WEEKLY MARKET REVIEW

JANUARY 20, 2016

In This Edition

- *Adjusting Client's Focus*
- *International Opportunities*
- *Don't Forget Alternatives*

CLS INVESTMENTS

Market Performance

Stock Market	LAST WEEK	QTD	YTD '16
Total U.S. Market[1]	-2.48%	-8.46%	-8.46%
Domestic Large Cap Equity[2]	-2.15%	-7.93%	-7.93%
Domestic Small Cap Equity[3]	-3.66%	-11.25%	-11.25%
International Equity[4]	-3.23%	-9.31%	-9.31%
Developed International Equity[5]	-2.82%	-8.79%	-8.79%
Emerging Market Equity[6]	-4.17%	-10.68%	-10.68%
Fixed Income	**LAST WEEK**	**QTD**	**YTD '16**
U.S. Bonds[7]	+0.33%	+0.97%	+0.97%
Cash Equivalent[8]	0.00%	0.00%	0.00%

[1]Russell 3000 [2]S&P 500 Index [3]Russell 2000 Index [4]MSCI ACWI ex-U.S. Index [5]MSCI EAFE Index [6]iShares MSCI Emerging Markets Index [7]Barclays Capital U.S. Aggregate Bond Index [8]Barclays Capital 1-3 Month U.S. Treasury Bill Index

Week in Review

Equity markets continued to be volatile last week, as the broad U.S. equity market closed 2.5% lower. Declining Oil prices weighed on sentiment; as prices broke below $30/barrel in both West Texas Intermediate (WTI) and Brent crude, the global benchmark. The widely followed S&P 500 Index closed at 1880, just under 12% from all-time highs – consistent with the declines seen in August and September 2015. Riskier securities such as small-cap U.S. stocks, emerging markets, and international securities – fell further.

Earnings season began last week, and reports from major U.S. banks gathered most of the attention. J.P. Morgan, Citigroup, and Wells Fargo all beat earnings expectations, yet reported mixed revenue results.

Investment-grade fixed income markets were broadly higher last week and year-to-date. The U.S. Aggregate Bond Index has climbed 1% since the Federal Reserve (Fed) raised short-term interest rates in December (more evidence that staying balanced is the best thing investors can do).

Adjusting Client's Focus

Nearly every market commentary ever written could include the same facts we are sharing in this Weekly Market Review, and investors would still panic and overreact. As market news and performance becomes increasingly available to all investors, irrationality can spread quickly. As investors, we constantly need to zoom out and look at the big picture. Below are just a few things to keep in mind during the current market turbulence:

- We are within the range of a normal market correction that on average occurs about once per year. On average, peak-to-trough, the S&P 500 has experienced intra-year declines of -14%, in line with the current environment. The stock market doesn't pay much attention to the calendar; just because this is occurring in January is more or less meaningless.

- A 200-point move in the Dow Jones, which most investors unfortunately tend to consider "the market," is 1.25% today. That same 200-point move was 2.5% in 2008-2009, and a whopping 5% in the 90s! On average, the market has moved up or down by more than 1.25% at least one day per week - not at all out of the ordinary.

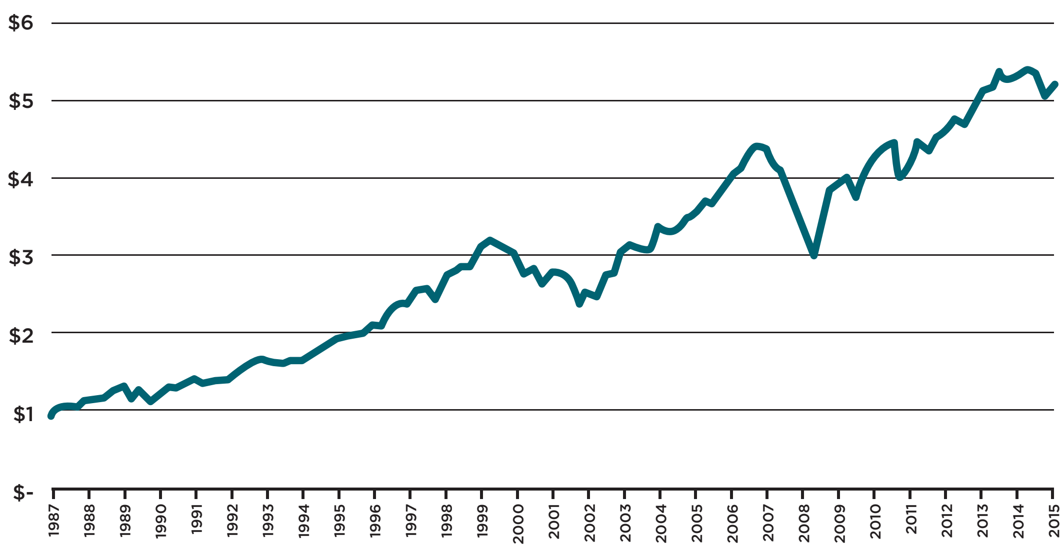
- Typical stock market corrections between 10-20% take just four months on average to recover. Even full-blown bear markets (-20% or more) typically recover in two years. Most, if not all, investors should have time horizons longer than this. If they do have shorter time horizons, their risk tolerance should be quite a bit lower and thus cushion the initial decline.

