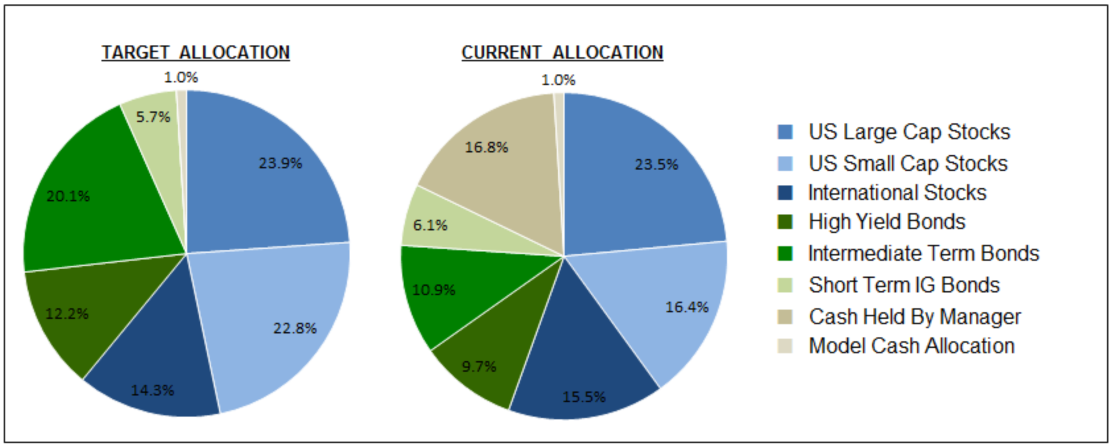
*General overall portfolio comments refer to the Moderate Growth allocations used in both the Pooled Fund Program and the Unified Managed Account Program. These general comments will be referred to as "Moderate Growth" throughout. Specific references to performance, current allocation, or comparison to indexes are derived from the CWA Model 5 Portfolio in the Pooled Fund Program; these specific comments will be referred to as "Model 5" throughout.

PORTFOLIO ANALYSIS

Overall Goal. We construct portfolios to generate a return that maximizes the probability that an investor will meet their retirement goals, as opposed to maximizing their asset base (which interjects significant risk). We believe that a value bias, international exposure and general diversification provide the best avenue to meet this objective. Our portfolios have lower volatility†, but can go through periods where they do not keep pace with the U.S. equity markets (the most common benchmark) because of our focus on value, fixed income and international stocks.

The **Moderate Growth Portfolio** is intended to provide a balanced allocation, with a slight overweight to equities over fixed income. The goal is to provide a balance of growth and income with lower volatility than an all-equity portfolio. Our target and current portfolio asset class allocations for Model 5 are listed below.



ACTUAL VS. TARGET

Underweight Equities

Equal Weight International Exposure

Underweight Intermediate and Long-Term Fixed Income

High Cash Position

LARGEST EQUITY AND FIXED INCOME POSITIONS

In normal market environments, Moderate Growth has a target allocation of 60% stocks & 40% bonds, with approximately 20% of the portfolio in international equities and fixed income. So, the portfolio is a global one – with a U.S. tilt. By design, the holdings are broadly diversified by location/country, by company size, by credit quality/yield and by maturity/duration. The investment managers have a degree of flexibility which allows them to respond to different market environments, and our equity managers are currently holding a large amount of cash (given current valuations).

† as of 01/31/2017, the 7-year volatility (standard deviation) of Model 5 is 6.5% , versus 12.5% for the S&P 500 Index.

PERFORMANCE

The Moderate Growth portfolios in the Pooled Fund Program and the Unified Managed Account Program have slightly different investments, costs and thus returns. Accordingly, we direct you to your account statement for your individual performance.

In January, Model 5 (net of fees and expenses) outperformed(1) compared to the U.S. 60/40 Index, outperformed the S&P Moderate Growth Index, and under-performed(1) the Global 60/40 Index, which posted the following returns:

PERFORMANCE	JAN	COMMENTS
Global 60/40 Benchmark Index(2)	2.11%	International stocks and bonds significantly outperformed domestic stocks and bonds for the quarter. The model out-performed its domestic benchmarks but under-performed its international benchmark as a result.
US 60/40 Benchmark Index(3)	1.22%	
S&P Moderate Growth Index(4)	1.34%	

(1) "Market Perform" means within a range of +10 bps to -10 bps of the applicable index for the month (or +/- 8 bps per month for YTD performance); "Outperform" means more than +10 bps for the month (or more than +8 bps per month for YTD performance); "Underperform" means more than -10 bps for the month (or more than -8 bps per month for YTD performance). **Please note performance comparison comments are based upon Model 5 Pooled Fund Program data. There are inherent limitations in the use of model performance – please read the Model Disclosure found on page 5. Investors should consult their individual custodial statement for actual performance of individual portfolios. Actual performance comparisons may differ from model comparisons.**

(2) Global 60/40 Benchmark is 60% MSCI ACWI Index & 40% Barclays Global Aggregate Bond Index.

