

**ADVISORONE FUNDS**  
**Milestone Treasury Obligations Fund**  
**a series of AdvisorOne Funds**

<b>Institutional</b>	<b>Class</b>	<b>Shares</b>	<b>MTIXX</b>
<b>Investor</b>	<b>Class</b>	<b>Shares</b>	<b>MTOXX</b>

**STATEMENT OF ADDITIONAL INFORMATION**

September 1, 2019

This Statement of Additional Information is not a Prospectus, but is an incorporated part of the Prospectus and should be read in conjunction with the Milestone Treasury Obligations Fund (the "Fund") Prospectuses of the AdvisorOne Funds (the "Trust") each dated September 1, 2019 (collectively referred to herein as "Prospectus"). The Fund's Annual Report, for the fiscal year ended April 30, 2019 is incorporated herein by reference.

To obtain a free copy of the Prospectus or an annual or semi-annual report, please call the Trust at 1-866-811-0225.

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For more information on the Fund, including charges and expenses, call the Trust at the number indicated above for a free prospectus. Read it carefully before you invest or send money.

## GENERAL INFORMATION AND HISTORY

The Trust is an open-end management investment company, commonly known as a "mutual fund," and sells and redeems shares every day that it is open for business. The Trust was organized as a Delaware business trust by a Declaration of Trust filed December 20, 1996, with the Secretary of State of Delaware, and is registered with the Securities and Exchange Commission (the "SEC") under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund represents a separate series of beneficial interest in the Trust having different investment objectives, investment programs, policies and restrictions. The Fund is a diversified series of the Trust.

This Statement of Additional Information deals solely with the Milestone Treasury Obligations Fund referred to herein as the "Fund." The Fund offers the following classes of shares:

Institutional Class  
Investor Class

Each class of shares of the Fund represents an interest in the same assets of the Fund, has the same rights and are identical in all material respects except that (i) each class of shares may bear different distribution and shareholder service fees; (ii) certain other class-specific expenses will be borne solely by the class to which such expenses are attributable and (iii) each class has exclusive voting rights with respect to matters relating to its own distribution arrangements. The Board of Trustees (the "Board" or "Trustees") may classify and reclassify the shares of the Fund into additional classes of shares at a future date.

The Fund is managed by CLS Investments, LLC, a Nebraska limited liability company (the "Adviser"). The Adviser directs the day-to-day operations and the investment of assets of the Fund.

Gemini Fund Services, LLC, (the "Administrator") is the administrator, accounting agent, and transfer agent for the Fund. BNY Mellon is the custodian for the Fund.

## INVESTMENT RESTRICTIONS

The following policies and limitations supplement those set forth in each Prospectus. Unless otherwise noted, whenever a policy or limitation states a maximum percentage of the Fund's assets that may be invested in any security or other asset, or sets forth a policy regarding quality standards, such standard or percentage limitations will be determined immediately after and as a result of the Fund's acquisition of such security or other asset. Accordingly, any subsequent change in values, net assets or other circumstances will not be considered when determining whether the investment complies with the Fund's investment policies and limitations.

The Fund's fundamental investment policies and limitations may be changed only with the consent of a "majority of the outstanding voting securities" of the Fund. As used in this Statement of Additional Information, the term "majority of the outstanding voting securities" means the lesser of: (1) 67% of the shares of the Fund present at a meeting where the holders of more than 50% of the outstanding shares of the Fund are present in person or by proxy, or (2) more than 50% of the outstanding shares of the Fund. Shares of the Fund will be voted separately on matters affecting only the Fund, including approval of changes in the fundamental investment policies of the Fund. Except for the fundamental investment limitations listed below, the investment policies and limitations described in this Statement of Additional Information are not fundamental and may be changed without shareholder approval.

**THE FOLLOWING ARE THE FUNDAMENTAL INVESTMENT LIMITATIONS OF THE FUND.**

The Fund will not:

- (1) Invest in structured notes or instruments commonly known as derivatives.
- (2) Invest in variable, adjustable or floating rate instruments of any kind.
- (3) Enter into reverse repurchase agreements.
- (4) Invest in securities issued by agencies or instrumentalities of the United States Government, such as the Federal National Mortgage Association ("FNMA"), Government National Mortgage Association ("GNMA"), Federal Home Loan Mortgage Corp. ("Freddie Mac"), or the Small Business Administration ("SBA").
- (5) Invest in zero coupon bonds.
- (6) With respect to 100% of its assets, purchase a security other than a U.S. Treasury obligation if, as a result, more than 5% of the Portfolio's total assets would be invested in the securities of a single issuer.
- (7) Purchase securities if, immediately after the purchase, 25% or more of the value of the Fund's total assets would be invested in the securities of issuers having their principal business activities in the same industry; except that there is no limit on investments in U.S. Treasury obligations and repurchase agreements fully collateralized by U.S. Treasury obligations.
- (8) Purchase restricted securities, or underwrite securities of other issuers, except to the extent that the Fund may be considered to be acting as an underwriter in connection with the disposition of portfolio securities.
- (9) Purchase or sell real estate or any other interest therein, or real estate limited partnerships or invest in securities issued by companies that invest in real estate or interests therein.
- (10) Purchase or sell physical commodities or contracts relating to physical commodities, provided that currencies and currency-related contracts will not be deemed to be physical commodities.
- (11) Borrow money, except for temporary or emergency purposes (not for leveraging or investment), including the meeting of redemption requests, provided that borrowings do not exceed 33 1/3% of the value of the Fund's total assets.
- (12) Issue senior securities except as appropriate to evidence indebtedness that the Fund is permitted to incur, and provided that the Fund may issue shares of additional series or classes that the Trustees may establish.
- (13) Make loans (except through the use of repurchase agreements, and through the purchase of debt securities that are otherwise permitted investments).
- (14) Purchase securities on margin, or make short sales of securities, except for the use of short-term credit necessary for the clearance of purchases and sales of portfolio securities.
- (15) Write options or acquire instruments with put or demand features, except that the Fund may enter into repurchase agreements terminable upon demand.
- (16) Invest in oil, gas or other mineral exploration or development programs.

**THE FOLLOWING ARE ADDITIONAL INVESTMENT LIMITATIONS OF THE FUND. THE FOLLOWING RESTRICTIONS ARE DESIGNATED AS NON-FUNDAMENTAL AND MAY BE CHANGED BY THE BOARD WITHOUT THE APPROVAL OF SHAREHOLDERS.**

**Borrowing.** The Fund may borrow money from time to time so as to not have to sell portfolio securities to meet redemptions at a time when market conditions would not favor such a sale. The Fund may not purchase securities for investment when borrowings equaling 5% or more of the Fund's total assets are outstanding. Any borrowing by the Fund is subject to the limitations stated under "Investment Limitations" above.

**Repurchase Agreements.** The Fund may purchase repurchase agreements fully collateralized by U.S. Treasury obligations. In a repurchase agreement, the Fund purchases a security and simultaneously commits to resell that security to the seller at an agreed-upon price on an agreed-upon future date, normally one-to-seven days later. The repurchase price reflects a market rate of interest unrelated to the coupon rate or maturity of the purchased security. The obligation of the seller to pay the repurchase price is in effect secured by the value of the underlying security (as determined daily by the Adviser). This value must be equal to, or greater than, the repurchase price plus the transaction costs (including loss of interest) that the Fund could expect to incur upon liquidation of the collateral if the counterparty defaults. If a counterparty defaults on its repurchase obligation, the Fund might suffer a loss to the extent that the proceeds from the sale of the collateral were less than the repurchase price. In the event of a counterparty's bankruptcy, the Fund might be delayed in, or prevented from, selling the collateral for the Fund's benefit.

**When-Issued and Delayed Delivery Transactions.** In order to assure itself of being able to obtain securities at prices which the Adviser believes might not be available at a future time, the Fund may purchase securities on a when-issued or delayed delivery basis (forward commitments). When these transactions are negotiated, the price (generally expressed in terms of yield) and the interest rate payable on the securities are fixed on the transaction date. Delivery and payment may take place a month or more after the date of the transaction. When the Fund makes the forward commitment, it will record the transactions as a purchase and thereafter reflect the value each day of such securities in determining its net asset value. During the period between a commitment and settlement, no payment is made for the securities purchased and no interest on the security accrues to the purchaser. At the time the Fund makes a commitment to purchase securities in this manner, the Fund immediately assumes the risk of ownership, including price fluctuation. Accordingly, the value of the securities on the delivery date may be more or less than the purchase price. Although the Fund will only enter into a forward commitment if it intends to actually acquire the securities, if the Fund later chooses to dispose of the right to acquire a when-issued security prior to its acquisition, it could, as with the disposition of any other portfolio obligation, incur a gain or loss due to market fluctuation. When the Fund agrees to purchase a security on a when-issued or delayed delivery basis, the Trust's custodian will set aside and maintain a segregated account of sufficient liquid assets (such as cash or U.S. Treasury obligations) which will be available to make payment for the securities purchased. Failure by the other party to deliver a security purchased by the Fund may result in a loss or a missed opportunity to make an alternative investment. Although there is no limit on the amount of these commitments that the Fund may make, under normal circumstances it will not commit more than 30% of its total assets to such purchases.

**Illiquid Securities.** The Fund may invest up to 5% of its net assets in illiquid securities. The term "illiquid securities" for this purpose means repurchase agreements having a maturity of more than seven days and not entitling the holder to payment of principal within seven days. In addition, the Fund will not invest in repurchase agreements having a maturity in excess of one year. Certain repurchase agreements that provide for settlement in more than seven days can be liquidated before the nominal fixed term on seven days or less notice. Such repurchase agreements will be regarded as liquid instruments. The Board has ultimate responsibility for determining whether specific securities are liquid or illiquid. The Adviser monitors the liquidity of securities held by the Fund and reports periodically to the Board.

