Qualified Plan Sponsor Guide

CLS INVESTMENTS

Why Hire a Professional Money Manager for Your Retirement Plan?

Professional investment management options are important within a qualified retirement plan, as research shows that most investors do not invest optimally. In fact, a study conducted in 2018 by Dalbar, Inc. showed that, between 2007 and 2017, individual equity mutual fund investors achieved 4.88% annualized returns, while the S&P 500 returned 8.50%.

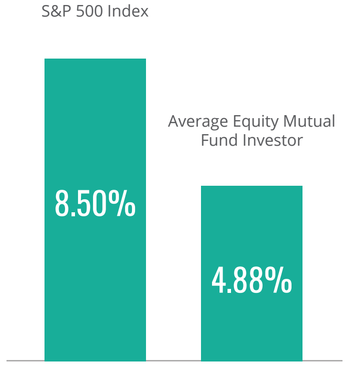
To help ensure that your employees are on track to meet their retirement objectives, it is critical that they have the option to turn over management of their retirement assets to a professional investment manager. In addition to potentially improved participant returns, plan sponsors who choose to offer professionally managed accounts through their retirement plan gain valuable fiduciary support and often see increased plan participation.

OUTSOURCED FIDUCIARY RESPONSIBILITY

Many plan sponsors want advice from an investment professional and seek to outsource their fiduciary responsibility. In addition to providing managed account solutions to your employees, CLS can provide that fiduciary support to you, as the plan sponsor. Managed accounts allow for plan sponsors to transfer their fiduciary responsibility to the investment manager.

If you choose CLS for fiduciary support, we will serve as a 3(21) fiduciary to your plan, meaning we will work in conjunction with your financial advisor to make investment recommendations for your plan. CLS also accepts appointment within Section 3(38) of ERISA as an investment manager for the managed accounts models we offer.

AVERAGE ANNUALIZED RETURNS, 2007-2017[1]



CLS INVESTMENTS

FURTHER FIDUCIARY SUPPORT THROUGH AGE-BASED ENROLLMENT

Plan sponsors can increase their fiduciary protection by automatically enrolling new plan participants into a managed account strategy based upon age.

Even if a new employee does not enroll in your retirement plan, a percentage of his or her wages that you specify is automatically regularly invested into an appropriate model. The participant can still create a risk profile or opt into an alternative model, but you are assured that all participants are placed into suitable investments at initial enrollment.

Studies show that employees enrolled in plans with automatic features tend to stay in the plan longer. In fact, the National Association of Government Defined Contribution Administrators, Inc. (NAGDCA),2 noted that, in one major state plan, fewer than 8% of participants opted out of managed account services when auto enrollment was available at the time of employment.

POTENTIAL FOR INCREASED PARTICIPANT

Overall, employees are more likely to participate in their company qualified retirement plan when the plan sponsor offers managed accounts. They are also more likely to participate in managed accounts than to pursue other types of funds or advice the plan offers. Further, automatic enrollment into the plan can help boost plan participation rates.

According to the NAGDCA, "*managed accounts provide the best long term opportunity for the participant*." They also note that, "a 'best practice' situation would automatically enroll all new employees in the defined contribution plan, and place them in managed accounts."

USAGE OF VARIOUS TYPES OF INVESTMENT "HELP"[3]

	TARGET-DATE FUNDS	MANAGED ACCOUNTS	ONLINE ADVICE
Company A	5.9%	9.6%	13.1%
Company B	1.4%	16.4%	3.1%
Company C	17.9%	10.1%	7.5%
Company D	2.2%	14.8%	4.3%
Company E	27.9%	13.5%	2.9%
Company F	12.7%	13.2%	5.1%
Company G	0.5%	10.7%	5.5%
Company H	3.0%	50.2%	2.4%

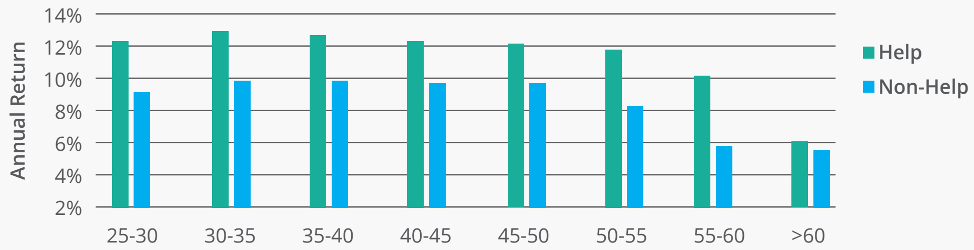
90-day Trial Period

All new participants (for new and existing plans) enrolling into managed accounts are eligible for a 90-day trial period, which begins once the participant has assets in his or her account. If the participant terminates the managed account service within the 90-day trial period, no investment advisory fee will be assessed. If a participant remains in the managed account service after the 90-day trial period, an investment advisory fee will be assessed on the account based on the initial enrollment date.

