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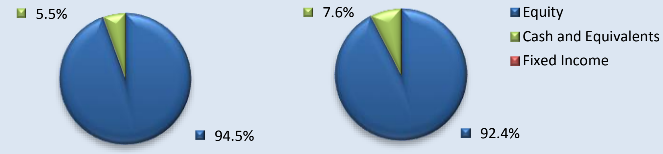
L&S Advisors Tactical Market Update
September 2017

Top Sectors

Tactical Equity Opportunities		Tactical Equity Income	
Industrials	26.3%	Industrials	25.1%
Information Technology	21.0%	Health Care	16.7%
Health Care	18.4%	Information Technology	16.3%
Financials	9.3%	Financials	9.3%
Materials	8.1%	Materials	8.1%

Asset Allocation



Tactical Equity Opportunities   Tactical Equity Income

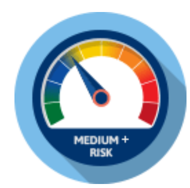
Preliminary Performance

	September	QTD	YTD	12 Mos	3 Yr*	5 yr*	ITD*	ITD
Tactical Equity Opportunities GROSS	2.41%	5.99%	12.84%	15.51%	6.43%	8.61%	7.79%	144.37%
Tactical Equity Opportunities NET	2.41%	5.75%	12.07%	14.44%	5.39%	7.54%	6.74%	117.43%
Tactical Equity Opp. WRAP GROSS	2.35%	6.02%	12.98%	15.62%	6.63%	9.37%	8.17%	154.82%
Tactical Equity Opp. WRAP NET **	2.35%	5.63%	11.70%	13.85%	4.94%	7.58%	5.77%	95.15%
Tactical Equity Income GROSS	2.61%	4.81%	9.56%	12.57%	5.33%	7.91%	8.67%	169.27%
Tactical Equity Income NET	2.61%	4.61%	8.85%	11.59%	4.39%	6.91%	7.64%	140.40%
Tactical Equity Income WRAP GROSS	2.62%	4.94%	9.38%	12.36%	5.37%	7.74%	8.60%	167.17%
Tactical Equity Income WRAP NET **	2.62%	4.54%	8.11%	10.60%	3.70%	5.61%	5.87%	97.24%
Dow Jones Industrial Average	*2.08%*	*4.94%*	*13.37%*	*22.38%*	*9.55%*	*10.77%*	*6.62%*	*114.61%*
S&P 500 TR	*2.06%*	*4.48%*	*14.24%*	*18.61%*	*10.81%*	*14.22%*	*8.65%*	*168.79%*
Barclay's Aggr Bond Index	*-0.50%*	*0.89%*	*3.31%*	*0.08%*	*2.86%*	*2.18%*	*4.70%*	*72.92%*

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

Please note Top Sectors, Asset Allocation and Performance information is as of September 30, 2017. Annualized and cumulative ITD returns are as of inception on October 31, 2005.

L&S Risk Pulse™ Score



Medium +

Core economic indicators are healthy, but markets indicate potential near-term volatility and/or mild correction. Valuations are trending high.

L&S Risk Pulse™ Insights – "Fed Policy Risks Increasing"

General Comments

Following an unprecedented 7 years with the Fed funds rate near zero, in December of 2015, the Fed finally raised interest rates for the first time since the end of the Great Recession. At that time, they indicated their expectations that rates would move continually higher. Despite their forecasts, the next interest rate hike came a full year later in December of 2016. At that time the Fed again announced their intentions for higher interest rates as 2017 progressed. This year the Fed has raised interest rates twice more, although the Fed Funds rate continues to be significantly below the rate that the Fed governors had expected.

Let's take a step back in time to review how we got in this position in the first place. As the impacts of the Great Recession remained tangible in the economy, the Fed attempted to do whatever it could to push the economy to a level of self-sustaining growth. Historically, the Fed has cut interest rates to spur economic growth, but the impact of the recession was so severe that, even with interest rates near zero, the economy continued to sputter.

