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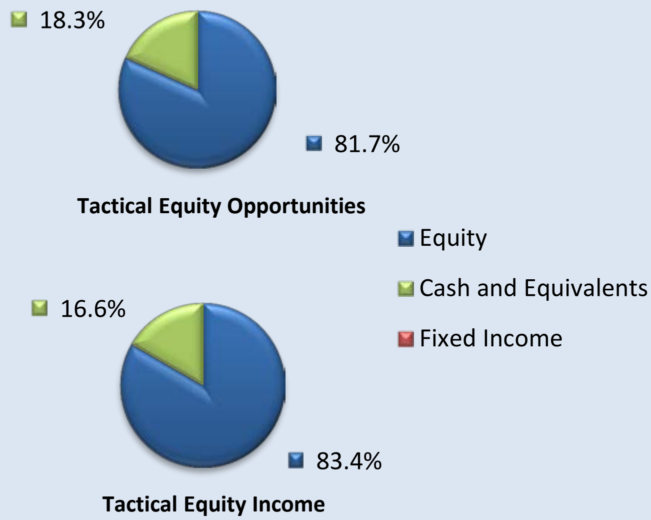
L&S Advisors Tactical Market Update
October 2014

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%

Asset Allocation



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*

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%.

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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