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About CLS
In 1989, W. Patrick Clarke, a veteran financial professional, was the majority partner in creating the independent asset allocation firm Clarke Lanzen Skalla Investment Firm, LLC. The company was founded on the lessons Mr. Clarke learned as both a financial advisor and individual investor. Under his direction, the company would eventually become CLS Investments (CLS).

**CLS History**

1989: CLS founded

1997: CLS creates AdvisorOne Funds family

1998: CLS purchases its first ETF

2001: CLS begins creating ETF portfolios

2002: CLS enters qualified plan space

2003: NorthStar Financial Services Group, LLC* formed

2007: CLS establishes its 200th broker-dealer relationship

2017: CLS broker-dealer relationships surpass 600

2018: CLS wins ETF.com’s Investor of the Year and WealthManagement.com’s Asset Manager - ETF Strategist of the Year awards**

*CLS is a wholly-owned subsidiary of NorthStar Financial Services Group, LLC, which was formed to provide investment advisors access to a wide range of financial services — from mutual fund servicing to portfolio administration to third party asset management — under one roof.

**This material is not complete without the information located at the end of this Reference Guide.
CLS Investments (CLS) is a third party investment manager, ETF strategist, and long-time trusted partner in the financial industry.

- **Founded:** 1989
- **Corporate Headquarters:** Omaha, NE
- **Assets Under Management:** $9.0B+
- **Employees:** 35+
- **Active Broker-Dealer Partners:** 680+
- **Approved CLS Advisors:** 6,300+
- **CLS Investors:** Nearly 45,000 (institutional investors include several state 529 plans and prominent university endowment funds)
- **Investment Team Members:** 14
- **Portfolio Management Credentials:**
  - 5 Chartered Financial Analyst (CFA®) Holders, 2 Chartered Alternative Investment Analysts (CAIA), 1 Chartered Market Technician (CMT®), 1 Certified Investment Management Analyst (CIMA®)
- **Industry Veterans:** Experienced team with backgrounds from Fidelity Management & Research, Goldman Sachs, Russell Investments, E*Trade, Charles Schwab, State Street, and TD Ameritrade

*as of 3/31/2019*
CLS Awards & Accolades

- 2017 ETF.com ETF Investor of the Year Winner
- 4-Time ETF.com ETF Strategist of the Year Finalist
- 2018 and 2016 WealthManagement.com ETF Strategist of the Year Winner
- 2018 4-Category Winner for WealthManagement.com Industry Awards
- 2017 WealthManagement.com ETF Strategist of the Year Finalist
- Rusty Vanneman, CFA, CMT: One of the 2017 Top Ten Portfolio Managers to Watch by Money Management Executive
- Grant Engelbart, CFA, CAIA: One of the 2018 Top Ten Portfolio Managers to Watch by Money Management Executive
- Social Media: 2,500+ Followers Across Platforms
- CLS is Among the Top 10 Shareholders in 80 ETFs†

† Data from Bloomberg as of 2/28/2018
This material is not complete without the information located at the end of this Reference Guide.
CLS is a wholly-owned subsidiary of NorthStar Financial Services Group, LLC, which was formed to provide investment advisors access to a wide range of financial services – including fund servicing, portfolio accounting, third party asset management, and advisor services – under one roof.

**About NorthStar (CLS’s Parent Company)**

**Founded:** 2003

**Assets Under Management & Administration:** over $809B*

**Subsidiaries & Affiliates:** 4

**Corporate Office:** Omaha, NE

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**What Sets CLS Apart?**

**BELIEVE**

Risk-Budgeted, global, balanced ETF portfolios

**DELIVER**

Innovative ETF-focused investment options for investors seeking accumulation, income, protection, or tax management

**PARTNER**

Direct access to our experienced portfolio management, sales, and service teams; commitment to helping advisors grow

*as of 03/31/19*
In addition to prudent management of investment portfolios, CLS believes in clear and timely communication with our investors and financial industry partners.

CLS’s Partnership Structure

Through CLS’s partnership structure, the financial advisor maintains a direct relationship with the investor, while CLS’s portfolio management and analytics teams take on the day-to-day research, trading, and operations needed to manage the investor’s account.

CLS provides advisors and investors with access to our:

- Weekly 3 Market Commentary
- Monthly & Quarterly Market Outlook Videos
- Quarterly PDF & Video Statements
- Mobile App
- Investment Management and Best Practice White Paper Libraries
- Portfolio Management Team
- Post-login Website
- Monthly Perspectives Piece
- Dedicated Sales, Service, and New Accounts Representatives
- Blog Content
- Frequently Occurring Podcast Content (“The Weighing Machine”)
- Monthly Chart Pack
CLS Resources

COMMENTARY

**Weekly 3**
Each Tuesday, CLS releases its “Weekly 3,” which can be accessed at CLSinvest.com/weekly3, or by subscribing to commentary on that page. On the first Tuesday of each month, CLS focuses on a monthly review of the markets (versus one week), and produces corresponding commentary in video format.

**Podcast**
CLS’s “The Weighing Machine” podcast accompanies our commentary at least twice per month.

**Quarterly Directions:** A quarterly newsletter for investors that is included with statements or can be accessed at CLSinvest.com/directions.

**Quarterly Market Outlook:** A multi-media look at the markets that can be accessed at CLSinvest.com/quarterly, or by subscribing to our commentary.

VIDEO & PDF STATEMENTS

To access quarterly statements, investors will need to create a login by following these steps:
1. Visit CLSinvest.com and click “login” on the top of the homepage
2. Click “create login” under the “submit” button
3. Complete the required information form
4. Click “create login”

Once logged into the website, quarterly video and PDF statements can be found by:
1. Selecting the “Documents” tab at the top of the screen
2. Clicking on the “Video Statements” or “Portfolio Statements” drop-down on the left menu under “Statements”
3. Choosing the appropriate report period
4. Clicking “Play” or downloading the PDF
CLS Resources

VIDEOS
In addition to our regular market commentary videos, CLS publishes a variety of educational videos, including those describing Risk Budgeting and CLS. Our videos can be accessed via a variety of pages on our website and are contained in one central location at youtube.com/clsinvest.

RISK BUDGET CALCULATOR & SCALE TOOL
You can calculate an individual Risk Budget online by visiting CLSinvest.com/rb-calculator. In addition, our interactive Risk Budgeting Scale Tool allows you to explore Risk Budgeting freely or work your way through guided examples. This tool is available at CLSinvest.com/scale.

MONTHLY PERSPECTIVES
Our “Monthly Perspectives” piece includes information on CLS’s Investment Themes, a summary of the exposure and weightings of our investment continuums, an outline of our equity and fixed income sector outlooks. The piece can be downloaded by visiting CLSinvest.com/monthlyperspectives, or delivered directly to your inbox by subscribing to updates at CLSinvest.com/emailoptions.

MOBILE APP
The CLS mobile app is available for Apple and Android devices, and provides on-the-go access to account information. Search for “CLS Investments” on your operating device to download the app.

ON-DEMAND AND RECURRING TEXT NOTIFICATIONS
CLS offers the ability for advisors and investors to receive on-demand and recurring text notifications. Advisors can elect to receive information on assets under management and current number of accounts with CLS by logging into CLSinvest.com and clicking the Notifications icon.

Investors may receive balance, performance, and RMD (if available) information at a household level. This capability can be enabled by logging into CLSinvest.com and selecting “User Profile.”

MONTHLY CHART PACK
Our monthly “Chart Pack” provides insight on market trends and indicators, and what they mean for CLS-managed portfolios. The piece can be delivered directly to your inbox by subscribing to updates at CLSinvest.com/emailoptions.
The behavior gap - the difference between investment and investor returns - occurs due to human behavior and emotion. Professional money management can help prevent emotion-driven investing and performance chasing, which can help lessen this gap.
Professional Money Management: Value Added by Investment Advisors

Though much of an advisor’s added value may seem intangible, research shows that advisors can potentially add about 3% in net returns as a result of their services. Fortunately, when advisors work with CLS, they receive peace of mind that CLS is addressing these key factors to achieving optimal portfolio returns.

<table>
<thead>
<tr>
<th>Advisor Behavior</th>
<th>Potential Value Added</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helping investors stay disciplined and providing guidance to do so</td>
<td>1.50%</td>
</tr>
<tr>
<td>Placing assets in tax-efficient or tax-managed investments</td>
<td>up to 0.75%</td>
</tr>
<tr>
<td>Providing guidance on asset withdrawal order</td>
<td>up to 1.10%</td>
</tr>
<tr>
<td>Utilizing low-cost funds</td>
<td>0.40%</td>
</tr>
<tr>
<td>Rebalancing the portfolio</td>
<td>0.35%</td>
</tr>
<tr>
<td>Allocating assets among broadly diversified investments/ETFs</td>
<td>Potential slight value add, depending on investor’s time horizon, risk tolerance, and financial goals</td>
</tr>
<tr>
<td>Providing guidance on total return versus income-only investing</td>
<td>Potential slight value add, depending on investor’s desired level of spending and portfolio composition</td>
</tr>
</tbody>
</table>

Source: Vanguard - Putting a Value on your Value: Quantifying Vanguard Advisor’s Alpha
Research has shown that most investors do not invest optimally on their own. In fact, a Dalbar, Inc. study showed that between 2007 and 2017, individual equity mutual fund investors achieved an average return of 4.88%, while the S&P 500 returned 8.50%. Investors often go through a severe cycle of emotions with their investments. Professional money managers can help investors identify points of risk and opportunity, and avoid making costly investment mistakes that are based on emotion.

