

Asian Values

Investing in Asian Pacific stocks is a daunting task. With more than fifteen exchanges, currencies and economic cycles, investment managers need a specific focus and well-honed quantitative discipline. The ICON Asia-Pacific Region Fund invests in sectors and industries rather than companies to mitigate country and currency risks. The sectors and industries across the region may be a better way to exploit investment arbitrage than to build a country-specific fund.

Q: What is the investment philosophy of the fund?

A: The ICON Asia-Pacific Region Fund invests in industries that are expected to lead the market for one to two years. Our investment philosophy is clearly industry-focused. We invest in industries with stocks that are selling at a discount to intrinsic valuation.

In addition to that, we invest in companies that are in the early stages of investors' attention. We employ a relative strength metric, a measure of investor interest. Combined, we look for situations where the entire industry is (1) trading at a discount and (2) still at an early stage of stock valuation acceleration. We have recently seen that international investing has become less of country investing and more of industry investing.

Q: How many industries do you track?

A: We are generally tracking 147 industries in the international markets. We also look for industry and country themes. Sometimes the industries will move altogether in different countries, but sometimes you can see certain pockets where certain countries are moving in tandem. A leading example of that is the diversified banks industry. There are many banks internationally. We're tracking over one hundred within our international database, banks in one country could be leading the market and in another country they could be lagging. We can pick banks that are trading at a discount to the intrinsic value of the company.

Q: What is the thinking behind that industry-focused approach?

A: As the stock market goes through time it experiences themes. By a theme, I mean certain industries lead for one to two years. The

ICON Asia-Pacific Region		
Fund Facts	Class S Share	
Symbol	ICARX	
Website	www.iconadvisers.com	
Address	ICON Funds 5299 DTC Boulevard, 12 th Floor Greenwood Village, CO 80111	
Tel. No.	800-764-0442	
Inception	2/25/1997	
Portfolio		
Total Net Assets *	\$ 141.4	
Avg Mkt Cap (\$ Weighted) *	\$ 20,842	
Average Price/Earnings Ratio (Median)	20.14	
Average Price/Book Ratio	4.55	
Turnover Ratio (as of 9/30/05)	186 %	
Investment Information		
New Investment	Open	
Min Initial Investment	\$ 1,000	
Min Subsequent Investment	\$ 100	
Min Initial IRA Investment	\$ 1,000	
Risk (Against MSCI All Ctry Pacific - 3 Years)		
Alpha	-0.15	
Beta	1.10	
R-Squared	72.29	
Ann Std Deviation	17.81	
Sharpe Ratio	1.33	
Returns vs. Lipper Pacific Region Fd Index		
	ICARX	Index
1 Year (Cum.)	38.52 %	33.12 %
3 Year (Ann.)	26.05 %	26.23 %
5 Year (Ann.)	8.65 %	12.06 %
Returns vs. MSCI All Ctry Pacific Index		
	ICARX	Index
1 Year (Cum.)	38.52 %	30.51 %
3 Year (Ann.)	26.05 %	25.95 %
5 Year (Ann.)	8.65 %	10.73 %
Fees and Expenses		
Max Sales Charge - Front	0.00 %	
Max Sales Charge - Deferred	0.00 %	
Max Redemption Fee	0.00 %	
Total Expense Ratio (as of 9/30/05)	1.93 %	
Portfolio Manager		
Scott Snyder	Jan-2005	
* millions		
Data through: 6/30/06		
Source: Company Documents; Lipper		



key to beating the broad market benchmark is to be in the stronger than average industries. The stocks within the industries tend to move to the beat of the same drummer.

When we construct the portfolio within each favored industry, oftentimes we're not putting our entire industry allocation to one or two names. Hypothetically, if we had a 5% position in an industry, it would be typical to populate that 5% with five names at 1% each rather than holding 5% in one company.

Q: *How do you compare the relative merits of the players in the same industry even though they are in different countries?*

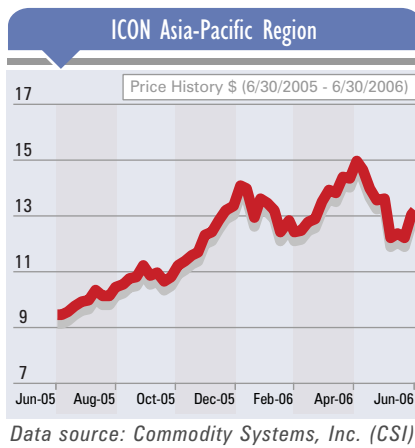
A: We invest in companies that are trading at a discount to the intrinsic value, growing at an above average rate to their peers in the industry and companies that are run by management that has a track record of delivering earnings growth. Within a particular industry, we rank companies for their investment merits on quality of earnings, management track record and market valuation. We look for companies that are likely to grow earnings and are at an early stage on investors' radar.

Q: *How do you put this philosophy of sector focus into place?*

A: ICON employs a quantitative system and we require historical data to run our models which are hard to come by in emerging markets. In the Asia-Pacific region we're currently tracking eleven countries and over 930 companies.

