

CLS Investments, LLC  
Form ADV Part 2A, Appendix 1  
Wrap Fee Program Brochure  
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[www.clsinvest.com](http://www.clsinvest.com)  
March 30, 2020

This wrap fee program brochure provides information about the qualifications and business practices of CLS Investments, LLC ("CLS"). If you have any questions about the contents of this wrap fee program brochure, please contact us at 888-455-4244 or [www.clsinvest.com](http://www.clsinvest.com). The information in this wrap fee program brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

CLS is a registered investment adviser with the SEC. Registration as an investment adviser does not imply any certain level of skill or training. Additional information about CLS is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about anyone affiliated with CLS who is registered as an investment adviser representative of CLS.

Currently, our brochure can be requested by contacting us at 888-455-4244 or at [clsg1@clsinvest.com](mailto:clsg1@clsinvest.com). Our brochure is also available on our website at [www.clsinvest.com](http://www.clsinvest.com), free of charge.

## Item 2      Material Changes

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This brochure is dated March 30, 2020. Since our last annual update to this brochure, the following material changes have been made:

- The fee schedule for the Dual Core and Satellite strategy was updated in Item 4.
- The Active High-Quality Strategy was re-named the Active High-Quality Growth Strategy. Additionally, the long-term risk target of this strategy was increased from 95 to 100.

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## Item 4 Services, Fees and Compensation

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The purpose of this wrap fee program brochure is to describe the wrap fee program, sponsored by us, where we offer investment advice and costs of trade executions to you for an all-inclusive wrap fee. The wrap fee program is only available on select platforms and with select strategies as described below. Additional details regarding our business may be obtained by consulting our Form ADV Part 2A, which is available online at [www.clsinvest.com](http://www.clsinvest.com) or by calling (888) 455-4244.

We offer investment strategies that span multiple investment styles and are designed to serve clients with varying degrees of active management. Active management, briefly, is the practice of making proactive changes in a portfolio due to changes in market valuations or outlook. The investment strategies can be classified into two main management styles, Risk Budgeted or Focused, and can be used for clients who have one or more of the following investment objectives (which change over their investing lifetime): Accumulation, Income, Protection and Tax Management.

*Accumulation: Portfolios are focused on total return, meaning growth of value through interest, capital gains, and dividends.*

*Income: Portfolios seek consistent, reliable distributions from a variety of traditional and non-traditional income-producing assets.*

*Protection: Portfolios pursue capital growth during sustained market uptrends, yet seek protection of assets during catastrophic market downturns.*

*Tax Management: Portfolios seek capital appreciation while seeking to minimize annual net taxable gains.*

Risk Budgeting is the spending allowance with regard to risk that we allow for your portfolio. The risk associated with each investment is carefully considered before it is added to your portfolio. Under Risk Budgeting, you are assigned a Risk Budget and each security (fund) is assigned a risk value primarily based on volatility. The Risk Budget is expressed as a percentage of the risk relative to a diversified equity portfolio benchmark. For example, a Risk Budget of 100 would represent a portfolio with a risk similar to 100% of the risk of a diversified equity portfolio and a portfolio with a Risk Budget of 60 would represent a portfolio with a risk similar to 60% of the risk of a diversified equity portfolio. Within the constraints of the Risk Budget you select, we actively seek to identify attractive market opportunities. CLS's Risk Budgeting Methodology is flexible enough to be applied to a broad variety of client risk comfort levels, from aggressive to conservative. Risk Budgeted portfolios utilize exchange traded funds (ETFs), mutual funds, and/or individual stocks and bonds.

CLS's Focused strategies employ an active allocation approach using mutual funds, ETFs, and closed end funds (CEFs) to target specific investment objectives or themes. Focused strategies will seek to add value by actively adjusting a portfolio by overweighting attractive market exposures and underweighting unattractive market exposures utilizing one or more themes. Strategies utilizing an active allocation methodology may hold more concentrated portfolios than portfolios managed using a risk-budgeted methodology. Increased concentration can lead to a wider range of performance over time.

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Additionally, portfolios holding concentrated investments in a particular market segment or sector make the portfolio more susceptible to any single economic, market, political or regulatory occurrence affecting that particular segment or sector than a more diversified portfolio. Focused strategies will still be risk-managed, but given their active mandates, may change their risk profiles as market conditions change. Consequently, Focused strategies are designed to be a part of, or supplement to, and not a substitute for, an overall well-diversified investment portfolio.

Please see below for an overview of strategies included in each of the four main investment objectives. As discussed further below, accounts that utilize certain Focused strategies will be assessed a minimum annual fee. The Focused strategies subject to the minimum annual fee are identified in this section with an asterisk (\*) after the strategy name. Following the strategy descriptions, you will find a chart that lists the available custodians and account minimums for each strategy.

## **A. ACCUMULATION STRATEGIES**

### **1. Core ETF Strategy**

The Core ETF Strategy uses Risk Budgeting to diversify your portfolio primarily among ETFs according to your objectives determined from your Client Profile. Designed to actively seek intermediate- and long-term capital appreciation appropriate for your Risk Budget, portfolios in this strategy will be invested in 8 to 10 ETFs focused on broad market segment tilts (such as growth, large-cap, or emerging markets).

### **2. Core Plus ETF Strategy**

The Core Plus ETF Strategy uses Risk Budgeting to diversify your portfolio primarily among ETFs according to your objectives determined from your Client Profile. The strategy is focused on total return and seeks allocation to core asset class ETFs, as well as some targeted satellite ETF positions. This strategy takes a more granular approach, allocating portfolios among 10 to 20 ETFs that home in on specific sectors, countries, and alternative assets.

### **3. Dual Core and Satellite Strategy**

The assets in the Dual Core and Satellite Strategy are managed under a sub-advisory arrangement with Sound Asset Management Group, LLC ("SAM") utilizing Risk Budgeting. For additional information about SAM, please consult SAM's Form ADV Part 2 brochure.

The Dual Core and Satellite Strategy uses Risk Budgeting to diversify your portfolio among Affiliated Funds and ETFs through investment platforms at designated custodians, according to your objectives determined from your Client Profile. As your account grows in size, the portion of your account allocated to ETFs will increase and the portion allocated to Affiliated Funds will decrease. Accounts below \$200,000 will be allocated entirely to Affiliated Funds. Accounts between \$200,000 and \$500,000 will be allocated 50% to Affiliated Funds and 50% to ETFs. Accounts above \$500,000 will be allocated to ETFs and in some cases, bonds and individual securities.

Assets placed in this strategy will be billed in accordance with CLS's Dual Core and Satellite Fee Schedule.

#### **4. Master Manager Strategy**

The Master Manager Strategy uses Risk Budgeting to determine the proper allocation of your portfolio among various investment ETFs, bonds, individual securities and/or mutual funds with us acting as the asset allocation overlay manager. Based on your individual investment objectives, we may honor special requests regarding available mutual funds, ETFs and/or other securities to be utilized as well as investment research and sub-advisers.