Source: "Quantitative Analysis of Investor Behavior, 2018," DALBAR, Inc. www.dalbar.com Equity performance is represented by the Standard & Poor’s 500 Composite Index, an unmanaged index of 500 common stocks generally representative of the U.S. stock market. The average investor refers to the universe of all mutual fund investors whose actions and financial results are restated to represent a single investor. This approach allows the entire universe of mutual fund investors to be used as the statistical sample, ensuring ultimate reliability. QAIB calculates investor return as the change in assets, after excluding sales, redemptions and exchanges. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses and any other costs. You cannot invest directly in an index. Past Performance is not necessarily indicative of future results.
Professional money managers can help investors stay disciplined. This chart shows the importance of staying invested in order to participate in market gains and remain focused on long-term goals. For example, in 2014 the market low during the year was -7.4%; however, the market ended the year up 11.4%. Investors who exited the market during the lows would have missed out on a large upside gain.

Source: Morningstar Direct 12/31/2018. Returns are based on price index only and do not include dividends. Grey bars represent intra-year drops which refers to the largest market drops from a peak to a trough during the year. Returns are calendar year returns from 1940 to 2018.
## Qualities of a Good Active Manager

### Emphasis on Low Costs

*All else being equal, lower costs win.*

- At CLS: To keep costs low, we emphasize ETFs, which typically have lower expense ratios than mutual funds and lower tax costs. For mutual fund portfolios, we generally select funds with below-average expense ratios.

### Portfolio Managers Who “Eat Their Own Cooking”

*Managers who invest in the funds they manage show conviction in their process and alignment with investors.*

- At CLS: An above-industry-average percentage of our portfolio managers own shares in the mutual funds they manage.

### Stewardship

*What is the corporate culture like? Fund board quality? Portfolio manager incentives? Bottom line: does the firm responsibly oversee and protect investor assets?*

- At CLS: Stewardship has been ingrained in our culture since the beginning. Our portfolio managers are incented on investment performance*.

### Low Portfolio Turnover

*Often considered a sign of a disciplined investment process, lower turnover also suggests more investment conviction, in addition to lower transaction costs.*

- At CLS: The typical holding period for a security is 2-3 years, which exceeds the industry average of 1-2 years.

*For more information, please see [CLS Form ADV Part 2B](#).*
For Long-Term Investors, It’s Always a Good Time to Invest

This chart compares an S&P 500 portfolio with a cash portfolio, in which an investor made a $1 contribution at the peak price point every year. Did the investments fare better than simply putting money in the bank? Yes, investing generated significantly higher returns than cash over the full time period, even through two brutal bear market declines! Further:

- Investing at the worst day each year would have produced an annualized return of nearly 6.58%, while staying in cash would have returned 0.99% per year.
- The market has not had historically good returns this century, including two market crashes of over 50% and one of the worst economic downturns in history. However, a long-term investor still beat the bank.

<table>
<thead>
<tr>
<th>Year</th>
<th>S&amp;P 500</th>
<th>Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>$1.00</td>
<td>$1.00</td>
</tr>
<tr>
<td>2000</td>
<td>$1.78</td>
<td>$2.06</td>
</tr>
<tr>
<td>2001</td>
<td>$2.41</td>
<td>$3.14</td>
</tr>
<tr>
<td>2002</td>
<td>$2.64</td>
<td>$4.20</td>
</tr>
<tr>
<td>2003</td>
<td>$4.40</td>
<td>$5.24</td>
</tr>
<tr>
<td>2004</td>
<td>$5.88</td>
<td>$6.31</td>
</tr>
<tr>
<td>2005</td>
<td>$7.15</td>
<td>$7.50</td>
</tr>
<tr>
<td>2006</td>
<td>$9.27</td>
<td>$8.85</td>
</tr>
<tr>
<td>2007</td>
<td>$10.72</td>
<td>$10.28</td>
</tr>
<tr>
<td>2008</td>
<td>$7.39</td>
<td>$11.46</td>
</tr>
<tr>
<td>2009</td>
<td>$10.33</td>
<td>$12.48</td>
</tr>
<tr>
<td>2010</td>
<td>$12.88</td>
<td>$13.49</td>
</tr>
<tr>
<td>2011</td>
<td>$14.09</td>
<td>$14.50</td>
</tr>
<tr>
<td>2012</td>
<td>$17.33</td>
<td>$15.51</td>
</tr>
<tr>
<td>2013</td>
<td>$23.94</td>
<td>$16.52</td>
</tr>
<tr>
<td>2014</td>
<td>$28.20</td>
<td>$17.53</td>
</tr>
<tr>
<td>2015</td>
<td>$29.56</td>
<td>$18.53</td>
</tr>
<tr>
<td>2016</td>
<td>$34.09</td>
<td>$19.58</td>
</tr>
<tr>
<td>2017</td>
<td>$42.52</td>
<td>$20.74</td>
</tr>
<tr>
<td>2018</td>
<td>$41.52</td>
<td>$22.12</td>
</tr>
</tbody>
</table>

Rate of Return 6.58% 0.99%

Source: Morningstar Direct as of 12/31/2018
Timing the Market Hurts More Than it Helps

- If an investor stayed invested the entire 18 year period shown in the chart to the right, they would have achieved about a 5% market return.

- If they tried to market time and missed the best 5 days then their return would drop by close to 3%.

- If they missed the best 15 days then they would be flat – not even keeping up with inflation.

- What’s tough about market timing is knowing that some of the best days of the market occur within weeks to the worst days.

MSCI ACWI Annual Returns 1/1/2001 - 12/31/2018

Source: Morningstar Direct as of 12/31/2018
 Investment Methodology
Much like a scale keeps weight balanced, Risk Budgeting ensures that the amount of risk in your portfolio is equal to the level of risk you are comfortable taking.
Everyone has a certain level of comfort: some may like the thermostat set at 69 degrees, while 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.
Maintaining the Risk Budgeting Promise

CLS carefully monitors the risk of our portfolios so investors are not exposed to more or less risk than they can handle. In looking at the relative risk measure, one can see that CLS has maintained its Risk Budgeting promise in our core portfolios by keeping risk near target levels. Relative risk is a measure of portfolio standard deviation relative to a benchmark standard deviation, where standard deviation is a measure of dispersion around its average (see glossary for a definition of standard deviation).

<table>
<thead>
<tr>
<th>Target Risk Budget</th>
<th>AdvisorOne Funds</th>
<th>American Funds</th>
<th>Core Plus ETF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Budget 100</td>
<td>0.94</td>
<td>0.91</td>
<td>0.96</td>
</tr>
<tr>
<td>Risk Budget 60</td>
<td>0.58</td>
<td>0.59</td>
<td>0.59</td>
</tr>
<tr>
<td>Risk Budget 30</td>
<td>0.32</td>
<td>0.29</td>
<td>0.30</td>
</tr>
</tbody>
</table>

Relative risk is measured using Morningstar Direct over a 3-year time frame ending 3/31/2018 and is relative to the Equity Baseline Portfolio (EBP), which is comprised of 60% Morningstar US Market and 40% Morningstar Global ex-US. The Russell 3000 Index is an unmanaged index considered representative of the U.S. stock market. The MSCI ACWI ex-U.S. Index is an index considered representative of stock markets of developed and emerging markets, excluding those of the U.S. You cannot invest directly in an index. Past performance is not indicative of future results.
Balanced Portfolios Help Smooth Out Returns

Take a look at the extreme highs and lows of emerging markets over this time period, as compared to the much smoother returns for a global, balanced portfolio. Having exposure to a variety of asset classes limits the liability of a significant drop in any one asset class and provides a smoother ride for investors. Staying invested long-term can also help to smooth out returns.

<table>
<thead>
<tr>
<th>Year</th>
<th>Emerging Markets</th>
<th>Global Balanced</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>55.6%</td>
<td>21.3%</td>
</tr>
<tr>
<td>2001</td>
<td>31.5%</td>
<td>36.3%</td>
</tr>
<tr>
<td>2002</td>
<td>52.6%</td>
<td>12.0%</td>
</tr>
<tr>
<td>2003</td>
<td>39.9%</td>
<td>25.0%</td>
</tr>
<tr>
<td>2004</td>
<td>83.8%</td>
<td>11.8%</td>
</tr>
<tr>
<td>2005</td>
<td>28.5%</td>
<td>21.8%</td>
</tr>
<tr>
<td>2006</td>
<td>31.8%</td>
<td>21.3%</td>
</tr>
<tr>
<td>2007</td>
<td>25.9%</td>
<td>36.3%</td>
</tr>
<tr>
<td>2008</td>
<td>12.8%</td>
<td>21.3%</td>
</tr>
<tr>
<td>2009</td>
<td>35.6%</td>
<td>36.3%</td>
</tr>
<tr>
<td>2010</td>
<td>18.3%</td>
<td>12.0%</td>
</tr>
<tr>
<td>2011</td>
<td>18.4%</td>
<td>25.0%</td>
</tr>
<tr>
<td>2012</td>
<td>18.6%</td>
<td>11.8%</td>
</tr>
<tr>
<td>2013</td>
<td>17.3%</td>
<td>21.8%</td>
</tr>
<tr>
<td>2014</td>
<td>32.4%</td>
<td>21.3%</td>
</tr>
<tr>
<td>2015</td>
<td>30.4%</td>
<td>36.3%</td>
</tr>
<tr>
<td>2016</td>
<td>10.2%</td>
<td>21.3%</td>
</tr>
<tr>
<td>2017</td>
<td>15.2%</td>
<td>36.3%</td>
</tr>
<tr>
<td>2018</td>
<td>21.3%</td>
<td>21.3%</td>
</tr>
</tbody>
</table>

Global Balanced is represented by 60% stock and 40% bond with the stock portion being 60% domestic and 40% international. Domestic equities are represented by Russell 3000 Index; international equities represented by MSCI ACWI ex U.S. Index; and bonds represented by the Barclays Aggregate Index. Source: Morningstar Direct as of 12/31/2018.
Benefits of Global Diversification: Reduced Portfolio Volatility

Maximum risk reduction benefits are gained from an international allocation between 40% and 50%. This benefit continues until approximately 95% of the portfolio is allocated to international investments.

