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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
December	-6.75%	-9.03%	-6.35%	-9.03%	-6.33%	-9.03%	-7.06%	-9.03%	-8.28%	-9.03%	-7.97%	-9.03%
QTD	-11.46%	-13.52%	-9.18%	-13.52%	-11.19%	-13.52%	-14.90%	-13.52%	-13.92%	-13.52%	-10.93%	-13.52%
YTD	-8.53%	-4.38%	-7.62%	-4.38%	-5.12%	-4.38%	-12.12%	-4.38%	-9.19%	-4.38%	-5.92%	-4.38%
12 Mos	-8.53%	-4.38%	-7.62%	-4.38%	-5.12%	-4.38%	-12.12%	-4.38%	-9.19%	-4.38%	-5.92%	-4.38%
3 year*	4.10%	9.26%	2.89%	9.26%	4.69%	9.26%	N/A	N/A	N/A	N/A	N/A	N/A
5 year*	2.92%	8.49%	3.43%	8.49%	2.81%	8.49%	N/A	N/A	N/A	N/A	N/A	N/A
ITD*	5.87%	7.96%	6.73%	7.96%	4.59%	11.38%	5.40%	9.55%	2.63%	5.50%	4.59%	5.50%
ITD (cum)	111.98%	174.08%	135.86%	174.08%	30.38%	89.21%	14.05%	25.60%	4.65%	9.83%	8.17%	9.83%
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
December	-8.99%	-9.60%	-10.13%	-8.60%	0.41%	1.84%	0.63%	1.21%	0.54%	0.78%	-2.39%	-2.14%	-2.54%	-1.57%
QTD	-16.14%	-11.72%	-24.01%	-15.89%	-0.36%	1.64%	0.46%	2.02%	0.71%	1.18%	-4.06%	-4.53%	-3.95%	-2.60%
YTD	-8.93%	-8.27%	-5.62%	-1.51%	-0.77%	0.01%	0.17%	1.66%	1.50%	1.60%	-0.06%	-2.08%	-0.53%	0.69%
12 Mos	-8.93%	-8.27%	-5.62%	-1.51%	-0.77%	0.01%	0.17%	1.66%	1.50%	1.60%	-0.06%	-2.08%	-0.53%	0.69%
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*	9.02%	3.24%	8.72%	13.35%	1.52%	0.12%	0.06%	0.95%	1.63%	1.20%	2.80%	2.60%	3.74%	3.54%
ITD (cum)	19.72%	6.87%	19.02%	29.83%	3.72%	0.30%	0.14%	2.39%	3.42%	2.52%	5.68%	5.27%	7.94%	7.52%
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 December 31, 2018.

* annualized

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™ Analysis – “A Trade War is Still a Trade War”

General Comments

Good riddance. Sorry to be so brutally honest, but good riddance to 2018. It is hard to find investors who are looking back on last year longing for more.

One omen that should have been a more important guidepost last year was Trump's announcement in March that the United States was applying tariffs on goods imported from China. There were, however, discussions that tried to portray this potential policy mistake as a trade “skirmish” or “battle” but not a full-fledged trade war. Semantics might help us feel better, but a trade war is still a trade war, and the market dove and soared based on perceived progress on trade negotiations and posturing by the Chinese or tweets from the President.

With worries over trade, it is not surprising that growth in China slowed dramatically. The most recent report shows Chinese growth as weak as it has been since the bottom of the Great Recession. It is impossible to know how much of the Chinese slowdown was due to the trade “skirmish,” but it seems coincidental that Chinese growth slowed as the months of the trade “battle” waged on. China is the second largest economy in the world and one of the fastest growing, and a slowing China is likely to have global repercussions.

Growth slowed across Europe, and some nations reported contracting growth. Negative growth was seen in Germany, Italy, Japan, Turkey, Saudi Arabia, and Argentina, with many other nations showing very lethargic progress. With global growth slowing, it is no wonder that foreign stock markets performed much more poorly than domestic markets. China, one of the worst performing markets, fell by more than 27% in 2018. Germany was down more than 20%, and many other markets were down more than 10%. The best performing markets were Brazil and India, although both were down for the year. There was simply no place to hide.

As if the trade “scuffle” was not enough, the policies of the Federal Reserve have been widely criticized as having a negative impact on the market. The Fed increased interest rates in December, its fourth rate hike of the year, and the ninth since rates started higher in December of 2015.

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See important disclosures on next page.

L&S Risk Pulse™ Analysis Cont.

Investors had come to the belief that slowing growth overseas would slow growth in the U.S., and that further rate hikes were no longer necessary here at home.

With the Fed unrelenting in their desire to raise interest rates, and with concerns over the trade “skirmish,” it is no surprise that stocks sold off in a violent correction starting in early October. From the late September highs, the S&P has fallen nearly 15%. That number actually camouflages the real carnage felt by investors. As of December 31st, the average stock in the S&P 500 was down nearly 25% from its 52-week high, and 59% of stocks in the index were down more than 20%, what we typically consider a bear market.

We have frequently relied on several indicators to help us determine whether the economy is likely to slide into a recession. While we have no outright signals, several of our indicators are within striking distance of that warning, and that is disconcerting. The yield curve is not inverted, but spreads are incredibly narrow. New single-family home sales have fallen by 24%. For those looking for a recession, it is certainly possible to find support for that conclusion.

On the other hand, there are ample signs that suggest a recession is not on the immediate horizon. The job report for December showed 312,000 new jobs created. This was much stronger than expected. Previous months were revised upward. While the unemployment rate did increase to 3.9% from 3.7%, the cause of that increase was a significant number of people who rejoined the workforce. This increase in the labor force participation rate reflects the desire for people who had withdrawn from the workforce to return, and this is a very good sign of confidence. It reflects wage growth and the shortage of available workers, and is the best reason for an increase in the unemployment rate.

Other indicators, such as consumer confidence and the percentage of banks that are tightening lending standards, do not convey the risks of an immediate recession. Further, it is important to remember that recession indicators typically give investors several months or even several quarters of notice prior to a recession. The notion that we are on the cusp of a recession seems a bit difficult to defend. We recognize that several companies have guided analysts to expect slower growth, but slower growth is not negative growth.

Conclusion

While the risks of a recession may be higher than they were six or twelve months ago, it is hard to support the notion that the economy will imminently fall into a recession. It is also important to remember that this is not 2008 all over again. Banks are in much stronger financial shape than they were in 2006. While there are some valid concerns about corporate debt levels, those issues are unlikely to create the systemic problems that unfolded during the Great Recession.

Warren Buffet said “be fearful when others are greedy and greedy when others are fearful.” Stocks are down significantly from the September highs, and at some point it is going to be more fruitful to consider searching for attractive ideas. Down years are not that uncommon, but multiple down years in a row are fairly rare and have only occurred in the midst of severe recessions, and that is simply not the economic environment we are in. Further, any progress on settling our trade “dispute” with China, or additional comments from the Fed that they will consider the data prior to raising interest rates any further would provide markets with a meaningful reason to stop going down. When the market stops considering all news as bad, the potential upside could be substantial.

From all of us at L&S Advisors, we wish you and your family a healthy and happy New Year.

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.

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 net of management fees and include the reinvestment of all income. Non-wrap accounts: Net-of-fee performance was calculated using actual management fees. Wrap accounts: 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 Bank of America/Merrill Lynch 1-5 Year Cash Pay High Yield Index measures the USD denominated, high yield, fixed rate corporate bond market with maturities less than 5 years. 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-secured component of the U.S. Aggregate Index.

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