



CLS
INVESTMENTS

Risk Budgeted Solutions

Global, risk managed strategies for investors seeking to accumulate wealth, generate income, protect their assets, or mitigate tax consequences within their portfolios.

The Importance of Investment Risk



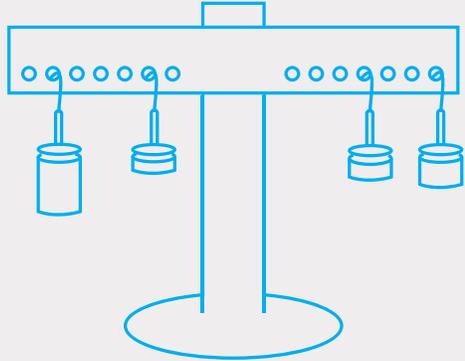
The term “risk” as it relates to investing may have negative or scary connotations in your mind. And it is true that riskier assets have a greater chance of decreasing in value at some point. Yet, taking on risk in the investment world can also bring reward, as riskier investments tend to have greater potential to significantly increase in value. **The key is to find a balance between lower- and higher-risk investments that is appropriate for your specific investment objectives.**

If you have many years to weather market volatility and your primary objective is to achieve significant long-term capital growth within your portfolio, you may choose a riskier mix of investments than an investor with a shorter-term financial goal.

Finding the optimal asset mix is not always easy, but that’s where CLS comes in – we have been building individualized, balanced, global portfolios since 1989.

CLS’s Risk Budgeting Methodology is the foundation of our portfolio construction process. We start by defining your personalized Risk Budget, based on your unique investing time horizon and specific investment goals. This budget, which is expressed as a percentage of the risk of a well-diversified global equity portfolio, represents the amount of risk you are comfortable taking on in exchange for potential returns. Your individual Risk Budget is the risk level at which we manage your portfolio.

CLS analyzes the risk of each asset you hold to ensure the combined risk level of your portfolio is suitable for your individual needs. **We are careful not to underexpose you to risk, as this may not give your portfolio adequate opportunity to grow. Yet we do not overexpose you, as this could leave you unable to meet your financial obligations.**



Much like a scale keeps weight balanced, Risk Budgeting ensures that the amount of risk in your portfolio is equal to the level of risk you are comfortable taking.



Risk Aligned to Your Level of Comfort

Everyone has a certain level of comfort: : 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 portfolio. Once your Risk Budget is set, CLS consistently monitors and analyzes the assets in your portfolio to keep the risk level constant no matter how global market conditions change.

CLS holds three important beliefs about investment risk that guide us in building your portfolio:

- 1** All investors have a capacity to bear risk, and the best way to manage risk is to measure it, rather than relying on a traditional stock-to-bond ratio.
- 2** Over the long term, investors are rewarded for bearing risk; having too little risk hurts investor returns.
- 3** Investment methodologies should be designed to pair a disciplined risk management system with an active and flexible approach.

CLS's unique and consistent risk management process is critical in helping you reach your long-term investment objectives. It is designed to provide **stability** to your portfolio and **peace of mind** that your investments are being maintained at the level of risk you are comfortable with, regardless of what is happening in the market. In addition, by globally diversifying your investments among over 100 asset class segments and strategies, CLS seeks to minimize portfolio volatility while pursuing areas of opportunity in the market, all within the constraints of your Risk Budget.

A Global Philosophy



CLS's philosophy of pursuing global portfolio diversification means that the CLS Portfolio Management Team can look all over the world for investments that offer an optimal balance of risk and return. This flexible investment approach gives us the best opportunity to adapt your portfolio when markets change, as certain asset classes are likely to perform well even when others are not. The broader our investment universe, the more places we can look for opportunity.

This chart illustrates general investment objectives at various Risk Budget levels. Your portfolio will also be managed according to your specific long-term investment requirements for accumulation, income, capital protection, or minimization of tax consequences.

Sample Risk Budget	General Investment Objective
100 90 80	Aggressive - Moderately Aggressive. Primary objective is to attempt to maximize portfolio returns by emphasizing capital appreciation over the long term. Portfolios may have a substantial weighting in stocks and only a small allocation to fixed income and cash.
70 60	Moderate. Primary objective is to balance portfolio risk and return. Portfolios are generally divided equally between equities (including low-volatility equities) and fixed income asset classes.
50 40 30	Moderately Conservative - Conservative. Primary objective is to preserve portfolio value by investing in lower risk securities such as fixed income and money markets, as well as low-volatility, large-cap, and high-quality equities from financially sound companies.

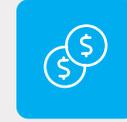
CLS's Risk Budgeting Methodology is flexible enough to be applied to a broad variety of investor risk comfort levels, from aggressive to conservative. We have also found that most investors have one of four main investment objectives (which may change over their investing lifetime). Within these categories, we either wholly apply our Risk Budgeting Methodology, or combine it with other approaches.



