

NorthCoast Navigator

January 2015



NorthCoast Remains Cautiously Bullish Heading into 2015

For a sixth consecutive calendar year, U.S. equities closed in positive territory. The S&P 500 ended 2014 +13.0% (including dividends), the third straight year of double-digit gains.

Positive macroeconomic data in the U.S. propelled stocks throughout 2014. Increasing GDP growth, positive job growth, decreasing unemployment and confidence in the economy from the Federal Reserve to end Quantitative Easing all contributed to the positive movement.

Much of the concern and many of the 2014 market pull-backs were caused by instability and geopolitical factors outside the United States. A weakened recovery in Europe, slow growth in Emerging Markets including China, and political tensions with Russia caused international equities to fall in 2014 with the ACWI ex-US (All-Country World Index excluding U.S.) ending the year -3.9%, an almost 17% difference from the S&P 500. Heading into 2015, many of the same themes exist. Positive momentum in the U.S. and uncertainty globally guide the investment decisions.

NorthCoast remains cautiously bullish or "Opportunistic" in this environment, with our tactical portfolios between 85%-90% equity invested.

| TECHNICAL | SENTIMENT | MACROECONOMIC | VALUATION |
|---|--|--|--|
| | | | |
| <ul style="list-style-type: none"> ▪ S&P 500 ended the month -0.30% and YTD +13.0% ▪ Momentum decreased but remained positive with the S&P 500 1% above its 50-day moving average, 3% above the 100-day, and 5% above the 200-day ▪ Amidst global uncertainty, Volatility (VIX) rose and ended at 19.2, near its yearly high | <ul style="list-style-type: none"> ▪ Equity fund flows increased 8.7% ▪ The UM Consumer Sentiment Survey edged higher for the 6th straight month to 93.6, its highest level in eight years ▪ Homebuilders confidence continued to rise as it reached a level near its nine year high ▪ Higher wages and reduced oil prices increased consumer sentiment | <ul style="list-style-type: none"> ▪ U.S. GDP continued to advance with expectations of 4% - 5% growth in 2014 ▪ U.S. Labor income increased 1% in November, the strongest rise since 2006 ▪ Global data weakened international outlook as both Chinese and Eurozone manufacturing levels remain subdued ▪ Declines in oil price could lead to larger growth to U.S. GDP | <ul style="list-style-type: none"> ▪ P/E remained relatively unchanged over the month and finished 18.2, just shy of its yearly high ▪ Forward P/E ended at 17.2 with no change over the month ▪ Both still above their 10-year historical averages and in line with valuation ratios experienced during the recent financial recession |

As of 12/31/2014. 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 Relatively Unchanged in December to End Positive 2014

| STRATEGY | DESCRIPTION | COMMENTARY | EQUITY EXPOSURE (END OF MONTH) |
|--------------------------------|---------------------------------------|--|-----------------------------------|
| CAN SLIM® | All-Cap Tactical Growth | With a high equity investment level near 100% and a low at 65% invested, CAN SLIM® navigated a volatile yet positive 2014. Keeping in line with the S&P 500, CAN SLIM posts a double-digit gain for the 2 nd year in a row as quality stock picking and improved risk metrics propel the strategy. | 85% |
| CAN SLIM® INTERNATIONAL | All-Cap International Tactical Growth | CAN SLIM® International felt the effects of an underperforming global marketplace. Across international markets including Europe and China, international equities ended negatively, but with an average 15% cash level throughout the year and profitable stock selection, CAN SLIM® International ended slightly below even. | 90% |
| LEGENDS VALUE | All-Cap Value | Throughout the year, value stocks underperformed their growth counterparts. Legends Value's fully-invested mandate provided strong returns off the periodic pullbacks but its high exposure to oil stocks in the 2 nd half of the year dampened performance. | 100% (no cash scaling) |
| TACTICAL GROWTH | Dynamic ETF Allocation Growth | Tactical Growth ended the year in positive territory, but with its high exposure to international equities, the strategy struggled as global stocks underwhelmed and small-cap equities significantly underperformed their large-cap counterparts. The strategy was kept positive by its large holding in IVV (S&P 500 Large-Cap ETF). | 85% |
| TACTICAL INCOME | Dynamic ETF Allocation Income | Tactical Income took advantage of the Federal Reserve's dovish outlook throughout the year and maximized exposure to higher duration and higher yield offerings which boosted performance. Positions in high-yield corporate debt, dividend equities, and real estate were a few of the top performers. | 20% |

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 12/31/2014. Provided by Bloomberg, Investor's Business Daily, NorthCoast Asset Management.

About NorthCoast



Recent Publications

December 2014 Navigator
76%



November 2014 Navigator
78%



October 2014 Navigator
92%



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.