(3) US 60/40 Benchmark is 60% S&P 500 Index & 40% Barclays U.S. Aggregate Bond Index.

(4) S&P Moderate Growth Index is 50% S&P Target Risk Moderate Index & 50% S&P Target Risk Growth Index.

MARKET PERFORMANCE

Equities

PERFORMANCE	JAN	MULTIPLE	COMMENTS
U.S. Equities(5)	1.88%	22.5X	Domestic equities continued to build on post-election gains. The market appears to continue to discount higher growth in both profits and wages, and also higher earnings potential due to favorable tax reform.
International Developed(6)	2.91%	23.2X	International developed equities performed very well during the quarter. Conglomerates, particularly in Europe, are benefitting from the strength of the U.S. dollar as revenues are translated back. This is a trend that could continue in the near term.
Emerging Markets(7)	5.47%	16.1X	Emerging markets were by far the best performing equity space. Much of the strength on global indices is attributable to allocations in emerging markets.

(5) U.S. Equities are represented by the Russell 3000 Index.

(6) International Developed is the MSCI EAFE Index.

(7) Emerging Markets is the MSCI EM Index.

Fixed Income

PERFORMANCE	JAN	SPREAD OVER UST 10 YEAR	COMMENTS
U.S. Treasuries (Medium Duration)[8]	0.14%	-	The 10-Year Treasury had a modestly positive return during the month as the bond market began to firm after several months of losses.
U.S. Treasuries (Longer Duration)[9]	0.40%	0.51%	The spread on longer duration Treasuries narrowed modestly during the month as the bond market appeared to firm after several months of losses.
Global Fixed Income[10]	1.13%	-0.85%	Global bonds rebounded nicely after several months of losses. The spread narrowed modestly. The Global Fixed Income markets appear to be firming but likely remain vulnerable to shocks from Italy and Brexit.
Emerging Fixed Income[11]	0.97%	2.28%	January brought a recovery for both the Emerging bond and equity markets.
High Yield[12]	1.45%	3.23%	High yield spreads continue to narrow. Spreads are at multi-year lows which would normally be a red flag, however the credit environment appears to remain stable and robust and a shock does not appear to be on the near term horizon.

(8) U.S. Treasuries (7-10 Years), represented by the Barclays U.S.T 7-10 Yr Total Return Index
(9) U.S. Treasuries (20+ Years), represented by the Barclays U.S.T 20+ Yr Total Return Index
(10) Barclays Global Aggregate Bond Index.
(11) Barclays Emerging Markets EMEA Total Return
(12) Barclays U.S. Corporate High Yield Index.

Commodities and Real Assets. The Model 5 portfolios do not have significant exposure to commodities, except indirectly. However, commodities and real assets (real estate) provide a good sense of global demand (in the case of industrial commodities) or fear (gold).

PERFORMANCE	JAN	TREND	COMMENTS
Energy[13]	-4.66%	-	Energy stocks declined in January and were one of the worst performing sectors. Oil was down roughly 1.7% during the quarter.
Real Estate[14]	0.23%	UP	Real Estate continues to rebound albeit it modestly for the month.
Industrial Metals[15]	8.42%	-	Industrial metals reversed the losses in December and then some. This has been a volatile sector and directionality is as of yet unknown.
Gold[16]	5.07%	-	Gold rebounded sharply in January. Global central bank policies and the strength of the U.S. Dollar should continue to be the main drivers of return for the metal as we move forward.

(13) S&P GSCI Energy Total Return Index.
(14) Dow Jones U.S. Real Estate Index.
(15) S&P GSCI Industrial Metals Total Return Index.
(16) Gold Spot Index in USD.

Market Comments

Both the U.S. and Global stock and bond markets were kind to begin the year. We outlined many of our thoughts about 2017 in our previous letter, and would point to those as our ongoing thesis for the investing climate this year.

Seth Klarman is one of the most respected money managers in the industry, and recently published a newsletter that went to the investors in the hedge fund he manages through his company The Baupost Group. In his letter, he outlines some of his concerns about the markets due to the new administration's policies, and he echoes many of the concerns we outlined for 2017. Namely, he is concerned that the market is pricing in perfection, and that the nature of the polices being enacted and the uncertainty that they bring make the probability of a smooth ride rather low.