Average Annualized Change in Portfolio Volatility when Adding Non-U.S. Stocks to a U.S. Portfolio

Source: Vanguard: “Global equity investing: The benefits of diversification and sizing your allocation” and Morningstar

Notes: Data are through September 30, 2018. U.S. equities represented by MSCI USA Index; non-U.S. equities represented by MSCI World Index ex USA from January 1, 1970 through May 1987, and MSCI All Country World Index ex USA thereafter. Bond data represented by Salomon High Grade Index from January 1, 1970 through 1972, Lehman Long-Term AA Corporate Index from January 1, 1973 through 1975, and Bloomberg Barclays U.S. Aggregate Bond Index thereafter.
“Am I saving enough for retirement?” This is the million dollar question.

There is no magic number – that number will depend on each individual’s unique circumstances.

However, below is a helpful guide to address this important question.

### At This Income

<table>
<thead>
<tr>
<th>Age</th>
<th>$30,000</th>
<th>$40,000</th>
<th>$50,000</th>
<th>$60,000</th>
<th>$70,000</th>
<th>$80,000</th>
<th>$90,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>35</td>
<td>1.0</td>
<td>1.1</td>
<td>1.2</td>
<td>1.4</td>
<td>1.6</td>
<td>1.8</td>
<td>2.0</td>
</tr>
<tr>
<td>40</td>
<td>1.5</td>
<td>1.6</td>
<td>1.7</td>
<td>1.9</td>
<td>2.2</td>
<td>2.5</td>
<td>2.7</td>
</tr>
<tr>
<td>45</td>
<td>2.1</td>
<td>2.3</td>
<td>2.4</td>
<td>2.6</td>
<td>3.0</td>
<td>3.3</td>
<td>3.5</td>
</tr>
<tr>
<td>50</td>
<td>2.8</td>
<td>3.0</td>
<td>3.1</td>
<td>3.4</td>
<td>3.9</td>
<td>4.3</td>
<td>4.6</td>
</tr>
<tr>
<td>55</td>
<td>3.7</td>
<td>3.9</td>
<td>4.1</td>
<td>4.4</td>
<td>5.0</td>
<td>5.4</td>
<td>5.8</td>
</tr>
<tr>
<td>60</td>
<td>4.7</td>
<td>5.0</td>
<td>5.2</td>
<td>5.6</td>
<td>6.3</td>
<td>6.8</td>
<td>7.3</td>
</tr>
<tr>
<td>65</td>
<td>6.1</td>
<td>6.4</td>
<td>6.7</td>
<td>7.1</td>
<td>8.0</td>
<td>8.7</td>
<td>9.3</td>
</tr>
</tbody>
</table>

To maintain an equivalent lifestyle in retirement you’d need this multiple of your household income by these milestones.

### Model Assumptions:

- Annual Gross Savings: 5.0%
- Pre-retirement investment return: 6%
- Post-retirement investment return: 5%
- Inflation rate: 2.0%
- Years in Retirement: 30
- Retirement age – 65

### How to use:

- Household income is assumed to be gross income (before tax and savings).
- Go to the intersection of your current age and your closest current household income.
- Multiply your salary by the checkpoint shown. This is the amount you should have saved today, assuming you continue contributions of 5% going forward.

J.P. Morgan: Guide to Retirement. Page 14. This chart is for illustrative purposes only and must not be relied upon to make investment decisions. J.P. Morgan’s model is based on J.P. Morgan Asset Management’s (JPMAM) proprietary long-term capital market assumptions (10-15 years) and an 80% confidence level. Household income replacement rates are derived from an inflation-adjusted analysis of Consumer Expenditure Survey (BLS) data (2013-2016); Social Security benefits using modified scaled earnings in 2019 for a single wage earner at age 65 and a spousal benefit at age 62 reduced by Medicare Part B premiums.
**Retirement: The Magic Number**

- “Am I saving enough for retirement?” This is the million dollar question.
- There is no magic number – that number will depend on each individual’s unique circumstances.
- However, below is a helpful guide to address this important question.

### At This Income

<table>
<thead>
<tr>
<th>At This Age:</th>
<th>$100,000</th>
<th>$125,000</th>
<th>$150,000</th>
<th>$175,000</th>
<th>$200,000</th>
<th>$250,000</th>
<th>$300,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>35</td>
<td>1.3</td>
<td>1.5</td>
<td>1.8</td>
<td>2.0</td>
<td>2.2</td>
<td>2.5</td>
<td>2.7</td>
</tr>
<tr>
<td>40</td>
<td>2.1</td>
<td>2.3</td>
<td>2.7</td>
<td>3.0</td>
<td>3.2</td>
<td>3.6</td>
<td>3.8</td>
</tr>
<tr>
<td>45</td>
<td>3.0</td>
<td>3.3</td>
<td>3.8</td>
<td>4.2</td>
<td>4.4</td>
<td>4.9</td>
<td>5.1</td>
</tr>
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<td>50</td>
<td>4.2</td>
<td>4.6</td>
<td>5.1</td>
<td>5.6</td>
<td>5.9</td>
<td>6.4</td>
<td>6.8</td>
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<tr>
<td>55</td>
<td>5.6</td>
<td>6.1</td>
<td>6.7</td>
<td>7.3</td>
<td>7.7</td>
<td>8.3</td>
<td>8.7</td>
</tr>
<tr>
<td>60</td>
<td>7.3</td>
<td>7.9</td>
<td>8.7</td>
<td>9.4</td>
<td>9.8</td>
<td>10.6</td>
<td>11.1</td>
</tr>
<tr>
<td>65</td>
<td>9.6</td>
<td>10.3</td>
<td>11.3</td>
<td>12.1</td>
<td>12.7</td>
<td>13.7</td>
<td>14.3</td>
</tr>
</tbody>
</table>

**Model Assumptions:**

- Annual Gross Savings: 10.0%
- Pre-retirement investment return: 6%
- Post-retirement investment return: 5%
- Inflation rate: 2.0%
- Years in Retirement: 30
- Retirement age – 65

**How to use:**

- Household income is assumed to be gross income (before tax and savings).
- Go to the intersection of your current age and your closest current household income.
- Multiply your salary by the checkpoint shown. This is the amount you should have saved today, assuming you continue contributions of 10% going forward.

---

J.P. Morgan: Guide to Retirement. Page 15. This chart is for illustrative purposes only and must not be relied upon to make investment decisions. J.P. Morgan’s model is based on J.P. Morgan Asset Management’s (JPMAM) proprietary long-term capital market assumptions (10-15 years) and an 80% confidence level. Household income replacement rates are derived from an inflation-adjusted analysis of Consumer Expenditure Survey (BLS) data (2013-2016), Social Security benefits using modified scaled earnings in 2019 for a single wage earner at age 65 and a spousal benefit at age 62 reduced by Medicare Part B premiums.
Focus on What You Can Control

- Investors have many things under their control:
  - How much they save, the amount they spend, when they want to pay taxes, and the types of investments they select (expensive or cheap).
- However, investors tend to focus on market returns. Returns are important, but out of the control of the investor.

Focus on what you can control.

### What Investors Can Control:
- Risk
- Cost
- Time
- Emotion
- When Taxes Are Paid
- Valuation

### What Investors Can’t Control:
- Return
Reversion to the Mean

U.S. market returns versus those of international markets tend to be cyclical in nature. The current cycle length of U.S. outperformance is the longest since 1970 and it’s almost double the historic average of 70 months. The 107% outperformance is less than the historic performance average of 110%. Due to the stretched period of U.S. outperformance, there is a higher likelihood of a reversal in performance in favor of international markets due to the historic tendency of reversion to the mean.

Cumulative Relative Performance of the MSCI EAFE Index Relative to the S&P 500 Index

Source: Morningstar Direct data from 1/1/1970 to 12/31/2018
A World of Opportunities

International markets account for almost three-fourths of global GDP and 96% of the global population; yet, the international market capitalization represents less than half of the global stock market. Such weights suggest that the U.S. is overvalued relative to the rest of the world and there are opportunities for growth within international markets. Additionally, there are over 40,000 listed stocks abroad (compared to about 4,000 domestically), which is an opportunity set that should not be overlooked.