**Other Investment Companies.** In the future, the Fund may attempt to achieve its investment objective by holding, as its only investment securities, the securities of another investment company having identical investment objectives and policies as the Fund in accordance with the provisions of the 1940 Act or any orders, rules or regulations thereunder adopted by the SEC.

**Cash Position.** Although the Fund intends to be invested fully in U.S. Treasury obligations or repurchase agreements, it may hold a *de minimus* amount of cash for a short period prior to investment or payment of the proceeds of redemption. The amount of this cash should not exceed 5% of the Fund's assets, and in most cases will be significantly less.

## **DESCRIPTION OF SECURITIES, OTHER INVESTMENT POLICIES AND RISK CONSIDERATIONS**

The following pages contain more detailed information about the types of instruments in which the Fund may invest, strategies the Adviser may employ in pursuit of the Fund's investment objective and a summary of related risks. The Fund will make only those investments described below that are in accordance with its investment objectives and policies. The Adviser may not buy all of these instruments or use all of these techniques unless it believes that doing so will help the Fund achieve its investment objectives.

**MASTER/FEEDER STRUCTURE.** The Fund reserves the right to convert to a "master/feeder" structure at a future date. If the Board approved the use of a master-feeder structure for the Fund, the Fund (the "feeder" fund) would invest all of its investable assets in an open-end management investment company (the "master" fund) with substantially the same investment objectives, policies and limitations as the Fund. For this purpose, "all of the Fund's investable assets" means that the only investment securities that would be held by the Fund would be the Fund's interest in the master fund. Under such a structure, one or more "feeder" funds, such as the Fund, invest all of their assets in a "master" fund, which, in turn, invests directly in a portfolio of securities. If required by applicable law, the Fund will seek shareholder approval before converting to a master/feeder structure. If the requisite regulatory authorities determine that such approval is not required, shareholders will be deemed, by purchasing shares, to have consented to such a conversion and no further shareholder approval will be sought. Such a conversion is expressly permitted under the investment objective and fundamental policies of the Fund.

**REGULATION AS A COMMODITY POOL OPERATOR.** The Trust, on behalf of the Fund, has filed with the National Futures Association, a notice claiming an exclusion from the definition of the term "commodity pool operator" under the Commodity Exchange Act, as amended ("CEA"), and the rules of the Commodity Futures Trading Commission ("CFTC") promulgated thereunder, with respect to the Fund's operation. Accordingly, the Fund is not subject to registration or regulation as a commodity pool operator.

**REPURCHASE AGREEMENTS.** The Fund may invest in repurchase agreements. A repurchase agreement is an instrument under which the investor (such as the Fund) acquires ownership of a security (known as the "underlying security") and the seller (i.e., a bank or primary dealer) agrees, at the time of the sale, to repurchase the underlying security at a mutually agreed upon time and price, thereby determining the yield during the term of the agreement. This results in a fixed rate of return insulated from market fluctuations during such period, unless the seller defaults on its repurchase obligations. The Fund will only enter into repurchase agreements where: (i) the underlying securities are of the type (excluding maturity limitations) which the Fund's investment guidelines would allow it to purchase directly, (ii) the market value of the underlying security, including interest accrued, will be at all times at least equal to the value of the repurchase agreement, and (iii) payment for the underlying security is made only upon physical delivery or evidence of book-entry transfer to the account of the Fund's custodian. Repurchase agreements usually are for short periods, often under one week, and will not be entered into by a Fund for a duration of more than seven days if, as a result, more than 10% of the net asset value of the Fund would be invested in such agreements.

The Fund will assure that the amount of collateral with respect to any repurchase agreement is adequate. As with a true extension of credit, however, there is risk of delay in recovery or the possibility of inadequacy of the collateral should the seller of the repurchase agreement fail financially. In addition, the Fund could incur costs in connection with the disposition of the collateral if the seller were to default. The Fund will enter into repurchase agreements only with sellers deemed to be creditworthy by, or pursuant to guidelines established by, the Board and only when the economic benefit to the Fund is believed to justify the attendant risks. The Fund has adopted standards for the sellers with whom it will enter into repurchase agreements. The Board believes these standards are designed to reasonably assure that such sellers present no serious risk of becoming involved in bankruptcy proceedings within the time frame contemplated by the repurchase agreement. The Fund may enter into repurchase

agreements only with well-established securities dealers or with member banks of the Federal Reserve System.

**UNITED STATES GOVERNMENT OBLIGATIONS.** These consist of various types of marketable securities issued by the United States Treasury, i.e., bills, notes and bonds. Such securities are direct obligations of the United States government and differ mainly in the length of their maturity. Treasury bills, the most frequently issued marketable government security, have a maturity of up to one year and are issued on a discount basis.

## **DISCLOSURE OF PORTFOLIO HOLDINGS**

The Trust has adopted policies and procedures that govern the disclosure of the Fund's portfolio holdings. These policies and procedures are designed to ensure that such disclosure is in the best interests of Fund shareholders. The disclosure policies described below are in addition to those described in the Fund's Prospectuses.

No sooner than sixty days after the end of each quarter/semi-annual period, the Fund will make available a complete schedule of portfolio holdings as of the last day of the quarter/semi-annual period. The Trust files with the SEC a Form N-CSR or a Form N-PORT report for the period that includes the date as of which that list of portfolio holdings was current. Each filing discloses the Fund's portfolio holdings as of the end of the applicable quarter. The Trust also files with the SEC a Form N-MFP monthly discloses the Fund's portfolio holdings. The Fund will publish its holdings on its website [www.advisoronefunds.com](http://www.advisoronefunds.com) on a monthly or more frequent basis.

Other than to rating agencies and service providers, as described below, the Fund does not selectively disclose portfolio holdings to any person. In each case, a determination has been made that such advance disclosure is supported by a legitimate business purpose and that the recipient is subject to a duty to keep the information confidential.

- The Adviser. Personnel of the Adviser, including personnel responsible for managing the Fund's portfolios, may have full daily access to the Fund's portfolio holdings since that information is necessary in order for the Adviser to provide its management, administrative, and investment services to the Fund. As required for purposes of analyzing the impact of existing and future market changes on the prices, availability, demand and liquidity of such securities, as well as for the assistance of portfolio managers in the trading of such securities, Adviser personnel may also release and discuss certain portfolio holdings with various broker-dealers and portfolio research providers.
- Gemini Fund Services, LLC. Gemini Fund Services, LLC is the fund accountant, transfer agent, and administrator for the Fund; therefore, its personnel have full daily access to the Fund's portfolio holdings since that information is necessary in order for them to provide the agreed-upon services for the Trust.
- BNY Mellon. BNY Mellon is the custodian for the Fund; therefore, its personnel and agents have full daily access to the Fund's portfolio holdings since that information is necessary in order for them to provide the agreed-upon services for the Trust.
- Northern Lights Compliance Services, LLC. Northern Lights Compliance Services, LLC provides consulting services to the Trust; therefore, its personnel have access to the Fund's portfolio holdings since that information is necessary in order for them to provide the agreed upon services for the Trust.
- Rating Agencies. Morningstar, Lipper and other mutual fund rating agencies may also receive the Fund's full portfolio holdings, generally quarterly on a 60-day lag basis with the understanding that such holdings may be posted or disseminated to the public by the rating agencies at any time.

- Thompson Hine LLP is counsel to the Trust; therefore, its personnel have access to the Fund's portfolio holdings in connection with the review of the Fund's annual and semi-annual shareholder reports and SEC filings.

The Trust's Chief Compliance Officer, or his or her designee, may also grant exceptions to permit additional disclosure of Fund portfolio holdings information at differing times and with different lag times (the period from the date of the information to the date the information is made available) in instances where the Fund has a legitimate business purposes for doing so, it is in the best interests of shareholders, and the recipients are subject to a duty of confidentiality, including a duty not to trade on material nonpublic information and are required to execute an agreement to that effect. The Board will be informed of any such disclosures at its next regularly scheduled meeting or as soon as is reasonably practicable thereafter. In no event shall the Fund, the Adviser, or any other party receive any direct or indirect compensation in connection with the disclosure of information about the Fund's portfolio holdings.

There is no assurance that the Trust's policies on disclosure of portfolio holdings will protect the Fund from the potential misuse of holdings information by individuals or firms in possession of that information.

## **MANAGEMENT OF THE TRUST**

### **Trustees and Officers**

Because AdvisorOne Funds is a Delaware business trust, there are Trustees appointed to oversee the Trust. These Trustees are responsible for overseeing the services provided by the Adviser and the general operations of the Trust. These responsibilities include approving the arrangements with companies that provide necessary services to the Fund, ensuring the Fund's compliance with applicable securities laws and that dividends and capital gains are distributed to shareholders. The Trustees oversee each fund in the AdvisorOne Funds. None of the Trustees or Officers holds public directorships. The Trustees have appointed officers to provide many of the functions necessary for day-to-day operations.

