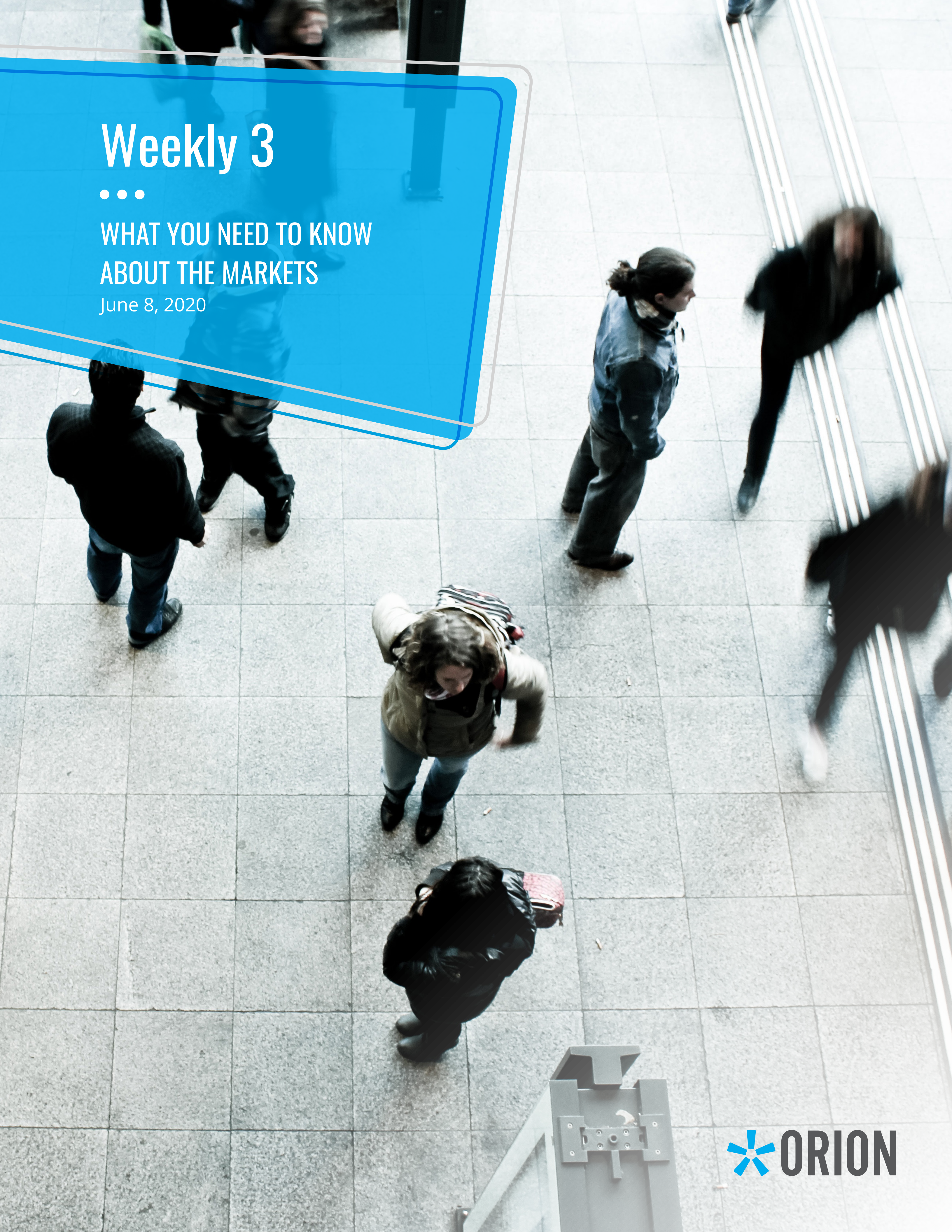

Weekly 3

WHAT YOU NEED TO KNOW ABOUT THE MARKETS

June 8, 2020

ORION

Week in Review

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Market Performance

as of 06/06/2020

FIXED INCOME	10-YEAR	5-YEAR	3-YEAR	1-YEAR	YTD	QTD	LAST WEEK
Cash Equivalent[1]	0.58	1.12	1.67	1.54	0.42	0.02	0.00
U.S. Investment Grade Bonds[2]	3.82	4.13	4.86	8.77	4.95	1.75	-0.49
EQUITIES	**10-YEAR**	**5-YEAR**	**3-YEAR**	**1-YEAR**	**YTD**	**QTD**	**LAST WEEK**
Global Equity Market[3]	9.42	6.77	6.79	9.04	-3.86	22.69	5.97
Total U.S. Market[4]	13.82	10.60	11.28	14.59	-0.32	25.49	5.20
Domestic Large-Cap Equity[5]	14.30	11.80	12.77	18.05	1.42	23.47	4.44
Domestic Small-Cap Equity[6]	10.74	4.83	3.70	0.79	-9.00	33.06	8.53
International Equity[7]	5.59	2.90	2.01	2.39	-8.38	20.05	7.27
Developed International Equity[8]	6.07	2.79	1.90	2.37	-8.08	19.98	6.96
Emerging Market Equity[9]	3.96	3.26	2.50	2.50	-9.25	20.23	8.19
DIVERSIFIERS	**10-YEAR**	**5-YEAR**	**3-YEAR**	**1-YEAR**	**YTD**	**QTD**	**LAST WEEK**
Diversified Alternatives[10]	2.37	-0.38	-0.99	-3.19	-7.04	7.86	2.09
Commodity[11]	-5.58	-7.33	-6.02	-14.22	-19.76	4.61	1.83
Global Real Estate[12]	7.62	3.48	2.16	-4.92	-12.08	18.82	8.65

Source: Morningstar

[1]Morningstar Cash Index [2]Bloomberg Barclay's Capital U.S. Aggregate Bond Index [3]Morningstar Global Market Large-Mid Index [4]Morningstar U.S. Market Index [5]Morningstar U.S. Large Cap Index [6]Morningstar U.S. Small Cap Index [7]Morningstar Gbl ex U.S. Large-Mid Index [8]Morningstar DM ex U.S. Large-Mid Index [9]Morningstar EM Large-Mid Index [10]Morningstar Diversified Alternatives Index [11]Bloomberg Commodity Index [12]Morningstar Global Real Estate.

1 *CIO Weekly Viewpoint*

2 *Key Factor for Investment Alpha*

3 *Starting Points Matter*

The Weighing Machine podcast is on Google Play and iTunes.

