Portfolio Update

October 2006

Domestic Market Commentary
From early 2003 through Spring 2006, the market advanced, and cyclical and economically sensitive sectors, such as Industrials, Materials and Energy, were the leaders. After a modest market retreat and some volatility in late spring and early summer this year, it appears to us that a new, sustainable theme has suddenly emerged.

The previous leaders have recently performed sluggishly while a new group has been slowly leading the market higher. Industries in the Financials, Information Technology, Telecommunications & Utilities and Leisure & Consumer Staples sectors are leading. While the stock prices of these industries have been stagnant and sluggish during the last three years, the earnings per share of many consistent companies have been growing. Many of the companies were prosperous, but their stocks were out of favor with investors, who were chasing the cyclical theme. As a result, our estimation of intrinsic value has grown and are once again above market prices.

We believe value can be found in some companies for the first time this decade. In fact, in our experience it is rare to see this group of stocks on sale. For many issues, it has been seven or eight years since we calculated price below our estimate of fair value.

The ICON system is favoring companies in technology, software and pharmaceuticals. The general industry theme is completely opposite from the leadership of 2003, 2004, 2005 and early 2006. Rather than cyclical, the leaders we have identified are companies whose revenues are not as closely tied to the ups and downs of the economy. They have been performing well the last three years in terms of profitability, but their stocks were not in favor. Now it appears to be their time.

With a value/price ratio in the 1.24 range for the broad market, we do not anticipate a major decline. Naturally, there is always the potential for a shocking, random news event to scare investors, but based on our measurement of value, we believe stock prices are positioned to move higher.

Rotating Industries to Capture the New Theme
From late July through the end of September, we have done quite a bit of industry rotation away from the cyclical stocks into what some might call recession-proof stocks. This move is not because we forecast a recession. Macro-economic forecasting is not part of the ICON system. Instead, the recent portfolio reallocations are targeted to new industries that are demonstrating the value/price and relative strength characteristics that suggest to us their new leadership is very sustainable.

We have moved the ICON portfolios toward the pharmaceuticals, banks, wireless telecommunications, food, and household products industries. While our investment methodology is market-capitalization indifferent, we have found ourselves pulled toward industries with stocks of large market capitalizations. The average market-cap of our portfolios is much higher than three months ago. From a sector perspective, there have been significant reductions in Energy, Industrials, Materials and Consumer Discretionary. We have increased positions in the Healthcare, Financials, Telecommunications & Utilities, Information Technology, and Leisure & Consumer Staples sectors.

The industry and sector theme change we saw in the market was sudden and appeared to ignite on July 17, 2006. We remain consistent with our system of requiring value and relative strength to identify favored industries. As new industries have met our standards since that pivotal day, we have rotated and introduced new industries into our portfolios. As a result of the sudden turn we are in a transition period, that inevitably affects performance. Our industry and sector rotation has been major and radical but has been implemented gradually over two and a half months as new industries have met our standards for purchase.

Bond Market Commentary
Except for a minor reversal during the last four trading days of the quarter, the drop in long-term interest rates continued in September. This is consistent with our commentary during the last few months that we did not anticipate higher long-term interest rates. It appears that investors are sending the message that the monetary tightening by the Federal Reserve will be successful in slowing the economy and squelching any increased inflation potential.

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There is precedent for such an expectation. Throughout the 1980s and 1990s, the Fed would tighten monetary policy and interest rates would rise. After the tightening, interest rates would drop and inflation went to even lower levels than before. The recent drop in long-term interest rates indicates to us that investors are beginning to expect a repeat of the previous two decades.

International Market Commentary
From early 2003 through Spring 2006, international markets experienced the same industry and sector theme leadership as seen in the U.S. In other words there was a common global theme. Lately, just as in the U.S., international markets have demonstrated a similar theme shift. Accordingly, we have made the same industry rotations in our international portfolios. With our average value/price reading greater than 1.20 for international stocks, we are just as bullish internationally as we are for domestic stocks.

Summary
Based on value, we expect stock prices to move higher, but with very different industry and sector leadership than we saw during the last three years. After the dip in the spring months, the market underwent a sudden and rapid theme change. Our industry rotation has been slow and deliberate and has taken a couple of months as potential leading industries meet our purchase standards. We are finding outstanding values in companies and industries that appear to be part of the new leadership.

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. An investment in a sector fund may involve greater risk and volatility than a diversified fund, and the technology sector has been among the most volatile sectors in the market. 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 and is available by visiting www.iconadvisers.com or calling 1-800-764-0442; please read it carefully before investing.

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