### **Board Leadership Structure**

The Trust is led by Mr. Todd Clarke, who has served as the Chairman of the Board since November 21, 2012. Mr. Clarke is an interested person by virtue of his position as a Manager of NorthStar Financial Services Group, LLC ("NorthStar"), the parent company to CLS Investments, LLC, the investment adviser to the Funds. The Board is comprised of Mr. Todd Clarke and four (4) Independent Trustees. The Independent Trustees have selected Mr. John W. Davidson as Lead Independent Trustee. Additionally, under certain 1940 Act governance guidelines that apply to the Trust, the Independent Trustees meet in executive session, at least quarterly. Under the Trust's Agreement and Declaration of Trust and By-Laws, the Chairman of the Board is responsible for (a) presiding at board meetings, (b) calling special meetings on an as-needed basis, (c) execution and administration of Trust policies including (i) setting the agendas for board meetings and (ii) providing information to board members in advance of each board meeting and between board meetings. The Chairman is currently an "interested person" of the Trust within the meaning of the 1940 Act. The Board believes that its leadership structure, including the Interested Chair, the Lead Independent Trustee and the percentage of the Board who are Independent Trustees is most appropriate for the Trust at this time for the following key reasons: (i) as a Manager of NorthStar, Mr. Todd Clarke has a personal and professional stake in the quality and continuity of services provided to the Trust and has a strong incentive to achieve superior performance results, (ii) Mr. Todd Clarke's past experience as President of the Trust and his additional roles with the Trust's affiliates improve the Board's understanding of the Trust's operations and enhance the effectiveness of communications to shareholders and the Trustees, (iii) Mr. Todd Clarke's ability to work effectively with other Trustees, and (iv) the extent to which the Independent Trustees meet as needed in the absence of management and Interested Trustees. Generally, the Trust believes it best to have a Chairman of the Board, who together with the President (principal executive officer), are seen by our shareholders, business partners and other stakeholders as providing strong leadership. The Trust believes that its Chairman and the Lead Independent Trustee and, as an entity, the full Board, provide effective leadership that is in the best interests of the Trust, its Funds and each shareholder.

### Board Risk Oversight

The Board has an independent Audit Committee with a separate chairman. The Board is responsible for overseeing risk management, and the full Board regularly engages in discussions of risk management and receives compliance reports that inform its oversight of risk management from its Chief Compliance Officer at quarterly meetings and on an ad hoc basis, when and if necessary. The Audit Committee considers financial and reporting risk within its area of responsibilities. Generally, the Board believes that its oversight of material risks is adequately maintained through the compliance-reporting chain where the Chief Compliance Officer is the primary recipient and communicator of such risk-related information.

### Trustee Qualifications

Generally, the Trust believes that each Trustee is competent to serve because of their individual overall merits including: (i) experience, (ii) qualifications, (iii) attributes and (iv) skills. Mr. Todd Clarke has over 20 years of business experience in the investment management business, and possesses a strong understanding of the regulatory framework under which investment companies must operate based on his years of service to CLS Investments, LLC. Mr. Gary W. Lanzen has over 30 years of business experience in the financial services industry, holds a Masters in Education Administration degree, is a Certified Financial Planner and serves as a member of other mutual fund boards outside of the Trust and possesses a strong understanding of the regulatory framework under which investment companies must operate based on his years of service to mutual fund boards. Mr. Larry A. Carter has over 30 years of business experience in financial management which includes areas such as accounting, internal control, financial reporting, auditing and SEC compliance, holds a Bachelor of Science in Business Administration and a Certified Public Accountant designation, has served on boards outside of the Trust and possesses a strong understanding of the regulatory framework under which investment companies must operate. Mr. John W. Davidson has over 35 years of business experience in the financial services industry, holds a Master of Arts in Mathematics and Masters in Business Administration, is a Chartered Financial Analyst and possesses a strong understanding of the regulatory framework under which investment companies must operate. Mr. Edward D. Foy has over 30 years of business experience in the financial services industry, holds a Bachelor of Science degree and is a Registered Financial Consultant with the International Association of Registered Financial Consultants and possesses a strong understanding of the regulatory framework under which investment companies must operate. The Trust does not believe any one factor is determinative in assessing a Trustee's qualifications, but that the collective experience of each Trustee makes them each highly qualified.

Unless otherwise noted, the address of each Trustee and Officer is 17645 Wright Street, Suite 200, Omaha, NE 68130.

<b>Name, Address and Year of Birth</b>	<b>Position/Term of Office(1)</b>	<b>Principal Occupation During the Past Five Years</b>	<b>Number of Portfolios in Fund Complex(2) Overseen by Trustee</b>	<b>Other Directorships held by Trustee</b>
Gary W. Lanzen 1954	Trustee Since 2003	Retired (since December 31, 2012).	7	Northern Lights Fund Trust and Northern Lights Variable Trust (since 2005) The Alternative Strategies Fund (since 2010)
Larry A. Carter	Trustee	Retired (since December 2014);	7	NONE



1952	Since February 2012	Consultant to private equity clients on grain processing industry (2003 - 2014).		
John W. Davidson 1946	Trustee Since February 2012	Creator, author and founder of <i>John Davidson's Economic Comments</i> (2009 - 2018).	7	Horizon Funds Trust (since 2015)
Edward D. Foy 1952	Trustee Since February 2012	President and Chief Investment Officer of Foy Financial Services, Inc. (since 1987).	7	NONE

**Interested Trustees and Officers**

<b>Name, Address and Year of Birth</b>	<b>Position/Term of Office(1)</b>	<b>Principal Occupation During the Past Five Years</b>	<b>Number of Portfolios in Fund Complex(2) Overseen by Trustee</b>	<b>Other Directorships held by Trustee</b>
Todd Clarke(3) 1969	Trustee since November 2012	Manager of NorthStar Financial Services Group, LLC (since April 2015); Managing Director, NorthStar Financial Services Group, LLC (September 2016-June 2018); Chief Executive Officer and Manager, CLS Investments, LLC (September 2012-September 2016).	7	NONE
Ryan Beach 1977	President since November 2012	President of the Trust, Secretary (Since January 2019); Chief Executive Officer (September 2016-December 2018); President, CLS Investments, LLC (September 2012-September 2016); President (Since January 2019), Orion Portfolio Solutions, LLC; Director, Constellation Trust Company (since April 2015); Chief Executive Officer (since June 2017); President, Constellation Trust Company (October 2015 to June 2017).	N/A	N/A
James Ash 80 Arkay Drive Hauppauge, NY 11788 1976	Chief Compliance Officer Since September 2019	Senior Compliance Officer, Northern Lights Compliance Services, LLC (since 2019); Senior Vice President, National Sales Gemini Fund Services, LLC (2017-2019); Senior Vice President and Director of Legal Administration, Gemini Fund Services, LLC (2012 - 2017).	N/A	N/A
Reid Peters 1983	Treasurer and Principal Financial Officer since	Treasurer and Principal Financial Officer of the Trust (since September 2019); Controller of NorthStar	N/A	N/A

	September 2019	Financial Services Group, LLC (since 2014).		
Michael Forker 1986	Secretary since January 2018	Secretary of the Trust (since January 2018); Assistant Secretary of the Trust (2016-2018); AML Officer of the Trust (since May 2014); Chief Compliance Officer, CLS Investments, LLC (since May 2014); Compliance Officer, CLS Investments, LLC (2012-2014); Chief Compliance Officer (Since June 2018), FTJ FundChoice, LLC (investment service provider); Director, Constellation Trust Company and NorthStar CTC Holdings, Inc. (since May 2018).	N/A	N/A

(1) The term of office for each Trustee and officer listed above will continue indefinitely.

(2) The term "Fund Complex" refers to the AdvisorOne Funds trust, including the series of the Trust that may have filed registration statements with the SEC but may not yet be operational.

(3) Todd Clarke is an "interested person" of the Trust as that term is defined under the 1940 Act, because of his position with NorthStar Financial Services Group, LLC, parent company of CLS Investments, LLC (investment adviser to the Fund).

The Board has an Audit and Nominating Committee (the "Committee") that consists of all the Trustees who are not "interested persons" of the Trust within the meaning of the 1940 Act. Mr. Larry Carter currently serves as the chairman of the Committee. The Committee's responsibilities include: (i) recommending to the Board the selection, retention or termination of the Trust's independent auditors; (ii) reviewing with the independent auditors the scope, performance and anticipated cost of their audit; (iii) discussing with the independent auditors certain matters relating to the Trust's financial statements, including any adjustment to such financial statements recommended by such independent auditors, or any other results of any audit; (iv) reviewing on a periodic basis a formal written statement from the independent auditors with respect to their independence, discussing with the independent auditors any relationships or services disclosed in the statement that may impact the objectivity and independence of the Trust's independent auditors and recommending that the Board take appropriate action in response thereto to satisfy itself of the auditor's independence; and (v) considering the comments of the independent auditors and management's responses thereto with respect to the quality and adequacy of the Trust's accounting and financial reporting policies and practices and internal controls. The Board has adopted a written charter for the Committee. The Committee also reviews and nominates candidates to serve as non-interested Trustees. The Committee will consider nominees recommended by shareholders of a Fund that are submitted to the Secretary of the Trust. A shareholder may send a nominee recommendation to the Secretary of the Trust, at the address indicated above. The Secretary will forward all nominations to the Chairman of the Committee for consideration. During the fiscal year ended April 30, 2019, the Committee met four times.

### COMPENSATION OF TRUSTEES

The Trust pays each Trustee of the Trust who was not an interested person a flat fee of \$50,000 per year paid in quarterly installments. In every instance, the cost of the fees are to be allocated among the participating Funds in accordance with a formula that takes into account the overall asset size of each affected Fund. The Trust also reimburses the Trustees for travel and other expenses incurred in attending meetings of the Board. Officers of the Trust and Trustees who are interested persons of the Trust do not receive any direct compensation from the Trust.

The following table sets forth information regarding the aggregate compensation received by the Trustees from the Trust for the fiscal year ended April 30, 2019.

