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PORTFOLIO UPDATE

March 2010

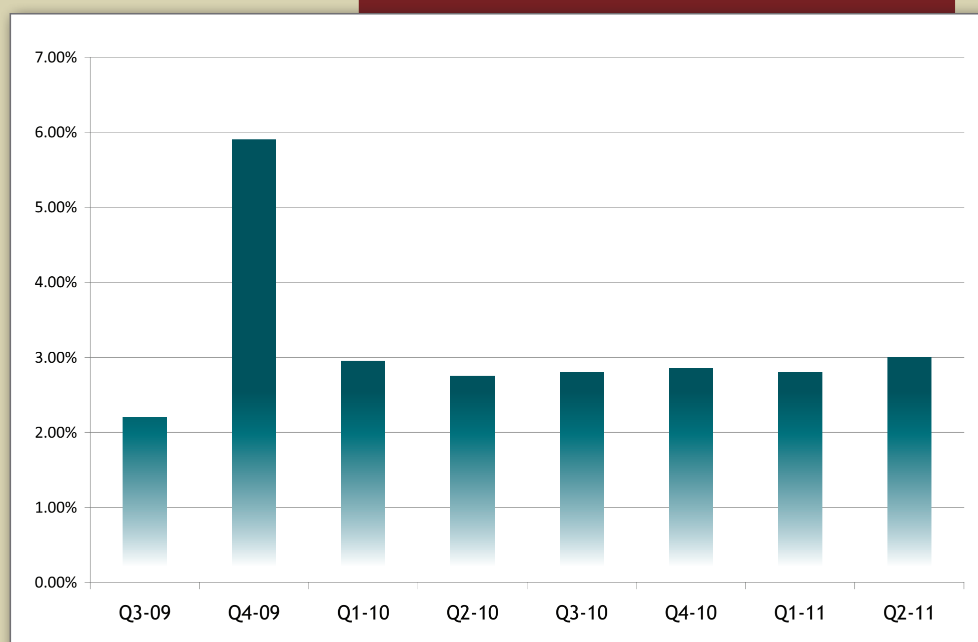
DOMESTIC EQUITIES

Most indexes moved higher in February, rebounding after a decline in January. Over the last 12 months we stated that we thought the market was in an upward recovery that will take at least two or three years to reach the levels seen in late 2007. We said it could be a bumpy ride along the way, sometimes feeling like “two steps forward and one step back.” We believe the dip in January followed by the rebound in February is just part of that pattern. After the severe events of 2008 and early 2009, there are many jittery market participants, some even expecting or hoping for a continuation of the old bear market. They react anxiously and reflexively to any news conveying the potential for a less-than-robust economic recovery. While we expect the market to move higher over the next year, we also expect occasional setbacks in reaction to news that disappoints the jittery contingent.

The market hit a low on March 9, 2009, just about a year ago today. It has been a pretty sensational 12 months by historic market standards. The S&P 1500 Index, for example, has gained 55% from February 28, 2009 through February 28, 2010 in spite of dips along the way and much doubt and skepticism by many observers. If you stayed invested and participated in this rally, congratulations. We are pleased with the way our valuation methodology handled the market over this 12-month period. At the low, our readings suggested fair value for stocks, on average, was 45% above existing prices — an extreme divergence. During the advance, our valuation readings indicated prices remained below value, as value generally grew over the last year. Accordingly, our value-to-price (V/P) metric was a good guide during this time period, telling us to stay invested. With a 1.09 V/P at the end of February, our readings suggest prices can continue moving higher over the next year.

Right now you may feel bombarded by economic conjecture, mostly from non-economists or journalists. Some of this speculation may be self-serving and some of it may even be politically motivated. At ICON we rely upon our valuation methodology, and we do not worry about forecasting the economy. Still, for your investing comfort and interest, we want to share with you a regular study by *Bloomberg News* that surveys about 80 economists. The study, dated February 26, 2010, shows reported annualized gross domestic product (GDP) for the 3rd and 4th quarters of 2009 and the consensus forecast from those 80 economists for 2010 and the 1st quarter of 2011. The Bloomberg survey reveals the economists’ collective expectation of a modest, steady economic recovery into 2011. Admittedly, this group has been wrong before, but these professionals — whose salaries, bonuses, and reputations are arguably based (in part) on their abilities to assess the market — anticipate steady economic growth.

