Qualified Plan Participant Guide

(K)STAR OPEN ARCHITECTURE SOLUTION

CLS INVESTMENTS | K★STAR

Why Invest in Your Employer-Sponsored Qualified Retirement Plan?

Many investors think they will have time to invest later, or conversely, that they don't have enough time to catch up. However, investing as early and as often as possible is the key to building a healthy nest egg. In fact, in a qualified retirement plan:

- **Contributions are often taken from pretax salary, so the funds grow tax-deferred until withdrawn.** This reduces your current taxable income.
- **The compounding effect of consistent periodic contributions over 20 or 30 years is dramatic**, so it's to your benefit to start early.
- **Your money stays with you:** all contributions can be moved from one company's plan to the next company's plan (or to an IRA) if you change jobs.
- **Contributions are automatically deducted** so you don't have to remember to contribute each pay period.
- If you are concerned about your ability to retire on the funds you've saved and are 50 or older, **you may be eligible to make catch up contributions** beyond the normal annual limits.

30+	the number of years your retirement may last
80%	the percentage of your current annual income you may need each year in order to retire comfortably[1]
$1,335	the average monthly benefit paid by the Social Security Administration[2]
$172K	the estimated median amount of savings for those who are 60-70 years
5.8%	the projected growth rate of healthcare spending through 2022, which will greatly impact retirement account funds[4]

THE POWER OF COMPOUNDING

Take a look at this table, in which the returns of each investor varied greatly over time due to the power of compounding. When the value of a retirement account increases and remains invested long term, there is the opportunity to reinvest those gains, which can provide additional opportunity for account growth.

	INVESTOR A	INVESTOR B	INVESTOR C
Age Starts Investing	30	40	30
Age Stops Investing	39	65	65
Years of Contributing	10	25	35
Total Invested Amount	$20,000	$50,000	$70,000
ACCOUNT VALUE AT AGE 65	$231,439	$172,702	$404,141

Based on weekly contribution of $38.46 (roughly $2,000 per year) and an 8% hypothetical growth rate. The referenced compounding illustration above is shown for illustrative purposes only and is not meant to represent the CLS AdvisorOne Funds.

Why Hire a Professional Money Manager?

LACK OF TIME

Tremendous demands on time often leave little opportunity for personal investment management. That is why a professional money manager like CLS is beneficial – ***we monitor the market and portfolios every day.***

INADEQUATE EXPERIENCE

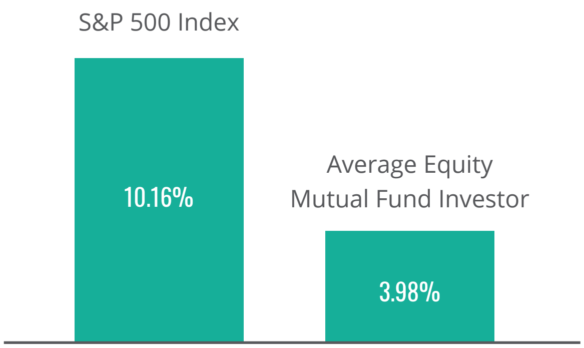
Many investors are understandably unfamiliar with financial markets and how to choose investment options. In fact, a study conducted in 2016 by Dalbar, Inc. showed that, between 1985 and 2015, individual equity mutual fund investors achieved 3.66% annualized returns, while the S&P 500 returned 10.35%. A professional money manager, such as CLS, can help bridge this gap by:

- **Monitoring portfolios daily** and actively making adjustments based on changing economic and market conditions, in order to keep your portfolio in line with your individual tolerance for risk.
- Maintaining a disciplined investment approach with the goal of ***providing stability*** to your portfolio.
- Spending countless hours conducting **research and due diligence**. Our investment strategists and portfolio managers – many of whom hold the prestigious Chartered Financial Analyst® (CFA) designation – are experienced financial professionals and are well trained in finance and economics.

