



ICON PORTFOLIO UPDATE

February 2009

A MESSAGE REGARDING VALUE INVESTORS AND THE ICON SYSTEM

The last 15 months have been rough for value investors, ICON included. Applying various valuation methods, value investors have pounced on what they thought were bargains, only to see prices slip further. Perhaps the most noted value investor, Warren Buffett, was making acquisitions in the spring and summer of 2008 even as the market continued to decline.

Valuation methods include a variety of inputs and considerations, one of which is risk. Our research over the last several months suggests to us that value investors understated risk, thus creating artificially high valuation readings. The problem with risk was not isolated to value-oriented equity investors, of course, but was seen throughout the financial services sector. Bond rating services have reassessed risk, and entities pricing mortgage backed securities will now need to adjust to the risks that accompany slumping home prices. In retrospect we can see that few (if any) individuals or entities priced risk properly in last year's exceptional market setting. It took an extremely unusual environment in 2008 to reveal the industry's problem with risk measurement.

ICON's research department is using knowledge gained from 2008 to develop what we believe is a better way to account for risk. This approach will likely result in lower valuation readings and a lower overall market value-to-price ("V/P") ratio. In addition, fewer stocks and industries than in previous years may be eligible for purchase during times of market stress, and the changes could lead to the ICON portfolios having larger cash positions than in the past.

We think ICON's valuation model is flexible enough to evolve and keep pace with changes in the market, and we are confident our investors will benefit from the lessons learned during 2008.

MARKET COMMENTARY

We have stated that we thought an advance off the November low would not be a rocket-like ascent, but more of a "two steps forward, one step back" pattern. Stock prices took a step backward in late January, and we believe one reason for this retreat was anxiety over the expected fiscal stimulus package.

At ICON we think any stimulus works, but it is normal for the market to retreat while the stimulus plan and its implementation are debated. Furthermore, both measures of money supply (M1 and M2) have surged since late August. Money supply growth and a fiscal stimulus package are a powerful 1-2 boost to the economy that, in our opinion, will push the economy out of recession.

Economists see a decline in the first quarter of 2009, but less of a drop than occurred in the last quarter of 2008. They forecast positive GDP for the third and fourth quarter of 2009 and into 2010. We sense that investors are still not convinced that the recession has a foreseeable end, but these doubts are in disagreement with the economic forecasts.

Corporate bonds look particularly attractive. They sold off rapidly last fall, taking yields extremely high. We think the sweet spot in the bond market is short to mid-term corporate bonds.

SUMMARY

In summary, ICON remains committed to working on your behalf through the current crisis. If historical trends are any indication, the market will typically rebound six to nine months ahead of any general improvement in the economy or popular headlines. As we stated last month, we believe conditions are in place for a possible market advance as 2009 unfolds.

Prepared by ICON's Investment Committee.

Past performance does not guarantee future results. 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.



Investing in securities involves risks, including the risk that you can lose the value of your investment. 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. Investments in international securities may entail unique risks, includ-

ing political, market, regulatory and currency risks. In general, there is less governmental supervision of foreign stock exchanges and securities brokers and issuers.

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.

ICON's value-based investing model is an analytical, quantitative approach to investing that employs various factors, including projected earnings growth estimates, 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 not guarantees of future results. Value investing involves risks and uncertainties and does not guarantee better performance or lower costs than other investment methodologies.

M1 is one measure of the money supply that includes all coins, currency held by the public, traveler's checks, checking account balances, NOW accounts, automatic transfer service accounts, and balances in credit unions. M2 is a measure of total money supply. M2 includes everything in M1 and also savings and other time deposits. Gross Domestic Product (GDP), also known as Gross National Product (GNP), is the total value of goods and services produced in the national economy in a given year. It is the primary indicator of economic growth.

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