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## Preliminary Performance (net of fees)

	L&S Guardian Equity Strategies						L&S Explorer Equity Strategies					
	Tactical Equity Opportunities		Tactical Equity Income		Tactical Equity ETF		Diversified Equity		Core		Core Select	
	Net	S&P 500TR	Net	S&P 500TR	Net	S&P 500TR	Net	S&P 500TR	Net	S&P 500TR	Net	S&P 500TR
December	1.69%	1.11%	1.52%	1.11%	1.93%	1.11%	0.78%	1.11%	1.17%	1.11%	1.15%	1.11%
QTD	6.58%	6.64%	6.20%	6.64%	6.00%	6.64%	5.13%	6.64%	6.16%	6.64%	6.96%	6.64%
YTD	19.44%	21.83%	15.60%	21.83%	14.53%	21.83%	21.90%	21.83%	15.24%**	14.86%**	14.98%**	14.86%**
12 Mos	19.44%	21.83%	15.60%	21.83%	14.53%	21.83%	21.90	21.83%	N/A	N/A	N/A	N/A
3 year*	6.69%	11.41%	5.72%	11.41%	5.49%	11.41%	N/A	N/A	N/A	N/A	N/A	N/A
5 year*	9.18%	15.79%	8.16%	15.79%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ITD*	7.15%	9.04%	8.01%	9.04%	6.68%	14.89%	18.98%	19.95%	15.24%	14.86%	14.98%	14.86%
ITD (cum)	131.74%	186.65%	155.32%	186.65%	37.42%	97.89%	29.79%	31.36%	15.24%	14.86%	14.98%	14.86%
Inception	10/31/2005		10/31/2005		1/31/2013		6/30/2016		**3/31/2017		**3/31/2017	

	L&S Sprinter Equity Strategies				L&S Fixed Income Strategies									
	Income Equity		Equity Growth		Taxable Fixed Income		Tax-Free Fixed Income		High Yield		Short Duration High Yield		Short Duration Investment Grade	
	Net	RUS1000 VALUE	Net	RUS1000 GROWTH	Net	BARC US AGG	Net	BARC MUNI	Net	BARC HYBOND	Net	ML HIGH YIELD	Net	BARC 1-3 GOV
December	1.87%	1.46%	0.11%	0.78%	0.34%	0.46%	0.61%	0.82%	0.52%	0.30%	0.67%	0.21%	0.17%	0.03%
QTD	7.93%	5.33%	6.44%	7.86%	0.19%	0.39%	-0.06%	-0.22%	0.78%	0.47%	1.03%	0.32%	0.11%	-0.21%
YTD	28.31%	13.66%	25.45%	30.21%	3.14%	3.54%	4.40%	4.49%	5.74%	7.50%	6.44%	5.36%	1.67%	0.84%
12 Mos	28.31%	13.66%	25.45%	30.21%	3.14%	3.54%	4.40%	4.49%	5.74%	7.50%	6.44%	5.36%	1.67%	0.84%
3 year*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5 year*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ITD*	28.73%	15.14%	23.88%	29.05%	3.18%	0.20%	-0.02%	0.48%	5.74%	7.50%	7.84%	6.25%	1.74%	0.84%
ITD (cum)	31.47%	16.51%	26.11%	31.82%	4.53%	0.29%	-0.03%	0.73%	5.74%	7.50%	8.52%	6.78%	1.89%	0.91%
Inception	11/30/2016		11/30/2016		7/31/2016		6/30/2016		12/31/2016		11/30/2016		11/30/2016	

Please note performance information is as of December 31, 2017.

\* annualized

## 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™ Analysis – “Bidding Adieu to 2017”

### General Comments

In many ways we mourn the passing of 2017. Despite the political sturm and drang, the year was a very good one for investors. Stock market gains were unrelenting as there were no down months in the year, something that has never happened before (our data goes back to 1926). Growth outperformed value, and large cap stocks outperformed small and mid-cap stocks. Interest rates and inflation remained well-contained, and nearly every asset generated positive returns for the year.

### Data Points and Global Economic Indicators

For the first time since the end of the Great Recession, we are witnessing synchronized global growth. As of the last report, fully all 20 of the Group of 20 nations have economies that are growing. Strong economic growth is the first pillar we look for, and provides an excellent environment for equity market gains to continue.

Secondly, we look for economic growth to lead to stronger corporate earnings, and results through the past year have shown solid gains in revenues and earnings, and many corporations have provided positive outlooks for the coming quarters. Further, the recent tax plan passed by congress at the end of the year provides for reduced corporate tax rates, which should lead to additional gains in corporate earnings. Estimates, including the benefits of lower tax rates, call for S&P 500 earnings to grow by more than 20% in 2018. Earnings growth of this magnitude should lead to higher stock prices over the coming year.

The third pillar we look for is an increase in both individual and corporate confidence, and here again the news is quite positive. Consumer confidence, CEO confidence, and small business confidence have all increased dramatically over the past year. Both small business and CEO confidence are responding to the very pro-business stance of the current administration. Consumer confidence is likely responding to the outlook for continued economic growth, combined with the very strong employment gains with the unemployment rate down to a low 4.1%. Further improvements in the unemployment rate are likely to

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## L&S Risk Pulse™ Analysis Cont.

support continued strength in consumer confidence as the year progresses.

