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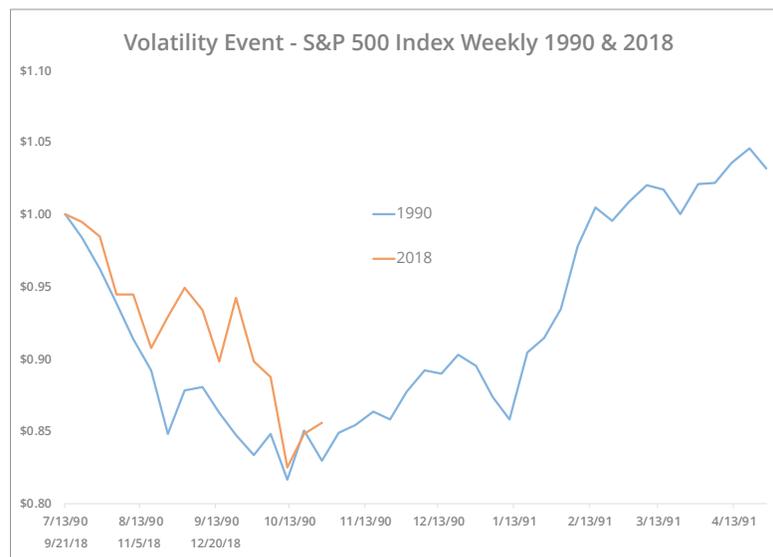
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Domestic Equities

We believe the drop in the market during the fourth quarter of 2018 is what we call a volatility event. On the decline it resembles previous volatility events of 1990, 1998, 2010 and 2011, in which the broad market dropped 17% to 20% over anywhere from 9 to 12 weeks, then rebounded and resumed its longer term upward trend. Each of those four declines was characterized by obvious concerns among investors. In 1990, it was the invasion of Kuwait. In 1998, it was that the Asian recession would spread from Asia to Europe and then to the U.S. Subsequently, in 2010 and 2011 there were fears of the European debt crisis, rounds one and two.

Now, as in 1998, there is fear that slowing growth in Asia will spread to the U.S. This time, however, there is additional concern the Federal Reserve will tighten monetary policy excessively, causing a recession. The earlier volatility events appeared unpredictable to us. Fear grew as the market declined, reaching a peak at each market low. As real and powerful as those concerns seemed at the time, six months later they proved to be unfounded, even irrational.

As noted in the illustration below, we contend the volatility characterizing this fourth quarter is most similar to the volatility we saw in 1990 in terms of depth and duration. The S&P 500 Index is indexed to 1.00 for the peaks just before the downward volatility, September 21, 2018 and July 13, 1990. For 2018, the S&P 500 is current through December 31, 2018, while in 1990 it shows the market's recovery through April 26, 1991. There can be no assurance that the market will rebound as it did following the previous volatility events. A move higher over the next year, however, would be consistent with our market value-to-price ("V/P") ratio of 1.12 on December 31, 2018.



Past performance is no guarantee of future results. Source: Factset.

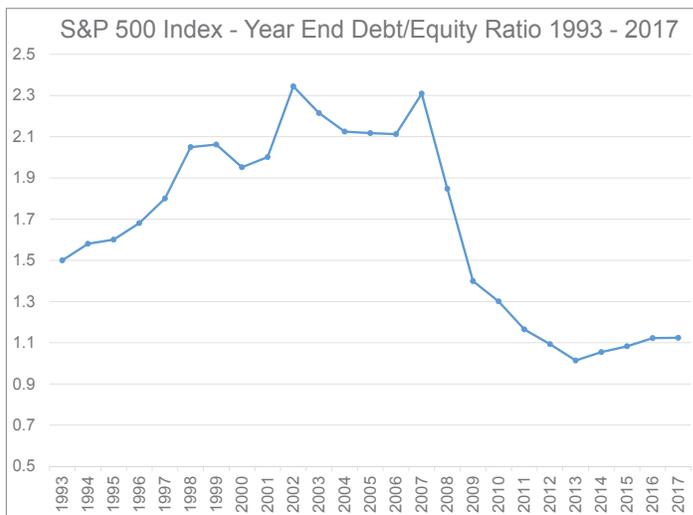
International Equities

With emerging markets leading the 2018 international decline, countries such as Hungary, Russia, Philippines, Taiwan and Indonesia climbed to the top of our country V/P ranking early in the year. With the recent global decline, the established markets of Japan, Austria, France and Switzerland are now in the top ten of our country V/P rankings. Not only do we see value around the world, but we find monetary policy to be supportive for economic growth. Year-over-year growth in money supply is 6.2% for Europe and 8.0% in China.

Bonds

The same concerns that hit stocks in the fourth quarter have impacted corporate bonds. Credit spreads, which reflect perceived credit risk, have increased. Based on commentary in the financial media, there appears to be a popular view that corporate debt has grown and is perhaps unmanageable. Our research does not support that view. The graph below shows the Debt/Equity ratio for the S&P 500 companies from 1993 through 2017. Current debt levels are far below the levels of the 1990s and 2000s. Debt/EBITDA and Debt/Total Assets show similar patterns. It appears corporations in the S&P 500 greatly reduced their leverage during and after the great recession and have kept debt usage quite modest.

(Continued)



Past performance is no guarantee of future results. Source: Factset.

Summary

It appears to us that calls for recession have followed the market's decline. In other words, stock movements are influencing economic predictions – which is the opposite relationship from what we would expect in a rational world. During the volatility events of 1990, 1998, 2010 and 2011, the paralyzing concerns that resonated at market bottoms ultimately subsided and were all but gone six months later. At ICON we own stocks we believe are priced below our estimate of intrinsic value. We expect prices to rise toward value as and if the current fears subside.

The data quoted represents past performance, which is no guarantee of 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 inherent risks, including the risk that you can lose the value of your investment. An investment concentrated in sectors and industries may involve greater risk and volatility than a more diversified investment. 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.

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. According to our methodology, a V/P reading of 1.00 indicates stocks are priced at intrinsic value. We believe stocks with a V/P reading below 1.00 are overvalued while stocks with a V/P reading above 1.00 are undervalued. For example, we interpret a V/P reading of 1.15 to mean that for every \$1.00 of market value, there is \$1.15 of intrinsic value which has not yet been realized in the market price.

The unmanaged Standard & Poor's (S&P) 500 Index is a market value-weighted index of large-cap common stocks considered representative of the broad market. The unmanaged Standard & Poor's (S&P) 500 Sector Indexes track the performance of sectors that comprise the S&P 500 Index. Total return for the unmanaged index includes 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 indexes. Individuals cannot invest directly in an index.

Sources: Bloomberg, FactSet

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Portfolio_Update (1/19)