

Except for the almost 2% decline yesterday (7/31), little changed in the S&P 500 throughout July. Lower volume partnered with few data-changing signals kept the market at bay for the month and the summer season as a whole. Yesterday's sell-off was somewhat expected by many institutional investors, and even welcomed as a healthy sign for the market after almost six months of positive movement. The Fed's policy uncertainty, sanctions on Russia, Argentina's default, and even deflation concerns in Europe all had a hand in the move.

The earnings season thus far has been viewed positively as stocks initially exhibited gains. However, fatigue may be setting in as aggressive selling took effect in risky assets, including U.S. equities and high yield bonds. As of 7/28, roughly 80% of companies reporting earnings have beaten analysts profit estimates, while 69% exceeded on the sales front. In Europe, 65% of European companies have beaten expectations versus a historical average of 62%.

Across the four dimensions of market data points we evaluate, we remain bullish in three of them with only valuation indicators providing minor cause for concern. The market has experienced strong upside buying, volatility has remained low (aside from yesterday), and PMI levels continue to be supportive. At the macroeconomic level, the economy continues to move in a stable, low-growth environment.

Our tactical programs, particularly CAN SLIM®, increased equity exposure during the month as the market trended lower during a positive earnings season, therefore providing attractive entry points for certain stocks. More information on individual strategies below.



The NorthCoast Navigator is a market "barometer" displaying NorthCoast's current equity outlook. This score 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.

MARKET DIMENSION	OUTLOOK	COMMENTARY
<b>TECHNICAL</b> <i>positive</i>	↑	<ul style="list-style-type: none"> <li>S&amp;P 500 ended the month down -1.4% with YTD at +5.3%</li> <li>Momentum decreased in July with the market 1% below its 50-day moving average, 1% above the 100-day, and 4% above the 200-day</li> <li>Volatility (VIX) spiked to almost 17 (+25% change) during yesterday's decline</li> </ul>
<b>SENTIMENT</b> <i>positive</i>	↑	<ul style="list-style-type: none"> <li>SPY equity funds experienced positive flows (4.0%) in July</li> <li>According to the AAI sentiment survey, more investors flipped from bullish to bearish, indicating a positive development as the survey is seen as a contrarian indicator</li> <li>Short interest and retail sentiment survey results remained relatively unchanged</li> </ul>
<b>MACROECONOMIC</b> <i>positive</i>	↑	<ul style="list-style-type: none"> <li>The unemployment rate edged slightly higher to 6.2% while more workers joined the labor force</li> <li>U.S. added 209,000 jobs in July, the 6th straight month employment expanded by 200,000+ jobs</li> </ul>
<b>VALUATION</b> <i>negative</i>	↓	<ul style="list-style-type: none"> <li>P/E decreased to 17.6 and Forward P/E to 16.2, trending closer to but still above their 10-year historical averages</li> </ul>

As of 7/31/2014. Data provided by Bloomberg, GoldmanSachs, Morningstar.

	<p>CAN SLIM® felt the effects of yesterday's sell-off and ended the month in negative territory. Top performers included C, LMT, and NOC with the biggest boost coming from GILD. Exposure increased in July and ended the month almost 95% invested.</p>	95%
	<p>CAN SLIM® International ended the month slightly negative as yesterday's decline tapped into international equities as well. Top performers were EJ and BIDU with CSIQ providing a drag on the portfolio.</p>	82%
	<p>Value stocks moved in line with growth stocks and the market as a whole in July with little separation between the three. Top performers were PETM, NSR, and VZ.</p>	100% (no cash scaling)
	<p>iShares Core S&amp;P 500 ETF (IVV) marched to a new 52-week high in late July before pulling back at the end of the month. Corporate earnings helped propel this ETF, which is the number two holding of the portfolio. "Earnings have been a little bit better than historically", Jamin said of Q2 earnings results. "The market is keeping a watchful eye and is pretty sensitive to any misses, but overall it has been a pretty decent earnings season."</p>	87%
	<p>iShares U.S. Preferred Stock ETF (PFF) was among the positions hitting new highs in July. The number two holding of the portfolio has risen steadily in 2014. "PFF has been a consistent holding in our portfolio". The position has been a top performer for the portfolio, gaining 11.2% so far this year.</p>	10%

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 7/31/2014. Provided by Bloomberg, Investor's Business Daily, NorthCoast Asset Management.

Portion of the market commentary is attributed to BlackRock Asset Management's "Weekly Investment Commentary" July 28, 2014.



**Past performance is not indicative of future results.** All investments involve risk, including loss of principal.

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