Monthly Perspectives

NOVEMBER 2020

CLS INVESTMENTS

Contents

Monthly Perspectives covers CLS Investments' views on what areas of the market are most attractive, how we're positioned across our portfolios, why we allocate to the areas we do, and our outlook for the next 12 months.

Risk Budgeting

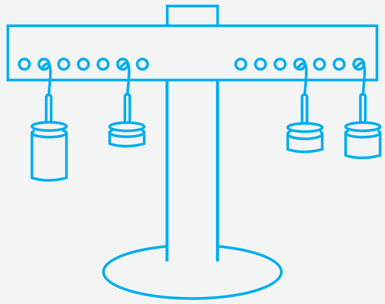
CLS holds three important beliefs about investment risk that guide us in building your portfolio:

1 All investors have a capacity to bear risk, and the best way to manage risk is to measure it, rather than relying on a traditional stock-to-bond ratio.

2 Over the long term, investors are rewarded for bearing risk; having too little risk hurts investor returns.

3 Investment methodologies should be designed to pair a disciplined risk management system with an active and flexible approach.

Much like a scale keeps weight balanced, Risk Budgeting ensures that the amount of risk in the portfolio is equal to the level of risk the investor is comfortable taking.



- On the left side of the CLS Risk Budgeting scale, the investor's Risk Budget is represented along a continuum from aggressive to conservative.
- On the right side, asset classes are represented along the same continuum, which accounts for the fact that some stocks assume lower risk than some bonds.

When markets change and different asset classes become attractive, moves are made within the portfolio in an attempt to take advantage of those areas that are relatively attractive. If a move makes the portfolio too aggressive or too conservative, a reciprocal adjustment is made to keep the portfolio within its specified Risk Budget range.

Risk Aligned to your Level of Comfort

Everyone has a certain level of comfort: some may like the thermostat set at 69 degrees, others may prefer 73. No matter what the weather is like outside, the thermostat works to keep the temperature inside at a designated level. Risk Budgeting is essentially a thermostat for your portfolio. Once your Risk Budget is set, CLS consistently monitors and analyzes the assets in your portfolio to keep the risk level constant no matter how global market conditions change.

November 2020
CLS Investments Outlook Snapshot

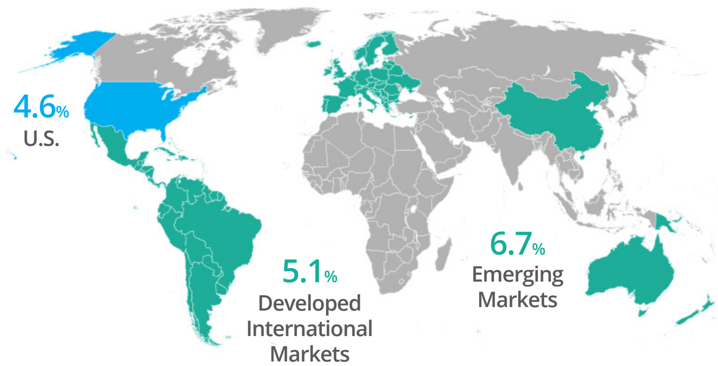
CLS THREE REASONS MARKETS MAY RISE:

- Viable Vaccine Found
- World Government Fiscal Stimulus
- Coronavirus Deaths Remain Low Despite Rising Cases

CLS THREE REASONS MARKETS MAY FALL:

- U.S. Companies with Excessive Valuations (think FAANG) Miss Expectations
- Contested Election Risk
- New Wave of Coronavirus

CLS EXPECTED EQUITY MARKET RETURNS



U.S. ECONOMIC OUTLOOK

CLS GDP Outlook

3.7%

Above trailing 12 Month GDP growth

U.S. Core Inflation

3.0%

Slightly above Fed target

CLS 12 Month Probability of Avoiding a Recession

94%

89% in a normal Environment

CLS 12 Month Probability of Positive Bond Ret.

52%

90% in a normal Environment

CLS Probability of an Equity Market Correction

Negative Return

31%

18% in a normal Environment

>10% Downturn

19%

13% in a normal Environment

CLS ASSET OUTLOOK[1]

EQUITIES	
U.S. Total Market	4.6%
U.S. Large Cap	4.1%
U.S. Mid Cap	8.0%
U.S. Small Cap	9.2%
Developed International	5.1%
Emerging Equities	6.7%

FIXED INCOME	
U.S. Cash	0.8%
U.S. Aggregate Bond Market	3.4%
U.S. Treasury Intermediate	3.2%
U.S. High Yield	4.1%
Global ex. U.S.	3.4%
Emerging Markets (U.S. Dollar Denominated)	3.6%

DIVERSIFIERS	
Diversified Alternatives	6.2%
Commodities	2.4%
REITs	9.9%

[1] Estimations based on CLS Edge Scores, a Proprietary Valuation model

The CLS Edge Score first aggregates return expectations based on interest rates, valuations, fundamentals, technical and changes in risk. From there, the CLS Edge Score is adjusted for the degree of associated risk via CLS's Risk Budgeting Methodology. Past performance is no guarantee of future results, and any expected returns or probability projections may not reflect actual future performance.