The Fed resorted to untried tools to continue to spur the economy. These were referred to as "quantitative easing," and the Fed decided that one way it could increase the amount of money in the system was to purchase bonds. The thought process goes something like this: The Fed purchases bonds from a seller. The seller, now flush with cash, does not like the very low interest rates available on other bond investments, so that capital is deployed to build a plant or make an investment that will have a higher return. Some of that money found its way into the stock and property markets, pushing up the price of assets. With higher asset prices and with more investment, the idea was that consumers would feel richer and would have more confidence to spend, helping the economy regain its strength.

As the Fed undertook several rounds of quantitative easing (or QE for those acronym-loving Wall Street types), the Fed ended up buying trillions of dollars worth of bonds. (Yes, we did say trillions.) The assets owned by the Fed grew from roughly $900 billion to $4.5 trillion.

Now that the economy is on very solid footing, the Fed is looking at its swollen balance sheet and has decided that it needs to start reducing those holdings. It recently announced that it would begin this process by reducing its holdings by about $10 billion per month, increasing that amount quarterly until it was reducing its holdings by $50 billion per month.

This is a very good sign that the Fed has enough confidence in the health of the economy to begin this process. The risk comes from the fact that like QE to begin with, the reversal of QE has never been done before. We simply do not know what the impact on the economy will be. If QE helps spur the economy to grow, is it not logical that the reversal of QE would slow the economy somewhat? In some regards, this is what the Fed is trying to do — they want to see the economy continue on its growth path, but they do not want the economy to get too hot which would cause an unwanted increase in inflation, and would require further action from the Fed.

Continued on next page…

See important disclosures on next page.

Insights and Actions Cont.

So we are embarking on a new and untried tool to control the economy. This certainly suggests increased risk, even as we acknowledge that the Fed could easily cease or reverse its operations if it felt that the impact of this policy was deleterious. The stock market was able to shrug off the Fed's announcement and continued to march ever-higher. As of this writing, it is very difficult to suggest that the Fed's policies will have a meaningful impact on the economy or on corporate profits. While that may change in the near future, the market has spoken that it is willing to accept those risks.

Data Points and Global Economic Indicators

A telling sign that problems are brewing occurs when there are credit problems in the financial system. Banking, and a free flow of capital, is like the oil in an internal combustion engine. Without it the system freezes. We look at several indicators to determine whether credit problems are bubbling up. To begin, we look at the interest rate demanded by banks for loans to higher risk borrowers. When lending standards get tighter, the lower quality borrowers are the first to suffer. We can also see this in increasing default rates and in increasing charge-offs for non-performing loans. All of these data points remain at or near recent lows, and do not give us any indication that credit issues are mounting.

Another tool we look at to help us evaluate the risks within the market are how the market is behaving itself. Warning signs of trouble occur when there are fewer and fewer stocks participating in the market's advance, or when the number of stocks at 52-week highs is declining even as the market is making new record highs. Over the past several weeks the opposite has been occurring. The number of stocks participating and making new highs has been expanding, suggesting the market is on solid footing.

We also look for signs of excess speculation as a sign that markets are near a peak. The psychology of investors tells us that investors are euphoric at market tops and are despondent at market bottoms. This can also be seen in the volume of mergers and acquisitions occurring. When corporate managers are worried they are going to miss out on an opportunity, they frequently engage in merger activity. We do not see signs of speculation, and we do not see signs of heavy merger and acquisition activity.

Conclusion

Take note when your friends are telling you that it is easy to make money in the stock market. It is never easy to make money, and a sign of speculation is when everyone is a maven. One strategist we followed suggested that when the taxi driver gave him stock tips it was time to pare risk back.

We spend time every day and every week looking for signs that risks are rising, even as they may be unseen by many. This is one factor that differentiates us. At this time, we can say that the signs of risk remain modest, although we acknowledge that as John Maynard Keynes said, "when the facts change, I change my mind. What do you do, Sir?"