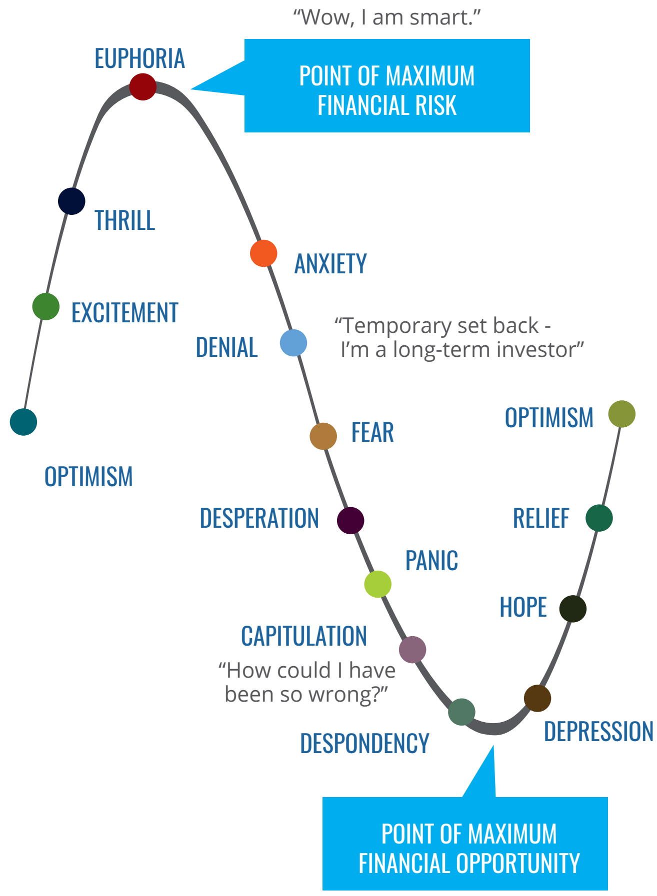
EMOTION

Investors often go through a severe cycle of emotions with their investments. Professional money managers, like CLS, can ***help identify points of risk and opportunity, and help you avoid making costly investment mistakes that are based on emotion.***

AVERAGE ANNUAL RETURNS 1986 - 2016



THE CYCLE OF INVESTOR EMOTIONS



Quantitative Analysis of Investor Behavior, 2017," 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 does not guarantee future results. Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

CLS Investment Methodology

Finding the optimal asset mix to meet your specific capacity for risk is not always easy. But that's where CLS comes in – we have been building individualized, balanced, global portfolios since 1989 and have been a valued partner of many top qualified retirement plan companies since 2002. CLS's Risk Budgeting Methodology is the foundation of our portfolio construction process. Upon enrollment, you determine your individual Risk Budget (via the questionnaire to the right). This budget represents the amount of risk you are comfortable taking on in exchange for potential returns, and is the risk level at which we manage your account. CLS analyzes the risk of each asset you hold to ensure the combined risk level of your account is suitable for your individual needs. We are careful not to underexpose you to risk, as this may not give your account adequate opportunity to grow. Yet we do not overexpose you, as this could leave you unable to meet your financial obligations.

THE IMPORTANCE OF SYSTEMATIC INVESTING

Systematic investing, or the process of investing a pre-determined amount on a recurring basis, allows you remain disciplined about saving and may provide smoother investment returns over the long term. Consider the example below, in which an investor contributed $300 each month to his or her retirement account. Due to decreased share prices in months two, three, and four, the professional money manager for the investor's retirement account was able to purchase additional shares. After six months, the investor's account contained 255 shares at an average share price of $7.06. Had the investor stopped investing when the market was at a low, the opportunity for his or her investment manager to buy shares at a low price and sell them when they increased in value would have been missed.

MONTH	AMOUNT INVESTED	SHARE PRICE	NUMBER OF SHARES
1	$300	$10	30
2	$300	$5	60
3	$300	$6	50
4	$300	$5	60
5	$300	$12	25
6	$300	$10	30
TOTAL	$1800	$7.06 (AVG)	255

YOUR INDIVIDUAL RISK BUDGET

Think of your Risk Budget as a thermostat. Everyone has a comfort zone: some may like the thermostat set at 69 degrees, 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 account. Once your Risk Budget is set, CLS consistently monitors and analyzes the assets in your account to keep the risk level constant no matter how global market conditions change.

Determining Your Individual Risk Budget

To determine your personalized Risk Budget, please answer the following questions. This will help you determine which model or investments are most suitable for your unique investing time horizon and specific investment goals.

1. HOW LONG DO YOU EXPECT TO CONTRIBUTE TO THIS RETIREMENT PLAN WITHOUT WITHDRAWING ANY MONEY?

- ☐ 3-5 Years (8)
- ☐ 6-10 Years (14)
- ☐ 11-15 Years (16)
- ☐ Great than 15 Years (18)

2. WHICH OF THE FOLLOWING STATEMENTS BEST DESCRIBES YOUR BELIEFS ABOUT INVESTING AND INFLATION?

- ☐ I am more concerned about avoiding loss than I am about earning large returns. I understand that my returns may just keep pace with inflation if I invest in a conservative manner. (7)
- ☐ I don't want to take a lot of risk with my account, but I would like to earn slightly more than inflation. (10)
- ☐ My main goal is to increase the value of my account. Therefore, I am willing to accept short-term losses in order to achieve a return moderately higher than inflation. (14)
- ☐ I am willing to accept large fluctuations in the value of my account for the chance at earning a significantly higher return than inflation. (18)