On Orion Portfolio Solutions' The Weighing Machine podcast, Rusty Vanneman and Robyn Murray cut through the market clamor and focus on time-tested, proven principles that help financial advisors and investors reach their long-term financial goals.

Market Update Video

CIO Weekly Viewpoint

1

- Stocks recorded their best weekly gain in two months as investors celebrated signs of the beginning of an economic recovery. The U.S. economy added 2.5 million jobs in May, while the unemployment rate declined to 13.3% from April's record level, suggesting that an economic recovery is under way faster than previously thought. Can't wait to see the anticipated forecast revisions to second quarter GDP!
- Small Cap stocks, which have now led the market for about a month and a half, were particularly strong last week, with the Russell 2000 and the S&P MidCap 400 indexes surging roughly 8%. The S&P 500 rose by nearly 5%. It's now up by approximately 40% since the 3/23 lows, and is now within roughly 6% of its February 19 peak. Value outperformed growth by a wide margin for the third straight week. Good to see!
- The technology-heavy Nasdaq Composite Index established an intraday all-time high on Friday.
- Commodities were up nearly 2% as oil prices shot up by 11%. REITS performed well again, rising 11%.
- Emerging Market stocks rose nearly 8%. The iShares MSCI EAFE Index Fund (EFA) rose about 7%. Europe is quietly on a tear.
- Nearly 80 ETF's hit all-time highs on Friday.
- The positive economic news helped push the yield on the benchmark 10-year Treasury note to its highest level since mid-March. While this resulted in a sell-off of Treasuries, the better economic data supported modest gains in the broad municipal market through much of the week.
- Important economic data being released this week include inflation, the Federal Reserve rate decision on Wednesday, and consumer sentiment on Friday.