This strategy will primarily utilize ETFs, individual taxable or non-taxable bonds and/or equities and may be sub-advised by third parties selected by us as indicated in your Investment Advisory Agreement or managed utilizing investment research and portfolio models provided by third parties. A portion of the advisory fee paid by you to us may be used by us to compensate these third party providers. Your portfolio allocation will be based on your individual characteristics as determined from your Client Profile. This strategy may be best suited for clients wishing to have greater control over portfolio transactions, cash flow streams and/or greater visibility to the actual holdings of the portfolio.

#### **5. Active High-Quality Growth Strategy\***

The Active High-Quality Growth Strategy is designed for clients who prefer an active, ETF-based strategy that invests in high-quality equities and tilts toward growth. High-quality equity securities are typically considered to be those companies with higher and more consistent profitability, stronger balance sheets, and higher dividend growth. These attributes are generally exhibited in higher growth companies. The long-term risk target of the strategy is 100% of the risk of a diversified equity portfolio. However, the risk of the strategy may change based upon current market conditions. The strategy is designed to function as a complement and overlay to a traditional asset allocation and should be used only for a portion of an overall diversified investment portfolio.

#### **6. Alternatives Strategy\***

The Alternatives Strategy is designed for clients who prefer an active, ETF-based strategy that invests in alternative asset classes. The strategy will primarily utilize ETFs specializing in private equity, merger arbitrage, managed futures, active hedging, currencies, relative fixed income, technical and momentum analysis, and rules based quantitative analysis, among others. The strategy primarily invests in equities, but also may include commodities, currencies, and fixed income in some segments of the portfolio. The long-term risk target of the strategy is 40% of the risk of a diversified equity portfolio. However, the risk of the strategy may change based upon current market conditions. The strategy is designed to function as a complement and overlay to a traditional asset allocation and should be used only for a portion of an overall diversified investment portfolio.

#### **7. Domestic Equities Strategy\***

The Domestic Equities Strategy is designed for clients who prefer an active, ETF-based strategy that invests entirely in domestic equities. The long-term risk target of the strategy is 95% of the risk of a diversified equity portfolio. However, the risk of the strategy may change based upon current market conditions.

The strategy is designed to function as a complement and overlay to a traditional asset allocation and should be used only for a portion of an overall diversified investment portfolio.

#### **8. Enhanced Fixed Income Strategy\***

The Enhanced Fixed Income Strategy is designed for clients who prefer an active, ETF-based strategy that primarily utilizes ETFs to invest in fixed income asset classes and secondarily alternative asset classes. The long-term risk target of the strategy is 20% of the risk of a diversified equity portfolio. However, the risk of the strategy may change based upon current market conditions. The strategy is designed to function as a complement and overlay to a traditional asset allocation and should be used only for a portion of an overall diversified investment portfolio.

#### **9. Focused ESG Strategy\***

CLS's Focused ESG Strategy offers actively managed, globally diversified exposure to environmental, social, and governance (ESG) companies through ETFs. CLS's Focused ESG Strategy invests in globally diversified ETFs that have been screened by Morningstar to be "Socially Conscious." The ETFs that are utilized must also have above-average or high ESG scores versus their peer category utilizing data provided by Sustainalytics, a global leader in ESG research and ratings. The long-term risk target of the strategy is 100% of the risk of a diversified equity portfolio. However, the risk of the strategy may change based upon current market conditions. The strategy is designed to function as a complement and overlay to a traditional asset allocation and should be used only for a portion of an overall diversified investment portfolio.

#### **10. International Rotation Strategy\***

The International Rotation Strategy is designed for clients who prefer an active, ETF-based strategy that invests in international equities. The long-term risk target of the strategy is 105% of the risk of a diversified equity portfolio. However, the risk of the strategy may change based upon current market conditions. The strategy is designed to function as a complement and overlay to a traditional asset allocation and should be used only for a portion of an overall diversified investment portfolio.

#### **11. Real Assets Strategy\***

The Real Assets Strategy is designed for clients who prefer an active, ETF-based strategy that invests in real asset classes. The strategy will primarily utilize ETFs specializing in natural resource companies, commodities, and real estate. The strategy primarily invests in a combination of commodity ETFs and equity ETFs. The long-term risk target of the strategy is 90% of the risk of a diversified equity portfolio. However, the risk of the strategy may change based upon current market conditions. The strategy is designed to function as a complement and overlay to a traditional asset allocation and should be used only for a portion of an overall diversified investment portfolio.

#### **12. Thematic Growth\***

The Thematic Growth Strategy is designed for clients who prefer an active, ETF-based strategy that invests in accordance with CLS's Investment Themes. CLS's Investment Themes, which are established by CLS's

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Investment Committee, represent CLS's strongest investment convictions. The long-term risk target of the strategy is 100% of the risk of a diversified equity portfolio. However, the risk of the strategy may change based upon current market conditions. The strategy is designed to function as a complement and overlay to a traditional asset allocation and should be used only for a portion of an overall diversified investment portfolio.

## **B. INCOME STRATEGIES**

### **13. ETF Managed Income Strategy**

The ETF Managed Income Strategy uses Risk Budgeting to manage an account for clients seeking income from a diversified portfolio of income-producing assets. The strategy seeks to help clients with a desire for regular income meet their short and long-term income needs by dividing the account into up to three separate investment portfolios: immediate, short-term, and long-term.

If you enroll in this strategy, you can designate a specific amount of assets needed to satisfy your short-term income needs. These assets will be invested in a low-risk reserve portfolio that will seek to generate returns in excess of the average money market fund with risk less than or equal to low duration investment bonds. CLS recommends one to two years' worth of withdrawals; however, the strategy allows for you to specify your desired amount. If you elect systematic withdrawals on your account, assets will also be set aside in a low-risk cash account for those immediate, systematic withdrawals. The remainder of your account will be set aside in a long-term portfolio invested primarily in income or interest-generating investments. The long-term portfolio will be invested primarily in ETFs. Assets designated for this portfolio will seek to provide long-term growth and a steady stream of income.

### **14. Master Manager Managed Income Strategy**

The Master Manager Managed Income Strategy uses Risk Budgeting to manage an account for clients seeking consistent income from a diversified portfolio of income-producing assets. The strategy seeks to help clients with a desire for regular income to meet their short and long-term income needs by dividing the account into up to three separate investment portfolios: immediate, short-term, and long-term.

If you enroll in this strategy, you may elect to designate a specific amount of assets needed to satisfy your short-term income needs. These assets will be invested in a low-risk reserve portfolio that will seek to generate returns in excess of the average money market fund with risk less than or equal to low duration investment bonds. CLS recommends one to two years' worth of withdrawals; however, the strategy allows for you to specify your desired amount. If you elect systematic withdrawals on your account, assets will also be set aside in a low-risk cash account for those immediate, systematic withdrawals. The remainder of your account will be set aside in a long-term portfolio invested primarily in income or interest-generating investments. The long-term portfolio will be invested in ETFs, bonds, individual securities, covered calls and/or mutual funds with CLS acting as the asset allocation overlay manager. Assets designated for this portfolio will seek to provide long-term growth and a steady stream of income.



