

Quarterly Client Update

2015 Q4

December 31, 2015



President's Post



President & CEO Dan Kraninger reflects on a challenging 2015 and provides insight moving forward.

2015 was a year of digestion and indigestion. Digestion for those who experienced three straight years of outsized gains from equities, and indigestion for those who made hasty moves, ill-timed investments or tried to speculate in energy and oil. The majority of the world's major asset classes were flat or down in a tight range. And even though no one felt significant pain, my sense is that investors are losing patience. I'm not sure why. Maybe fear? Technology? Life speeding faster? Your guess is as good as mine. Unfortunately, investment gratification typically only comes to those who wait and in 2016, any lack of patience will most likely accentuate the whipsaw action and volatility that we saw in 2015, specifically the 4th quarter.

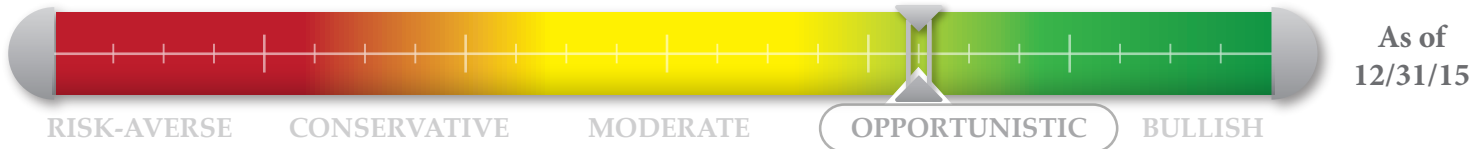
We enter the year hedged in our tactical U.S. portfolios with 30% cash and look forward to finding better opportunities during the first quarter to deploy the capital. The U.S. economy is growing and cash still pays 0%. Those are important themes to remember ... especially cash, because holding cash is only burning holes in pockets and losing to inflation every day. Cash will find a home in assets and more likely stocks than bonds over the long-term.

2016 also marks my 20th year in the asset management business. I reflected on that time horizon when writing notes this quarter and I wanted share my favorite quotes and lessons learned over the course of my twenty year career:

1. **“An investment in knowledge pays the best interest.”** - *Benjamin Franklin*. When it comes to investing, nothing will pay off more than educating yourself. Do the necessary research, study and analysis before making any investment decisions.
2. **“I will tell you how to become rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful.”** - *Warren Buffett*. Be prepared to invest in a down market and to “get out” in a soaring market.
3. **“In investing, what is comfortable is rarely profitable.”** - *Robert Arnott*. Know the boundaries of your comfort zone. As much as you need to know the market, you need to know yourself too. There's no room for pride in this kind of self-analysis. The best investment strategy can turn into the worst if you don't have the stomach to see it through.
4. **“The individual investor should act consistently as an investor and not as a speculator.”** - *Ben Graham*. An investor is not someone who can predict the future. Base decisions on real facts and analysis rather than risky, speculative forecasts.
5. **“The most powerful force in the universe is compound interest”** - *Albert Einstein*. Only time and pressure turns coal into diamonds. There is no such thing as quick or easy money.
6. **“The four most dangerous words in investing are: ‘this time it's different.’”** - *Sir John Templeton*. Follow market trends and history. Don't speculate that this particular time will be any different. For example, a major key to investing in a particular stock or bond fund is its performance over five years. Nothing shorter.
7. **“The stock market is human nature on parade.”** - *William O'Neil*. Don't deal with personal opinion. Follow the system.
8. **“Investing is the business of making mistakes. They only difference between the winners and the losers is that the winners make small mistakes while the losers make big mistakes.”** - *Ned Davis*. 10-20% corrections really don't matter. Long, deep bear markets are what changes people's lives.
9. **“Success is peace of mind which is a direct result of self-satisfaction in knowing you made the effort to become the best which you are capable.”** - *John Wooden*. No comments necessary.

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.

