

The stock market has been very unusual over the last year. Market capitalization weighted indexes moved higher led by a narrow group of large-cap technology related stocks. Most stocks, however, did not participate in the advance. Stocks that we saw as bargains, or on sale, were sluggish and didn't participate while we saw the leaders as expensive. We published market commentaries along the way writing that such a theme was not sustainable and that we were trying to cautiously participate in the unusual advance. In that setting, ICON's Tactical Allocation Models held more bonds than usual in our various portfolios.

We now believe that July was the beginning of the market going through a theme change that may take a few months to solidify. In July, small-cap stocks beat large caps and dividend paying stocks came alive. Previously sluggish industries, which appear to us to be bargains, jumped to a leadership role. We expect the new theme that emerges to be favorable for our value system of investing. We have reduced bonds and increased exposure to natural resources and infrastructure, which includes industries in the Industrials and Materials sectors. Examples of industries that appear attractive are diversified chemicals, commodity chemicals, gas utilities, construction materials and rail transportation. We have also reduced exposure to consumer related stocks.

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 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.

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 a \$1.15 of intrinsic value which has not yet been realized in the market price.

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