### **15. Active Income X Strategy\***

The Active Income X Strategy is designed for clients who prefer an active strategy that seeks a specific percentage yield by investing in income producing asset classes. When selecting the strategy, you will select the percentage yield you would like CLS to target for your account. The strategy invests in ETFs and CEFs that specialize in income-producing assets. In addition to traditional dividend-oriented equities and investment grade bonds, the strategy generates income using non-traditional asset classes, such as master limited partnerships, real estate, convertibles, senior bank loans, high-yield bonds, and international debt.

A CEF is a publicly traded investment, like an open-ended mutual fund or ETF. Like an ETF, CEFs trade intra-day on an exchange. Unlike an ETF or mutual fund, a CEF has a fixed number of shares. In addition, share prices for a CEF may substantially deviate from the fund's net asset value ("NAV"). When demand for shares exceeds the supply, the share prices may trade at a premium (above NAV). When supply exceeds demand, share prices may trade at a discount (below NAV).

The CEFs and ETFs utilized in this strategy may invest in non-investment grade bonds and some CEFs provide access to leverage. Generally, securities with lower debt ratings, including non-investment grade bonds, have speculative characteristics and have greater risk the issuer will default on its obligation. Changes in economic conditions or other circumstances are more likely to lead to a weakened capacity of issuers of non-investment grade bonds to make principal or interest payments, as compared to issuers of more highly rated securities. The CEFs' use of leveraged positions may cause these funds to be more volatile than if the fund had not been leveraged. This is because leveraging tends to exaggerate the effect of any increase or decrease in the value of the fund's portfolio securities.

This portfolio will be risk-managed, but will generally be more volatile than an investment grade bond portfolio. The long-term risk target of the strategy ranges from 50-100% of the risk of a diversified equity portfolio depending upon the target yield you select. As the target yield increases, the long-term risk target of the strategy increases. However, the risk of the strategy may change based upon current market conditions. The strategy is designed to function as a complement and overlay to a traditional asset allocation and should be used only for a portion of an overall diversified investment portfolio.

### **16. American Income X Strategy\***

The American Income X Strategy is designed for clients who prefer an active strategy that seeks a specific yield by investing in American Funds class F Shares and income producing asset classes. When selecting the strategy, you will select the yield you would like CLS to target for your account. This strategy will be risk-managed, but risk levels will fluctuate with changing income conditions. Overall portfolio volatility is also expected to be higher than an investment grade bond portfolio.

The strategy will primarily utilize American Funds and ETFs that specialize in domestic and international equities, master limited partnerships, real estate, convertibles, senior bank loans, high yield bonds, international debt and active hedging, among others. The strategy will invest in a combination of traditional and nontraditional equity and fixed income securities. This portfolio will be risk-managed, but will generally be more volatile than an investment grade bond portfolio. The long-term risk target of the strategy ranges from 50-85% of the risk of a diversified global equity portfolio depending upon the target

yield you select. As the target yield increases, the long-term risk target of the strategy increases. However, the risk of the strategy may change based upon current market conditions.

## **C. PROTECTION STRATEGIES**

### **17. Protected Equities Strategy\***

The Protected Equities Strategy is designed for clients who prefer an active, ETF-based strategy that seeks to protect account principal against large market downturns, while also pursuing account growth. Clients who may be well-suited for this strategy often display the following characteristics: (i) are particularly sensitive to market declines due to a shortened investment time horizon or an extreme fear of decreasing account value, (ii) understand the strategy seeks to protect accounts against large, but not all, market declines, and (iii) recognize that, in this strategy, investment returns may lag when the market is significantly increasing. The long-term risk target of the strategy is 85% of the risk of a diversified equity portfolio. However, the risk of the strategy may change based upon current market conditions. The strategy is designed to function as a complement and overlay to a traditional asset allocation and should be used only for a portion of an overall diversified investment portfolio.

## **D. TAX MANAGEMENT STRATEGIES**

### **18. Master Manager Tax-Managed Strategy**

The Master Manager Tax-Managed Strategy uses Risk Budgeting to determine the proper allocation of your portfolio among various investment ETFs, bonds, individual securities and/or mutual funds with us acting as the asset allocation overlay manager. The primary emphasis of this strategy is performance, followed by diligence to tax liability. Tax consequences are taken into consideration for each transaction and generally, short-term gains are avoided, unless a portfolio transaction makes sense to avoid excessive loss in the security. Based on your individual investment objectives, we may honor special requests regarding available mutual funds, ETFs and/or other securities to be utilized as well as investment research and sub-advisers.

This strategy will primarily utilize ETFs, individual bonds and/or equities. Whenever possible, tax-free bonds are utilized. This strategy may be sub-advised by third parties selected by us as indicated in your Investment Advisory Agreement or managed utilizing investment research and portfolio models provided by third parties. A portion of the advisory fee paid by you to us may be used by us to compensate these third party providers. Your portfolio allocation will be based on your individual characteristics as determined from your Client Profile. This strategy may be best suited for clients wishing to have greater control over portfolio transactions, cash flow streams and/or greater visibility to the actual holdings of the portfolio.

### **19. Tax Transition Strategy**

The Tax Transition Strategy allows you to transfer assets into CLS's management and spread out the taxable gains from the sale of those assets. CLS will sell the assets transferred into the strategy over multiple tax years and transition the proceeds into CLS's management. Capital gains incurred from positions transferred into the strategy will be spread out over time for up to three tax years. CLS will set a net capital gain target for your account and will seek to limit capital gains for each tax year to that net

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capital gain target. CLS will regularly monitor the potential capital gains or losses of the assets held within the strategy. As assets are sold, CLS will transfer the proceeds into the CLS strategy selected by you.

Accounts must be non-qualified in order to be eligible for this strategy. CLS will rely upon the cost basis information provided by the custodian. If the custodian does not have the cost basis, it is your responsibility to provide this information to CLS. CLS will maintain cost basis information on a position by position basis; multiple tax lots will be combined into one capital gain/loss amount. Assets will be sold solely based upon the tax consequences of the transaction and entire positions will be liquidated in a single transaction. The Tax Transition Strategy is not Risk Budgeted and CLS will not monitor the risk of the assets transferred into the strategy.

**20. Tax-Aware Bond Strategy\***

The Tax-Aware Bond Strategy is designed for clients who prefer an active, ETF-based strategy that primarily invests in ETFs specializing in municipal bond securities. The long-term risk target of the strategy is 10% of the risk of a diversified equity portfolio. However, the risk of the strategy may change based upon current market conditions. The strategy is designed to function as a complement and overlay to a traditional asset allocation and should be used only for a portion of an overall diversified investment portfolio.

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**Custodian Guide**

The following table indicates where the strategies listed above are available and the account minimum for each strategy at the available custodians. If an account minimum is not listed, the strategy is not available at that custodian.

