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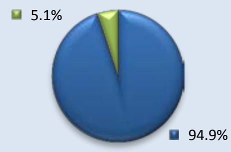
L&S Advisors Tactical Market Update
May 2017

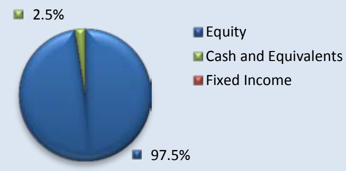
Top Sectors

Tactical Equity Opportunities		Tactical Equity Income	
Information Technology	35.3%	Information Technology	28.0%
Industrials	22.2%	Industrials	21.8%
Consumer Discretionary	13.3%	Consumer Discretionary	15.2%
Health Care	10.1%	Consumer Staples	9.5%
Financials	9.5%	Financials	9.5%

Asset Allocation



Tactical Equity Opportunities



Tactical Equity Income

Preliminary Performance (net of fees)

	May	YTD	12 Mos	3 Yr*	5 yr*	ITD*	ITD
Tactical Equity Opportunities	1.92%	5.62%	10.88%	4.39%	7.26%	6.39%	104.92%
Tactical Equity Opp. WRAP **	1.93%	5.41%	10.23%	3.96%	7.41%	5.41%	84.16%
Tactical Equity Income	1.10%	4.00%	6.73%	4.11%	6.81%	7.44%	129.69%
Tactical Equity Income WRAP **	1.03%	3.37%	5.69%	3.32%	5.37%	5.63%	88.59%
Dow Jones Industrial Average	*0.33%*	*6.31%*	*18.11%*	*7.91%*	*11.13%*	*6.22%*	*101.23%*
S&P 500 TR	*1.41%*	*8.66%*	*17.47%*	*10.14%*	*15.42%*	*8.44%*	*155.67%*
Barclay's Aggr Bond Index	*0.81%*	*2.50%*	*1.66%*	*2.81%*	*2.40%*	*4.73%*	*70.20%*

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

Please note all Top Sectors, Asset Allocation and Performance information is as of May 31, 2017 and subject to change at any time. Annualized and cumulative ITD returns are as of inception on October 31, 2005.

Insights and Actions – "The Trend is Your Friend… For Now"

General Comments

Political risks remain high, as do geopolitical risks, but overall economic risks seem fairly low. Credit spreads are low and show very little signs of stress or excess.

Clients ask us about the longevity of this recovery, and we acknowledge that this is one of the longest expansions in history. Having said that, we must also remind clients that economic expansions do not die of old age. Instead, economic expansions end with policy mistakes. More specifically, those policy mistakes occur when the Fed raises interest rates too far, with their focus being to slow down an overheating economy where strong growth has led to significant inflationary pressures. While we expect the Fed to raise interest rates this week, we do not see Fed policy becoming so tight as to prevent or even slow economic growth.

The market has gone through two significant changes this year. The first was the recognition that the Administration would have difficulty passing its agenda. That took the bank and cyclical stocks down significantly after their blazing run following election day. The failure to quickly pass the Trump agenda has also caused the materials and commodities stocks to correct since infrastructure spending is likely to be further into the future, if at all.

The second, and perhaps more important transformation was the shift to the belief that the U.S. economy is growing at a reasonable pace without the Trump agenda. Corporate earnings have been solid, and guidance has generally been positive. The market's strength in late April and through May has been driven by solid fundamentals, and that is an excellent reason for the market to move higher.

Taking it all together, we feel that a constructive attitude toward the market is appropriate at this time.

Data Points and Global Economic Indicators

We continue to see weak commodity prices, weak energy prices, and low interest rates. These "hard" data points continue to conflict with the survey data that suggests consumer and CEO confidence remain fairly robust.

Continued on next page…

Insights and Actions Cont.

The data points tell a story of an economy that is on a firm footing. While the number of new jobs created has been weak, the overall employment conditions continue to improve, and at some point we will have to consider the potential for higher wage growth. So far, wage inflation has not been an issue.

The market continues to ignore "bad news" and embrace "good news" as it makes new highs. The market wants to go higher. The trend is up… for now.

We do not see any perceptible pattern within the data that suggests trouble is brewing. Of course, we remain vulnerable to political and geopolitical risks, but we are hard pressed to find any series of data points that raises significant concerns.

Asset Allocation

We believe it is prudent to hold less cash than usual. Our targeted cash position for clients in our Tactical Equity Income and Tactical Equity Opportunities strategies is roughly 8%. This is down from about 15% as of this time last month.

Sector Allocation

We have continued to reduce our exposure to the cyclical economic sectors, and have increased exposure to those areas that will continue to benefit from growth. We have added to our consumer discretionary exposure and have also added modestly to our industrial exposure. To provide for these purchases, we have reduced our exposure to Trump-related stocks such as energy and basic materials stocks. Our largest exposure continues to be in the technology group where we find the potential for above-average growth.

Conclusion

The market has been successfully ignoring the risks, and any potential successes from the Trump agenda are likely to be viewed as gravy. Corporate earnings are growing again, and many companies have posted good guidance. Our current strategy could best be expressed as "the trend is your friend… for now." We acknowledge that the migration toward more passive investments works incredibly well in a market that seems to go up without interruption. But just as the suggestions that "buy and hold" was dead following the Great Recession proved to be wrong, so too is the unchallenged belief that passive management is far superior to active management. Active managers tend to add significant value when markets are struggling, and the ability to raise cash or reduce exposure to sectors at risk can significantly reduce downside exposure. For now, we remain mostly fully invested, but we do acknowledge that the day will come when the trend changes and the need for risk management will once again assert itself.

Disclosure