Below is a quote from his letter.

> *"The big picture for investors is this: Trump is high volatility, and investors generally abhor volatility and shun uncertainty. Not only is Trump shockingly unpredictable, he's apparently deliberately so; he says it's part of his plan."*

We agree, and believe the market could possibly be getting far ahead of itself in discounting a perfect handoff between a stagnant economic climate rife with fiscal and monetary stimulus, and the new proposed regime built upon job and wage growth and an uptick in inflation. Coupled with the continued problems in China and a volatile situation in the Eurozone surrounding the Italian banking sector and the ongoing Brexit concerns, the world appears to be more suited for higher volatility and uncertainty. The markets may continue higher in the near term, but it would not be shocking to see some of these concerns make their way back into market pricing in the nearer term.

Mr. Klarman also makes a point about the current trend towards ETFs which we found enlightening and subscribe to.

> *"When money flows into an index fund or index-related E.T.F., the manager generally buys into the securities in an index in proportion to their current market capitalization (often to the capitalization of only their public float, which interestingly adds a layer of distortion, disfavoring companies with large insider, strategic, or state ownership)," he wrote. "Thus today's high-multiple companies are likely to also be tomorrow's, regardless of merit, with less capital in the hands of active managers to potentially correct any mispricings."*

Quite simply, a seasoned value investor may be finding more and more value in certain companies and sectors as the trend towards ETFs accelerates. We have often written about the potential consequences of index only investing, as it tends to favor the largest capitalization stocks. This trend has worked in recent years, but history has shown there are long periods where this style of investing is out of favor. As Mr. Klarman also points out, capital flowing away from active manager and into ETFs has created an opportunity set for the adept active manager that otherwise would likely not exist. We continue to believe that value investing has swung back into favor after years of being left behind and that value investing could potentially experience a renaissance period in the coming years.

We continue to favor investing with a keen eye for value and with risk management in place during this uncertain period and will continue to view the markets with a cautiously optimistic eye as we move forward.

Further Reading

1) **A Quiet Giant of Investments Weighs In On Trump**, New York Times, February 6, 2017

Here is the full article on Seth Klarman's comments that we cited during our Market Commentary for the month.

https://www.nytimes.com/2017/02/06/business/dealbook/sorkin-seth-klarman-trump-investors.html?_r=0

2) **China FX reserves fall more than expected to $2.998 trillion, near 6-year low,** Reuters, February 7, 2017

China continues to struggle and the U.S. raising rates continues to put pressure on their economic regime.

http://www.cnbc.com/2017/02/07/china-jan-fx-reserves-fall-more-than-expected-to-2998-trillion-near-6-year-low.html

For questions, or to request additional information, please contact your CWA Financial Planner.

DISCLOSURES

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CWA Model 5 Moderate Growth Pooled Fund Program: The target allocation and portfolio data used throughout this presentation is for the CWA Model 5 recommended for participants in the Pooled Fund Program. This Model is the most common recommendation and is used here to illustrate the CWA methodology. Other CWA Recommended Investment Program models will vary in asset allocation and underlying manager and/or security selection. Clients should discuss these models and programs with their planner prior to selection.

Model Performance Disclosure: Model performance is NOT an indicator of future or actual results. Performance does not represent the returns that any individual investor actually received. Cain Watters Investors may incur a loss. *Cain Watters Models contain allocations to several different common pooled trust funds. Each individual pooled trust fund has a defined investment strategy; usually designed around a specific asset class. Investment managers and their respective strategies are chosen to meet each of the pooled funds' objectives. Investors in the models pay a monthly asset based trust fee, based on their average investment balance during the month. Model performance is calculated using the reported net asset value of each individual pooled fund. Performance for the individual funds is then weighted according to the model target allocation. Model performance includes the reinvestment of dividends and interest. The annual trust fee of 0.65% is subtracted from gross returns on a pro-rated basis of 0.0541% per month; and includes trust fees and investment advisory fees. For time periods prior to July 1, 2016 an annual trust fee of 1.05% or 0.0875% per month was used. Model performance has inherent limitations in that it does not reflect the effects of significant cash flows, or take into account actual client asset allocation that may differ materially from the target allocation due to rebalancing policies and changes in market values. This model performance information is provided for illustrative purposes only. Cain Watters Model investors may experience materially different returns.*

Use of Comparison Benchmark or Index: Indexes cannot be invested in directly. Index performance and statistics are provided for illustrative or comparison purposes and are chosen as commonly accepted representations of the performance of a particular segment of the market.