

Reallocation Commentary

January 9, 2006

In our first rotation of 2006, we have relied on our analytical methodology to trim Portfolio exposure in both the Telecommunications & Utilities and Healthcare sectors to make room for additions to the Consumer Discretionary and Information Technology sectors. Our quantitative analysis indicates that compelling industry opportunities exist in the latter two sectors. At the same time, stocks in the Utilities sector, last year's second best-performing sector behind Energy, have, in our opinion, since lost much of their value. While the Healthcare sector continues to have value, it no longer warrants the aggressive overweighting relative to the S&P 1500 SuperComposite Index as it did last year. Our analysis shows that there are simply a number of far more attractive industries within the Consumer Discretionary and Information Technology sectors.

For the first time since March 2003, we have increased the Tactical Portfolio's exposure to the Consumer Discretionary sector by more than 1.0%. In March 2003, the sector was trading at a deep discount to fair value and showing significant strength off the early stages of the bull market when we added 4.0% to its weight in the Tactical Portfolio. Today, the sector is again trading at a steep discount to fair value – it is the most undervalued sector we track, trading at more than a 30% discount to our calculation of fair value. With investors remaining cautious about the outlook for consumer spending due to rising oil prices, Consumer Discretionary issues have been out of favor. Companies within the sector, however, continue to grow earnings and analysts' expectations of their earnings remain strong. We have therefore increased the Tactical Portfolio's exposure to the sector from 9.0% to 11.0%. The apparel retail and auto parts & equipment industries were primarily targeted with the additional positions.

Additional assets were also invested in the Technology sector. Its weight in the Tactical Portfolio has been increased from 10.0% to 12.0%. Technology issues have recently joined stocks in the Materials and Energy sectors as market leaders based on our relative strength metric. While the Technology sector does not offer the compelling valuations available in Consumer Discretionary issues, a majority of the industries within the Technology sector meet our valuation and relative strength buy criteria. Within the sector, assets were primarily put to work in the computer storage & peripherals industry. This industry is among the top 10 best-performing industries of the 139 we track based on its relative strength rank, and it remains almost 10% undervalued based on our valuation model.

Within the Frontier Growth Portfolio, we trimmed Healthcare from 11.0% to 9.0%. Proceeds from the sale were used to increase the Portfolio's exposure to the Financials sector; the sector weight was increased from 7.0% to 9.0%. This minor adjustment was implemented consistent with our current research that the Financials sector has become increasingly attractive relative to the Healthcare sector based on value-to-price and relative strength rankings.

The unmanaged Standard & Poor's (S&P) SuperComposite 1500 Index is a broad-based, capitalization-weighted index comprising 1,500 large-cap, mid-cap, and small-cap U.S. companies. Total returns for the unmanaged index include the reinvestment of dividends and capital gain distributions but do not reflect deductions for commissions, management fees, and expenses. The Portfolios' composition may differ significantly from the index. Individuals cannot invest directly in an index.

Opinions and forecasts regarding industries, companies, 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.

Investing in securities has inherent risks. An investment in a sector fund may involve greater risk and volatility than a diversified fund.

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. ICON's relative strength ratio is a ratio of the performance for the preceding six months of a group of equities within ICON's universe as compared to the preceding six-month performance of the broad market.