

“The mean prediction of the 10 stock-market strategists surveyed by Barron’s is that the S&P 500 index will end 2012 at 1,360. . . Even the most bullish of these Street seers fears stocks could be more wobbly in the next six months than in the six months past.”

— *Barron’s magazine*, “The Year Ahead”, December 19, 2011

**O**ften in these quarterly updates we remind our clients that one of the reasons systematic investment strategies like CAN SLIM® or Legends Value are productive over time is because they don’t suffer from bias. They don’t watch CNBC or read *Barron’s*; they don’t fear the next election cycle in Greece or hope that US GDP will top 3% this year. Instead, they follow simple, time-honored, investment rules that are thoroughly researched and consistently applied.

Only three months ago the investment world “felt” much different. The “feel” is well captured in the quotation above. Fear, yes, but also a common bias that impacts millions of investors called recency. The recency bias is pretty simple. Because it’s easier, we’re inclined to use our recent experience as the baseline for what will happen in the future. In many situations, this bias works just fine, but when it comes to investing and money it can cause problems. The stock market, especially in the second half of 2011, was historically volatile. Is it any wonder why almost all, well-paid, well-known investment strategists placed their bets on small, volatile gains for 2012? Of course not. They believed the future would look like the recent past.

**T**he first quarter instead delivered polar opposite performance. A big 12% gain for the S&P 500 (the 30th best quarter in the last 80 years) placed the index at 1,408 with not even a -3% shake out along the way. The VIX Index which is a common measure to estimate future volatility was 60% less at quarter end than it was on 9/30/11. Who would have guessed? Certainly not the bunch above. The CAN SLIM® Investment Program also gained a healthy 10.6% for the quarter and that includes starting the year with close to 50% cash. As the quarter progressed, positions were added in response to strong market internals and the portfolio finished the quarter nearly fully invested. Scary? Of course. Productive? Very. The natural next question that all people ask is, “Now what?”

Though experts like those above will continue day after day to opine on the markets, the real answer to that question is that we don’t know. Too many times investors come to the table with their minds made up – half say we are going to have a bear market for these 3 reasons . . . ; half say we are going to have a bull market for these 3 reasons . . . , and unfortunately their portfolios suffer when they’re wrong. Being fluid to market conditions and disciplined in your investment approach is what really matters.

Without opinion, here is a look at market history and data regarding the start of the year (see the table to the right). In 20 of the last 84 years, January, February and March were all up months and when this occurs the year has gone on to add gains 90% of the time (18 out of 20 times) for an average of +7.0%. CAN SLIM® is fluid of course, and should the year unravel like 1930, we will be raising cash. However, it’s nice to have a few facts on the plus side.

Quarter Ending	S&P 500 Value Quarter End	Q1 Perf	S&P 500 Value Year End	Additional Gain From Apr 1
3/31/1930	25.1	17.2%	15.3	-39.0%
3/31/1936	14.9	11.1%	17.2	15.2%
3/31/1943	11.6	18.5%	11.7	0.8%
3/31/1950	17.3	3.0%	20.4	18.2%
3/31/1954	26.9	8.6%	36.0	33.6%
3/31/1961	65.1	12.0%	71.6	10.0%
3/31/1964	79.0	5.3%	84.8	7.3%
3/31/1967	90.2	12.3%	96.5	7.0%
3/31/1971	100.3	9.0%	102.0	1.6%
3/31/1972	107.2	5.2%	118.1	10.1%
3/31/1975	83.4	21.6%	90.2	8.2%
3/31/1983	153.0	8.8%	164.9	7.8%
3/31/1986	238.9	13.1%	242.2	1.4%
3/31/1987	291.7	20.5%	247.1	-15.3%
3/31/1991	375.2	13.6%	417.1	11.2%
3/31/1993	451.7	3.7%	466.5	3.3%
3/31/1995	500.7	9.0%	615.9	23.0%
3/31/1996	645.5	4.8%	740.7	14.8%
3/31/1998	1101.8	13.5%	1,229.2	11.6%
3/31/2006	1294.8	3.7%	1,418.3	9.5%
<b>Average</b>				<b>7.0%</b>
<b>Average in up Years</b>				<b>10.8%</b>

Source: BTIG

## NorthCoast Asset Management 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.

### Long/Short Equity

Combines our CAN SLIM® approach (long) with a hedging approach (short) based on market action. Minimum investment: \$500,000.

### 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%).

NorthCoast Portfolio Options	1 <sup>st</sup> Quarter (Net of Fees)
CAN SLIM® Investment Program	10.6%
Growth and Income (75% CAN SLIM & 25% Bonds)	8.3%
Balanced (50% CAN SLIM & 50% Bonds)	5.5%
Long / Short Equity	9.0%
CAN SLIM® International	12.4%
Legends Value	9.6%
United Portfolio (50% CAN SLIM & 50% Legends Value)	10.2%
S&P 500	12.4%

## Housekeeping

**New Hire:** We are pleased to announce the appointment of Patrick Jamin as Chief Investment Officer. He will join a very established and decorated team including company founder, Brent Elam, in the further development and refinement of all of NorthCoast's investment strategies. Prior to joining NorthCoast, Jamin was a partner at Numeric Investors, a \$9 billion quantitative institutional asset manager. Before Jamin joined Numeric, he worked as a portfolio manager and partner for a global long-short market neutral strategy at Standard Pacific Capital. Prior to that Jamin served as a senior quantitative analyst for a global equity strategy at AIM investments. Jamin earned his MBA in Finance from the Harvard Business School (2002) with high distinction as a Baker, Fulbright, and Arthur Sachs Scholar. Jamin received his Masters of Engineering in Telecommunications from Ecole Nationale Supérieure des Telecommunications in Paris, France (1996).

**Form ADV:** Patrick's hire is viewed as a material change by the SEC and as such requires us to notify our clients. Though our obligation has been met with the above mention, we have elected to include our full Form ADV Part 2 in your quarterly package for your review. This is our annual registration with the Securities and Exchange Commission and it includes information regarding our qualifications and business practices. We also post this document on our websites, [www.northcoastam.com](http://www.northcoastam.com) and [www.canslimpc.com](http://www.canslimpc.com).

**Privacy Policy:** Further, we are required annually to disclose our privacy policy. As such, NCAM maintains safeguards to comply with federal and state standards to guard each client's nonpublic personal information. NCAM does not share any nonpublic personal information with any nonaffiliated third parties, except in the following circumstances: (1) As necessary to provide the service that the client has requested or authorized, or to maintain and service the client's account; (2) As required by regulatory authorities or law enforcement officials who have jurisdiction over NCAM, or as otherwise required by any applicable law; and (3) To the extent reasonably necessary to prevent fraud and unauthorized transactions. Employees are prohibited, either during or after termination of their employment, from disclosing nonpublic personal information to any person or entity outside NCAM, including family members, except under the circumstances described above. An employee is permitted to disclose nonpublic personal information only to such other employees who need to have access to such information to deliver our services to the client.