ICON

BACK TO THE FUTURE

By Craig T. Callahan, DBA, Founder and President | April 22, 2010

We all know past performance is no guarantee of future results. Of course, we also know we can learn valuable lessons from the past and that we ignore these lessons to our peril. At ICON, we believe the rally that followed the October 1987 stock market crash taught us something about the rally taking place over the last 12 months.

As a value manager, we saw stocks priced far below our estimate of fair value in early 2009 and wanted to help advisers guide their clients appropriately. If it was in the investor's best interest to remain invested, we hoped to provide a rationale that would allow them to stay that way. In January 2009, however, investors were running scared. Three months earlier, in the first week of October 2008, the market dropped more than 20% in a week. Although not labeled a "crash" because the drop did not occur in a single day, we reasoned that market behavior following the October 2008 decline would look much like market behavior following the 1987 crash. The graph below is the NYSE Composite Index for the September 1987 through December 1989 timeframe. When the NYSE Composite index for 2008 is overlaid, we can see how the sharp descents line up.

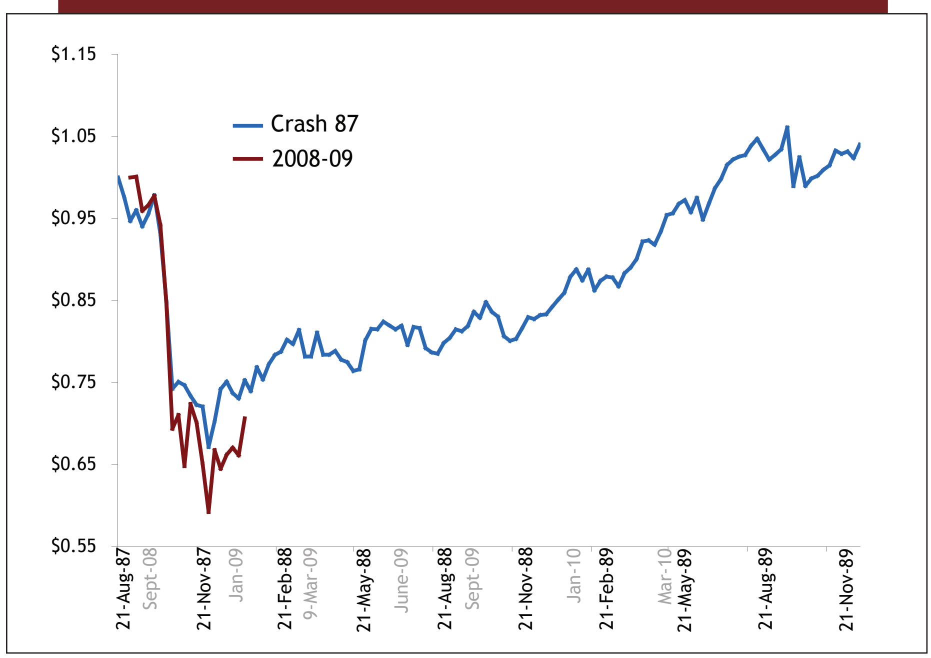
ICON first highlighted this dynamic to an audience of advisers in January 2009. We acknowledged that the financial and economic situation was different in 2009 than it was in 1988, but we wanted to share with the audience our perception of post-crash human behavior.

How did investors behave the last time there was a crash? When the stock market recovered from the October 1987 crash, what did the recovery look like?

ICON continued to show these graphs to adviser and investor audiences throughout 2009. On September 18, 2009 we released an article titled, *Was That A Crash?* with an updated illustration similar to the graphs in this piece. At that time we wrote:

> *As of Sept. 4, 2009, the ICON valuation readings suggest the market, in general, is priced about 13% below our estimate of intrinsic value. We believe such a reading makes an upward recovery path similar to 1988 and 1989 possible and reasonable. Naturally, unpredictable news events could influence the path of stock prices in the coming year. If the path to recovery is similar to the pattern in post- crash 1988 and 1989, investors should be prepared for a "two step forward, one step back" recovery with the potential for a smoother ascent as time passes.*

NYSE COMPOSITE INDEX POST-CRASH COMPARISON



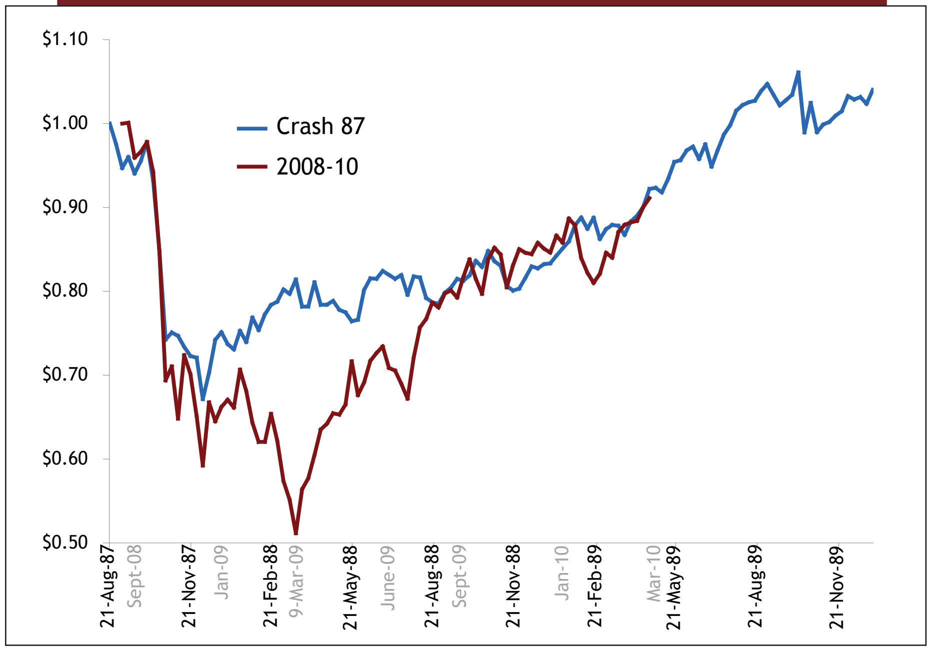
Source: Bloomberg

We still believe this recovery is reasonable — nothing we have seen to date has convinced us otherwise. We expect the recovery to continue.

On the next page is a NYSE Composite graph, updated through April 9, 2010. Approximately 13 months after the March 2009 low, the NYSE Composite Index is about where it was over a similar time period after the October 1987 crash.

In early 2009, ICON used the NYSE Composite graph overlays to suggest not only that a recovery was possible, but that it was reasonable as well. This message was not especially well received at that time, and although investors' fears were understandable, in retrospect it seems 1987's post-crash behavior and recovery is indicative of the recovery we are seeing today. ICON continues to see value in the market and believes that those who remain invested may be able to capture opportunities in the months ahead.

UPDATED: NYSE COMPOSITE INDEX POST-CRASH COMPARISON



Source: Bloomberg

Past performance does not guarantee future results. Investment return and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost.

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 sector, region, industry or security. An investment concentrated in sectors, regions and industries may involve greater risk and volatility than a more diversified invest¬ment.

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 "relative strength" estimate reflects ICON's calculation of how an individual stock has performed compared to the broad stock market over a six-month period.

The NYSE Composite Index is designed to measure the performance of all common stocks listed on the NYSE, including ADRs, REITs and tracking stocks. The index is weighted using free-float market capitalization and calculated on a price return basis.

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