### COMPENSATION TABLE

Name of Person, Position	Aggregate Compensation from the Fund	Pension or Retirement Benefits Estimated Accrued as Part of Trust Expense	Annual Benefits Upon Retirement	Total Compensation From Registrant and Fund Complex Paid To Trustees
Gary Lanzen, Trustee	\$7,143	None	None	\$50,000
Larry A. Carter, Trustee	\$7,143	None	None	\$50,000
John W. Davidson, Trustee	\$7,143	None	None	\$50,000
Edward D. Foy, Trustee	\$7,143	None	None	\$50,000
Todd Clarke, Trustee	\$0	None	None	\$0

The Trustees serve on the Board for terms of indefinite duration. A Trustee's position in that capacity will terminate if such Trustee is removed, resigns or is subject to various disabling events such as death or incapacity.

### RETIREMENT POLICY

The term of office of each Trustee will end by retirement, in accordance with the Trust's Retirement Policy on the Trustee's 75th birthday, unless continuance is approved by a majority of the remainder of the Board prior to the end of the term. This Policy does not limit the Trustees' ability to remove a Trustee at any time pursuant to Section 3.1(e) of the Declaration of Trust.

Share Ownership. Information relating to share ownership by each Trustee of the Trust as of December 31, 2018 is set forth in the following chart:

Trustees	Aggregate Dollar Range of Equity In The Fund	Aggregate Dollar Range of Securities In All Registered Funds Overseen by Trustee In AdvisorOne Funds
<b>Interested Trustee:</b>		
Todd Clarke	None	over \$100,000
<b>Non-Interested Trustees:</b>		
Larry A. Carter	None	None
John W. Davidson	None	\$10,001-\$50,000
Edward D. Foy	None	None
Gary Lanzen	None	None

As of December 31, 2018, Trustees and Officers as a group owned less than 1% of shares of the Fund.

### CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES

A control person is one who owns beneficially or through controlled companies more than 25% of the voting securities of a company or acknowledged the existence of control. That shareholder's vote could have more significant effect on matters presented at a shareholder's meeting than votes of other shareholders. As of August 1, 2019, the following shareholders were beneficial owners of 5% or more of the outstanding shares of the Fund because they possessed voting or investment power with respect to such shares:

MILESTONE TREASURY OBLIGATIONS FUND- INVESTOR CLASS	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	% HELD
Gemini Fund Services FBO Dunham Funds ATTN: Control Accounting 17605 Wright Street, Suite 2 Omaha, NE 68130	85,484,090.1400	99.85%

<b>MILESTONE TREASURY OBLIGATIONS FUND– INSTITUTIONAL CLASS</b>	<b>AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP</b>	<b>% HELD</b>
Bank of New York Mellon Acting As Agent or Investment Manager for certain disclosed Principals 500 Ross Street, Suite 850 Pittsburgh, PA 15262	105,000,000.000	50.70%
Miller Convertible Fund C/o Gemini Fund Services 80 Arkay Drive Hauppauge, NY 11788	34,006,176.2100	16.42%
Gemini Fund Services FBO Timothy Plan 17605 Wright Street, Suite 2 Omaha, NE 68130	18,964,567.7400	9.16%
Miller Intermediate Bond Fund C/o Gemini Fund Services 80 Arkay Drive Hauppauge, NY 11788	11,413,755.5700	5.51%

## **INVESTMENT MANAGEMENT AND OTHER SERVICES**

### **INVESTMENT ADVISER**

In addition to the duties and subject to the limits set forth in the Prospectus under the section entitled "Management," the Adviser, in furtherance of such duties and responsibilities, is authorized in its discretion to engage in the following activities: (i) develop a continuing program for the management of the assets of the Fund; (ii) buy, sell, exchange, convert, lend, or otherwise trade in portfolio securities and other assets; (iii) place orders, negotiate commissions for the execution of transactions in securities and establish relationships with or through broker-dealers, underwriters, or issuers; (iv) prepare and supervise the preparation of shareholder reports and other shareholder communications; and (v) obtain and evaluate business and financial information in connection with the exercise of its duties.

Subject to policies established by the Board, which has overall responsibility for the business and affairs of the Fund, the Adviser manages the operations of the Fund. In addition to providing advisory services, the Adviser furnishes the Fund with office space and certain facilities and personnel required for conducting the business of the Fund.

CLS Investments, LLC, the adviser of the Fund, serves as the investment adviser for the Fund pursuant to an Investment Advisory Agreement that has been approved by the both the shareholders and the Board. The Adviser is located at 17605 Wright Street, Omaha, NE 68130.

The Investment Advisory Agreement continued in effect for two (2) years initially and thereafter continues from year to year provided such continuance is approved at least annually by (a) a vote of the majority of the Independent Trustees, cast in person at a meeting specifically called for the purpose of voting on such approval and by (b) the majority vote of either all of the Trustees or the vote of a majority of the outstanding shares of the Fund. The Investment Advisory Agreement may be terminated without penalty on 60 days' written notice by a vote of a majority of the Trustees or by the Adviser, or by holders of a majority of that Fund's outstanding shares. The Investment Advisory Agreement shall terminate automatically in the event of its assignment. For the advisory services provided and expenses assumed by it, the Adviser has agreed to a fee from the Fund, computed daily and payable monthly at an annual rate of 0.10%. The Adviser has agreed contractually to waive its management fee and to reimburse expenses, other than expenses relating to dividends on short sales, interest expense, underlying fund fees and expenses, extraordinary or non-recurring expenses at least until August 31, 2020, so that total annual operating expenses for the Fund do not exceed the limits stated below, subject to possible recoupment from the Fund in future years on a rolling three year basis if such recoupment can be achieved within the below stated expense limits:

Institutional Class Shares	Investor Class Shares
0.20%	0.45%

Additionally, the Fund's adviser has contractually agreed to waive its fees and/or reimburse expenses of the Fund, at least until August 31, 2020 to ensure that the daily yield will be at least zero for Institutional and Investor Class shares.

The following table shows the advisory fee paid by the Fund to the Adviser and the amount of the advisory fee waived/reimbursed by the Adviser:

FISCAL YEAR END	GROSS ADVISORY FEES	(FEES WAIVED) or EXPENSE REIMBURSEMENTS	NET ADVISORY FEES PAID BY THE FUND
April 30, 2017	\$454,611	\$28,889	\$483,500
April 30, 2018	\$385,521	\$(71,035)	\$314,486
April 30, 2019	\$329,181	\$(50,283)	\$278,898

## AFFILIATIONS AND CONTROL OF THE ADVISER AND OTHER SERVICE PROVIDERS

CLS, is a wholly owned subsidiary of NorthStar Financial Services Group, LLC, a Delaware series limited liability company ("NorthStar"). Constellation Trust Company, an affiliate of NorthStar and indirect subsidiary of CLS, provides certain custody record keeping services to the Funds for IRA account holders.

## ADMINISTRATOR

The Administrator for the Fund is Gemini Fund Services, LLC, which has its principal office at 80 Arkay Drive, Suite 110, Hauppauge, NY 11788, and is primarily in the business of providing administrative, fund accounting and transfer agent services to retail and institutional mutual funds.

On February 1, 2019, NorthStar Financial Services Group, LLC, the parent company of Gemini Fund Services, LLC and its affiliated companies providing services to the Funds including BluGiant, LLC Northern Lights Distributors, LLC and Northern Lights Compliance Services, LLC (collectively, the "Gemini Companies"), sold its interest in the Gemini Companies to a third party private equity firm that contemporaneously acquired Ultimus Fund Solutions, LLC (an independent mutual fund administration firm) and its affiliates (collectively, the "Ultimus Companies"). As a result of these separate transactions, the Gemini Companies and the Ultimus Companies are now indirectly owned through a common parent entity, The Ultimus Group, LLC

Pursuant to a Fund Services Agreement with the Fund the Administrator provides all administrative services necessary for the Fund, subject to the supervision of the Board. The Administrator may provide persons to serve as officers of the Fund. Such officers may be directors, officers or employees of the Administrator or its affiliates.

The Fund Services Agreement has an initial term of two years and remains in effect for successive twelve-month periods, subject to annual approval of the Board. The Fund Services Agreement may be assigned provided the non-assigning party provides prior written consent and provides that in the absence of willful misfeasance, bad faith or gross negligence on the part of the Administrator or reckless disregard of its obligations thereunder, the Administrator shall not be liable for any action or failure to act in accordance with its duties thereunder.

Under the Fund Services Agreement, the Administrator provides all administrative services, including, without limitation: (i) providing services of persons competent to perform such administrative and clerical functions as are necessary to provide effective administration of the Fund; (ii) overseeing the performance of administrative and professional services to the Fund by others, including the Fund's Custodian; (iii) preparing, in conjunction with Fund counsel, but not paying for, the periodic updating of the Fund's Registration Statement, Prospectus and Statement of Additional Information, including the printing of such documents for the purpose of filings with the Securities and Exchange Commission and

state securities administrators, preparing the Fund's tax returns, and preparing reports to the Fund's shareholders and the Securities and Exchange Commission; (iv) preparing in conjunction with Fund counsel, but not paying for, all filings under the securities or "Blue Sky" laws of such states or countries as are designated by the Fund's Distributor, which may be required to register or qualify, or continue the registration or qualification, of the Fund and/or its shares under such laws; (v) preparing, in conjunction with Fund counsel notices and agendas for meetings of the Board and minutes of such meetings in all matters required by the 1940 Act to be acted upon by the Board; and (vi) monitoring daily and periodic compliance with respect to requirements and restrictions of the 1940 Act, the Internal Revenue Code and the Prospectus.

The Administrator, pursuant to the Fund Services Agreement, provides the Fund with accounting services, including, without limitation: (i) daily computation of net asset value; (ii) maintenance of security ledgers and books and records as required by the 1940 Act; (iii) production of the Fund's listing of portfolio securities and general ledger reports; (iv) reconciliation of accounting records; (v) calculation of yield and total return for the Fund; (vi) maintaining certain books and records described in Rule 31a-1 under the 1940 Act, and reconciling account information and balances among the Fund's custodian and Adviser; and (vii) monitoring and evaluating daily income and expense accruals, and sales and redemptions of shares of the Fund.