CLS 12-Month U.S. Markets Outlook

CLS INVESTMENTS

The CLS portfolio management team believes that the future is uncertain so forecasting to a specific number is not helpful or reliable. Therefore, our outlooks are based in terms of probabilities.

12-MONTH EQUITY MARKET OUTLOOK

We currently believe that returns for the equity market will be **below** the long-term average over the next 12-months.

In summary, we believe there is a **57%** probability that the U.S. equity markets will produce a positive return in the next 12 months, with a 36% chance of a double-digit return.

12-MONTH ROLLING RETURNS	CURRENT CLS OUTLOOK	LONG-TERM AVERAGE
Returns > 20%	21%	34%
Returns between 10 and 20%	15%	23%
Returns between 5 and 10%	10%	11%
Returns between 0 and 5%	11%	8%
Returns between 0 and -5%	11%	6%
Returns between -5 and -10%	12%	6%
Returns < -10%	19%	13%

12-MONTH BOND MARKET OUTLOOK

We currently believe that returns for the bond market will be **below** the long-term average over the next 12-months.

In summary, we believe there is a **52%** probability that the U.S. bond markets will produce a positive return in the next 12 months, with a 40% chance of a return between 0% and 5%.

12-MONTH ROLLING RETURNS	CURRENT CLS OUTLOOK	LONG-TERM AVERAGE
Returns > 20%	1%	2%
Returns between 10 and 20%	4%	15%
Returns between 5 and 10%	7%	25%
Returns between 0 and 5%	40%	48%
Returns between 0 and -5%	36%	10%
Returns between -5 and -10%	10%	0%
Returns < -10%	2%	0%

CLS INVESTMENTS

Investment Continuums

November 2020

WITHIN OUR RISK-BUDGETED STRATEGIES, THE CLS INVESTMENT TEAM ACTIVELY ADJUSTS EXPOSURE TO THE FIVE CONTINUUMS BELOW AND OTHER AREAS OF THE MARKET.

- The current approximate CLS asset-weighted exposure relative to the CLS asset allocation benchmarks*
- The approximate CLS asset-weighted exposure from 12 months prior, relative to the CLS asset allocation benchmarks*
- The CLS Investment Team's current bias toward which direction positioning may evolve over the next 12 months

GLOBAL — Domestic | 20% | 0% | 20% | International

8%

Baseline: 60% Domestic and 40% International

INTERNATIONAL — Developed | 20% | 0% | 20% | Emerging

20%

Baseline: 81% Developed and 19% Emerging

GLOBAL STYLE — Growth | 20% | 0% | 20% | Value

11%

9%

Baseline: 50% Value and 50% Growth

GLOBAL SIZE — Large-Cap | 20% | 0% | 20% | Small/Mid-Cap

7%

Baseline: 82% Large-Cap and 18% Small/Mid-Cap

GLOBAL SECTOR — Cyclical | 20% | 0% | 20% | Non-Cyclical

Baseline: 75% Cyclical and 25% Non-Cyclical

*The active weights shown are versus a blended index comprised of 60% domestic equity and 40% international equity.

Investment Continuums

November 2020

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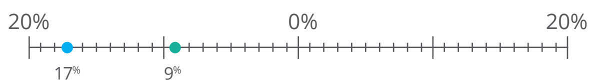
SMART BETA

Smart Beta

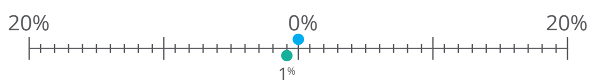


Market-Cap

Baseline - ETF Industry: 21% Smart Beta and 79% Market-Cap

ALTERNATIVES

High Exposure

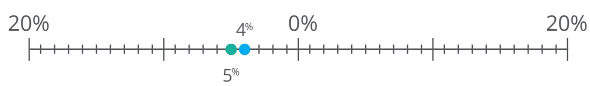


Low Exposure

Baseline: 6% High Exposure and 94% Low Exposure

BOND QUALITY

High Quality

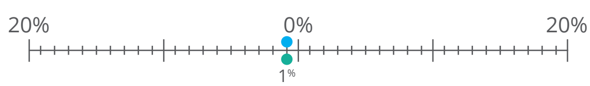


Low Quality

Baseline: 79% High Quality and 21% Low Quality

BOND MATURITY

Short Maturity

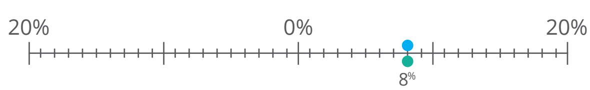


Long Maturity

Baseline: 15% Short Maturity and 85% Long Maturity

DOLLAR

Dollar



Non-Dollar

Baseline: 60% Dollar and 40% Non-Dollar

*The active weights shown are versus a blended index comprised of 60% domestic equity and 40% international equity.

