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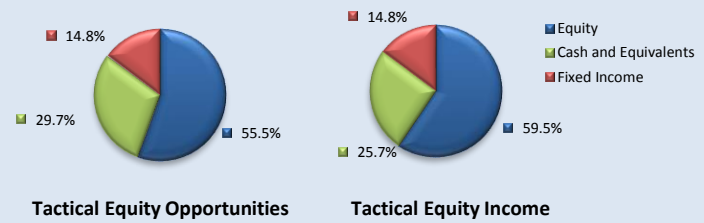
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## Top Sectors

Tactical Equity Opportunities		Tactical Equity Income	
Industrials	17.8%	Industrials	17.6%
Bond Funds	14.8%	Bond Funds	14.8%
Financials	11.9%	Financials	12.0%
Informational Technology	10.5%	Informational Technology	12.0%
Consumer Discretionary	6.0%	Consumer Discretionary	7.0%

## Asset Allocation



## Preliminary Performance

	March	QTD	YTD	12 Mos	3 Yr*	5 yr*	ITD*	ITD
Tactical Equity Opportunities GROSS	-3.53%	-0.47%	-0.47%	14.48%	7.15%	7.93%	7.99%	159.82%
Tactical Equity Opportunities NET	-3.53%	-0.70%	-0.70%	13.44%	6.13%	6.87%	6.94%	130.13%
Tactical Equity Opp. WRAP GROSS	-3.53%	-0.53%	-0.53%	14.55%	7.08%	8.51%	8.36%	170.92%
Tactical Equity Opp. WRAP NET **	-3.53%	-0.88%	-0.88%	12.87%	5.43%	6.75%	5.99%	105.99%
Tactical Equity Income GROSS	-3.02%	-1.63%	-1.63%	11.29%	5.18%	6.76%	8.70%	181.86%
Tactical Equity Income NET	-3.02%	-1.82%	-1.82%	10.40%	4.26%	5.80%	7.68%	150.67%
Tactical Equity Income WRAP GROSS	-2.94%	-1.44%	-1.44%	11.44%	5.11%	6.66%	8.66%	180.59%
Tactical Equity Income WRAP NET **	-2.94%	-1.81%	-1.81%	9.74%	3.45%	4.70%	5.98%	105.57%
<i>Dow Jones Industrial Average</i>	-3.70%	-2.49%	-2.49%	16.65%	10.68%	10.58%	6.97%	130.87%
<i>S&amp;P 500 TR</i>	-2.54%	-0.76%	-0.76%	13.99%	10.78%	13.31%	8.78%	184.48%
<i>Barclay's Aggr Bond Index</i>	0.68%	-1.54%	-1.54%	1.27%	1.26%	1.93%	4.41%	70.96%

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

Please note Top Sectors, Asset Allocation and Performance information is as of March 31, 2018. Annualized and cumulative ITD returns are as of inception on October 31, 2005.

## L&S Risk Pulse™ Score

### Caution (Increased)

Long-term macroeconomic conditions are strong, but at least several core economic indicators show weakness with noteworthy but outlying risk that requires monitoring. Valuations are approaching high for a majority of stocks.

## L&S Risk Pulse™ Insights – “A Bull Market in Volatility”

### General Comments

We have increased our Risk Pulse™ from Medium+ (4 out of 10) to Caution (5 out of 10).

This has been a long expansion, and we expect the expansion to continue for several more quarters, or perhaps longer. Still, we must acknowledge that we are closer to the end of this economic cycle than we are to the beginning.

Valuations are somewhat stretched, even as they have corrected modestly as stock prices have come down since the end of January. Volatility is back, and we suspect the increase in volatility reflects more uncertainty among investors.

The Fed is raising interest rates, which typically occurs later in the economic cycle. While expectations remain for two additional rate hikes this calendar year, the Fed raised its forecast for 2019 calling for an additional rate hike next year. The Fed decided to begin the process of reducing its balance sheet last fall. Initially they began letting \$10 billion of assets mature without replacement each month. That amount was increased in \$20 billion per month in January, and it increases again in April to \$30 billion. So effectively the Fed is tightening in two different ways simultaneously: they are raising interest rates, and they are reducing the size of their balance sheet. Expansions have never (so far) died of old age, but policy mistakes have been a consistent cause for cycles to end, and we think the risks have increased so that a policy mistake could be made.

Perception of political risks seems higher than it has been since the election of Donald Trump. The high turnover in the administration, combined with Democratic successes in special elections, raises the likelihood of a political stalemate by the end of this year. While markets have typically been comfortable with a stalemate because nothing destructive gets done, we must also recognize that the exceedingly pro-business environment of the past 15 months may be coming to an end. We also think that the downside for the markets should Trump fire Special Counsel Mueller is far greater than the upside if Mueller were to go away quietly. Markets typically ignore political risks, but it seems that political risks have increased to a point where they are difficult to continue to ignore.

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## Insights and Actions Cont.

Most importantly is the administration's desire to try to eliminate our trade deficit with tariffs. We have always suggested that a trade war could easily become the policy mistake that ends the current expansion, and the recent escalation of threats clearly increases our concern. We recognize that we do not have "free trade," and that China steals our intellectual property with alarming regularity. Trade is undertaken because it benefits both parties, and the notion that a trade war can be easily won is a seriously flawed policy position. Were there no other reasons to increase the Risk Pulse™, the potential for a trade war should be sufficient on its own.

We are also concerned about the recent revelations that Facebook did not protect the personal data of more than 80 million users. Facebook has been an unqualified success, building from nothing to one of the most valuable companies in the world in little more than a decade. If Facebook was not a good citizen, then it is likely that other technology companies could also come under greater scrutiny. While we do not expect growth to slow materially, the risks of increased regulation, higher costs, and somewhat slower growth suggests the valuation of these companies may be pressured for several quarters or years. That could reduce valuations on the entire technology sector, one of the best performing parts of the market.

## Data Points and Global Economic Indicators

While we can identify significant risks, we are also cognizant that our two best recession indicators do not suggest a recession is on the horizon anytime soon. Economic growth is occurring in 19 of the G-20 nations. Only Saudi Arabia reported a contracting economy in its latest report. Corporate earnings are projected to grow by 20% this year, driven not just by tax cuts but by solid organic growth, and we do believe that earnings drive stock prices in the long-term. Bank balance sheets are in very solid shape, and while credit risks have increased since the market started to wobble in late January, signs of systemic credit problems remain relatively rare.

## Conclusion

We have increased cash positions, especially for our most conservative tactical strategies. For those strategies we believe our role is to play defense, and with higher risk comes a more cautious approach, especially until some of these issues settle down.

Our decision to increase the Risk Pulse™ is not suggestive of a market that is poised to enter a bear phase. With strong earnings growth, the market could easily push ahead to make new highs later this year. We do think it is prudent to recognize the risks of being later in the cycle, of increased political risk, and of a misguided trade policy. It is with risk management in mind that we made the determination that risks had risen and so too must our Risk Pulse™.

## 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.