### Vast Opportunities Exist Outside U.S. Borders

<table>
<thead>
<tr>
<th>Share of Global Market Capitalization</th>
<th>Share of Global GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S.</strong></td>
<td><strong>Countries Outside the U.S.</strong></td>
</tr>
<tr>
<td>54%</td>
<td>46%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Share of Listed Stocks</th>
<th>Share of Global Population</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S.</strong></td>
<td><strong>Countries Outside the U.S.</strong></td>
</tr>
<tr>
<td>10%</td>
<td>90%</td>
</tr>
</tbody>
</table>

Source: World Bank as of 12/31/2017
In behavioral finance, there is an emotional experience known as “prospect theory,” which states that losses hurt more than gains of the same amount. In other words, investors are more loss averse than risk averse. In fact, they may take on more risk to recoup some of their losses, hold onto losers too long, or get out of the market altogether – generally making bad investing choices. But, as the table below shows, it is important to focus on the long term, as staying invested is rewarding. The key points the table makes are:

- The more investors look at their accounts, the worse their emotional investor experience will be.
- The more investors look at their accounts, the more disruptive and volatile their performance is perceived to be.
The dispersion of stock and bond returns can vary given the time horizon an investor has to invest. Stock and bond returns can be wide ranging in a one-year time frame. However, the longer an investor stays invested, the less volatile the range of stock and bond returns and the higher the probability of a positive return.

**S&P 500 Percent of Positive Return (Since 1927)**

<table>
<thead>
<tr>
<th>Frequency Return</th>
<th>Daily</th>
<th>Weekly</th>
<th>Monthly</th>
<th>Quarterly</th>
<th>6-Mo</th>
<th>Yearly</th>
<th>3-Year</th>
<th>5-Year</th>
<th>10-Year</th>
<th>20-Year</th>
<th>30-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Positive</td>
<td>52%</td>
<td>56%</td>
<td>59%</td>
<td>63%</td>
<td>70%</td>
<td>74%</td>
<td>84%</td>
<td>83%</td>
<td>93%</td>
<td>99%</td>
<td>100%</td>
</tr>
</tbody>
</table>

“Probability of Positive Return” and “range of Stock and Bond Returns” chart sources:
Monthly data from Jan 1950 - Dec 2018; S&P 500 data from Bloomberg, IA SBBI US IT; Govt TR data from Morningstar Direct.

“S&P 500 Percent of Positive Return (Since 1927)” chart source: Bloomberg data from 12/30/1927 to 2/28/2019
Markets generally move up slower than they drop, but the “up” periods are overwhelmingly longer and stronger than those that are “down.” Since 1928, the average bull market has lasted 5.3 years with a cumulative return of 186%, while the average bear market has lasted only 1.9 years with an average loss of only -41%. This further reinforces the benefits of staying invested for the long term.

Source: S&P 500 price data is from Morningstar, Recession data is from nber.org, 1/3/1928 – 12/31/2018
Is it Wise to Invest at Market Peaks or After a 10% Drop?

In 2018, the S&P 500 hit an all-time high and experienced a 10% decline. This increased volatility left investors wondering, is this a good time to invest? The left chart below shows that after reaching new market highs, the average return over the following year is nearly 14%. The chart on the right shows that after a market decline of 10% or more, the average return over the following year is about 11%. Despite market positioning – whether at all-time highs or following a pullback – history suggests that it is always a good time to invest.

Source: Dimensional Advisors

*Market decline of 10% is defined as a month in which cumulative return from peak is -10% or lower. Annualized compound returns are computed for the 1-, 3- and 5-year periods subsequent to a market decline of at least 10%. 1,093 observations for 1-year look-ahead, 1,069 observations for 3-year look-ahead, and 1,045 for 5-year look-ahead. 1-year, 3-year, and 5-year periods are overlapping periods. The bar chart shows the average returns for the 1-, 3-, and 5-year period following a market decline of at least 10%. January 1990–Present: S&P 500 Total Returns Index. S&P data © 2016 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. January 1926–December 1989; S&P 500 Total Return Index, Stocks, Bonds, Bills and Inflation Yearbook™, Ibbotson Associates, Chicago. For illustrative purposes only. Index is not available for direct investment; therefore, its performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is no guarantee of future results. There is always a risk that an investor may lose money.
CLS uses ETFs to build Risk-Budgeted or focused portfolios for investors seeking to build capital, generate income, protect wealth, or minimize tax consequences.

ETFs: Combining the Best of Both Worlds

**Like a Stock:**
- Flexible, intra-day trading
- Long or short
- Options frequently available

**Like a Mutual Fund:**
- Tracks benchmark indexes
- Lower expense ratios
- Low turnover

ETFs are diversified funds that trade like stocks.
ETF Benefits

Because ETFs do not have minimums, front-end loads, or redemption fees, they can offer significant cost savings.

Lower Cost

ETFs are designed to track market indexes that may contain hundreds or thousands of securities.

Diversification

Most ETFs report exact holdings daily, so investors can verify that the ETF is closely tracking its benchmark.

Transparency

ETFs typically distribute fewer capital gains to shareholders than traditional mutual funds.

Tax Efficiency

ETFs can provide much more stable market exposure than mutual funds, allowing CLS to minimize style drift.

Stable Market & Risk Exposure

Intra-Day Trading

Like stocks, ETFs trade throughout the day, so their price fluctuates with market supply and demand.
Since they were launched in 1993, ETFs have gained tremendous popularity. There are now more than 2,000 ETFs available, representing over $3.4 trillion in assets through 2018.

ETF Growth

ETF Assets Reached More Than $3.4 Trillion Through 2018

Source: Morningstar, as of 12/31/2018
CLS & ETFs: A Timeline

CLS began using ETFs in the late 1990s and is now one of the largest active money managers of this versatile investment vehicle.¹

1993: First ETF launches (SPDR S&P 500 ETF)

1998: CLS purchases its first ETF

2000: iShares enters the ETF market

2001: CLS begins creating individual ETF portfolios

2002: CLS claims compliance with the Global Investment Performance Standards (GIPS)²

2007: ETF industry assets surpass $500 billion

2012: CLS surpasses $2 billion invested in ETFs

2015: ETF industry assets surpass $2 trillion

2016: CLS wins WealthManagement.com award for Asset Manager – ETF Strategist³

2017: ETF industry assets surpass $3 trillion

2018: CLS wins ETF.com award for ETF Investor of the Year⁴

¹Morningstar, as of 12/31/2018
²CLS claims compliance with the Global Investment Performance Standards (GIPS®). CLS Investments, LLC is a registered investment adviser. To obtain a copy of a fully compliant presentation and/or a list of composite descriptions, contact us at 888-455-4244.
³CLS Investments, LLC (“CLS”) was selected as a winner for WealthManagement.com’s 2016 Industry Awards in the category, Asset Managers - ETF Strategist. The WealthManagement.com Industry Awards program is an unbiased, third-party organization seeking to recognize companies that support financial advisors. Nominations for the WealthManagement.com Industry Awards were based on a submission from the company describing how it helps financial advisors work with clients. The award goes to the company selected by a Judges Panel made up of ten industry professionals. Winners of the award for each category were announced 09/29/2016. WealthManagement.com is not affiliated with CLS. Ratings and awards may not be representative of any one client’s experience and are not indicative of CLS’s future performance.
⁴CLS Investments, LLC was selected as a winner for ETF.com’s ETF Investor of the Year – 2017. ETF.com is an unbiased, third-party organization which specializes in providing resources on Exchange Traded Funds. ETF.com Award winners are selected in a three-part process. The process begins with open nominations where interested parties were invited to submit nominations. Self-nominations were accepted. Then the ETF.com Awards Nominating Committee – made up of senior leaders at ETF.com and senior members of the FactSet ETF Analytics team – selected up to five finalists in each category. The winners are selected from these finalists by a majority vote of the ETF.com Awards Selection Committee, which is a group of independent ETF experts. ETF.com is not affiliated with CLS. Ratings and awards may not be representative of any one client’s experience and are not indicative of CLS’s future performance.
Addressing Important Investor Outcomes

CLS’s Risk Budgeting Methodology is flexible enough to be applied to a broad variety of investor risk comfort levels, from aggressive to conservative. We have also found that most investors have one of four main investment objectives (which may change over their investing lifetime). Within these categories, we either wholly apply our Risk Budgeting Methodology, or combine it with other approaches.

**Accumulation**
Portfolios are focused on total return, meaning growth of value through interest, capital gains, and dividends.

**Income**
Portfolios seek consistent, reliable distributions from a variety of traditional and non-traditional income-producing assets.

**Protection**
Portfolios pursue capital growth during sustained market uptrends, yet seek protection of assets during catastrophic market downturns.

**Tax Management**
Portfolios seek capital appreciation while keeping annual net taxable gains low.
Accumulation Strategies

Portfolios are focused on total return, meaning growth of value through interest, capital gains, and dividends.

- **AdvisorOne Funds Strategy**
  Account minimum: $10,000
- **American Funds Strategy**
  Account minimum: $10,000
- **American Hybrid Strategy**
  Account minimum: $10,000
- **Enhanced Fixed Income Strategy**
  Account minimum: $50,000*
- **Focused ESG Strategy**
  Account minimum: $50,000
- **International Rotation Strategy**
  Account minimum: $50,000*
- **Risk Budgeted ESG Strategy**
  Account minimum: $10,000
- **Active High-Quality Strategy**
  Account minimum: $50,000*
- **Alternatives Strategy**
  Account minimum: $50,000*
- **Domestic Equities Strategy**
  Account minimum: $50,000*

Income Strategies

Portfolios seek consistent, reliable distributions from a variety of traditional and non-traditional income-producing assets.

