



“I am extraordinarily patient, provided I get my own way in the end.”
– Margaret Thatcher

The quantitative easing tactics administered by the Federal Reserve over the last five years have had a positive impact on the stock market, boosting retirement portfolios and pension plans alike. With minor speed bumps along the way, stocks continued to rise while bond interest rates dropped to historic lows. Now, due to a positive and sustainable economic outlook, the Federal Reserve hinted that it will wind down its stimulus spending and bond buying program. Well, Wall Street and the big-money hedge funds didn't take the news too kindly and volatility, which had been missing from the market in 2013, ensued. Over the course of one month, the S&P 500 Index fell and then rose over 2% on three separate occasions.

But who did that really hurt? As it turns out, mostly hedge funds and hyper-active money managers. Thanks in part to their “act first, think second” business culture, these investors are trading for the next nanosecond. The over-reaction to the Fed's announcement is the latest example. Speculation led the way and quick-money funds left the market in fear of posting a negative performance number. When the dust finally settled however, the results continue to show a market in a positive trend and an economy growing. Based on that data, stocks rebounded to close out the quarter, and our programs gained.

In many of our tactical strategies including CAN SLIM®, we reduced our market exposure to 75% at the end of May. We then increased our exposure throughout June, and that added cash buffer helped soften the pullback and volatility.

Though the recent correction has caused concern, our market outlook remains optimistic. Support levels were held throughout the quarter and the recent pullback provided a buying opportunity at strategic entry points. Markets head into the second half of the year with positive momentum thanks in part to decreasing weekly jobless claims, rising incomes among workers, and a continuing rise in home prices.

NorthCoast Launches Retirement Portfolios

On May 6th, NorthCoast Asset Management, Investor's Business Daily (IBD) and BlackRock announced the launch of a new separate account offering called the NorthCoast Retirement Portfolios.

These portfolios are managed by NorthCoast, utilize iShares Exchange Traded Funds (ETFs), and are tracked in Investor's Business Daily® as a monthly report available to hundreds of thousands of investors.

The partnership is one of a kind as a money management firm, a financial publication and an ETF sponsor team up to create new tools to help investors as they enter or prepare for retirement.

The Retirement Portfolios provide options for investors that cover a broad range of retiree needs -- from income-production, to core strategies, to an aggressive growth option. The portfolios are low-cost, broadly diversified, and tactical to adjust to the changing market conditions.

“Investing in today's world is an active, dynamic process and many of the old ways of investing are not working any more. As the ETF industry leader, iShares has consistently driven innovation and provided easy access to markets for investors. The partnership with NorthCoast and IBD offers important solutions for retirement-focused investors, as well as advisors looking to outsource to managed ETF retirement portfolios,” said Katharine Earhart, Director of the iShares Connect Program, which connects firms that manage ETF portfolios with advisors and other resources needed to grow their businesses.

To learn more, contact your NorthCoast private client team at (800) 274-5448 or go online at www.northcoastam.com/ETF-Retirement-Portfolios.html.

NorthCoast Navigator

An inside look at the four dimensions of NorthCoast market analysis

Technicals



Due to the recent correction in the latter part of the month, the S&P 500 is trading just 3% off its all-time high. In a bullish tone, the market is 1% below its 50-day moving average, while 1% above the 100-day and 5% over the 200-day providing an optimal entry point for buying opportunities.

Sentiment



Home building surveys and investor sentiment continue to paint a positive outlook for the market ahead. Equity fund flows experienced an almost 2% net outflow for the month, though much of that could be attributed to the over-reaction to the Federal Reserve's comments on a reduction in quantitative easing.

Macroeconomic



Data for June continued to produce positive reports about the health of the economy. Jobless claims fell, while household income, home prices, and consumer spending continue to rise, all leading to a continued market rally. While we don't expect to witness the same 14% market gains in the 2nd half of the year that we experienced in the first half, leading indicators estimate we can expect mild growth ahead to close out 2013.

Valuation



The recent 5% pullback in the market provided a great opportunity to buy positions at strategic entry points. The current price/earnings ratio of 15.6 is near the low of its 10-year average, providing a relative attractiveness to equities.