	Brokerage Platforms			
	CTC	TD Ameritrade	Schwab	Fidelity IWS
<b>Accumulation Strategies</b>				
1. Core ETF	\$10,000	\$50,000	\$50,000	\$50,000
2. Core Plus ETF	\$10,000	\$150,000	\$150,000	\$150,000
3. Dual Core and Satellite	\$10,000			
4. Master Manager		\$500,000	\$500,000	\$500,000
5. Active High-Quality	\$10,000	\$50,000	\$50,000	\$50,000
6. Alternatives	\$10,000	\$50,000	\$50,000	\$50,000
7. Domestic Equities	\$10,000	\$50,000	\$50,000	\$50,000
8. Enhanced Fixed Income	\$10,000	\$50,000	\$50,000	\$50,000
9. Focused ESG	\$10,000	\$50,000	\$50,000	\$50,000
10. International Rotation	\$10,000	\$50,000	\$50,000	\$50,000
11. Real Assets	\$10,000	\$50,000	\$50,000	\$50,000
12. Thematic Growth	\$10,000	\$50,000	\$50,000	\$50,000
<b>Income Strategies</b>				
13. ETF Managed Income	\$10,000	\$150,000	\$150,000	\$150,000
14. Master Manager Managed Income		\$500,000	\$500,000	\$500,000
15. Active Income X		\$50,000	\$50,000	\$50,000
16. American Income X	\$10,000			
<b>Protection Strategies</b>				
17. Protected Equities	\$10,000	\$50,000	\$50,000	\$50,000
<b>Tax Management Strategies</b>				
18. Master Manager Tax-Managed		\$750,000	\$750,000	\$750,000
19. Tax Transition		\$150,000	\$150,000	\$150,000
20. Tax Aware Bond	\$10,000	\$50,000	\$50,000	\$50,000

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## FEES AND COMPENSATION

For our services, we charge an advisory fee based on a percentage of the value of your assets managed by CLS. Our advisory fee is billed either in advance or in arrears, typically on a monthly or quarterly basis, as specified in your Investment Advisory Agreement. A portion of the advisory fee we charge is paid out to your Financial Advisor (the “Financial Advisor Retained Portion”) and the remainder of the fee is retained by CLS (the “CLS Retained Portion”).

The majority of CLS’s investment strategies are classified as either a wrap fee strategy or a non-wrap fee strategy. The investment strategies listed above are all included as part of our wrap fee program and primarily utilize ETFs. Under the wrap fee programs, investment advice and costs of trade executions are provided to you for an all-inclusive wrap fee. At certain custodians, the ETFs we utilize may participate in the custodian’s non-transaction fee program, and as a result, CLS will not pay a fee for purchasing these ETFs. We took these programs into account when setting the fee for our wrap fee schedule.

**Wrap Fee Schedule.** For accounts that utilize strategies that are included in our wrap fee program, you will be charged the following annual fee based upon the total amount of assets enrolled in our wrap fee strategies:

Assets	Total Advisory Fee	CLS Retained Portion	Financial Advisor Retained Portion
First \$50,000	2.00%	0.75%	1.25%
Next \$450,000	1.85%	0.60%	1.25%
Next \$500,000	1.80%	0.55%	1.25%
Assets over \$1,000,000	1.75%	0.50%	1.25%

**Dual Core and Satellite.** For accounts managed by CLS utilizing our Dual Core and Satellite Strategy, you will be charged the following **(net)** annual fee based upon the total amount of assets enrolled in the strategy:

Assets	Total Advisory Fee	CLS Retained Portion	Financial Advisor Retained Portion
Less than \$200,000	1.75%	0.50%*	1.25%
\$200,000 but less than \$500,000	1.75%	0.65%**	1.10%
\$500,000 but less than \$1,000,000	1.50%	0.75%	0.75%
\$1,000,000 or more	1.25%	0.65%	0.60%

*\*The Flat Rate Annual Percentage represents a net fee paid by your account and assumes a maximum 100% investment in Affiliated Funds. (The fee is calculated as follows: 2.50% total advisory fee, less 0.75% Affiliated Fund offset for 100% of the portfolio equals a maximum 1.75% net advisory fee.)*

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***\*\* The Flat Rate Annual Percentage represents a net fee paid by your account and assumes a maximum 55% investment in Affiliated Funds. (The fee is calculated as follows: 2.17% total advisory fee, less 0.75% Affiliated Fund offset for 55% of the portfolio equals a maximum 1.75% net advisory fee.)***

For the Dual Core and Satellite strategy, assets placed in Affiliated Funds will receive a credit (offset) against advisory fees that would otherwise be payable to us. The credit is determined by taking the highest management fee paid to CLS by the Affiliated Funds that may be held in your account (based on a 100% maximum allocation to Affiliated Funds). You may at any time instruct us in writing not to place any of your managed assets in Affiliated Funds; however, in such event you will be required to select a different CLS strategy. For more information about the Affiliated Funds and any management fees received by us from the Affiliated Funds, please consult the AdvisorOne Funds prospectus. A portion of the advisory fee paid by you to us will be used by us to compensate SAM.

#### **BILLING METHOD**

Advisory fees may be deducted directly from your account, or in some circumstances, you may be billed directly for such fees. Advisory fees billed in advance are based on the market value of all your assets under management on the last trading day of each advisory fee period, unless otherwise specified. If your advisory fees are billed in advance, you may also be billed for additional monies added to your account during the advisory fee period. No adjustments to your advisory fee will be made for monies withdrawn during the advisory fee period. Upon termination, CLS will issue you a prorated refund of all unearned advisory fees that were paid in advance. Advisory fees billed in arrears will generally be determined based on your account balance on a daily basis unless otherwise specified. Please refer to your Investment Advisory Agreement, including attached addendums and schedules, to determine the manner your advisory fees will be calculated and billed. In any partial advisory fee cycle, your advisory fee will be prorated based on the number of days your assets are under management for the applicable period.

The advisory fees paid to us represent fees for management of your account and are separate from any other fees and expenses charged by other parties, including brokerage, custodian, and other transaction costs; therefore, the advisory fees shown in this Form ADV represent only the fees paid to us and do not reflect operating expenses and other costs charged by the mutual funds, variable annuities or other products you will be invested in and it is important you understand that these expenses and costs are ultimately borne by you, as the shareholder. In addition, certain mutual funds and variable annuities charge contingent deferred sales charges ("CDSC") on withdrawals. We are not responsible for any CDSC charges incurred through our management of your portfolio or for any transaction costs incurred while managing your assets, unless transaction costs are covered as part of our wrap fee program. A complete description of all fees and expenses of the securities in which you are invested are contained in the relevant prospectuses. We also advise you to carefully review your custody agreement with your custodian as there may be custodial fees, transaction fees and other service fees charged to you by your custodian.

