L&S Advisors, Inc.
12121 Wilshire Blvd.
Suite 1100
Los Angeles, CA 90025

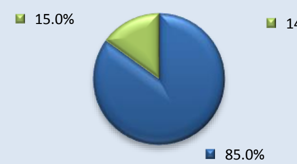
O 310.893.6060
F 310.893.6070
E info@lsadvisors.com
W lsadvisors.com

L&S Advisors Tactical Market Update
November 2018

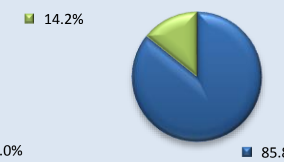
Top Sectors

Tactical Equity Opportunities		Tactical Equity Income	
Indices	45.0%	Indices	45.1%
Health Care	13.4%	Health Care	12.1%
Industrials	6.9%	Industrials	6.9%
Consumer Discretion	6.2%	Financials	6.1%
Financials	6.1%	Consumer Discretionary	4.1%

Asset Allocation



Tactical Equity Opportunities



Tactical Equity Income

Preliminary Performance

	November	QTD	YTD	12 Mos	3 Yr*	5 yr*	ITD*	ITD
Tactical Equity Opportunities GROSS	1.09%	-4.84%	-1.03%	0.65%	7.17%	5.57%	7.52%	158.37%
Tactical Equity Opportunities NET	1.09%	-5.05%	-1.90%	-0.24%	6.19%	4.56%	6.48%	127.34%
Tactical Equity Opp. WRAP GROSS	1.08%	-4.83%	-1.03%	0.71%	7.17%	5.89%	7.87%	169.55%
Tactical Equity Opp. WRAP NET **	1.08%	-5.19%	-2.46%	-0.75%	5.55%	4.20%	5.55%	102.71%
Tactical Equity Income GROSS	1.97%	-2.84%	-0.60%	0.91%	5.79%	6.13%	8.33%	184.81%
Tactical Equity Income NET	1.97%	-3.02%	-1.36%	0.14%	4.91%	5.21%	7.31%	151.85%
Tactical Equity Income WRAP GROSS	1.94%	-2.78%	-0.35%	1.20%	5.80%	6.05%	8.30%	183.69%
Tactical Equity Income WRAP NET **	1.93%	-3.16%	-1.86%	-0.33%	4.16%	4.27%	5.66%	105.47%
Dow Jones Industrial Average	*1.68%*	*-3.48%*	*3.31%*	*5.22%*	*12.96%*	*9.68%*	*7.08%*	*144.62%*
S&P 500 TR	*2.04%*	*-4.94%*	*5.11%*	*6.27%*	*12.16%*	*11.12%*	*8.80%*	*201.29%*
Barclay's Aggr Bond Index	*0.63%*	*-0.21%*	*-1.89%*	*-1.41%*	*1.40%*	*2.15%*	*4.16%*	*70.36%*

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

Please note Top Sectors, Asset Allocation and Performance information is as of November 30, 2018. Annualized and cumulative ITD returns are as of inception on October 31, 2005.

L&S Risk Pulse™ Score

Caution+ (Increased) 6 out of 10
The composite economic picture is mixed or unclear, indicating confusion in global markets. Valuations are questionable, and volatility must be monitored

L&S Risk Pulse™ Insights – "Tariff-Man To The Rescue"

General Comments

Markets have struggled with several problems this year, including the potential for slower growth where more and more evidence suggests that slower growth is in fact happening. This is not just a meme of fearful portfolio managers. More and more countries are showing troubling signs with Canada, Germany, Italy, Japan, and Saudi Arabia all reporting negative quarterly GDP growth in the most recent data releases.

Markets have also been spooked by actions of the Federal Reserve. Promises to continue to raise interest rates in October were likely one of the reasons why markets struggled over the past several weeks. Why, investors pondered, if growth was slowing was the Fed hellbent on raising interest rates? Do they not see what is happening around the globe? In addition to raising interest rates, the Fed continues to let their vast holding of bonds slowly decline as existing bonds mature. The Fed had been replacing those bonds with new purchases, but now they are letting their balance sheet shrink. This is yet another way the Fed is tightening policy at a time when many investors see those actions as increasing the odds that the Fed is making a policy mistake.

Investors have been worried about an inverted yield curve, a situation where short-term interest rates are higher than longer-term rates. This is a clear indicator of a policy mistake and has historically been a good tool to forecast a recession on the horizon. In early December, the yield on the 5-year Treasury bond dipped below the yield on the 3-year bond. "The yield curve is inverting – the sky is falling" claimed many screaming heads on television. The attached picture of the U.S. Treasury interest rate curve hardly shows a pattern of short-term rates above long-term rates, yet that did not stop prognosticators from creating fear and causing additional selling pressure.

We are watching interest rates very carefully, and we are nervous as the curve has flattened, something that must happen before it can invert. Still, it is important to remember two facts: First, 5 year rates below 3 year rates is not what is meant by an inverted yield curve; and second, the day to sell stocks is not the day the curve inverts but is potentially many months later. Stock markets typically run for several months or quarters before a recession becomes more likely, and stock prices begin to struggle.

Continued on next page…

The last big worry for the market has been the tariffs and a potential trade war with our global trade partners. This is where Tariff-Man came to the rescue. In a most predictable way, the President indicated that he had a very good meeting with Chinese Premiere Xi, and the two nations were calling a truce for 90 days to provide an opportunity to negotiate an end to the current trade disputes. We felt that the probability of some kind of positive announcement was likely, although cynicism suggested that good news would not be long lived.

Source: Bloomberg

Sure enough, the President did not disappoint. He dubbed himself "Tariff-Man," and suggested the United States was getting rich collecting tariffs on Chinese and other imported goods. Despite his protestations, budget deficits are near record levels, even as the economy has been cruising along at one of the best rates of growth since the end of the Great Recession. Further, the people who are paying higher prices are American citizens, those same individuals who elected Mr. Trump to the highest office in the land. According to the Omaha World-Herald, Trump's trade policy is putting a heavy burden on farmers in Nebraska. That newspaper's estimate for the per capita cost of retaliatory tariffs for every Nebraskan is running at $632 in 2018. Thank you, Tariff-Man.

Later in the first week of December, the U.S. asked the Canadians to arrest the CFO of a leading Chines mobile phone company. It is not very politically savvy to arrest a Chinese executive when you have agreed to a cease fire.

Could it be that the market that was so enamored with Trump for the first two years of his incumbency has finally tired of his antics? There are reports that the Mueller investigation is winding down and that potentially means more indictments are on the horizon. There is a lawsuit progressing in Maryland arguing that the President has violated the emoluments clause of the Constitution (a clause that prohibits a president from profiting from his position). Has confidence in Mr. Trump finally started to crumble? It is entirely possible that the uncertainty created by unsound policies is finally having a negative impact on the stock market.

Conclusion

November was another difficult month, and the prospects for a Christmas rally seem to be fading as the belligerence of Tariff-Man is unsettling the market. Growth is clearly slowing, particularly overseas, and U.S. growth estimates are also coming down. We do not see the U.S. falling into a recession any time soon, and we do not see systemic credit problems that caused enormous pain in 2008.

Any decrease in trade tensions and political risks would be welcome to a market where prices have fallen, while earnings estimates have not declined materially. So far, that has not happened, but there is always tomorrow.

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.