Continuums Commentary

November 2020

CONTIUUM	CURRENT OVERWEIGHT	COMMENTS
Global: International vs. Domestic	**International**	• CLS is overweight international securities by 8.2% versus the Equity Baseline Portfolio (EBP). • International equities have underperformed domestic equities over the past 3 and the 12 months. • Over the next 12 months, we expect to increase our international exposure. • International equities remain attractively priced while domestic markets continue to stay in overvalued territory. Allocating to international equities provide diversification benefits to portfolios because they are not perfectly correlated to domestic equities. Due to more attractive valuations, we expect higher future risk-adjusted returns from international markets compared to domestic markets.
International: Emerging vs. Developed	**Emerging**	• CLS is overweight emerging market securities by 20.0% versus the international portion of the EBP. • Emerging markets have outperformed developed international markets over the past 3 months 12 months. • Over the next 12 months, we expect to increase our exposure to developed international markets. • Accommodative local market policies continue to bode well for emerging markets. Better response to the coronavirus has benefited some emerging markets, such as China. Valuations for developed international markets are at historic lows despite being fundamentally sound.
Global Style: Value vs. Growth	**Value**	• CLS is globally overweight value by 9.3% versus the EBP. • Value has underperformed growth over the past 3 and 12 months. • Over the next 12 months, we expect to increase our exposure to the value style box. • The value style box tends to be made up of companies with strong fundamentals including earnings, dividends, book values, and cash flows that are selling at bargain prices, given their quality. High-quality, value companies are typically less sensitive to business cyclicality, experience smaller price swings during market volatility, and tend to outperform coming off a market bottom.
Global Size: Large-Cap vs. Small/Mid-Cap	**Small/Mid-Cap**	• CLS is globally overweight small and mid-cap companies by 7.4% versus the EBP. • Small/mid-caps have outperformed large-caps over the past 3 and underperformed over the past 12 months. • Over the next 12 months, we expect to increase our small/mid-cap exposure. • Small-caps possess greater growth potential relative to their larger counterparts. In addition, a greater universe of opportunities enhances the potential for future outperformance. Small/mid-cap tend to outperform their large-cap counterparts in market recoveries.
Global Sector: Cyclical vs. Non-Cyclical	**Non-Cyclical**	• CLS is globally overweight non-cyclical securities by 0.4% versus the EBP. • Non-cyclical sectors have underperformed cyclical sectors over the past 3 months and 12 months. • Over the next 12 months, we expect to increase our exposure to cyclical sectors. • Non-cyclical sectors tend to have more resilient characteristics than their cyclical peers during an economic slowdown or extreme market volatility. Cyclical sectors present attractive valuations because they were hit hard during the global pandemic. As countries continue to reopen and their economies start to reignite, cyclical sectors tend to outperform.
Smart Beta vs. Market-Cap	**Smart Beta**	• CLS is currently overweight smart beta exposure by 9.1% versus the ETF Industry. • Smart beta exposure has underperformed market-cap weighted exposure over the past 3 months and 12 months. • Over the next 12 months, we expect to increase our exposure to smart beta. • Smart beta provides rules-based exposure to risk-adjusted return enhancing investment premiums. Smart beta strategies mimic active management which tends to outperform in periods of volatility and market rebounds
Alternatives: High Exposure vs. Low Exposure	**Low Exposure**	• CLS is globally underweight alternative securities by 0.8% versus our internal asset allocation benchmark. We define alternatives as managed futures, real estate, commodities, hard assets, currencies and derivatives. • High exposure to alternatives has outperformed low alternative exposure over the past 3 months and underperformed over the past 12 months. • Over the next 12 months, we expect to increase our alternatives exposure. • In an uncertain interest rate environment, and the spectre of inflation looming, several non-traditional asset classes have appeal for their correlation and income benefits to portfolios.
Bond Quality: Low Quality vs. High Quality	**High Quality**	• CLS is overweight high-quality bonds by 4.6% versus the Fixed Income Baseline Portfolio. • High quality, low yielding bonds have underperformed low quality, high yielding bonds over the past 3 months and outperformed over the past 12 months. • Over the next 12 months, we expect to increase our exposure to bonds with low-quality characteristics. • High-quality (investment grade) bond yields provide a positive spread above Treasuries. High yield bonds continue to offer attractive levels of yield.
Bond Maturity: Long Maturity vs. Short Maturity	**Short Maturity**	• CLS is overweight short-maturity bonds by 0.7% versus the Fixed Income Baseline Portfolio. • Short maturity bonds (1-3 year) has outperformed to long maturity bonds (7-20 year) over the past 3 and underperformed over the past 12 months. • Over the next 12 months we expect to increase our exposure to short maturity bonds. • With interest rates near zero, short duration provides value by reducing interest rate sensitivity which is the biggest risk to bonds. They are fairly liquid and provide great diversifiers to stocks.
Dollar vs. Non-Dollar	**Non-Dollar**	• CLS is overweight non-dollar international exposure by 8.2% versus the EBP. • Non-Dollar exposure has outperformed Dollar exposure over the past 3 months and 12 months. • Over the next 12 months, we expect to increase our exposure to non-dollar denominated securities. • As we see fears regarding the pandemic subside, we have started to see the strength of the dollar decline. The improvement in growth in international markets support use of local currencies.

