CLS's WEEKLY 3

What You Need To Know About the Markets

NOVEMBER 27, 2018

1. The growing financial influence of women
2. Volatility is back; how we're taking advantage
3. Christmas tree sales and holiday spending

Market Performance

Equities	LAST WEEK	QTD	YTD '18
Global Equity Market[1]	-2.65%	-9.15%	-5.67%
Total U.S. Market[2]	-3.56%	-9.74%	-0.20%
Domestic Large-Cap Equity[3]	-3.77%	-9.39%	+0.19%
Domestic Small-Cap Equity[4]	-2.53%	-12.12%	-2.00%
International Equity[5]	-1.29%	-8.54%	-11.36%
Developed International Equity[6]	-1.09%	-8.96%	-10.26%
Emerging Market Equity[7]	-1.73%	-7.40%	-14.51%
Diversified Alternatives[8]	-0.28%	-2.13%	-1.47%
Fixed Income	**LAST WEEK**	**QTD**	**YTD '18**
U.S. Investment Grade Bonds[9]	+0.03%	-0.33%	-1.92%
Cash Equivalent[10]	+0.04%	+0.32%	+1.58%
Commodities	**LAST WEEK**	**QTD**	**YTD '18**
Commodity[11]	-2.85%	-4.02%	-5.97%

[1]MSCI ACWI Index [2]Russell 3000 Index [3]S&P 500 Index [4]Russell 2000 Index [5]MSCI ACWI ex-U.S. Index [6]MSCI EAFE Index [7]MSCI Emerging Markets Index [8]Morningstar Diversified Alternatives Index [9]Bloomberg Barclays Capital U.S. Aggregate Bond Index [10]Bloomberg Barclays Capital 1-3 Month U.S. Treasury Bill Index [11]Bloomberg Commodity Index As of 11/23/2018

Week in Review

Global equity markets were down across the board last week. U.S. stocks had their worst Thanksgiving-week performance in seven years, revisiting the late October lows and erasing gains for the year. Technology remained the primary driver of losses for the S&P 500 Index, which declined nearly 4%. Within domestic equities, large-caps underperformed small-caps, and growth stocks underperformed their value counterparts for the third consecutive week.

International markets outperformed domestic. European markets outperformed all other geographies as BREXIT concerns lessened. Emerging markets lagged their developed counterparts but still outperformed U.S. equities.

The 10-year U.S. Treasury yield fell again last week as market expectations for significant rate increases by the U.S. Federal Reserve (Fed) in 2019 waned. High-yield and short-duration bonds were relative underperformers. Oil prices declined for the seventh straight week which negatively impacted commodities.

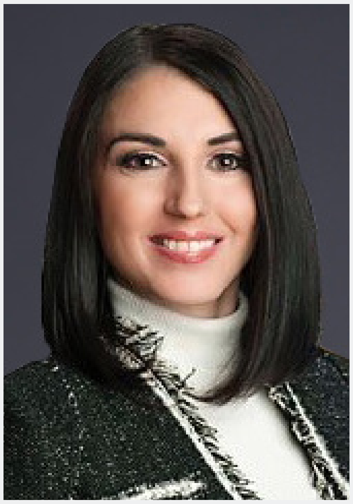
Economic data in the U.S. was mixed. Measures of manufacturing and services activity disappointed, while existing home sales in October were a surprising bright spot.

2018: The Year of the Woman

In case you haven't noticed, 2018 has truly been the year of women. Whether it be the #MeToo movement, the Women's March in January, or the record 256 female congressional candidates, the feminist movement was loud and proud this year. Don't worry, this isn't going to be a column touting all the reasons women are amazing (no need to say what is obvious). Instead, I want to focus on the growing influence women have in the financial decisions of U.S. households today.

Did you know that right now women control more than 50% of the wealth in the U.S.? By 2030, that number is anticipated to grow to two-thirds! Women are the primary source of income in 62% of U.S. households, and 40% of women out earn their husbands! As women have greater influence on the U.S. economy, it is important that they also build a foundation in financial literacy. A 2012 FINRA study found that, on average, women, even professional women, score significantly lower than men in financial literacy. A 2018 Charles Schwab study of millennials showed 64% of men and 76% of women say that having a financial plan was very important in helping them achieve their financial goals, yet the same study showed that young women had only $1,267 in average savings versus more than $2,000 for their male counterparts.