The advisory fee schedules listed above are our standard rates. Actual fees, and/or the portion of the advisory fee retained by CLS and your Financial Advisor, may vary. Please refer to your Investment Advisory Agreement, including attached addendums and schedules, to determine your advisory fee. The standard fee schedule listed above and minimum account sizes for our strategies described in more detail in Item 4 are **negotiable** based upon the services provided and your circumstances and financial situation. For certain Financial Advisor we offer some or all of their clients discounted fees based on the amount of

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assets an individual client or the Financial Advisor has with CLS, the efficiencies gained by managing multiple clients for the same Financial Advisor, and our relationship with the Financial Advisor. As a result, clients with similar assets may have differing fee schedules and pay different fees. You can request that related accounts be combined in order to meet fee break points and reduce the advisory fee charged. We reserve the right to waive or reduce the advisory fee for certain accounts such as employee accounts and personal accounts of Financial Advisors who refer business to us. Clients who negotiate a flat fee schedule may or may not pay a higher fee than those who pay under a tiered schedule, depending on asset levels. Accounts enrolled in a CLS strategy prior to April 1, 2015 may be billed under a different fee structure than the one described above. These accounts are grandfathered into our prior billing arrangements. However, you can contact CLS to transition your account to the bill structure described above at any time. Additionally, upon our discontinuing the strategy you are invested in or a significant decrease in your account size and your inability to meet our account minimum for your current strategy, we reserve the right to re-assign your account, upon notice to you, to a more suitable CLS strategy provided that your account is still managed pursuant to your financial objectives, goals and risk tolerance.

The same or similar investment advisory services may be available from other investment advisers for a lower fee. The advisory fee (which includes transaction costs) may be more or less costly than paying for the services separately, depending upon the investment advisory fees charged, the number of transactions for the account, and the level of brokerage and other fees that would be payable if the client obtained the services available under the program individually.

We enter into marketing arrangements with other registered investment advisers and broker-dealers pursuant to which representatives of their firms ("Financial Advisors") offer our services to the public. Your Financial Advisor will consult with you to assess your financial situation and identify your investment objectives and will make a determination that CLS's services are suitable for you before recommending CLS. Your Financial Advisor will then contact you at least annually regarding the suitability of CLS's services for your account. Through these arrangements, we pay a cash referral fee to your Financial Advisor and/or their firm based upon a percentage of our advisory fee. In connection with these arrangements, we will comply with Rule 206(4)-3 under the Advisers Act. The referral fee is paid pursuant to a written agreement, which is retained by both your Financial Advisor and us. This information is disclosed to you prior to or at the time of entering into an investment advisory agreement with us.

Your investments in our wrap fee programs may also be subject to other fees and charges imposed by other third parties, such as: in the case of mutual fund investments, mutual fund investment management fees, 12b-1 distribution fees, administrative servicing fees, and CDSCs upon redemption of previously purchased mutual funds; in the case of purchases made in connection with an individual retirement account or other qualified plan, various IRA and qualified retirement plan fees; and, in the case of all investments, clearing, custody, and other charges and service fees. Other parties may receive a portion of these third-party fees.

Our portfolio managers are paid a base salary plus a bonus based on a combination of factors including firm profitability, the portfolio manager's individual performance, and our team performance. A 401(k) program with employer matching is also available to portfolio managers.

**MINIMUM FEE**

Accounts enrolled in our Wrap Fee Program that accounts that utilize certain Focused strategies will be assessed a minimum annual fee of \$400. CLS's Focused strategies may have higher turnover than our Risk

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Budgeted strategies and the minimum fee is necessary to offset the increased trading costs incurred by CLS. For purposes of calculating the minimum fee, CLS will only look at the CLS Retained Portion of the fee. The fee will be calculated at the household level, so if you have multiple accounts, fees paid for those accounts will be credited toward the calculation of the minimum annual fee.

**TERMINATION OF ADVISORY AGREEMENT**

We can terminate our Investment Advisory Agreement with you at any time by providing you with written notice. Likewise, you can terminate the Investment Advisory Agreement at any time by providing us with written notice. If your Investment Advisory Agreement is terminated within (5) five business days from the date of inception, all fees paid by you in advance will be promptly refunded to you and you will not be charged a termination fee. Should your Investment Advisory Agreement be terminated at any other time, you will receive a pro-rata refund of any prepaid fees. To cover administrative costs associated with terminating an account, CLS imposes an administrative fee of \$75 at the time of termination. The termination fee will be deducted from any advisory fee refunds owed by CLS to you. If your refund is less than \$75, CLS will deduct the remaining portion of the termination fee from your account. CLS reserves the right to waive the administrative fee, or any portion thereof, at its discretion. If you are billed in arrears for our services, any outstanding amounts owed to us for the period of time your assets were under our management shall become immediately due and payable upon termination. As of the effective date of termination of our investment management services, we will have no obligation or authority to recommend or take any action with regard to your previously managed assets. You will bear the sole responsibility to work with your custodian for proper liquidation and/or management of your assets upon termination. **Upon termination, we advise you to immediately contact your custodian to ensure your account is allocated according to your wishes.**



## Item 5      Account Requirements and Types of Clients

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Minimum account size requirements and applicable fee schedules are disclosed for each respective strategy described in the Custodian Guide in Item 4. Exceptions to these minimums may be made in certain cases in our discretion. We provide investment advice to individuals, high net worth individuals, investment companies (including mutual funds), pension, retirement, 529 educational saving and profit sharing plans (other than plan participants), endowments, other pooled investment vehicles, trusts, estates, charitable organizations, corporations or other business entities, and state or municipal government entities. We may also provide advice to other persons or entities including other investment advisers and broker/dealers.

## Item 6 Portfolio Manager Selection and Evaluation

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We primarily provide investment management by partnering with unaffiliated investment advisers and working through their financial representatives ("Financial Advisors") to offer investment strategies for clients who wish to utilize our services. We also offer certain investment management services directly to certain clients. We tailor an investment portfolio designed for you based on the management strategy you select. The process begins when you work with your Financial Advisor to fill out a Client Profile and Investment Advisory Agreement and select your appropriate strategy. The Client Profile will help you to clarify your financial objectives and goals and establish your tolerance to risk. The Client Profile is used as the primary reference for managing your portfolio. You can also indicate any special instructions or limitations that you request us to follow in managing your assets.

Each investment strategy gives us discretion to provide continuous investment advice based on your individual objectives and needs. We utilize various security products including: exchange traded funds ("ETFs"), mutual funds, bonds, equities and/or other securities in association with the investment strategy selected by you. For a description of the management style and products utilized for each strategy, please see Item 4.

Through our daily monitoring of asset class segments return and risk factors, we may change your portfolio asset mix in order to help you meet your objectives. It is our intent to maintain a risk exposure in accordance with your strategy and objectives by using the various investment choices available under the strategy selected by you.

Certain of our employees act as portfolio managers for the wrap fee programs described in this Wrap Fee Program Brochure. This may create a conflict of interest in that other investment advisory firms may charge the same or lower fees than our firm for similar services. We have chosen not to utilize outside portfolio managers, and therefore, there is no selection and review of outside portfolio managers that could be inconsistent with the selection and review of our internal portfolio managers.

We review a number of different criteria when selecting and reviewing our portfolio managers including: investment management experience, educational background, professional designations, ability to work in a team environment, compatibility with our investment management style, etc. The portfolio managers work in a team environment and are reviewed based on individual and team investment performance. The portfolio managers perform daily market reviews and regular allocation reviews within each fund and strategy that we administer.

The portfolio administrators run and review monthly reports to detect any position drift. We monitor performance on a monthly basis (at a minimum) for managers, investment research providers, and for our own analysis. Funds used in allocations are tracked on a daily basis. CLS claims compliance with the Global Investment Performance Standards (GIPS®) and our composite performance numbers are verified by ACA Compliance Group.