Equity Sector Outlook
November 2020

SECTOR	CLS WEIGHT[1]	VALUATION[2]	PERFORMANCE 3M	PERFORMANCE 1YR	PERFORMANCE 3YR	COMMENTS
Consumer Discretionary	Neutral	– –	+	+	+	Continued uncertainty around Covid-19 will continue to hurt parts of this sector such as hotels and airlines. These sectors are balanced by well-performing parts of the sector related to e-commerce.
Consumer Staples	Neutral	++	–	–	–	Grocers and staple retailers have cut costs to create value and support margins. E-commerce is starting to encroach on non-durable products, historically sold in physical stores.
Energy	Overweight	+	–	–	–	Technological advancements have improved margins through lower costs. Companies should benefit from the increased demand as countries begin to open up.
Financials	Overweight	++	–	–	–	Increasing return of wealth to shareholders and balance sheet strength show growth in health and stability. The steepening of the yield curve in the past few weeks will benefit banks. Attractive valuations may offset some of the fall in yield's impact on earnings.
Health Care	Neutral	+	–	+	+	Aging U.S. population and increased insured coverage base from the ACA could boost demand. The rally in the healthcare sector, led by companies working on a vaccine for the novel Coronavirus, has started to get extended.
Industrials	Neutral	=	+	–	–	Relatively high cash levels on corporate balance sheets as well as trade U.S. trade deals with countries like Japan, Mexico, Canada, and South Korea could boost capex spending. However, weakness in the global economy could hurt by affecting spending plans.
Information Technology	Underweight	– –	–	+	+	Increased global competition continues to compress profit margins. Moreover, because the sector generates a good deal of revenue from international sources, it is sensitive to any potential trade disputes or any new regulations countries may impose.
Materials	Neutral	+	+	+	–	Emerging markets are increasing resource demand to support infrastructure building. A shortage of skilled labor has led to rising wage costs in certain segments of the market which is weighing down on the sector.
Real Estate	Neutral	++	–	–	–	Apartment demand has seen strength from demographic trends, benefitting companies within that market. Increased interest rate volatility introduces added risk to all bond proxies, such as Real Estate.
Communication Services	Neutral	– –	+	+	+	With a better ability to target consumers with personalized content, advertisers may be more inclined to spend money with these companies. Companies may face rising expenses to ensure faster network speeds and more content, serving as a drag on profitability.
Utilities	Neutral	=	–	–	+	The sector offers attractive dividends compared to a conservative fixed income alternative. Fixed costs have steadily increased, which has been a sign of underperformance in the past.

1 *Weightings are as of 10/31/2020 and are based on current allocations to CLS's proprietary funds relative to the Equity Baseline Portfolio benchmark (60% Morningstar US Index / 40% Morningstar Global ex U.S.Index).*

2 *Relative valuation uses a sector price multiple composite (equal weighted average of P/E, P/B, P/CF, and P/S for MSCI ACWI Sectors relative to the MSCI ACWI Index) as of 10/31/2020 compared to the historical monthly composite measures since the year 2001. Data obtained from Bloomberg and Factset. Valuation rating based on standard deviations away from historic average: if between -0.49 & 0.49 (=); 0.50 & 0.99 (-); -0.50 & -0.99 (+); 1.0 or above (- -); -1.0 or below (++).*

