

# CLS Smart ETF Models

**DESIGNED TO FOCUS ON TOTAL RETURN PROPORTIONATE TO YOUR RISK TOLERANCE. THESE MODELS ARE OFFERED AT A 0% STRATEGIST FEE, AND ARE ALLOCATED TO SMART BETA AND ACTIVE ETFs FROM MULTIPLE PREMIER PARTNER ETF PROVIDERS.**

CLS typically allocates its Smart ETF Models among 12 to 18 globally diversified ETFs from multiple providers, according to your individual Risk Budget. Portfolios will mostly hold smart beta and active ETFs, with some smaller satellite positions in ETFs focused on specific sectors, countries, and alternative assets. CLS offers eight Smart ETF models:

- ▶ CLS Smart ETF Risk Budget 100 Aggressive
- ▶ CLS Smart ETF Risk Budget 90 Aggressive
- ▶ CLS Smart ETF Risk Budget 80 Moderately Aggressive\*
- ▶ CLS Smart ETF Risk Budget 75 Moderately Aggressive
- ▶ CLS Smart ETF Risk Budget 60 Moderate
- ▶ CLS Smart ETF Risk Budget 50 Moderate
- ▶ CLS Smart ETF Risk Budget 40 Moderately Conservative
- ▶ CLS Smart ETF Risk Budget 30 Conservative



ETFs by

**J.P.Morgan**  
Asset Management

**P I M C O**



○○○  
**OTHER PREMIUM  
PROVIDERS**

## A METHODOLOGY DESIGNED TO KEEP RISK CONSTANT

CLS utilizes its Risk Budgeting Methodology to manage these models, which is designed to keep your risk constant, regardless of the market environment. Within our Risk Budgeting Methodology, each security CLS tracks is assigned a risk score, which allows us to compare different types of investments. This affords us more flexibility than a typical stock-to-bond ratio, as the level of risk among asset classes can vary widely. If we choose to invest in a higher-risk asset class or ETF, we must balance that risk by either lowering other high-risk assets or raising low-risk assets in order to keep the portfolio in line with your Risk Budget.

### Active Portfolio Management

CLS actively manages your portfolio, meaning our team of portfolio managers analyzes potential investments and watches your portfolio for opportunities on a daily basis. We conduct significant research and rely on a proprietary risk calculation to measure the risk of each asset we track in order to make informed decisions about which assets to buy, hold, and sell.

*\*Available only on select platforms*

**CLS INVESTMENTS**

## A BETTER INVESTOR EXPERIENCE THROUGH SMART BETA

Since they were launched in 1993, ETFs have gained tremendous popularity. CLS began using ETFs in the late 1990s and is now one of the largest active money managers of this versatile investment vehicle<sup>1</sup>.

Traditionally, ETFs were designed to track common, broad market indices such as the S&P 500. More recently, however, new indices (smart beta ETFs) have been created that are designed to behave differently than the traditional, market-cap weighted indices. Smart beta ETFs utilize commonly known investment

strategies or risk factors, and offer a set of institutional-quality tools for managing Risk-Budgeted portfolios.

Factors, which are broad, persistent drivers of risk and return are an important component of smart beta. CLS utilizes factor investing to fortify our traditional portfolio management, as we believe this helps produce stronger investment results with a greater degree of consistency over time. The seven factors CLS tends to emphasize are:



By emphasizing these factors and selecting smart beta ETFs from its premier partner ETF providers (e.g., Deutsche Asset Management, L.P., J.P. Morgan Asset Management, PIMCO, and Invesco), CLS's Smart ETF Models are designed to add value and provide smoother investment results over time.

## ABOUT CLS

**CLS Investments, LLC (CLS) is a third party investment manager, ETF strategist, and long-time trusted partner in the financial industry. CLS's active asset allocation approach, customizable strategy offerings, and extensive risk management experience have led clients to entrust their portfolios to CLS since 1989.**

Through CLS's partnership structure, your financial advisor maintains a direct relationship with you, while CLS's portfolio management and analytics teams take on the day-to-day research. Through this mutually beneficial connection, CLS enhances your advisor's service to you.

**1989**  
*Founded*

**\$8.8B\***  
*Assets under management*

**44k+**  
*CLS clients*

**15**  
*Portfolio managers & analysts*

\*as of 6/30/18



<sup>1</sup>Morningstar, as of 3/31/16. The ETFs utilized within CLS Smart ETF Models are limited to certain ETF providers. The providers whose ETFs are utilized in these models pay CLS a fee in exchange for inclusion in these models. There is a potential conflict because the ETFs utilized by CLS in these models are limited to the providers who pay CLS for inclusion in the program and the fees received by CLS vary based upon the ETFs utilized within the models. Additionally, each ETF provider may expect that a portion of the total assets in the model portfolios be allocated to their ETFs. To mitigate the conflicts, CLS selects funds from the ETF providers that participate in the program based upon the model's investment objectives and our Risk Budgeting Methodology and not based upon any other factor. This information should not be relied upon as investment advice, research, or a recommendation by CLS regarding the funds listed herein or the use or suitability of any model portfolio. There is no guarantee that investment in any program or strategy discussed herein will be profitable or will not incur loss. Investors should seek financial advice regarding the appropriateness of investing in any security or investment strategy discussed or recommended in this report. Investing involves risk, including possible loss of principal. Asset allocation and diversification may not protect against market risk, loss of principal or volatility of returns. 1729-CLS-7/19/2018