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Top Sectors

Tactical Equity Opportunities		Tactical Equity Income	
Large Cap Market Index	20.0%	Large Cap Market Index	19.3%
Informational Technology	17.2%	Informational Technology	18.4%
Energy	14.0%	Energy	13.3%
Industrials	12.6%	Industrials	11.2%
Financials	7.7%	Financials	7.3%

Preliminary Performance

	May	QTD	YTD	12 Mos	3 Yr*	5 yr*	ITD*	ITD
Tactical Equity Opportunities GROSS	1.46%	0.87%	0.40%	14.03%	7.02%	7.41%	7.96%	162.08%
Tactical Equity Opportunities NET	1.46%	0.65%	-0.05%	13.01%	6.02%	6.37%	6.90%	131.63%
Tactical Equity Opp. WRAP GROSS	1.53%	0.94%	0.40%	14.11%	6.99%	7.92%	8.32%	173.46%
Tactical Equity Opp. WRAP NET **	1.53%	0.57%	-0.32%	12.46%	5.35%	6.18%	5.96%	107.16%
Tactical Equity Income GROSS	1.38%	1.06%	-0.59%	10.90%	5.40%	6.79%	8.67%	184.85%
Tactical Equity Income NET	1.38%	0.87%	-0.97%	10.04%	4.49%	5.84%	7.65%	152.84%
Tactical Equity Income WRAP GROSS	1.40%	1.07%	-0.39%	11.39%	5.32%	6.69%	8.64%	183.59%
Tactical Equity Income WRAP NET **	1.40%	0.68%	-1.14%	9.70%	3.67%	4.75%	5.95%	106.98%
<i>Dow Jones Industrial Average</i>	<i>1.05%</i>	<i>1.30%</i>	<i>-1.23%</i>	<i>16.22%</i>	<i>10.67%</i>	<i>10.07%</i>	<i>6.98%</i>	<i>133.87%</i>
<i>S&P 500 TR</i>	<i>2.41%</i>	<i>2.80%</i>	<i>2.02%</i>	<i>14.38%</i>	<i>10.97%</i>	<i>12.98%</i>	<i>8.90%</i>	<i>192.44%</i>
<i>Barclay's Aggr Bond Index</i>	<i>0.75%</i>	<i>-0.04%</i>	<i>-1.57%</i>	<i>-0.39%</i>	<i>1.46%</i>	<i>2.09%</i>	<i>4.35%</i>	<i>70.90%</i>

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

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

Asset Allocation



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™ Insights – “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 promise 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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Insights and Actions 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

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, 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.

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.