

INVESTOR'S BUSINESS DAILY

MONDAY, SEPTEMBER 5, 2016

NorthCoast Portfolios Hike Foreign Exposure

Income portfolio of ETFs is geared to withstand rate hikes while it yields more than its benchmark

BY BILLY FISHER

FOR INVESTOR'S BUSINESS DAILY

NorthCoast Asset Management broadened exposure to Europe and emerging markets in its ETF retirement portfolios in August.

With anticipation building up to the Federal Reserve annual Jackson Hole retreat, the firm continued to hold significant positions in U.S. equity and corporate bond ETFs. These holdings held near highs or edged higher heading into the final trading days of the month. Here are some highlights from NorthCoast's portfolios for the month:

Primed For Rate Hikes

Late in the month, the Federal Reserve signaled that it could lift short-term interest rates this year. NorthCoast owns bond ETFs unlikely to be shocked by such a move.

"Tactical Income is well-positioned for multiple rate hikes," said Patrick Jamin, chief investment officer for NorthCoast. "The portfolio has a shorter duration and higher yield than iShares Core U.S. Aggregate Bond ETF^{AGG}. We have cut some of our long-term holdings recently such

as iShares 20+ Year Treasury Bond ETF^{TLT} and have increased positions less sensitive to interest rate increases such as iShares JPMorgan USD Emerging Markets Bond ETF^{EMB}."

EMB is up 11% this year and yields 4.7%. iShares 10+ Year Credit Bond ETF^{CLY} kept its spot as a core holding for NorthCoast in August. "The current environment of low interest rates has made for a high demand of corporate bonds vs. government bonds," Jamin said. "U.S. corporate bonds bear acceptable risk in the fixed income space and are beating inflation."

Shares of CLY have rallied 14% so far this year, and yield 3.9%.

NorthCoast upped its stake in iShares MSCI Eurozone ETF^{EZU} in August as valuation, macro and sentiment signals improved in the firm's

models. "There has been a lot of political will to minimize the impact of Brexit," Jamin said. "The European Central Bank has announced its intentions to deploy additional measures to boost the economy, including expanding asset purchases, providing liquidity support and lowering real interest rates."

EZU ticked up 1% in August.

Jamin bought shares of iShares Core MSCI Emerging Markets ETF^{IEMG} during the month. "We were underweight emerging markets, which tend to be more sensitive to volatility, going into the Brexit vote," Jamin said. "After Brexit, we added to our emerging market exposure, which has performed quite well recently."

Shares of IEMG gained 1% during the month and are up 13% year to date.

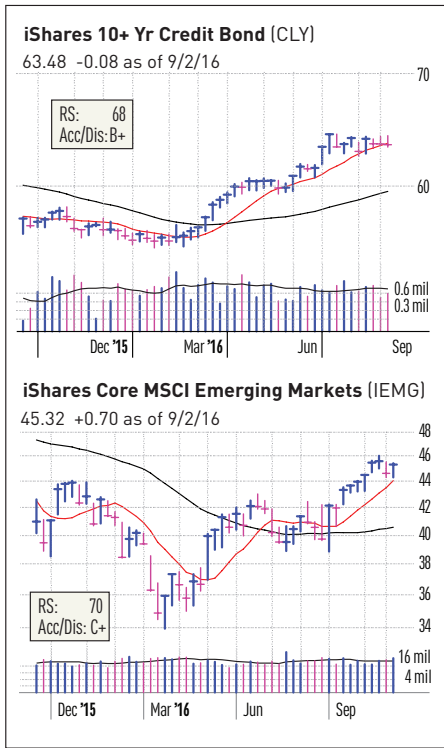
NorthCoast trimmed its iShares Core S&P 500 ETF^{IVV} holdings in August as the ETF hit a new 52-week high. "While IVV was rising, we saw its valuation was getting stretched and valuations in Europe were becoming more attractive," Jamin said. "We thought it was worth rebalancing our holdings and locking in gains on IVV and redeploying the profits to EZU and IEMG, where there is more potential for appreciation."

IVV ended August about where it began and is up 6% year to date.

iShares Core S&P Mid-Cap ETF^{IJH} remained a top holding in three of the NorthCoast ETF retirement portfolios in August. The ETF set a new 52-week high of its own en route to a gain of 0.2% for the month. IJH shares

have swelled 12% since the start of the year.

