

If you happen to come across a box of Banana Bread Eggo Waffles, there are three steps you should take:

1. Buy it.
2. Eat it.
3. Tell Grant Engelbart where to find it.

Banana Bread Eggo Waffles are perhaps Engelbart's favorite food. But, they're impossible to find. In fact, they were discontinued shortly after he discovered them. This is a problem he's grown used to. "Everything I like gets discontinued," he says.

It's a hallmark of Engelbart's personality: choosing the product (typically food-related) that isn't the most popular or flashiest — but is often the tastiest. "If everyone's going to McDonald's, I don't want to go to McDonald's," he said (in another food-related example). "If I go to a burger place, I order the taco burger." (Another item that might not be on the menu long.)

Engelbart's attraction to overlooked items — the hidden gems of the marketplace — serves him well in his role as manager of the AdvisorOne CLS Global Aggressive Equity (CLACX) fund. CLACX is a global asset allocation fund with a high Risk Budget target of 110. That means the fund can go anywhere in the world in search of the highest returns, and it also looks in potentially overlooked areas — those sectors with hidden value. "Nowadays you can capture the entire world market with a few low cost ETFs," Engelbart said, "but making that look different than peers and competitors is the key to outperformance."

Engelbart has been managing the fund, which first launched in 2009, since 2014. Most investors with CLS-managed funds and a moderate-to-aggressive Risk Budget will likely have some allocation to this fund. It's an ideal position for investors with long investing time horizons and those who want something a little different from the plain vanilla exposure they're used to. "To be more aggressive, you have to be more specific, more

distinct," Engelbart said. "You have to find exposures that perform differently at different times."

Managing an aggressive fund is a good fit for Engelbart whose personal style of investing is to be more aggressive, and he seeks to take advantage of opportunities with some boldness. Managing the fund has also helped him specialize in two areas he is most interested in: equities and alternatives. For example, he's long been drawn to commodities because of the distinct nature of what drives returns. (Natural gas goes up in winter; rainfall affects corn production and prices.) "The market in general, why it's attractive to me," he said, "is because of those relationships globally."



Grant Engelbart
CFA, CAIA

The Draw of Value and Momentum

CLACX depends on two factors with proven track records of success that Engelbart finds easy to get behind: value and momentum. Value is a favorite, he says, because it intuitively makes sense. "If something that's undervalued relative to its history is moving higher, it makes intuitive sense that it's going to continue to move higher at least to a more normal valuation level," he said. Valuations are rooted in historical data, which means investors don't have to try to predict the future. "It removes the subjectivity."

Engelbart likes momentum too, partly because it can be measured fairly easily. He can search through a variety of asset classes and quickly spot those that have outperformed their benchmarks. "You can look around the world — literally — fairly quickly to find these types of opportunities," he said. Value and

momentum are also not correlated with each other, which helps it avoid periods of underperformance.

While constant change in the market impacts the fund's performance each day, Engelbart enjoys staying on top of the swiftly shifting winds of global change. "There are just so many places to invest," he said, "there are endless possibilities." Following world events helps Engelbart spot new opportunities and understand how a security is reacting and trading, but when making a choice to buy or sell, he focuses on fundamentals. "If there's an overreaction in the market to an event, say a government official steps down and that hurts stocks in a country, is that really

changing the valuation?" he said. "Usually, it's not. But it provides an opportunity to put more money to work and perhaps invest more."

CLACX typically uses ETFs, which provide access to countries and securities around the world, offering unique exposures for investors. That's what Engelbart loves most about the fund and where he sees the most potential — the hidden gems, the Banana Bread Eggo Waffles of the world.

"Don't just own the global stock market," Engelbart said, "own it with a twist."

CLACX has a Risk Budget of 110. That is 10 points above CLS's global equity benchmark. CLS achieves this higher-returns goal with standard, liquid ETFs and avoids leveraged products and derivatives.

The fund is most suitable for investors with long investing time horizons, such as young people with 30-40 years before they retire. For investors concerned about downside protection, it may not be a suitable fit as it is a higher-risk fund. However, investors may still have a portion of their funds invested in CLACX as part of a fully diversified portfolio.

CLS manages funds in the AdvisorOne Funds family, many of which use ETFs as their primary investment vehicle. CLS portfolio managers combine funds within

the AdvisorOne family in an effort to create efficient Risk-Budgeted portfolios for our clients. A Risk Budget is expressed as a percentage of the risk of a well-diversified equity portfolio. The diversified equity portfolio is defined as 60% of the Russell 3000 Index and 40% of the MSCI ACWI (ex-US). CLACX's 110% weighting against this benchmark is consistent with the risk level of the Fund, meaning that the Fund will be invested to maintain a higher overall risk tolerance within its portfolio than the diversified equity portfolio.

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