As financial advisors think about ways to grow their businesses, it's important to recognize women as financial decision makers and to focus on the different needs women have as they help build their financial plans. Women are more likely than men to seek out a financial advisor, and a recent study conducted by Fidelity Investments showed that 92% of women would like to learn more about financial planning. There is a huge opportunity here for advisors to grow their practices, and the key is to harness the growing power of women.



Shana Sissel, CAIA

Portfolio Manager

Shana Sissel joined the CLS Portfolio Management Team in 2018. She is responsible for actively supporting the Portfolio Management Team's efforts within a variety of special projects and investment management strategies, as well as writing and speaking on behalf of CLS.

Ms. Sissel has more than two decades of industry experience at leading investment firms, primarily in Boston and Chicago. Most recently, she was a Client Portfolio Manager at Ariel Investments where she represented Ariel's Domestic Research Team. Ms. Sissel also brings a vast background in market research and analysis through various roles held at Fidelity Investments' Strategic Advisor Inc., Mercer Investments, Peak Financial Management, and Russell Investments.

Ms. Sissel earned a Bachelor of Science Degree in Sport Management from the University of Massachusetts at Amherst before receiving her Master of Business Administration Degree from Bentley University's McCallum School of Business. She also holds the Chartered Alternative Investment Analyst (CAIA) designation.

As a frequent media contributor, Ms. Sissel has appeared on CNBC and other regional news outlets. She has also been quoted extensively in the Wall Street Journal, Smart Money, and Investment News.

Volatility is Back: The Return of Normalcy

A lot has been made about the recent jump in market volatility. A spike on the Chicago Board Options Exchange Volatility Index (VIX), a popular measure of volatility, makes for an impressive headline, but is it really that noteworthy? As investors, we've become complacent in many ways. Since the 2008 financial crisis, we have experienced an extended period of positive market performance with unusually low volatility. The market prognosticators like to point to the VIX as the key measure of volatility for the market, but the VIX has a limited history. The index was launched by the Chicago Board Options Exchange (CBOE) in 1993, and it wasn't until 2004 that trading in VIX futures became possible. To get a real perspective on historical market volatility, market standard deviation measures provide a better picture.

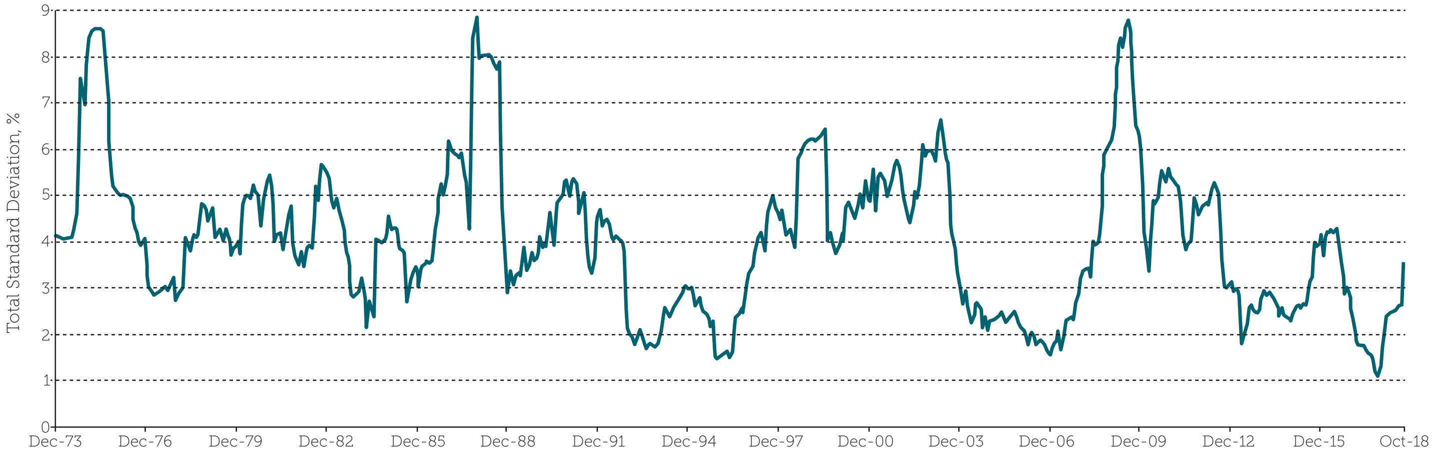
I think we have forgotten that volatility and market corrections are normal market behavior. Chris Davis of Davis Funds illustrated this well in a recent interview with FA Magazine: "On average, you could expect a five percent correction every 51 trading days. You could expect a 20 percent correction every 630 trading days. We've gone more than 2,400 days without a 20 percent correction."

