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## Top Sectors

| Tactical Equity Opportunities |       | Tactical Equity Income |       |
|-------------------------------|-------|------------------------|-------|
| Information Technology        | 32.6% | Information Technology | 25.9% |
| Industrials                   | 22.3% | Industrials            | 25.5% |
| Health Care                   | 16.4% | Consumer Discretionary | 13.7% |
| Consumer Discretionary        | 15.1% | Health Care            | 10.1% |
| Financials                    | 6.4%  | Materials              | 6.8%  |

## Preliminary Performance

|                                     | July         | YTD           | 12 Mos        | 3 Yr*         | 5 yr*         | ITD*         | ITD            |
|-------------------------------------|--------------|---------------|---------------|---------------|---------------|--------------|----------------|
| Tactical Equity Opportunities GROSS | 2.88%        | 9.53%         | 12.69%        | 6.36%         | 8.58%         | 7.63%        | 137.20%        |
| Tactical Equity Opportunities NET   | 2.65%        | 8.78%         | 11.64%        | 5.33%         | 7.51%         | 6.56%        | 111.05%        |
| Tactical Equity Opp. WRAP GROSS     | 2.91%        | 9.68%         | 12.82%        | 6.58%         | 9.41%         | 8.01%        | 147.35%        |
| Tactical Equity Opp. WRAP NET **    | 2.53%        | 8.43%         | 11.09%        | 4.88%         | 7.62%         | 5.59%        | 89.43%         |
| Tactical Equity Income GROSS        | 1.87%        | 6.48%         | 7.82%         | 5.42%         | 7.58%         | 8.53%        | 161.71%        |
| Tactical Equity Income NET          | 1.67%        | 5.80%         | 6.88%         | 4.48%         | 6.59%         | 7.49%        | 133.66%        |
| Tactical Equity Income WRAP GROSS   | 1.96%        | 6.27%         | 7.62%         | 5.38%         | 7.40%         | 8.46%        | 159.57%        |
| Tactical Equity Income WRAP NET **  | 1.57%        | 5.04%         | 5.95%         | 3.70%         | 5.17%         | 5.69%        | 91.64%         |
| <i>Dow Jones Industrial Average</i> | <i>2.54%</i> | <i>10.77%</i> | <i>18.77%</i> | <i>9.74%</i>  | <i>10.97%</i> | <i>6.50%</i> | <i>109.68%</i> |
| <i>S&amp;P 500 TR</i>               | <i>2.06%</i> | <i>11.59%</i> | <i>16.04%</i> | <i>10.87%</i> | <i>14.78%</i> | <i>8.56%</i> | <i>162.55%</i> |
| <i>Barclay's Aggr Bond Index</i>    | <i>0.45%</i> | <i>2.86%</i>  | <i>-0.54%</i> | <i>2.86%</i>  | <i>2.13%</i>  | <i>4.73%</i> | <i>72.17%</i>  |

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

Please note Top Sectors, Asset Allocation and Performance information is as of July 31, 2017. Annualized and cumulative ITD returns are as of inception on October 31, 2005.

## L&S Risk Pulse™ Score

### Medium +

Core economic indicators are healthy, but markets indicate potential near-term volatility and/or mild correction. Valuations are trending high.



## L&S Risk Pulse™ Insights – “The Song Remains the Same”

### General Comments

At L&S, we are fond of saying that when the facts change, we will change, but in July the facts remained the same. As such, we continue to maintain the L&S Risk Pulse at Medium +. In June, we discussed the divergence between the “news” and the “data,” and July continued the same song. At L&S we ignore the news, and focus on the data. That’s not to say we don’t recognize that political and geopolitical risks remain high. Political gridlock, tax reform, healthcare repeal, Russian collusion, impeachment and now a nuclear Korea are important, but the relatively small market response to such news undermines the view that current market movements are completely explicable by the “news”.

### Data Points and Global Economic Indicators

The data points continue to show improvement both domestically and geo-politically. Global growth is improving and earnings for Q2 were on average better than expected. Credit conditions remain sanguine. Credit spreads remain low, and show very little signs of stress or excess. Commodity prices are improving albeit at a glacial pace. Domestic GDP as well as European and Asian industrial production continue to accelerate from recession like levels of the past number of years.

Employment trends remain positive and supportive of economic expansion. However, technically, the markets are exhibiting some warning signs. Valuations are extended and markets are sitting at all time highs. Volatility is subdued—a contrary indicator. We remain cautious but it is hard for us to be negative in the face of the majority of the data points that remain supportive. We plan to redeploy any cash generated.

### Conclusion

Here at L&S we continue to ignore the “news” and “talking heads” and instead have focused only upon market sentiment and economic data points. The

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## Insights and Actions Cont.

equity markets appear pragmatic and focused on economic and corporate results, and so are we. While market sentiment and economic data points may lead one to conclude that we are complacent, we recognize that market valuations are trending high. The market for many remains very expensive and despite how well operating earnings have come in, pricing may be considered excessive. We have 19x forward earnings, 24x trailing reported earnings and the cyclically smoothed CAPE sits at 30x. Very few times has the market been so excessive in the past, and when this condition did exist, we were in the very late stages of a market cycle. We will “stick to our knittin” and keep focused on our risk management parameters.

## 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 and ACA Performance Services for the periods January 1, 2016 to December 31, 2016. 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.

