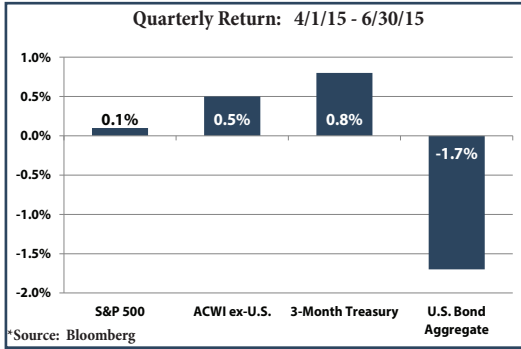




Most of the major indices are hitting the reset button as we enter the 2<sup>nd</sup> half of 2015 with the S&P 500 +0.9% YTD after a -2.0% June and a flat Q2. The Dow is -1.2% YTD and the Nasdaq is +5.5% YTD. Health Care (+8.7%) and Consumer Discretionary (6.0%) stocks led all sectors in the first six months of 2015 while Utilities (-12.1%), Energy (-6.0%), and Industrials (-4.1%) lagged.



Small and mid-cap stocks outperformed their large-cap counterparts, while growth stocks slightly outperformed value. Thanks, in part, to multiple quantitative easing programs, international stocks (as measured by the ACWI ex-U.S.) are +4.0% YTD. Two major stories continue to dominate the global financial headlines:


1) the Federal Reserve's inevitable yet undetermined decision to raise the federal funds rate, and 2) Greece's showdown with creditors and possible default/removal from the Eurozone. While these events create uncertainty in equities, they only account for a few of the many factors and signals that determine how we invest.


After a yearly-low exposure level (74% equity invested) in some of our tactical strategies at the end of May, we strategically increased our exposure throughout June. Sustained U.S. economic growth, along with strong analyst sentiment and attractive valuation levels, provided good entry points into positions as others reached their respective sell-stops and were liquidated. The nearly 2.0% decline in June stemmed from uncertainty in the equity markets. It is important to decipher the difference between "risk" and "volatility". As many signals continue to paint a positive outlook moving forward, we enter Q3 in an opportunistic position and will look to increase exposure if the data warrants.


## NorthCoast Navigator


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



**Technical**  S&P 500 ended the month -2.0% and sits +0.9% YTD, with the ACWI ex-U.S. -1.6% in June and +4.0% YTD. Momentum halted with the S&P 500 2% below the 50-day and 100-day moving averages, and even with 200-day.

**Sentiment**  The UM Consumer Sentiment Survey rose to its highest level since January and short interest decreased as many short-sellers capitalized on the recent pullback.

**Macroeconomic**  U.S. unemployment remained at a low 5.3%, jobless claims near post-crisis lows and housing starts continued to increase. Greece voted to reject austerity measures while Chinese equities slid amid a slowing economy calling for major reform

**Valuation**  S&P 500 P/E levels decreased to 18.2 with forward P/E at 17.5. Growth and value stocks performed alike in June with growth stocks outperforming value YTD.

## President's Post

by NorthCoast President & CEO, Dan Kraninger

**"Volatility is not the same thing as risk, and anyone who thinks it is will cost themselves money." - Warren Buffett**

Imagine you buy a house in a great location for what you believe to be a reasonable price after studying the area's demographics and pricing trends. The purchase becomes the bedrock of your assets. You probably stop looking at purchases and sales in the newspaper because you don't care. This is your home and you intend to be there a while. Since you did your homework up front, you feel comfortable, and you go about living your life.

Now imagine the house comes with hourly alerts. Digital price tags texted to your phone that uptick and downtick based on peoples' opinions of your home's value. Air conditioner breaks, kids skin their knees on the driveway, business leaving town – all downticks. New house being built, local school wins baseball state title, neighbor plants some nice bushes in front yard – all upticks. How would this change your attitude?

My guess is your emotions would get flowing – especially when some ticks positive or negative started occurring in a row. \$500,000 . . . \$499,630 . . . \$499,120 . . . \$498,770 and that's just in the last four hours.

All assets fluctuate in price. Change in price is measured by volatility and often it's volatility that causes people to second guess their investment decisions. Those second guesses are what Buffet is referring to in the quote above.

When it comes to investable securities, we have done the homework and understand the difference between volatility and risk. The market today is working through a period of little return and higher volatility. It's ok because these price fluctuations are necessary to garner higher rates of return than low volatility assets (think cash) over time. The risk of serious decline (-20%+) looks improbable given our level of domestic economic activity, current investor fear, and valuations. Anyone who can make the mental switch – think of an investment strategy to be closer to a home purchase and treat it as such, in my mind, will be much better off in the long run.

## Individual Equity Portfolios

Strategy	Overview	Q2 (Net)	2015 YTD (Net)
CAN SLIM®	All-Cap Tactical Growth	-0.7%	-1.2%
<b>Growth &amp; Income</b>	75% CAN SLIM® / 25% Bond ETFs	-1.7%	-1.8%
<b>Balanced</b>	50% CAN SLIM® / 50% Bond ETFs	-2.5%	-2.0%
CAN SLIM® International	All-Cap International Tactical Growth	-3.5%	-1.4%
CAN SLIM® Global	CAN SLIM® + CAN SLIM® International	-2.1%	-1.3%
Legends Value	All-Cap Long-Only Value	-1.6%	0.5%
United Portfolio	CAN SLIM® + Legends Value	-1.2%	-0.4%
Vista	All-Cap Long-Only Growth	2.0%	6.2%

NorthCoast Retirement Portfolios  
A MANAGED ETF SOLUTION

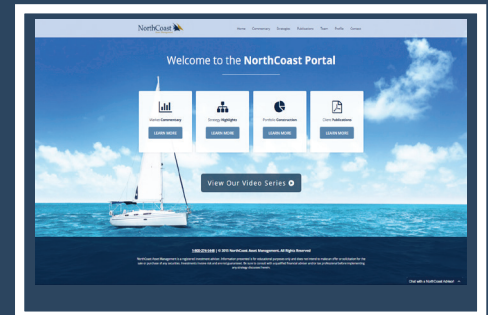
Strategy	Overview	Q2 (Net)	2015 YTD (Net)
<b>Tactical Income</b>	Designed to generate income with protection against inflation and rising interest rates	-3.2%	-1.8%
<b>Diversified Core</b>	Designed for a conservative retiree or investor near retirement	-2.2%	-0.1%
<b>Diversified Growth</b>	Designed for a more growth-oriented retiree or investor retiring in 5-10 years	-1.9%	0.4%
<b>Tactical Growth</b>	Designed to generate long-term appreciation with downside risk controls	-1.6%	1.5%

Past performance is not indicative of future results. 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.

# Get On. Get Active.

## The NorthCoast Portal

<https://portal.northcoastam.com/>



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Client Publications  
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