

Portfolio Update

May 2006

Domestic Market Commentary

During the past three years, we believe investors have worried that war, insurgency, rising oil prices, hurricanes and similar global events would slow the economy and/or kindle inflation. In this environment, cyclical, economically sensitive stocks became available at below our estimate of intrinsic value. As value investors, we have been able to buy securities at what we estimate to be 15% to 30% discounts to fair value.

With stock prices below our estimate of fair value, there are two potential reasons for stock price appreciation, assuming all else is constant. One is the normal growth in earnings, which increases intrinsic value. This means that even buying a stock priced at fair value may be profitable. If earnings grow, value grows and price, in time, may keep up. Buying stocks priced below fair value adds an extra potential for appreciation. Not only can there be normal growth in earnings (and value), but the investor may also benefit from the price discount, if and when price catches up to fair value.

Investor Confidence

It appears investor confidence is returning as stock prices move higher. Stocks on average are trading at a slight discount to our estimate of fair value. We still favor owning equities because of normal earnings growth. We do not expect the extra return potential associated with buying deeply discounted stocks. Current investor confidence levels are not typical of the levels associated with a market peak. There is still skepticism and doubt, but not, in our opinion, at the extreme levels we saw in late 2002 and early 2003. Modest confidence in the market is consistent with our current market value/price ratio, which we estimate to be in the 1.05 range. In a setting of overwhelming confidence (and even greed) associated with an over-valued peak, we might see a .90 reading. In contrast, a reading of 1.05 suggests some doubt and concerns exist. We believe this doubt is healthy, and it allows us to continue to uncover undervalued securities. Consequently, we still have an expectation of appreciation due to normal earnings growth and investors may benefit also from prices being slightly below intrinsic value.

There is volatility as many investors focus on guessing future Federal Reserve Board ("Fed") policy. Based upon weakness or strength in economic data, investors speculate whether the Fed will ease or tighten monetary policy. On April 25, 2006, for example, it was announced that consumer confidence increased. Bonds and stocks sold off as investors worried that such strength would give the Fed reason to continue tightening monetary policy. At ICON, we do not attempt to guess such events. Instead, we rely on our valuation methodology. Our current estimates dictate that we remain invested and that we ride through this short-term volatility.

Industry Leadership

Industries in the Industrials, Materials and Energy sectors are leading the way with some Information Technology and Consumer Discretionary industries participating as well. In general, this theme makes sense to us. Over the last two years, investors have worried about the economy, doubted the prosperity of economically sensitive industries, and given us those industries on sale. Stock prices in these industries are moving higher as investors now realize that these companies are doing just fine and reporting healthy earnings gains. Trailing the broad market indexes are industries in the Utilities, Healthcare and Consumer Staples sectors. While generally showing positive returns year-to-date, they are not keeping up with broad market indexes.

Bond Market Commentary

Bond rates have moved higher lately, finally moving in tandem with short-term interest rates. Even at these higher yield levels, long-term bonds do not appear to be priced below our estimate of intrinsic value. If the Fed tightens monetary policy, bonds may rally. Based upon our valuation,

however, we do not believe this is the time to be heavily invested in bonds with longer-term maturities. We currently favor the short-term end of the maturity spectrum but are watching our valuation readings for an invitation to move to longer-term maturities.

International Market Commentary

Most international markets continued the trend of the first quarter by moving higher in April. European markets appear to be highly correlated with the U.S. market, even on a day-to-day basis. Asian markets are behaving a bit differently, but, like their European counterparts, they continue to move higher. In addition to stock price appreciation, international portfolios received an additional boost from currencies. The U.S. dollar weakened in April, which helped international stock positions held in foreign currencies.

The international industry theme, like the domestic industry theme discussed above, impresses us as sensible. The strength remains in economically sensitive industries such as those in the Industrials, Materials and Energy sectors.

Our valuation estimates are slightly more attractive for international stocks than domestic. Our valuations favor an invested, equity posture internationally, but, as in the U.S., rising interest rates are putting pressure on value.

Summary

We believe equity prices continue to show upward momentum. Even though prices are not as much below fair value as they have been over the last few years, we still contend it is prudent to own equities and ride through short-term volatility.

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, 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.

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.

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Sources: Bloomberg, FactSet Research Systems, Inc.