

REALLOCATION COMMENTARY

Strategy Based Investing Portfolios

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SBI Fund Replacement

Trades designed to rebalance were made in the ICON Strategy Based (SBI) Global Growth and Moderate portfolios. With the Federal Reserve (Fed) raising the Federal Funds rate and holding it in a tight monetary level, the stock market had a specific theme and behavior late 2023 and the first half of 2024. The leadership was very narrow and featured companies with unique growth stories such as artificial intelligence and weight loss drugs. Small-caps and dividend paying stocks were sluggish. As investment strategies, Future Growth and Competitive position are best suited to handle that setting. Just the opposite, that is a very difficult setting for Valuation, Profitability and even active management, in general. It is interesting to note that Market Conditions, which often uses momentum, became the best performing strategy, despite being the second worst performing strategy dating back to 1980.

With the Fed easing and reducing the Federal Funds rate, we have been writing to investors since July that the stock market is transitioning to a new theme, or personality. In this new market we expect different and broader leadership, and we expect small-caps and dividend paying stocks to be among the leaders. The preference for small-caps is not only based on ICON's valuation readings but also the Athena market barometer, where the SBI data is generated.

In the Global Growth and Moderate portfolios, we reduced Competitive Position, which had grown disproportionately large, back to target an increased exposure to Valuation and small-caps. In Global Moderate we also reduced exposure to bonds and increased the valuation strategy in the Tactical sleeve.

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. There is no assurance that the investment process will consistently lead to successful results. Strategy Based 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.

ICON is the investment adviser to mutual funds in which the Portfolios invest and receives a management fee from the Funds for its advisory services.

Standard deviation is a measure of a portfolio's volatility, or variability, in expected return. As such, it is a measure of risk since risk can be defined as the uncertainty of the expected return. Higher numbers indicated higher historical volatility. Standard deviation is most often used as a measure of risk relative to other portfolios or indexes, although it does not measure all aspects of investment risk.

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