



ICON

PORTFOLIO UPDATE

February 2010

DOMESTIC EQUITIES

Most major indexes posted a decline in January – only the second monthly decline registered since the rally began in March 2009. Nevertheless, the S&P 1500 Index rose 63.4% between March 9, 2009 and January 31, 2010. We think the recent dip is just a typical setback along the way, and we also believe the stock market can continue higher in the coming months. News events often shake investors and instill temporary doubt during rallies. Lately, news regarding everything from monetary policy in China to domestic employment has caused skeptical investors (those who may require economic perfection to uphold their confidence) to sell. We expect the broad market will absorb their shares and eventually move higher.

The average value-to-price (V/P) ratio for the approximately 1,700 stocks in the ICON domestic database was 1.15 as of January 31, 2010. This V/P suggests stock prices would need to advance 15% just to reach our estimate of their fair value. Since March 2009, we have heard many pundits and naysayers incorrectly predict the continued decline of the markets. We tend not to take part in this public debate, choosing instead to let our market V/P guide us. Overall, we have been pleased with the results. The domestic market V/P has been above 1.00 for all but a few days following the March 9, 2009 low and remains above 1.00 today. The ICON V/P readings tell us stocks are still bargains and not overpriced. The recent reading of 1.15 projects a very favorable setting for stocks and may imply the skeptics' concerns and doubts are already built into stock pricing.

Market dips, pauses, and turbulence are often associated with sector and industry leadership change. We think such a change is now underway. Industries in the Financials sector were the big early winners in this most recent rally. Financial industries typically do not participate in the leadership of an “economic recovery anticipation” rally, but they did this time, simply rebounding from their unique meltdown in 2008. The rest of the leadership came from the economically sensitive and cyclical Consumer Discretionary, Industrials, Materials, and Information Technology sectors. Early in the rally we had Financials and Consumer Discretionary overweight, but we reduced those positions as the rally advanced. Industrials and Materials remain overweight, but we recently reduced our exposure in the Information Technology sector.

We believe the Health Care sector is emerging as a new potential leader. We increased our exposure to it modestly in late 2009 and again recently. Our analysis suggests at least two industries in that sector are especially noteworthy: pharmaceuticals and biotechnology. From 2000 through much of 2009, pharmaceuticals – featuring large, well-known companies that are heavily weighted in popular indexes – were overvalued under our methodology, so we did not own them. Today, however, they look very attractive to the ICON system. The biotechnology industry – an industry which includes companies on the cutting edge of medical research – has many lean firms whose earnings growth rates can be in the 20 to 30% range. Like pharmaceuticals, biotechnology was overvalued in years past, but now looks attractive to us.

Our shift to Health Care is not based on speculation or conjecture regarding the health care reform debates in Washington, D.C. It is based on value and strength characteristics that suggest to us these industries have the potential to lead the market. Eight of the 10 industries in the sector are eligible for purchase under our system, a statistic that suggests broad theme participation. Our shift to Health Care is also based on ICON's experience that after the overall market has made considerable gains (again, over 60% since March 2009), new leadership gradually emerges.

INTERNATIONAL EQUITIES

The international markets could not hide from the January dip affecting markets in the U.S. Valuation readings for international stocks (which have outpaced domestic stocks thus far in the recovery rally) are slightly more attractive than U.S. stock valuations, with a V/P of 1.16 as of January 31, 2010. The industry and sector leadership abroad has been similar to what we have seen domestically. Financials and cyclical industries were the early leaders. Now, as in the U.S., the Health Care sector is showing international value and strength that suggest potential leadership. Seven of the 10 industries in this sector are eligible for ICON to purchase.

BONDS

A year ago our bond system showed Government and Agency bonds to be overpriced. The most attractive combination of value and strength was in short-term, high-grade corporate bonds. As 2009 progressed, our system gradually favored longer term and middle and lower grade corporate bonds. Currently our system still views short-term Government and Agency bonds as over-



priced. Right now, the most attractive bonds to us are mid- to long-term maturity corporate bonds of all ratings. We hear a lot of noise about interest rates rising. From our perspective this view is already built into bond pricing. In other words, it is not a secret – the fear of rising rates is so popular it is already reflected in bond pricing.

SUMMARY

We remain convinced that the stock market is in a recovery rally that could last approximately two years. Along the way there will be dips as jittery investors hear news that shakes their confidence. As long as stocks remain priced below our estimate of intrinsic value, we think being invested in the market is the prudent course of action. With what we have learned over the years through research and experience, we believe the ICON market V/P is a good guide. With an overall market V/P of 1.15 as of the end of January, the ICON system tells us to stay invested.

Prepared by ICON's Investment Committee

Past performance does not guarantee future results.

Investing in securities involves risks, including the risk that you can lose the value of your investment.

Opinions and forecasts regarding sectors, 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, industry, or sector. An investment concentrated in sectors and industries may involve greater risk and volatility than a more diversified investment.

ICON's value-based investing model is an analytical, quantitative approach to investing that employs various factors, including projected earnings growth estimates and bond yields, in an effort to determine whether securities are over- or underpriced relative to ICON's estimates of their intrinsic value. ICON's value approach involves forward-looking statements and assumptions based on judgments and projections that are neither predictive nor guarantees of future results. Value readings are contingent on several variables including, without limitation, earnings, growth estimates, interest rates and overall market conditions. Although valuation readings serve as guidelines for our investment decisions, we retain the discretion to buy and sell securities that fall beyond these guidelines as needed. Value investing involves risks and uncertainties and does not guarantee better performance or lower costs than other investment methodologies.

ICON's value-to-price ratio is a ratio of the intrinsic value, as calculated using ICON's proprietary valuation methodology, of a broad range of domestic and international securities within ICON's system as compared to the current market price of those securities. To analyze intrinsic value, the ICON valuation methodology relies on the integrity of publicly released financial statements.

Investments in international securities may entail unique risks, including political, market, regulatory and currency risks. In general, there is less governmental supervision of foreign stock exchanges and securities brokers and issuers. 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.

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Source: FactSet Systems Research, Inc.

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