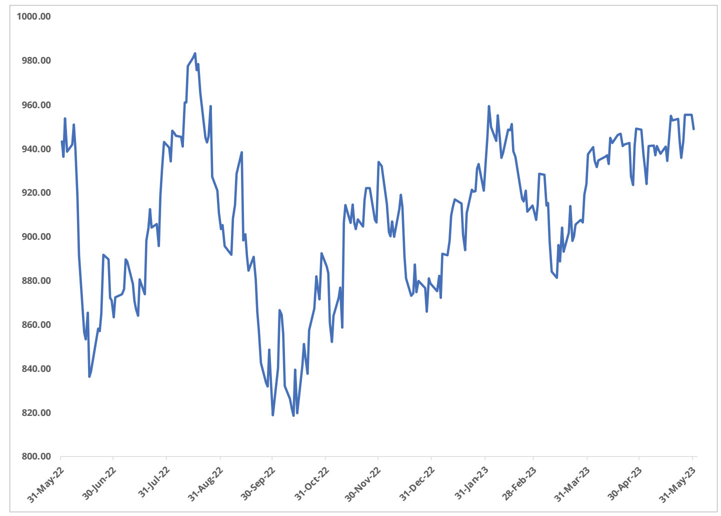
By Craig Callahan, DBA | ICON Founder & CEO **Published 6'1'2023**

Equities

In April we wrote that, through March 31, 2023, the stocks leading the market were expensive and that the bargains were sluggish. In other words, the leading industries just keep getting more and more expensive, as we measure value, and the stocks that appear cheap just remain cheap and ignored. We stated that over the long run, this behavior was not sustainable. Yet, in May it continued and even accelerated as the leadership became more narrow and concentrated, this was partly driven by investors flocking into stocks related to artificial intelligence. For example, the NASDAQ Index, which is market capitalization weighted heavy with technology stocks, hit a 52-week high on May 30, 2023. On that day more stocks on the NYSE made new 52-week lows than highs (68 to 41) and more stocks declined than advanced that day (2134 to 1877). As we view the leadership as generally overpriced, we are not chasing the current theme.

S&P 1500 Index (5/3122 - 5/31/23)



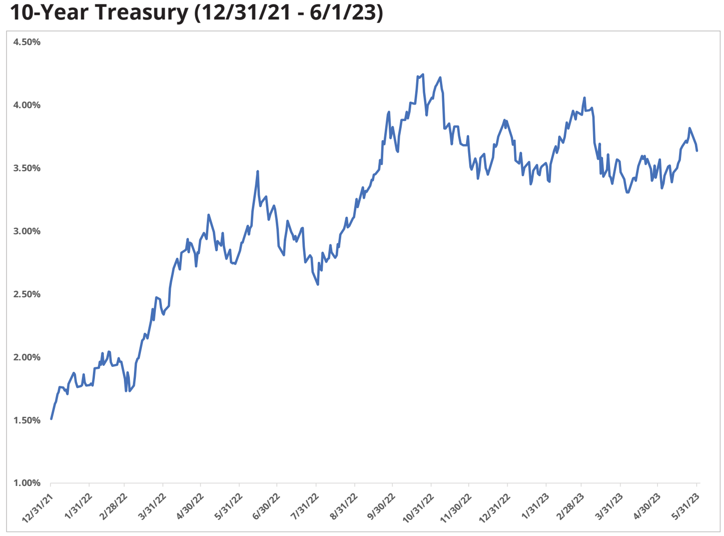
The data quoted represents past performance, which is no guarantee of future results. *Source: Bloomberg*

The graph, at right, shows the S&P 1500 Index for the last year. Overall, it is just about 3% higher than it was May 31, 2022. It has advanced off the low in October, but it has not been able to surpass the short-term peak in August 2022. We do not believe that the move off the October low is the beginning of a new bull market. The sideways trading range is sensible based on our ICON value readings. Our market V/P has been in the 1.01 to 1.07 range throughout that time, so we have not seen the extremes usually seen at peaks or bottoms. Entering June at 1.05, our market V/P tells us stocks, on average, are not underpriced enough to be on a springboard for a big rally, nor overpriced enough to deserve a sharp sell off. We are content holding more cash than normal.

Bonds

The next graph shows the yield on the 10-year Treasury Note from December 31, 2021, through June 1, 2023. For the first ten months of 2022, as the Federal Reserve (Fed) implemented monetary tightening, the yield rose from 1.50% to 4.24%. Since that high in October 2022, the yield has moved sideways in a range between 3.40% and 4.00%, even though the Fed has continued raising the short-term Federal Funds rate. This range seems sensible to us as a survey of economists shows they expect inflation to continue to decline. We do not fear a sharp increase in long term rates.

10-Year Treasury (12/31/21 - 6/1/23)



The data quoted represents past performance, which is no guarantee of future results. *Source: Bloomberg*

Summary

Not only is our market V/P fairly neutral, we're also seeing a lot of neutral behaviors that suggest the market is not at a major peak or trough. Over the long run we expect a breakout and a new bull market, but with the impact of the Fed's tightening not fully felt yet, it is premature to get fully invested.

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.

Individual account holdings and composition may vary. 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.

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 NASDAQ Composite ("NASDAQ") Index is a broad-based capitalization-weighted index of all NASDAQ National Market and Small-Cap stocks. The unmanaged Standard & Poor's Composite 1500 (S&P 1500) Index is a broad-based capitalization-weighted index comprising 1,500 stocks of Large-cap, Mid-cap, and Small-cap U.S. companies.

The 10-year yield is the benchmark 10-year yield to maturity reflected by the current issue 10 year U.S. Treasury note.

Sources: Bloomberg

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