

"Success is no accident. It is hard work, perseverance, learning, studying, sacrifice and most of all, love of what you are doing or learning to do." - Pele

Given the occurrence of the World Cup and today's U.S. game vs. Belgium, the quote above seems timely for our team here at NorthCoast. It also gives weight that even during these early summer months, when trading begins to slow for many firms and investors, NorthCoast continues to work diligently to deliver high caliber solutions to our clients.

Solid performance in June across the majority of equity indices led to the S&P 500 gaining +2% for the month and is now +6.8% YTD. With no major changes in the macroeconomic picture, stocks continued their slow climb in positive territory. In the U.S., Q1 GDP was revised to show a 2.9% annualized decrease, but the news gained little traction in the markets as indicators in Q2 suggest a sharp rebound. Economic growth forecasts still remain at +2% for 2014 and +3% for 2015 according to the International Monetary Fund (IMF).

The University of Michigan reported that its consumer sentiment index rose in June to 82.5 from a May reading of 81.9. However, this confidence has not translated into more spending as consumer purchases rose just 0.2% in May after a flat April. The survey also found that more Americans are saying now is a good time to sell their home, which may boost the real estate market in the summer months. Globally, Japanese shares rose to a five-month high after a positive survey on Chinese manufacturing added to gains. Eurozone bond yields returned to historic lows after the Federal Reserve exhibited a dovish outlook on its monetary policy and the euro declined over 3% after the European Central Bank's cut its main lending rate.

With the upcoming July 4th holiday, we expect trading to remain light and volatility to stay at its yearly lows. Our tactical strategies remain relatively unchanged with equity exposure around 80%.



The NorthCoast Navigator is a market "barometer" displaying NorthCoast's current equity outlook. This score 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.

MARKET DIMENSION	OUTLOOK	COMMENTARY
TECHNICAL <i>positive</i>		<ul style="list-style-type: none"> S&P 500 ended the month near its all-time high, up 2% for the month Momentum was unchanged in June with the market 3% above its 50-day moving average, 4% above the 100-day, and 7% above the 200-day A few intra-month spikes and dips occurred with Volatility (VIX) but still ended June near its yearly low
SENTIMENT <i>positive</i>		<ul style="list-style-type: none"> SPY equity funds experienced positive flows (3.6%) in June Consumer sentiment experienced a slight uptick in June but little changed in consumer spending More Americans feel confident about selling their home indicating a possible increase in real estate over the next few months
MACROECONOMIC <i>positive</i>		<ul style="list-style-type: none"> Little change in unemployment, steady jobless claims, and stable housing starts kept the U.S. economy in a slow, albeit stable and growing environment U.S. GDP was revised slightly negative as Q1 activity was humbled by the cold winter
VALUATION <i>negative</i>		<ul style="list-style-type: none"> P/E increased to 18.0 and Forward P/E to 16.6 placing both above their 10-year historical averages and at their highest levels for the year

As of 6/30/2014. Data provided by Bloomberg, GoldmanSachs, Morningstar.

STRATEGY	HIGHLIGHTS	EQUITY EXPOSURE
	CAN SLIM® outpaced the market in June as growth positions provided a boost to performance. Big winners included DAL, EOG, and PRU with the biggest boost coming from MU. Exposure remained unchanged in June.	82%
	CAN SLIM® International doubled the ACWI ex-US benchmark in June as the ADR universe propelled portfolio stocks. Top performers were BPOP, BIDU, CSIQ, and SU while positions such as BCS and UBS weakened performance.	78%
	Stock picking excelled in Legends Value as it continued its outperformance of its value benchmark. Top performers were APA, EXH, MYGN, and WOR.	100% (no cash scaling)
	Strategy allocation was unchanged in June with global equity performance increasing. The S&P 500 hit another record high in June and remained a large position in the portfolio. Foreign stocks experienced mixed results with Japanese equities in the black while European equities struggled.	87%
	Tactical Income saw an exit from IGF. The position is seen as a more dependable play than traditional dividend equities and as other investors caught on to this, the price was pushed up and its valuation was stretched indicating an opportune exit point. SUB, an AMT-Free Municipal Bond ETF, replaced IGF.	10%

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