To help us provide accurate and timely management of your invested assets, we ask that you establish a custodial account with a designated custodian. Your custodian maintains physical custody and the underlying records for the assets held in your account. Your assets can be held at a number of qualified custodians, including a bank or savings association, a broker/dealer or an independent custodian selected

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by you. We do not serve as the custodian for your managed assets; however, we do have an affiliated custodian, Constellation Trust Company ("CTC"). In order to facilitate our management services, we have entered into an agreement with CTC to waive some of their customary charges; however, you are under no obligation to select CTC as your custodian and you are free to select any of the custodians we are able to work with.

You can, at any time, contact your custodian directly to obtain your account balance or take immediate action regarding your account; however, according to your investment advisory agreement with us, you must also provide us notice of your intentions so we do not take actions contrary to your objectives. For example, if you deposit additional funds into your account, CLS might automatically invest these funds pursuant to your investment objectives unless you notify us otherwise. We are not responsible for accurate reporting if you fail to provide us accurate information. We strive to maintain your account data as accurately as possible; however, we rely on accurate reporting provided to us by you and your custodian through electronic or other means. We are not responsible for inaccurate data provided to us by you or by your custodian. You must also promptly submit to us in writing any changes to your Client Profile, or any changes to any information you have provided to us regarding the management of your assets. Alternatively, upon providing evidence of a validly executed limited power of attorney, your Financial Advisor can submit non-material changes on your behalf.

Maintaining proper records and documentation regarding your account is important to us. As a client, you are able to access our website at [www.clsinvest.com](http://www.clsinvest.com) and view your account information. General information for how to obtain secured web access to your account is given to you after we accept your account. In addition, our customer service center is available to answer any questions regarding your account at (888) 455-4244.

As of December 31, 2019, CLS has approximately \$9,469,293,458 in assets under management. Approximately \$7,801,470,431 of client assets on a discretionary basis and approximately \$1,667,823,027 on a non-discretionary basis. As described above, CLS also makes model portfolios available through third-party platforms. As of December 31, 2019, there was \$800 million invested in CLS's model portfolios through third-party platforms. Since CLS does not have investment or trading discretion for client accounts invested in these model portfolios, they are not included in our assets under management.

CLS charges certain clients a performance fee, which is based upon a share of capital gains or capital appreciation of the assets of such client. Performance-based fees will only be charged in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940 and/or applicable state regulations. In addition, it is CLS's policy not to retain any performance-based fees charged and to pass through any collected performance-based fees to third parties that provide investment research and/or advisory services to CLS in connection with our management of a client's account, as directed by the client. In order for CLS to be eligible for a performance-based fee, the account's performance must exceed a designated benchmark. If the account outperforms the designated benchmark, CLS receives a performance fee of up to 20% of the return in excess of the benchmark. The complete terms of CLS's advisory fee are disclosed in the Investment Advisory Agreement between you and CLS. The performance fees charged by CLS may be higher than the performance fees charged by other investment advisers for the same or similar services.

CLS's portfolio managers are responsible for managing performance-based fee accounts and accounts that are charged another type of fee. There are potential conflicts of interest CLS faces by managing performance based accounts at the same time as managing asset based, non-performance based

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accounts. For example, the nature of a performance fee poses an opportunity for CLS to earn more compensation than under a stand-alone asset based fee. Consequently, CLS may favor performance fee accounts over those accounts where we receive only an asset based fee. One way CLS may favor performance fee accounts is that we could devote more time and attention to performance fee accounts than to accounts under an asset based fee arrangement. Additionally, performance-based fees create an incentive for an adviser such as CLS to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

Since we endeavor at all times to put the interests of our clients first as part of our fiduciary duty as a registered investment adviser, we take the following steps to address these conflicts:

1. We disclose to investors and prospective clients the existence of material conflicts of interest, including the potential for our firm and its employees to earn more compensation from some clients than others.
2. We have implemented written policies and procedures for fair and consistent allocation of investment opportunities among all clients.
3. We periodically compare holdings and performance of all accounts with similar strategies to identify significant performance disparities indicative of possible favorable treatment.
4. We educate our employees regarding the responsibilities of a fiduciary, including the equitable treatment of all clients, regardless of the fee arrangement.
5. Only clients that are able to assume additional risk are solicited to engage in a performance fee arrangement.

#### **PROXY POLICY**

We do not receive proxies for securities held in your account(s). Unless otherwise agreed in writing, it is our policy not to vote, nor give any advice how to vote, proxies for securities held in your accounts. Proxies for securities held in your account(s) will be received by you directly from the custodian of your assets, or will be handled as otherwise agreed to between you and the custodian.

We serve as investment adviser to certain investment companies under the AdvisorOne Funds trust (each a "Fund"). Each Fund is a fund of funds, meaning these Funds pursue their investment goals by investing primarily in other investment companies that are not affiliated ("Underlying Funds"). As a fund of funds, the Funds are required by the Investment Company Act of 1940 to handle proxies received from Underlying Funds in a certain manner. In particular, in accordance with our policy, we or our designee will vote all proxies received from the Underlying Funds in the same proportion that all shares of the Underlying Funds are voted, or in accordance with instructions received from Fund shareholders, pursuant to Section 12(d)(1)(F) of the Investment Company Act of 1940. Proxies received on behalf of the Funds that represent securities that are not investment companies will be voted according to our proxy voting policies. In general, we or our designee will vote in favor of routine proposals which do not change the structure, bylaws, or operations of a company to the detriment of the shareholders, and will vote against proposals that clearly have the effect of restricting the ability of shareholders to realize the full potential value of their investment. A copy of our proxy voting policy may be provided to you upon your request.

All proxies received from the Funds will be reviewed with our Chief Compliance Officer or appropriate legal counsel to ensure proper voting. After properly voted, the proxy materials are placed in a file maintained by the Chief Compliance Officer for future reference.

## **ERROR COMMITTEE**

We have established an Error Committee led by our Chief Compliance Officer that meets on at least a weekly basis to review reported errors. Possible errors may be identified by us, our clients, financial representatives and others. The Error Committee will review the facts surrounding each circumstance to determine whether an error has occurred. If the Error Committee determines an error has occurred, it will consider (i) the nature and cause of the error, (ii) whether you have been disadvantaged by the error, and (iii) suitability of the allocations resulting from an error. If necessary, we will perform calculations to determine whether you have experienced a loss resulting from our error and we will reimburse you for any losses suffered. If you benefitted from the error, you will keep any resulting gains. If the same error results in both losses and gains to your account, we will offset the losses with the gains and will reimburse you in the event the losses exceed the gains. For losses suffered as a result of our error, generally, we will issue a check to you or your custodian or otherwise credit your account for the amount of loss. In certain circumstances, we will credit your next advisory fee invoice for the amount of the loss. We will notify you of errors caused by us that resulted in a loss of more than \$10. Errors that result in a loss of less than \$10 will be corrected in your account but no notification will be sent to you. Our policy and practice is to monitor and reconcile all trading activity, identify and resolve any trade errors promptly, document each trade error with appropriate supervisory approval and maintain a trade error file.