As a Patriots fan, I understand this complacency. As New Englanders panic that the end of an era is near every time Tom Brady has an off game, investors wonder if the next correction will signal a coming recession. While that will likely be true at some point, investors need to focus on the long term. Corrections are normal. The market cycle is real. Recessions happen. Market timing rarely succeeds. Instead of trying to read the market tea leaves, we should focus instead on the opportunities these corrections present to us. Lower equity prices typically mean the risk inherent in equities is lower. While we all worry about the risk today, we miss the opportunity to reduce our overall portfolio risk for tomorrow.

The timeless advice from the "Oracle of Omaha," Warren Buffett, seems most fitting after this recent sell-off. "Be fearful when others are greedy and greedy when others are fearful." Don't let the sensational headlines distract from a basic principal of investing. Volatility is our friend, so let's celebrate its return rather than fear it.

12 Month Rolling Standard Deviation

December 1973 - October 2018



S&P 500 Index

Total

Source: MPI Analytics

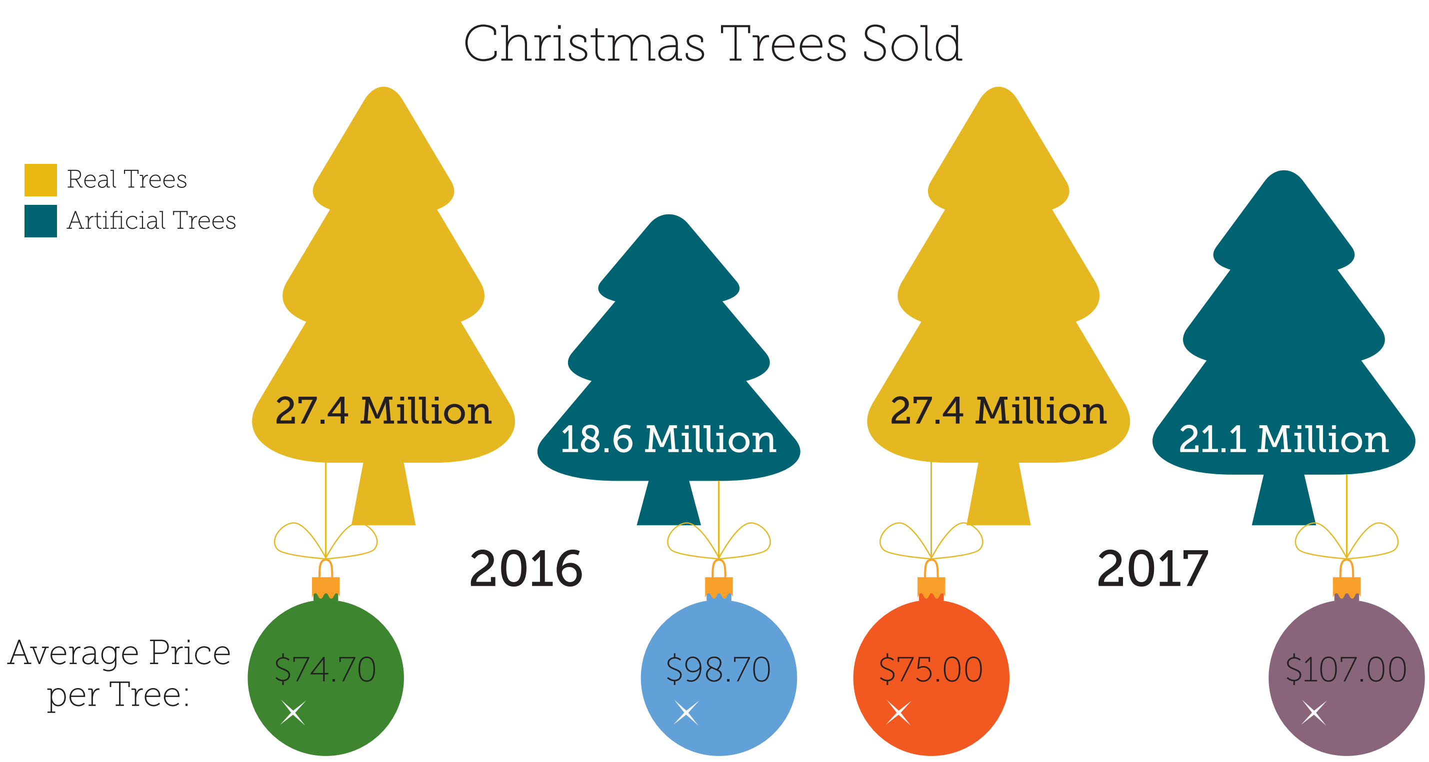
O' Christmas Tree, O' Christmas Tree

Since 2003, investment research firm Evercore ISI has published its annual Christmas tree unit sales survey. The firm surveys 24 regional Christmas tree associations, farmers, and retailers in the U.S. and Canada every week between Thanksgiving and Christmas to get a read on the relative strength or weakness of the sale of Christmas trees, wreaths, and garlands. The underlying thesis behind this survey is when consumer confidence is high, people are more likely to spend money on holiday decorations in addition to gifts, food, beverages, and travel.

In 2016, the survey made headlines as Christmas tree sales jumped more than 10% following the election of President Trump. The news was noteworthy as consumer confidence had hit a two-year low prior to the election, and there was real concern that the divisiveness of the campaign would sour the markets as we entered the new year. Instead, the consumer sentiment indexes ended December at their highest levels since January 2004. Holiday retail sales in the U.S. also hit record levels as Americans spent more than $655 billion in stores and online, a 3.2% increase from the previous year.

