

Portfolio Update

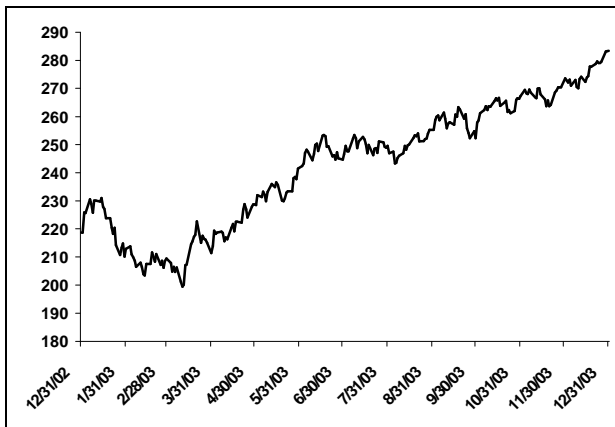
January 2004

“Capturing market themes through valuation”

Domestic Market Commentary

Shown below is a graph of the Standard & Poor's SuperComposite 1500 Index for 2003. The S&P 1500 is a market capitalization-weighted index that serves as a proxy for the broad U.S. market. As you can see, it dropped the first two months and hit a low on March 11, 2003. Then it rallied the remainder of the year in a fairly steady manner, gaining 29.59% for the entire year and 42.12% from its March 11 low.

S&P 1500 Index



To us, the sharp advance in the market has had many signs of a classic stock market rally. Besides the impressive gain, the advance emerged out of a setting of uncertainty regarding war. It began suddenly without a precipitating event. Like the old saying that “Wall Street climbs a wall of worry,” there was skepticism and doubt expressed by investors and the media during the entire advance. Many investors missed it. Others jumped in along the way and caught only a part of it.

The average value/price reading for all stocks in our database is 1.14, meaning stocks, on average, are about 14% below our estimate of fair value. Looking ahead to 2004, we expect the rally to continue into the first quarter. We believe the rally in 2003 was just a case of fear subsiding and prices moving back toward fair value. We expect that move to continue.

This puts us in disagreement with observers who think stocks are overpriced based on price/earnings (P/E) ratios. Many who rely on that technique have missed this rally and have incorrectly believed that stocks have been overpriced. Our valuation equation uses earnings, an estimate of future earnings growth, beta (as a measure of risk) and Moody's AAA bond yield (interest rate). Intrinsic value for most stocks in our database increased in 2003 as earnings have grown and interest rates have declined. An interest rate is a key component of calculating present value of any asset, and a simplistic P/E ratio ignores interest rates.

We've summarized below the 2003 rates of return for the 10 S&P sector indexes as well as the return for the S&P 1500:

S&P 1500 Sector Index	2003 Return
Information Technology	47.88%
Consumer Discretionary	38.19%
Materials	36.80%
Industrials	32.15%
Financials	31.47%
Energy	25.01%
Utilities	26.33%
Healthcare	17.63%
Consumer Staples	12.26%
Telecommunications Services	7.27%
S&P 1500 Index	29.59%

Note that five sector indexes beat the S&P 1500, and five lagged. All 10 were positive, providing evidence that the 2003 rally was very broad. The theme is quite clear: cyclical and economically sensitive industries led the way; industries not as sensitive to the economy, or so-called recession-proof industries, lagged.

The sector and industry leadership appears to us to be sustainable into early 2004. Only a few industries have become overpriced according to our valuation methodology. As a result of selling a few of those industries and buying a few new ones, the exposure to Information Technology was reduced in the second half of 2003, while Industrials and

Healthcare were increased. Generally, though, our system indicates that the industries that are leading have not reached fair value.

Bond Commentary

The best values appear to be in the corporate sector and also in longer term bonds, as determined by our valuation measures. Investors seem to be expecting interest rates to rise and are, therefore, avoiding long-term issues. Short-term notes are slightly overpriced as investors have gravitated in that direction. We become suspicious when investors share a similar view and universally agree. With attractive valuation readings, we are comfortable holding the mid- to long-range maturities. There has been a 20-year secular trend of declining interest rates; we do not see anything on the horizon powerful enough to reverse that trend.

International Market Commentary

International markets experienced similar rallies as the domestic market in 2003. The dollar has weakened during the year, adding a boost to unhedged international equity holdings in countries with strong currencies. Similar to the U.S., international stock prices have not reached our estimates of fair value, and we expect prices in overseas markets to continue their advance into early 2004.

Summary

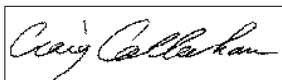
Here is a quote from our February 2003 Portfolio Update, written just prior to the market low in March: ***"We still think it is best to be invested, and we still expect prices to make a sharp return upward toward fair value in the near future."*** In that setting of uncertainty, value guided us correctly to participate in the rally. We are pleased with the way we handled the conditions of 2003, but we now turn our attention to 2004. We do not plan any changes but will just keep doing what we have been doing for many years; buying underpriced industries, and selling overpriced industries. If values are attractive, we will hold with patience; if we cannot find bargains, we will hold cash until underpriced opportunities appear.

In our December letter, we mentioned plans to change our corporate name. It bears repeating. We have been providing private account management under our adviser name, Meridian, and also providing management to the ICON mutual funds. This dual identity became confusing, expensive, and counterproductive. So, effective January 1, 2004, we

changed the name of our advisory firm to **ICON Advisers, Inc.** as the ICON name has become much more recognized and publicized among the media, broker/dealers, and investment advisers. In the coming months, you may notice changes on your statement and on this enclosure related to our new corporate identity.

With a new name but the same dedication to service and performance, we wish you a happy and prosperous new year.

Yours truly,



Craig T. Callahan
Chief Investment Officer

Past performance does not guarantee future results. 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 mutual funds and other specialty funds as the investment vehicle. There are risks associated with mutual fund investing, including the risk of loss of principal. Investing in these funds involves certain risks such as the risk that the funds' performance may be more susceptible to economic, business or other developments affecting a sector. 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.

The Standard & Poor's (S&P) SuperComposite 1500 Index is a broad-based, capitalization-weighted index comprising 1,500 large-cap, mid-cap, and small-cap U.S. companies. The S&P 1500 Sector Indexes are unmanaged capitalization-weighted indexes comprising companies in 10 sectors as determined by S&P. Total return figures for the unmanaged indexes include the reinvestment of dividends but do not reflect deductions for commissions, management fees, and expenses. Individuals cannot invest directly in the indexes.

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.

Sources: Bloomberg, FactSet

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