## **PRIVACY POLICY**

We have a privacy policy designed to protect and safeguard your confidential information. A copy of our privacy policy is provided upon request.

## **BUSINESS CONTINUITY PLAN**

We, along with our parent company, have a business continuity plan which provides a course of action for the assessment of a significant business disruption and for the continuation of our business following such an event. The business continuity plan consists of policies and procedures outlining the responsibilities of key personnel in the event of a significant business disruption.

## **NOTICE TO CLIENTS**

You should know that it is impossible to predict the future and investing in securities involves risks and uncertainties. There is no assurance that we will attain your objectives, that any investment recommendation will be profitable, or a particular rate of return will be achieved. Each of our significant investment strategies contemplates investing some portion or all of a portfolio in mutual funds or ETFs. Although investing in mutual funds and ETFs generally involves less risk than investing in the securities of one issuer, investing in any securities, including mutual funds and ETFs, involves risk of loss that you should be prepared to bear.

Selecting one of the strategies described above may result in different performance results than what otherwise might have been achieved had you selected one of the other strategies. In addition, clients in the same strategy may have differing performance depending upon the individual investment objectives and risk tolerance of each client. Should you wish to change strategies, you must notify us in writing.

## Item 7      Client Information Provided to Portfolio Managers

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A designated new account specialist reviews information submitted by each new prospective client prior to initial trading and clients are assigned a suitable Risk Budget based on the responses submitted in their respective Client Profile.

Our portfolio managers monitor the account positions for asset performance and analyze market return and risk factors on a daily basis. Your allocations are weighted to best meet individual risk tolerances and objectives based on your selected investment management service. For all investment management services, factors that affect portfolio weightings include changes in economic, fundamental, quantitative, behavioral, or valuation factors as determined by the Chief Investment Officer and portfolio managers.

We have an Investment Committee that meets formally on a quarterly basis that sets the overall direction of our investment management. Our portfolio managers are responsible for monitoring the investment company allocations on a daily basis.

Your Financial Advisor has agreed to make periodic contact with you, at least annually. Together, you and your Financial Advisor determine whether a change in your objectives warrants a change in the criteria used to manage your assets. We also make quarterly performance evaluations available to you that describe your current personal and investment information. We use this information as the primary reference for managing your account. If any information has changed, you are instructed to promptly advise us of any changes. If the information is current, no further action is required. You also have access to your account information at all times via our web site at [www.clsinvest.com](http://www.clsinvest.com) where you can view your investment objectives, investment policy statement and other important information regarding the management of your account.

Item 8      Client Contact with Portfolio Managers

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We do not place restrictions on your ability to communicate with our portfolio managers.

## Item 9 Additional Information

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management and certain actions are presumed by the SEC to be material. We have no disciplinary events that we are required by SEC rules to disclose to you under this Item.

### **Other Financial Industry Activities and Affiliations**

CLS is an affiliate of Orion Advisor Solutions, LLC ("Orion"). Orion also has the following affiliates: Advizr, Inc., Orion Advisor Technology, LLC ("OAT"), Orion Portfolio Solutions, LLC ("OPS"), and Constellation Trust Company. Our executive officers also serve as officers and directors of the other Orion affiliates.

#### Orion Portfolio Solutions, LLC ("OPS")

OPS is an investment advisor registered with the SEC. OPS provides a fee-based investment platform that allows investment advisors the ability to develop their own model portfolios or utilize models provided by institutional portfolio strategists. CLS makes certain strategies and model portfolios available through OPS. CLS's services are available through other fee-based platforms, so you are not obligated to utilize OPS to access CLS's investment management. Additionally, certain operational services for your account, such as trading and fee billing, are performed by employees of OPS. A portion of your advisory fee is used to compensate OPS for these services; you are not charged a separate fee by OPS.

#### Constellation Trust Company ("CTC")

CTC is a Nebraska chartered trust company and an affiliate of ours. Some of our executive officers also serve as officers and directors of CTC. CTC's custodial services facilitate clients who desire a third-party investment adviser such as us to manage their account(s). We recommend CTC, among other custodians, to our clients. CTC has established electronic interfaces and capabilities necessary to maintain and aggregate custodial records and reporting for clients invested across various investment platforms. We have entered into an arrangement with CTC to waive the annual custodial fee for our clients. All other custodial fees and charges of CTC are set forth in the CTC custodial agreement. Trades for client accounts custodied at CTC are affected via the National Securities Clearing Corporation through arrangements with third parties including Matrix Settlement and Clearance Services, LLC ("Matrix") and TD Ameritrade, Inc. The Affiliated Funds and other mutual funds held by our clients with assets custodied at CTC pay shareholder servicing fees to CTC for distribution and/or shareholder servicing related assistance associated with making a client's investments in such funds. As discussed above in Item 5, when selecting share classes for accounts held at CTC or any other custodian, CLS selects the most appropriate share class for you and does not take into consideration any fees paid by the mutual fund to CTC or any other custodian.



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Orion Advisor Technology, LLC ("OAT")

We utilize the back-office system provided by OAT for trade processing, account management, and performance reporting. We also make available to you financial planning tools from Advizr. CLS believes that the utilization of OAT and Advizr do not create a conflict of interest.

AdvisorOne Funds

We serve as the investment adviser to the AdvisorOne Funds (collectively these funds are referred to as "Affiliated Funds"). We receive a management fee from the Affiliated Funds we advise. A specified amount of your assets may be invested in Affiliated Funds as an integral part of some of our strategies. At any time, you have the right to prohibit us from investing any of your managed assets in Affiliated Funds. We receive a management fee calculated at the annual rate of 0.75% from each of the Affiliated Funds, except the annual rate is 0.40% from the CLS Flexible Income Fund and 0.10% from the Milestone Treasury Obligations Fund. Please consult the AdvisorOne Funds prospectus for additional information about the Affiliated Funds. For current information regarding our Affiliated Funds, please refer to [www.advisoronefunds.com](http://www.advisoronefunds.com).

The Saratoga Advantage Trust

We also serve as the sub-advisor to the U.S. Government Money Market Portfolio, a series of The Saratoga Advantage Trust. Under this arrangement, we serve as sub-advisor to Saratoga Capital Management, LLC, the manager of The Saratoga Advantage Trust. For providing sub-advisory services, we receive a fee that is based on the net assets managed ranging from 5 to 10 basis points (0.05% to 0.10%), reduced in the same percentage as the manager when the manager reduces its fees, but subject to a \$10,000 annual minimum.

