



A rocky March leaves equities (S&P 500) under +2% for Q1 and YTD 2014. After three months of action the market continues to grind along at a slow albeit positive pace.

In the U.S., the stock market's performance has been tremendous over the past few years. The current environment can be described as one in which U.S. equity valuations are neither cheap nor stretched, inflation is low, and modest growth is supported by an accommodative monetary policy. Despite concerns over the harsh weather, leading economic indicators still point to an improved outlook.

Assuming the current pace of the recovery stays the same, the Fed tapering is expected to continue. The new Federal Reserve Chair has further expanded on her policy outlook by detailing what information is being most closely monitored. Instead of tying the interest rate policy to the unemployment rate, the Fed is going to consider a wider range of factors including inflation and other "financial developments".

Abroad, our exposure to Russia across all of our portfolios is low; Russia and Eastern Europe represent less than 1% of market cap in the MSCI ACWI Index, and less than 0.5% in our Tactical Growth ETF strategy. Russia's military activity did not disguise the weaknesses in its economy where growth has been decelerating and its main engine, private consumption growth, is unsustainable in a falling profit environment. In other parts of the world there is ongoing restructuring. Momentum in Italy and France and the European parliamentary elections should advance better austerity measures and stimulate reforms.

We increased our exposure throughout the month and remain in an 'Opportunistic' posture. During the quarter our equity exposure was between 65% and 95%, ending the quarter at 80% invested across many of our tactical strategies.

## NorthCoast Navigator

### An inside look at the four dimensions of our quantitative market analysis

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.



#### Technical



- The S&P 500 reached new highs in March
- Momentum stalled from February with the S&P 500 now 2% above its 50-day moving average, 3% above the 100-day, and 7% above the 200-day, with a key support level at 1850
- Volatility (VIX) levels remain in a more neutral range

#### Sentiment



- SPY equity funds experienced a third straight month of outflows (-1.0%)
- A down tick occurred in retail sentiment as fewer investors are bullish while more became bearish

#### Macroeconomic



- U.S. GDP forecast ticked down to 2.7 on the year from 2.9 (quarter-over-quarter)
- PMI data from China painted a mixed picture with the official gauge edging up to 50.3 from 50.2 and the HSBC index slipping to 48 from 48.5 with annual growth rate below the goal of 7.5%

#### Valuation



- P/E increased to 17.3 and Forward P/E to 16.0, both below 10-year historical averages but the highest level over the last year

## The President's Corner

by NorthCoast President & CEO, Dan Kraninger

**"Feedback is the breakfast of champions"**  
- Ken Blanchard

The above quote provides an appropriate lead-in this quarter after completing our first-ever client survey in March. So to all of you who spent time giving us valuable feedback regarding your investment objectives and outlook, as well as our customer service and portfolio management, we offer a big Thank You!

We are wading through the results now but I thought I would share with you some preliminary numbers. Overall, we are doing well. 65% of responders scored us an 8, 9, or 10 (with 10 being 'Completely Satisfied') when answering the overall satisfaction question and even more interesting, we scored an 18% net promoter score (a gauge of customer loyalty) when asking how likely you would be to recommend us to a friend, relative or colleague. A net promoter score adds the number of 9 and 10's you receive and then subtracts out all the 0-6's -- the theory being that because you are asking existing clients, there is a natural upward bias. Few financial service firms execute a survey like this but the ones we could find list 8-10% as an average score. For us 18% becomes our baseline going forward and we intend to measure ourselves against it annually.

Some things to work on -- our **communications** (many would like better email updates and improved usefulness of our website), our **service** (more frequent contact regarding personal financial situations and portfolio management moves), and, of course, **performance** -- well who doesn't want to make more money?

Enhancements and improvements are underway with some kicking off as early as summer. I invite you to ask about these changes when speaking or emailing with our team in the future. Our business is about serving you and that's a job we take very seriously.

Again, thank you for providing the necessary feedback and constructive criticism. This input directly impacts your experience with us and we look forward to exploring these next steps together.