GDP CONSENSUS FORECASTS 2/26/2010



Source: Bloomberg

Furthermore, consumer spending seems to be on the rise. As noted in a March 1, 2010 *Bloomberg News* article:

> *Spending by U.S. consumers increased in January for the fourth consecutive month, a sign that the biggest part of the economy may contribute more to growth in coming months … The 0.5 percent increase in purchases was more than anticipated and followed a 0.3 percent gain in December that was larger than previously estimated Commerce Department figures showed today in Washington.*

Of course we cannot be certain of the metrics each of the 80 economists surveyed by Bloomberg used for his or her GDP estimates; however, presumably, the consumer spending data noted in the paragraph above would support their recovery forecasts.

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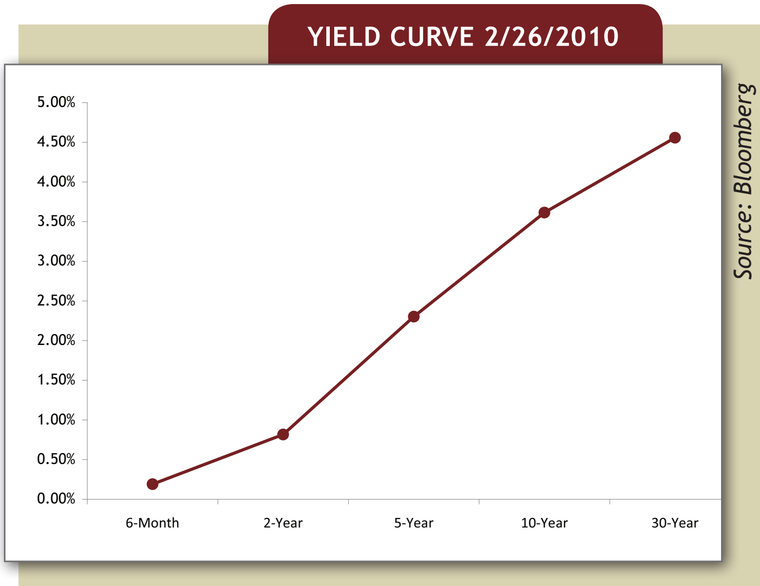
INTERNATIONAL EQUITIES | Most country indexes dipped in January and moved back up a bit in February. Over the last 12 months, the MSCI AWCI ex.-U.S. gained 63.5% from February 28, 2009 through February 28, 2010, outpacing most U.S. indexes. Its path, like the path of the S&P 1500, has been just as choppy but rewarding nonetheless, we feel. Overall, the ICON international V/P is 1.16, suggesting to us that international stocks, on average, are still underpriced relative to our estimate of their intrinsic value. It is interesting to note that the Western Hemisphere countries of Canada, Mexico, and Brazil all look attractive and are weighted more heavily than in the past.

BONDS | We are currently facing a very steep yield curve, indicating a large difference between short- and long-term rates. It appears investors are expecting rising rates over the future, so they are favoring short-term bonds and avoiding long-term bonds, despite the attractive yield at the long-term end. The ICON model, with its emphasis on value and relative strength, suggests doing the opposite — that is purchasing longer term, not short-term, bonds. Our system leads us to conclude that investor expectation of rising interest rates is so widespread that it is already built in to the price of long-term bonds. Our model favors all qualities of corporate bonds and mid-range to long-range maturities. In other words, our model suggests the corporate bond rally we have seen over the last 1.5 years is sustainable. Now, however, we see the leadership coming from longer term issues than those which had led earlier.

SUMMARY | Not everyone is enjoying this economic recovery. Employment and housing issues evidently continue to make many people skittish. Recoveries are never perfect, but they don't have to be to benefit the investor. Many companies are reporting impressive earnings, and because of pervasive investor skepticism, their stocks are priced below our estimate of fair value. We will continue to own stocks our system suggests are undervalued, while letting others argue about the recovery not meeting their personal expectations.



Prepared by ICON's Investment Committee

Data Sources: Bloomberg and FactSet Systems Research, Inc.

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XPORTUP (3/10)