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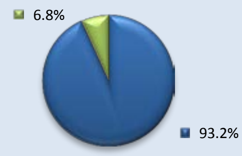
L&S Advisors Tactical Market Update

July 2016

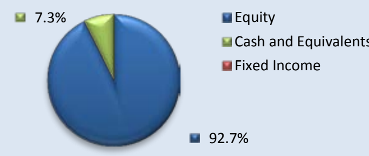
Top Sectors

Tactical Equity Opportunities		Tactical Equity Income	
Health Care	23.6%	Health Care	21.8%
Information Technology	19.3%	Energy	14.9%
Indexes	12.9%	Indexes	13.0%
Energy	11.2%	Industrials	12.0%
Industrials	11.0%	Information Technology	7.1%

Asset Allocation



Tactical Equity Opportunities



Tactical Equity Income

Preliminary Performance (net of fees)

	July	YTD	12 Mos	3 Yr*	5 yr*	ITD*	ITD
Tactical Equity Opportunities	2.26%	0.64%	-2.88%	3.57%	4.31%	6.15%	89.86%
Tactical Equity Opp. WRAP **	2.10%	-0.07%	-3.81%	3.38%	4.28%	5.09%	70.61%
Tactical Equity Income	1.19%	0.23%	-4.14%	3.18%	5.00%	5.67%	80.95%
Tactical Equity Income WRAP **	1.36%	0.95%	-3.15%	4.51%	6.62%	7.58%	119.44%
Dow Jones Industrial Average	*2.80%*	*5.78%*	*4.20%*	*5.95%*	*8.70%*	*5.43%*	*76.55%*
S&P 500 TR	*3.69%*	*7.66%*	*5.61%*	*11.16%*	*13.38%*	*7.89%*	*126.26%*
Barclay's Aggr Bond Index	*0.67%*	*6.31%*	*6.26%*	*4.47%*	*3.77%*	*5.24%*	*73.11%*

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

Please note all Top Sectors, Asset Allocation and Performance information are as of July 31, 2016 and subject to change at any time. Annualized and cumulative ITD returns are as of inception on October 31, 2005.

Insights and Actions – "Markets Tend to Confound the Greatest Number of People"

General Comments

There is an old adage that the stock market does what it must to confound the greatest number of people. Following an unexpected vote by Britain to leave the EU, the markets recovered all of the losses following the vote and continued to march to new record highs. Stocks seem to be able to shrug off all bad news including another disappointing report that GDP expanded at a meager 1.2% during the second calendar quarter, after expanding at only 0.8% during the first quarter. We now pine for the good old days when economic growth was above 2%.

The combination of slow economic growth and global uncertainty caused the Fed to put any further interest rate hikes on hold, at least for the next few months. The market sees only a 1 in 3 chance of an interest rate hike prior to the end of the year, and that news may have been part of the impetus for the stock market to push higher. As long as interest rates remain near historic lows, investors will be forced to consider owning stocks as the only way to generate any growth in their financial assets. As one strategist suggested, "TINA – There Is No Alternative."

Data Points and Global Economic Indicators

The recent GDP report confirmed what we have been suggesting that the economy is bipolar, or perhaps schizophrenic. The consumer remains in relatively good shape, while few corporate chieftains have enough confidence to make capital investments that might improve long-term prospects. ISM numbers have improved here in the US, and some of the numbers show improvement in China as well, while France and Italy remain the sick men of Europe.

Many of the credit statistics continue to provide solid evidence of little chance of a systemic credit problem, although we should point out that some of the indices have moved up very modestly. Bank charge off for non-performing loans has moved up slightly, as have the number of banks that reported tightening lending standards. Neither of these has risen to levels that suggest risks are mounting, but we monitor not just the actual level of the indicators but also the direction of change, and we will continue to look for signs that risks are mounting.

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Insights and Actions Cont.

Asset Allocation

We continue to remain mostly fully invested and hold a very modest amount of cash. Our focus is on the large cap stocks, and we have very limited exposure to smaller capitalization issues. All of our hedges have been closed, so our equity exposure is fairly straightforward.

Sector Allocation

We remain focused on the healthcare, technology, industrials, and energy sectors, and have recently added exposure to the basic materials sector, with particular emphasis on the steel, iron ore, and industrial commodity names. This is complementary to our exposure in industrials, and is well supported by the increase in the PMI statistics mentioned above. We continue to be underexposed to financial and consumer stocks where we think all of the good news may already be priced in.

Conclusion

We frequently see research reports that remind us that August and September can be cruel months for stock investors. While we acknowledge historic patterns, we know that by following the data and remaining active and tactical we can respond to any situation whether it follows a historic pattern or not. We started August with a positive bias. As we look for attractive opportunities, we remain confident that our freedom and flexibility to invest where we see the best circumstance will continue to benefit investors in the long run.

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 for the periods October 31, 2005 through December 31, 2015. Upon a request, 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. Cash flows equal to or greater than 10% of an account's market value will 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 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.