Fixed Income Outlook

November 2020

SECTOR	CLS WEIGHT[1]	VALUATION[2]	PERFORMANCE[3] 3M	1YR	3YR	COMMENTS
Asset Backed	**Overweight**	–	+	–	–	The resumption in the growing of the Federal Reserve's balance sheet in QE 2020 has narrowed spreads significantly since March. However, they continue to offer attractive yield vs. Treasuries.
Emerging Markets	**Neutral**	=	–	–	–	A beneficiary of relaxed monetary policy from major developed central banks, EM bonds are now cheaper than we've seen in the past months due to the overall risk-off in the markets. Currency is an even larger concern here as the world rushes to the dollar for safety.
Investment Grade Corporate	**Neutral**	=	–	+	+	Investment grade corporate bonds are typically more sensitive to interest rate risk than credit risk. Unfortunately, they now are sensitive to both. While the price action has been largely to the negative recently, we believe the underlying fundamentals of some of the these companies are still good, and we need to be selective in our investments to avoid the bad eggs.
High Yield	**Underweight**	=	+	–	–	Defaults may be arriving in the Energy sector specifically, which has contributed to the blowout of spreads within the high yield space. That being said, the space is under undue pressure caused by the sudden drop in oil prices and other areas of the asset class could be one of the larger comeback stories of the year as COVID-19 resolves.
Inflation Protected	**Underweight**	–	+	+	+	Market based measures of expected inflation have been steadily increasing through the recent two quarters. With Treasury yields at all-time lows, TIPS should outperform nominal treasuries until the market stabilizes and inflation is properly priced in again.
International	**Neutral**	=	+	+	–	A strengthening dollar has been a headwind for international bonds recently. Weaker economic data out of the European region have pressured yields lower, mirroring much of the U.S. Treasury movement, along with rate cuts with the major of the world.
Municipals	**Overweight**	–	–	–	–	Muni bonds have struggled vs. Treasuries recently, and are now attractive. The struggle with liquidity for some of the lower quality bonds allow investors to take advantage of tax-free opportunities while maintaining a quality advantage over their corporate counterparts.
Treasuries	**Underweight**	– –	–	+	+	Market risks have collapsed real yields to negative territory, and the fear in the market have caused an unprecedented rally in Treasuries. This situation could eventually yield more similarities to the Japanese and European situations until the markets calm down.

1 *Weightings and performance are as of 10/31/2020 and are based on current allocations to CLS's proprietary funds versus an internal asset allocation benchmark (Neutral View Portfolio). The benchmark includes 50% Bloomberg Barclays U.S. Aggregate Bond, 20% Bloomberg Barclays Capital High Yield, 10% 30-Day U.S. Treasury Bill, 10% Bloomberg Barclays Capital TIPs, 5% International Bloomberg Barclays Capital Global Treasury Ex-U.S. Capped, 5% Bloomberg Barclays Capital Emerging Market Bonds.*

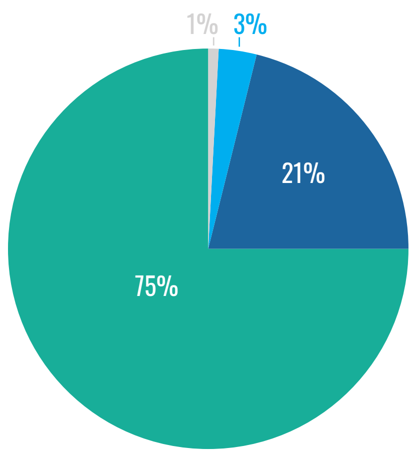
2 *Relative valuation uses 10 year muni ratio for municipal bonds, 10-year breakeven rate for TIPS, current yield for Treasuries, and option adjusted spread for the other segments as of the end of the reporting month compared to the historical levels going back 10 years. We rank the current measures as a percentile of their historic ranges and deem a sector: (-) overvalued (25th percentile or below), (=/-) above.*

3 *Sector performance relative to the broad fixed income market (as measured by an internal benchmark) measured over 3- and 12-month periods. Outperforming sectors are marked with a (+), underperforming sectors are marked with a (–).*

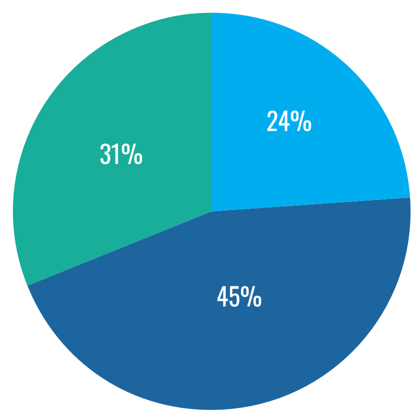
You Have to be Different to Win

- CLS has over two-times the smart beta exposure than the overall industry
- CLS has eight-times the exposure to actively-managed ETFs compared to the overall industry
- CLS has essentially half of the exposure to market-cap weighted ETFs compared to the overall industry

INDUSTRY TOTAL ETF ASSETS



CLS TOTAL ETF ASSETS



- Market-Cap Weighted Funds
- Smart Beta Funds
- Active Funds
- Leveraged Funds

Source: Morningstar Direct as of 6/30/2020. Sum of each segment may be lesser or greater than 100% due to rounding.

CLS's Top Reasons Markets Could Rise or Fall

REASONS MARKETS COULD RISE

- Viable Vaccine Found
  - A viable vaccine will ensure in the long-term the virus will not present a global threat.
  - Positive economic momentum.
- World Government Fiscal Stimulus
  - Increased spending, or the lowering of taxes, by governments will raise GDP, benefiting corporate earnings as well as private households.
- Covid-19 Deaths Remain Low Despite Rising Cases
  - Continued low deaths despite the recent increase in cases will help ensure the economy remain strong as states will not undergo another shutdown.
- Fundamentally Sound International Companies Outperform Expectations
  - International companies have been beaten up during the pandemic, but strong earnings and growth surprising on the upside could help globally diversified portfolios.
- Permanent Job Loss Declines
  - With different states starting to relockdown, there is a potential for increased lay-offs as service-related businesses are hit. Should permanent job losses stay low, that would provide a good long-term perspective for the economy.