The Evercore ISI survey doesn't capture the sale of artificial trees, which saw a dramatic increase in 2017 due to an unexpected shortage of real trees. According to the National Christmas Tree Association, artificial tree purchases rose more than 10% in 2017 and the average amount spent on artificial trees was 30% more than their real counterparts. Holiday retail sales were particularly strong last year, rising 5.3% from the previous year, and average spending per person increased from $752 in 2016 to $862.

It's still too early to tell how festive Americans will be in 2018, but the next time you pass by your local tree lot or farm you might find yourself paying a little more attention to how busy the parking lot is. Here's hoping for a happy and healthy holiday season and lots of Christmas trees on display in our neighborhoods!



Source: National Christmas Tree Association

The Russell 3000 Index is an unmanaged index considered representative of the U.S. stock market. The index is composed of the 3,000 largest U.S. stocks. The S&P 500 Index is an unmanaged index of 500-large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks. The Russell 2000 Index is an index comprised of the 2,000 smallest companies on the Russell 3000 Index and offers investors a benchmark for small-cap stocks. The MSCI ACWI ex U.S. Index (MSCI All-Countries World Index, excluding U.S.) is an index considered representative of stock markets of developed and emerging markets, excluding those of the U.S. The MSCI EAFE Index is an index which tracks performance of international equity securities in developed countries in Europe, Australia, Asia, and the Far East, excluding the U.S. and Canada. The MSCI Emerging Markets Index is an index which tracks performance of large and mid-cap firms across countries classified as emerging market countries. The Bloomberg Barclays Capital U.S. Aggregate Bond Index measures performance of the U.S. investment-grade bond market. The Bloomberg Barclays Capital 1-3 Month U.S. Treasury Bill Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value. The Bloomberg Commodity Index is made up of exchange-traded futures on physical commodities and represents commodities that are weighted to account for economic significant and market liquidity. The Morningstar Diversified Alternatives Index is an index comprised of exchange traded funds (ETFs) in the ProShares lineup that use alternative and non-traditional strategies. An index is an unmanaged group of stocks considered to be representative of different segments of the stock market in general. You cannot invest directly in an index.

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