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QDIA Review

**ICON Advisers, Inc.
ICON Risk-Managed
Balanced Fund**

June 2014

DALBAR, Inc.
Audit & Due Diligence Division



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QDIA Review - Status as of June 6, 2014

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DALBAR QUALIFIED OPINION

Reviewed for QDIA

DALBAR has evaluated the *ICON Risk-Managed Balanced Fund* offered by *ICON Advisers, Inc.* (*Manager*) to determine if it complies with the requirements to be used as a Qualified Default Investment Alternative (QDIA) as defined by the Employee Retirement Income Security Act of 1974, as amended [ERISA] Section 404(c)(5) and associated regulations.

ICON Risk-Managed Balanced Fund is referred to as the *Investment* and is a registered investment company that is reported to be in compliance with all applicable regulations.

The *Investment* may be used as a QDIA, subject to the recognition by plan fiduciaries of conditions described herein.

The Investment

The *ICON Risk-Managed Balanced Fund (Investment)*, was examined in relation to requirements for use as a Qualified Default Investment Alternative under ERISA Section 404(c)(5). The *Investment* consists of three classes of shares:

- Class A
- Class C
- Class S

→ Review Grid

The following table summarizes the ways in which the *ICON Risk-Managed Balanced Fund* qualifies as a QDIA.

In each case the *Investment* being reviewed may be applicable as the only one used (stand-alone) or may be used in conjunction with other investments (sleeve) in a model portfolio managed by an investment adviser that qualifies under ERISA section 3(38). The QDIA review determines which QDIA alternative(s) apply and whether the *Investment* may be used stand-alone and/or as a sleeve in a portfolio.

<i>ICON RISK-MANAGED BALANCED FUND</i>			
	QDIA Alternative	Stand Alone	Sleeve of portfolio
1	Age Based	No	Yes
2	Risk Based	Yes	Yes
3	Managed Account	No	Yes
4	Short Term	N/A	N/A
5	Grandfathered	N/A	N/A

NOTEWORTHY OBSERVATIONS:

- The asset allocation in the *ICON Risk-Managed Balanced Fund* is actively managed to maintain a consistent level of risk through changes in market risk. Unlike other balanced funds, equity allocations can vary from 25% up to 75% to maintain the consistent level of risk. Options and other strategies are used to further mitigate risks.

It should be noted that this strategy was implemented in August, 2013 and has not yet had a history of proven success.

➔ **The risk management strategy used by the *ICON Risk-Managed Balanced Fund* is superior to typical balanced funds and may afford investors a level of protection that is not generally available.**

- The higher than average expenses (1.24% versus a benchmark of 0.93% for S shares) can be justified by the potential for superior protection in the risk-managed strategy used by the *ICON Risk-Managed Balanced Fund*.

➔ **The value of the protection that is built into the investment strategy should be considered when evaluating the higher than normal expenses of the *ICON Risk-Managed Balanced Fund*.**

Introduction

This report contains DALBAR's independent analysis of the *ICON Risk-Managed Balanced Fund* and *ICON Advisers, Inc.* and is intended to supplement the duty of fiduciaries to prudently select investments for use as a Qualified Default Investment Alternative. Since this is a supplement, the content of this report is intended as a guideline and is not a substitute for the evaluation required by regulations.

As an independent expert, DALBAR has no affiliation with the *ICON Risk-Managed Balanced Fund* or *ICON Advisers, Inc.* and has the training, experience and proficiency to conduct this analysis. DALBAR has a 30-year history recognized by industry and government as an independent third-party expert in the business of providing evaluations, ratings and due diligence. DALBAR certifications are recognized as marks of excellence in adviser services, communications, electronic and telephone services. DALBAR is the only ratings firm with an SEC no-action letter exempting certain of its evaluations from the testimonial rule.

