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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
May	1.46%	2.41%	1.38%	2.41%	3.12%	2.41%	0.96%	2.41%	1.95%	2.41%	1.86%	2.41%
QTD	0.65%	2.80%	0.87%	2.80%	3.17%	2.80%	1.14%	2.80%	2.13%	2.80%	2.22%	2.80%
YTD	-0.05%	2.02%	-0.97%	2.02%	2.27%	2.02%	-0.27%	2.02%	1.68%	2.02%	3.04%	2.02%
12 Mos	13.01%	14.38%	10.04%	14.38%	13.42%	14.38%	11.88%	14.38%	14.57%	14.38%	16.76%	14.38%
3 year*	6.02%	10.97%	4.49%	10.97%	5.62%	10.97%	N/A	N/A	N/A	N/A	N/A	N/A
5 year*	6.37%	12.98%	5.84%	12.98%	5.64%	12.98%	N/A	N/A	N/A	N/A	N/A	N/A
ITD*	6.90%	8.90%	7.65%	8.90%	6.59%	14.08%	14.41%	16.51%	14.56%	14.56%	15.64%	14.56%
ITD (cum)	131.63%	192.44%	152.84%	192.44%	40.53%	101.89%	29.43%	34.02%	17.18%	17.18%	18.48%	17.18%
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		Short Duration Investment Grade		High Yield		Short Duration High Yield	
	Net	RUS1000 VALUE	Net	RUS1000 GROWTH	Net	BARC US AGG	Net	BARC MUNI	Net	BARC 1-3 GOV	Net	BARC HYBOND	Net	ML HIGH YIELD
May	4.14%	0.59%	6.27%	4.38%	0.15%	0.71%	0.74%	1.10%	0.44%	0.37%	0.48%	-0.03%	0.28%	0.25%
QTD	5.01%	0.93%	6.66%	4.75%	-0.33%	-0.04%	0.33%	0.72%	0.50%	0.27%	0.65%	0.62%	0.80%	0.90%
YTD	5.05%	1.93%	13.98%	6.23%	-0.92%	-1.50%	-0.42%	-0.49%	0.26%	0.07%	1.35%	-0.24%	0.87%	1.04%
12 Mos	18.19%	8.25%	26.43%	21.02%	0.08%	-0.37%	0.72%	-0.39%	1.02%	0.16%	3.35%	2.35%	3.22%	3.00%
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*	24.01%	9.29%	27.36%	25.17%	1.93%	-0.66%	-0.23%	0.12%	1.43%	0.65%	5.01%	5.06%	6.21%	5.20%
ITD (cum)	38.10%	14.25%	43.74%	40.04%	3.57%	-1.21%	-0.45%	0.23%	2.15%	0.98%	7.17%	7.25%	9.46%	7.90%
Inception	11/30/2016		11/30/2016		7/31/2016		6/30/2016		11/30/2016		12/31/2016		11/30/2016	

Please note performance information is as of May 31, 2018.

* annualized

L&S Risk Pulse™ Score

Caution

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™ Analysis – “Climbing the Proverbial Wall of Worry”

General Comments

The first quarter of most years since the end of the Great Recession have shown weak economic growth, and 2018 seems to have followed that pattern to the letter. The pick-up in growth that followed the weaker first quarters in previous years also seems to be repeating this year.

Many of the positives that were prevalent in the fourth quarter of 2017 have returned. Economic growth is no longer slowing, and looks to be re-accelerating as this quarter unfolds. Corporate earnings remain quite positive, due in part to the tax cuts passed at the end of 2017, but also because of solid organic growth. Valuations are not as stretched as they were in January. Home prices have continued to accelerate. Consumer confidence remains high, as does small business confidence. Personal income and personal spending are both higher, adding to the notion that the consumer remains in very good shape. The unemployment rate is at multi-decade lows, and the number of new jobs was again above expectations. Domestic stock markets posted solid gains in May, although most indices remain well below the January highs.

We would expect more companies to increase their capital spending plans as economic growth continues. New initiatives in the tax plan permit companies to immediately write off capital spending, even as the benefits accrue for many years in the future. While the initial data does not suggest significant tax savings have gone toward capital spending, we would expect that share to increase as companies have the time to make and execute plans. This should help propel the market for several more quarters.

To be fair, many of the non-economic concerns that were raised in the first calendar quarter have not gone away. Despite objections from economists and allies, the President has insisted on proceeding with tariffs on steel and aluminum. Trade partners have promised retaliation. News about negotiations with the Chinese and with Mexico and Canada seem to flow hot and cold, and the market has shown some ability to ignore the noise. This is a good thing since we do not need stock prices up and down by hundreds of points every time the temperature changes. Still, the trend has not been all that positive, and we do worry that a trade war is the kind of policy mistake that could put an end to our long-running expansion.

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See important disclosures on next page.

L&S Risk Pulse™ Analysis Cont.

As economic growth has reaccelerated, the prospects that the Fed will delay its intent to raise interest rates has faded. The Fed will almost certainly raise interest rates when they meet on June 13th. The Fed virtually guaranteed three interest rate hikes this year, and there is no reason to doubt their intentions. As the Fed continues to push short-term rates higher, the shape of the yield curve has flattened. We have reported that when the Fed raises interest rates too aggressively we run the risk of a policy mistake that has historically been a harbinger of a coming recession. We do not see the Fed's actions as having created a policy mistake, but the direction they are moving suggests we must be vigilant.

Historically, the party in power loses seats at the mid-term election. With strong economic growth and solid employment gains, it may be possible for Republicans to limit their losses, and polls are currently confirming the potential for that outcome. Still, it is likely that Congress will be less business-friendly after the election than it has been. An old worry has also reasserted itself lately. Growth in Europe has slowed, and the Italians recently formed a government with two very populist parties in charge. The market reignited the worry that the European Union (EU) would fall apart. The Italian government has backed away from expressly suggesting it wants to leave the EU, but we all know how unpredictable populist governments can be. Markets have settled down, but Italian interest rates temporarily spiked, and that is not the kind of action that builds confidence.

Conclusion

Markets seem willing to climb the proverbial wall of worry. Despite known concerns, the market seems to be able to ignore much of the negative news and work its way higher. Good corporate earnings are once again being well-received by the market, and price action in May was much more positive. While many indices have a long way to go to make new all-time highs, some parts of the market, especially small capitalization stocks, are already at new highs. European problems have dissipated temporarily, but concerns will remain elevated, and that may limit significant gains in international markets in the short run. Our best indicators suggest there is no recession on the horizon for the remainder of 2018 and into 2019, although we must remember that the normal mid-term election pattern suggests some additional market weakness prior to the election. At this point we are more likely to suggest that any additional market weakness may be a buying opportunity.

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, 2017. Upon a request to Sy Lippman at 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).

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. The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Non-wrap accounts: Gross-of-fee performance was calculated after the deduction of actual itemized trading expenses. Net-of-fee performance was calculated using actual management fees. Wrap accounts: Gross-of-fee performance was calculated gross of all fees and transaction costs. Net returns are reduced by all 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.

