

Top Sectors

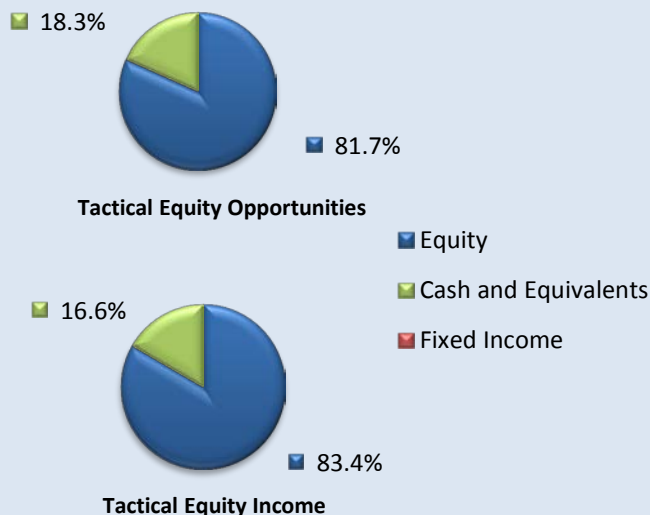
Tactical Equity Opportunities		Tactical Equity Income	
Equity Funds	23.7%	Equity Funds	20.9%
Health Care	16.6%	Financials	13.9%
Industrials	14.8%	Health Care	10.4%
Financials	8.9%	Industrials	10.0%
Information Technology	7.2%	Utilities	5.2%

Performance (net of fees)

	October	YTD	ITD*	ITD
Tactical Equity Opportunities	-0.34%	1.04%	7.49%	91.52%
Tactical Equity Income	-0.88%	6.45%	7.75%	95.70%
S&P 500 TR	2.44%	10.99%	8.15%	102.36%
Barclay's Aggr Bond Index	1.04%	5.42%	5.40%	60.54%
HFRI Equity Hedge Index	0.37%	2.31%	4.59%	49.82%

* annualized

Asset Allocation



Please note all Top Sectors, Asset Allocation and Performance information are as of October 31, 2014 and subject to change at any time. Annualized and cumulative ITD returns are as of inception on October 31, 2005.

Insights and Actions

General Comments

October was truly epic. The S&P closed up 2.32% to 2,018. The Dow closed at a record of 17,390 up 2.03%. The Nasdaq closed at the highest level since March, 2000. Remarkably, this positive performance occurred from October 15th through October 31st after the major indices showed negative performance of close to 10% for the first two weeks of October.

Consider that the Dow moved triple digits no fewer than 16 times out of 23 sessions in October (did we say volatility?). The bulls outran the bears which saw the opposing sides run the gamut of worry to confidence over the course of the month. In the end, better-than-expected quarterly results, positive economic data, as well as positive outcomes from the FOMC meeting and the BOJ (which boosted monetary stimulus), overcame negative concerns of a slowing economy and the end of the Fed's quantitative easing program.

Data Points and Global Economic Indicators

The latest string of domestic data including consumer confidence, housing, ISM, construction, pending home sales, auto sales, and industrial production all showed improvement over the prior months. Numbers out of the Eurozone and Asia caused the majority of our data points and indicators to show stability from September levels, and such a shift from prior chaotic months required an adjustment in our investment strategies.

Asset Allocation

Data points and global economic indicators indicate that the US domestically continues to be one of the strongest economies right now. Europe and Asia continue to struggle. The markets are responding by showing increased volatility with very specific sector allocation. We reversed course in October and began a 'risk on' allocation with an equity exposure of 81.7% in Tactical Equity Opportunities by the end of October. In our Tactical Equity Income strategy, equity exposure was 83.4%.

Continued on next page...



Insights and Actions Cont.

Sector Allocation

Pharmaceuticals, industrials, technology, and financials led the markets higher as investors pushed up cyclicals following the better-than-expected US economic data. A 3.5% third-quarter GDP report, a much higher Chicago PMI (the third-highest level in 10 years), and consumer sentiment, came in at levels not seen since July 2007. The Fed's exit statement from QE cited better household consumption, business investment, low inflation, and a stronger labor market. Given the mixed data and uncertain outlook we favored an alpha (active) approach coupled with a beta (passive) approach. Thus, we remain somewhat sector agnostic as reflected by our positions in index funds and/or ETF's. Such a strategy can be implemented by using individual securities, actively managed portfolios, and index funds, and/or ETF's. Individual securities were over-weighted with Pharmaceuticals, Industrials, and Technology stocks. We specifically sought to avoid Materials and Energy stocks.

Conclusion

During the month of October, market technical and data points worked in both directions. The indices fell hard as worries took hold regarding a slow economy and the end of the Fed's QE program. Yet the averages bounced back even more quickly as market players were caught under-invested and the BOJ revved up its printing press.

The market has grown used to 'V'-shaped bounces the last few years, but the current one was one of the most powerful we have seen. The market went from a breakdown to new 12-month highs in near-record time. It has been a wild chase trying to catch a ride. The good news is that momentum this powerful does not easily come to an end. As Isaac Newton has noted, once an object is in motion it tends to stay in motion until some outside factor comes into play. Being tactical, opportunistic, and active is to be fully invested and stay that way until the facts change. Again we have little choice but to respect this powerful momentum and the underlying technical support.

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 with significant client imposed restrictions and accounts which do not directly invest in MLPs have been excluded from the composite. 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. L&S receives its DJIA and S&P 500 performance figures from Interactive Data Corporation ("IDC"). 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 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.