Pursuant to the Fund Services Agreement, the Administrator may charge the Fund a fee, computed daily and payable monthly at an annual rate of up to 0.04% of the Fund's average net assets. The Fund also pays the Administrator for any out-of-pocket expenses.

The following table shows the Administrative and Accounting Service fees paid by the Fund to the Administrator for the past three fiscal years:

	<b>For the fiscal year ended April 30, 2017</b>	<b>For the fiscal year ended April 30, 2018</b>	<b>For the fiscal year ended April 30, 2019</b>
Milestone Treasury Obligations Fund	\$180,562	\$158,191	\$143,492

#### **CUSTODIAN**

BNYMellon, located at One Wall Street, New York, NY 10286 (the "Custodian"), serves as the Custodian of the Fund's assets pursuant to a Custody Agreement by and between the Custodian and the Trust. The Custodian's responsibilities include safeguarding and controlling the Fund's cash and securities, handling the receipt and delivery of securities, and collecting interest and dividends on the Fund's investments. Pursuant to the Custody Agreement, the Custodian also provides certain accounting and pricing services to the Fund; maintaining original entry documents and books of record and general ledgers; posting cash receipts and disbursements; reconciling bank account balances monthly; recording purchases and sales based upon communications from the Adviser; and preparing monthly and annual summaries to assist in the preparation of financial statements of, and regulatory reports for, the Fund. The Fund may employ foreign sub-custodians that are approved by the Board to hold foreign assets.

#### **TRANSFER AGENT SERVICES**

Gemini Fund Services, LLC ("Transfer Agent"), whose principal office is located at 80 Arkay Drive, Hauppauge, NY 11788, provides transfer agent and dividend disbursing services to the Fund. For the services rendered to the Fund under the Transfer Agency and Service Agreement, the Trust pays the Transfer Agent transfer agency fees including a base annual fee of \$13 per account plus other activity related charges. The Fund also pays the Transfer Agent for any out-of-pocket expenses.

The following table shows the transfer agent fees paid by the Fund to the Transfer Agent for the past three fiscal years:

	<b>For the fiscal year ended April 30, 2017</b>	<b>For the fiscal year ended April 30, 2018</b>	<b>For the fiscal year ended April 30, 2019</b>
Milestone Treasury Obligations Fund	\$39,795	\$84,917	\$64,861

## DISTRIBUTION OF SHARES

Northern Lights Distributors, LLC, located at 17645 Wright Street, Suite 200, Omaha, NE 68130 (the “Distributor”) serves as the principal underwriter and national distributor for the shares of the Fund pursuant to an Underwriting Agreement with the Trust (the “Underwriting Agreement”). The Distributor is registered as a broker-dealer under the Securities Exchange Act of 1934 and each state’s securities laws and is a member of FINRA. The offering of the Fund’s shares is continuous. The Underwriting Agreement provides that the Distributor, as agent in connection with the distribution of Fund shares, will use reasonable efforts to facilitate the sale of the Fund’s shares. The Distributor is an affiliate of the Administrator. The Fund did not pay any underwriting commissions for the last three fiscal years.

## SHAREHOLDER SERVICING AGREEMENT

The Fund has adopted a Shareholder Services Plan, which provides that the Trust, on behalf of the Fund, may obtain the services of certain financial institutions, broker-dealers, and other financial intermediaries to act as shareholder servicing agents for their customers. For these services, the Trust may pay the shareholder servicing agent a fee, up to the amounts indicated below, based upon the average daily net assets of the shares owned by investors for which the shareholder servicing agent maintains a servicing relationship. Payments under the Shareholder Services Plan may vary and are determined by the Trust in its sole discretion, in amounts up to the amounts indicated below.

<b>Fees</b>	<b>Institutional Class Shares</b>	<b>Investor Class Shares</b>
Shareholder Servicing Fees	0.10%	0.25%

Among the services provided by shareholder servicing agents are: answering customer inquiries regarding account matters; assisting shareholders in designating and changing various account options; transmitting, on behalf of the Fund, proxy statements, prospectuses and shareholder reports to shareholders and tabulating proxies; processing dividend payments and providing sub-accounting services for Fund shares held beneficially; and providing such other services as the Fund or a shareholder may request.

## COMPLIANCE OFFICER

NLCS, an affiliate of Gemini Fund Services, LLC and the Distributor, provides a Chief Compliance Officer to the Trust as well as related compliance services pursuant to a consulting agreement between NLCS and the Trust.

## CODES OF ETHICS

The Trust, the Adviser and the Distributor each have adopted codes of ethics under Rule 17j-1 under the 1940 Act that governs the personal securities transactions of their board members, officers and employees who may have access to current trading information of the Trust.

In addition, the Trust has adopted a code of ethics, which applies only to the Trust’s executive officers to ensure that these officers promote professional conduct in the practice of corporate governance and management. The purpose behind these guidelines is to promote i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; ii) full, fair, accurate, timely, and understandable disclosure in reports and documents that a registrant files with, or submits to, the SEC and in other public communications made by the Fund; iii) compliance with applicable governmental laws, rule and regulations; iv) the prompt

internal reporting of violations of the code of ethics to an appropriate person or persons identified in the code of ethics ; and v) accountability for adherence to the code of ethics. Under the code of ethics, the Trustees are permitted to invest in securities that may also be purchased by the Fund.

## PROXY VOTING POLICIES AND PROCEDURES

Proxies for any portfolio security held by the Fund are voted by the Adviser in accordance with the Proxy and Corporate Action Voting Policies and Procedures of the Adviser. The Adviser's proxy voting policies and procedures appear in Appendix B.

The actual voting records relating to portfolio securities during the most recent 12-month period ended June 30 are available as soon as practicable after filing with the SEC, upon request, by calling toll-free, 1-866-811-0225 or by accessing the SEC's website at [www.sec.gov](http://www.sec.gov). Telephone requests will be honored within three business days of receipt of the request.

## PORTFOLIO MANAGERS

As of the fiscal period ended, April 30, 2019 the portfolio managers were primarily responsible for the management of the following types of other accounts:

Portfolio Manager	Registered Investment Company Accounts	Assets Managed (\$millions)	Pooled Investment Vehicle Accounts	Assets Managed (\$millions)	Other Accounts	Assets Managed (\$millions)	Total Assets Managed (\$ millions)
Marc Pfeffer	4	\$949	0	\$0	2,879	\$670	\$1,619
Rusty Vanneman	5	\$1,407	0	\$0	14,702	\$787	\$2,194
Jackson Lee	2	\$437	0	\$0	3,930	\$487	\$924

None of the accounts were subject to a performance fee.

The portfolio manager at the Adviser may manage numerous accounts for multiple clients. These accounts may include registered investment companies, other types of pooled accounts (e.g., collective investment funds), and separate accounts (i.e., accounts managed on behalf of individuals or public or private institutions). Portfolio managers make investment decisions for each account based on the investment objectives and policies and other relevant investment considerations applicable to that portfolio.

When a portfolio manager has responsibility for managing more than one account, potential conflicts of interest may arise. Those conflicts could include preferential treatment of one account over others in terms of allocation of resources or of investment opportunities. For instance, the Adviser may receive fees from certain accounts that are higher than the fee it receives from the Fund, or it may receive a performance-based fee on certain accounts. In those instances, the portfolio manager may have an incentive to favor the higher and/or performance-based fee accounts over the Fund. The Adviser has adopted policies and procedures designed to address these potential material conflicts. For instance, portfolio managers within the Adviser are normally responsible for all accounts within a certain investment discipline, and do not, absent special circumstances, differentiate among the various accounts when allocating resources. Additionally, the Adviser utilizes a system for allocating investment opportunities among portfolios that is designed to provide a fair and equitable allocation.

The compensation of the Adviser's portfolio managers is based on a number of factors. These factors include an annual fixed salary that is based on various market factors and the skill and experience of the individual. The portfolio managers are also eligible to receive a discretionary bonus. The discretionary bonus takes into account several factors including the Adviser's profitability (net income and ability to pay a bonus), the value and number of accounts/portfolios overseen by the portfolio manager, the general performance of client accounts relative to market conditions and the performance



of the Fund based on percent return, adjusted for dividends and capital gains, calculated on a pre-tax basis relative to the performance of the Fund's relevant benchmarks for the preceding one and three-year periods, or shorter if the Fund has not operated for these periods. The formula for determining these amounts may vary, and no individual's compensation is solely tied to the investment performance or asset value of any one product or strategy.

The dollar range of equity securities beneficially owned by the portfolio managers in the Fund as of April 30, 2019 is as follows:

<b>Dollar Range of Equity Securities Beneficially Owned</b>	
Marc Pfeffer	None
Rusty Vanneman	None
Jackson Lee	None

## **BROKERAGE ALLOCATION AND OTHER PRACTICES**

Subject to the general supervision of the Board, the Adviser is responsible for making decisions with respect to the purchase and sale of portfolio securities on behalf of the Fund. The Adviser is also responsible for the implementation of those decisions, including the selection of broker-dealers to effect portfolio transactions, the negotiation of commissions, and the allocation of principal business and portfolio brokerage. In purchasing and selling the Fund's portfolio securities, it is the Adviser's policy to obtain quality execution at the most favorable prices through responsible broker-dealers and, in the case of agency transactions, at competitive commission rates where such rates are negotiable. However, under certain conditions, the Fund may pay higher brokerage commissions in return for brokerage and research services. In selecting broker-dealers to execute a Fund's portfolio transactions, consideration is given to such factors as the price of the security, the rate of the commission, the size and difficulty of the order, the reliability, integrity, financial condition, general execution and operational capabilities of competing brokers and dealers, their expertise in particular markets and the brokerage and research services they provide to the Adviser or the Fund. It is not the policy of the Adviser to seek the lowest available commission rate where it is believed that a broker or dealer charging a higher commission rate would offer greater reliability or provide better price or execution.