- Market corrections and volatility create opportunity. Accumulation investors, who are adding money to accounts consistently, benefit from investing at more attractive price levels. Income-focused investors benefit from reinvesting, and all investors can benefit from opportunistic rebalancing.

As market news and performance becomes increasingly available to all investors, irrationality can spread quickly.

60/40 Balanced Portfolio - Global Stocks and US Bonds

Growth of $1 Since 1988

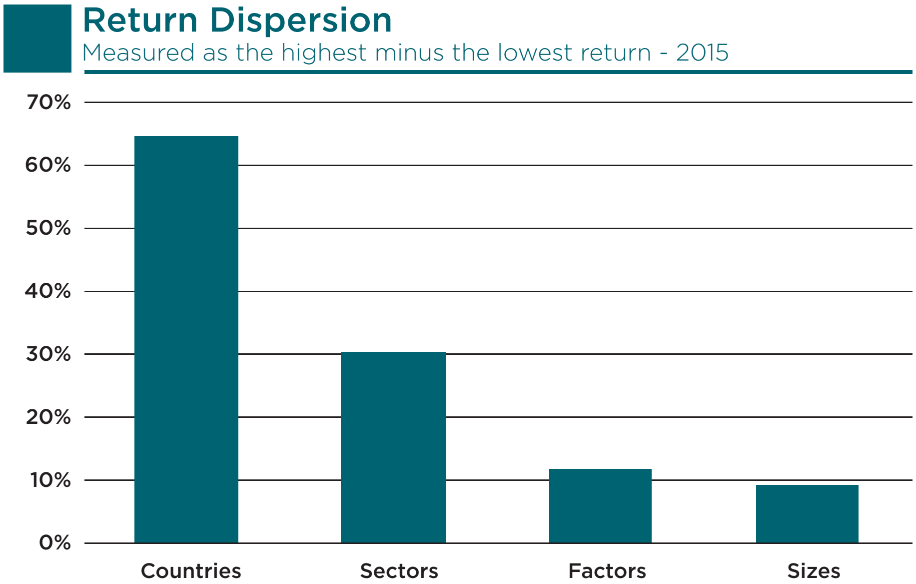


Source: Bloomberg

International Opportunities

A recurrent theme at CLS over the last several years has been a focus on international allocations within our portfolios. This year, the theme is aptly named International Opportunities, and it couldn't be more fitting. Many investors overlook the sheer number of options among different ETFs that cover countries and regions. Last year, 15 countries outperformed the U.S. (as measured by the ETFs that cover those countries). This doesn't even include currency-hedged ETFs.

As you can see in the chart, there was more than a 60% return difference between the best performing country (Ireland) and the worst (Brazil). That is a huge opportunity for return potential: more than double that of U.S. sector returns.



Source: Bloomberg, MSCI

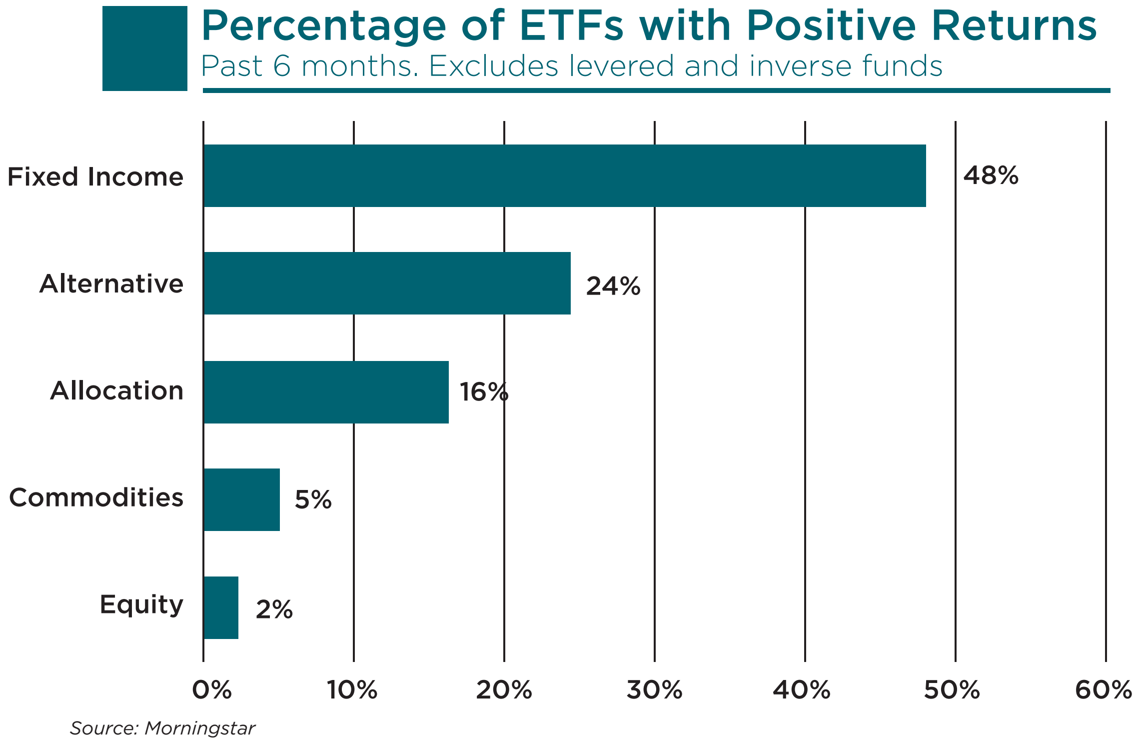
As 2016 trudges forward, opportunities will surface in many countries around the world. Investors should not fear international or emerging market stocks; chances are that several countries and regions have provided exceptional returns. Our job is to find those opportunities and seek to avoid mistakes.