ACCUMULATION

Representing the purest application of our Risk Budgeting Methodology, these strategies are focused on total return, meaning growth of value through interest, capital gains, and dividends proportionate to your risk tolerance.

- Your portfolio is designed to seek intermediate- and long-term capital appreciation.
- Your portfolio may include ETFs, mutual funds, and/or individual stocks and bonds.
- CLS actively adjusts your portfolio to keep your mix of investments in line with your Risk Budget and take advantage of opportunities in the market.
- You may elect to have systematic distributions made from your portfolio.



INCOME

These strategies seek consistent, reliable distributions from a variety of traditional and non-traditional income-producing assets.

- The strategies' multi-asset approach may be particularly beneficial in a low interest rate environment, as traditional income-generating investments may not provide sufficient distributions.
- Strategies may help you meet your distribution needs while keeping up with inflation and achieving capital appreciation.
- Your portfolio actively adjusts between asset classes to maximize total return and income generation, and to maintain a consistent level of risk.



PROTECTION

These strategies pursue capital growth during sustained market uptrends, yet seek protection of assets during catastrophic market downturns.

- The growth portion of your portfolio is allocated among a mix of diversified equity and bond ETFs appropriate for your personal Risk Budget.
- Within the protection portion of the portfolio, growth-seeking ETFs are traded for low-volatility stock ETFs and/or cash in the event of a severe market decline.
- Strategies are designed to protect against catastrophic losses, not normal market volatility.
- Strategies tend to favor security over some market gains.



TAX MANAGEMENT

These strategies seek capital appreciation while keeping annual net taxable gains low.

- Your portfolio pursues growth through a mixture of ETFs, individual stocks, individual bonds, and/or mutual funds appropriate for your Risk Budget.
- CLS attempts to maximize the after-tax returns of your portfolio throughout the year, not just in the fourth quarter.
- CLS portfolio managers assess the potential tax consequences of each trade prior to executing.
- Your portfolio is flexible and globally diversified. A security in a poorly-performing asset class sold at a loss can offset the tax liability of an increase in value of another security in a better-performing asset class.

CLS's Accumulation, Income, Protection, and Tax Management approaches use these strategies and investment vehicles:

EXCHANGE TRADED FUNDS STRATEGIES

Portfolios are composed of ETFs, which offer lower cost, more stable risk exposure, and broader diversification than traditional mutual funds.

Accumulation	Core Plus ETF Strategy <i>Account minimum: \$150,000*</i>
Income	ETF Managed Income Strategy <i>Account minimum: \$150,000*</i>

The account minimum for these strategies is \$10,000 at Constellation Trust Company.

ADVISORONE FUNDS STRATEGIES

Portfolios are composed of CLS-managed AdvisorOne Funds, which primarily invest in ETFs. The Funds cover a spectrum of objectives, including long-term growth, total return, principal protection, and income.

Accumulation	AdvisorOne Funds Strategy <i>Account minimum: \$10,000</i>
Protection	AdvisorOne Protection Strategy <i>Account minimum: \$10,000</i>

AMERICAN FUNDS STRATEGIES

Portfolios are composed of American Funds F shares or a combination of American Funds F shares and the CLS-managed AdvisorOne Funds.

Accumulation	American Funds Strategy <i>Account minimum: \$10,000</i>	American Hybrid Strategy <i>Account minimum: \$10,000</i>
Protection	American Hybrid Protection Strategy <i>Account minimum: \$10,000</i>	
Tax Management	American Tax Aware Strategy <i>Account minimum: \$10,000</i>	

SEPARATE ACCOUNTS MASTER MANAGER STRATEGIES

Portfolios are composed of ETFs, individual stocks, and individual bonds to provide greater flexibility to investors with larger portfolio values.

Accumulation	Master Manager Strategy <i>Account minimum: \$500,000</i>
Income	Master Manager Managed Income Strategy <i>Account minimum: \$500,000</i>
Tax Management	Master Manager Tax Managed Strategy <i>Account minimum: \$750,000</i>

About CLS



CLS Investments (CLS) is a third party investment manager, ETF strategist, and long-time trusted partner in the financial industry. CLS's active asset allocation approach, customizable strategy offerings, and extensive risk management experience have led clients to entrust their portfolios to CLS since 1989.

Through CLS's partnership structure, your financial advisor maintains a direct relationship with you, while CLS's portfolio management and analytics teams take on the day-to-day research, trading, and operations required to manage your account. Together, you and your advisor use the tools CLS provides to determine your investing strategy, investment types, and Risk Budget. Your advisor provides this information to CLS so we can accordingly make timely active asset allocation decisions within your portfolio. Through this mutually beneficial connection, CLS enhances your advisor's service to you.

1989
Founded

\$9.7B*
Assets Under Management

45K+
CLS Clients

**as of 01/24/20*

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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.

Constellation Trust Company (CTC) is an affiliated custodian of CLS Investments, LLC.



Get in touch with us at:

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