

Portfolio Update

April 2006

■ Domestic Market Commentary

Following a pause in February, most indexes moved higher in March to complete a fairly impressive first quarter. It is interesting to note that the word “rally” seems to be absent in market commentary; yet most popular indexes have advanced between 4% and 13% for the quarter.

We see two conflicting forces in the market lately: on the positive side is the state of the economic and corporate earnings news, and on the negative side is the potential for higher interest rates.

We believe investors are realizing that the economy is healthy and growing and that corporate earnings are growing along with the prosperity. Over the last few years, many observers had feared that events like terrorism, war, and hurricanes would hurt the economy. We believe that the recent trend in higher stock prices can be interpreted that investors recognize the economic prosperity we have seen.

Conflicting with the healthy economy and corporate earnings is the potential for higher interest rates in the coming months. The Federal Reserve is continuing to tighten monetary policy and investors can only guess how long that will last. While the ICON system of investing does not require “FED guessing,” long-term interest rates do affect our valuation equation. As rates rise, all else being equal, intrinsic value for equities decline.

For the first couple of years of tighter FED policy long-term interest rates did not rise in conjunction with short-term rates. This year, however, long-term rates have risen. While this interest rate factor has cut into equity valuations, to date, it has been offset by rising earnings. We, therefore, still view stock prices, in general, to be below our estimate of intrinsic value.

In our system of investing, we do not have to predict the future; we just have to recognize under-pricing or over-pricing when it occurs. If long-term interest rates continue to rise AND earnings do not keep pace, we could get cautious based on valuation. In other words, stocks could become over-priced. Currently, however, we remain bullish based on valuation. Our average value/price ratio for the stocks in our domestic universe is 1.08 as of March 31, 2006, meaning we measure U.S. stocks to be priced about 9% below our estimate of intrinsic value.

Overall, the first quarter reflected the same industry and sector theme that has been in place the last three years. Industries in economically sensitive sectors such as Energy, Materials, Industrials and Information Technology led the way. Industries in sector such as Utilities, Healthcare and Consumer Staples lagged. Early in the quarter, we increased exposure to industries in the Information Technology sector, while reducing Healthcare and Financials.

■ Bond Commentary

We do not believe we are on a long-term or new secular trend toward higher interest rates. The recent trend higher is due, we believe, to the temporarily tighter monetary policy. Over the last twenty-five years when the FED has tightened, rates have increased concurrently, but have declined once the tightening was complete. We expect the same this time. Our bond valuation model does not find long-term bonds to be attractive yet. We will wait on buying the long-term bonds until they become attractive based on our valuation model.

■ International Market Commentary

Continuing the trend from last year, there are many country indexes out-performing U.S. indexes. While last year, the global pacesetters were in Asia, this year they have been in Europe. Entering 2006 we had higher value/price readings for our international stocks than we had for their U.S. counterparts. We believe international stocks still offer better bargains. Some industries in Europe have reached a level of over-pricing relative to our estimate of intrinsic value, but there are still attractive industries in which we see opportunity. The pause in the price in Asian markets appears to be just technical. We believe the fundamentals haven't changed.

■ Summary

Prosperity and healthy earnings versus higher interest rates: it's a classic stock market battle. We will not attempt to guess the outcome. Rather, we will stick with our model evaluating the numbers and attempt to recognize over or under-pricing if either occurs.

Expect to see material coming from ICON with the phrase "strength in numbers." It reflects our style - systematic, quantitative, and disciplined and occasionally may go against the popular opinion consensus.

Prepared by ICON's Investment Committee.

Past performance does not guarantee future results. . Investing in securities involves inherent risks, including the risk that you can lose the value of your investment. Investment return and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Opinions and forecasts regarding industries, companies, 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.

An investment concentrated in sectors and industries may involve greater risk and volatility than a more diversified investment. Investments in international securities may entail unique risks, including political, market, regulatory and currency risks. Financial statements of foreign companies are governed by different accounting, auditing, and financial standards than U.S. companies and tend to be less transparent and uniform than in the United States. Many corporate governance standards, which help ensure the integrity of public information in the United States, do not exist in foreign countries. In general, there is less governmental supervision of foreign stock exchanges and securities brokers and issuers.

There are risks associated with small- and mid-cap investing such as less liquidity, limited product lines, and small market share. 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.

To analyze intrinsic value, the ICON valuation methodology relies on the integrity of publicly released financial statements. ICON's Value/Price ratio is a ratio of the intrinsic value, as calculated using ICON's valuation methodology, of a broad range of U.S. equities within ICON's system as compared to the current market price of those equities.

If you would like to receive, at no charge, the most recent copy of ICON's disclosure document, Form ADV Part II, please send your request in writing to: Attention: Compliance, ICON Advisers, Inc., 5299 DTC Boulevard, 12th Floor, Greenwood Village, CO 80111. If your financial situation or investment objectives have changed, please notify your financial professional or ICON immediately.

Consider the investment objectives, risks, charges, expenses, and share classes of each ICON Fund carefully before investing. The prospectus contains this and other information about the Funds; please read it carefully before investing. Sources: Bloomberg, FactSet Research Systems, Inc.