REASONS MARKETS COULD FALL

- U.S. Companies with Excessive Valuations (think FANMAG stocks) Miss Wall Street's High Expectations
  - Because of the rally coupled with reduced corporate earnings, some U.S. stocks and companies are boasting all-time high valuations meaning they are priced for perfection and anything less will hurt them.
- Contested Election Risk
  - With both candidates claiming victory and the Trump administration potentially unwilling to leave if his lawsuits prove unsuccessful, the uncertainty could be detrimental to the market.
- New Wave of Coronavirus
  - New cases have been spiking in the past couple of weeks. Already some states have halted their reopening process as hospitals are getting overwhelmed and mortality rates are starting to rise.
- Coronavirus Severity is Greater than Expected
  - The virus has already threatened the airlines and hospitality industries, greater than expected ability for the virus to infect people, as well as its resilience to measures intended to stop its spread, will further impair industries.
- Return of Inflation
  - The Fed has signaled a willingness to let inflation run high. While this could help pay off our growing debt with cheaper dollars, it will hurt the purchasing power of the consumer, and if handled poorly risks inflation getting out of control like in the '70s and early '80s.

New Content From CLS

FAVORITE RECENT ARTICLES, PODCASTS & VIDEOS

CLS Weekly 3 for the week of November 9, 2020 covers:

- CIO Weekly Viewpoint
- Special Election Commentary
- The Best Quarter Ever

CLS Weekly 3 for the week of November 2, 2020 covers:

- Stock Market Outlook: Don't Panic
- Inflection Points
- Despite Low Rates, Don't Give Up on Bonds

CLS Weekly 3 for the week of October 26, 2020 covers:

- CIO Weekly Viewpoint
- The Forgotten
- 2020 In One Word: Innovation

The Weighing Machine podcast is on Google Play and iTunes.

On Orion's The Weighing Machine podcast, Rusty Vanneman and Robyn Murray cut through the market clamor and focus on time-tested, proven principles that help financial advisors and investors reach their long-term financial goals.

MONTHLY VIDEO

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CLS Continuums Commentary

The Equity Baseline Portfolio (EBP) is a blended index comprised of 60% domestic equity (represented by the Morningstar US Market Index) and 40% international equity (represented by the Morningstar Global ex US Large-Mid Index), rebalanced daily. The Morningstar U.S. Market Index is an index that measures the performance of U.S. securities and targets 97% market capitalization coverage of the investable universe. It is a diversified broad market index. Morningstar Global ex U.S. Large-Mid Index is an index that measures the performance of Global Markets (ex-U.S.) equity markets targeting the top 90% of stocks by market capitalization. The volatility of the indexes may be materially different from the individual performance attained by a specific investor. In addition, portfolio holdings of investors may differ significantly from the securities that comprise the indexes. You cannot invest directly in an index. The MSCI All-Countries World Index, excluding U.S. (ACWI ex US) is an index considered representative of stock markets of developed and emerging markets, excluding those of the US. An index is an unmanaged group of stocks considered to be representative of different segments of the stock market in general. You cannot invest directly in an index. CLS Strategies are not sponsored, endorsed, sold or promoted by Morningstar, Inc. or any of its affiliates (all such entities, collectively, "Morningstar Entities"). The Morningstar Entities make no representation or warranty, express or implied, to the owners of the CLS Strategies or any member of the public regarding the advisability of investing in CLS Strategies generally or in the specific strategy presented here in particular or the ability of the CLS Strategies to track general market performance.

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The Fixed Income Baseline Portfolio is a blended benchmark comprised of 50% Bloomberg Barclays U.S. Aggregate Bond, 20% Bloomberg Barclays Capital High Yield, 10% 30-Day U.S. Treasury Bill, 10% Bloomberg Barclays Capital TIPs, 5% International Bloomberg Barclays Capital Global Treasury Ex-U.S. Capped, 5% Bloomberg Barclays Capital Emerging Market Bonds. The Bloomberg Barclay's U.S. Aggregate Bond® Index measures the performance of the total United States investment-grade bond market. The Treasury Bill is a short-term debt obligation backed by the U.S. government with a maturity of less than one year. Barclays Capital High Yield tracks performance of publicly issued U.S. dollar high yield corporate bonds with above average liquidity. Barclays Capital TIPS includes all publicly issued, U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment grade, and have $250 million or more of outstanding face value. The Barclays Capital Global Treasury Ex-US Capped Index includes government bonds issued by investment-grade countries outside the United States, in local currencies, that have a remaining maturity of one year or more and are rated investment grade. Barclays Capital Emerging Market Bonds seeks to track the fixed-rate local currency sovereign debt of emerging market countries.

