

# INVESTOR'S BUSINESS DAILY

MONDAY, JUNE 6, 2016

## NorthCoast Bumps Up Its Overseas Weightings

The growth prospects, valuations for Canada, emerging market ETFs are looking more promising now

BY BILLY FISHER

BY INVESTOR'S BUSINESS DAILY

NorthCoast Asset Management added investments in emerging market and Canadian ETFs to its retirement portfolios in May. The increased weightings came amid an upswing in oil prices.

During the month, the firm continued to keep healthy positions of U.S. equities and corporate bonds, but it cut back on the weighting of some of its top holdings. NorthCoast's U.S. equity ETFs continued to push higher, even in the face of a potential interest rate hike by the Federal Reserve. Here are some highlights from the portfolios for May:

### Strong Sentiment

iShares Core S&P 500 ETF<sup>IVV</sup> was up about 1.5% for the month. While NorthCoast is slightly underweight in IVV relative to its benchmark, the position remained a top holding in three portfolios.

"We have seen labor participation picking up and strong sentiment signals from homebuilders," said Patrick Jamin, chief investment officer for NorthCoast of the holding. "The Fed has been cautious on communicating its intentions on a potential rate hike, and we don't believe a rate increase will be an overwhelming shock to the market."

NorthCoast continued to own iShares Core S&P Mid-Cap ETF<sup>LJH</sup> and iShares Core S&P Small-Cap ETF<sup>LJR</sup>. The U.S. equity ETFs were headed for respective monthly gains of 2% and 1.3% in May.

Jamin took profits in iShares 10+ Year Credit Bond<sup>CLY</sup>, which has been the top holding of Tactical Income. "It has done pretty well year to date, with a 7.5% gain, so we decided to pare back our position," he said.

iShares MBS ETF<sup>MBB</sup> continued to be a significant holding for Tactical Income. "It is yielding 2.3% right now, which is relatively attractive," Jamin said. "Its effective duration is 2.7 years, which also makes it a suitable holding."

iShares MSCI Eurozone ETF<sup>EZU</sup> trended downward for much of May before making up considerable ground in the latter part of the month. The NorthCoast team has observed improving labor markets and positive measures taken by the European Central Bank. "It has launched a corporate bond purchase program that would have been unheard of in the past," Jamin said of the ECB. "It is really trying to keep the economy afloat and invigorate it."

Shares of EZU have been flat so far this year.

### Shift To Foreign ETFs

NorthCoast picked up shares of iShares Core MSCI Emerging Markets ETF<sup>EMG</sup> in May.

"We saw that its valuation had become extremely attractive relative to other markets, which had become extended," Jamin said. "Purchasing Managers' Index data have shown economic improvement in emerging markets, and the rebound in commodity prices has been favorable as well. These developments have validated our decision to move from underweight to neutral on emerging markets."

Jamin also bought shares of iShares MSCI Canada ETF<sup>EWC</sup> during the month. "Canada has been exhibiting improving macro data, including improving payroll trends," Jamin said. "The federal government of Canada has also announced an ambitious fiscal stimulus program."

Jamin says rising oil prices are an additional factor EWC stands to benefit from because oil and gas account for a significant percentage of the Canadian economy.

Shares of EWC have spiked 13% year to date.

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## NorthCoast Retirement Portfolios

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## Tactical Income

iShares ETFs	Symbol	Asset class	12-mo yield	Allocation	Price	+/-
10+ Year Credit Bond	CLY	Bond - Corp. - Inv. Grade	4.2%	20%	99.90	9.2%
MBS Bond	MBB	Bond - ABS	2.8%	15%	109.35	2.2%
iBoxx \$ High Yield Corporate Bond	HYG	Bond - Corp. - High Yield	5.7%	11%	83.61	5.8%
JPMorgan USD Emerging Markets Bond	EMB	Bond - Emerging Market	4.8%	11%	110.98	6.6%
Intermediate Credit Bond	CIU	Bond - Corp. - Inv. Grade	2.5%	5%	109.86	3.3%
20+ Year Treasury Bond	TLT	Bond - Govt. - Long Term	2.4%	5%	130.16	8.8%
National AMT-Free Municipal Bond	MUB	Bond - Municipal	2.3%	5%	112.32	2.2%
Short Treasury Bond	SHV	Bond - Govt. - Short Term	0.1%	3%	110.37	0.2%
Select Dividend	DIVY	Equity - Domestic - Div.	3.2%	5%	82.90	11.2%
Global Infrastructure	IGF	Equity - Infrastructure	2.9%	5%	39.82	10.8%
International Select Dividend	IDV	Equity - International - Div.	5.4%	5%	29.28	3.2%
US Preferred Stock	PFF	Preferred Stock	5.70%	5%	39.60	3.9%
US Real Estate	IVR	Real Estate	4.1%	5%	78.25	5.5%