**CODE OF ETHICS**

We have adopted a code of ethics (the "Code") in compliance with Rule 17j-1 under the Investment Company Act of 1940 and with Rule 204A-1 of the Investment Advisers Act of 1940. The Code establishes rules of conduct for all of our employees and is designed to, among other things, govern personal securities trading activities in the accounts of our employees. The Code contains general ethical principles and personal securities reporting provisions for our employees. In summary, the Code prohibits our employees from taking inappropriate advantage of their positions and the access to information concerning the investments or our investment intentions for our clients, or our ability to influence such investment intentions, for personal gain or in a manner detrimental to the interests of our clients. Rule 17j-1 and Rule 204A-1 make it unlawful for our employees to engage in conduct which is deceitful, fraudulent, or manipulative, or which involves false or misleading statements, in connection with the purchase or sale of securities. The Code acknowledges the general principles that us and/or our employees: (1) have a duty at all times to place the interests of clients first; (2) have a duty of loyalty to our clients; (3) must conduct all personal securities transactions in such a manner as to avoid any actual or potential conflict of interest; (4) must not use knowledge about current or pending client or portfolio transactions for the purpose of personal profit; (5) must safeguard nonpublic information; (6) maintain independence in the investment decision-making process; (7) must not give or receive gifts or participate in entertainment in violation of the Code's standards; (8) to the extent the broker is not directed by the

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client, have a duty of best execution for clients; and (9) ensure that investment advice is given in accordance with our fiduciary obligation. A copy of the Code is available upon request.

#### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

If you select an AdvisorOne strategy, we will utilize Affiliated Funds in the management of your account. You are advised of the use of Affiliated Funds in your agreement with us and in the applicable strategy descriptions, and have the right, at any time, to prohibit us from investing any of your managed assets in Affiliated Funds.

We and our employees occasionally buy or sell securities identical to those recommended to our clients. It is our express policy that any person employed by us is prohibited from profiting at the expense of our clients and from competing with our clients.

The Code and other procedures adopted by us contain the following provisions to handle conflicts of interest:

- 1) We maintain records of all securities holdings for our clients, our self, our employees, and affiliated parties. These holdings are reviewed on a regular basis by our compliance personnel.
- 2) No individual shall cause or attempt to cause any of our clients to purchase, sell, or hold any interest in a security in a manner calculated to create any personal benefit or benefit any employee account. None of our officers or employees shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public upon reasonable inquiry.
- 3) Each of our employees submits quarterly reports and acknowledges the firm's policies and procedures with respect to the Code on an annual basis.
- 4) Each employee's personal trading accounts are reviewed on a regular basis by compliance personnel.
- 5) Any employee not in observance of the above will be subject to disciplinary action and possible termination.
- 6) Clients are advised in their agreements with us and in the applicable strategy descriptions of the possible use of **Affiliated Funds** in which we have a financial interest. Clients may at any time instruct us not to use **Affiliated Funds** in their accounts.

#### **REVIEW OF ACCOUNTS**

See Item 7, above for a detailed description of how CLS conducts account reviews. Account reviews are facilitated through an arrangement with Orion Advisor Technology, LLC ("OAT"), one of our affiliates. We have engaged OAT to provide a "back office" system which enables us to gather and aggregate client data from multiple platforms and providers, maintain portfolio models, review models and accounts for variances, analyze account performance, generate quarterly statements and other reports, facilitate the

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trading of client accounts and make information available on-line via the internet, in a secure manner, to clients, their financial representatives and their supervising broker/dealers or investment advisory firms.

#### CLIENT REFERRALS AND OTHER COMPENSATION

We enter into marketing arrangements with other registered investment advisers and broker-dealers pursuant to which representatives of their firms ("Financial Advisors") offer our services to the public. Your Financial Advisor will consult with you to assess your financial situation and identify your investment objectives and will make a determination that CLS's services are suitable for you before recommending CLS. Your Financial Advisor will then contact you at least annually regarding the suitability of CLS's services for your account. Through these arrangements, we pay a cash referral fee to your Financial Advisor and/or their firm based upon a percentage of our advisory fee. In connection with these arrangements, we will comply with Rule 206(4)-3 under the Advisers Act. The referral fee is paid pursuant to a written agreement, which is retained by both your Financial Advisor and us. This information is disclosed to you prior to or at the time of entering into an investment advisory agreement with us.

Under each of the investment strategies offered by us, **the amount of the referral fee we pay to the Financial Advisor may be up to one hundred percent (100%) of the amount of the advisory fee we receive from you.** Because accounts maintained with certain custodians are more efficient for us to manage, we previously offered increased referral fee payouts for client assets maintained with these custodians, including client assets maintained with Constellation Trust Company, one of our affiliates. However, for new accounts, as disclosed in Item 5, the Advisor Retained portion of the fee schedule does not vary by custodian.

In addition to the referral fees discussed above, we enter into other fee arrangements with other Financial Advisors in the manner set forth below. Your advisory fee will not be increased as a result of these arrangements.

- Certain Financial Advisors are reimbursed for marketing or practice management expenses incurred by the Financial Advisor.
- Certain investment advisory firms are paid a fee for the administrative and due diligence expenses incurred in offering CLS's services to clients of their Financial Advisors. These fees are either a flat dollar amount or are based upon a percentage of the value of new or existing accounts referred to CLS by the applicable Financial Advisors. These fees may also be used to sponsor conferences hosted by Financial Advisors or their investment advisory firms.
- Financial Advisors are invited to attend seminars and meetings hosted by CLS. The purpose of these meetings is to provide general market and industry information as well as information about CLS's advisory services. For certain Financial Advisors, we bear the full costs associated with Financial Advisor's attendance of such meetings.

On custodial platforms that allow for clients to utilize CLS's management but do not permit CLS to withdraw an advisory fee, such as self-directed brokerage windows, we utilize one of our Affiliated Fund strategies and pay your Financial Advisor out of the advisory fee received by CLS from the Affiliated Funds. If we pay a portion of our advisory fee from the Affiliated Funds to your Financial Advisor, we will disclose this information to you in the Client Profile.

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We pay a portion of the advisory fee to other affiliated or non-affiliated parties who assist with certain administrative tasks associated with the management of your account. Such tasks include account maintenance, data reconciliation, statement printing, investment research, sub-advisory services or other administrative tasks.

CLS participates in TD Ameritrade's institutional customer program. There is no direct link between CLS's participation in the program and the services we provide you, although CLS receives economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving CLS participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to CLS by third party vendors. These benefits include various technological tools. TD Ameritrade may also have paid for business consulting and professional services received by CLS's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit CLS, but may not benefit its client accounts. These products or services assist CLS in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help CLS manage and further develop our business enterprise. The benefits received by CLS or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade.

CLS also receives certain additional economic benefits ("Additional Services") from TD Ameritrade that may or may not be offered to any other independent investment advisors. The Additional Services include CLS's fees for utilizing OAT and certain other vendors that facilitate management of your account. TD Ameritrade provides the Additional Services to CLS in its sole discretion and at its own expense, and CLS does not pay any fees to TD Ameritrade for the Additional Services. CLS and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

CLS's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to CLS, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, CLS's client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with CLS, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, CLS may have an incentive to recommend to its clients that assets be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. CLS mitigates this potential conflict by, as mentioned above, having you select the custodian for your account and utilizing the same fee schedules regardless of the custodian you select.

Our employees or associated persons are occasionally invited to attend seminars and meetings with the costs associated with such meetings borne by a sponsoring brokerage firm or other party extending the invitation.

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March 30, 2020

**FINANCIAL INFORMATION**

CLS does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. CLS is not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, CLS has not been the subject of a bankruptcy petition at any time.