This analysis consists of three separate evaluations that are designed to validate if the *ICON Risk-Managed Balanced Fund* and *ICON Advisers, Inc.* meet the requirements of ERISA section 404(c)(5) and related regulations. These evaluations are:

- **Applicability as QDIA Alternative:** A determination of which class or classes of QDIA are appropriate uses of the *ICON Risk-Managed Balanced Fund*.
- **Qualification Analysis:** An evaluation of the qualifications of *ICON Advisers, Inc.* to meet the regulatory requirements for a QDIA manager.
- **Reasonableness as an Investment:** An assessment of whether *ICON Risk-Managed Balanced Fund* meets the DALBAR standard of reasonableness.

For more information concerning this report, please contact DALBAR at:



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Applicability as QDIA Alternative

There are five types of investments that are named as possible QDIA alternatives. In each case the *Investment* being reviewed may be applicable as the only one used (stand alone) or may be used in conjunction with other investments (sleeve). The alternatives are:

1. Age Based
2. Risk Based
3. Managed Account
4. Short Term (Omitted: Not suitable for this alternative)
5. Grandfathered (Omitted: Not suitable for this alternative)


The Applicability phase of the QDIA validation examines the *Investment* to determine which alternatives apply and whether it may be used stand-alone and/or as a sleeve.

A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
1. Age Based - An investment fund product or model portfolio that:			
a) ...applies generally accepted investment theories,	Yes	Yes	The investment approach used is consistent with well established principles and theories. <i>ICON Risk-Managed Balanced Fund</i> seeks to maintain a consistent level of risk by varying the equity mix from as low as 25% to a high of 75%, depending on the relative price to value. To manage the risk of holding equity securities, the <i>Investment</i> may write calls or purchase puts on the securities or securities indexes.
b) ...is diversified so as to minimize the risk of large losses,	Yes	Yes	<i>Investment</i> is diversified among asset classes, industries and geographic regions.
c) ...is designed to provide varying degrees of long-term appreciation and capital preservation	No	N/A	<i>Investment</i> may be used as a sleeve if the QDIA manager of the plan varies the degree of capital appreciation and capital preservation through the use of cash or other low volatility components.
d) ...through a mix of equity and fixed income exposures	Yes	Yes	<i>Investment</i> contains both equities and fixed income in addition to options.
e) ...based on the participant's age, target retirement date (such as normal retirement age under the plan) or life expectancy.	No	N/A	<i>Investment</i> may be used as a sleeve if the QDIA manager of the plan selects the degree of capital appreciation and capital preservation based on the participants' age.

A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
f) Such products and portfolios change their asset allocations and associated risk levels over time with the objective of becoming more conservative (i.e., decreasing risk of losses) with increasing age.	No	N/A	<i>Investment</i> may be used as a sleeve if the QDIA manager of the plan changes the risk levels over time with the objective of becoming more conservative.
<p>➔ SUMMARY: The <i>ICON Risk-Managed Balanced Fund</i> qualifies to be used as part of a qualified model portfolio in conjunction with other investments but may NOT be used as an AGE-BASED QDIA.</p>			

A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
2. Risk Based - An investment fund product or model portfolio that:			
a) ...applies generally accepted investment theories	Yes	Yes	The investment approach used is consistent with well established principles and theories. <i>ICON Risk-Managed Balanced Fund</i> seeks to maintain a consistent level of risk by varying the equity mix from as low as 25% to a high of 75%, depending on the relative price to value. To manage the risk of holding equity securities, the <i>Investment</i> may write calls or purchase puts on the securities or securities indexes.
b) ...is diversified so as to minimize the risk of large losses	Yes	Yes	<i>Investment</i> is diversified among asset classes, industries and geographic regions.
c) ...is designed to provide long-term appreciation and capital preservation	Yes	Yes	<i>Investment</i> is designed to manage the risk of capital loss and produce appreciation that is consistent with capital preservation.
d) ...through a mix of equity and fixed income exposures	Yes	Yes	<i>Investment</i> contains both equities and fixed income in addition to options.
e) ...consistent with a target level of risk appropriate for participants of the plan as a whole.	Yes	Yes	The <i>Investment</i> seeks total return with a low to moderate correlation to traditional financial market indexes. When used as a sleeve of a larger investment, cash may be added when lower levels of risk are desired.
SUMMARY: The <i>ICON Risk-Managed Balanced Fund</i> qualifies as a RISK-BASED QDIA either as a standalone investment or when used as part of a qualified model portfolio in conjunction with other investments.			