3. PLEASE INDICATE YOUR COMFORT LEVEL WITH INVESTMENT RISK (CHOOSE ONLY ONE):

Not Comfortable — Moderately Comfortable — Very Comfortable

☐ 0 ☐ 6 ☐ 8 ☐ 11 ☐ 14 ☐ 16 ☐ 19 ☐ 22 ☐ 25 ☐ 28 ☐ 30

4. HOW LONG ARE YOU PREPARED TO WAIT FOR YOUR ACCOUNT TO RETURN TO ITS ORIGINAL VALUE AFTER A DOWN MARKET?

- ☐ Less than 18 Months (7)
- ☐ Between 18 Months and 2 Years (10)
- ☐ Between 2 and 3 Years (14)
- ☐ More than 3 Years (17)

5. HOW ABLE ARE YOU TO HANDLE FINANCIAL EMERGENCIES WITH ASSETS OUTSIDE OF YOUR RETIREMENT PLAN?

- ☐ Not Able (10)
- ☐ Somewhat Able (13)
- ☐ Able (16)
- ☐ Very Able (17)

Your Risk Budget

To determine your personalized Risk Budget, add together the point values found in parenthesis after each of your responses (in question 3, the point value is the number you chose). A total score of 100 represents the highest tolerance for risk.

1. ______
2. ______
3. ______
4. ______
5. ______

______ TOTAL (YOUR RISK BUDGET)

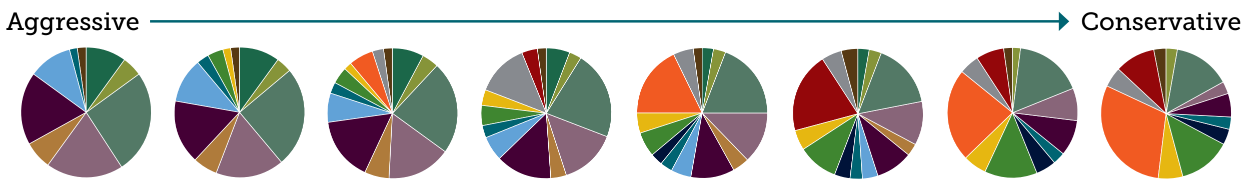
Plan Investments

Depending on which options your qualified retirement plan has available, you may have the option to select from plan investments shown on these two pages. Regardless of the fund options used, your account will always be managed in line with your individual Risk Budget, and will contain a mix of investments that offers broad diversification to a variety of asset classes. You may also have the ability to select from a mix of exchange traded funds (ETFs) and mutual funds available on your plan's core fund lineup. Check with your Human Resources Department or your plan's financial advisor to determine which options are available on your plan.

ETF MANAGED MODELS

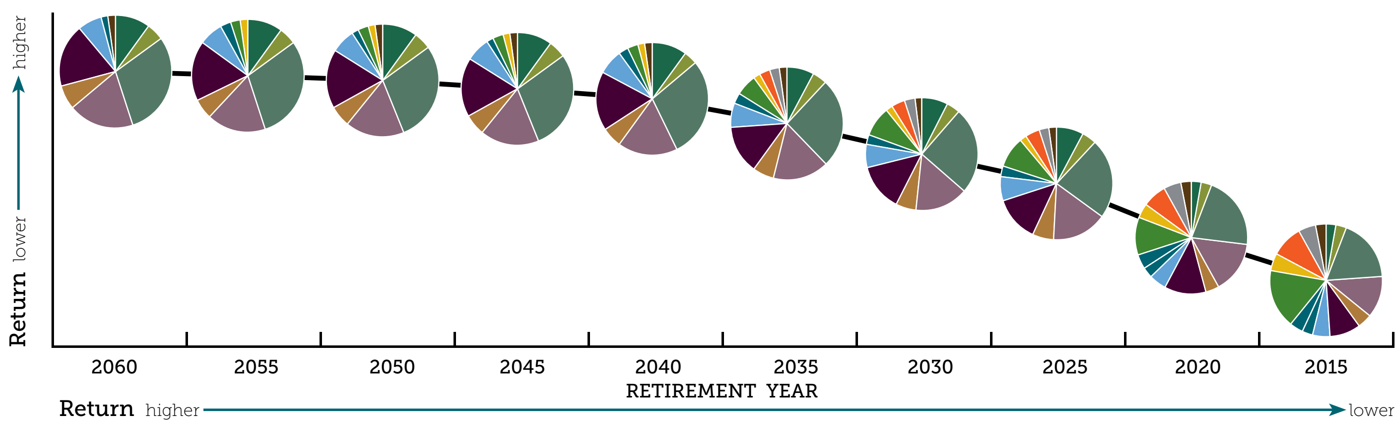
CLS began using ETFs in the late 1990s and is currently one of the largest active money managers of ETFs.5 We favor this versatile investment option due to the multitude of potential benefits they offer including transparency, stable market and risk exposure, diversification, and lower cost. If available on your qualified retirement plan, CLS offers eight actively managed ETF models and 10 actively-managed target date models (for participants who seek a portfolio based on a targeted date of retirement).