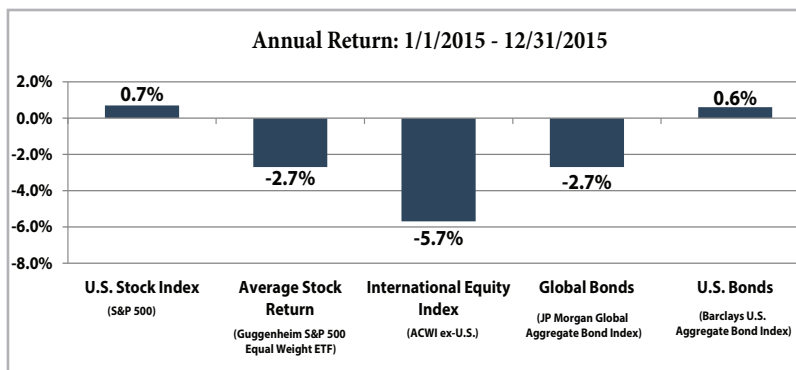


The U.S. stock market presented challenges in 2015. While major U.S. indices ended the year relatively flat, the average stock ended in negative territory. When the markets closed on December 31, the S&P 500 Index produced an annual return of +0.74% (with dividends reinvested), while RSP (Guggenheim S&P 500 Equal Weight ETF), a gauge of the average stock price, ended -2.7%. The difference highlights that a majority of the slight gain was attributed to the largest market-cap names.

Global equities fared worse. The ACWI ex-U.S. declined with a -5.7% return. Bonds didn't help either. U.S. bonds (Barclays U.S. Bond Aggregate Index) provided only modest relief at +0.6% while global bonds (JP Morgan Global Aggregate Bond Index) ended -2.7%.

Many of our tactical strategies adjusted allocation to a more conservative posture as 2016 approached. CAN SLIM® reduced equity exposure from 85% in mid-December to 70% by year-end. The 30% cash position provides protection should equities decline to start 2016, and also the liquidity to invest should new opportunities arise. As always, we continue to monitor the risk metrics daily, and if and when the data warrants a change, we'll adjust our exposure accordingly.

A snapshot of market index returns during 2015:



TECHNICAL



S&P 500 Index ended the month -1.6% and 2015 +0.7%, with the ACWI ex-U.S. -1.9% in December and -5.7% for the year. Volatility rose in December amidst growth concerns and tensions in the Middle East altering technical fear indicators to the positive.

SENTIMENT



The UM Consumer Sentiment Survey ticked up for a 4th consecutive month to 92.6, its highest level since August while the AAI sentiment survey displayed more retail investors turned bearish over the last month.

MACROECONOMIC



The Federal Reserve raised lending rates for the first time in almost 10 years, providing confidence in the U.S. economy. The historic move comes after years of quantitative easing followed by a continued decrease in unemployment and jobless claims, while incomes rose. Global growth remains a concern.

