

NorthCoast Navigator

August 2015



U.S. equities found ground to stand on at the end of the month as large-cap stocks (S&P 500) ended the month +2.0%, and now sit 3.0% YTD. Early in the month, the majority of U.S. equities gained momentum on the news of an additional [loan reform for Greece](#) and additional central banking measures to stabilize [China's equity market](#). However, the international concerns impacted domestic stocks later in the month as fears of contagion pushed U.S. equities lower before recovering to end the month in positive territory.

Domestically, economic growth likely rebounded in the 2nd quarter as GDP grew at an annualized 2.9%. Increased consumer spending and housing starts offset the drag from the energy sector, particularly oil. The Federal Reserve unanimously decided to keep rates near zero until the next policy meeting. The policy makers continue to see an improving economy but gave no timetable for when the increase in rates could occur.

With little data changing across our four dimensions of indicators, NorthCoast maintained a cautiously bullish (Opportunistic) posture throughout July. The individual equity strategy, CAN SLIM[®], averaged an 85% equity position while the managed ETF solution, Tactical Growth, remained at 93% equity invested (42% U.S. / 51% International).

TECHNICAL	SENTIMENT	MACROECONOMIC	VALUATION
<ul style="list-style-type: none"> ▪ S&P 500 ended the month +2.0% and sits +3.0% YTD, with the ACWI ex-U.S. (All-Country World Index minus U.S.) -0.3% in July and +3.7% YTD ▪ Momentum leveled in July with the S&P 500 even with the 50-day and 100-day moving averages, and 2% above the 200-day (a key indicator for many technical analysts) ▪ Volatility (VIX) ended July at its yearly low at 12.1 as U.S. economic growth trumped international concerns 	<ul style="list-style-type: none"> ▪ Equity fund (SPY) flows slightly increased 1.6% in July ▪ The UM Consumer Sentiment Survey down ticked from its recent high last month to 93.1 ▪ Short Interest slightly increased in July with many short-sellers still on the sidelines after June's sell-off ▪ AAll sentiment survey displayed the lowest level of investors feeling bullish in 2015 (On the other end, more investors were feeling bearish at its highest rate in 2015) 	<ul style="list-style-type: none"> ▪ U.S. unemployment decreased to 5.3%, while employers added 223,000 jobs ▪ Leading Economic Indicators survey data ticked up again and displayed its highest mark in 2015 ▪ Eurozone manufacturing sector grew faster than originally expected, shrugging off Greek debt concerns ▪ Chinese equities experienced their worst month in six years as the Shanghai Composite Index fell 14% 	<ul style="list-style-type: none"> ▪ S&P 500 P/E levels increased to 18.6 with forward P/E at 17.7 ▪ Growth stocks gained 3.6% while value stocks remained relatively flat at 0.4% ▪ Large-caps outperformed in July while small and mid-cap stocks remained relatively flat ▪ Utilities sector rebounded in July (+6.0%) while energy posted another losing month (-7.8%)

As of 7/31/2015. 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.

STRATEGY	DESCRIPTION	COMMENTARY	EQUITY EXPOSURE (END OF MONTH)
CAN SLIM®	All-Cap Tactical Growth	As equities advanced in July, CAN SLIM® experienced a positive month. With earnings season in the rear view mirror, the strategy will closely monitor upcoming macro and sentiment data and seek new positions in effort to boost performance.	88%
CAN SLIM® INTERNATIONAL	All-Cap International Tactical Growth	As international equities pulled back for a third consecutive month, CAN SLIM® International posted a gain of almost 2% in July, with stock selection contributing as a major factor.	96%
LEGENDS VALUE	All-Cap Value	Legends Value remained in line with its value competitors and remains positive YTD. Value stocks as a whole continue to underperform their growth counterparts.	100% (no cash scaling)
TACTICAL GROWTH	Dynamic ETF Allocation Growth	Tactical Growth benefitted from its position in large-cap equities (IVV) in July and then reduced exposure as valuations rose. The strategy added to its position in Japan equities (EWJ), given the ETF's bullish signals relative to IVV.	93%
TACTICAL INCOME	Dynamic ETF Allocation Income	Reducing sensitivity to possible interest rate hikes, Tactical Income pulled back exposure in CLY (10+ Year Credit) and TLT (20+ Year Treasury), and added exposure to MBB (Mortgage-Back Securities) while adding a 5% allocation to IDV (International Dividend Equity).	15%

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