- **American Income X Strategy**
  Account minimum: $10,000
- **ETF Managed Income Strategy**
  Account minimum: $150,000*
- **Active Income X Strategy**
  Account minimum: $50,000
- **Master Manager Managed Income Strategy**
  Account minimum: $500,000

Protection Strategies

Portfolios pursue capital growth during sustained market uptrends, yet seek protection of assets during catastrophic market downturns.

- **AdvisorOne Protection Strategy**
  Account minimum: $10,000
- **AdvisorOne Hybrid Protection Strategy**
  Account minimum: $10,000
- **Protected Equities Strategy**
  Account minimum: $50,000*

Tax Management Strategies

Portfolios seek capital appreciation while keeping annual net taxable gains low.

- **American Tax Aware Strategy**
  Account minimum: $10,000
- **Tax-Aware Bond Strategy**
  Account minimum: $50,000*
- **Master Manager Tax Managed Strategy**
  Account minimum: $750,000

Strategy availability and minimum investment requirements may vary based on investment platform, broker-dealer, or other factors.

*The account minimum for these strategies is $10,000 at Constellation Trust Company (CTC).
QUALIFIED RETIREMENT ACCOUNTS:
- 3(21) & 3(38) Fiduciary Support
- 401(k) Plans
- 403(b) Plans
- 457 Plans
- Defined Benefit Plans
- Individual 401(k) Plans
- Profit Sharing Plans
- Simplified Employee Pension Plans (SEP)
- Self-Directed Retirement Account Options (including Fidelity BrokerageLink, Schwab PCRA, TIAA-Cref, or TD Ameritrade SDBA)
- Simple IRAs

SEPARATELY MANAGED ACCOUNTS:
- Exchange Traded Funds (ETFs)
- Municipal Bonds
- Stocks
- Taxable Bonds
- Tax-Managed Accounts

QUALIFIED PLAN PARTNERS*:
- Empower
- KTRADE
- Nationwide
- PCS

CUSTODY/PLATFORM PARTNERS*:
- FTJ FundChoice™
- Envestnet
- Fidelity
- Adhesion
- NFS Managed Account Solutions (MAS)

ADDITIONAL OPPORTUNITIES:
- Automated Account Opening (Autopilot & Click)
- Small Account Solutions

*CLS partners with many other variable annuity providers, qualified retirement plans, broker-dealers, and more. Ask a sales representative for more information.
# Market Review: Q1 2019 Performance

## Fixed Income

<table>
<thead>
<tr>
<th>Category</th>
<th>10 Yr</th>
<th>5 Yr</th>
<th>3 Yr</th>
<th>1 Yr</th>
<th>YTD</th>
<th>QTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Equivalent</strong></td>
<td>+0.40%</td>
<td>+0.72%</td>
<td>+1.17%</td>
<td>+2.09%</td>
<td>+0.59%</td>
<td>+0.59%</td>
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<tr>
<td>Morningstar Cash Index</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>U.S. Bonds</strong></td>
<td>+3.77%</td>
<td>+2.74%</td>
<td>+2.03%</td>
<td>+4.48%</td>
<td>+2.94%</td>
<td>+2.94%</td>
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<tr>
<td>Bloomberg Barclays Capital U.S. Aggregate Bond Index</td>
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## Stock Market

<table>
<thead>
<tr>
<th>Category</th>
<th>10 Yr</th>
<th>5 Yr</th>
<th>3 Yr</th>
<th>1 Yr</th>
<th>YTD</th>
<th>QTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Global Equity Market</strong></td>
<td>+12.21%</td>
<td>+6.48%</td>
<td>+10.67%</td>
<td>+2.41%</td>
<td>+12.10%</td>
<td>+12.10%</td>
</tr>
<tr>
<td>Morningstar GblMkt Large-Mid Index</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total U.S. Market</strong></td>
<td>+16.06%</td>
<td>+10.51%</td>
<td>+13.54%</td>
<td>+9.00%</td>
<td>+14.09%</td>
<td>+14.09%</td>
</tr>
<tr>
<td>Morningstar U.S. Market Index</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Domestic Large-Cap Equity</strong></td>
<td>+15.63%</td>
<td>+11.15%</td>
<td>+13.95%</td>
<td>+10.02%</td>
<td>+13.18%</td>
<td>+13.18%</td>
</tr>
<tr>
<td>Morningstar U.S. Large Cap Index</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Domestic Small-Cap Equity</strong></td>
<td>+16.37%</td>
<td>+7.02%</td>
<td>+11.47%</td>
<td>+3.14%</td>
<td>+15.50%</td>
<td>+15.50%</td>
</tr>
<tr>
<td>Morningstar U.S. Small Cap Index</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>International Equity</strong></td>
<td>+9.22%</td>
<td>+2.80%</td>
<td>+8.15%</td>
<td>-4.06%</td>
<td>+10.21%</td>
<td>+10.21%</td>
</tr>
<tr>
<td>Morningstar Gbl xUS. Large-Mid Index</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Developed International Equity</strong></td>
<td>+9.12%</td>
<td>+2.36%</td>
<td>+7.37%</td>
<td>-3.41%</td>
<td>+10.47%</td>
<td>+10.47%</td>
</tr>
<tr>
<td>Morningstar DM xUS Large-Mid Index</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Emerging Market Equity</strong></td>
<td>+9.73%</td>
<td>+4.26%</td>
<td>+10.92%</td>
<td>-6.06%</td>
<td>+9.42%</td>
<td>+9.42%</td>
</tr>
<tr>
<td>Morningstar EM Large-Mid Index</td>
<td></td>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>

## Diversifiers

<table>
<thead>
<tr>
<th>Category</th>
<th>10 Yr</th>
<th>5 Yr</th>
<th>3 Yr</th>
<th>1 Yr</th>
<th>YTD</th>
<th>QTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Diversified Alternatives</strong></td>
<td>+4.44%</td>
<td>+0.43%</td>
<td>+1.45%</td>
<td>+0.98%</td>
<td>+2.18%</td>
<td>+2.18%</td>
</tr>
<tr>
<td>Morningstar Diversified Alternatives Index</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Commodities</strong></td>
<td>-2.56%</td>
<td>-8.92%</td>
<td>+2.22%</td>
<td>-5.25%</td>
<td>+6.32%</td>
<td>+6.32%</td>
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<tr>
<td>Bloomberg Commodity Index</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Real Estate</strong></td>
<td>+13.94%</td>
<td>+6.61%</td>
<td>+6.82%</td>
<td>+9.35%</td>
<td>+14.59%</td>
<td>+14.59%</td>
</tr>
<tr>
<td>Morningstar Gbl Real Estate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Morningstar Direct Performance as of 3/31/2019*
<table>
<thead>
<tr>
<th></th>
<th>For the Markets</th>
<th>For CLS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What Worked in 2018</strong></td>
<td>Equities</td>
<td>Equities</td>
</tr>
<tr>
<td></td>
<td>Health Care Companies</td>
<td>Overweight Utility Companies</td>
</tr>
<tr>
<td></td>
<td>Utility Companies</td>
<td>Exposure to Health Care Companies</td>
</tr>
<tr>
<td></td>
<td>Technology Companies</td>
<td>Underweight Materials Companies</td>
</tr>
<tr>
<td></td>
<td><strong>Fixed Income</strong></td>
<td><strong>Fixed Income</strong></td>
</tr>
<tr>
<td></td>
<td>Intermediate-Term Treasuries</td>
<td>Mortgage-Backed Securities</td>
</tr>
<tr>
<td></td>
<td>Short Duration</td>
<td>Intermediate-Term Treasuries</td>
</tr>
<tr>
<td></td>
<td>Mortgage-Backed Securities</td>
<td>Active Short-Duration Bonds</td>
</tr>
<tr>
<td></td>
<td><strong>Alternative / Real Assets</strong></td>
<td><strong>Alternative / Real Assets</strong></td>
</tr>
<tr>
<td></td>
<td>Merger Arbitrage</td>
<td>Exposure to Merger Arbitrage</td>
</tr>
</tbody>
</table>

|                      | **What Didn’t Work in 2018**                      | For CLS               |
|                      | Equities                                          | Equities             |
|                      | Energy Companies                                  | Overweight Small-Cap Companies |
|                      | Materials Companies                               | Exposure to Energy Companies |
|                      | Small Cap Companies                               | Overweight Emerging Markets |
|                      | **Fixed Income**                                  | **Fixed Income**      |
|                      | Emerging Market Government Bonds                 | Overweight Emerging Market Debt |
|                      | International Corporate Bonds                     | Exposure to International Corporate Bonds |
|                      | High-Yield Bonds                                  | Exposure to High-Yield Bonds |
|                      | **Alternative / Real Assets**                     | **Alternative / Real Assets** |
|                      | Liquid Alternatives                               | Exposure to Actively Managed Liquid Alternatives |
# Market Review: What Worked & What Didn’t Work

