

NorthCoast Navigator

May 2015



Equities (S&P 500) softened over the recent week and capped off the month with a -1% drop on the last trading day. The S&P 500 now sits +1.7% YTD with international stocks (ACWI ex-U.S.) leading the charge at +8.7%.

Sideways trading persisted in April with slight upward action as consecutive positive sessions were pared with sell-offs, and vice versa. With earnings season approaching its midway point, company profits have surprised more to the upside for the first time in almost 6 years. According to Reuters, "seventy percent of S&P 500 companies are beating analysts' expectations for earnings so far, while just 44 percent are surpassing revenue forecasts." Apple (AAPL), the largest company by market-cap share, was a big reason for the positive results.

Other macroeconomic data has recently softened, providing caution in our investment levels across our tactical strategies. The economy grew at a slow 0.2% pace in the 1st quarter, in part because of the cold winter dampening retail sales and a strong U.S. dollar. Across the globe, international stocks posted positive figures as Japan continued its massive stimulus package and data signaling the Eurozone might be pulling out of deflation.

Heading into May, our tactical strategies remain between 72%-96% invested, as mixed data is providing opportunities and caution across global equities. We will closely monitor macroeconomic data along with the second half of earnings season and the Federal Reserve's decision to eventually raise interest rates. 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"> ▪ S&P 500 ended the month +0.9% and sits +1.7% YTD, with the ACWI ex-U.S. (All-Country World Index minus U.S.) +1.9% in April and +8.7% YTD ▪ Momentum remained relatively the same with the S&P 500 in line with the 50-day, 1% above 100-day moving averages, and 3% above the 200-day ▪ Volatility (VIX) experienced a slight downtick to 14.6 	<ul style="list-style-type: none"> ▪ Equity fund (SPY) flows decreased 7.1%, amid macroeconomic concerns and Fed interest rate speculation ▪ The UM Consumer Sentiment Survey ticked up for the 1st time in 3 months to 95.9 ▪ Short interest increased to its highest level in 2015 ▪ Retail investor sentiment continued its bearish tone for the 3rd straight month, usually seen as a contrarian indicator 	<ul style="list-style-type: none"> ▪ U.S. GDP grew at a sluggish 0.2% pace in Q1, with the cold winter and strong U.S. dollar inhibiting growth ▪ China's official manufacturing PMI came in at 50.1 in April, unchanged from March ▪ Japanese inflation ticked higher in March, with the country's core consumer price index showing 0.2% growth 	<ul style="list-style-type: none"> ▪ S&P 500 P/E remained relatively unchanged at 18.3 with forward P/E at 17.7 ▪ Value stocks slightly outperformed their growth counterparts in April ▪ After a strong 1st quarter, small-cap and mid-cap stocks underperformed large-cap stocks in April as some of the largest market-cap stocks propelled the entire market

As of 4/30/2015. Data provided by Bloomberg, GoldmanSachs, Morningstar, Bureau of Economic Analysis, Thompson Reuters.

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.

Equities Continue to Produce Mixed Results

STRATEGY	DESCRIPTION	COMMENTARY	EQUITY EXPOSURE (END OF MONTH)
CAN SLIM®	All-Cap Tactical Growth	With high valuations and weakening macroeconomic data, CAN SLIM® reduced almost 10% of its equity exposure over the month. Low-scoring stocks were sold either as weak performers or companies whose performance exceeded the benchmark and profits were locked in.	72%
CAN SLIM® INTERNATIONAL	All-Cap International Tactical Growth	International exposure remained at a high level as global equities continue to power through 2015. Central bank stimulus packages, possible inflation in the Eurozone, and rallying equity markets in Australia and Hong Kong propelled equities higher.	96%
LEGENDS VALUE	All-Cap Value	Value stocks remained in line with the general market. Legends Value has had a productive year with multiple stocks posting double-digits gains. 75% of holdings remain in positive territory.	100% (no cash scaling)
TACTICAL GROWTH	Dynamic ETF Allocation Growth	Large cap U.S. stocks (IVV) remained the top holding in Tactical Growth, complemented with stakes in small-cap (IJR) and mid-cap (IJH) U.S. equities. "Small caps will benefit more from a strengthening U.S. economy since small companies are more U.S. centric," says CIO, Patrick Jamin	92%
TACTICAL INCOME	Dynamic ETF Allocation Income	Tactical Income reduced exposure to dividend equities (DVY) and re-allocated to Emerging Market Bonds (EMB) and 10+ Year Credit Bonds (CLY). EMB valuation is attractive and sentiment signals, including economic surprise index and implied volatility, are ranked near the top of our fixed income investment universe.	15%

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 4/30/2015. 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.