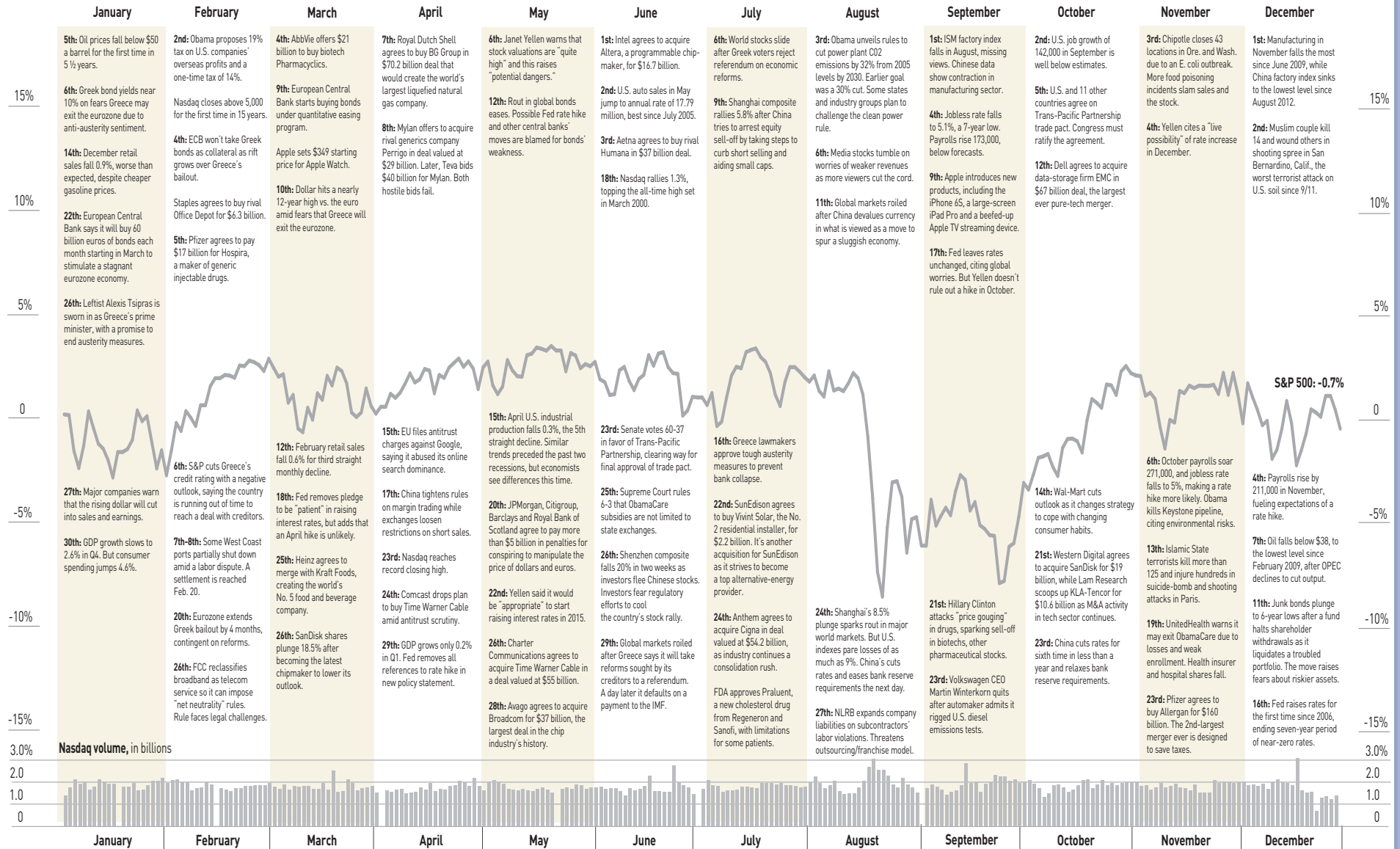
VALUATION



S&P 500 P/E levels remained relatively unchanged at 18.3 with forward P/E at 17.4. Large-cap U.S. equities outperformed their mid and small-cap counterparts. In particular, the largest 50 companies provided much of the gain.

Data as of 12/31/2015. Data provided by Bloomberg, GoldmanSachs, Morningstar, Bureau of Economic Analysis.

2015: A Lackluster Market, Despite A Superb February And October



Source: Investor's Business Daily. S&P 500 performance excludes dividends.

Resource Library

Information designed just for you! NorthCoast publishes articles and research reports throughout the year to ensure our clients are up-to-date and informed about decisions regarding their investment portfolio. Below are a sample of the research reports. You can view all the reports by contacting your NorthCoast advisory team or visiting the client portal at portal.northcoastam.com.

Benchmarking & the Cost of Defense

July 31, 2015



In the world of professional investment management, the first, last, and most-frequently asked question is some variation of “Did your strategy/fund/portfolio beat its benchmark?”

This document will break down the performance of CAN SLIM® against various benchmarks that also seek to obtain upside capital appreciation and downside risk management.