► Designed to generate income with protection against inflation and rising interest rates. Appropriate Benchmark: 100% Barclays Bond Aggregate

## Diversified Core

iShares ETFs	Symbol	Asset class	12-mo yield	Allocation	Price	+/-
10+ Year Credit Bond	CLY	Bond - Corp. - Inv. Grade	4.2%	15%	99.90	9.2%
iBoxx \$ High Yield Corporate Bond	HYG	Bond - Corp. - High Yield	5.7%	12%	83.61	5.8%
MBS Bond	MBB	Bond - ABS	2.8%	10%	109.35	2.2%
Emerging Markets High Yield Bond	EMHY	Bond - Corp. - High Yield	6.5%	5%	47.72	8.1%
Short Treasury Bond	SHV	Bond - Govt. - Short Term	0.1%	1%	110.37	0.2%
Core S&P Mid-Cap	LJH	Equity - Mid Cap	1.5%	15%	149.22	7.5%
MSCI European Union	EZU	Equity - International	2.2%	13%	33.99	-3.0%
Core S&P 500	IVV	Equity - Large Cap	1.7%	11%	210.97	3.5%
Core MSCI Emerging Markets	EMG	Equity - International	2.5%	5%	40.47	2.7%
MSCI Canada	EWC	Equity - International	2.10%	5%	24.48	13.9%
Core S&P Small-Cap	LJR	Equity - Small Cap	1.4%	5%	115.75	5.5%
MSCI Pacific ex-Japan	EPP	Equity - International	4.80%	3%	39.08	1.8%

► Centerpiece portfolio for a conservative retiree or investor near retirement. Appropriate Benchmark: 50% S&P 500 & 50% Barclays Bond Aggregate

## Diversified Growth

iShares ETFs	Symbol	Asset class	12-mo yield	Allocation	Price	+/-
MBS Bond	MBB	Bond - ABS	2.8%	7%	109.35	2.2%
10+ Year Credit Bond	CLY	Bond - Corp. - Inv. Grade	4.2%	7%	99.90	9.2%
iBoxx \$ High Yield Corporate Bond	HYG	Bond - Corp. - High Yield	5.7%	6%	83.61	5.8%
Short Treasury Bond	SHV	Bond - Govt. - Short Term	0.1%	3%	110.37	0.2%
Core S&P 500	IVV	Equity - Large Cap	1.7%	21%	210.97	3.5%
Core S&P Mid-Cap	LJH	Equity - Mid Cap	1.5%	18%	149.22	7.5%
MSCI European Union	EZU	Equity - International	2.2%	15%	33.99	-3.0%
Core MSCI Emerging Markets	EMG	Equity - Emerging Market	2.50%	10%	40.47	2.7%
MSCI Canada	EWC	Equity - International	2.1%	5%	24.48	13.9%
Core S&P Small-Cap	LJR	Equity - Small Cap	1.40%	5%	115.75	5.5%
MSCI Pacific ex-Japan	EPP	Equity - International	4.8%	3%	39.08	1.8%

► Centerpiece portfolio for a more growth-oriented retiree or investor retiring in 5-10 years. Appropriate Benchmark: 70% S&P 500 & 30% Barclays Bond Aggregate

## Tactical Growth

iShares ETFs	Symbol	Asset class	12-mo yield	Allocation	Price	+/-
10+ Year Credit Bond	CLY	Bond - Corp. - Inv. Grade	4.2%	6%	99.90	9.2%
iBoxx \$ High Yield Corporate Bond	HYG	Bond - Corp. - High Yield	5.7%	5%	83.61	5.8%
Short Treasury Bond	SHV	Bond - Govt. - Short Term	0.1%	2%	110.37	0.2%
Core S&P 500	IVV	Equity - Large Cap	1.7%	23%	210.97	3.5%
MSCI European Union	EZU	Equity - International	2.2%	20%	33.99	-3.0%
Core S&P Mid-Cap	LJH	Equity - Mid Cap	1.5%	18%	149.22	7.5%
Core MSCI Emerging Markets	EMG	Equity - Emerging Market	2.50%	8%	40.47	2.7%
MSCI Pacific ex-Japan	EPP	Equity - International	4.80%	8%	39.08	1.8%
MSCI Canada	EWC	Equity - International	2.10%	5%	24.48	13.9%
Core S&P Small-Cap	LJR	Equity - Small Cap	1.40%	5%	115.75	5.5%

► Designed to generate long-term capital appreciation with downside risk controls. Appropriate Benchmark: 100% S&P 500