



# Reallocation Commentary

## December 7, 2007

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We continually monitor valuation and relative strength readings and make adjustments to sector allocations in the ICON Portfolios as our model dictates. Our recent calculations have prompted us to make the following reallocations:

- **Financials Sector Decrease.** Although there are outstanding bargains in this sector, due to its low relative strength ranking, we have reduced the target weight of the Financials sector in the Tactical and Balanced Portfolios. It does not appear to be the Financials sector's time yet.
- **Consumer Discretionary Sector Decrease.** The Consumer Discretionary sector has the lowest relative strength ranking of the nine sectors we track, so we have reduced exposure to the sector in the Tactical and Balanced Portfolios.
- **Industrials Sector Rebalance.** Due to the significant gain in the Industrials sector year-to-date, existing positions in the Tactical Portfolio have increased about 2% above our 20% target weight for the sector. To correct this and to free up assets for other attractive sectors, we have executed a rebalancing trade to bring accounts back to target weight.
- **Telecommunication & Utilities Sector Increase.** The Telecommunication & Utilities sector has the highest relative strength ranking in our system and is trading at about a 14% discount to our calculation of its intrinsic value. To capitalize on this value and strength, we have significantly raised our target weight for the sector in the Tactical, Balanced, Equity Income, and Frontier Conservative Portfolios.
- **Decrease in Bond Allocation.** We have reduced exposure to bonds in the Income/Equity and Frontier Conservative Portfolios to make room for increased positions in the Telecommunication & Utilities sector. With our methodology indicating the U.S. V/P stands at 1.23 (as of December 7, 2007) and bonds having rallied significantly over the past six months, we believe additional exposure to a conservative equity sector is warranted at this time.

*Past performance does not guarantee future results. 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, industry, or sector.*

*Management of the Portfolios involves sector allocation overlays using sector and diversified mutual funds as the investment vehicle. ICON is the investment adviser to mutual funds in which the Portfolios invest and receives a management fee from the funds for its advisory services.*

*An investment in a sector fund may involve greater risk and volatility than a diversified fund. 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.*

*The Tactical Portfolio seeks capital appreciation through investments in industry-focused sector and diversified mutual funds. Balanced Portfolio seeks a combination of capital appreciation and income through investments in industry-focused sector, bond, and diversified mutual funds. The proportions of equity and fixed-income assets will vary through time, although the Portfolio will generally invest a significant portion of assets in equity investments. Income/Equity Portfolio seeks total return using a strategic mix of industry-focused U.S. bond, diversified and sector mutual funds, including funds that invest in utility stocks and convertible securities. The Portfolio generally invests a significant portion of assets in fixed-income and dividend-paying investments. The Frontier Conservative Portfolio seeks total return through investments in select U.S.*



industry-focused sector mutual funds including funds that invest in real estate, gold and mining securities; and international, bond, and diversified mutual funds. The use of more aggressive asset categories and sectors is constrained to a conservative level.

**Fee Schedule**

<b>Account Value</b>	<b>Sector Allocation Series (Tactical &amp; Balanced)</b>	<b>Frontier Allocation Series</b>
First \$250,000	0.25%/month (3.0%/year)	0.25%/month (3.0%/year)
Next \$500,000	0.21%/month (2.5%/year)	0.21%/month (2.5%/year)
Next \$250,000	0.17%/month (2.0%/year)	0.17%/month (2.0%/year)
More than \$1 million	Negotiable	Negotiable

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. ICON's relative strength ratio is a ratio of the performance for the preceding six months of a group of securities within ICON's universe as compared to the preceding six-month performance of the broad market. To analyze intrinsic value, the ICON valuation methodology relies on the integrity of publicly released financial statements.

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.

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