A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
3. Managed Account - An investment management service with respect to which:			
a) ...a fiduciary that is either, I. an investment manager, within the meaning of section 3(38) of ERISA; II. a trustee of the plan that meets the requirements of section 3(38)(A), (B) and (C) of ERISA; or III. the plan sponsor who is a named fiduciary, within the meaning of section 402(a)(2) of ERISA,	No	N/A	The <i>Investment</i> is not appropriate by itself as a managed account but may be included in a managed account by a qualified QDIA manager of the plan.
b) ...applying generally accepted investment theories,	Yes	Yes	The investment approach used is consistent with well established principles and theories. <i>ICON Risk-Managed Balanced Fund</i> seeks to maintain a consistent level of risk by varying the equity mix from as low as 25% to a high of 75%, depending on the relative price to value. To manage the risk of holding equity securities, the <i>Investment</i> may write calls or purchase puts on the securities or securities indexes.
c) ...allocates the assets of a participant's individual account	No	N/A	The <i>Investment</i> is not appropriate by itself as a managed account but may be included in a managed account by a qualified QDIA manager of the plan.
d) ...to achieve varying degrees of long-term appreciation and capital preservation,	No	N/A	<i>Investment</i> may be used as a sleeve if the QDIA manager of the plan varies the degree of capital appreciation and capital preservation through the use of cash or other low volatility components.
e) ...through a mix of equity and fixed income exposures,	Yes	Yes	<i>Investment</i> contains both equities and fixed income in addition to options.
f) ...offered through investment alternatives available under the plan,	Yes	Yes	The <i>Investment</i> is appropriate for inclusion in the plan and thus be made available to a qualified QDIA manager of the plan.

A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
g) ...based on the participant's age, target retirement date (such as normal retirement age under the plan) or life expectancy.	No	N/A	<i>Investment</i> may be used as a sleeve if the QDIA manager of the plan varies the degree of capital appreciation and capital preservation based on the participant's age, target retirement date or life expectancy.
h) Such portfolios are diversified so as to minimize the risk of large losses and	Yes	Yes	<i>Investment</i> may be used as a sleeve if the QDIA manager of the plan varies the degree of capital appreciation and capital preservation through the use of cash or other low volatility components.
i) ...change their asset allocations and associated risk levels for an individual account over time with the objective of becoming more conservative (i.e., decreasing risk of losses) with increasing age.	No	N/A	<i>Investment</i> may be used as a sleeve if the QDIA manager of the plan varies the degree of capital appreciation and capital preservation through the use of cash or other low volatility components for an individual account over time with the objective of becoming more conservative.
 SUMMARY: The <i>ICON Risk-Managed Balanced Fund</i> does NOT qualify to be used in a MANAGED-ACCOUNT QDIA by itself but may be used as part of a qualified model portfolio in conjunction with other investments.			

Qualification Analysis

No violations of self-dealing prohibitions were found and The *ICON Risk-Managed Balanced Fund* was found to meet the QDIA requirements for the alternatives shown in the Validation Grid section of this report. The analysis included the following findings:

B. QUALIFICATION ANALYSIS			
REGULATORY GUIDELINE	DALBAR EVALUATION	RESULT	COMMENTS
1. SELF-DEALING PROHIBITIONS - A fiduciary with respect to a plan shall not:			
a) ...deal with the assets of the plan in his own interest or for his own account,	Does <i>Manager</i> have discretion to vary its compensation based on changing holdings within the <i>Investment</i> ?	Pass	<i>Manager's</i> compensation is unaffected by investment decisions made for the <i>Investment</i> .
b) ...in his individual or in any other capacity act in any transaction involving the plan on behalf of a party (or represent a party) whose interests are adverse to the interests of the plan or the interests of its participants or beneficiaries, or	Does <i>Manager</i> have interests that are adverse to those of participants?	Pass	<i>Manager's</i> interests are not adverse to participants' by virtue of the fact that <i>Manager's</i> compensation increases with growth in asset value in participants' accounts and decreases if assets decline.
c) ...receive any consideration for his own personal account from any party dealing with such plan in connection with a transaction involving the assets of the plan.	Does <i>Manager</i> receive compensation from another party for managing the <i>Investment</i> ?	Pass	<i>Manager</i> does not use compensated structures such as fund of funds. Soft dollar arrangements exist but are of little significance in relation to the <i>Manager's</i> total compensation.