For fixed income securities, it is expected that purchases and sales will ordinarily be transacted with the issuer, the issuer's underwriter, or with a primary market maker acting as principal on a net basis, with no brokerage commission being paid by the Fund. However, the price of the securities generally includes compensation, which is not disclosed separately. Transactions placed through dealers who are serving as primary market makers reflect the spread between the bid and asked prices.

The Adviser may effect principal transactions on behalf of the Fund with a broker or dealer who furnishes brokerage and/or research services, designate any such broker or dealer to receive selling concessions, discounts or other allowances or otherwise deal with any such broker or dealer in connection with the acquisition of securities in underwritings. The prices the Fund pays to underwriters of newly-issued securities usually include a concession paid by the issuer to the underwriter. The Adviser may receive research services in connection with brokerage transactions, including designations in fixed price offerings.

The Adviser receives a wide range of research services from brokers and dealers covering investment opportunities throughout the world, including information on the economies, industries, groups of securities, individual companies, statistics, political developments, technical market action, pricing and appraisal services, and performance analyses of all the countries in which a Fund's portfolio is likely to be invested. The Adviser cannot readily determine the extent to which commissions charged by brokers reflect the value of their research services, but brokers occasionally suggest a level of business they would like to receive in return for the brokerage and research services they provide. To the extent that research services of value are provided by brokers, the Adviser may be relieved of expenses, which it might otherwise bear. In some cases, research services are generated by third parties but are provided to the Adviser by or through brokers.

When one or more brokers is believed capable of providing the best combination of price and execution, the Adviser may select a broker based upon brokerage or research services provided to the Adviser. The Adviser may pay a higher commission than otherwise obtainable from other brokers in return for such services only if a good faith determination is made that the commission is reasonable in relation to the services provided.

Section 28(e) of the Securities Exchange Act of 1934 permits the Adviser, under certain circumstances, to cause the Fund to pay a broker or dealer a commission for effecting a transaction in excess of the amount of commission another broker or dealer would have charged for effecting the transaction in recognition of the value of brokerage and research services provided by the broker or dealer. In addition to agency transactions, the Adviser may receive brokerage and research services in connection with certain riskless principal transactions, in accordance with applicable SEC guidance. Brokerage and research services include: (1) furnishing advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; (2) furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts; and (3) effecting securities transactions and performing functions incidental thereto (such as clearance, settlement, and custody). In the case of research services, the Adviser believes that access to independent investment research is beneficial to their investment decision-making processes and, therefore, to the Fund.

To the extent research services may be a factor in selecting brokers, such services may be in written form or through direct contact with individuals and may include information as to particular companies and securities as well as market, economic, or institutional areas and information which assists in the valuation and pricing of investments. Examples of research-oriented services for which the Adviser might utilize Fund commissions include research reports and other information on the economy, industries, sectors, groups of securities, individual companies, statistical information, political developments, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance and other analysis. The Adviser may use research services furnished by brokers in servicing all client accounts and not all services may necessarily be used in connection with the account that paid commissions to the broker providing such services. Information so received by the Adviser will be in addition to and not in lieu of the services required to be performed by the Adviser under the Advisory Agreement. Any advisory or other fees paid to the Adviser are not reduced as a result of the receipt of research services.

Portfolio securities will not be purchased from or sold to the Adviser or the Distributor, or any affiliated person of any of them acting as principal, except to the extent permitted by rule or order of the SEC. The Fund did not pay any brokerage commissions during the fiscal years ended April 30, 2017, April 30, 2018 and April 30, 2019.

For the fiscal year ended April 30, 2019, the Fund held debt securities of its regular broker-dealers, in the amounts indicated below:

<b>Issuer</b>	<b>Value (in thousands)</b>
BNP Paribas Securities Corp	\$ 70,000
Societe Generale	\$ 70,000
Credit Agricole	\$ 46,936

## **REDEMPTION OF SECURITIES BEING OFFERED**

**Redemptions In-Kind.** The Fund intends to pay all redemptions of its shares in cash. However, the Fund may make full or partial payment of any redemption request by the payment to shareholders of portfolio securities of the Fund (i.e., by redemption-in-kind), at the value of such securities used in determining the redemption price. The Fund, as a series of the Trust, nevertheless, pursuant to Rule 18f-1 under the 1940 Act, has filed a notification of election under which the Fund is committed to pay in cash to any shareholder of record, all such shareholder's requests for redemption made during any 90-day period, up to the lesser of \$250,000 or 1% of the Fund's net asset value at the beginning of such period. The securities to be paid in-kind to any shareholders will be readily marketable securities selected in such manner, as the Board deems fair and equitable. If shareholders were to receive redemptions-in-kind,

they would incur brokerage costs should they wish to liquidate the portfolio securities received in such payment of their redemption request. The Trust does not anticipate making redemptions-in-kind.

The right to redeem shares or to receive payment with respect to any redemption of shares of the Fund may only be suspended (1) for any period during which trading on the New York Stock Exchange ("NYSE") is restricted or such Exchange is closed, other than customary weekend and holiday closings, (2) for any period during which an emergency exists as a result of which disposal of securities or determination of the net asset value of the Fund is not reasonably practicable, or (3) for such other periods as the SEC may by order permit for protection of shareholders of the Fund.

Under section 72.1021(a) of the Texas Property Code, initial investors in a Fund who are Texas residents may designate a representative to receive notices of abandoned property in connection with Fund shares. Texas shareholders who wish to appoint a representative should notify the Trust's Transfer Agent by writing to the address below to obtain a form for providing written notice to the Trust:

AdvisorOne Funds  
c/o Gemini Fund Services, LLC  
17645 Wright Street, Suite 200  
Omaha, Nebraska 68130

### **OTHER SHAREHOLDER SERVICES**

Systematic Withdrawal Program. A shareholder owning or purchasing shares of any Fund of the Trust having a total value of \$10,000 or more may participate in a systematic withdrawal program providing regular monthly or quarterly payments. An application form containing details of the Systematic Withdrawal Program is available upon request from the Transfer Agent. The Program is voluntary and may be terminated at any time by the shareholders.

Income dividends and capital gain distributions on shares of the Fund held in a Systematic Withdrawal Program are automatically reinvested in additional shares of the Fund at net asset value. A Systematic Withdrawal Program is not an annuity and does not and cannot protect against loss in declining markets. Amounts paid to a shareholder from the Systematic Withdrawal Program represent the proceeds from redemptions of Fund shares, and the value of the shareholder's investment in a Fund will be reduced to the extent that the payments exceed any increase in the aggregate value of the shareholder's shares (including shares purchased through reinvestment of dividends and distributions). If a shareholder receives payments that are greater than the appreciation in value of his or her shares, plus the income earned on the shares, the shareholder may eventually withdraw his or her entire account balance. This will occur more rapidly in a declining market. For tax purposes, depending upon the shareholder's cost basis and date of purchase, each withdrawal will result in a capital gain or loss. See "Tax Status, Dividends and Distributions" and "Federal Tax Considerations" in the Fund's Prospectus and "Taxes" in this SAI.

The Fund offers certain shareholder services, which are designed to facilitate investment in their shares. Each of the options is described in the Fund's Prospectus. All of these special services may be terminated by either the Fund or the shareholder without any prior written notice.

### **DETERMINATION OF NET ASSET VALUE**

The net asset value per share of the Fund will be determined for each class of shares. The net asset value per share of a given class of shares of the Fund is determined by calculating the total value of the Fund's assets attributable to such class of shares, deducting its total liabilities attributable to such class of shares in conformance with the provisions of the plan adopted by the Fund in accordance with Rule 18f-3 under the 1940 Act and dividing the result by the number of shares of such class outstanding. The net asset value of shares of each class is normally calculated at 5:00 p.m. Eastern Time, every day the NYSE is open for trading. The NYSE is open Monday through Friday except on the following holidays: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Pursuant to the rules of the SEC, the Board has established procedures to stabilize the Fund's net asset value at \$1.00 per share. These procedures include a review of the extent of any deviation of net asset value per share as a result of fluctuating interest rates, based on available market rates, from the Fund's \$1.00 amortized

cost price per share. Should that deviation exceed 1/2 of 1%, the Board will consider whether any action should be initiated to eliminate or reduce material dilution or other unfair results to shareholders. Such action may include redemption of shares in kind, selling portfolio securities prior to maturity, reducing or withholding dividends and utilizing a net asset value per share as determined by using available market quotations. The Trust has also established procedures to ensure that portfolio securities meet the Fund's quality criteria.

In determining the approximate market value of Fund investments, the Fund may employ outside organizations that may use a matrix or formula that takes into consideration market indices, matrices, yield curves and other specific adjustments. This may result in the securities being valued at a price different from the price that would have been determined had the matrix or formula not been used. All cash, receivables and current payables are carried at their face value.

Short-term debt instruments with a remaining maturity of more than 60 days, and other debt securities are generally valued on the basis of dealer supplied quotations or by pricing system selected by the Adviser and approved by the Board. Where such prices are not available, valuations will be obtained from brokers who are market makers for such securities. However, in circumstances where the Adviser deems it appropriate to do so, the mean of the bid and asked prices for over-the-counter securities or the last available sale price for exchange-traded debt securities may be used. Where no last sale price for exchange traded debt securities is available, the mean of the bid and asked prices may be used. Short-term debt securities with a remaining maturity of 60 days or less are amortized to maturity, provided such valuations represent par value.

