

# NorthCoast Navigator

April 2015



**"The more things change, the more they stay the same." - Jean-Baptiste Alphonse Karr**

After a rocky start to January, equities (S&P 500) rebounded in February, and bounced around in March to end the quarter 0.8% YTD. Even though much of the headline news focused on global geopolitical tensions, fragile economies in the Eurozone and Asia, and decreasing oil prices, stocks continued to show resilience in 2015.

Economic stimulus packages are propelling equities in Japan and China as both markets are experiencing big gains this year. International equities (MSCI All-Country World Index minus U.S.) are +3.5% YTD. In the U.S., similarities to 2014 persist: a cold winter kept retail sales at bay with hope for a spring renewal on deck; unemployment is decreasing with fewer jobless claims; and even though wage growth remains stagnant, the economy continues to improve.

During the first three months of 2015, our tactical strategies (including CAN SLIM® and Tactical Growth) maintained equity exposure between 80%-90%. As markets rebounded in February, we locked in profits and reduced exposure due to increasing valuation concerns. Along the way, minor pullbacks in March provided attractive entry points as our overall market position remained "Opportunistic". We believe this is a favorable environment to make money but risks exist.

Heading into the second quarter, we will closely monitor macroeconomic data along with a pivotal earnings season. Should the data warrant a change in our exposure or specific positions, we will act accordingly.

TECHNICAL	SENTIMENT	MACROECONOMIC	VALUATION
<ul style="list-style-type: none"> <li>S&amp;P 500 ended the month - 1.6% and sits +0.8% YTD, with the ACWI ex-U.S. (All-Country World Index minus U.S.) also - 1.6% in March and +2.0% YTD. Momentum diminished with the S&amp;P 500 in line with the 50-day and 100-day moving averages and Volatility (VIX) increased in March to 15.3 from the February low of 13.3.</li> </ul>	<ul style="list-style-type: none"> <li>Equity fund (SPY) flows decreased 2.5%, the UM Consumer Sentiment Survey ticked down for a 2<sup>nd</sup> consecutive to 93.0, but short interest decreased. Retail investor sentiment turned slightly bearish throughout March. *Investor Sentiment seen as a contrarian indicator</li> </ul>	<ul style="list-style-type: none"> <li>U.S. private sector adds 189,000 jobs in March, lowest level since January 2014 (source: ADP). U.S. Industrial production increased for the 1<sup>st</sup> time in 3 months February, while the Leading Economic Indicators level increased to its highest level since 2007.</li> <li>The Eurozone Markit's Purchasing Managers Index hit a 10-month high in March</li> </ul>	<ul style="list-style-type: none"> <li>S&amp;P 500 P/E dropped in March to end at 18.3 with Forward P/E at 17.5. Growth stocks and value stocks performed alike in March posting negative returns but growth stocks are +2.5% for the year while value stocks lag at -0.7%.</li> <li>After weak performance in 2014, small-cap and mid-cap stocks outperformed their large-cap counterparts in Q1</li> </ul>

As of 3/31/2015. 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.

## Strategies End Choppy March with Mixed Results

STRATEGY	DESCRIPTION	COMMENTARY	EQUITY EXPOSURE (END OF MONTH)
<b>CAN SLIM®</b>	All-Cap Tactical Growth	CAN SLIM®'s equity exposure and growth universe guided performance in Q1. The strategy added exposure during the January pullback and benefited from February's rebound. The omission of mega-cap names (i.e. AAPL) diminished relative strategy performance against the general market, and enters the 2 <sup>nd</sup> quarter with a close eye on earnings season.	82%
<b>CAN SLIM® INTERNATIONAL</b>	All-Cap International Tactical Growth	International exposure remains high as global markets show continued strength in 2015. Stimulus packages across the globe lifted international stocks, with some indices experiencing double-digit gains. CAN SLIM® International added to its break-out February with a positive March.	95%
<b>LEGENDS VALUE</b>	All-Cap Value	NorthCoast's deep-value strategy, Legends Value, benefitted from a positive market early in the year even though value stocks as a whole underperformed their growth counterparts. A few positions with double-digit gains for the year boosted strategy performance.	100% (no cash scaling)
<b>TACTICAL GROWTH</b>	Dynamic ETF Allocation Growth	Tactical Growth shifted global allocation in March as it increased exposure to Japan (EWJ) and the Pacific ex Japan (EPP) and reduced exposure to large and mid-cap U.S. equities (IVV/IJH). The strategic change comes as U.S. valuations draw concerns while outlook for international equities continues to improve.	92%
<b>TACTICAL INCOME</b>	Dynamic ETF Allocation Income	Tactical Income holds its current positioning (no changes in March) with the belief that the economy is improving and the default rate is likely to remain stable. HYG (High Yield Corporate) remains the top holding, as high yield bonds are generally less sensitive to interest rate hikes, which are foreseen in the future.	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 3/31/2015. Provided by Bloomberg, Investor's Business Daily, NorthCoast Asset Management.

*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.*