POTENTIAL FOR IMPROVED PARTICIPANT RETURNS

The use of managed accounts can also greatly affect participant returns. For example, an AON Hewitt study found that plan participants who used some form of help, including managed accounts, achieved returns nearly 3% higher than those who did not receive help. What may seem like a small difference in return can have a large impact over time.

MEDIAN RETURNS[3]



THE VALUE OF INVESTMENT HELP[3]

Original Investment at Age 45	Wealth at Age 65: No Investment Help	Wealth at Age 65: Investment Help
$10,000*	$42,100	$71,400

**This example assumes a difference in returns of 2.92% between investors receiving investment help and those who are not.*

This example is an illustration of how investment help could assist an individual investor. It is not meant to show the expected behavior of a portfolio. The illustration is based on sample data and does not reflect actual trading.

To what can we attribute these higher returns? According to a Vanguard study[4] of 40,000 participants, managed accounts have a notable affect on returns due to increased equity exposure and savings rates, as well as a reduction in portfolio risk levels and costs. Of the participants surveyed, it was reported that:

- 60% increased their projected 10-year retirement wealth by an average of 30%.
- 30% earned value through a reduction in portfolio risk.
- 40% made an active savings decision at enrollment.
- 1/3 chose to increase their savings rate by an average of 3%.
- 60% saw a reduction in average fund fees.
- Expense ratios were reduced by an average of 0.06%.

Why Choose CLS as Your Plan's Professional Money Manager?

LACK OF TIME

Tremendous demands on your time often leaves little opportunity for retirement plan management and monitoring. For your participants, life gets busy and managing money often becomes an afterthought. However, timeliness of investment decisions is important for achieving optimal returns. That is why a money manager like CLS is beneficial – ***we monitor the market and portfolios every day***.

INADEQUATE EXPERIENCE

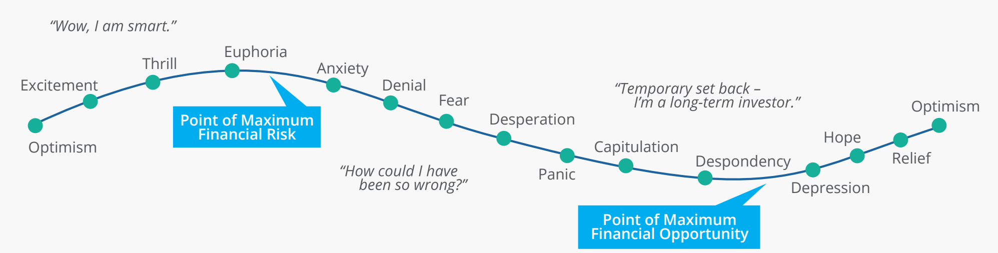
Many plan sponsors are understandably unfamiliar with financial markets and how to choose investment options for their plan participants. Similarly, many participants are unfamiliar with principles of investing. In fact, as previously mentioned, Dalbar's 2016 Quantitative Analysis of Investor Behavior found that the average equity investor achieved 6.69% lower annualized returns than the S&P 500 Index over a 30-year period ending in 2015. Some of this poor performance may be attributed to investors taking on an inappropriate amount of investment risk for their lifestyle or investing time horizon. Qualified plan participants who do not use help when managing their accounts tend to take on too much or too little risk, affecting their ability to meet their financial goals.

CLS's disciplined investment strategy seeks to help plan participants manage risk while also optimizing returns. CLS investment strategists and portfolio managers – many of whom hold the Chartered Financial Analyst designation – are experienced financial professionals who spend countless hours conducting research on the risk/reward profiles of the thousands of investment options available today.

DISCIPLINE

Investors often react emotionally to the markets. When they see that an investment has done well for the past several years, their natural inclination is to buy it – often after it has already increased in price. This tendency to buy high and sell low can have negative effects on long-term investment performance. ***CLS's management style is disciplined and attempts to remove the emotional element that often accompanies investing***.

THE CYCLE OF INVESTOR EMOTIONS



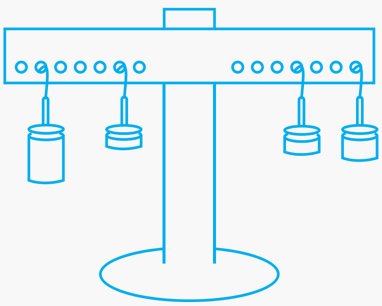
> CLS has been providing fiduciary support to plans for over a decade as a "*Do it for Me*" option for employees. CLS attempts to alleviate the typical roadblocks to successful investment management that participants often face.