Don't Forget Alternatives!

As mentioned in our Quarterly Market Outlook presentation (starting on page 49), alternative ETFs provide additional tools to manage risk and volatility. Alternatives are a dynamic asset category and can help provide a cushion to both stocks and bonds in periods of underperformance. Market volatility began to pick up six months ago, and since then bonds have clearly been an important part of investor portfolios. However, during this period, alternatives have been the second best performing major asset class, and roughly a quarter of all alternative ETFs have had positive returns. Many of those alternatives that did not have positive returns still had superior returns compared to equity markets.

At CLS, we continue to look for opportunities to build allocations to alternatives in portfolios. We've also provided tools for investors if they desire a more focused approach to investing in alternatives.

A primary goal of this Weekly Market Review is to remind investors that diversifying properly and considering additional asset classes – even if they may not have performed well in recent years – provides the best opportunity to enhance future returns and manage risk. The first several weeks of 2016 have given all investors the opportunity to reassess their portfolios' risk and asset allocations, and rebalance accordingly.



Grant Engelbart, CFA
Portfolio Manager

Grant Engelbart joined CLS in 2009, and after several roles in operations and investment research, accepted the role of Portfolio Manager in 2013. Mr. Engelbart currently serves as a manager on CLS's aggressive mutual funds, in addition to several ETF and mutual fund separate account strategies. Prior to joining CLS, Mr. Engelbart held positions at TD Ameritrade and State Street Corporation.

Mr. Engelbart received his Bachelor's degree in Finance from the University of Nebraska at Lincoln. He holds the Chartered Financial Analyst (CFA) designation, is a member of the CFA Institute, and holds the FINRA Series 65 license.

The S&P 500® Index is an unmanaged composite of 500-large capitalization companies. This index is widely used by professional investors as a performance benchmark for large cap stocks. The Russell 3000 Index is an unmanaged index considered representative of the U.S. stock market. The index is composed of the 3,000 largest U.S. stocks. The Russell 2000® is an index comprised of the 2,000 smallest companies on the Russell 3000 list and offers investors access to small-cap companies. It is a widely recognized indicator of small capitalization company performance. The MSCI EAFE International Index is a composite index which tracks performance of international equity securities in 21 developed countries in Europe, Australia, Asia, and the Far East. The MSCI All-Countries World Index, excluding U.S. (ACWI ex US) is an index considered representative of stock markets of developed and emerging markets, excluding those of the US. The Barclay's Capital U.S. Aggregate Bond® Index measures the performance of the total United States investment-grade bond market. The Barclay's Capital 1-3 Month U.S. Treasury Bill® Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value. The Equity Baseline (EBP) is a blended index comprised of 60% domestic equity (represented by the Russell 3000 Index) and 40% international equity (represented by the MSCI ACWI ex US Index), rebalanced daily. An index is an unmanaged group of stocks considered to be representative of different segments of the stock market in general. You cannot invest directly in an index.

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An ETF is a type of investment company whose investment objective is to achieve the same return as a particular index, sector, or basket. To achieve this, an ETF will primarily invest in all of the securities, or a representative sample of the securities, that are included in the selected index, sector, or basket. ETFs are subject to the same risks as an individual stock, as well as additional risks based on the sector the ETF invests in.

Alternative investing refers to the practice of investing in any asset class other than stocks, bonds, or cash (otherwise known as the "traditional" asset classes). Alternative investments may include managed futures, real estate, commodities, derivatives, etc. Unsystematic risks will heavily depend on the specific investment and may include, but are not limited to, business risk, liquidity risk, and capital risk.

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