Taken together, strong economic growth, solid gains in corporate earnings, and the confidence to invest provide an excellent backdrop for further gains in the equity market in the coming quarters.

We would be remiss to end this discussion without touching on some potential problems that could also rear their ugly head. We worry about the potential for a trade war, especially as the US is threatening to put tariffs on steel and other commodities imported from China. We worry about the potential for the Fed to make a policy mistake as they have indicated their determination to raise interest rates three times in the coming year. We worry about the potential for inflation to begin to re-appear, which could push interest rates much higher than most investors anticipate. We also worry about valuations. While we acknowledge that valuations are a poor short-term indicator, more than 75% of the gains in the market over the past 6 years have come from stretched valuations as compared with only 25% of the gains based on improved corporate earnings. At some point, a reversion to more average valuation metrics is likely. Finally, we worry about investor sentiment, which has gotten materially more bullish over the past couple of months. It is generally the case that retail investors are nervous near market bottoms, and euphoric at market tops. The lack of skepticism is something that causes us some concern.

We spend significant resources looking for signs that risks are building, even as those signs may not be visible at this time. We evaluate data from many resources, including Fed reports, purchasing manager's reports, credit statistics, investor sentiment, market action, and many others. Deterioration of credit market indicators, in particular, were prevalent prior to the beginning of the Great Recession, and we remain vigilant to the idea that risks may be building, even as the outward appearance is one of sustainable growth.

### Conclusion

Our read of the data does not give us reason to be raising concern. If anything, the recent read of the data suggests the global economy may be strengthening. That does not prevent the market from having a temporary correction, and it does not guaranty that growth in corporate earnings will lead to a commensurate increase in stock prices. The data remains positive, and so does our bias.

While we acknowledge that the stock market may be overdue for a correction, we must also be cognizant of the fact that the most painful bear markets are almost always accompanied by recessions. In this regard, the data is very positive. Our best indicators for projecting when the next recession might begin continue to suggest that the likelihood of a recession starting in 2018 remains fairly remote.

Overall, we expect a reasonably positive year for investors in the year ahead.

From all of us at L&S Advisors, we send our most heartfelt wishes to you and your family for a New Year that brings good health, fine friends, much happiness, and abundant prosperity.

## Disclosure

*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.*

*The Tactical Equity Opportunities ("TEO") Strategy Composite seeks growth through capital appreciation primarily from the tactical and unconstrained investment in risk-appropriate individual equities. The Tactical Equity Income ("TEI") Strategy Composites seek income through yield and capital appreciation primarily from the tactical and unconstrained investment in risk-appropriate equities. The Tactical Equity ETF Strategy Composite seeks growth through capital appreciation primarily from the tactical investment in risk-appropriate ETFs. The Diversified Equity Strategy Composite seeks to generate long-term capital appreciation. The L&S Core Portfolio Strategy Composite will invest in Exchange Traded Funds (ETFs) that achieve a global investment presence with an emphasis on the United States. The L&S Core-Select Portfolio Strategy Composite will invest in a combination of Exchange Traded Funds (ETFs) and select individual equities. The Income Equity Strategy Composite seeks to provide income and capital appreciation through the selection of individual equity securities that are expected to consistently raise its dividends by 6% or more annually. The Equity Growth Strategy Composite selects a portfolio of companies that are expected to grow earnings and revenues at a rate faster than the average company. Short-Duration Investment Grade Fixed Income Strategy Composite seeks to generate taxable income, combined with relative portfolio stability for clients with little need or desire for long-term capital appreciation. Taxable Fixed Income Strategy Composite seeks to generate taxable income, combined with relative portfolio stability for clients with little need or desire for long-term capital appreciation. Tax-Free Fixed Income Strategy Composite seeks to generate tax-free income, combined with relative portfolio stability for taxable clients with little need or desire for long-term capital appreciation. High Yield Bonds Strategy Composite seeks to invest in bonds that are rated as below investment grade by the major bond rating agencies (below BBB or Baa). Short-Duration High Yield Bonds Strategy Composite seeks to invest in bonds that are rated as below investment grade by the major bond rating agencies (below BBB or Baa). High yield bonds are typically issued by companies with above average debt levels on their balance sheet.*

*Composite performance results have been calculated by using time-weighted returns based on the beginning of period values on an adjusted capital basis. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Performance results are total return and include the reinvestment of all income. 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. Composite performance is presented gross of foreign withholding taxes on dividends, interest income, and capital gains. Net of fee performance reflects the deduction of actual management fees and transaction costs.*

*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 Russell 1000 Value Index is a market capitalization weighted index that measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000 Growth Index is a market capitalization-weighted index that measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Barclays Capital Aggregate Bond Index is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. The Bloomberg Barclays Municipal Bond 7 Year Total Return Index covers the USD-denominated intermediate term tax exempt bond market. The Bloomberg Barclays U.S. Corporate High Yield Bond Index measures the USD-denominated, high yield fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's Fitch and S&P is Ba1/BB+/BB+ or below. The Bloomberg Barclays 1-3 Year Government/Credit Index is a broad-based benchmark that measures the non-securitized component of the U.S. Aggregate Index.*

*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.*

