Quarterly Client Update

2016 Q1

March 31, 2016

NorthCoast
Asset Management

President's Post

President & CEO Dan Kraninger reflects on a volatile 1st quarter and provides insight moving forward.

"Life is more risk management, rather than exclusion of risks." -- Walter Wriston

As we enter the second quarter with 40% in cash in our U.S. tactical strategies, I thought some background would be helpful. On the following page we have plenty of information as to why we are carrying that hedge, but below I want to try and make it more personal for you.

Imagine you are taking a family road trip – driving from point A to point B. After checking Google maps, the suggested directions should take 3 hours driving at an average speed of 55 MPH. Upon arrival, your brother greets you at the door and smiles as he says it only took him 2 ¼ hours to make the same trip whereas your trip took 2 ¾ hours. So which is better? You both arrived, which is one measure of success, but what other variables matter?

Most would ask questions such as did you have to stop for gas? Stop to eat? Take the same route? Few people really ask the most important question - what risks did you take? Did your brother increase his probability of an accident? Because the distance traveled is 165 miles, we know you averaged 60 MPH and your brother averaged 73 MPH. Overall, he drove 21% faster than you. Now let's say that his incremental speed raised his probability of an accident from 0.1% to 0.2%. One can see how the question now gets framed . . . is the 30 minutes of saved time worth doubling the risk?

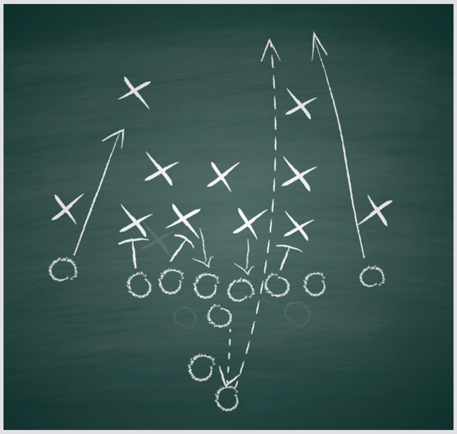
Many of our tactical strategies look at the market through that same lens. What risk did you take to produce that return? $100,000 invested in our CAN SLIM® strategy when it launched almost 10 years ago is now worth over $165,000 (after fees and expenses). This is roughly the same amount as if the $100,000 was invested in the S&P 500 over the same time period. However, is a portfolio decline of over 50% between 2008-2009 in the S&P 500 worth it? How valuable is the peace of mind knowing there is a strategy designed to mitigate that kind of risk?

The Sharpe ratio is one key risk metric to help investors compare investment strategies. It takes the return from a time period and divides it by the volatility of the strategy over the same time period. Answering the question, how much did you make for taking on that increment of risk? It is a very helpful measure and one that investors should consider before any investment. Our long-term Sharpe ratio for CAN SLIM® is 0.40* (compared to a 0.29* of the S&P 500 Index) which makes us proud. Next time you look at an investment return or a drive home for Thanksgiving, remember performance is not independent of risk and risk is the variable that many good strategies address.

*1/1/2007 - 3/31/2016.
Past Performance is not indicative of future results. All investments involve risk, including loss of principal. One cannot directly invest in an index.

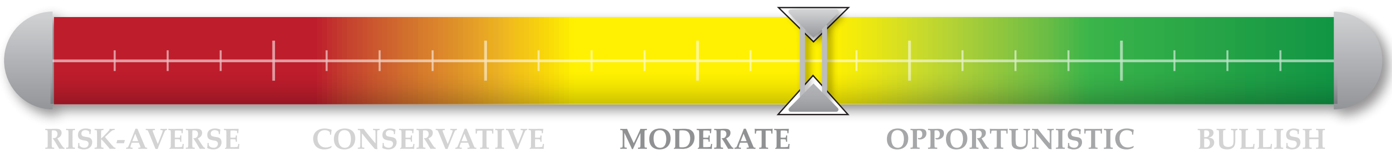
The Plan Moving Forward

- **As always, allow data & discipline to drive our decisions**
- **Liquidate positions when the risk outweighs the future return potential**
- **Strategically increase market exposure with positions displaying the most attractive return/risk ratio**
- **Continue to monitor the market and adjust accordingly**



NorthCoast Navigator

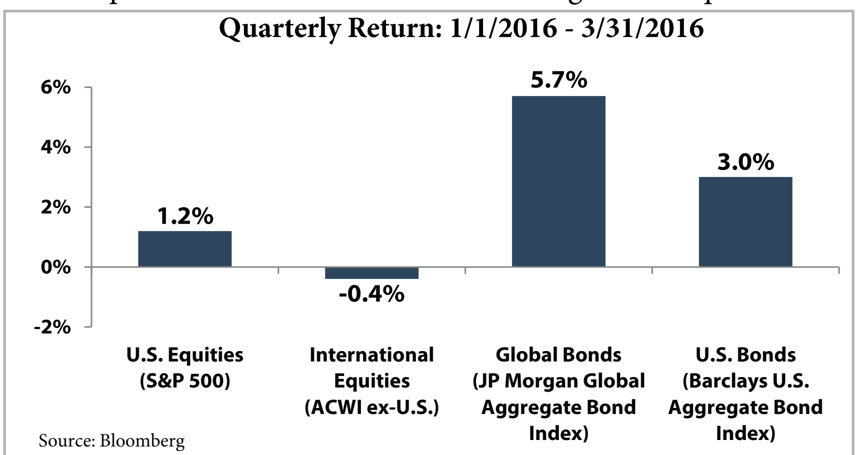
The NorthCoast Navigator is a market "barometer" displaying NorthCoast's current equity outlook. This aggregate metric is determined by multiple data points across **four** broad dimensions including Technical, Sentiment, Macroeconomic, and Valuation indicators. The daily result determines equity exposure in our tactical strategies.



