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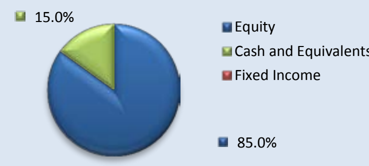
L&S Advisors Tactical Market Update
March 2017

Top Sectors

Tactical Equity Opportunities		Tactical Equity Income	
Information Technology	23.5%	Information Technology	16.7%
Industrials	14.2%	Industrials	15.4%
Health Care	11.8%	Energy	10.7%
Energy	10.0%	Indices	9.9%
Indices	9.9%	Materials	9.4%

Asset Allocation

Tactical Equity Opportunities



Tactical Equity Income

Preliminary Performance (net of fees)

	March	YTD	12 Mos	3 Yr*	5 yr*	ITD*	ITD
Tactical Equity Opportunities	-0.54%	4.56%	9.01%	4.12%	5.02%	6.39%	102.87%
Tactical Equity Opp. WRAP **	-0.51%	4.47%	8.21%	3.69%	5.19%	5.41%	82.51%
Tactical Equity Income	-0.68%	2.81%	3.70%	4.86%	5.90%	7.45%	127.05%
Tactical Equity Income WRAP **	-0.64%	2.68%	2.91%	3.99%	4.53%	5.65%	87.34%
Dow Jones Industrial Average	*-0.72%*	*4.56%*	*16.84%*	*7.88%*	*9.36%*	*6.16%*	*97.92%*
S&P 500 TR	*0.12%*	*6.07%*	*17.17%*	*10.37%*	*13.30%*	*8.34%*	*149.56%*
Barclay's Aggr Bond Index	*-0.06%*	*0.86%*	*0.46%*	*2.83%*	*2.47%*	*4.69%*	*68.82%*

** annualized*
*** net of all WRAP fees or 3% annually*

Please note all Top Sectors, Asset Allocation and Performance information are as of March 31, 2017 and subject to change at any time. Annualized and cumulative ITD returns are as of inception on October 31, 2005.

Insights and Actions – "Trumponomics"

General Comments

Last month we commented that we thought the market was due for a pullback. Markets were flat or down very modestly during March, but we do think that risks have risen over the past month, and we did increase our Risk Pulse™ from Medium+ (4 out of 10) to Caution (5 out of 10).

Following the election, markets embraced the notion that growth would accelerate, aided, in part, by the Trump Administration's promises to revitalize the tax code and reduce regulation. Both of these items were expected to help the economy grow at a somewhat quicker pace.

As March progressed, the market started to deviate from the reflation trade that had been so successful since election day. Interest rates, which had increased modestly, began to reverse. So too did oil prices, copper prices, and other commodity prices. If the economy was on a path to stronger growth, why were signs confirming that growth lagging? Why was the Atlanta Fed suggesting that first quarter growth would only be 1%? While confidence remained very robust, and other economic data points were generally confirming economic growth, there was enough data to give us pause.

Data Points and Global Economic Indicators

As we mentioned above, some of the indicators that have confirmed expectations for stronger economic growth have recently reversed. In particular, 10-year interest rates have declined from 2.63% as the Fed raised rates in mid-March, to 2.33% as of this writing.

Copper prices have recently fallen by roughly 5%, iron ore prices have fallen by nearly 22%, and oil prices fell by 13%, even as they have more recently rebounded smartly. Why, we ponder, are interest rates and commodity prices falling in an environment where growth is supposed to be picking up?

Confirming the recent weakness were Purchasing Manager Index reports that confirmed a mild slowdown in March. Chinese growth was also a tad weaker in March, although European and global indicators remained strong, and some metrics even gained strength during the month.

Continued on next page…

See important disclosures on next page.

Insights and Actions Cont.

The number of new jobs created in March rose a mere 98,000, and previous reports were revised lower. This was the weakest report since May of last year, and one of the weakest over the past few years.

We did take a look at quarterly GDP growth, and there has been consistent weakness in first quarter numbers since the end of the Great Recession. Perhaps this year is no different, and growth will re-accelerate as Spring progresses.

Asset Allocation

With our perspective that risk has increased somewhat, we have raised a modest amount of cash. Our targeted cash position for clients in our Tactical Equity Income and Tactical Equity Opportunities strategies is currently 14%. Of course the actual cash in any client's account may differ from that number.

Sector Allocation

We have tried to take some risk out of our clients' portfolios, and have reduced our exposure to those parts of the reflation trade that seem to be struggling. In particular, we have reduced our exposure to financial services and energy, and have increased our exposure to healthcare. We continue to hold significant exposure to technology and industrial companies where we find the potential for above-average growth.

Conclusion

Confidence in Mr. Trump's ability to advance his agenda has been shaken with the failure to pass legislation that would repeal and replace Obamacare. This raises questions about how much of the agenda will be passed soon enough to impact corporate profits in 2017. We do expect that some things may be postponed, and the full impact will not be felt until next year. Even with some delay, the market will start to look ahead toward 2018 earnings over the next few months, and we suspect that any weakness will be short-lived. We do not see systemic risks building, and we do not expect a recession this year, or into the first part of 2018. From that perspective, any current weakness may actually provide a good buying opportunity.

Disclosure