MARC PFEFFER
CLS Chief Investment Officer

Source Bloomberg 6/8/2020

Where Do Stocks Go from Here? A Checklist

2

GRANT ENGELBART
CFA, CAIA, CLS Director of Research and Senior Portfolio Manager

It's a question often on the minds of investors, but maybe more so at this juncture. After the market's very quick decline in March, equities have rallied back strongly. Every market strategist and pundit is trying to make sense of it all. Building on points Rusty Vanneman made in the monthly market review, I'll take a closer look through the framework of our investment process and areas of analysis.

Valuations

Valuations generally don't drive short-term market movements, but they are very important over the long term. The recent downturn briefly took global market valuations (as measured by cyclically adjusted price-to-earnings) down to quite attractive levels. However, the rebound has reversed much of that trend, and we are currently at a neutral level for global stocks. The global market is more than half domestic stocks, which are still overvalued by most measures, and half international stocks, which are undervalued by most measures.

Valuations: **Neutral**

Source: Ned Davis Research 6/3/2020

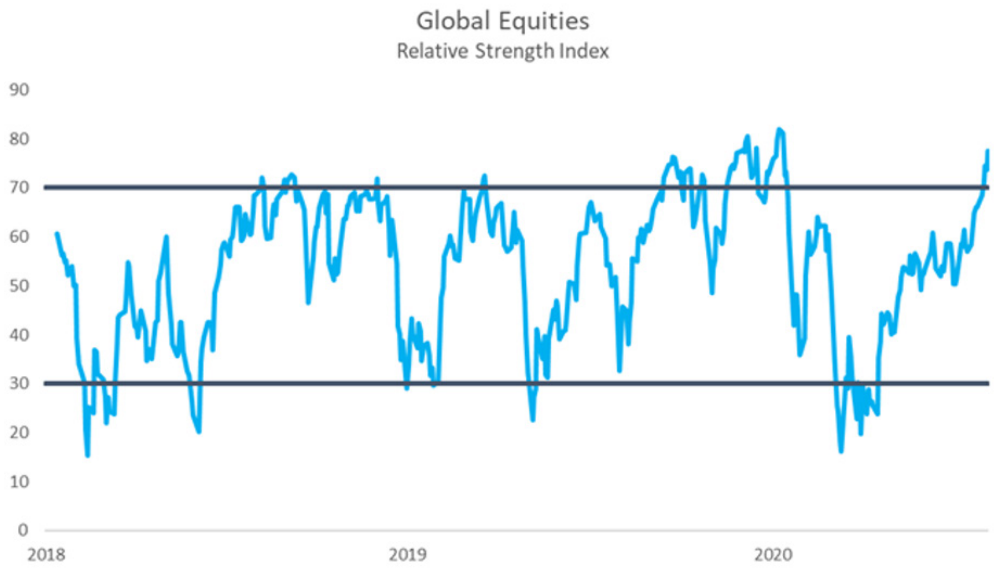
Behavioral

Technical analysis and investor sentiment fit into the "behavioral" category. Technical analysis may include a review of several data points. I will look at relative strength and moving averages. Investor sentiment is measured in a few ways, usually a combination of investor positioning (i.e. is everyone long stocks?) and surveys (how do investors feel about the market?). When sentiment gets too optimistic, it's usually an indicator for a potential reversal in stock prices, and vice versa.