## What Worked 1Q 2019 🔄

<table>
<thead>
<tr>
<th>For the Markets</th>
<th>For CLS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equities</strong></td>
<td><strong>Equities</strong></td>
</tr>
<tr>
<td>Technology Companies</td>
<td>Overweight Energy Companies</td>
</tr>
<tr>
<td>Real Estate Companies</td>
<td>Overweight Real Estate Companies</td>
</tr>
<tr>
<td>Energy Companies</td>
<td>Overweight Small &amp; Midcap Companies</td>
</tr>
<tr>
<td><strong>Fixed Income</strong></td>
<td><strong>Fixed Income</strong></td>
</tr>
<tr>
<td>Emerging Market Debt</td>
<td>Overweight Emerging Market Debt</td>
</tr>
<tr>
<td>High-Yield Bonds</td>
<td>Underweight Short-term Treasuries</td>
</tr>
<tr>
<td>Long-term Treasury Securities</td>
<td>Exposure to Investment Grade Corporate Bonds</td>
</tr>
<tr>
<td><strong>Alternative / Real Assets</strong></td>
<td><strong>Alternative / Real Assets</strong></td>
</tr>
<tr>
<td>REITs</td>
<td>REITs</td>
</tr>
</tbody>
</table>

## What Didn’t Work 1Q 2019 ↓

<table>
<thead>
<tr>
<th>For the Markets</th>
<th>For CLS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equities</strong></td>
<td><strong>Equities</strong></td>
</tr>
<tr>
<td>Materials Companies</td>
<td>Overweight to Value Companies</td>
</tr>
<tr>
<td>Utilities Companies</td>
<td>Overweight Utility Companies</td>
</tr>
<tr>
<td>International Equities</td>
<td>Overweight International Companies</td>
</tr>
<tr>
<td><strong>Fixed Income</strong></td>
<td><strong>Fixed Income</strong></td>
</tr>
<tr>
<td>Short-term Treasury Securities</td>
<td>Underweight High-Yield</td>
</tr>
<tr>
<td>Mortgage-Backed Securities</td>
<td>Exposure to TIPs</td>
</tr>
<tr>
<td>Short-term Corporate Bonds</td>
<td>Exposure to Mortgage-Backed Securities</td>
</tr>
<tr>
<td><strong>Alternative / Real Assets</strong></td>
<td><strong>Alternative / Real Assets</strong></td>
</tr>
<tr>
<td>Agriculture Commodities</td>
<td>Merger-arbitrage</td>
</tr>
</tbody>
</table>
You Have to Be Different to Win

- CLS has over 2x the smart beta exposure than the industry.
- CLS has over 8x the exposure to actively-managed ETFs.
- CLS has essentially half of the exposure to market-cap weighted ETFs compared to the industry.

**Industry Total ETF Assets**

- 75%
- 22%
- 2%
- 1%

**CLS Total ETF Assets**

- 46%
- 37%
- 17%
- 0%

Source: Bloomberg as of 2/28/2019
### Top Investment Reasons that CLS Believes Could Cause Markets to Rise or Fall

<table>
<thead>
<tr>
<th>Reasons Markets Could Rise</th>
<th>Reasons Markets Could Fall</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Trade deals are made, reducing negative sentiment toward international trading partners</td>
<td>- U.S. companies with excessive valuations (i.e., FANMAG stocks) missing Wall Street’s high expectations</td>
</tr>
<tr>
<td>- More accommodative monetary policies</td>
<td>- The Fed tightens faster than the market is pricing in</td>
</tr>
<tr>
<td>- Value stocks converging to fair value</td>
<td>- An acceleration of a trade war, more tariffs</td>
</tr>
<tr>
<td>- Fundamentally-sound international companies outperform expectations</td>
<td>- US economy starts to slow</td>
</tr>
<tr>
<td>- Global economic growth recovers</td>
<td>- A yield curve inversion</td>
</tr>
</tbody>
</table>
Stock Market Outlook: U.S. Earnings Growth

Reported earnings showed strong double-digit growth through the first 3 quarters of 2018 and are expected to finish 2018 strong with above 20% growth in the fourth quarter. While 2019 is forecasted to maintain double-digit growth on average, expectations are for earnings growth to peak and grow at a lower rate than 2018. As can be seen, earnings tend to trend upward over the long-term, though short-term periods may move above and below the trend line.

---

**Trendline = 5.9% Annual Growth Rate**
The U.S. market is at high relative valuations as compared to most international markets. The U.S market is currently expensive compared to most international markets. The chart below shows it trades at a 22% premium relative to the world.

Source: Factset, as of 2/28/2019
All investments, including those in the stock market, get their returns from three sources: yield, growth of earnings, and change in valuations. The data for historical returns since 1871 and forward-looking estimates are shown below. At CLS, we expect a downward move in valuations, and our expected US stock market return is therefore less than the long-term historic average.

*Speculative
As of 12/31/2018 & Stock Market Data is from Shiller site
This table displays the frequency of rolling historical returns for each respective time period since 1926. As shown, despite market fluctuations into negative territory, returns remain increasingly positive over time. In fact, on a rolling 10-year time frame, returns have been positive 95% of the time, highlighting the importance of staying invested long term. The table also shows the likelihood of various return levels over the next 12 months, according to CLS. Overall, CLS expects stock market returns to be below average moving forward.

<table>
<thead>
<tr>
<th>Since 1926</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
<th>According to CLS: Probability of Returns Over Next 12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returns &gt; 20%</td>
<td>34%</td>
<td>18%</td>
<td>11%</td>
<td>1%</td>
<td>17%</td>
</tr>
<tr>
<td>Returns between 10% and 20%</td>
<td>23%</td>
<td>40%</td>
<td>46%</td>
<td>49%</td>
<td>17%</td>
</tr>
<tr>
<td>Returns between 5% and 10%</td>
<td>11%</td>
<td>17%</td>
<td>17%</td>
<td>34%</td>
<td>14%</td>
</tr>
<tr>
<td>Returns between 0% and 5%</td>
<td>7%</td>
<td>9%</td>
<td>13%</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>Returns between 0% and -5%</td>
<td>6%</td>
<td>6%</td>
<td>7%</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>Returns between -5% and -10%</td>
<td>6%</td>
<td>5%</td>
<td>3%</td>
<td>0%</td>
<td>15%</td>
</tr>
<tr>
<td>Returns &lt; -10%</td>
<td>13%</td>
<td>5%</td>
<td>3%</td>
<td>0%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Numbers as of 03/22/2019
Past performance is not a guide to future performance. Individual client accounts may vary. Probabilities are 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.
*Source: Robert Shiller. The sum of the figures may be lesser or greater than 100% due to rounding.
Stock Market Outlook: CLS Forecast

This chart shows the “CLS Scores** of broad asset classes. As shown below, expected returns for international markets are higher than those for the U.S. On average, it is our expectation that international markets will return potentially up to 4.4% more than the U.S. over the next year using these assumptions.


*For a complete explanation of the “CLS Score,” please see page 69 of this Reference Guide.
Bond Market Outlook: Rolling Historical Annualized Returns

This table displays the frequency of rolling historical returns for each respective time period since 1926. As shown, despite market fluctuations into negative territory, returns remain increasingly positive over time. In fact, on a rolling 5- and 10-year time frame, returns have been positive 100% of the time, highlighting the importance of staying invested long term. The table also shows the likelihood of various return levels over the next 12 months, according to CLS. Overall, CLS expects bond market returns to be below average moving forward.

### Frequency of Historical Rolling Annualized U.S. Bond Market Returns

<table>
<thead>
<tr>
<th>Since 1926</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
<th>According to CLS: Probability of Returns Over Next 12 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returns &gt; 20%</td>
<td>2%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Returns between 10% and 20%</td>
<td>14%</td>
<td>11%</td>
<td>10%</td>
<td>11%</td>
<td>5%</td>
</tr>
<tr>
<td>Returns between 5% and 10%</td>
<td>25%</td>
<td>32%</td>
<td>35%</td>
<td>34%</td>
<td>18%</td>
</tr>
<tr>
<td>Returns between 0% and 5%</td>
<td>48%</td>
<td>57%</td>
<td>55%</td>
<td>55%</td>
<td>50%</td>
</tr>
<tr>
<td>Returns between 0% and -5%</td>
<td>10%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>20%</td>
</tr>
<tr>
<td>Returns between -5% and -10%</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>4%</td>
</tr>
<tr>
<td>Returns &lt; -10%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Numbers as of 03/22/2019
Past performance is not a guide to future performance. Individual client accounts may vary. Probabilities are 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.
*Source: Ibbotson Index Data. The sum of the figures may be lesser or greater than 100% due to rounding.*
Bond Market Outlook: Performance During Rising Rates

In a rising rate environment, investors should temper their return expectations for the near term. Returns have historically been positive on average over the shorter time periods during this time frame. Investors should instead focus on the long term. Bonds can be thought of as a self-healing asset. When interest rates rise, the ability to reinvest at higher rates will outweigh any paper losses experienced up front. Bond returns are rarely negative over 3- and 5-year periods.