RISK MANAGEMENT

CLS believes Risk Budgeting to be a critical element in crafting investor portfolios. Each plan participant is assigned a unique Risk Budget, determined by his or her individual financial goals, investing time horizon, and capacity for risk.

CLS's Risk Budgeting Methodology allows our portfolio managers to ***keep the level of risk within each portfolio constant, even as conditions within the investment environment change.***

Much like a scale keeps weight balanced, Risk Budgeting ensures that the amount of risk in the portfolio is equal to the level appropriate for the investor's individual financial goals and investment time horizon.



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

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

> *CLS's extensive risk management experience, wide array of management options, and the support we provide to plan sponsors sets us apart from others in the industry and may alleviate investment roadblocks.*

WIDE RANGE OF MANAGEMENT OPTIONS

Participants who choose CLS professional management can select from three options to designate how CLS manages their Risk Budget and retirement account:

1 LEVEL OPTION. *Risk Budget stays constant, even as participant nears retirement.*

The account is managed consistently at the Risk Budget calculated from the responses on the participant questionnaire.

2 LIFESTYLE OPTION. *Risk Budget gradually declines as participant nears retirement.*

The participant's account is initially allocated based on his or her Risk Budget, which automatically declines by one point each year. This option provides a diversified, low maintenance, and disciplined approach to becoming more conservative as retirement nears.

3 ADVISORONE 30% PROTECTION OPTION.* *May be suitable for investors who are especially sensitive to market declines due to a shortened investing horizon on extreme fear of decreasing account value.*

A portion of the participant's account is invested in a protection component of the strategy, which seeks capital appreciation when the market is flat or performing well, yet moves to conservative assets if the market severely declines. The remainder of the account is placed into a mix of other investments appropriate for the participant's Risk Budget, which also automatically decreases by one point each year the participant is enrolled in the plan. This option seeks to offer protection of the account value for participants who are especially sensitive to market declines due to a shortened investing horizon or an extreme fear of decreasing account value.

**This option is only available with CLS's AdvisorOne Strategy and may not be available on all plans.*

SUPPORT

In addition to professional money management, here is what you can expect from CLS:

- **Enrollment Support:** Our experienced Sales Team is available to attend enrollment meetings, explain the benefits of using CLS, and help increase participation rates.
- **Marketing Materials:** CLS has a variety of investor-approved marketing materials available for you to utilize with your plan participants.
- **Accessibility to Portfolio Managers:** Our team is available to answer questions, as well as participate in market reviews, webinars, and other events.
- **Frequent Communication:** CLS provides a variety of tools to educate and inform both you and your participants:
    - **Weekly Market Review** (CLSinvest.com/marketreview)
    - **Quarterly Market Review** (CLSinvest.com/quarterly)
    - **Quarterly "Directions" Newsletter** (CLSinvest.com/newsletter)
    - **Client PDF and Video Statements** (CLSinvest.com/login)
    - **Social tools:**
        - blog.clsinvest.com
        - Twitter: @CLSinvestments
        - Facebook.com/clsinvest
        - YouTube.com/CLSinvest
        - www.linkedin.com/company/cls-investments-llc

About CLS

CLS was founded with one specific mission, which has endured as our guiding principle: to be a trusted partner with financial advisors and deliver innovative investment solutions and reliable portfolio management to individual investors.

Since 1989, CLS's active asset allocation approach, broad array of customizable strategy offerings, and risk management proficiency have led financial professionals to entrust their clients' portfolios to CLS. Today, nearly 42,000 investors depend on CLS to manage their investment portfolios and help them reach their financial objectives.

1989
Founded

$8.9 B*
Assets Under Management

39K +
CLS clients

12
Portfolio managers & analysts

*as of 2/28/2018

[1]Source: Quantitative Analysis of Investor Behavior 2018, Dalbar Inc.

[2]AON Hewitt: Help in Defined Contribution Plans: 2006 Through 2010

[3]National Association of Government Defined Contribution Administrators, Inc.

[4]Vanguard: The Value of Managed Account Advice, August 2015

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. 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.

A client's risk budget is derived from the client's specific answers to CLS's Confidential Client Profile questionnaire, which establishes the client's financial goals, ability to handle risk, and overall investment time horizon. The individual client risk budget is expressed as a percentage of the risk of a well-diversified equity portfolio.

An ETF is a type of investment company whose investment objective is to achieve the same return as a particular index, sector, or basket. To achieve this, an ETF will primarily invest in all of the securities, or a representative sample of the securities, that are included in the selected index, sector, or basket. The primary diversifiable risk is business risk. Other diversifiable risks may apply based on the assets which the ETF invests in.

CLS INVESTMENTS

Contact Us Today

17605 Wright Street | Omaha, NE 68130

888.455.4244 | CLSinvest.com

1134-CLS-8/20/2019