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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	3.9%	20%	64.14	18.1%
JPMorgan USD Emerging Markets Bond	EMB	Bond - Emerging Market	4.7%	16%	117.22	14.0%
MBS Bond	MBB	Bond - ABS	2.8%	15%	109.93	3.3%
iBoxx \$ High Yield Corporate Bond	HYG	Bond - Corp. - High Yield	5.5%	11%	86.70	11.2%
Intermediate Credit Bond	CIU	Bond - Corp. - Inv. Grade	2.4%	5%	111.48	5.4%
National AMT-Free Municipal Bond	MUB	Bond - Municipal	2.2%	5%	113.60	3.9%
Short Treasury Bond	SHV	Bond - Govt - Short Term	0.2%	3%	110.39	0.3%
Select Dividend	DIV	Equity - Domestic - Div.	3.1%	5%	86.11	16.4%
Global Infrastructure	IGF	Equity - Infrastructure	3.1%	5%	40.80	15.3%
International Select Dividend	IDV	Equity - International - Div.	5.3%	5%	29.75	6.8%
US Preferred Stock	PFF	Preferred Stock	5.6%	5%	40.10	6.6%
US Real Estate	IYR	Real Estate	3.9%	5%	82.54	12.3%

► 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%	109.93	3.3%
10+ Year Credit Bond	CLY	Bond - Corp. - Inv. Grade	3.9%	10%	64.14	18.1%
iBoxx \$ High Yield Corporate Bond	HYG	Bond - Corp. - High Yield	5.5%	9%	86.70	11.2%
Emerging Markets High Yield Bond	EMHY	Bond - Corp. - High Yield	6.3%	5%	50.52	16.3%
JPMorgan USD Emerging Markets Bond	EMB	Bond - Emerging Market	4.7%	5%	117.22	14.0%
Short Treasury Bond	SHV	Bond - Govt - Short Term	0.2%	1%	110.39	0.3%
MSCI European Union	EUJ	Equity - International	2.7%	15%	34.21	0.1%
Core S&P Mid-Cap	IJH	Equity - Mid Cap	1.5%	15%	156.35	13.1%
MSCI Canada	EWC	Equity - International	1.9%	10%	25.31	18.7%
Core S&P Small-Cap	IJR	Equity - Small Cap	1.3%	9%	123.72	13.1%
Core S&P 500	IVV	Equity - Large Cap	1.6%	6%	218.65	7.8%
Core MSCI Emerging Markets	IEMG	Equity - Emerging Market	2.1%	5%	44.41	13.8%

► 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	+/-
10+ Year Credit Bond	CLY	Bond - Corp. - Inv. Grade	3.9%	7%	64.14	18.1%
iBoxx \$ High Yield Corporate Bond	HYG	Bond - Corp. - High Yield	5.5%	6%	86.70	11.2%
JPMorgan USD Emerging Markets Bond	EMB	Bond - Emerging Market	4.7%	5%	117.22	14.0%
Short Treasury Bond	SHV	Bond - Govt - Short Term	0.2%	2%	110.39	0.3%
MBS Bond	MBB	Bond - ABS	2.8%	2%	109.93	3.3%
Core S&P Mid-Cap	IJH	Equity - Mid Cap	1.5%	18%	156.35	13.1%
MSCI European Union	EUJ	Equity - International	2.7%	15%	34.21	0.1%
Core S&P 500	IVV	Equity - Large Cap	1.6%	14%	218.65	7.8%
Core MSCI Emerging Markets	IEMG	Equity - Emerging Market	2.1%	12%	44.41	13.8%
MSCI Canada	EWC	Equity - International	1.9%	10%	25.31	18.7%
Core S&P Small-Cap	IJR	Equity - Small Cap	1.3%	9%	123.72	13.1%

► 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	3.9%	6%	64.14	18.1%
Short Treasury Bond	SHV	Bond - Govt - Short Term	0.2%	4%	110.39	0.3%
Core S&P 500	IVV	Equity - Large Cap	1.6%	19%	218.65	7.8%
MSCI European Union	EUJ	Equity - International	2.7%	18%	34.21	0.1%
Core S&P Mid-Cap	IJH	Equity - Mid Cap	1.5%	18%	156.35	13.1%
Core MSCI Emerging Markets	IEMG	Equity - Emerging Market	2.1%	14%	44.41	13.8%
Core S&P Small-Cap	IJR	Equity - Small Cap	1.3%	11%	123.72	13.1%
MSCI Canada	EWC	Equity - International	1.9%	10%	25.31	18.7%

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

