	35.8 x	4.0 x	0.86	5.3 x	(0.55)	(0.35)	(0.13)	N/A
12	QGEN	19.22	4,442	3,449	232	1.2%	25%	-11%	9%	1,010	13%	15%	3.4 x	8.4 x	4.3 x	7.35	2.6 x	0.79	0.93	0.91	21.0 x
13	ABII	74.20	2,997	1,282	40	3.4%	1%	-67%	13%	359	4%	11%	3.6 x	15.7 x	2.2 x	21.02	3.5 x	0.28	(0.78)	N/A	N/A
14	AMAG	34.35	722	554	21	1.4%	70%	-13%	-4%	17	786%	341%	32.2 x	401.5 x	15.0 x	13.84	2.5 x	(4.22)	(5.46)	(3.84)	N/A
15	PRX	25.96	910	717	35	0.8%	12%	-44%	94%	1,193	106%	-17%	0.6 x	2.9 x	0.3 x	15.11	1.7 x	0.05	2.51	2.22	11.7 x
16	VITA	2.03	156	299	77	1.0%	240%	-2%	-40%	93	21%	14%	3.2 x	7.4 x	1.8 x	0.58	3.5 x	(0.14)	(0.05)	0.00	456.8 x
17	SRDX	16.41	286	383	17	0.5%	89%	-9%	-35%	75	-18%	23%	5.1 x	15.1 x	1.9 x	10.02	1.6 x	1.40	0.94	0.61	26.7 x
18	INCY	11.07	1,341	1,210	121	1.3%	35%	-71%	192%	9	136%	1022%	130.6 x	481.7 x	16.9 x	(0.94)	-11.7 x	(1.99)	(2.06)	(0.90)	N/A
19	NVAX	2.17	218	271	100	0.4%	259%	-12%	15%	0	-70%	1555%	860.1 x	1798.8 x	7.8 x	0.63	3.4 x	(0.53)	(0.45)	(0.36)	N/A
20	BCRX	5.91	260	258	44	0.8%	128%	-38%	331%	75	32%	17%	3.5 x	3463.6 x	-0.4 x	1.94	3.0 x	(0.65)	(0.35)	(0.41)	N/A
21	FLML	6.96	170	150	24	0.4%	43%	-9%	78%	42	9%	12%	3.6 x	38.7 x	1.2 x	1.84	3.8 x	(0.50)	(0.47)	(0.26)	N/A
22	BDSI	2.31	55	53	24	0.7%	215%	-8%	-21%	63	24060%	-98%	0.8 x	517.3 x	0.4 x	0.70	3.3 x	(0.80)	1.43	0.10	22.3 x
23	NSPH	4.36	124	94	28	0.2%	97%	-28%	-8%	2	62%	89%	42.6 x	495.1 x	-12.8 x	2.54	1.7 x	(1.67)	(1.46)	(1.28)	N/A
24	HBIO	3.56	105	102	30	1.2%	26%	-10%	34%	86	-3%	-1%	1.2 x	2.3 x	0.5 x	2.57	1.4 x	0.32	0.30	N/A	N/A
AVERAGE			14,831	16,975		0.9%	66%	-19%	29%	5,030	8%	9%	3.4 x	307.0 x	2.9 x	9.85	2.6 x				
MIN						0.1%	1%	-71%	-40%	0	-70%	-98%	0.6 x	2.3 x	-12.8 x	(0.94)	-11.7 x				
MAX						3.4%	259%	-1%	331%	30,765	24060%	1555%	860.1 x	3463.6 x	16.9 x	28.21	7.6 x				
NANO ENVIRONMENT																					
1	MON	46.22	25,216	45,329	546	2.4%	89%	-2%	-34%	11,321	-2%	-5%	4.0 x	8.2 x	2.4 x	19.61	2.4 x	3.90	3.77	2.68	17.3 x
2	POT	86.24	25,552	40,206	296	1.7%	49%	-6%	18%	3,977	-58%	47%	10.1 x	12.9 x	2.4 x	23.81	3.6 x	11.01	3.25	5.43	15.9 x
3	ADM	25.82	16,604	23,102	643	1.0%	28%	-6%	-10%	66,256	-5%	-2%	0.3 x	0.9 x	0.2 x	22.96	1.1 x	3.05	3.07	2.89	8.9 x
4	SYT	45.85	21,687	29,396	465	0.1%	26%	-6%	19%	10,972	-6%	4%	2.7 x	3.6 x	1.2 x	15.36	3.0 x	3.25	3.16	3.42	13.4 x
5	MOS	38.98	17,361	24,747	445	1.2%	75%	0%	13%	8,407	-17%	-4%	2.9 x	9.0 x	0.8 x	19.04	2.0 x	5.03	3.32	3.00	13.0 x
6	NLC	20.46	2,829	6,362	138	0.9%	43%	-26%	77%	3,747	-11%	6%	1.7 x	2.1 x	1.1 x	3.49	5.9 x	1.24	0.92	1.42	14.4 x
7	FMC	57.43	4,175	4,680	73	1.1%	15%	-29%	28%	2,826	-9%	8%	1.7 x	2.4 x	0.9 x	15.57	3.7 x	4.63	4.15	4.71	12.2 x
8	DAR	7.51	619	572	82	0.8%	30%	-19%	37%	598	-26%	10%	1.0 x	2.1 x	0.3 x	3.62	2.1 x	0.78	0.51	0.63	11.9 x
9	FTEK	6.32	153	199	24	1.0%	100%	-19%	-40%	71	-12%	6%	2.8 x	10.9 x	1.5 x	3.29	1.9 x	0.15	(0.10)	0.04	167.3 x
10	VRNM	2.35	29	109	12	1.5%	306%	-2%	-78%	66	-5%	-1%	1.6 x	10.5 x	1.6 x	(2.60)	-0.9 x	(14.88)	(2.74)	(3.06)	N/A
11	PENX	6.48	74	181	11	0.6%	88%	-20%	-36%	258	-18%	5%	0.7 x	1.3 x	0.3 x	7.51	0.9 x	(1.00)	(0.33)	0.32	20.0 x
12	MBLX	14.31	383	204	27	0.8%	20%	-51%	13%	1	-8%	199%	143.2 x	381.1 x	14.2 x	1.75	8.2 x	(1.58)	(1.62)	(1.21)	N/A
13	QTLWW	0.54	78	185	147	1.5%	230%	-1%	-37%	15	-39%	124%	12.5 x	10.3 x	0.5 x	0.04	13.7 x	(0.49)	(0.26)	(0.15)	N/A
14	ADES	5.31	39	22	7	0.6%	79%	-61%	71%	20	24%	24%	1.1 x	13.7 x	0.4 x	3.14	1.7 x	(0.67)	(1.26)	(0.82)	N/A
AVERAGE			8,200	12,521		1.1%	84%	-18%	3%	7,753	-10%	0%	1.6 x	33.5 x	2.0 x	9.76	3.5 x				
MIN						0.1%	15%	-61%	-78%	143%	-58%	-5%	0.3 x	0.9 x	0.2 x	(2.60)	-0.9 x				
MAX						2.4%	306%	0%	77%	66,256	24%	199%	143.2 x	381.1 x	14.2 x	23.81	13.7 x				
NANO FINANCIALS																					
1	ARWR	0.63	78	35	64	0.4%	194%	-50%	32%							0.09	6.9 x				
2	TINY	4.32	126	111	31	0.5%	60%	-9%	4%							4.42	1.0 x				

Source: FactSet and Cedrus Investments Ltd.



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IMPORTANT DISCLOSURES

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