Other securities and assets for which market quotations are not readily available or for which valuation cannot be provided, as described above, are valued as determined in good faith in accordance with procedures approved by the Board. If events that may materially affect the value of such securities occur between the time when their price is determined and the time when the Fund's net asset value is calculated, such securities may be valued at fair value as determined in good faith in accordance with procedures approved by the Board.

## **ADVERTISING**

The Fund may provide current annualized and effective annualized yield quotations for each class based on its daily dividends. These quotations may from time to time be used in advertisements, shareholder reports or other communications to shareholders. All performance information supplied by the Fund is historical and is not intended to indicate future returns.

In performance advertising the Fund may compare any of its performance information with data published by independent evaluators including Morningstar, Lipper Analytical Services, Inc., iMoneyNet, Inc., Thomson FinancialData, and other companies that track the investment performance of investment companies ("Fund Tracking Companies"). The Fund may also compare any of its performance information with the performance of recognized stock, bond and other indices. The Fund may also refer in such materials to mutual fund performance rankings and other data published by Fund Tracking Companies. Performance advertising may also refer to discussions of the Fund and comparative mutual fund data and ratings reported in independent periodicals, such as newspapers and financial magazines.

Any current yield quotation of a class of the Fund which is used in such a manner as to be subject to the provisions of Rule 482(e) under the Securities Act of 1933, as amended, shall consist of an annualized historical yield, carried at least to the nearest hundredth of one percent, based on a specific seven-calendar-day period and shall be calculated by dividing the net change during the seven-day period in the value of an account having a balance of one share at the beginning of the period by the value of the account at the beginning of the period, and multiplying the quotient by  $365/7$ . For this purpose, the net change in account value would reflect the value of additional shares purchased with dividends declared on the original share and dividends declared on both the original share and any such additional shares, but would not reflect any realized gains or losses from the sale of securities or any unrealized appreciation or depreciation on portfolio securities. In addition, any effective annualized yield quotation used by the Fund shall be calculated by compounding the current yield quotation for such period by adding 1 to the product, raising the sum to a power equal to  $365/7$ , and subtracting 1 from the result.

Although published yield information is useful to investors in reviewing a class's performance, investors should be aware that the Fund's yield fluctuates from day to day and that its yield for any given period is

not an indication or representation by the Fund of future yields or rates of return on its shares. The yields of a class are neither fixed nor guaranteed, and an investment in the Fund is not insured or guaranteed. Accordingly, yield information may not necessarily be used to compare shares of the Fund with investment alternatives which, like money market instruments or bank accounts, may provide a fixed rate of interest. Also, it may not be appropriate to compare directly the Fund's yield information to similar information of investment alternatives which are insured or guaranteed.

Income calculated for the purpose of determining the yield of a class differs from income as determined for other accounting purposes. Because of the different accounting methods used, and because of the compounding assumed in yield calculations, the yield quoted for a class may differ from the rate of distribution the class paid over the same period or the rate of income reported in the Fund's financial statements.

The Fund may advertise other forms of performance. For example, the Fund may quote unaveraged or cumulative total returns reflecting the change in the value of an investment over a stated period. Average annual and cumulative total returns may be quoted as a percentage or as a dollar amount, and may be calculated for a single investment, a series of investments, and/or a series of redemptions over any time period. Total returns may be broken down into their components of income and capital (including capital gains and changes in share price) in order to illustrate the relationship of these factors and their contributions to total return. Any performance information may be presented numerically or in a table, graph or similar illustration.

## **ANTI-MONEY LAUNDERING AND CUSTOMER IDENTIFICATION PROGRAMS**

The USA Patriot Act requires financial institutions, including the Fund, to adopt certain policies and programs to prevent money laundering activities, including procedures to verify the identity of customers opening new accounts. When completing a new account application, you will be required to supply the Fund with information, such as your taxpayer identification number, that will assist the Fund in verifying your identity. As required by law, the Fund may employ various procedures, such as comparing the information to fraud databases or requesting additional information or documentation from you, to ensure that the information supplied by you is correct.

When opening an account for a foreign business, enterprise or non-U.S. person that does not have an identification number, we require alternative government-issued documentation certifying the existence of the person, business or enterprise.

## **TAXES**

The Fund has qualified and intends to continue to qualify as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code. In general, to qualify as a RIC: (a) at least 90% of the gross income of the Fund for the taxable year must be derived from dividends, interest, payments with respect to loans of securities, gains from the sale or other disposition of securities, or other income derived with respect to its business of investing in securities; (b) the Fund must distribute to its shareholders 90% of its ordinary income and net short-term capital gains; and (c) the Fund must diversify its assets so that, at the close of each quarter of its taxable year, (i) at least 50% of the fair market value of its total (gross) assets is comprised of cash, cash items, U.S. government securities, securities of other regulated investment companies and other securities limited in respect of any one issuer to no more than 5% of the fair market value of the Fund's total assets and 10% of the outstanding voting securities of such issuer and (ii) no more than 25% of the fair market value of its total assets is invested in the securities of any one issuer (other than U.S. government securities and securities of other regulated investment companies) or of two or more issuers controlled by the Fund and engaged in the same, similar, or related trades or businesses.

In addition, the Fund must declare and distribute dividends equal to at least 98% of its ordinary income (as of the twelve months ended December 31) and at least 98.2% of its net capital gain (as of the twelve months ended October 31), in order to avoid a federal excise tax. The Fund intends to make the required distributions, but cannot guarantee that it will do so. Dividends attributable to the Fund's ordinary income and net capital gain are taxable as such to shareholders in the year in which they are received except dividends declared in October, November and December to the shareholders of record

on a specified date in such a month and paid in January of the following year are taxable in the previous year.

At the time of purchase, the Fund's net asset value may reflect undistributed income or net capital gains. A subsequent distribution to shareholders of such amounts, although constituting a return of their investment, would be taxable either as dividends or capital gain distributions. For federal income tax purposes, the Fund is permitted to carry forward its net realized capital losses, if any, for eight years, and realize net capital gains up to the amount of such losses without being required to pay taxes on, or distribute such gains. Capital losses incurred after January 31, 2011 may now be carried forward indefinitely and retain the character of the original loss. Under pre-enacted laws, capital losses could be carried forward to offset any capital gains for eight years, and carried forward as short-term capital, irrespective of the character of the original loss. Capital loss carry forwards are available to offset future realized capital gains. To the extent that these carry forwards are used to offset future capital gains it is probable that the amount offset will not be distributed to shareholders. The Fund did not have any capital loss carry forwards available as of April 30, 2019.

If, in any taxable year, the Fund should not qualify as a RIC under the Internal Revenue Code: (1) the Fund would be taxed at normal corporate rates on the entire amount of its taxable income without deduction for dividends paid or other distributions to its shareholders, and (2) the Fund's distributions to the extent made out of the Fund's current or accumulated earnings and profits would be taxable to its shareholders (other than shareholders in tax deferred accounts) as ordinary dividends (regardless of whether they would otherwise have been considered capital gain dividends), and may qualify for the deduction for dividends received by corporations.

For taxable years beginning after December 31, 2012, certain U.S. shareholders, including individuals and estates and trusts, will be subject to an additional 3.8% Medicare tax on all or a portion of their "net investment income," which should include dividends from the Fund and net gains from the disposition of shares of the Fund. U.S. Shareholders are urged to consult their own tax advisers regarding the implications of the additional Medicare tax resulting from an investment in the Fund.

## **ORGANIZATION OF THE TRUST**

As a Delaware business trust entity, the Trust need not hold regular annual shareholder meetings and, in the normal course, does not expect to hold such meetings. The Trust, however, must hold shareholder meetings for such purposes as, for example: (1) approving certain agreements as required by the 1940 Act; (2) changing fundamental investment objectives, policies, and restrictions of the Funds; and (3) filling vacancies on the Board in the event that less than two-thirds of the Trustees were elected by shareholders. The Trust expects that there will be no meetings of shareholders for the purpose of electing Trustees unless and until such time as less than two-thirds of the Trustees holding office have been elected by shareholders. At such time, the Trustees then in office will call a shareholders meeting for the election of Trustees. In addition, holders of record of not less than two-thirds of the outstanding shares of the Trust may remove a Trustee from office by a vote cast in person or by proxy at a shareholder meeting called for that purpose at the request of holders of 10% or more of the outstanding shares of the Trust. The Fund has the obligation to assist in such shareholder communications. Except as set forth above, Trustees will continue in office and may appoint successor Trustees.

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Tait, Weller & Baker LLP, whose address is 50 South 16th Street, Suite 2900, Philadelphia, PA 19102, serves as the Fund's independent registered public accounting firm providing services including (1) audit of annual financial statements, and (2) assistance in connection with SEC filings.

## **LEGAL MATTERS**

Legal advice regarding certain matters relating to the federal securities laws applicable to the Fund and the offer and sale of its shares has been provided by Thompson Hine LLP, 41 South High Street, Suite 1700, Columbus, OH 43215.

## **FINANCIAL STATEMENTS**

The financial statements of the Fund, for the fiscal year ended April 30, 2019 are incorporated herein by reference. These financial statements include the schedules of investments, statements of assets and liabilities, statements of operations, statements of changes in net assets, financial highlights, and notes.

You can obtain a copy of the financial statements contained in the Fund's Annual Report dated April 30, 2019 without charge by calling the Fund at 1-866-811-0225.

## DESCRIPTION OF MOODY'S CORPORATE BOND RATINGS

Aaa. Bonds rated Aaa are judged to be the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large margin or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of these issues.

