



NANOTECHNOLOGY

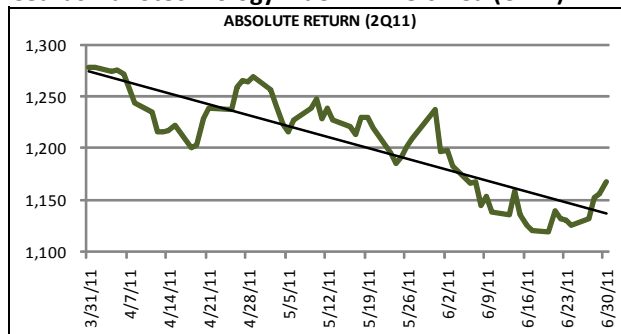
Nanotechnology Index 2Q11 Review

CNIP's Performance Outpaces CNID's in Second Quarter

KEY POINTS:

- **CEDRUS NANOTECHNOLOGY INDICES.** The S&P 500 index declined 0.4% in 2Q 2011 versus 1Q 2011, whereas CNID and CNIP declined 8.7% and 8.3%, respectively, in the quarter. Year-over-year, the S&P 500 increased 28.1% in 2Q 2011, compared to CNID, which rose 22.7% and CNIP, which increased 23.1%. The performance differential between the best and worst performing sub-groups within CNID was 38.1%. The Nano-Life Science sub-group gained 5.5% in the quarter versus 1Q 2011, compared to Nano-Energy, which plummeted 32.6%. The other sub-groups had performance between -3.3% and -9.1%, making Nano-Life Science's positive return exemplary;
- **CEDRUS NANOTECHNOLOGY INDEX – DIVERSIFIED (CNID).** CNID underperformed CNIP in 2Q 2011 by 40 basis points (bps). Nano-Electronics and Nano-Energy both underperformed their counterparts in CNIP by 90 bps and 70 bps, respectively. The broad market index, S&P 500, outperformed both CNID and CNIP, returning -0.4% when compared to 1Q 2011. This is reminiscent of 2Q10 vs. 1Q10, when the S&P 500 outperformed both indices, although the difference in this quarter was more pronounced due to Nano-Energy's dismal drop of 32.6%. We will discuss the reasons for this later in the report. However, as can be seen in the 2-year and 10-year relative return charts at the end of this report, when these indices underperform the S&P 500, it is usually a precursor to subsequent outperformance. As we move into 3Q and 4Q and some of the more immediate macro concerns are resolved, we should see a recovery in both these indices' performance;
- **CEDRUS NANOTECHNOLOGY INDEX – PURE (CNIP) BEST PERFORMER IN 2Q11.** CNIP outperformed CNID by 40 bps thanks to CNIP's Nano-Energy sub-group declining by 31.9% vs. CNID's 32.6% drop. CNIP's Nano-Electronics sub-group fell by 8.2% which was better than CNID's Nano-Electronics performance which was -9.1%. There were some relative outperformers in CNID compared to CNIP. Nano-Manufacturing, Nano-Life Science and Nano-Environment all performed better in CNID than CNIP; however, it is not the number of sub-groups that makes the difference in performance, but rather the percentage of constituents that outperform. By this measure, CNIP had a greater percentage of outperformers than CNID.

Cedrus Nanotechnology Index – Diversified (CNID)



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