The countries that we track include Taiwan, Japan, Singapore, South Korea, Hong Kong, China, Thailand, Malaysia, Australia, Indonesia and New Zealand.

We benchmark the fund against the MSCI All Country Pacific Index. It's a list of diversified countries. Asia is more tech-heavy than Europe, so one would be more comfortable holding more technology names in Asia. We are benchmark-aware but we are not benchmark-centric. We have our active bets in place, yet we still have our



eye on the market and on the benchmark to know what's prudent.

Q: *How do you find ideas and then how does the idea turn into a holding?*

A: It's a quantitative process, so every night for all 930 Asian stocks, we calculate the intrinsic value and compare it to the latest market price, so if anything changes we're going to dynamically capture the change. We run the same four-hour computational process for the U.S. stocks as well as for all of our international stocks. Then we have a series of reports and screens

to group and segment the individual companies.

When it's time to make a portfolio decision, we still look at industry level. For example, the steel industry, the global cyclical theme, has been in place for over three and a half years and is still going strong. We've had some recent pullback, yet the Asian steel industry looks as an attractive place to be and we are tracking fifteen steel companies. Our intrinsic value-to-price ratio for the sector is 1.47, and that means the stocks, on average, are worth 47% more than they're currently trading at.

The higher the value-to-price ratio, the bigger the discount in the market. We also like to look at technical factors affecting the stock and investor sentiment driving demand in the marketplace. To measure that we look at a relative strength measure on a moving six-month average basis. We buy industries that have two traits: prices below our estimate of intrinsic value and prices showing above average strength.

Currently we are holding 54 industries in the fund. We will identify the ones we favor and then we'll go down to the company level and find the companies to populate each industry. How much we're going to invest in one industry is all dependent on how attractive it is relative to other opportunities. If it is a larger industry within the benchmark, we'll feel more comfortable holding a larger position. Once we identify names in a specific industry we look at companies in each country that look attractive to us, and then look to the individual companies to initiate buying. When we get down to the company level, we're

going to look for companies that are trading at a discount to value.

Once we get down to the individual stock level there might be eight names within an industry and we're not going to add all the names in the portfolio. We have a quality metric we use to view the management quality of the company over time. We look at seven years of financial data to select companies to invest. We're inherently going to be tilted towards companies with higher profitability, high level of cash, and low level of debt.

We want the stock price to reflect our fair value estimate over a period of time. There is no guarantee that will happen as value can always deteriorate down towards price, so the quality metric helps us to identify an individual company that will hold its value or better increase over a period of time.

Q: *How would you describe your sell discipline?*

A: Since we are looking at value and relative strength in the market, we take profit when an industry gets overextended and becomes too expensive. We sell an industry when its value/price ratio drops into the lower decile of the 147 industries.

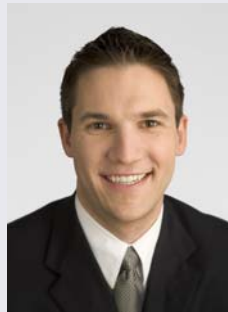
We also sell based on diminished relative strength when an industry drops into the lower 20 percentile of the 147 industries. In that case we take our profit or loss and reinvest these funds in other industries that meet our value/price and relative strength criteria.

Q: *You mentioned that there are about 54 industries in the fund. At*

this time, how many specific names do you have in the fund?

A: We have around 100 stocks right now. A large position on an individual stock would be about 2.5%, as our holdings typically range from a 0.3% to a high of 2.5%. We like diversification at the indi-

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about

Scott Snyder

Scott Snyder is Portfolio Manager of the ICON Asia-Pacific Region, Europe and International Equity Funds. Mr. Snyder joined ICON Advisers, Inc. in 2004 as a Research Analyst and was promoted to Assistant Portfolio Manager, then to Portfolio Manager in 2005.

Mr. Snyder received a bachelor's degree in finance from Arizona State University. Prior to joining ICON, Mr. Snyder was employed by FactSet Research Systems as a portfolio analytics specialist and consultant. He is a Chartered Financial Analyst Level III candidate.

Mr. Snyder has been a television guest on CNBC and has been featured in a number of leading business and investment publications.

vidual stock level to reduce the potential for any surprise event with one stock to have a negative impact on the overall portfolio.

Q: *What is the fund turnover in names and also in dollar terms?*

A: Our latest 12 month annual turnover was at 186% (as of 9/30/05). Industry themes typically last one to two years, which matches our typical holding period. Turnover the last few years has been higher than normal due to geopolitical events, turbulence and quicker than normal commodity-related themes.

Q: *How do you handle the currency-related risks or macro economic risks?*

A: We do not hedge currency risk in the fund. Within a multi-currency portfolio you get some diversification across different currencies, but we're not hedging away the currency risk either.

We do not perform top-down macro economic forecasting. We perform value based, bottom-up industry rotation. Regarding risk, we believe international macro economic differences are what contribute to low correlation which is one reason why investors add international stocks to their portfolio.

Q: *What region do you see being undervalued most right now?*

A: We believe that the Pacific region is still undervalued by 36% and there may be a greater upside in the region in the next three years. ■

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