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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
June	-1.73%	0.62%	-1.29%	0.62%	-0.12%	0.62%	-0.81%	0.62%	-0.60%	0.62%	-1.22%	0.62%
QTD	-1.10%	3.43%	-0.43%	3.43%	3.04%	3.43%	0.32%	3.43%	1.52%	3.43%	0.97%	3.43%
YTD	-1.78%	2.65%	-2.24%	2.65%	2.14%	2.65%	-1.08%	2.65%	1.08%	2.65%	1.78%	2.65%
12 Mos	10.70%	14.37%	8.61%	14.37%	12.79%	14.37%	10.58%	14.37%	12.92%	14.37%	14.66%	14.37%
3 year*	5.64%	11.93%	4.16%	11.93%	5.84%	11.93%	N/A	N/A	N/A	N/A	N/A	N/A
5 year*	6.74%	13.42%	5.80%	13.42%	6.06%	13.42%	N/A	N/A	N/A	N/A	N/A	N/A
ITD*	6.71%	8.89%	7.49%	8.89%	6.46%	13.98%	13.31%	16.12%	12.98%	14.09%	13.40%	14.09%
ITD (cum)	127.61%	194.24%	149.59%	194.24%	40.36%	103.13%	28.39%	34.84%	16.48%	17.91%	17.03%	17.91%
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
June	-1.32%	0.25%	0.04%	0.96%	-0.06%	-0.12%	0.11%	0.25%	0.00%	0.01%	0.55%	0.40%	0.52%	0.24%
QTD	3.62%	1.18%	6.70%	5.76%	-0.39%	-0.16%	0.44%	0.97%	0.49%	0.28%	1.21%	1.03%	1.32%	1.14%
YTD	3.66%	-1.69%	14.02%	7.25%	-0.94%	-1.62%	-0.31%	-0.25%	0.26%	0.08%	1.91%	0.16%	1.40%	1.29%
12 Mos	17.68%	6.77%	27.25%	22.51%	0.03%	-0.40%	0.83%	-0.31%	0.89%	0.21%	3.69%	2.62%	3.56%	3.07%
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*	21.59%	8.95%	25.78%	24.45%	1.84%	-0.70%	-0.17%	0.24%	1.35%	0.62%	5.11%	5.05%	6.22%	5.08%
ITD (cum)	36.28%	14.54%	43.79%	41.39%	3.55%	-1.33%	-0.34%	0.48%	2.15%	0.99%	7.76%	7.68%	10.03%	8.16%
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 June 30, 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 – “If the economy is so good, why are markets behaving poorly?”

General Comments

Following an enthusiastic rally in January, stock markets have had trouble making forward progress over the first half of the year, and returns for the first half have been somewhat disappointing. There is a myriad of crosscurrents that have been affecting markets, and it has been difficult to maintain conviction. Some data, including the strength of the economy, is excellent. Other data is less positive, and some data could be viewed as negative. With such conflicting signals, it is no wonder that markets have struggled to post any meaningful gains.

On the positive side is the strength of the economy. Following modest growth in the first quarter, we expect the economy to have rebounded in the second quarter, and we anticipate a significantly stronger GDP report later this month. In conjunction with the strong economy, we have seen excellent corporate profit growth. Solid gains in profits have led to strength in employment, with the unemployment rate down to 4%, and the broader measure that includes part-time employees who are seeking full-time work, down to 7.8%. Both numbers are about as low as they have been since the turn of the century. Strong profit growth and good employment trends have led to increased confidence, and every measure of confidence, whether it measures consumers, CEOs, or small businesses, are well above the levels prevalent before the start of the Great Recession.

We have repeatedly reported on our two best recession indicators, and here too the news is quite positive. While the Fed has been raising interest rates, short-term rates are not higher than longer-term rates. We call this phenomenon an “inverted yield curve,” and it has been an excellent indicator that a recession is on the intermediate horizon. We also consider the 12-month percent change in the Leading Economic Indicators. When this series turns negative, it has also been an excellent predictor of an upcoming recession. Neither of these indicators is flashing a recession signal at this time. Additionally, there are other data points that could confirm an upcoming recession. Prior to previous recessions, new single family home sales have weakened, but so far weakness in this indicator is not present. Initial unemployment claims typically pick-up prior to the start of a recession, but here too the numbers have been quite solid. Typically, the Fed Funds rate exceeds the rate of inflation prior to the start of a recession, but that has not occurred so far in this cycle. Consumer confidence has usually peaked before the start of the recession, but as we discussed above, consumer confidence remains robust. Banks also start to tighten their lending standards prior to an onset of a recession, but we do not see signs of tighter lending standards.

No matter what indicators we look at, we can find no indicator that suggests a recession is around the corner. That does not preclude a policy mistake, and it does not suggest that some external shock can quickly change the outlook. It does add to the positive data that reinforces the idea that this economic expansion still has some legs.

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See important disclosures on next page.

L&S Risk Pulse™ Analysis Cont.

On the other hand:

After solid gains in January, the market stumbled and has been unable to make new highs. If the economic news is so good, we can't help but ponder why the market is struggling? Why too are bank stocks unable to lead the market? A strong economy with rising interest rates should be a good environment for banks and other financial intermediaries, yet the financials have been one of the poorer performers this year. Is the market trying to tell us that we are missing an important ingredient in our analysis? Are the banks sending the same message?

Commodity prices have recently been selling off, and that increases our concern. If the economy is so strong, why are copper prices at 52-week lows? Copper prices are often cited as a good economic indicator because copper is required to manufacture all electrical systems. Its ability to predict the economy has earned copper the moniker "Dr. Copper." With copper and other commodity prices selling off, the message would normally be that the economy is slowing. Yet our other economic indicators suggest the economy is quite robust. Why is there such a discrepancy between indicators that would normally be aligned? This causes us some consternation.

We are concerned that the potential for a trade war is just the kind of policy mistake that could end our expansion. Whether it is a trade war, a negotiation, a battle or a skirmish, we continue to believe that there are no winners in a trade dispute. Yes, the economic effect has been calculated to have a modest impact on economic growth, but we are now seeing secondary effects, and the law of unintended consequences is likely to assure that there are no winners.

As the cost of stainless steel goes up, so too will the price of kitchen appliances. Is that good for the manufacturers that make these goods? Further, we are seeing companies being forced to consider moving production overseas to avoid the impact of retaliatory tariffs from other countries. This is not just motorcycle manufacturers like Harley Davidson and Polaris Industries, but American-as-apple-pie General Motors has also indicated it might need to move production overseas to avoid retaliatory tariffs. Jobs moving overseas is not what we think the President was anticipating when he made the decision to utilize tariffs to reduce the trade deficit. While the actual damage done by our tariffs and others retaliatory tariffs may remain modest, the repercussions for American business, including the added uncertainty, should not be underestimated.

Conclusion

It is important to reinforce the idea that the largest market declines come when the economy is in a recession, and we do not see a recession through the end of this year, and into 2019. However, markets may struggle even when the economy is doing well. We see many indicators that are exceedingly positive, some that are troublesome, and a small number that are downright worrisome. These crosscurrents have led to a market that is struggling to find some direction.

Markets will need to dissect the impact of the Administration's trade policy, and will need to get more comfortable with the outcome of the mid-term election. Once some of the uncertainties are diminished or eliminated, we would expect that the solid economic fundamentals will again rule the day. We continue to expect that stocks will outperform bonds this year, and that stock prices are likely to end the year higher than they are now.

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.