## Individual Equity Portfolios

Strategy	2014 YTD (Net)	Strategy Description	Strategy Highlights
<b>CAN SLIM®</b>	<b>2.3%</b>	All-Cap Tactical Growth	Winners and losers traded blows in CAN SLIM® throughout the quarter. Top performers including GMCR, FRX, and DAL boosted performance while the strategy was hampered by CELG, COG, and GME. Exposure increased 15% to end the quarter just under 80% invested.
<b>Growth &amp; Income</b>	<b>1.7%</b>	75% CAN SLIM® / 25% Bond ETFs	
<b>Balanced</b>	<b>1.4%</b>	50% CAN SLIM® / 50% Bond ETFs	
<b>CAN SLIM® International</b>	<b>-0.6%</b>	All-Cap International Tactical Growth	Top performers in Q1 were FENG, MGA, and WFT while positions such as CSIQ, CTRP, and MBT kept strategy performance at bay. The strategy ended the quarter at 95% invested.
<b>Legends Value</b>	<b>6.0%</b>	All-Cap Long-Only Value	Legends Value powered through the quarter as value stocks outperformed. Top performers were MYGN, QCOR, PWR, and ATK.
<b>United Portfolio</b>	<b>4.1%</b>	CAN SLIM® + Legends Value	See commentary on CAN SLIM® and Legends Value

## NorthCoast Retirement Portfolios

A MANAGED ETF SOLUTION 

Strategy	2014 YTD (Net)	Strategy Description	Strategy Highlights
<b>Tactical Income</b>	<b>2.9%</b>	Designed to generate income with protection against inflation and rising interest rates	With equities moving sideways, Tactical Income enjoyed a positive start to the year. Dividend equities (IGF and IDV) continued to gain ground while the Fed's stimulus package has kept interest rates from spiking.
<b>Diversified Core</b>	<b>0.5%</b>	Designed for a conservative retiree or investor near retirement	With a majority of exposure weighted towards international equities, our 'Diversified' strategies ended the quarter in slightly positive territory. Fixed Income components helped lessen volatility in the strategies, while our outlook remained bullish for international and emerging markets.
<b>Diversified Growth</b>	<b>0.3%</b>	Designed for a more-growth-oriented retiree or investor retiring in 5-10 years	
<b>Tactical Growth</b>	<b>0.3%</b>	Designed to generate long-term appreciation with downside risk controls	Cash equivalents and equities remained at a 13% and 87% weighting, respectively, with international exposure accounting for over half of the strategy. The strategy was helped by an almost +4% boost in EEM in March.

Past or current results do not guarantee future performance. All investments involve risk, including loss of principal. Further, the principal value of an investment will fluctuate; thus investor's equity when liquidated may be worth more or less than its original cost. This document provides only impersonal advice and statistical data and is not intended to meet objectives or suitability requirements of any specific account.

## Important Information

### Form ADV:

The annual update to NCAM's Form ADV Part 2 is available for review under the 'Company' section of our website at [www.northcoastam.com](http://www.northcoastam.com). This ADV annual update contains one material change which is the addition of Joseph Iraci. Mr. Iraci joined NCAM as Counsel and replaces Megan Hall as Chief Compliance Officer. Ms. Hall will retain her role as Senior Vice President - Operations.

### Privacy Policy:

NCAM maintains safeguards to comply with federal and state regulations in protecting client personal information. NCAM does not disclose any non-public personal information with any non-affiliated third parties, except in the following circumstances: as necessary to provide the service that the client has requested or authorized, or to maintain and service the client's account; as required by regulatory authorities or law enforcement officials who have jurisdiction over NCAM, or as otherwise required by any applicable law; and to the extent reasonably necessary to prevent fraud and unauthorized transactions. As a condition of their employment all NCAM employees are required to sign a non-disclosure agreement. Additionally, NCAM has implemented procedures to detect, prevent, and mitigate identity theft.

### Client Portfolio Review:

We are always looking for opportunities to strengthen the advisor-client relationship. For those of you who are interested in a comprehensive portfolio review or discussing our other investment strategies, please reach out to our Private Client Group at (203) 532-7000.

## Giving Back

We value investments in the community. Every quarter, NorthCoast randomly selects a client who chooses a charity/organization of their preference. The client's quarterly fee for that respective quarter is then donated by NorthCoast to that organization.

This quarter Shaun & Dee from Aurora, CO selected the Ronald McDonald House Charities. While not directly impacted by the charity, Dee had a procedure when she was younger and understood the benefits of having family close to her side in the recovery efforts and now seeks to help families in similar situations. You can learn more about RMHC at <http://www.rmhc.org/>.

