

Portfolio Update

July 2004

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Domestic Market Commentary

The broad market has moved higher during the last six weeks from its recent low on May 17, 2004. Investors on the sidelines with cash are trying to determine whether this is a sustainable rally that they should jump into. At ICON, that is not a question for us. Based on valuation, we have maintained that the choppy trading range would end with a breakout to the upside and that prices would ultimately move up toward our estimate of fair value.

Currently, we are measuring a market value/price (V/P) ratio of 1.07, suggesting that the domestic stock market would have to move about 7% higher to get to fair value. Viewed differently as an "uncertainty barometer," our V/P ratio suggests that there is about a 7% valuation discount due to uncertainty and concerns in today's geopolitical climate. That seems about right to us.

For those trying to decide whether to jump into the equity market, we think there are encouraging signs. Investors undertaking technical market analysis will be impressed with the breadth of market behavior as measured by advances and declines and highs and lows. Those investors who place an emphasis on trading volume may be enticed by the increase in volume near the end of June 2004.

More relevant to the ICON system, interest rates declined from their recent peaks in late June. The yield on 10-year Government bonds dropped from its high of 4.872% on June 14, 2004 to 4.583% at month-end. A decline in long-term interest rates adds to intrinsic value and extends the value target for any rally. Combined, there may be enough supportive evidence to give investors on the sidelines the optimism to invest and help extend this recent modest advance.

June 30, 2004 was a day anticipated with great uncertainty. It was the deadline for self-government in Iraq and the date of a scheduled meeting of the Federal Reserve. The uncertainty of these events contributed to the market decline in early May and drove some investors to the sidelines. Emerging out of that uncertainty, this recent move higher is fairly typical of the stock market. It has occurred ahead of any resolution to the uncertainty. Those waiting for June 30th events to transpire have missed the advance of the last six weeks.

Recent Industry Leadership

The industry leadership of the recent market move makes sense to our system. During the trading range experienced by the market this year, consumer and industrial industries that are economically sensitive have led the market when it advanced. Then, in a complete theme reversal, those industries have suffered the most during subsequent declines. The top 10 S&P 1500 industry indexes since the May 17, 2004 market low are: Steel, Consumer Electronics, Internet Software, Metals & Mining, Commodity Chemicals, Airlines, Aluminum, Internet Retail, Food Retail, and Trucking. These industries are generally composed of small- and mid-cap companies that are economically sensitive.

Among the very few industries with negative returns over this period are Food Distributors, Agricultural Products, and Pharmaceuticals. Notice that they are not economically sensitive. With the industry leadership being in the small- and mid-cap names, many observers simply looking at indexes dominated by large-cap companies have not noticed the disguised strength.

It's too early to tell whether the recent move is the rally we have been expecting, but there are many positive indications.

Bond Market Commentary

Long-term interest rates hit a recent high in May 2004, then bumped up against the high in mid-June, but have since retreated. We have been favoring middle maturities in bonds. The long-term end is offering outstanding values, but long-term bonds lack the relative strength component required by our system. If that changes, we will seek the value offered in long-term bonds.

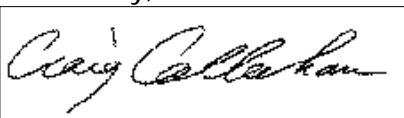
International Market Commentary

In the June Portfolio Update, we were suspicious that the declines in most international markets were driven by emotions because they were all so highly correlated. We argued that in a rational setting, there would be some country-by-country differences reflecting economic and financial conditions unique to various countries. Those declines ended, and now most country markets have moved higher along with the U.S. equity market. Many of the international moves are more robust, however. The Japanese market stands out at as a leader lately.

Introducing ICON's New Website

We are pleased to announce that we recently launched an entirely new website at www.iconadvisers.com. It features customized areas for financial advisers and for clients, and provides data such as account balances (not only current but historic), transaction history, and performance statistics. You can view portfolio holdings and portfolio manager biographies and read about the ICON system and methodology. We expect the new site will help the adviser/client team function and communicate better. Advisers and investors can access current, comprehensive information that will facilitate investment decisions. Please browse it and get to know its capabilities. We are very proud of it and expect you will find it very helpful and useful.

Yours truly,



Craig T. Callahan, DBA
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.

The unmanaged Standard & Poor's (S&P) SuperComposite 1500 Industry Indexes track the performance of companies in industries that comprise the S&P SuperComposite 1500. Total return figures for the unmanaged industry indexes do not include the reinvestment of dividends and capital gain distributions nor do they reflect deductions for commissions, management fees, and expenses.

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.

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