Disclosure

L&S Advisors, Inc. ("L&S") is a privately owned corporation headquartered in Los Angeles, CA. L&S was originally founded in 1979 and dissolved in 1996. The two founders, Sy Lippman and Ralph R. Scott, continued managing portfolios together and reformed the corporation in May 2006. The firm registered as an investment adviser with the U.S. Securities and Exchange Commission in June 2006. L&S performance results prior to the reformation of the firm were achieved by the portfolio managers at a prior entity and have been linked to the performance history of L&S Advisors. The firm is defined as all accounts exclusively managed by L&S from 10/31/2005, as well as accounts managed in conjunction with other, external advisors via the Wells Fargo DMA investment program for the periods 05/02/2014, through the present time.

L&S claims compliance with the Global Investment Performance Standards (GIPS®). L&S has been independently verified by Ashland Partners & Company LLP for the periods October 31, 2005 through December 31, 2015 and ACA Performance Services for the periods January 1, 2016 to December 31, 2016. Upon a request to Sy Lippman at slippman@lsadvisors.com, L&S can provide the L&S Advisors GIPS Annual Disclosure Presentation which provides a GIPS compliant presentation as well as a list of all composite descriptions.

L&S performance shown includes that of the Tactical Equity Opportunities ("TEO") Composite, TEO WRAP Composite, Tactical Equity Income ("TEI") Composite and TEI WRAP Composite which contains fully discretionary accounts per that specific strategy. The TEO and TEO WRAP Strategies seek growth through capital appreciation primarily from the tactical and unconstrained investment in risk-appropriate individual equities. The TEI and TEI WRAP Strategies seek income through yield and capital appreciation primarily from the tactical and unconstrained investment in risk-appropriate equities. WRAP strategies are appropriate only for those clients whose account is on a WRAP platform. Composite performance results have been calculated by using time-weighted returns based on the beginning of period values on an adjusted capital basis. Performance results are total return and include the reinvestment of all income. For the periods prior to March 31, 2011 for TEO WRAP and December 31, 2014 for TEI WRAP, net of fee performance reflects the reduction of the highest WRAP fee charged (3.00% annually) and gross of fee performance has been reduced by transaction costs. For all other periods for TEO WRAP and TEI WRAP, net of fee performance reflects the deduction of actual wrap fees charged and gross of fee performance has not been reduced by transaction costs. Other than brokerage commissions, wrap fees include investment management, portfolio monitoring, consulting services, and in some cases, custodial costs. For TEO and TEI non-wrap strategies, net of fee performance reflects the deduction of actual management fees and transaction costs. For TEO and TEI non-wrap strategies, gross of fee performance has been reduced by transaction costs. Valuations and returns are computed and stated in U.S. dollars. Past performance does not guarantee future results and other calculation methods may produce different results. Results include accounts no longer with the firm. The minimum stated account size for the TEO and TEI non-wrap strategies is $2,000,000; however, actual minimums may vary by client. The minimum account size for the TEO WRAP and TEI WRAP strategies is $75,000; however, actual minimums may vary by platform. Inception performance is as of October 31, 2005.

The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq. The S&P 500 TR Index is a free-float capitalization-weighted index of the prices of 500 large-cap common stocks actively traded in the United States and is calculated on a total return basis with dividends reinvested. The Barclays Capital Aggregate Bond Index is a market capitalization-weighted index, maintained by Barclays Capital; the index is designed to reflect investment grade bonds traded in the United States. Indexes are not available for direct investment.

The beliefs espoused in this update represent the views of L&S Advisors in connection with the TEO, TEO WRAP, TEI and TEI WRAP investment strategies only. L&S Advisors reserves the right to hold differing views from this update in connection with other investment strategies offered. The information contained herein is based on internal research derived from various sources and does not purport to be statements of all material facts relating to the strategies, markets, or issues mentioned. The information contained herein, while not guaranteed as to accuracy or completeness, has been obtained from sources we believe to be reliable. Opinions expressed herein are subject to change without notice.