B. QUALIFICATION ANALYSIS															
REGULATORY GUIDELINE	DALBAR EVALUATION	RESULT	COMMENTS												
2. CONDITIONS FOR QDIA FIDUCIARY RELIEF															
a) Consider investment fees and expenses in choosing a QDIA	Do expenses for this <i>Investment</i> fall within the normal range of other investments of this type?	Pass	Actual Expenses for <i>ICON Risk-Managed Balanced Fund</i> are higher than the Benchmark for all share classes: <table border="1"> <thead> <tr> <th>Class</th> <th>Actual</th> <th>Benchmark*</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>1.48</td> <td>1.22</td> </tr> <tr> <td>C</td> <td>2.23</td> <td>2.00</td> </tr> <tr> <td>S</td> <td>1.24</td> <td>0.93</td> </tr> </tbody> </table> *Benchmark is derived from the corresponding share classes of Moderately Balanced Funds.	Class	Actual	Benchmark*	A	1.48	1.22	C	2.23	2.00	S	1.24	0.93
Class	Actual	Benchmark*													
A	1.48	1.22													
C	2.23	2.00													
S	1.24	0.93													
b) Material is provided to participant relating to his/her QDIA.	Is <i>Investment</i> material appropriate for plan participants?	Pass ¹	Material contains language and information that plan participants cannot reasonably be expected to interpret and utilize in decision-making without the assistance of an expert.												
c) Notice must be written in a manner calculated to be understood by the average plan participant.	Is the information provided for inclusion in the required notice understandable to an average participant? <u>Note: Plan fiduciary must determine that the entire notice can be understood.</u>	Pass ¹	Under most circumstances, the average plan participant will not be able to understand the information extracted from the materials.												
3. QDIA Requirements															
a) QDIA shall not permit employer securities except as investments within regulated investment companies or as employer match.	Does <i>Investment</i> permit use of employer securities outside of the QDIA exceptions?	Pass	<i>Investments</i> are registered investment companies and qualify under the exemption applicable to employer securities.												

¹ While regulations do not require investment managers to produce materials that are appropriate and understandable by the average plan participant, responsible plan fiduciaries do have that responsibility. Very few responsible plan fiduciaries have the skill and knowledge to prepare such materials, so DALBAR recommends that investment managers assist by preparing suitable materials. **Materials prepared by ICON Advisers, Inc. are not considered to be suitable or understandable by average plan participants.**

B. QUALIFICATION ANALYSIS			
REGULATORY GUIDELINE	DALBAR EVALUATION	RESULT	COMMENTS
b) QDIA may not impose financial penalties or restrict the ability of a participant to transfer.	Are there restrictions or fees to transfer out of <u>Investment</u> which are prohibited under QDIA regulations?	Pass	Provisions exist that give the <u>Manager</u> the right to use restrictions in the event that market timing is discovered. This is <u>not</u> considered to be a material failure.
c) QDIA is either managed by an investment manager, as defined in section 3(38) of ERISA, or plan trustee, or plan sponsor who is a named fiduciary or is a registered investment company or a stable value fund under State or federal regulation.	Does the <u>Manager</u> meet the criteria appropriate for the type of QDIA being validated?	Pass	<u>Investments</u> are registered investment companies.

Reasonableness as an Investment

QDIA regulations require that investments be reasonable, which DALBAR has further defined as falling within a normal range of comparable investments. The Reasonableness Analysis presented reflects this standard.

Plan fiduciaries are responsible for reviewing current investment information and making the determination that the *ICON Risk-Managed Balanced Fund* is a reasonable investment for the plan. Plan fiduciaries, including plan sponsors, are encouraged to seek independent expert advice in making the selection and monitoring of investments.

