

NorthCoast Navigator

December 2014



NorthCoast Remains Opportunistic As Equities Advance

After a volatile October, U.S. equities (S&P 500) steadily rose throughout November to end the month +2.6%. The S&P 500 is +13.3% YTD with one month remaining in 2014. Aside from the valuation concerns, much of our U.S. market analysis remains positive:

Technical: **Improving** / Sentiment: **Positive** / Macroeconomic data: **Strong** / Valuation levels: **Weak**

Globally, we are witnessing a growing disparity in the economic recoveries and stimulus strategies among the different regions and countries, particularly in the Eurozone and Japan. The Japanese market has seen positive signs after the central bank's decision to expand the quantitative easing program. However, it is important to consider a possible setback given the size of the QE program. Asset purchases in Japan are approaching 60% of GDP; more than double that of its counterparts in the U.S., European Central Bank and the Bank of England.

We enter December between 75%-85% invested in equities across our tactical strategies. In the month ahead, we will pay close attention to momentum and valuation data points. These indicators, along with our fear index, came under pressure and moved lower in November. We will continue to monitor these developments each day and make necessary adjustments when warranted.

TECHNICAL	SENTIMENT	MACROECONOMIC	VALUATION
<ul style="list-style-type: none"> ▪ S&P 500 ended the month +2.6% and YTD +13.3% ▪ Momentum increased with the S&P 500 4% above its 50-day moving average, 4% above the 100-day, and now 7% above the 200-day ▪ After hitting a two-year high at 25.2 in October, Volatility (VIX) retreated to its yearly of 14.1 	<ul style="list-style-type: none"> ▪ Equity fund flows increased 5.4% ▪ The UM Consumer Sentiment Survey edged higher for the 5th straight month to 89.4, its highest level in seven years ▪ The boost in consumer sentiment is partially due to lower gas prices which could help retail sales this holiday season ▪ Homebuilder sentiment increased in November 	<ul style="list-style-type: none"> ▪ U.S. GDP growth estimate ticked up to an annualized +3.9% in the 3rd quarter ▪ Job market has been growing at the pace of 225,000 per month with gains across almost all industries and regions ▪ A stronger job market with wage increases will be a stimulus for increased consumer spending 	<ul style="list-style-type: none"> ▪ P/E rose to its highest level of the year of 18.3 ▪ Forward P/E also ticked up to 17.2 ▪ Both still above their 10-year historical averages and in line with valuation ratios experienced during the recent financial recession

As of 11/30/2014. Data provided by Bloomberg, GoldmanSachs, Morningstar, Bureau of Economic Analysis.

The NorthCoast Navigator is a market "barometer" displaying NorthCoast's current equity outlook. This aggregate metric is determined by multiple data points across four broad dimensions including Technical, Sentiment, Macroeconomic, and Valuation indicators. The daily result determines equity exposure in our tactical strategies.

Strategies Steadily Increase Throughout November

STRATEGY	DESCRIPTION	COMMENTARY	EQUITY EXPOSURE (END OF MONTH)
CAN SLIM®	All-Cap Tactical Growth	CAN SLIM® held an average 78% equity exposure level throughout November as U.S. equities continued to increase. The increased cash position weighed on performance but stocks within the strategy performed well overall. Positions such as M, VIAB, and V were liquidated and replaced with BIIB and an increase to our GILD position.	76%
CAN SLIM® INTERNATIONAL	All-Cap International Tactical Growth	CAN SLIM® International steadily increased its equity exposure throughout November as global markets provided an opportunity for attractive entry. Performance doubled the ACWI ex-U.S benchmark for the month as stock selection boosted the portfolio.	85%
LEGENDS VALUE	All-Cap Value	Legends Value's roughly 12% exposure to oil and energy stocks led to a disappointing end to the month. Much of the names in the sector have been hit by the continued decrease in oil prices.	100% (no cash scaling)
TACTICAL GROWTH	Dynamic ETF Allocation Growth	After conducting additional research into specific regions, Tactical Growth sold its EFA position and concentrated the weighting into EWJ (Japan), EPP (Pacific ex-Japan), and EZU (European Union). As international markets remained unstable, the strategy increased its U.S. Large-Cap and Mid-Cap exposure in IVV and IJH.	88%
TACTICAL INCOME	Dynamic ETF Allocation Income	Tactical Income adjusted its holdings as the outlook favors credit bonds over municipal offerings. The strategy bought into IGF (Global Infrastructure) and REM (Real Estate) while liquidating IDV (International Select Dividend) and MUB (Municipal Bond). Cash position was reduced to take advantage of the current yield environment.	15%

The securities shown are for informational purposes only. They can change and are not a recommendation to buy or sell any of these securities or to allocate a portfolio in this manner. Data and performance shown is through 11/30/2014. Provided by Bloomberg, Investor's Business Daily, NorthCoast Asset Management.

About NorthCoast



NorthCoast Asset Management is an established leader in the field of tactical investment management, specializing in quantitative research and constructing risk-managed equity portfolios. Our experienced management team, long-term portfolio performance, and premier partnerships make NorthCoast a preferred choice for astute growth-oriented investors seeking downside risk protection.

Recent Publications

November Navigator

78%



October Navigator

94%



Mid-October Market Update (October 15, 2014)