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PORTFOLIO UPDATE: JANUARY 2010

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We look back on 2009 pleased with how our valuation readings assessed the stock and bond markets. You may recall that at the market bottom in March, amid some very scary financial and economic conditions, our market value-to-price (V/P) ratio was an extreme 1.45, suggesting stock prices needed to advance 45% just to get to fair value. From the low in March through December 2009, we have been steadfast in our belief that stock prices could move higher. That was not visionary; we were simply following the guide of our market V/P readings which have frequently been in the 1.10 to 1.20 range. Throughout this recent rally, V/P readings of 1.10 to 1.20 have indicated stocks were underpriced with the potential to keep moving higher.

There is an old Wall Street saying that "stocks climb a wall of worry." That certainly has been the case during this most recent rally. Many stock indexes have gained 60% to 65% from the low in March in spite of there being plenty to worry about — employment, deficits, inflation, etc. You may notice, however, that ICON never got involved in debates over "how bad things are" or "how bad things could get." As always we simply focused on our V/P, and our methodology seems to have guided us correctly during this rally.

Since March, prices have moved higher, but so have our estimates of value. We believe value has moved higher for most stocks because of two favorable factors: earnings and declining bond yields. At year-end, our overall market V/P ratio is still in the 1.05 range (with many industries much higher), suggesting to us stock prices can still move higher into 2010. Until worries subside, widespread optimism prevails and stocks become overpriced, we believe it is prudent to continue to hold stocks. We think conditions will permit this recovery rally to last a couple of years.

For the first seven months of the rally, the Financials sector was by far the best performer, recovering from its own unique debacle of 2008. Right behind Financials, but still leading the market, were the economically sensitive, cyclical sectors like Consumer Discretionary, Industrials, Information Technology, and Materials. Over the course of the last two months, however, sectors that had been lagging — including Healthcare, Utilities, and Consumer Staples — have come to life. Their recent strength, combined with attractive valuation readings, has caused us to rotate into these sectors and away from the previous leaders.

INTERNATIONAL EQUITIES

Our valuation readings proved insightful also on the international front, where rallies have mirrored those in the U.S. in both timing and magnitude. Stocks appeared extremely cheap to our system in March 2009. Throughout the rally off the March low, our system never saw stocks as overpriced. With an ICON international V/P of 1.13 at year-end, international stocks finish 2009 as slightly better bargains than U.S. stocks under our system.

Financials was the best international sector off the low with additional leadership coming from the cyclical, economically sensitive sectors. Lately, though, previously lagging sectors have caught our attention. Driven by a mild industry rotation, we have affected a regional shift with a reduction in Asia and an increase in Europe.

BONDS

We are equally pleased with our bond valuation readings through the crisis of late 2008 and corporate bond rally of 2009. A year ago (as today), the ICON valuation model said short-term Treasury and Agency issues were overpriced and that corporate bonds were bargains. Entering 2009, we tilted toward high-grade, short-term corporate bonds. As the year progressed, readings pulled us a little longer term and toward mid-quality ratings. Our readings indicate the corporate bond rally is sustainable into 2010. While still showing strength, corporate bonds are not overpriced under our system. To the contrary, we think they still represent good value overall.

SUMMARY

Every decade has its unique themes and problems. As we enter this new decade, we see analysts and the media look in their rearview mirrors to try to predict the future. We do not predict the future, but work instead to recognize under- and overpricing when they occur. As we end 2009, stocks and corporate bonds are priced below our estimates of fair value, indicating it is prudent to remain invested. We think being guided by value and recognizing excessive pricing when we find it suits our investors better than trying to guess the future by simply reviewing the past.

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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