ICON Advisers, Inc.

Portfolio Update

August 2004

Powered by a Disciplined Investment System

Domestic Market Commentary

Last month, we pondered whether the market advance from May 17, 2004 through the end of June 2004 was sustainable. There were some favorable signs that might have encouraged investors to enter the market and take stock prices up out of the trading range they have been in since January. Just the opposite happened, as stock prices headed back down due to one dominant influence: oil. Over the last few months, there has been an unusually high correlation between stock prices and oil prices. When the price of oil increases, stock prices decline. And then, sometimes to the day, when oil prices decline, stock prices move higher. Investors seem indifferent to corporate earnings, economic news, politics or interest rates and are temporarily ignoring investment fundamentals as they focus on the price of oil.

While over the long run, we believe stock prices are driven by fundamentals and value, there are short-term periods when investors get distracted by certain events. During those times, stock prices wander, disconnected from value and driven by extraneous events that seem meaningful to most investors at the time. This can frustrate some investors and even cause them to leave the market.

Guided by a Consistent Strategy

As long as stock prices are below our estimate of fair value, we believe it is best to ride through these times. We have not entered a debate about whether this trading range will eventually end with a breakout to the upside or downside. To us, in sticking to the ICON system, there is no debate. Our value/price ratio for the domestic stocks in our database is 1.19, meaning stock prices are about 19% below our estimate of fair value.

The rapid industry theme reversal pattern that has occurred the first six months of 2004 continued into July. When the market has moved higher, as it did from May 17 through June 30, the leadership has been in industries that are economically sensitive, such as the industrials, materials and consumer discretionary sectors. When the market has declined, as it did for all but the last week of July, those industries have been hit the most in a complete theme reversal. It makes for a volatile unpleasant ride. We think the industry leadership on the upside is sensible and provides a glimpse as to what the leadership will ultimately be.

Bond Market Commentary

Here is a quote from our May 2004 *Portfolio Update*:

- "This recent rise (in long-term bond yields) looks like too much, too quick to us. Long-term bonds remain the best values by our measurement but it may be premature to tilt heavily toward that end of the yield curve."

In June, we stated:

- "Lower long-term rates could be possible if that tighter policy would seem to be keeping inflation low."

We observed what seemed like an overwhelming consensus among observers in May and early June that interest rates would rise. They were wrong. From June 14 to August 2, the yield on the 10-year Government bond has dropped from 4.87% to 4.45%. We mentioned in our June *Portfolio Update* the possibility that tighter monetary policy could increase short-term interest rates, but might be viewed favorably by bond investors. In the short run anyway, bond yields have dropped, perhaps because investors think the tighter monetary policy will keep inflation low.

Although long-term rates have dropped, it still appears to us that most investors are avoiding the long-term end of the bond spectrum. As a result, that is where we are finding the best values. We have added to those positions in the last month.

International Market Commentary

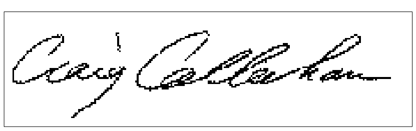
The Hong Kong market stood out as performing fairly independently in July, generally moving sideways. Otherwise, Japanese and European markets were very similar and moved a lot like the U.S. market. It appears that worldwide investors are reacting to the price of oil. Oil seems to be the dominant influence for stocks in most countries. Based on prices being below our estimate of value, we prefer the strategy of riding though this turbulence as we expect ultimately a breakout to the upside.

Summary

While oil prices have been the dominant influence on stock prices lately, we are not going to invest based on guessing future oil prices. We continue to focus on value and invest in the industries and countries that we expect to lead. At some point, we expect stock prices to again get back on their path toward fair value. Oil is providing a distraction, not defining an entirely new fundamental for stock pricing.

I would like to take this opportunity to remind you of our new website at www.iconadvisers.com and invite you to visit it and discover some of its capabilities, including an archive of monthly *Portfolio Updates*.

Yours truly,



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President and Chief Investment Officer

Past performance does not guarantee future results. Investment return and principal value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. Opinions and forecasts regarding sectors, industries and themes and portfolio holdings and composition 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.

Management of the Portfolios involves sector allocation overlays using sector and diversified mutual funds as the investment vehicle. ICON is also the investment adviser to the mutual funds in which the Portfolios invest and receives a management fee from the Funds for its advisory services. There are risks associated with mutual fund investing, including the risk of loss of principal. There is no assurance that the investment process will consistently lead to successful results. An investment concentrated in sectors and industries may involve greater risk and more volatility than a more diversified investment. Investments in foreign securities may entail unique risks, including political, market and currency risks. There are risks associated with small- and mid-cap investing such as increased volatility, less liquidity, limited product lines, and small market share. High-yield bonds involve a greater risk of default and price volatility than U.S. Government and other high-quality bonds. High-yield/high-risk bonds can experience sudden and sharp price swings which will affect net asset value.

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.

Please contact us in writing if you would like to receive, at no charge, the most recent copy of our disclosure document, Form ADV, Part II.