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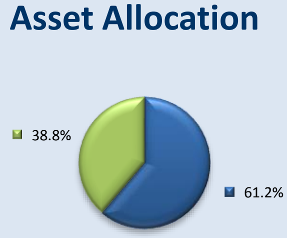
L&S Advisors Tactical Market Update
July 2018

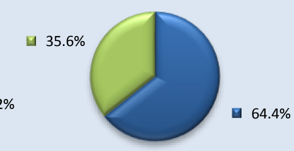
Top Sectors

Tactical Equity Opportunities		Tactical Equity Income	
Information Technology	14.3%	Energy	11.8%
Health Care	12.7%	Financials	11.0%
Energy	12.1%	Health Care	10.8%
Financials	10.2%	Information Technology	10.8%
Industrials	7.4%	Industrials	7.4%

Asset Allocation



Tactical Equity Opportunities



Tactical Equity Income

Preliminary Performance

	July	QTD	YTD	12 Mos	3 Yr*	5 yr*	ITD*	ITD
Tactical Equity Opportunities GROSS	1.46%	1.46%	0.10%	10.16%	6.76%	7.22%	7.82%	161.31%
Tactical Equity Opportunities NET	1.24%	1.24%	-0.56%	9.19%	5.77%	6.19%	6.77%	130.44%
Tactical Equity Opp. WRAP GROSS	1.57%	1.57%	0.14%	10.30%	6.72%	7.65%	8.19%	172.74%
Tactical Equity Opp. WRAP NET **	1.20%	1.20%	-0.94%	8.71%	5.10%	5.93%	5.83%	105.87%
Tactical Equity Income GROSS	1.55%	1.55%	-0.34%	9.11%	4.76%	6.66%	8.58%	185.55%
Tactical Equity Income NET	1.36%	1.36%	-0.91%	8.27%	3.87%	5.72%	7.55%	152.98%
Tactical Equity Income WRAP GROSS	1.59%	1.59%	-0.13%	9.61%	4.71%	6.56%	8.54%	184.31%
Tactical Equity Income WRAP NET **	1.20%	1.20%	-1.26%	7.96%	3.08%	4.65%	5.86%	106.73%
Dow Jones Industrial Average	*4.71%*	*4.71%*	*2.82%*	*16.10%*	*12.84%*	*10.40%*	*7.23%*	*143.44%*
S&P 500 TR	*3.72%*	*3.72%*	*6.47%*	*16.24%*	*12.52%*	*13.12%*	*9.15%*	*205.19%*
Barclay's Aggr Bond Index	*0.03%*	*0.03%*	*-1.68%*	*-0.84%*	*1.57%*	*2.38%*	*4.28%*	*70.72%*

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

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

L&S Risk Pulse™ Score

Caution (unchanged) 5 out of 10

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 a high level for a majority of stocks.

L&S Risk Pulse™ Insights – "The Few, The Proud, The Big 10"

General Comments

The S&P 500 is an index of 500 stocks that are weighted according to the market capitalization of the companies selected. This provides a biased index that tends to give the greatest importance to the very largest companies in the index. The top 10 companies of the index represent nearly 25% of the value of the index. Said another way, 2% of the stocks comprise 25% of the returns. Further, the largest company in the index, Apple, which was the first company to exceed a market capitalization of $1 trillion, is over 200 times larger than the smallest company in the index. Imagine a portfolio manager that built a portfolio for you. In that portfolio, she purchased $25,000 worth of Apple. In order to have the same weighting as the S&P 500 index, she would also own the smallest company (Brighthouse Financial, recently spun out of MetLife), but she would own only $120 worth of that company. Why bother? If Brighthouse is up 100%, a gain of $120 for your portfolio, Apple would need to be up only one-half of one-percent to provide the same $120 gain. Seems like the deck is stacked.

This is the environment we have been living with, and it has been particularly noticeable so far this calendar year. The gains in the market have been concentrated in only a very small number of stocks. We can see that in the fact that the Dow Jones Industrial Average and the equal-weighted S&P 500 (where each of the 500 stocks in the index has the same contribution to the index) have dramatically underperformed the cap-weighted and biased S&P 500.

As you may recall, we spend significant energy following different economic indicators and data points with the goal of trying to identify risks as they unfold. This too has been a difficult period as many indicators have weakened this month as compared to previous levels. It is very difficult to determine whether recent weakness is a harbinger of further weakness to come, or whether the weakness is simply summer doldrums and is temporary. We will not know the answer to that for several more months. Stay tuned.

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L&S Risk Pulse™ Analysis Cont.

Domestic markets have been able to shrug off threats of trade tariffs, expanding federal deficits, and political noise, and have attempted to regain the highs posted in January. The market has been driven by strong gains in corporate earnings which are up over 20% for this quarter as compared to last year. We are firm believers that earnings drive markets, and we are even more encouraged by calculations that show roughly 2/3 of earnings gains are coming from strong underlying fundamentals, with another 1/3 coming from tax cuts. We do worry that higher input costs, caused in part by tariffs, suggest that corporate profit margins may be peaking. Peaking profit margins have typically preceded market tops, and we can't help but wonder whether this is another indicator that is simply weakening or whether it does portend further market weakness?

Conclusion

The market's gains have been concentrated in a very small number of stocks, and narrow participation is yet another sign of a market that is struggling. Still, corporate earnings gains are strong, and the market will respond quite positively to any reduction in trade concerns. We remain focused on the potential for a changing environment. The fundaments do suggest the market has further room to run.

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.