Aa. Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A. Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa. Bonds which are rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba. Bonds which are rated Ba are judged to have speculative elements; their future payments cannot be considered as well assured. Often the protection of interest and principal may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B. Bonds which are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Moody's applies the numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through B. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

## DESCRIPTION OF S&amp;P CORPORATE BOND RATINGS

AAA. Bonds rated AAA have the highest rating assigned by S&P to a debt obligation. Capacity to pay interest and repay principal is extremely strong.

AA. Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only in a small degree.

A. Bonds rated A have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than bonds in higher rated categories.

BBB. Bonds rated BBB are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than for bonds in higher rated categories.



BB and B. Bonds rated BB and B are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB represents a lower degree of speculation than B. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

## **Policies and Procedures Proxy Voting and Corporate Actions**

### **Policy**

CLS has no authority to vote proxies on behalf of advisory clients unless otherwise agreed to in writing. CLS may offer assistance as to proxy matters upon a client's request, but the client retains the proxy voting responsibility and proxies are handled in accordance with each client's arrangement with its custodian. CLS's policy of having no proxy voting responsibility is disclosed to our advisory clients through our investment advisory agreements for separately managed accounts.

CLS also serves as an investment adviser to several open-end investment companies, which according to CLS's contractual obligations, may require CLS to retain proxy voting responsibilities. CLS may retain third-party proxy voting providers for services that may include research, tracking, voting, proxy guidelines, filing Form N-PX and reporting, among others.

### **Background**

Proxy voting is an important right of shareholders; reasonable care and diligence must be undertaken to ensure that such rights are properly and timely exercised. Investment advisers that exercise voting authority with respect to client securities are required by Rule 206(4)-6 of the Advisers Act to (a) adopt and implement written policies and procedures that are reasonably designed to ensure that client securities are voted in the best interests of clients, which must include how an adviser addresses material conflicts that may arise between an adviser's interests and those of its clients; (b) disclose to clients how they may obtain information from the adviser with respect to the voting of proxies for their securities; (c) describe to clients a summary of its proxy voting policies and procedures and, upon request, furnish a copy to its clients; and (d) maintain certain records relating to the adviser's proxy voting activities when the adviser does have proxy voting authority.

### **Responsibility**

The Chief Compliance Officer has the responsibility for the implementation and monitoring of our Proxy Voting and Corporate Actions policy and maintaining appropriate records.

### **Procedure**

CLS has adopted the following procedures to implement our Proxy Voting and Corporate Actions policy:

- CLS discloses its proxy voting policy of generally not having proxy voting authority in our Form ADV Part 2A.
- CLS's advisory agreements with clients for separately managed accounts provide that CLS has no proxy voting responsibilities and that the advisory clients expressly retain such voting authority.
- CLS agreements specify that proxies for securities held in client accounts will generally be received by the client directly from the custodian of the client's assets, or will be handled as otherwise agreed between the client and the custodian.
- The Chief Compliance Officer reviews the nature and extent of advisory services provided by CLS and monitors such services to periodically determine and confirm that client proxies are not

being voted by CLS or anyone within CLS unless expressly agreed to in writing.

### **Proxies for AdvisorOne Funds**

CLS serves as investment adviser to certain investment companies under the AdvisorOne Funds trust (each a "Fund"). With the exception of the Funds managed as money market funds, 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, such Funds are required by the Investment Company Act of 1940 to handle proxies received from Underlying Funds in a certain manner. In particular, it is the policy of CLS to 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. All proxies received from Underlying Funds will be reviewed with the Chief Compliance Officer or appropriate legal counsel, or the Chief Compliance Officer's designee, to ensure proper voting. After properly voted, the proxy materials are placed in a file maintained by the Chief Compliance Officer for future reference.

The Chief Compliance Officer is ultimately responsible for ensuring that all proxies received by CLS are voted in a timely manner and in a manner consistent with the established CLS policies. Although the majority of proxy proposals can be handled in accordance with CLS's established proxy policies, CLS recognizes that some proposals require special consideration that may dictate that exceptions are made to its general procedures.

### **Additional Procedures**

The Chief Compliance Officer is also responsible for reviewing the proxy or corporate action proposal for conflicts of interest as part of the overall vote review process and ensuring that all corporate action notices or requests which require shareholder action received by CLS are addressed in a timely manner and consistent action is taken across all similarly situated client accounts. All material conflicts of interest so identified by CLS will be addressed according to the procedures set forth below:

1. Vote in Accordance with the Established Policy. In most instances, CLS has little or no discretion to deviate from its general proxy voting policy and shall vote, or decline to vote, in accordance with such pre-determined voting policy.

2. Client Direction. Where client specifies in writing that it will maintain the authority to vote proxies itself or that it has delegated the right to vote proxies to a third party, CLS will not vote the proxies and will direct the client's custodian to send the proxy material directly to the client. If any proxy material is received by CLS, it will promptly be forwarded to the client or specified third party.

3. Obtain Consent of Clients. To the extent that CLS has discretion to deviate with respect to the proposal in question, CLS will disclose the conflict to the relevant clients and obtain consent to the proposed vote prior to voting the securities. The disclosure to the client will include sufficient detail regarding the matter to be voted on and the nature of CLS's conflict that the client would be able to make an informed decision regarding the vote. If a client does not respond to such a conflict disclosure request or denies the request, CLS will abstain from voting the securities held by that client's account.

4. Client Directive to Use an Independent Third Party. Alternatively, a client may, in writing, specifically direct CLS to forward all proxy matters in which CLS has a conflict of interest regarding the client's securities to an identified independent third party for review and recommendation. Where such independent third party's recommendations are received on a timely basis, CLS will vote all such

proxies in accordance with such third party's recommendation. If the third party's recommendations are not timely received, CLS will abstain from voting the securities held by that client's account.

## **RECORD KEEPING**

In accordance with Rule 204-2 under the Advisers Act, CLS will maintain for the time periods set forth in the Rule (i) these proxy voting procedures and policies, and all amendments thereto; (ii) all proxy statements received regarding client securities; (iii) a record of all votes cast on behalf of clients; (iv) records of all client requests for proxy voting information; (v) any documents prepared by CLS that were material to making a decision how to vote or that memorialized the basis for the decision; and (vi) all records relating to requests made to clients regarding conflicts of interest in voting the proxy.

CLS will describe in Item 17 of our Form ADV Part 2A our proxy voting policies and procedures and will inform clients how they may obtain information on how CLS voted proxies with respect to the clients' portfolio securities. Clients may obtain information on how their securities were voted or a copy of CLS's Policies and Procedures by written request addressed to CLS. CLS will coordinate with all mutual fund clients to assist in the provision of all information required to be filed by such mutual funds on Form N-PX.

## **GUIDELINES FOR EXCEPTIONS TO GENERAL POLICY**

Under circumstances where CLS's general voting policies do not apply, the following guidelines are to be used in voting proposals, but will not be used as rigid rules. Each proxy issue will be considered individually.

### **A. Oppose**

CLS will generally vote against any management proposal that clearly has the effect of restricting the ability of shareholders to realize the full potential value of their investment. Proposals in this category would include:

1. Issues regarding the issuer's Board entrenchment and anti-takeover measures such as the following:
  - a. Proposals to stagger board members' terms;
  - b. Proposals to limit the ability of shareholders to call special meetings;
  - c. Proposals to require super majority votes;
  - d. Proposals requesting excessive increases in authorized common or preferred shares where management provides no explanation for the use or need of these additional shares;
  - e. Proposals regarding "fair price" provisions;
  - f. Proposals regarding "poison pill" provisions; and g. Permitting "green mail".
2. Providing cumulative voting rights.
3. "Social issues," unless specific client guidelines supersede, (e.g., restrictions regarding South

Africa.).

4. Election of directors recommended by management and not recommended by the issuer's board.

## **B. Approve**

CLS will generally vote in favor of routine proposals, which are those that do not change the structure, bylaws, or operations of the corporation to the detriment of the shareholders. Given the routine nature of these proposals, proxies will nearly always be voted with management. Traditionally, these issues include:

1. Election of auditors recommended by management, unless seeking to replace if there exists a dispute over policies.
2. Date and place of annual meeting.
3. Limitation on charitable contributions or fees paid to lawyers.
4. Ratification of directors' actions on routine matters since previous annual meeting.
5. Confidential voting (Confidential voting is most often proposed by shareholders as a means of eliminating undue management pressure in shareholders regarding their vote on proxy issues. CLS will generally approve these proposals as shareholders can later divulge their votes to management on a selective basis if a legitimate reason arises.).
6. Limiting directors' liability.
7. Eliminate preemptive right (Preemptive rights give current shareholders the opportunity to maintain their current percentage ownership through any subsequent equity offerings. These provisions are no longer common in the U.S., and can restrict management's ability to raise new capital.) CLS generally approves the elimination of preemptive rights, but will oppose the elimination of limited preemptive rights, (e.g., on proposed issues representing more than an acceptable level of total dilution.).
8. Employee Stock Purchase Plan.
9. Establish 401(k) Plan.

## **C. Case-By-Case**

CLS will review each issue in this category on a case-by-case basis. Voting decisions will be made based on the financial interest of the fund. These matters include:

1. Pay directors solely in stocks.
2. Eliminate director mandatory retirement policy.
3. Rotate annual meeting location/date.
4. Option and stock grants to management and directors.

5. Allowing indemnification of directors and/or officers after reviewing the applicable laws and extent of protection requested.

## **OVERSIGHT OF PROXY SERVICES**

CLS may retain third party proxy voting services for a variety of proxy-related services. To ensure proper oversight of any third party proxy voting service, CLS will conduct the following due diligence:

- Identification of conflicts of interest of the proxy service providers;
- Consistency of voting with policies;
- Documentation of due diligence and oversight reviews;
- Independence of proxy firm;
- Disclosures, including mutual fund Form N-1A; and
- Proper fees.