

NorthCoast Navigator

March 2015



Equities Rebound in February, Turn Positive for Year

February brought a strong rebound in stocks coupled with confirmation that volatility and uncertainty are prominent fixtures in the 2015 market. After a 3% decline in January, stocks rose almost 6% this month and now sit +2.5% YTD.

Despite the equity decline in January, NorthCoast maintained a “cautiously bullish” outlook for its tactical strategies – notably CAN SLIM and Tactical Growth. Similar to January-February 2014, the strategies stayed invested and took advantage of the early sell-off and rebound to move positive in 2015.

While technical indicators (market action) are a factor in determining market exposure levels, they are only one piece of NorthCoast’s comprehensive market outlook model. Other factors that play a role in future market movement are valuation, macroeconomic data, and analyst sentiment. While technical indicators weakened and valuation levels were still near highs at the end of January and into February, strong domestic and international macroeconomic data combined with analyst support provided the rationale to stay invested.

As February, and equities, advanced, valuation levels increased while macroeconomic and sentiment outlook faded. Consequently, NorthCoast slightly reduced exposure to just over 80% (down from 91% at the beginning of February) and enters March in an “Opportunistic” environment.

TECHNICAL	SENTIMENT	MACROECONOMIC	VALUATION
↔	↑	↑	↔
<ul style="list-style-type: none"> ▪ S&P 500 ended the month +5.6%, with the ACWI ex-U.S. (All-Country World Index minus U.S.) +5.4% ▪ Momentum increased with the S&P 500 3% above its 50-day moving average, 4% above the 100-day, and 6% above the 200-day <p>With a steady incline in equities, Volatility (VIX) dropped off and ended February at 13.4 (a 33% decrease from January)</p>	<ul style="list-style-type: none"> ▪ Equity fund (SPY) flows increased 1.0%, as investors see strength in U.S. equities ▪ The UM Consumer Sentiment Survey ticked down to 95.4, its first decrease in over six months ▪ Short interest increased as equities rose in February ▪ Investor sentiment remains relatively unchanged in February* <p><small>*Investor Sentiment seen as a contrarian indicator</small></p>	<ul style="list-style-type: none"> ▪ More than one million jobs have been created in the past three months (more than 3x the job growth necessary to absorb workers who enter the labor force in a typical year) ▪ Germany and France posted increasing PMI figures ▪ A Greek debt deal was announced, providing confidence in the Eurozone region 	<ul style="list-style-type: none"> ▪ S&P 500 P/E increased over the month and finished at 18.9, its highest level in over a year, with Forward P/E ended at 17.8 ▪ Value stocks and growth stocks performed alike in February posting solid gains. ▪ After weak performance in 2014, small-cap and mid-cap stocks are outperforming their large-cap counterparts over the last three months

As of 2/28/2015. 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.

Strategies Bounce Back with Strong February

STRATEGY	DESCRIPTION	COMMENTARY	EQUITY EXPOSURE (END OF MONTH)
CAN SLIM®	All-Cap Tactical Growth	After starting the month 91% invested, CAN SLIM® began liquidating positions to reduce exposure as market outlook slightly weakened in the near-term. The strategy rebounded from a negative January with select positions (e.g. C, ECL, TXN) posting double-digit gains for the month.	82%
CAN SLIM® INTERNATIONAL	All-Cap International Tactical Growth	International exposure remains high as global markets continue to accelerate in 2015. The strategy broke out in February with strong performance, particularly as financial stocks rebounded.	92%
LEGENDS VALUE	All-Cap Value	Value stocks increased with the rest of global equities in February. With the rebound, the strategy liquidated PFE, XOM, and VZ and replaced with OIS, TRI, NVO, the latter increasing 10+% since its purchase point.	100% (no cash scaling)
TACTICAL GROWTH	Dynamic ETF Allocation Growth	Tactical Growth liquidated its position in EWJ (Japan), added EWC (Canada) as macroeconomic and sentiment data points show strength in the country. The strategy also reduced exposure in U.S. equities (IVV, IJH, and IJR) with valuation reaching new high levels.	93%
TACTICAL INCOME	Dynamic ETF Allocation Income	Tactical Income came into February with approx. 15% in cash equivalents. It was put to work by adding 10% exposure to EMB, and a 5% position to TLT in an effort to take advantage of the current fixed-income yield environment.	25%

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 2/28/2015. Provided by Bloomberg, Investor's Business Daily, NorthCoast Asset Management.

Inside NorthCoast

Personnel Movement - NorthCoast is proud to announce the addition of new members to our Sales & Service team. Andrew Burrow and Peter Nieporent join the Private Client team, advising and servicing clients. You can contact Chris & Peter by calling 203.532.7000, or emailing privateclients@northcoastam.com

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.

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