<table>
<thead>
<tr>
<th>Intermediate-Term Treasury Bond Rolling Forward Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Period Count</td>
</tr>
<tr>
<td>Average Return</td>
</tr>
<tr>
<td>Positive Return Frequency</td>
</tr>
</tbody>
</table>

Returns based on the IA SBBI Intermediate-Term Treasury Bond Index from 01/01/1962 - 12/31/2018
Rate Hike cycle determined by the Federal Funds Target Rate Mid Point back to inception of 01/01/1971, and the Federal Funds Effective rate between 01/01/1962 - 12/31/1970
CLS Investment Themes

Be Active

- CLS is active at the overall portfolio level by tilting toward favorable asset classes, including international stocks and value stocks.
- When building portfolios, CLS prefers to use actively managed funds over those that are passive.

Be Smart

- CLS emphasizes factor-based ETFs, known as “smart beta,” which tilt toward factors such as value, momentum, and size.
- Smart beta ETFs use methodologies that diverge away from a broad market-cap weighted index.

Be Creative

- CLS is creative with diversification by utilizing investments that are not correlated with stock or bonds.
- We use alternative investments and real assets to improve diversification.
CLS Investment Themes: Be Active

One way CLS expresses this theme is by tilting toward international- and value-focused equities. Developed International is trading at a 20% discount, normally at a 14% discount. Value stocks are trading at a 26% discount, normally at a 21% discount.

---

Source: Factset, as of 2/28/2019

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*ETFs used where index data is unavailable*
What are smart beta ETFs?

- Traditionally, ETFs were designed to track common, broad market indices such as the S&P 500. More recently, however, new indices have been created that are designed to behave differently than the traditional, market-cap weight indices.
- ETFs that utilize commonly known investment strategies or risk factors pursued by institutional active managers.
- A set of institutional-quality tools for managing Risk-Budgeted portfolios.

An important subset of smart beta is factors, which are broad, persistent drivers of risk and return. The seven factors CLS tends to emphasize are:

- **Size**: Smaller Companies
- **Value**: Inexpensive Stocks
- **Momentum**: Trending Stocks
- **Minimum Volatility**: Lower-Risk Stocks
- **Quality**: Financially Healthy Firms
- **Duration**: Interest Rate Sensitivity
- **Credit**: Credit Quality
Why Smart Beta?

Smart Beta seeks to incorporate the best attributes of passive and active investing to create a more innovative way to manage money.

Source: Morningstar
Factors Deliver More Diversified Risk-Adjusted Returns

Factor investing, like all kinds of investing, has a cyclical nature. But despite the cyclical nature, factor investing usually wins in calendar year performance returns. Factor investing does well in all environments, but particularly so in down markets. We believe that a strategic emphasis on factor investing will add value over time. In addition, diversification among the factors in a multi-factor approach provides smoother returns over time.

### Excess Returns vs. MSCI ACWI

<table>
<thead>
<tr>
<th>Year</th>
<th>QUALITY</th>
<th>MOMENTUM</th>
<th>VALUE</th>
<th>MULTIFACTOR</th>
<th>SIZE</th>
<th>MINIMUM VOLATILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>+13.2%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>1997</td>
<td>+14.0%</td>
<td>+4.1%</td>
<td>+6.6%</td>
<td>+6.6%</td>
<td>+13.5%</td>
<td>+5.7%</td>
</tr>
<tr>
<td>1998</td>
<td>+13.7%</td>
<td>+5.5%</td>
<td>+7.5%</td>
<td>+6.2%</td>
<td>+16.6%</td>
<td>+5.2%</td>
</tr>
<tr>
<td>1999</td>
<td>+11.8%</td>
<td>+2.8%</td>
<td>+4.4%</td>
<td>+3.0%</td>
<td>+7.9%</td>
<td>+4.4%</td>
</tr>
<tr>
<td>2000</td>
<td>+11.3%</td>
<td>+2.9%</td>
<td>+3.2%</td>
<td>+0.2%</td>
<td>+1.6%</td>
<td>+4.8%</td>
</tr>
<tr>
<td>2001</td>
<td>+12.6%</td>
<td>+2.3%</td>
<td>+1.1%</td>
<td>+1.4%</td>
<td>+1.6%</td>
<td>+8.0%</td>
</tr>
<tr>
<td>2002</td>
<td>+12.7%</td>
<td>+0.4%</td>
<td>-4.6%</td>
<td>-1.6%</td>
<td>-15.5%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>2003</td>
<td>+13.0%</td>
<td>-3.1%</td>
<td>-2.8%</td>
<td>-1.6%</td>
<td>-15.5%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>2004</td>
<td>+13.5%</td>
<td>-2.8%</td>
<td>-2.8%</td>
<td>-1.6%</td>
<td>-15.5%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>2005</td>
<td>+13.0%</td>
<td>-2.8%</td>
<td>-2.8%</td>
<td>-1.6%</td>
<td>-15.5%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>2006</td>
<td>+13.0%</td>
<td>-2.8%</td>
<td>-2.8%</td>
<td>-1.6%</td>
<td>-15.5%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>2007</td>
<td>+13.0%</td>
<td>-2.8%</td>
<td>-2.8%</td>
<td>-1.6%</td>
<td>-15.5%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>2008</td>
<td>+13.0%</td>
<td>-2.8%</td>
<td>-2.8%</td>
<td>-1.6%</td>
<td>-15.5%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>2009</td>
<td>+13.0%</td>
<td>-2.8%</td>
<td>-2.8%</td>
<td>-1.6%</td>
<td>-15.5%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>2010</td>
<td>+13.0%</td>
<td>-2.8%</td>
<td>-2.8%</td>
<td>-1.6%</td>
<td>-15.5%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>2011</td>
<td>+13.0%</td>
<td>-2.8%</td>
<td>-2.8%</td>
<td>-1.6%</td>
<td>-15.5%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>2012</td>
<td>+13.0%</td>
<td>-2.8%</td>
<td>-2.8%</td>
<td>-1.6%</td>
<td>-15.5%</td>
<td>-3.1%</td>
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<tr>
<td>2013</td>
<td>+13.0%</td>
<td>-2.8%</td>
<td>-2.8%</td>
<td>-1.6%</td>
<td>-15.5%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>2014</td>
<td>+13.0%</td>
<td>-2.8%</td>
<td>-2.8%</td>
<td>-1.6%</td>
<td>-15.5%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>2015</td>
<td>+13.0%</td>
<td>-2.8%</td>
<td>-2.8%</td>
<td>-1.6%</td>
<td>-15.5%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>2016</td>
<td>+13.0%</td>
<td>-2.8%</td>
<td>-2.8%</td>
<td>-1.6%</td>
<td>-15.5%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>2017</td>
<td>+13.0%</td>
<td>-2.8%</td>
<td>-2.8%</td>
<td>-1.6%</td>
<td>-15.5%</td>
<td>-3.1%</td>
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<tr>
<td>2018</td>
<td>+13.0%</td>
<td>-2.8%</td>
<td>-2.8%</td>
<td>-1.6%</td>
<td>-15.5%</td>
<td>-3.1%</td>
</tr>
</tbody>
</table>

Factors Deliver More Diversified Risk-Adjusted Returns

Similar to equity factors, cyclicality is present in the performance of fixed income factors. The key point is that factor returns have a strong positive bias. Credit and duration have typically outperformed cash on a calendar year basis, and the probability of outperformance has increased historically when combining both factors in a portfolio.

Excess Returns vs. Cash

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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Return</td>
<td>+10.5%</td>
<td>+15.4%</td>
<td>+2.1%</td>
<td>+0.4%</td>
<td>+13.8%</td>
<td>+7.3%</td>
<td>+2.3%</td>
<td>+1.3%</td>
<td>+24.1%</td>
<td>+21.2%</td>
<td>+10.0%</td>
<td>+4.3%</td>
<td>+3.4%</td>
<td>+7.4%</td>
<td>+2.5%</td>
<td>+1.5%</td>
<td>+5.4%</td>
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</tr>
<tr>
<td>Ann. Return</td>
<td>+6.8%</td>
<td>+5.3%</td>
<td>+3.7%</td>
<td>+6.6%</td>
<td>+5.1%</td>
<td>+73.9%</td>
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<tr>
<td>Positive Excess Return</td>
<td>+9.2%</td>
<td>+7.9%</td>
<td>+2.9%</td>
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<tr>
<td>Negative Excess Return</td>
<td>-0.1%</td>
<td>-2.2%</td>
<td>-11.2%</td>
<td>-0.4%</td>
<td>-3.6%</td>
<td>-0.3%</td>
<td>-3.6%</td>
<td>-2.6%</td>
<td>-2.0%</td>
<td>-15.0%</td>
<td>+24.1%</td>
<td>+21.2%</td>
<td>+10.0%</td>
<td>+4.3%</td>
<td>+3.4%</td>
<td>+7.4%</td>
<td>+2.5%</td>
<td>+1.5%</td>
<td>+5.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>YTD Return</td>
<td>+6.8%</td>
<td>+5.3%</td>
<td>+73.9%</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Ann. Return</td>
<td>+6.6%</td>
<td>+5.1%</td>
<td>+73.9%</td>
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<td></td>
</tr>
<tr>
<td>% Years Beat</td>
<td>+15.1%</td>
<td>+27.0%</td>
<td>+15.5%</td>
<td>+24.7%</td>
<td>+17.2%</td>
<td>+6.7%</td>
<td></td>
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</tbody>
</table>
| Source: Morningstar Direct as of 3/31/2019. IA SBBI US LT Govt TR USD Index and BofAML US HY Master II TR USD Index relative to the BBgBarc US Treasury Bill 1-3 Mon TR USD Index.
CLS Investment Themes: Be Creative

