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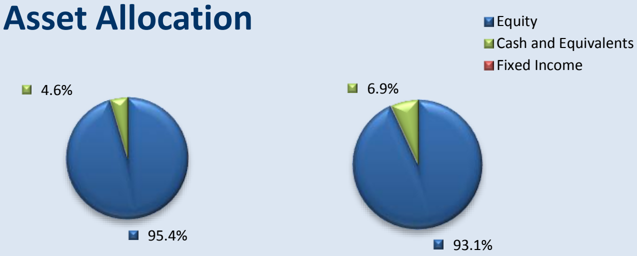
L&S Advisors Tactical Market Update
February 2019

Top Sectors

Tactical Equity Opportunities		Tactical Equity Income	
Information Technology	18.5%	Industrials	17.1%
Industrials	17.1%	Information Technology	16.4%
Health Care	15.7%	Energy	11.4%
Financials	10.1%	Real Estate	10.5%
Real Estate	8.3%	Financials	9.2%

Asset Allocation



Tactical Equity Opportunities   Tactical Equity Income

Preliminary Performance

	February	QTD	YTD	12 Mos	3 Yr*	5 yr*	ITD*	ITD
Tactical Equity Opportunities GROSS	3.35%	7.26%	7.26%	-4.05%	9.17%	5.42%	7.38%	158.41%
Tactical Equity Opportunities NET	3.35%	7.02%	7.02%	-4.90%	8.17%	4.41%	6.34%	126.87%
Tactical Equity Opp. WRAP GROSS	3.44%	7.47%	7.47%	-3.86%	9.21%	5.67%	7.73%	170.00%
Tactical Equity Opp. WRAP NET **	3.44%	7.08%	7.08%	-5.25%	7.58%	4.01%	5.43%	102.31%
Tactical Equity Income GROSS	3.10%	7.33%	7.33%	-1.50%	7.17%	6.16%	8.21%	186.28%
Tactical Equity Income NET	3.10%	7.15%	7.15%	-2.23%	6.30%	5.25%	7.20%	152.71%
Tactical Equity Income WRAP GROSS	3.12%	7.32%	7.32%	-1.43%	7.17%	6.18%	8.17%	184.95%
Tactical Equity Income WRAP NET **	3.12%	6.92%	6.92%	-2.93%	5.52%	4.47%	5.55%	105.60%
Dow Jones Industrial Average	*3.67%*	*11.10%*	*11.10%*	*3.54%*	*16.20%*	*9.69%*	*7.06%*	*148.24%*
S&P 500 TR	3.21%	11.48%	11.48%	4.68%	15.28%	10.67%	*8.74%*	*205.55%*
Barclay's Aggr Bond Index	*-0.06%*	*1.06%*	*1.06%*	*3.34%*	*1.78%*	*2.44%*	*4.31%*	*75.48%*

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

Please note Top Sectors, Asset Allocation and Performance information is as of February 28, 2019. Annualized and cumulative ITD returns are as of inception on October 31, 2005.

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 – "The Healing Continues"

General Comments

The S&P has posted gains in 10 of the past 11 weeks and has recovered almost all of the December swoon. While still lower than the late September highs, the recovery has been quite substantial.
As we mentioned last month, the risks that were so threatening in December seem to have dissipated. The Fed has backed away from suggesting it will continue to raise rates throughout this year. Further, they have also suggested that they will not be reducing the size of their balance sheet so aggressively.

Worries over the escalation of the trade war between China and the U.S. also seems to have cooled. Tariffs that were scheduled to go into effect at the beginning of March have been delayed. Comments coming from the administration are far less bellicose, and the markets have been fed a continuing story that much progress on trade is being made. While it is unclear whether actual progress will occur, or whether this is simply a political move by the administration to feed the market what it wants to hear, the fact that the tone is less aggressive has been very well received by investors.

The market has also been able to ignore some bad news and continue to move higher. This is typically a good sign that the market can "climb the proverbial wall of worry." India and Pakistan have shot down each other's fighter planes, and the market shrugged off this potential act of war from two nuclear powers. A dispute over leadership in Venezuela, a member of OPEC, has also been met by the market with a shrug.

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That is not to suggest that the market is without risks. Valuations, which were cheap at the end of December, are no longer quite as attractive. S&P operating margins have peaked, and overall earnings growth is quite weak. In some respects, the price weakness in the fourth quarter may have been a reaction to the expected slowdown of corporate earnings growth we are seeing this quarter. Economic growth remains slow in Europe, and China recently reduced its growth expectations for the coming year. The U.S. economy will most certainly be impacted by slower growth abroad, and we saw that in the recently reported trade deficit where the export of American goods was quite anemic.

Conclusion

Markets have rebounded from a weak fourth quarter where many investors seemed to think global economies were on the cusp of a recession. The strength of the market since Christmas has been remarkable and reflects a reduced risk profile. The likelihood of a policy mistake either from the Fed, or with regard to trade has diminished materially. There are no signs of systemic credit problems, and the market has been able to shrug off geopolitical risks that could have been unsettling. While growth remains slow, and valuations are no longer as attractive as they were, the path of least resistance for the market seems likely to continue higher. Pauses along the way are normal and to be expected. Remember too, that one symptom of being in the later innings of a market cycle is an increase in volatility, and that has certainly been the case. We remain vigilant to changes in the data points that help us determine when those risks pose a threat to investors. Still, we are encouraged by the recent tone of the market.