

INVESTOR'S BUSINESS DAILY

MONDAY, AUGUST 1, 2016

U.S. Stock Rally Lifts NorthCoast Portfolios

Eurozone ETF also boosted returns as it recovered from nasty sell-off after the U.K. vote to exit the EU

BY BILLY FISHER

FOR INVESTOR'S BUSINESS DAILY

After stumbling out of the blocks to start the year, U.S. stocks have flexed their resilience. NorthCoast Asset Management kept its ETF retirement portfolios stocked with domestic ETFs amid the volatility. The conviction is being rewarded, as top holdings rallied to new heights in July. Here are some highlights from the portfolios for the month:

Hot Streak

Bullish economic signals and promising earnings pushed the S&P 500 to a record high in July. NorthCoast clients benefited as iShares Core S&P 500 ETF^{IVV} remained the top holding for two of the firm's ETF retirement portfolios during the month.

"There was better-than-expected employment data reported for June," said Patrick Jamin, chief investment officer for NorthCoast. "We have seen one of the strongest and longest streaks of consecutive monthly job gains in the nation's history. Earnings season so far has reflected this healthy trend."

Shares of IVV rose 3.5% in July.

Jamin also owned sizable positions in iShares Core S&P Mid-Cap ETF^{IJH} and iShares Core S&P Small-Cap ETF^{IJR} during the month. IJH was the top holding of the Diversified Core portfolio as NorthCoast saw upside potential in the space.

"Considering the respective benchmark weights, we are more overweight midcaps and small caps than large caps," Jamin said. "Our models are showing stronger valuation and sentiment indicators for midcaps and small caps right now."

IJH and IJR posted respective gains of 4% and 5% for the month.

Shares of iShares MSCI Eurozone ETF^{EZU} continued to bounce back from the fallout of the June Brexit vote. "We are expecting a little bit more

clarity from the European Central Bank going forward," Jamin said. "It has indicated it won't be raising interest rates anytime soon and is more likely to deploy policies to boost the economy, including expanding asset purchases, increasing liquidity support and lowering interest rates further if needed."

EZU finished the month up 2%.

Profit-Taking On Fixed Income

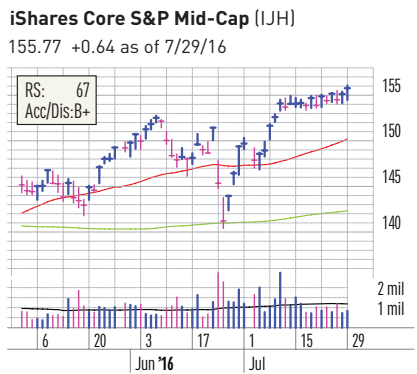
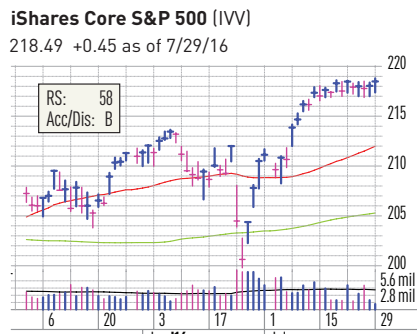
NorthCoast added to its position in iShares 10+ Year Credit Bond ETF^{CLY} in early July and then took profits following an upswing. "When we first increased the position, there was the expectation that future rate cuts would boost the returns of long-duration fixed income instruments," Jamin said. "After its appreciation, we saw that some of its metrics measured by our models were less bullish so we trimmed our position by 5%."

Shares of CLY increased 1% in July.

Jamin also traded in and out of the iShares 20+ Year Treasury Bond ETF^{TLT} during the month.

"Our models indicated it could also benefit from a more benign interest rate outlook, and this is exactly what happened," he said. "So after its yield and appreciation potential went lower, we sold at quite an attractive point."

High-yield bond ETFs saw a healthy wave of inflow of new assets in July as investors upped their appetite for risk. The trend pushed NorthCoast's position in iShares iBoxx \$ High Yield Corporate Bond ETF^{HYG} 1.3% higher for the month. HYG currently yields 5.6%.



Retirement planning and managing ETF portfolios are important issues for investors today, and IBD is pleased to track these portfolios in an effort to assist our readers. The reader, however, should not assume that the results on this page will be achieved in the future or that any future performance will be profitable. Past or current results do not guarantee future performance. All investments involve risk, including loss of principal. The results detailed are net of advisory fees, commissions or other fees a typical client would pay. Further, this is not a recommendation to buy or sell and is not intended to meet objectives or suitability requirements of any specific person. In exchange for publishing these portfolios, IBD receives advertising revenue and fees. iShares and BlackRock are registered trademarks of BlackRock Inc. or its subsidiaries. Used with permission. NorthCoast Asset Management is not affiliated with BlackRock Inc.