Investor sentiment is not as stretched as it may "feel" given the fast rebound from the March lows. Most measures indicate current sentiment to be approximately neutral or slightly optimistic, but not near levels that would signal a meaningful reversal. We have definitely not yet reached euphoric levels by any means, which is a good indicator for stocks.

Technicals are currently sending mixed signals (as they often do). After last week's surge, stocks are now what is known as "overbought." An easy way to understand this is through the Relative Strength Index (RSI), (please see chart below). An RSI above typically 70 signals an overbought market, in which stocks are essentially a little over their skis, or whatever apt metaphor you want to use. However, stocks have also moved above their short- and long-term moving averages, which is positive for the intermediate term.

Behavioral: **Neutral**



Source: Ned Davis Research 6/6/2020

Fundamentals

It is difficult to get a full picture of corporate activity, as the second quarter is not yet over. However, first quarter earnings came in with about 65% of companies beating earnings and 50% beating revenues. Earnings fell 7.7%, while revenue managed to grow just under 1%. Expectations for the second quarter are for a fall of around 11% in earnings and 9% in revenues.* These aren't great numbers. However, the worse expectations get, the better the chances that companies can overcome them, and these surprises can lead to higher stock prices. Financial companies, which generally sit at the heart of our economy, are very well-capitalized compared to past crises. The Federal Reserve has also taken necessary measures to help keep businesses afloat in the short term, but it appears it may take some time before the economy returns to 2019 levels of activity.

Fundamentals: **Negative**

** Bloomberg 6/6/2020*

2

Economic

By many measures, we are seeing the worst economic data in (hopefully) our lifetimes. Most data points are only rivaled by the Great Depression, and we don't have all the same data measures as we did then. First quarter GDP in the U.S. was -5% quarter-over-quarter, the worst since 2008. And it's very likely that the second quarter will be much worse, perhaps a historical decline. However, the economy has started to open back up, and we just saw a huge surprise in the monthly jobs report with 2.5 million jobs added versus expectations of more than 7 million jobs lost! The positive here is that fiscal and monetary stimulus is providing massive amounts of liquidity to our financial system, helping to suppress the blow of an economic halt.

Economic: **Negative**

Quantitative

Quantitative analysis covers areas that tend to lean a little toward technical analysis. Stocks hit a couple of milestones recently that are worth mentioning. First, U.S. stocks experienced their strongest-ever 50-day rally. The good news is (at least according to the fairly limited data) stocks tend to continue gaining over the intermediate term, following strong two-month rallies. Second, the percentage of S&P 500 stocks above their 50-day moving average is near 97%, which is one of the highest levels in nearly 30 years.* Again, the good news here is that this type of strength has historically tended to persist over the intermediate term.

Quantitative: **Positive**

There is a lot to unpack here, but it's worth mentioning that stocks tend to do whatever causes the most pain. That may sound harsh, but it is usually true. The more people "hate" this rally, the more stocks may potentially continue to climb and prove them wrong! The only way to fight against this uncertainty is to stick with your plan.