Individual Equity Portfolios

Strategy	Q2 (Net)	2013 YTD (Net)	Strategy Description	Strategy Highlights
CAN SLIM® Investment Program	1.2%	12.7%	All-Cap Tactical Growth	CAN SLIM® remained in line with the S&P 500 as equities experienced a brief pullback in June. Ending the month 90% invested, CAN SLIM® locked in profits on DFS, GME, LYB, and USB. Top performers for the month include EIX, EXPE, and VIAB.
Growth & Income	0.1%	8.7%	75% CAN SLIM / 25% Bonds	
Balanced	-1.1%	4.4%	50% CAN SLIM / 50% Bonds	
CAN SLIM® International	3.3%	9.8%	All-Cap International Tactical Growth	CAN SLIM® International continues to separate itself from the competition. In a flat international market, the strategy enters the 2nd half of the year just under 10%. A strategic entry point into SPRD, and profit takes in AGU and RYAAAY helped propel the strategy to another positive month in June.
Legends Value	2.4%	13.0%	All-Cap Long-Only Value	While the market slipped in June, Legends Value held nearly even for the month as top performers in QCOR, TWC, and SPRD took off, with QCOR and SPRD each reaching +30% for the month.
United Portfolio	1.7%	12.6%	CAN SLIM + Legends Value	(See commentary on CAN SLIM® and Legends Value)

NorthCoast Retirement Portfolios

A MANAGED ETF SOLUTION

Strategy	Q2 (Net)	2013 YTD (Net)	Strategy Description	Strategy Highlights
Tactical Income ETF	-4.6%	-2.1%	Designed to generate income with protection against inflation and rising interest rates	The Federal Reserve's announcement mid-month rattled the bond market causing a brief rise in interest rates. Tactical Income still holds positions in high-yield ETFs as our outlook shows there was an overreaction to the Fed's comments. The program carries a 5.6% yield.
Diversified Core ETF	-2.2%	1.0%	Designed for a conservative retiree or investor near retirement	IEFA remained the top holding in Diversified Core, while encouragement in the Japan equity market garnered a buy in EWJ. Portfolio allocation is currently 58% equities, 36% fixed income, and 6% real estate.
Diversified Growth ETF	-1.2%	3.6%	Designed for a more-growth-oriented retiree or investor retiring in 5-10 years	With indication that interest rates may rise faster than inflation, Gold was sold out of the portfolio in favor of short-term treasuries. Overall portfolio allocation is currently 74% equities, 18% fixed income, and 8% real estate.
Tactical Growth ETF	-0.5%	5.9%	Designed to generate long-term appreciation with downside risk controls	IVV overtook IEFA as the top holding in Tactical Growth, as market outlook remained positive for the S&P 500. The program is currently concentrated in 90% equity positions and 10% real estate.

Inside NorthCoast



The first half of 2013 has been very exciting for NorthCoast. We welcomed Vice President of Research, Julia Zhu to our distinguished portfolio management team. Julia brings great experience and knowledge to the group. Previously with Research

Affiliates, LLC and First Quadrant LP, Ms. Zhu conducted research in equity strategies, global tactical asset allocation products, and tactical currency allocation products. Earning her Masters of Economics from Yale University and MBA with concentration in Finance from the University of Southern California, Julia is a CFA® charterholder and a certified Financial Risk Manager (FRM).

Please visit our website at www.northcoastam.com/team.html to learn more about Julia and the entire NorthCoast team.

Introducing the NorthCoast Navigator

The market outlook we provided on the bottom-left section on the front page of this newsletter is what we're calling the NorthCoast Navigator. Every day our portfolio management team analyzes market data and positions your portfolio accordingly. The Navigator is our attempt to clearly communicate this analysis to you as a periodic snapshot.

To borrow a line from Sy Syms, we believe an educated client is our best customer, and detailing our market posture brings us closer to that standard.

Our plan going forward is to include this section in each quarterly report and additionally provide periodic updates electronically (via e-mail).

If you're email has recently changed or feel we may not have your most current email, please call us at (800) 274-5448 or email us at info@northcoastam.com.

Giving Back

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

YMCA

The Y is a cause-driven organization that is for youth development, for healthy living and for social responsibility. We encourage you to learn more at www.ymca.net

Dravet Foundation

Just over a year ago, a close family member of a NorthCoast employee was diagnosed with Dravet Syndrome, a rare and catastrophic form of intractable epilepsy that begins in infancy. Dravet Foundation raises funds for research and seeks to find a cure for the syndrome. We encourage all to learn more about the syndrome at www.dravetfoundation.org