L&S Advisors Tactical Market Update
May 2015

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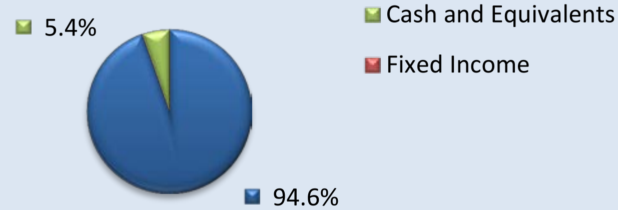
Top Sectors

Tactical Equity Opportunities		Tactical Equity Income	
Health Care	21.4%	Consumer Discretionary	19.5%
Industrials	17.8%	Industrials	13.9%
Consumer Discretionary	15.9%	Health Care	13.4%
Information Technology	15.6%	Financials	11.0%
Consumer Staples	8.3%	Consumer Staples	8.3%

Asset Allocation

Tactical Equity Opportunities



Tactical Equity Income

Performance (net of fees)

	May	YTD	ITD*	ITD
Tactical Equity Opportunities	4.38%	1.79%	7.22%	95.10%
Tactical Equity Income	2.33%	2.33%	9.13%	131.02%
Dow Jones Industrial Average	*0.95%*	*1.05%*	*5.86%*	*72.51%*
S&P 500 TR	*1.29%*	*3.23%*	*8.26%*	*113.98%*
Barclay's Aggr Bond Index	*-0.25%*	*1.05%*	*5.27%*	*63.60%*
				** annualized*

Please note all Top Sectors, Asset Allocation and Performance information are as of May 31, 2015 and subject to change at any time. Annualized and cumulative ITD returns are as of inception on October 31, 2005.

Insights and Actions – "Sell In May And Go Away…Or Is It Stay Put In May?"

General Comments

As the author of the following piece, I spent the last thirty days in Europe sizing up the various world markets and on vacation. During this span, the choppy markets that came to define April carried over into May as a confusion of news and data gave way to incremental gains. Oil prices stabilized, the US dollar ended the month where it began, and the timing of an interest rate hike remained ambiguous. Ultimately, however, the message from markets was that much of the noise was just that – noise – and that, in the absence of clear weakness, long-term market strength would ultimately be apparent. As portfolio managers, we decided to heed this message and stay put and measured with our investment decisions.

The S&P 500 index and the Dow Jones Industrial Average closed the month with gains of 105 basis points and 95 basis points respectively. As was the case in March and April, markets failed to find a clear catalyst. Data points both in the US and abroad continued to be mixed; for instance, as housing improved, manufacturing was soft. Bond yield spreads began increasing in anticipation of rising interest rates, but 0.7% QoQ GDP decline gave pause to that notion.

In the absence of a clear catalyst, we are prepared for continued volatility but remain committed to our portfolio. Looking forward, we expect economic conditions to improve in the second half of the year as the lingering effects of bad weather, the west coast port shutdown, and a persistently rising US dollar fade. In the interim, we are well-positioned to take advantage of market strength while protecting against market corrections.

Data Points and Global Economic Indicators

The latest string of domestic data for May including consumer confidence, housing, ISM, retail sales, durable goods orders, leading indicators, and industrial production all showed mixed or no improvement over the prior months. However, the strength we did see came out of long-term economic indicators, implying potential near term volatility but fundamental long-term stability. Importantly, however, the Federal Reserve confirmed our impression of recent months that while some data – notably production and manufacturing – may be soft, long-term economic conditions remained sound.

Continued on next page…

Insights and Actions Cont.

Asset Allocation

Data points and global economic indicators indicate that the US domestically is in the midst of a soft patch as lingering Q1 headwinds slowly fade out. Market consensus is for a H2 improvement in economic and market conditions. As such, in our Tactical Equity Opportunities strategy, equity exposure was 96.3% at the end of May. In our Tactical Equity Income strategy, equity exposure was 94.6%. Given near-term volatility, asset allocations remained defensive in nature.

Sector Allocation

We continue to favor an alpha (active) approach coupled with a beta (passive) approach. Thus, we remain somewhat sector neutral as reflected by our positions. Such a strategy can be implemented by using individual securities, actively managed portfolios, and index funds and/or ETF's. Our current favorite sectors in which we are overweight are Consumer Discretionary, Industrials, Healthcare, and Technology. For the most part these sectors, and in particular the underlying individual securities in our portfolios, are driven by bottom-up catalysts that do not rely on broad economy-wide movements, which are rather volatile at the moment. Furthermore, we continue to expect bond yields to return to a process of normalization, making bond alternative equities particularly attractive over fixed income.

Conclusion

Slow and steady has been the theme of this year's markets thus far. In the absence of real systemic risk, we continue to view market volatility mostly as "price risk," which is near term risk that does not pose a long-term fundamental threat to the economic outlook or equity markets in general. Last month, we noted that such a market environment presented opportunities for an active, tactical, opportunistic money manager. In the month of May, our Tactical Equity Opportunities strategy gained 4.38% while our Tactical Equity Income strategy gained 2.33%.

We continue to pursue investment strategies that we hope are immune to near-term noise as we seek alpha to augment our beta exposure in a volatile environment. We are guided by data points, not superstitions like "sell in May and go away" or the new prognostication by market pundits of a "June swoon". Our data points tell us not to overreact to such trivialities, but rather to remain committed to our investment process and philosophy which continue to serve us well.

Disclosure

Past performance is no guarantee of future results. 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.

L&S Advisors performance shown includes that of the Tactical Equity Opportunities Composite and Tactical Equity Income Composite which contains discretionary tactical equity opportunities and tactical equity income accounts. Accounts which do not contain at least 90% of the holdings of the tactical equity opportunities or tactical equity income representative accounts/model accounts and which those holdings don't represent at least 90% of the total market value of the account have been excluded in the composites. Effective April 1, 2015, accounts that participate in margin loan trade activity are considered ineligible for composite inclusion and are excluded from all composites, and prior to this date, margin accounts were eligible for composite inclusion and were included if the account met all other composite inclusion policies. 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. Net of fee performance reflects the deduction of actual management fees charged and transaction costs. Cash flows equal to or greater than 10% of a portfolio's market value may cause the portfolio to be re-valued. 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 are based on fully discretionary accounts under management, and include accounts no longer with the firm. 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 index is shown as a general market indicator and used to represent a buy and hold strategy. L&S receives its S&P 500 performance figures from Interactive Data Corporation ("IDC"), which IDC adjusts as internal ' in house ' calculations. The figures represent IDC's own price using the S&P 500 as a base value in the calculation, and will differ in price from the regular S&P Index. The HFRI Equity Hedge Index is a fund-weighted (equal-weighted) total return composite of constituent hedge funds in the HFR Database that meet certain inclusion criteria determined by Hedge Fund Research, Inc.; the index is designed to reflect hedge fund industry performance and is used to represent a long/short strategy. 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. These indexes should not be considered an appropriate benchmark for individual account or composite performance; the management style for client accounts in the composite may utilize positions and strategies, such as covered calls, that are not reflected in the index. Indexes are not available for direct investment.