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Top Sectors

Tactical Equity Opportunities		Tactical Equity Income	
Health Care	16.7%	Industrials	11.9%
Industrials	11.9%	Real Estate	10.8%
Financials	11.1%	Health Care	9.3%
Information Technology	10.9%	Information Technology	8.9%
Real Estate	8.5%	Utilities	8.4%

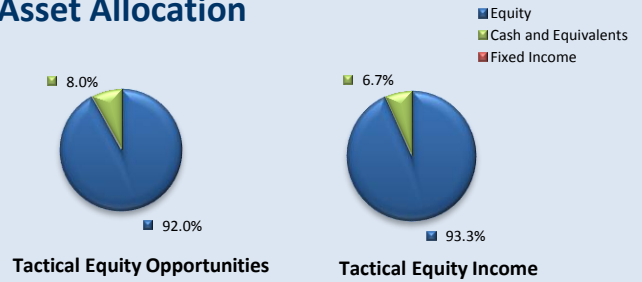
Preliminary Performance

	January	QTD	YTD	12 Mos	3 Yr*	5 yr*	ITD*	ITD
Tactical Equity Opportunities GROSS	3.79%	3.79%	3.79%	-9.51%	8.12%	5.32%	7.16%	150.04%
Tactical Equity Opportunities NET	3.55%	3.55%	3.55%	-10.31%	7.14%	4.32%	6.11%	119.51%
Tactical Equity Opp. WRAP GROSS	3.90%	3.90%	3.90%	-9.38%	8.13%	5.62%	7.51%	161.02%
Tactical Equity Opp. WRAP NET **	3.52%	3.52%	3.52%	-10.71%	6.51%	3.95%	5.19%	95.58%
Tactical Equity Income GROSS	4.10%	4.10%	4.10%	-7.82%	6.16%	5.72%	8.01%	177.67%
Tactical Equity Income NET	3.92%	3.92%	3.92%	-8.50%	5.29%	4.82%	7.00%	145.11%
Tactical Equity Income WRAP GROSS	4.07%	4.07%	4.07%	-7.69%	6.15%	5.63%	7.97%	176.32%
Tactical Equity Income WRAP NET **	3.67%	3.67%	3.67%	-9.09%	4.51%	3.93%	5.35%	99.36%
<i>Dow Jones Industrial Average</i>	7.17%	7.17%	7.17%	-4.40%	14.93%	9.75%	6.81%	139.46%
<i>S&P 500 TR</i>	8.01%	8.01%	8.01%	-2.31%	14.02%	10.96%	8.54%	196.05%
<i>Barclay's Aggr Bond Index</i>	1.12%	1.12%	1.12%	2.37%	2.05%	2.57%	4.34%	75.59%

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

Please note Top Sectors, Asset Allocation and Performance information is as of January 31, 2019. Annualized and cumulative ITD returns are as of inception on October 31, 2005.

Asset Allocation



L&S Risk Pulse™ Score

Caution+ (unchanged) 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 – “What a Difference a Month Makes”

General Comments

So much of the pessimism prevalent at the end of December has dissipated, and markets have responded with solid gains during the month of January.

To begin, the Fed has backed off their position that rates must rise several times in 2019. While the “dot plot” (the Fed governors forecast of interest rates) does call for some modest interest rate increases in 2019, recent comments from Fed Chair Powell suggest that the Fed is likely to be on hold for the first several months of this year, and perhaps longer. Further, the Fed has also backtracked on their comments that reductions of their balance sheet would continue on “autopilot.” While the Fed does want to see its balance sheet return to a more normal level after the huge increases undertaken during the financial crisis, they have recently suggested that a more normal level is likely to be significantly higher than previously indicated. For many investors who perceived the Fed on the cusp of a major policy mistake that could precipitate a recession, this news was a welcome relief and helps reduce the risks facing the market.

In December, there were significant concerns that slowing growth in Europe and China would lead to slower growth in the U.S. There is certainly some validity to this concern. Offsetting this concern were reports of strong gains in employment for both December and January. Over the past three months, the average number of new jobs created has been a very strong 240,000. Strong job growth does not portend a recession in the very near future.

Continued on next page...

See important disclosures on next page.



Another fear focused on concerns that corporate profits would enter a recession even if the economy did not. Further, many investors have been worried about the potential for profit margins to peak. Corporate earnings reports have not been as dire as some had feared, and operating profit margins have actually been expanding since the recent June lows. Another worry taken off the front burner, at least for the present.

The government itself was one of the reasons confidence was declining at the end of last year. The self-inflicted government shut-down was harmful to the economy and harmful to the perception that leaders from either party could actually provide leadership. Thankfully, the government shut-down ended following the realization that air traffic control workers were not showing up to work without pay at an alarming rate. While the threat of another shutdown looms, we do not think either party wishes a repeat of the senseless pain inflicted on government workers solely for political gain.

Credit spreads, the premium charged to lower quality borrowers, had been rising throughout most of 2018, and had reached multi-year highs as the year ended. This raised questions of whether companies would be able to refinance their debts, or whether credit would be available for investment in projects that could lead to future growth and profitability. Here too, concerns have reduced. Credit costs have declined, and worries about a liquidity crisis have proven to be without merit.

Finally, markets continued to be troubled by concerns that trade tariffs would likely be a policy mistake. While no formal resolution has been reached, the perception is that both China and the U.S. would benefit from a reduction in hostilities, and investors have grown more optimistic that some kind of resolution will be reached.

Slowly and surely nearly all the fears and concerns that were plaguing markets seemed to dissipate, and markets were able to recapture some of the severe losses suffered in the fourth quarter, and particularly in December.

Conclusion

Risks that weighed heavily on financial markets last year seem to have diminished, and stock prices responded by recouping some of the losses suffered in the fourth quarter. That poses two problems for us: First, it is unlikely that we will see a repeat of such a dramatic reduction in perceived risks. That begs the question of what will continue to drive stock prices higher from here? Second, what happens if some of these risks come back to the foreground? Trade, as we mentioned, is not settled. Growth in China remains weak, and growth in Europe continues to disappoint. Will slower global growth drag the U.S. down with it? Will there be meaningful conclusions from the Mueller investigation that damage the Presidency? It does seem as though risks are still apparent, even if they are less threatening than they were at the end of 2018.

We continue to believe that the current environment is more favorable than it was in the fourth quarter of last year, but the situation is not without its risks. We remain vigilant to changes in the data points that help us determine when those risks pose a threat to investors.

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.

