NCAM Advisors

QUARTERLY CLIENT UPDATE
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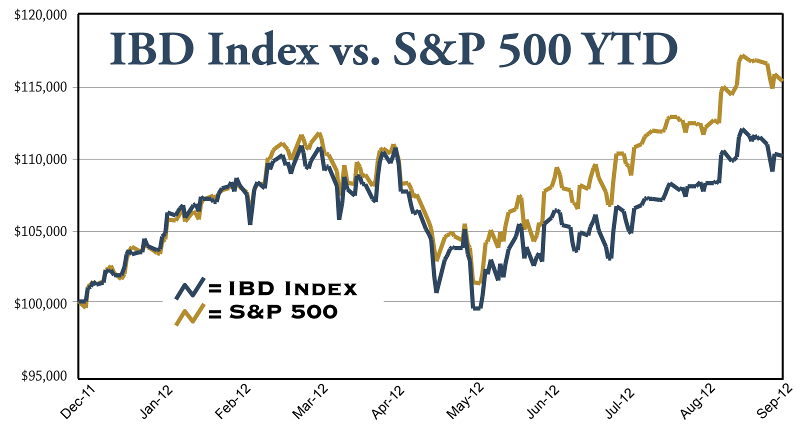
"It is one thing to praise discipline, and another to submit to it." —*Miguel de Cervantes*

The old adage that the market climbs a wall of worry was very apropos last quarter. Though many are scared and it's hard to find anyone excited about stocks, the market advanced and accounts made gains during the third quarter. Since April 30th this year, however, CAN SLIM® stocks have taken a back seat to their low-growth, big-cap, dividend-paying brethren. Take a look at chart 1 for example. It details the year to date performance for the IBD 85 index which is published in Investors Business Daily. This index measures the performance of the top 15% of the stocks in the market (about 250 issues) based on two common traits – high earnings growth and high relative price strength. Over the last ten years (9/30/02-9/30/12) this index has gained a whopping 246% vs. S&P 500's gain of 64% over the same time. It's no surprise that our CAN SLIM® Investment Program has shown similar results because this is the pond from which we fish. Earnings growth and price momentum are two essential ingredients in the CAN SLIM® System and thus dominant attributes of every stock we buy. Though these attributes are occasionally shunned by Wall Street, our research has shown that investors always come back to stocks that have these characteristics.

Chart 1



Why is the S&P 500 outperforming? Because right now investors are still favoring "safety" in their portfolio. Income starved investors are being sold that owning the 4% dividend of Verizon is more important than the underlying principal at risk in the investment, and this is now becoming a very crowded trade in the market. Look at table 1 that takes a few names from the current portfolio which are very indicative of the current market environment. Investors are paying 14 times earnings to own companies like AAPL, CF, and GNC which are growing their earnings at 56% vs. 20 times earnings to own companies growing their earnings at 4%. Make sense? Not to us and not if decades of history hold true. One basic way to look at it -- would anyone pay more for lemonade stands growing at 4% a year vs. ones at 56%?

Table 1

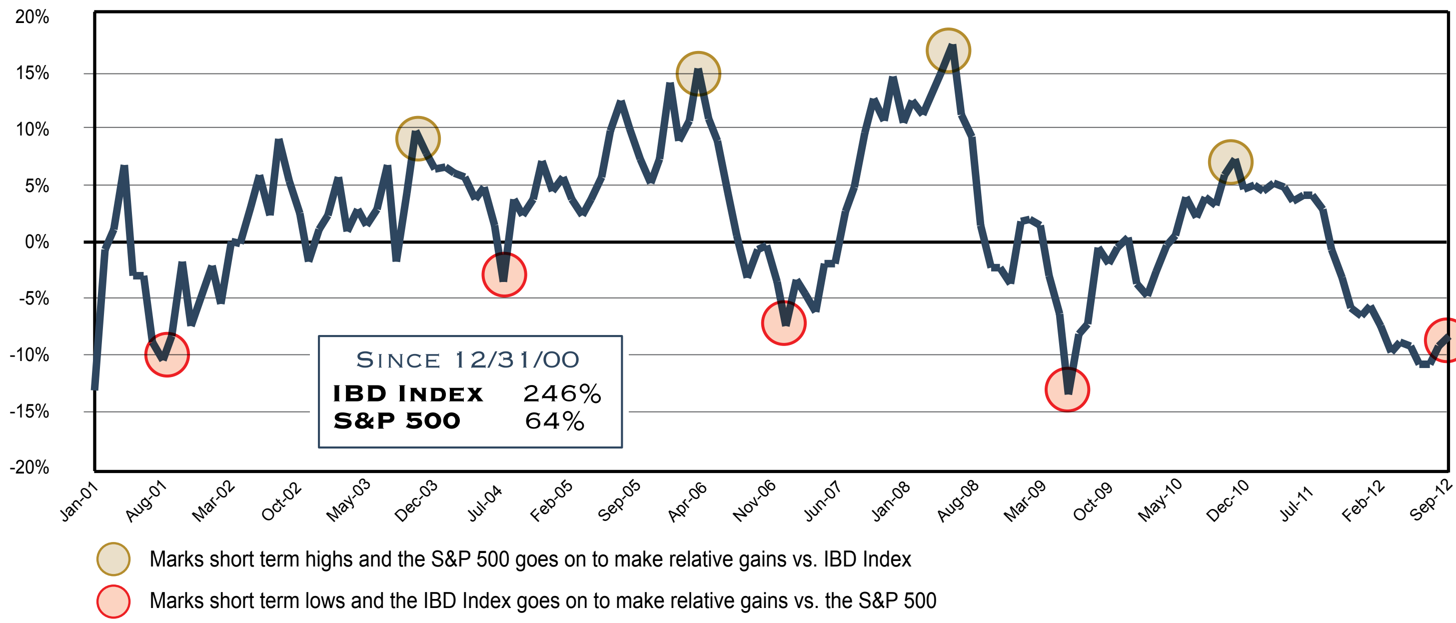
CANSLIM®	EPS Growth	P/E Multiple
Apple	64%	16
CF Industries	29%	8
GNC Stores	74%	19
Average:	56%	14