Wall Street Journal 6/1/20

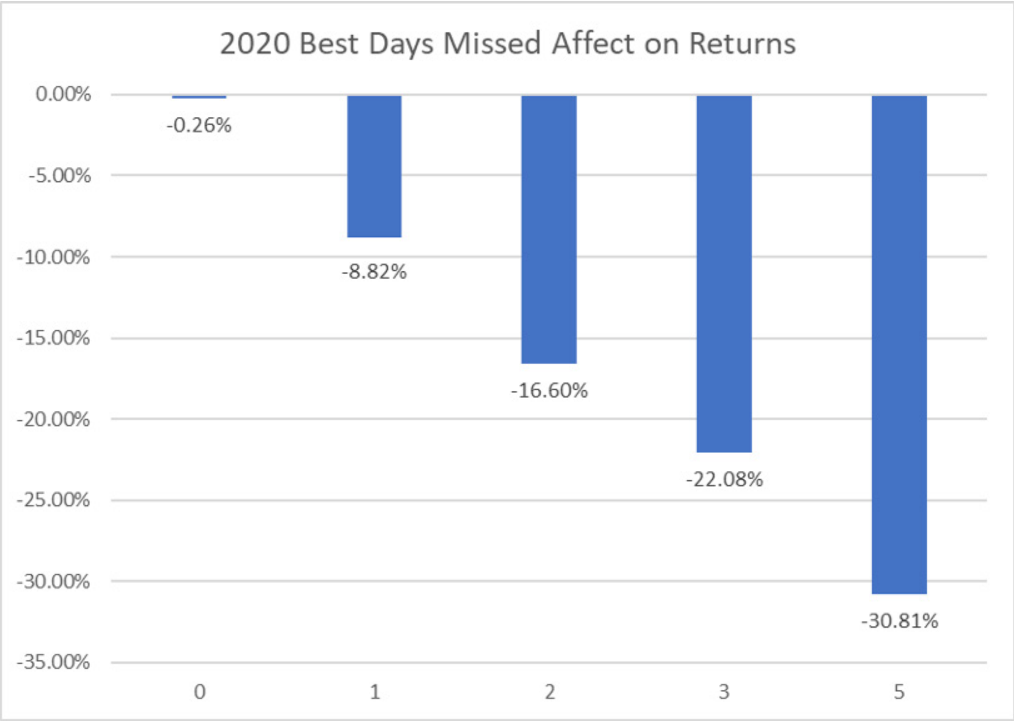
Don’t Try to Time the Markets

3

MICHAEL HADDEN
CLS Associate
Portfolio Manager

It’s been a crazy first five months of the year for many reasons, and the turmoil in the financial markets is no exception. The longest bull market came to an end in March, and it did so in historic fashion. Markets experienced their quickest decline into bear territory on record. Volatility spiked and the global economy came to a halt; and yet, as of June 5, the S&P 500 is essentially flat for the year.

Investors’ grit has certainly been tested, and it’s hard to believe after all the events of the year that we are essentially right back where we started. It may have been difficult to sit back and not do anything during the market sell-off. It has been more than 10 years since we saw a bear market, and many investors may have realized large losses in their accounts for the first time. During such periods of decline, it is important as ever to stick to your plan and not panic. CLS Investments has conducted numerous studies investigating how difficult it is to time the market, and how missing even the best handful of days can dramatically affect returns over a decade. This may be even more true during a period of heightened volatility. The chart below shows the effect on returns if investors missed the best days so far this year. It doesn’t take missing many to see significant effects on an investor’s experience in 2020.



Morningstar Direct, 6/7/2020

Just missing the best day this year could alter returns from essentially flat to down nearly 9%! And missing the best five days would take investor performance back to the market sell-off lows, down just more than 30%. Now it may seem unlikely that investors would miss only the best day this year, but that day came directly after the market low on March 23. Had investors gotten jittery watching performance fall 30% and moved to cash, they would have missed a single-day return of 9.4% on March 24.*

* *Morningstar Direct, 6/7/2020*

This isn't uncommon with markets. It is often the case that the best days come shortly after the worst, making the chance of missing them due to fear a real possibility. The chart below highlights both the top and bottom 10 days so far this year. Many are back to back, and all took place between February 27 and April 8.