CLS Continuums

Growth stocks are defined based on a strong growth style (high growth rates for earnings, sales, book value, and cash flow) and a weak value style (high price ratios and low dividend yields), and typically have higher price volatility than other stocks. Value Investing refers to the strategy of selecting undervalued stocks which trade for less than their intrinsic values. Investors utilizing a value strategy choose undervalued stocks in the hopes the market will eventually recognize the company's worth which will generally result in higher gains. The most apparent risks associated with value investing are the investor overestimating a company's intrinsic value or the projected value is never realized by the market.

Small Cap Investments typically invest in smaller companies whose market capitalization is between $300 Million and $2 Billion. Mid Cap Investments typically invest in mid-sized companies whose market capitalization is between $2 Billion and $10 Billion. Large Cap Investments typically invest in larger companies whose market capitalization is over $10 Billion

Cyclical industries are industries particularly sensitive to the business cycle – retail corporations, for example. For these industries, revenues are generally higher in periods of economic growth and lower in periods of economic decline; stock prices for issuers in this industry are heavily correlated with corporate revenues. Noncyclical industries, or defensive stocks, are the opposite – stocks which generally experience smaller gains during periods of economic growth but generally experience far less loss during economic downturns. Water and food industries are examples of non-cyclical industries.

International investing is an investment strategy where investors chose global investment instruments. International investing can be accomplished utilizing a variety of investment vehicles including, but not limited to, ETFs, American Depository Receipts, or a direct investment in a foreign stock exchange. All of the risks of domestic investing are present. Added risks might include unstable international political and economic conditions, currency fluctuations, foreign controls on investment and currency exchange, withholding taxes, a lack of adequate company information, less liquid and more volatile markets, and a lack of governmental regulation which subject foreign securities to risk.

Emerging market investing refers to the practice of investing in a developing market of a foreign nation. The prerequisites of this practice include a market within the foreign nation along with some form of regulatory body. Emerging markets involve greater risk and potential reward than investing in more established markets. Risks for emerging markets include, for instance, risks relating to the relatively smaller size and lesser liquidity of these markets, high inflation rates and adverse political developments.

Alternative investing refers to the practice of investing in non-traditional asset classes. Alternative investments may include hedge funds, managed futures, real estate, commodities, and derivatives contracts.

Bond rating refers to the designation given to a specific bond by a private rating service such as Moody's or Standard and Poors. In the S&P system, high quality bonds are rated AAA or AA. Medium quality bonds are rated AA or BBB. Low quality bonds, sometimes referred to as junk bonds or high-yield bonds, are rated BB, B, CCC, CC, and C. High yield bonds refer to bonds with a low credit rating that have the potential for substantially higher yield returns than investment grade bonds. Also referred to as junk bonds, these bonds are subject to numerous risks including higher interest rates, economic recession, and possible deterioration of the junk bond market, possible downgrades and defaults of interest and/or principal. High yield bond prices tend to fluctuate more than higher rated bonds; their values will generally fall as interest rates rise and are affected by short-term credit developments to a greater degree than higher rated bonds.

Disclosures

CLS 12-Month U.S. Markets Outlook

The 12 month outlooks are probabilities and based on calculations from CLS portfolio managers and research analysts. The CLS outlook is comprised of equal-weighted portfolio manager forecasts in five different return categories. The analyst team is equal weighted to count as a single portfolio manager vote. Historical probabilities for the five categories are also researched. Overall views which are presented have been adjusted based on perceived value by each portfolio manager and analyst.

Equity Sector Outlook

Relative valuations are determined by price-to-equity ratio, price-to-sales ratio, price-to-book ratio, price-to-dividend, and price-to-cash flow ratio. Historical data is tracked back to January 2001 and compared to where the current overall valuations lie.

The allocations are compared to the Morningstar US Market Index. The Morningstar U.S. Market Index is an index that measures the performance of U.S. securities and targets 97% market capitalization coverage of the investable universe. It is a diversified broad market index. You cannot invest directly in an index. The consumer discretionary sector is a sector composed of enterprises selling goods and services considered nonessential. Examples of this sector include most retailers, the entertainment industry, the automobile industry, etc. Consumer staples is a sector composed of enterprises selling essential goods and services, such as food and beverage producers/ manufacturers. The energy sector is composed of stocks representing energy producers and suppliers. Included in this sector are enterprises which explore for and develop energy deposits, such as oil exploration and drilling companies. The financial sector is the sector of stocks representing firms which provide financial services to both retail as well as commercial clients. May include investment funds, insurance companies, real estate companies, and banks. The healthcare sector is composed of stocks representing medical services and manufacturing. Included in this sector are biotech firms, HMOs, and hospital management service providers. The industrial sector is a sector representing enterprises which manufacture and produce industrial goods such as aerospace manufacturers, defense manufacturers, industrial machinery, etc. The technology, or information technology, sector is a tertiary sector representing enterprises engaged in the research, development, or distribution of technology goods and services. Examples include electronics manufacturers, software creators, computer manufacturers, etc. The basic materials sector, or simply 'materials sector,' is a primary sector representing enterprises engaged in the discovery, development,and processing of raw materials such as mining companies and chemical producers. The telecommunications sector is a sector representing enterprises which provide telephone or internet products and services to consumers. The utilities sector is a sector representing enterprises that provide gas, power, and water services to consumers. The utilities sector is a sector representing enterprises that provide gas, power, and water services to consumers.

