WEEKLY MARKET REVIEW

MAY 23, 2017

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- *Volatility can rear its ugly head at any moment!*

CLS INVESTMENTS

Market Performance

Equities	LAST WEEK	QTD	YTD '17
Total U.S. Market[1]	-0.35%	+0.87%	+6.67%
Domestic Large-Cap Equity[2]	-0.32%	+1.10%	+7.24%
Domestic Small-Cap Equity[3]	-1.09%	-1.21%	+1.23%
International Equity[4]	+0.58%	+4.86%	+13.11%
Developed International Equity[5]	+0.98%	+5.78%	+13.45%
Emerging Market Equity[6]	-0.63%	+4.14%	+16.06%
Fixed Income	**LAST WEEK**	**QTD**	**YTD '17**
U.S. Investment Grade Bonds[7]	+0.48%	+1.22%	+2.05%
Cash Equivalent[8]	+0.01%	+0.10%	+0.21%
Commodities	**LAST WEEK**	**QTD**	**YTD '17**
Commodity[9]	+1.49%	-0.63%	-2.94%

[1]Russell 3000 [2]S&P 500 Index [3]Russell 2000 Index [4]MSCI ACWI ex-U.S. Index [5]MSCI EAFE Index [6]MSCI Emerging Markets Index [7]Bloomberg Barclays Capital U.S. Aggregate Bond Index [8]Bloomberg Barclays Capital 1-3 Month U.S. Treasury Bill Index [9]Bloomberg Commodity

As of 5/19/2017

Week in Review

Global stocks were mixed last week. Europe was the bright spot (up nearly 1%), while U.S. and emerging market stocks were both lower (down 0.35% and 0.63% respectively). That was largely due to a rout in global equities midweek following a report that President Donald Trump tried to stop an FBI probe into links between his associates and Russian officials. U.S. small-caps were down just over 1%, and the S&P 500 was down 0.32%. Bonds benefitted from the flight to quality with the Barclays Aggregate Bond Index up nearly 0.5%. Commodities also benefitted and rose sharply on the week (up nearly 1.5%).

Economic news overall was mixed, with a stronger Philadelphia Federal Index leading on the positive side and housing data leading the negative by coming in weaker than expected.

Choices

One of the life lessons I try to teach my kids is about choices. When my two eldest were applying to colleges, I told them they should choose the school they want instead of waiting for the school to choose them.

The same thing can be said for many things. In the past, searching for a new appliance, such as a television, led you to a brick-and-mortar store, of which you had a few options. Remember Radio Shack and Circuit City? They were two of the biggest names in the electronics market, but they were pummeled by the push to online shopping, led primarily by Amazon. And, Amazon continued to grow by pulling market share from book stores!

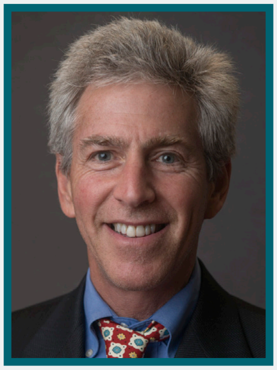
It worked the same with cars, clothes, and most of the items we shop for every day. Consumers had a few brick-and-mortar options and were restricted to those located nearby. But the internet changed all that, and Amazon took it to a whole other level. Now we, the consumer, have hundreds of choices. In addition, big box retailers, such as Costco and Target, have successfully built and expanded their online marketplaces, offering even more options for consumers. In so doing, they have altered the entire retail landscape.

From 2000 to 2016, brick-and-mortar revenue had declined by more than $7 billion, while online shopping revenue had increased by $35 billion. This trend will continue and will end up making roadkill of many more brick-and-mortar companies that don't adapt quickly.

So, back to the choices:

As investors, we now have more choices about how we want to invest. For example, we can take advantage of the changing retail space. So far, there aren't too many options in the retail arena, but here are a couple funds:

- VanEck Vectors Retail ETF (RTH): Its top holdings are Amazon (AMZN), Home Depot (HD), and Wal-Mart (WMT), which all had good earnings in the first quarter. This is a market-cap-weighted fund and a position we currently own at CLS.
- SPDR S&P Retail ETF (XRT): This is the largest fund in the retail space. The Fund's objective is replicate as closely as possibly the performance of the S&P Retail Select Industry Index, an equal-weighted index.



Marc Pfeffer
Senior Portfolio Manager

Marc Pfeffer joined CLS in 2011, continuing as Senior Portfolio Manager for the Milestone Treasury Obligations Fund, which CLS incorporated into its fund family in January 2012. Mr. Pfeffer has over 30 years of investment management experience, including time spent as the Chief Investment Officer at Milestone. He also worked previously at Goldman Sachs and Bear Stearns.

Mr. Pfeffer is a Portfolio Manager on the CLS Flexible Income Fund and CLS Global Growth Fund, in addition to being a Portfolio Manager of the CLS Active Income X Strategy and CLS's ETF strategies. He also manages individual municipal bond portfolios for the CLS Master Manager Strategy, and is a senior member of the CLS Investment Committee.

Mr. Pfeffer graduated from The State University of New York with a Bachelor of Science degree, and from Fordham University with a Master of Business Administration degree. He holds his FINRA Series 7, 63, and 65 licenses.

ETFs Continue to Grow?

There are a large number of choices in the rapidly growing ETF marketplace. However, some Wall Street banks are struggling to profit from ETFs despite their increasing roles as market makers, issuers, and platform keepers. The asset management divisions of these firms still run only a small amount of ETF assets, while BlackRock, Vanguard, and State Street continue to dominate this business.

Breaking into the crowded ETF market continues to be difficult. However, two themes that are thriving are currency hedging and factor investing. Active fixed income is also gaining some footing, and I suspect that will continue for a while. Even Janus Capital Group's relatively new fund, managed by Portfolio Manager Bill Gross, has only $60 million invested in it. With all of these new choices, the largest funds are still getting bigger, and the same players are dominating the space.

Volatility

Volatility made a big comeback last week. News that a special counsel has been appointed to investigate the Trump administration's ties to Russia and rattling news from some emerging markets (specifically Brazil, which is moving closer to impeaching its president) reminded investors that market-moving events can creep up at any time.

Despite the volatility, the Federal Reserve (Fed) remains poised to raise interest rates again at its upcoming meeting in June. However, more volatility may delay or reduce intended hikes for the remainder of 2017.

We know our advisors and clients have choices too. There are plenty of money management firms to choose from, and we appreciate the opportunity to serve you.

The Russell 3000 Index is an unmanaged index considered representative of the U.S. stock market. The index is composed of the 3,000 largest U.S. stocks. The S&P 500® Index is an unmanaged composite of 500-large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks. The Russell 2000® is an index comprised of the 2,000 smallest companies on the Russell 3000 list and offers investors access to small-cap companies. It is a widely recognized indicator of small capitalization company performance. 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. The MSCI EAFE Index is a composite index which tracks performance of international equity securities in 21 developed countries in Europe, Australia, Asia, and the Far East. The MSCI Emerging Markets Index is a composite index which tracks performance of large and mid-cap firms across 21 countries classified as emerging market countries. The Barclay's Capital U.S. Aggregate Bond® Index measures the performance of the total United States investment-grade bond market. The Barclay's Capital 1-3 Month U.S. Treasury Bill® Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value. The Bloomberg Commodity Index is made up of 22 exchange-traded futures on physical commodities and represents 20 commodities that are weighted to account for economic significant and market liquidity. 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.

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