Big Cap Stocks	EPS Growth	P/E Multiple
Colgate	11%	21
Procter & Gamble	4%	18
Verizon	-2%	20
Average:	4%	20

That's why discipline is so key. Key is even understating its significance . . . submitting to discipline is better. It often feels better to identify what is working right now and jump on, but trying to float from one hot idea to the next is a surefire way to lose money. On the reverse side of this page, we feature the 12 month rolling ratio of the same IBD Stock Universe as above to the S&P 500 since 12/31/2000. When the line is tilting up, the IBD universe is outperforming and, when slanted down underperforming the S&P. So while the IBD index has made significant gains over the market, there are several pockets of underperformance when one needs to submit to the discipline. Great investment strategies are rewarded over time but not all the time.

An old Tao story fits. One day a man was standing at the edge of a pool at the bottom of a huge waterfall when he saw an old man tossed about in the turbulent water. He ran to rescue him, but by the time he got there the old man had climbed onto the bank and was walking along. The man was astonished and rushed up to the old man, questioning him about the secret of his survival. The old man said that it was nothing special. "I began to learn while very young and grew up practicing it. Now, I'm certain of its success. I go down with the water and come up with the water. I will follow it and forget myself. The only reason I survive is because I don't struggle against the water's superior power."

IBD Stock Universe vs. S&P 500; Rolling 12-Month Ratio (12/31/00 - 9/30/12)



Portfolio Options

CAN SLIM® Investment Program
Long-term growth portfolio that invests in CAN SLIM® stocks as markets are rising and scales to cash as markets weaken. Its objective is capital appreciation.

Growth and Income
Distributes the investment between our CAN SLIM® strategy (75%) and laddered bonds (25%) for a more conservative approach.

Balanced
Even more conservative, Balanced utilizes a 50/50 approach of investment dollars between CAN SLIM® and laddered bonds. A popular option for those nearing retirement.

CAN SLIM® International
A long-term growth portfolio that invests exclusively in foreign based stocks (ADRs) exhibiting CAN SLIM® attributes as markets are rising and scales to cash as markets weaken.

Legends Value
Utilizes the strategies of the best value managers of the past 30 years by dissecting their strategies and determining which factors they favor.

United Portfolio
Distributes the investment evenly between our CAN SLIM® strategy (50%) and our Legends Value strategy (50%).

Tactical ETF
Tactical ETF is a long-term growth portfolio that invests in leading ETFs as markets strengthen and reduces exposure by selling positions as markets weaken.

NorthCoast Portfolio Options	3rd Quarter (Net of Fees)	YTD
CAN SLIM® Investment Program	2.1%	7.6%
Growth and Income (75% CAN SLIM & 25% Bonds)	2.1%	6.9%
Balanced (50% CAN SLIM & 50% Bonds)	1.8%	5.6%
CAN SLIM® International	5.3%	12.0%
Legends Value	4.2%	6.0%
United Portfolio (50% CAN SLIM & 50% Legends Value)	3.0%	6.5%
Tactical ETF	2.7%	5.3%
S&P 500	6.2%	15.8%