NorthCoast Retirement Portfolios

NorthCoast Asset Management is a Greenwich, Conn.-based registered investment advisor founded in 1988 and a leader in the field of investment management and equity research. NorthCoast uses a combination of technical and fundamental factors to compile these retirement portfolios and provides them for informational purposes only. They are updated at the end of each month and made available on Investors.com or the next Monday in IBD. NorthCoast offers asset management services for these retirement portfolios. It can be reached at 800-274-5448, or go to northcoastam.com for more information.

Tactical Income

iShares ETFs	Symbol	Asset class	12-mo yield	Allocation	Price	±%
10+ Year Credit Bond	CLY	Bond - Corp. - Inv. Grade	3.9%	20%	64.08	17.6%
MBS Bond	MBB	Bond - ABS	2.8%	15%	110.12	3.3%
iBoxx \$ High Yield Corporate Bond	HYG	Bond - Corp. - High Yield	5.6%	11%	85.41	9.1%
JPMorgan USD Emerging Markets Bond	EMB	Bond - Emerging Market	4.7%	11%	116.19	12.5%
Short Treasury Bond	SHV	Bond - Govt. - Short Term	0.1%	8%	110.42	0.3%
Intermediate Credit Bond	CIU	Bond - Corp. - Inv. Grade	2.4%	5%	111.85	5.6%
National AMT-Free Municipal Bond	MUB	Bond - Municipal	2.3%	5%	113.66	3.8%
Select Dividend	DIV	Equity - Domestic - Div.	3.1%	5%	86.99	17.6%
Global Infrastructure	IGF	Equity - Infrastructure	3.1%	5%	41.52	17.4%
International Select Dividend	IDV	Equity - International - Div.	5.4%	5%	29.59	6.2%
US Preferred Stock	PFF	Preferred Stock	5.6%	5%	40.27	6.6%
US Real Estate	IVR	Real Estate	3.80%	5%	85.40	16.1%

► 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	±%
MBS Bond	MBB	Bond - ABS	2.8%	10%	110.12	3.3%
10+ Year Credit Bond	CLY	Bond - Corp. - Inv. Grade	3.9%	10%	64.08	17.6%
Short Treasury Bond	SHV	Bond - Govt. - Short Term	0.1%	10%	110.42	0.3%
iBoxx \$ High Yield Corporate Bond	HYG	Bond - Corp. - High Yield	5.6%	9%	85.41	9.1%
Emerging Markets High Yield Bond	EMHY	Bond - Corp. - High Yield	6.3%	5%	50.05	14.6%
Core S&P Mid-Cap	IJH	Equity - Mid Cap	1.5%	15%	155.58	12.5%
Core S&P 500	IVV	Equity - Large Cap	1.6%	11%	218.37	7.7%
MSCI Canada	EWC	Equity - International	1.9%	10%	25.24	18.3%
Core S&P Small-Cap	IJR	Equity - Small Cap	1.3%	9%	122.01	11.6%
MSCI European Union	EZU	Equity - International	2.7%	8%	33.83	-1.0%
MSCI Pacific ex-Japan	EPP	Equity - International	3.80%	3%	41.73	10.5%

► 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%	110.12	3.3%
10+ Year Credit Bond	CLY	Bond - Corp. - Inv. Grade	3.9%	7%	64.08	17.6%
Short Treasury Bond	SHV	Bond - Govt. - Short Term	0.1%	6%	110.42	0.3%
iBoxx \$ High Yield Corporate Bond	HYG	Bond - Corp. - High Yield	5.6%	6%	85.41	9.1%
Core S&P 500	IVV	Equity - Large Cap	1.6%	21%	218.37	7.7%
Core S&P Mid-Cap	IJH	Equity - Mid Cap	1.5%	18%	155.58	12.5%
MSCI Canada	EWC	Equity - International	1.9%	10%	25.24	18.3%
Core S&P Small-Cap	IJR	Equity - Small Cap	1.3%	9%	122.01	11.6%
MSCI European Union	EZU	Equity - International	2.7%	8%	33.83	-1.0%
MSCI Japan	EWJ	Equity - International	1.5%	5%	12.06	0.3%
MSCI Pacific ex-Japan	EPP	Equity - International	3.8%	3%	41.73	10.5%

► 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	±%
Short Treasury Bond	SHV	Bond - Govt. - Short Term	0.1%	8%	110.42	0.3%
10+ Year Credit Bond	CLY	Bond - Corp. - Inv. Grade	3.9%	6%	64.08	17.6%
Core S&P 500	IVV	Equity - Large Cap	1.6%	28%	218.37	7.7%
Core S&P Mid-Cap	IJH	Equity - Mid Cap	1.5%	18%	155.58	12.5%
MSCI European Union	EZU	Equity - International	2.7%	11%	33.83	-1.0%
Core S&P Small-Cap	IJR	Equity - Small Cap	1.3%	11%	122.01	11.6%
MSCI Canada	EWC	Equity - International	1.9%	10%	25.24	18.3%
MSCI Japan	EWJ	Equity - International	1.5%	5%	12.06	0.3%
MSCI Pacific ex-Japan	EPP	Equity - International	3.8%	3%	41.73	10.5%

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