Sample ETF Model Allocations



Risk Budget:	100	90	80	70	60	50	40	30
Range:	100-95	94-85	84-75	74-65	64-55	54-45	44-35	34-30

Sample Target Date Model Allocations



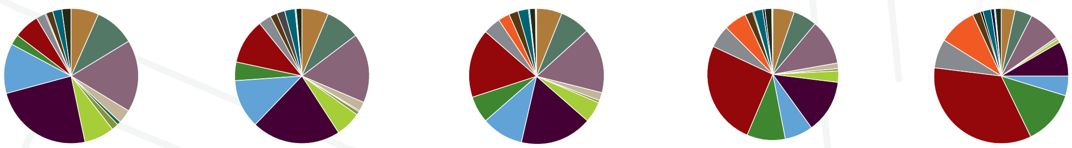
Portfolio allocations are subject to change and should not be considered investment advice.

ADVISORONE FUNDS MODELS

If available through your qualified retirement plan, CLS offers five activley-managed models comprised of the CLS-managed AdvisorOne Funds. These funds invest primarily in exchange traded funds (ETFs), which offer a variety of potential benefits. In addition, some participants may have the ability to invest in CLS's AdvisorOne 30% Protection option, which is suitable for investors who are especially sensitive to market declines due to a shortened investing horizon or an extreme fear of decreasing account value. With this protection option, a portion of your account is invested in CLS's Shelter Fund, which seeks account growth when the market is flat or performing well, yet moves to conservative assets if the market severely declines. The remainder of your account is placed into a mix of other funds appropriate for your Risk Budget, which also automatically decreases by one point each year you are enrolled in the plan.

Sample AdvisorOne Fund Model Allocations

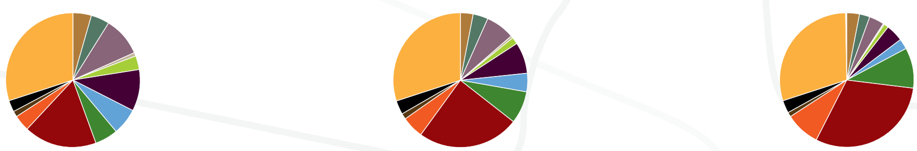
Aggressive → Conservative



Risk Budge Range:	100 - 85	84 - 75	74 - 60	59 - 45	44 - 30

Sample AdvisorOne Protection Model Allocations

Aggressive → Conservative



Risk Budge Range:	75 - 65	64 - 55	54 - 45

- Small/Mid-Cap Core
- Small/Mid-Cap Growth
- Small/Mid-Cap Value
- Large-Cap Core
- Large-Cap Growth
- Large-Cap Value
- Developed International
- Emerging Markets
- Commodities
- Preferred Security
- High-Yield Bonds
- Inverse Equity
- Intermediate/Long-Term Bonds
- Short-Term Bonds
- International Bonds
- CLS Shelter Fund
- Alternative
- Global
- Cash
- Other

Portfolio allocations are subject to change and should not be considered investment advice. There is no guarantee that this investment strategy will achieve its objectives, goals, generate positive returns, or avoid losses.

[1]IRS.gov; [2]ssa.gov; [3]investopedia.com; [4]BenefitsPro; [5]Morningstar, as of 3/31/16

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The CLS-managed Funds ("funds") are funds of funds meaning they invest in underlying mutual funds and exchange-traded funds ("Underlying Funds"). As a result, the Funds indirectly bear investment management fees of the underlying funds in addition to the fees and expenses of the Funds. In some instances it may be less expensive for an investor to invest in the underlying funds directly. There is also a risk that investment advisers of those underlying funds may make investment decisions that are detrimental to the performance of the Funds. Investments in underlying funds that own small- and mid-capitalization companies may be more vulnerable than larger, more established organizations. Investments in underlying funds that invest in foreign equity and debt securities could subject the Funds to greater risks including, currency fluctuation, economic conditions, and different governmental and accounting standards. The Shelter Fund also invests in U.S. government zero coupon bonds which can cause the value of your investment in the Shelter Fund to fluctuate with changes in interest rates. Long-term bonds are generally more sensitive to interest rate changes than short-term bonds. Because zero coupon bonds do not pay current income, their prices can be very volatile when interest rates change.

Investors should carefully consider the investment objectives, risks, charges and expenses of the CLS-managed Funds. This and other information about the CLS-managed Funds is contained in the prospectus, which can be obtained by clicking here or by calling (866) 811-0225. The prospectus should be read carefully before investing. The CLS-managed Funds are distributed by Northern Lights Distributors, LLC, member FINRA/SIPC.