ICON

PORTFOLIO UPDATE

January 2009

QUICKSAND-LIKE INVESTMENT CLIMATE

A year ago we thought being fully invested was a prudent strategy. Based on our calculations as we headed into 2008, stocks were not over-priced relative to intrinsic value. We recognized there were concerns over mortgage-backed securities so stocks had moved a bit lower off their highs. And while the price of oil was rising and generating headlines, the Federal Reserve ("FED") was easing monetary policy.

In the past we saw that the combination of stocks being "on sale" and the FED's easing monetary policy generally overrode investors' concerns about current-events and led to a rally. With the benefit of hindsight, we now recognize that the sequentially lower dips in January, March and July of 2008 were not the buying opportunities we thought they were at the time. The investment climate proved to be like quicksand as financial solvency, liquidity and credit events shocked investors. Perhaps the most dramatic and far-reaching financial event of 2008 was Lehman Brothers' declaration of bankruptcy in mid-September. Lehman's failure set off a panic in the credit markets that sent stock and bond prices plummeting. With those declines, the subsequent margin calls and hedge fund "deleveraging" forced widespread stock selling in November.

LACK OF GROWTH IN THE MONEY SUPPLY MAY HAVE LED TO RECESSION

Normally, when the FED eases monetary policy, banks make loans and the money supply grows. The monetarist school of economics believes that a spurt in the money supply is a powerful boost to the economy that takes effect about six to nine months later. Over a year ago, in August 2007, the FED began easing its monetary policy. In early 2008, however, the FED realized banks were not making loans, and, consequently, the money supply was not growing. Banks were unable to make loans because of the mortgage-backed securities they were holding.

We believe that if the banks had made loans earlier, the money supply would have grown and we would not now be in a recession. In our view, the mortgage-backed securities problem did not cause the recession by itself. It just rendered the banking system and monetary policy temporarily helpless to avoid the recession. A recent quote from the Chairman of the Federal Reserve, Ben Bernanke, reinforces how unpredictable the events were. "I and others were mistaken early on in saying that the sub-prime problem would be contained." Bernanke opined also that the "casual relationship between the housing problem and the broad financial system was very complex and difficult to predict." While there may be a variety of implications from these statements, we think Bernanke's words reflect the FED's surprise that banks did not loan and the money supply did not grow the first eight months after easing began.

ELEMENTS IN PLACE FOR MARKET RALLY

During the panic selling of early October and the subsequent forced selling in November, we reviewed historical market bottoms following major market declines. Based on our results, we wrote in the November Portfolio Update that we believed "a bottom is forming and that a broad-based, robust rally will emerge out of these conditions fairly soon." Stock prices bounced sharply higher off the November 20 low. Then in the December update, we made the case that supportive elements were falling in place. With December now complete, we are more convinced that the November low will hold and stock prices can move higher from here.

CONFIRMATION OF DATA MENTIONED IN THE DECEMBER UPDATE

The money supply, as defined by M1, has surged lately. As of the data released December 29, the money supply is up 19% since late May and up 17% since late August. We expect this will provide the boost for the economy to emerge from recession in early to mid-2009.

We stated while the bottom was forming that we thought bonds would have to lead stocks higher. That has happened. Corporate bond prices hit their low in early October and have advanced sharply since then, suggesting credit faith is returning to the higher grade bonds.

Technical indicators that measure breadth in the market are very supportive. Advancing and declining issues and the number of stocks making new 52 week highs and lows suggest the market is not gaining breadth on the downside. To the contrary, these indicators suggest the market is beginning to gain upside breadth.

While economic forecasts have been revised downward in terms of the depth of the recession, they have not been revised outward in terms of longevity. Consensus forecasts still call for negative GDP first quarter 2009, followed by a recovery.

A Bloomberg News article on December 29, 2008 pointed out that there is $8.85 trillion in cash, bank deposits and money market funds – an amount equal to 74% of the market value of all U.S. companies. This is the highest ratio since 1990 and is regarded by many as a very bullish indicator for stocks. As noted in the article: "The eight previous times that cash peaked compared with the market's capitalization the S&P 500 (stock index) rose an average 24% in six months, data compiled by Bloomberg show."

SUMMARY

In summary, we believe a variety of conditions are in place to support higher stock prices into 2009. Together, the money supply, bond behavior, technical indicators, economic forecasts, sideline cash, a potential fiscal stimulus package and, of course, our valuation readings, all support the case for higher stock prices later in 2009.

We do not agree with those who believe it is essential for the housing market to recover for there to be an economic recovery. This theory reminds us of the many individuals who in 2002 said Technology had to come back and lead. As Technology had led the expansion of the late 1990s, many incorrectly assumed it had to come back and lead again before any kind of recovery could take place. All economic expansions are different and have different leadership and driving forces. Housing was a driving force for the expansion from fall 2001 through 2007, but it is possible, even likely in our opinion, that the coming expansion will have a different driving force and leadership. We do not think it is prudent to wait for confirmation and leadership from the housing market.

For a variety of reasons and a sequence of extraordinary events, last year was the worst year in the stock market since 1931. With that behind us we look for a recovery which we will navigate by sticking to our system. We will not deviate from our strategy and speculate in an attempt to accelerate possible gains during the recovery – we see no need for such desperate tactics. Rather, our valuation methodology suggests there are many outstanding, healthy companies whose stocks are cheap. We expect these companies to lead the way as investors come to realize the future is not as bleak as they may have once feared.

Prepared by ICON's Investment Committee.

Past performance does not guarantee future results.

Opinions and forecasts regarding sectors, industries, companies, countries and/or themes, and portfolio composition and holdings, are all subject to change at any time, based on market and other conditions, and should not be construed as a recommendation of any specific security, industry, or sector.

Investing in securities involves risks, including the risk that you can lose the value of your investment. Investing in fixed income securities such as bonds involves interest rate risk. When interest rates rise, the value of fixed income securities generally decreases. High-yield bonds involve a greater risk of default and price volatility than U.S. Government and other higher-quality bonds.

ICON's value-based investing model is an analytical, quantitative approach to investing that employs various factors, including projected earnings growth estimates, in an effort to determine whether securities are over- or underpriced relative to ICON's estimates of their intrinsic value. ICON's value approach involves forward-looking statements and assumptions based on judgments and projections that are not guarantees of future results. Value investing involves risks and uncertainties and does not guarantee better performance or lower costs than other investment methodologies.

M1 is one measure of the money supply that includes all coins, currency held by the public, traveler's checks, checking account balances, NOW accounts, automatic transfer service accounts, and balances in credit unions.

Gross Domestic Product (GDP), also known as Gross National Product (GNP), is the total value of goods and services produced in the national economy in a given year. It is the primary indicator of economic growth.

Please visit ICON online at www.iconadvisers.com or call 1-800-828-4881 for the most recent copy of ICON's Form ADV, Part II.

©2009 ICON Advisers℠ All rights reserved.

ICON Advisers℠
5299 DTC Boulevard, 12th Floor
Greenwood Village, CO 80111
1-800-828-4881
www.iconadvisers.com

© 2008 ICON Distributors℠

XPORTUP (1/09)