U.S. equities (S&P 500) opened the year with an almost 6% decline in January, remained flat with a down-then-up February, and have since rallied over 6% in March to end the quarter +1.2% YTD. International equities (ACWI ex-U.S.) experienced even greater gains in March with a +8.1% return, paring earlier losses and sit -0.4% YTD.

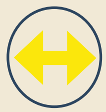
Much of the rally can be attributed to investors' favorable reaction to a rise in oil prices and a lack of negative headlines across global markets. Fed Chair Janet Yellen recently stated that the economy might not yet be ready for another rate hike, which was welcomed news for the market in the short-term. While economic growth prospects in the U.S. and abroad remain stable yet sluggish, stocks extended their 7th straight year in positive territory since the March 2009 low. The late February-into-March rally elevated prices and raised valuations, thereby reducing the attractiveness of entering new positions. Much of our concern surrounding market-moving indicators in early March still exist as we move into Q2. Consumer sentiment, producer sentiment and economic surprise indices remain soft. Technical indicators remain stable, yet neutral. In the face of weaker sentiment and valuation data, macroeconomic indicators remain bullish.

A snapshot of market index returns during the first quarter:



Source: Bloomberg

Technical



S&P 500 Index ended the month +6.7% and +1.2% YTD with the ACWI ex-U.S. +8.1% in March and -0.4% YTD.

Volatility (VIX) dropped to its lowest level in almost two years and over 30% since February.

Sentiment

The UM Consumer Sentiment Survey experienced a downtick for a third straight month.

Short Interest increased for a third straight month to 2.5 signaling possible fatigue in global equities.

Macroeconomic

Global growth continues to be a concern as oil prices remain low and the export-heavy economies struggle with lower demand. U.S. leading indicators remain at positive levels.

Activity in China's factory sector unexpectedly expanded in March, marking the first increase in manufacturing in over a year.

Valuation

S&P 500 P/E levels increased their highest level in almost six months at 18.7 and forward P/E at 17.4.

Quarterly revenue and profit earnings reports will be a highly watched "barometer" of the strength of the rally.

Data as of 3/31/2016. Data provided by Bloomberg, GoldmanSachs, Morningstar, Bureau of Economic Analysis.

Strategy Performance

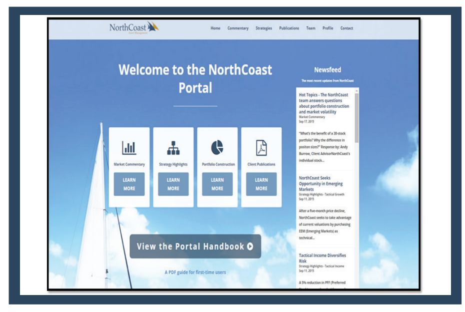
NorthCoast
Asset Management

Strategy	Overview	2016 Q1 (Net)
CAN SLIM® Strategies		
CAN SLIM®	All-Cap U.S. Tactical Growth	**-1.3%**
Growth & Income	*75% CAN SLIM® / 25% Bond ETFs*	**-0.3%**
Balanced	*50% CAN SLIM® / 50% Bond ETFs*	**0.9%**
International	*All-Cap International Tactical Growth*	**-3.1%**
Global	*CAN SLIM® + CAN SLIM® International*	**-2.2%**
Tax-Managed	*Tax Management Considerations*	**-0.5%**
Christian	*Faith-based Considerations*	**1.3%**
Shariah	*Faith-based Considerations*	**0.4%**
Fully-Invested (100% stock) Strategies		
Vista	All-Cap Long-Only Growth	**4.1%**
Legends Value	All-Cap Long-Only Value	**5.2%**
United Portfolio	*CAN SLIM® + Legends Value*	**2.0%**
ETF Strategies		
Tactical Income	Global Income Production	**3.3%**
Diversified Core	Global Balanced	**1.8%**
Diversified Growth	Global Growth & Income	**0.7%**
Tactical Growth (*Global*)	Global Tactical Asset Allocation	**0.7%**
U.S. Sector Select	U.S. Sector Allocation (Fully-Invested)	**-1.4%**
U.S. Sector Select Hedged	Tactical U.S. Sector Allocation	**0.2%**
Liquid Alternative Strategies		
Zero Beta	Liquid-Alternative	**0.2%**

Get On. Get Active.

The NorthCoast Portal

https://portal.northcoastam.com/



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