2/27/2020	-4.40
3/2/2020	4.61
3/4/2020	4.23
3/5/2020	-3.37
3/9/2020	-7.59
3/10/2020	4.94
3/11/2020	-4.88
3/12/2020	-9.49
3/13/2020	9.32
3/16/2020	-11.98
3/17/2020	6.00
3/18/2020	-5.18
3/20/2020	-4.32
3/24/2020	9.39
3/26/2020	6.25
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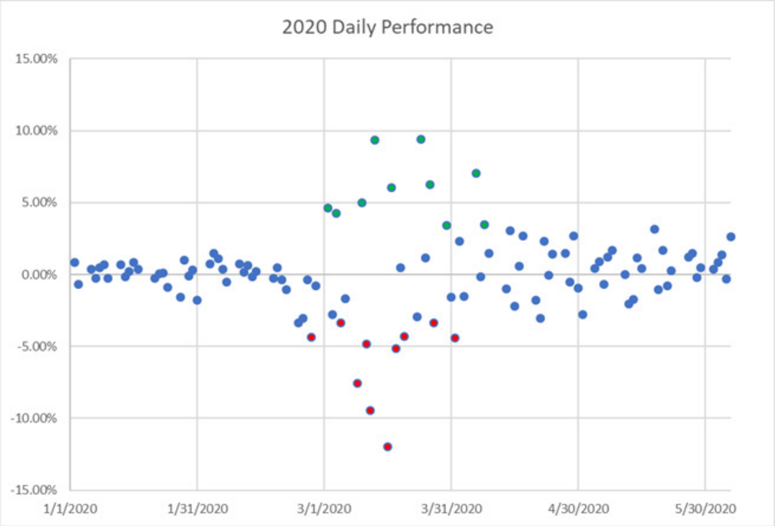
3/30/2020	3.37
4/1/2020	-4.41
4/6/2020	7.03
4/8/2020	3.43



Morningstar Direct, 6/7/2020

At CLS, we believe trying to time the markets is incredibly difficult. No investor has been able to do so successfully over a long period. Staying the course and trusting that markets tend to move higher over the long term can help you avoid adversely affecting your investments.

The Morningstar Global Market Large-Mid Index is an index that measures the performance of the global market's equity markets targeting the top 90% of stocks by market capitalization. The Morningstar U.S. Market Index is an index that measures the performance of U.S. securities and targets 97% market capitalization coverage of the investable universe. It is a diversified broad market index. The Morningstar U.S. Large Cap Index is an index that measures the performance of U.S. large-cap stocks. These stocks represent the largest 70% capitalization of the investable universe. The Morningstar U.S. Small Cap Index is an index that measures the performance of U.S. small-cap stocks. These stocks fall between the 90th and 97th percentile in market capitalization of the investable universe. In aggregate, the Small Cap Index represents 7% of the investable universe. Morningstar Global ex U.S. Large-Mid Index is an index that measures the performance of Global Markets (ex-U.S.) equity markets targeting the top 90% of stocks by market capitalization. The Morningstar DM ex U.S. Large-Mid Index is an index that measures the performance of developed markets ex-U.S. equity markets targeting the top 90% of stocks by market capitalization. The Morningstar EM Large-Mid Index is an index that measures the performance of emerging markets targeting the top 90% of stocks by market capitalization. The Barclay's Capital U.S. Aggregate Bond® Index measures the performance of the total United States investment-grade bond market. The Morningstar Cash Index is an index that measures the performance of a Treasury Bill with six to eight weeks until maturity in the U.S. market. The Morningstar Diversified Alternatives Index allocates among a comprehensive set of alternative underlying ETFs that employ alternative and non-traditional strategies such as long/short, market neutral, managed futures, hedge fund replication, private equity, infrastructure or inflation-related investments. 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. This index provides investors with a means of understanding the performance of commodity futures markets and serves as a benchmark for investment performance of commodities as an asset class. 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. Morningstar Gbl Real Estate NR USA Index: measures the performance of mortgage companies, property management companies and REITs. The Russell 2000 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 S&P MidCap 400® provides investors with a benchmark for mid-sized companies. The index, which is distinct from the large-cap S&P 500®, is designed to measure the performance of 400 mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment. The volatility of the indexes may be materially different from the individual performance attained by a specific investor. In addition, portfolio holdings of investors may differ significantly from the securities that comprise the indexes. You cannot invest directly in an index.

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