Fixed Income Outlook

Fixed Income is an investment style designed to return income on a periodic basis. Generally, fixed income strategies invest in bonds, real estate, loans, and other types of debt instruments. Diversifiable risks associated with fixed income investing include, but are not limited to, opportunity risk, credit risk, reinvestment risk, and call risk. An asset-backed security is a security which is backed by a loan, lease, receivables, or other debt against assets other than real estate and mortgage-backed securities. Emerging markets, in regards to fixed income, refers to investing in fixed income securities issued by the government of a developing nation or corporations within these nations. Likewise, international investing, in terms of fixed income, refers to investing in the same line of products but from a foreign nation which may or may not be a developing nation. Investment grade refers to the credit rating of a particular security. In the S&P rating system, securities are rated from AAA to D. Securities with ratings of AAA, AA, A, and BBB are considered investment grade. Investment grade is not a guarantee that the security will produce a return. High yield bonds refer to bonds with a low credit rating that have the potential for substantially higher yield returns than investment grade bonds; these bonds are also referred to as junk bonds. High yield bond prices tend to fluctuate more than higher rated bonds; their values will generally fall as interest rates rise and are affected by short-term credit developments to a greater degree than higher rated bonds. An inflation protected security (IPS) is one which guarantees a real rate of return which is the nominal return minus the inflation rate. While inflation-protected securities often come in the form of U.S. Treasury Bonds, also referred to as TIPS, corporate entities may issue an IPS as well. Municipal bonds are a type of debt security issued by a state, municipality, or county for the purpose of financing expenditures. While municipal bonds are free from federal taxes, state and local governments are free to set their own tax policy in regards to municipal bonds. Treasury Securities are securities issued by the U.S. Government. Generally issued to fund its operations and backed by the full faith and credit of the U.S. Government, treasury securities are considered extremely low risk investments. Treasuries may include: Treasury Bills (T-Bills), short-term debt instruments which mature one month to one year after issue; Treasury Notes, which mature at one to ten years after issue; Treasury Bonds (T-Bond), marketable, long-term fixed-interest debt instruments with a maturity over ten years; or Treasury Inflation Protected Securities (TIPS), long-term debt instruments that mature between five and twenty years and are indexed to inflation in order to shield investors from inflation risks. The return on treasury investments is measured by the Treasury Yield.

Alternatives Outlook

Alternative investing refers to the practice of investing in any asset class other than stocks, bonds, or cash (otherwise known as the "traditional" asset classes). Alternative investments may include managed futures, real estate, commodities, derivatives, etc. Unsystematic risks will depend on the specific investment and may include, but are not limited to, business risk, liquidity risk, and capital risk. Commodity instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargo, tariffs, and international economic, political, and regulatory developments.

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CIMA® professionals integrate a complex body of investment knowledge, ethically contributing to prudent investment decisions by providing objective advice and guidance to individual investors and institutional investors. To learn more about the CIMA, visit https://www.imca.org/cima

The CAIA® is the globally-recognized credential for professionals managing, analyzing, distributing, or regulating alternative investments. To learn more about the CAIA, visit https://caia.org/

Disclosures

Alpha: Also called the risk-adjusted return, is the difference between an asset's expected return based on the portfolio's risk and its actual return.

Alternative: Divides the asset allocation between high and low exposure alternative asset classes (commodities, currencies, and derivatives).

Beta: A measure of volatility, or systematic risk of a portfolio in comparison to the market as a whole.

Bond Quality: Divides the fixed income allocation between securities that are investment grade vs. non-investment grade.

Bond Maturity: Divides the fixed income allocation between securities considered to have short or intermediate maturities vs. those with long maturities.

Dollar: Divides the international asset allocation between local and dollar-denominated currency.

Domestic Style: Divides the equity allocation between companies categorized as growth vs. value.

Domestic Size: Divides the equity allocation between companies that are large-cap vs. small- and/or mid-cap.

Downside Capture: A measure of performance in down markets. The ratio is calculated by dividing the manager's returns by the returns of the index during the down-market and multiplying that factor by 100.

Global: Divides the equity allocation between companies located within the United States vs. internationally.

Global Sector: Divides the equity allocation between companies categorized as cyclical (materials, industrials, financials, energy, consumer discretionary, and technology) vs. non-cyclical sectors (utilities, telecomm, consumer staples, and healthcare).

International: Divides the equity allocation between companies located internationally in developed vs. emerging markets.

Smart Beta: Divides the equity allocation between smart beta and market-cap.

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