In order to assist in the determination DALBAR provides the following observations based on information available at the time of this evaluation.

C. REASONABLENESS INVESTMENT ANALYSIS	
DALBAR INVESTMENT CRITERIA	OBSERVATIONS
1. Minimum track record	
The average history for each underlying asset class investment strategy should be at least three years.	The history of underlying asset classes is well over three years. The <i>Investment</i> has no history using the current investment strategy which commenced August 2013.
2. Stability of the organization	
The average tenure of the portfolio management team for each underlying asset class investment strategy should be at least two years.	The management of the <i>Investment</i> assumed responsibility in March, 2014. While the portfolio managers have broad experience, there is no record that can be attributed to this <i>Investment</i> .
3. Assets in the product	
The average underlying asset class investment strategy should have at least \$75 million under management (can include assets in other funds with the same strategy).	The assets under management of \$57 million fall below the threshold.
4. Holdings consistent with style	
a) The allocation to equities is evaluated against the peer group – highest allocation to least - the screening threshold being set at the bottom quartile;	The equity allocation of the <i>ICON Risk-Managed Balanced Fund</i> is within the norm for moderate risk balanced funds.
b) The allocation to fixed income is evaluated against the peer group – highest allocation to least - the screening threshold being set at the bottom quartile.	The fixed income allocation of the <i>ICON Risk-Managed Balanced Fund</i> is within the norm for moderate risk balanced funds.

C. REASONABLENESS INVESTMENT ANALYSIS	
DALBAR INVESTMENT CRITERIA	OBSERVATIONS
5. Correlation to style or peer group	
The number of asset classes that make up the QDIA are evaluated against the peer group - most asset classes to least - the screening threshold being set at the peer group median.	The underlying asset classes of <i>ICON Risk-Managed Balanced Fund</i> are diverse equity and fixed income investments. The investment mix is consistent with a balanced portfolio.
6. Expense ratios/fees	
a) The wrapper expense is evaluated against the peer group – cheapest to most expensive - the screening threshold being set at the bottom quartile.	Total expenses for the <i>ICON Risk-Managed Balanced Fund</i> class S shares is 124 bps which is above the norms of 93 bps for institutional class balanced funds.
b) The average expense ratio of each underlying asset class investment strategy is evaluated against the peer group - cheapest to most expensive - the screening threshold being set at the bottom quartile.	N/A - Underlying investments are not mutual funds.
7. Performance relative to assumed risk	
This analysis evaluates historical performance within the context of overall risk. It examines the number of positive and negative annual returns, the average of the positive and negative annual returns, and the best and worst annual returns, for a minimum of three years (max: 10 years).	There is no performance record applicable to the current investment strategy.
8. Performance relative to a peer group	
The average 1-, 3-, and 5-year performance of each asset class investment strategy is evaluated against the peer group's median.	There is no performance record applicable to the current investment strategy.

Appendices

- A. Asset Allocators
- B. Expense Analysis

A. Asset Allocators

INVESTMENT	ALLOCATOR	TOTAL YEARS EXPERIENCE	YEARS WITH FUND
<i>ICON Risk-Managed Balanced Fund</i>	Zach Jonson, CFA (Equities & Options and Fixed Income)	7	1
	Donovan J (Jerry) Paul, CFA (Fixed Income)	38	New

B. Expense Analysis

→ *Fees and Expenses vs. Peer Group at 9/30/2013*

Note: Items in **BOLD** indicate at or lower than average peer group expenses.

Investment	12b-1 Fee	Front Load	Deferred Load	Expense Ratio
ICON Risk-Managed Balanced Fund				
Class A	0.25	5.75	1.00	1.48
Moderately Balanced Funds	0.24	5.31	0.00	1.22
Class C	1.00	0.00	1.00	2.23
Moderately Balanced Funds	0.96	0.00	1.00	2.00
Class S	0.00	0.00	0.00	1.24
Moderately Balanced Funds – Institutional Class	0.00	0.00	0.00	0.93



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