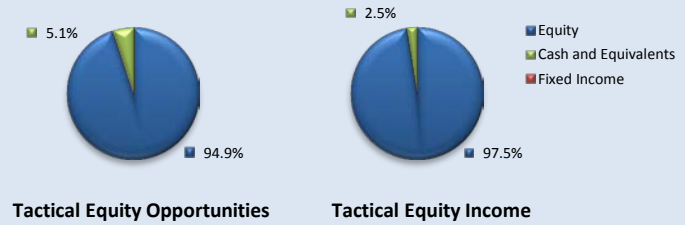


## Top Sectors

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



## 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%
<i>Dow Jones Industrial Average</i>	<i>0.33%</i>	<i>6.31%</i>	<i>18.11%</i>	<i>7.91%</i>	<i>11.13%</i>	<i>6.22%</i>	<i>101.23%</i>
<i>S&amp;P 500 TR</i>	<i>1.41%</i>	<i>8.66%</i>	<i>17.47%</i>	<i>10.14%</i>	<i>15.42%</i>	<i>8.44%</i>	<i>155.67%</i>
<i>Barclay's Aggr Bond Index</i>	<i>0.81%</i>	<i>2.50%</i>	<i>1.66%</i>	<i>2.81%</i>	<i>2.40%</i>	<i>4.73%</i>	<i>70.20%</i>

\* 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

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 by Ashland Partners & Company LLP for the periods October 31, 2005 through December 31, 2015. Upon a request to Sy Lippman at [slippman@lsadvisors.com](mailto:slippman@lsadvisors.com), 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. 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.