This exercise will help understand the trade-offs being made over time, the value added by the strategy and also put the cost of downside protection into perspective....

This is the Plan

August 26, 2015



In our experience, believing short-term patterns have long-term efficacy is a quick way to lose money. It's just not that easy. Intuition alone (and now fear...) can be a harmful guide to navigating tumultuous markets.

The hard-wired self-preservation mechanisms which urge us to act and stop the pain by going to cash when our portfolios suffer are not always the best to follow.

Jumping back in when the markets have already appreciated leaves a substantial amount of value behind. Outperforming the market requires a well thought out approach. Our approach is well founded and disciplined...

Year-In-Review: CAN SLIM®

December 31, 2015



The CAN SLIM® Investment Program aims to achieve two goals, both equal in their importance to long-term performance: 1) appreciate capital and 2) preserve capital.

CAN SLIM® aims to accomplish its stated objectives utilizing three unique tactics: Cash Scaling, Universe, and Stock Selection.

This report provides in-depth analysis into the successes and challenges of the strategy throughout 2015, important research into the mechanics of the strategy, and a brief outlook into 2016...

Currency Hedging

December 15, 2015



The following question often arises from investors when incorporating global strategies into a portfolio; “Is there an effective and efficient way to manage currency risk?”

The question is relevant for investors utilizing our Tactical Growth or CAN SLIM® International strategy, as these strategies invest in international equities. It's even more pertinent when global exchange rates diverge.

To best answer the question, we've conducted extensive research and tackled the issue from multiple angles including the impacts on volatility, historical performance, potential future performance, costs, and additional business forces....

Strategy Performance

Individual Equity Portfolios

Strategy	Overview	Q4 (Net)	2015 (Net)
CAN SLIM [®]	All-Cap Tactical Growth	3.4%	-5.3%
Growth & Income	75% CAN SLIM [®] / 25% Bond ETFs	2.8%	-4.9%
Balanced	50% CAN SLIM [®] / 50% Bond ETFs	1.4%	-4.5%
CAN SLIM [®] International	All-Cap International Tactical Growth	0.4%	-9.1%
CAN SLIM [®] Global	CAN SLIM [®] + CAN SLIM [®] International	1.9%	-7.2%
Legends Value	All-Cap Long-Only Value	2.9%	-3.7%
United Portfolio	CAN SLIM [®] + Legends Value	3.2%	-4.6%
Vista	All-Cap Long-Only Growth	2.9%	-1.4%

Managed ETF Portfolios

Strategy	Overview	Q4 (Net)	2015 (Net)
Tactical Income	Designed to generate income with protection against inflation and rising interest rates	-0.2%	-3.8%
Diversified Core	Designed for a conservative retiree or investor near retirement	2.2%	-3.5%
Diversified Growth	Designed for a more growth-oriented retiree or investor retiring in 5-10 years	3.1%	-3.8%
Tactical Growth	Designed to generate long-term appreciation with downside risk controls	3.9%	-3.5%

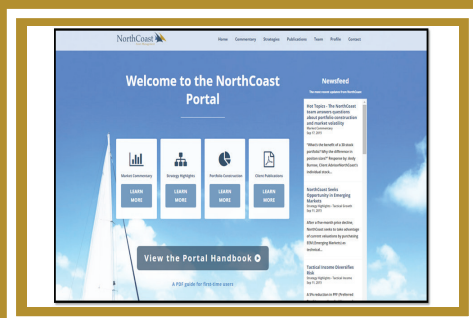
Liquid Alternative Portfolios

Strategy	Overview	Q4 (Net)	2015 (Net)
Zero Beta	Designed to produce long-term capital appreciation through alternative securities that are typically uncorrelated to equities & bonds	1.1%	4.2%

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.

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portal.northcoastam.com

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INVESTING ENTAILS RISKS, INCLUDING POSSIBLE LOSS OF SOME OR ALL OF THE INVESTOR’S PRINCIPAL.

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