CLS applies this theme by utilizing:

**ALTERNATIVE INVESTMENT STRATEGIES**
- Diversify portfolios
- Help risk management
- Have unique exposures

**REAL ASSETS**
- Are uncorrelated
- Are undervalued
- May protect from inflation
# Alternative Investment Types

<table>
<thead>
<tr>
<th>Hedge Fund Replication</th>
<th>Event Driven</th>
</tr>
</thead>
<tbody>
<tr>
<td>‣ Seek to replicate the historical performance of the broad hedge fund universe</td>
<td>‣ Merger Arbitrage – capture deal risk premium inherent in target companies of merger transactions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Managed Futures</th>
<th>‣ Spinoff Arbitrage – capture positive performance of a parent company as value is unlocked through a spinoff</th>
</tr>
</thead>
<tbody>
<tr>
<td>‣ Generate uncorrelated returns by using proprietary trading strategies to invest in long and short futures contracts of stocks, bonds, currencies, and commodities</td>
<td>‣ Share Buybacks – exploit outperformance of a company engaged in a share buyback program</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Long/Short Equity</th>
<th>‣ Activist Tracking – track activist campaigns to capture abnormal returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>‣ Seek to mitigate risk and generate alpha by buying stock positions expected to appreciate and shorting stock positions expected to decline</td>
<td>‣ Index Arbitrage – take advantage of price movements during index rebalance periods</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>‣ Post-reorganization Equity – capture unique opportunities as companies emerge from bankruptcy</th>
</tr>
</thead>
</table>
Real Assets Uncorrelated & Undervalued

The below grid shows correlations of various real asset categories and how they diversify exposures to stocks and bonds. The lower the correlation, the stronger the diversification benefit. Additionally, the graph shows that real estate valuations are the most attractive in years, meaning the probability of outperformance going forward has increased.

### 10-Year Correlations with U.S. Stocks and Bonds
(Monthly Data 03/01/2009 – 02/28/2019)

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
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<th>6</th>
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</thead>
<tbody>
<tr>
<td>Stocks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Bonds</td>
<td>-0.11</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Commodities</td>
<td>0.54</td>
<td>0.04</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Natural Resources</td>
<td>0.76</td>
<td>-0.01</td>
<td>0.76</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>0.54</td>
<td>0.22</td>
<td>0.37</td>
<td>0.41</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>0.7</td>
<td>0.27</td>
<td>0.32</td>
<td>0.49</td>
<td>0.58</td>
<td></td>
</tr>
<tr>
<td>Alternatives</td>
<td>0.83</td>
<td>-0.03</td>
<td>0.52</td>
<td>0.72</td>
<td>0.53</td>
<td>0.71</td>
</tr>
</tbody>
</table>

*ETFs used where index data is unavailable

Source: Morningstar Direct. Stocks represented by Russell 3000 Index, Bonds represented by BBgBarc U.S. Agg Bond Index, Commodities represented by Bloomberg Commodity Index, Natural Resources represented by S&P North American Natural Resources, Infrastructure represented by MSCI USA Infrastructure Index, Real Estate represented by DJ U.S. Real Estate Index, Alternatives represented by Morningstar Diversified Alt Index.
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Bloomberg Barclays Capital U.S. Aggregate Bond Index: An index used by bond funds as a benchmark to measure relative performance. This index includes government, mortgage-backed, asset-backed, and corporate securities.

MSCI Emerging Markets Index: Seeks to track the investment results of an index composed of large- and mid-cap emerging market equities.

Bloomberg Commodity Index: The 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.

MSCI ACWI ex-U.S. Index: An index considered representative of stock markets of developed and emerging markets, excluding those of the U.S.

MSCI EAFE Index: Measures international equity performance. It comprises the MSCI country indexes capturing large- and mid-cap equities across developed markets in Europe, Australasia, and the Far East, excluding the U.S. and Canada.

Russell 3000 Index: An index composed of the 3,000 largest U.S. stocks and considered representative of the U.S. stock market.

S&P 500 Index: A stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. This index is representative of large-cap stocks.

Morningstar Global Market Large-Mid Index: An index that measures the performance of the global market's equity markets targeting the top 90% of stocks by market capitalization.

Morningstar U.S. Market Index: 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 U.S. Large Cap Index: An index that measures the performance of U.S. large-cap stocks. These stocks represent the largest 70% capitalization of the investable universe.

Morningstar U.S. Small Cap Index: An index that measures the performance of U.S. small-cap stocks. These stocks fall between the 90th and 97th percentile in market capitalization of the investable universe. In aggregate, the Small Cap Index represents 7% of the investable universe.

Morningstar Global ex U.S. Large-Mid Index: An index that measures the performance of Global Markets (ex-U.S.) equity markets targeting the top 90% of stocks by market capitalization.

Morningstar DM ex U.S. Large-Mid Index: An index that measures the performance of developed markets ex-U.S. equity markets targeting the top 90% of stocks by market capitalization.

Morningstar EM Large-Mid Index: An index that measures the performance of emerging markets targeting the top 90% of stocks by market capitalization. The Barclay's Capital U.S. Aggregate Bond® Index measures the performance of the total United States investment-grade bond market.

Morningstar Cash Index: An index that measures the performance of a Treasury Bill with six to eight weeks until maturity in the U.S. market.

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.
**Glossary - Indexes**

- **Bloomberg Commodity Index**: is made up of exchange-traded futures on physical commodities and represents commodities that are weighted to account for economic significance and market liquidity. This index provides investors with a means of understanding the performance of commodity futures markets and serves as a benchmark for investment performance of commodities as an asset class.

- **Morningstar Gbl Real Estate NR USA Index**: measures the performance of mortgage companies, property management companies and REITs.

- 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.

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**AdvisorOne Funds**: The CLS-managed AdvisorOne Funds are CLS’s proprietary mutual fund family. These funds primarily invest in ETFs, and give investors with a range of investment goals access to a variety of ETFs.

**Beta**: A measure of volatility, or systematic risk of a security or a portfolio in comparison to the market as a whole. A beta of 1 indicates that the portfolio will likely move with the market. Anything less than 1 indicates that the security or the portfolio is typically less volatile than the market.

**CLS Score**: A proprietary expected return measurement CLS calculates as a complement to our Risk Budgeting Methodology. It is constructed by first building a capital market assumption (CMA) for a broad asset class, then adding a valuation overlay, a technical overlay, and a cost adjustment for each ETF. The end result is an expected annualized return (the “CLS Score”) for every ETF we track.

**Dividend Yield**: Calculated by annual dividends per share divided by price per share. This ratio indicates how much a company pays out in dividends each year relative to its share price.

**Downside Capture Ratio**: 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.

**Earnings Growth**: The annual rate of growth of earnings from investments.

**Earnings Yield**: Calculated by earnings per share divided by price per share. This ratio shows the percentage of each dollar invested in the stock that was earned by the company.

**Exchange Traded Fund (ETF)**: An exchange traded fund (ETF) is an investment fund that is priced and traded on an exchange throughout the day just like a stock. ETFs hold a basket of securities (stocks, commodities, or bonds), and most track an index.

**Standard Deviation**: A statistical measurement of volatility risk based on historical returns. This risk measure shows how much the return of the fund or security is deviating from its historical mean return. The larger the standard deviation, the more volatile the fund or security.

**Strategic Investment Style**: Sets target allocations that are long term in nature. Strategic does not mean buy-and-hold or passive. Strategic can still be active, such as making active decisions in response to changes in risk and opportunities around the world.

**Tactical Investment Style**: An unconstrained investment approach that can quickly and abruptly change its allocation and risk profile from 100% stocks to 100% cash, and vice versa. Tactical money managers try to move in and out of the market and asset classes in an attempt to time and achieve outperformance over a stated benchmark that may not be representative of their true portfolio over time.
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CLS Investments, LLC (“CLS”) was selected as a winner for WealthManagement.com’s 2016 Industry Awards in the category, Asset Managers- ETF Strategist. The WealthManagement.com Industry Awards program is an unbiased, third-party organization seeking to recognize companies that support financial advisors. Nominations for the WealthManagement.com Industry Awards were based on a submission from the company describing how it helps financial advisors work with clients. The award goes to the company selected by a Judges Panel made up of ten industry professionals. Winners of the award for each category were announced September 13, 2018. WealthManagement.com is not affiliated with CLS. Ratings and awards may not be representative of any one client’s experience and are not indicative of CLS’s future performance.

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RUSTY VANNEMAN MONEY MANAGEMENT EXECUTIVE AWARD

CLS Investment, LLC (“CLS”) Chief Investment Officer, Rusty Vanneman, CFA, CMT, was selected as a “Top 10 Fund Managers to Watch” in 2017 by Money Management Executive. Money Management Executive is an unbiased, third-party publication covering the asset management industry. Money Management Executive chose the list of managers to watch by screening Morningstar data from funds with a single manager, ranked as having the best three-year annualized returns in their respective categories. The list of managers was published March 27, 2017. Money Management Executive is not affiliated with CLS. Ratings and awards may not be representative of any one client’s experience and are not indicative of CLS’s future performance.

GRANT ENGELBART MONEY MANAGEMENT EXECUTIVE AWARD

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