

# NorthCoast Navigator

September 2015



In the five trading days from 8/19-8/25, the S&P 500 dropped almost 10% in value. One day later, on the 26<sup>th</sup>, with uncertainty and fear at recent highs, we published the following the message on our bullish outlook and sent it to each of our clients and partnering advisors. We encourage you to read the message [here](#).

Today, the same trepidation and uncertainty exists with fears of a stalling economy in China and discussions of a Federal Reserve rate hike leading the charge. Throughout the turmoil, NorthCoast maintained its positioning and even added slight exposure. While technical signals warrant concern, attractive valuation metrics are at levels not seen since mid-2013. A slow-growing U.S. economy with solid job growth and increasing housing starts provides optimism amidst a more stagnant global backdrop.

The individual equity strategy, CAN SLIM<sup>®</sup>, ended the month with an 85% equity position while the managed ETF solution, Tactical Growth, slightly increased to 96% equity invested (45% U.S. / 51% International).

TECHNICAL	SENTIMENT	MACROECONOMIC	VALUATION
<ul style="list-style-type: none"> <li>▪ S&amp;P 500 ended the month -6.1% and sits -3.3% YTD, with the ACWI ex-U.S. (All-Country World Index minus U.S.) -7.6% in August and -4.2% YTD</li> <li>▪ Momentum reversed in August with the S&amp;P 500 5% below the 50-day moving average, 6% below 100-day and 5% below the 200-day (a key indicator for many technical analysts)</li> <li>▪ Volatility (VIX) ended August at 28.6, its highest level since 2011</li> </ul>	<ul style="list-style-type: none"> <li>▪ Equity fund (SPY) flows slightly increased 0.8% in August</li> <li>▪ The UM Consumer Sentiment Survey down ticked from its recent high to 91.9</li> <li>▪ Short Interest remained relatively unchanged</li> <li>▪ The AAll sentiment survey displayed a recent uptick in the number of investors feeling bullish, possibly a sign of confidence as investors see value after the recent pullback</li> </ul>	<ul style="list-style-type: none"> <li>▪ U.S. unemployment slightly increased to 5.5%, while employers added 215,000 jobs</li> <li>▪ The Leading Economic Indicators survey data remained relatively unchanged at their current high level</li> <li>▪ U.S. Housing starts hit the 1,000+ mark again in July</li> <li>▪ Chinese equities experienced another major decline as the Shanghai Composite Index fell almost 13% in August</li> </ul>	<ul style="list-style-type: none"> <li>▪ S&amp;P 500 P/E levels decreased to 17.4 with forward P/E at 16.7</li> <li>▪ Growth and value stocks declined equally during August's pullback</li> <li>▪ All sectors were hit by the monthly decline with Energy, Utilities, and Telecommunications performing best</li> </ul>

As of 8/31/2015. 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.

STRATEGY	DESCRIPTION	COMMENTARY	EQUITY EXPOSURE (END OF MONTH)
<b>CAN SLIM®</b>	All-Cap Tactical Growth	As equities declined in August, CAN SLIM® experienced a pullback in line with the S&P 500. After the unexpected decline, CAN SLIM® sought to take advantage with purchases of AAPL, GS, and VLO.	85%
<b>CAN SLIM® INTERNATIONAL</b>	All-Cap International Tactical Growth	International equities declined for a fourth consecutive month as global markets were shaken by growth concerns in China. CAN SLIM® International with approx. 6% exposure in Chinese equities, felt the negative effects of the broad market hit.	96%
<b>LEGENDS VALUE</b>	All-Cap Value	Legends Value managed to soften the blow of the August decline as the strategy fell roughly 1.5% less than the S&P 500. Stock selection was a key differentiator in the performance.	100% (no cash scaling)
<b>TACTICAL GROWTH</b>	Dynamic ETF Allocation Growth	The NorthCoast ETF strategies removed U.S. equity exposure in early August, which benefitted the portfolios during the August pullback. The strategy took advantage of the decline by adding equity exposure after the sell-off.	96%
<b>TACTICAL INCOME</b>	Dynamic ETF Allocation Income	The strategies were highlighted in the recent edition of the Investor's Business Daily.  Click <a href="#">here</a> for the full report.	15%

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