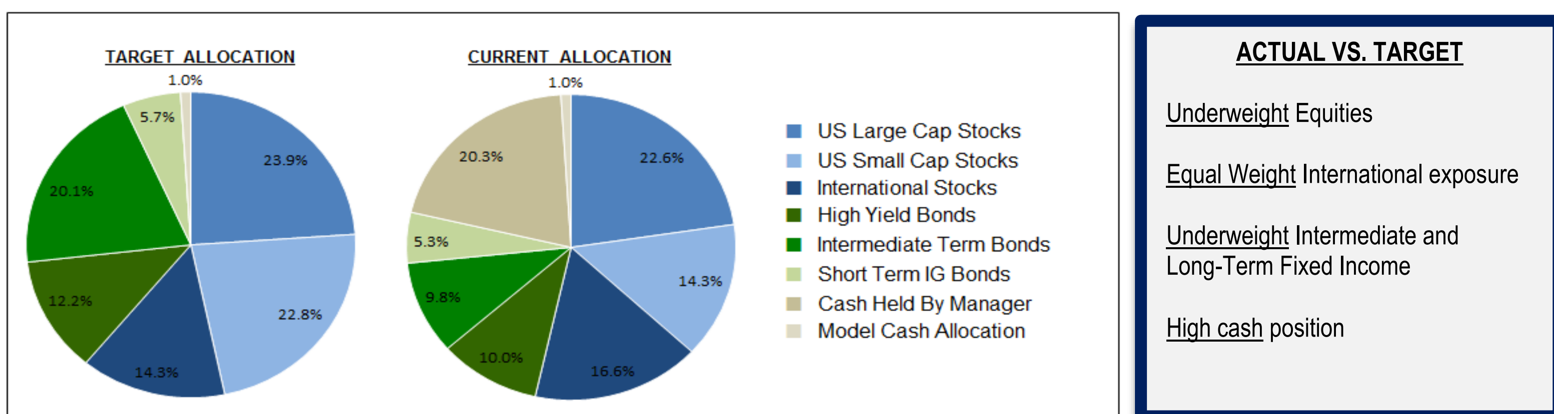
*General overall portfolio comments refer to the Moderate Growth allocations used in both the Pooled Fund Program and the Unified Managed Account Program. These general comments will be referred to as "Moderate Growth" throughout. Specific references to performance, current allocation, or comparison 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.



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 6/30/16, the 7-year volatility (standard deviation) of Model 5 is 7.00%, versus 13.52% 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 June, Model 5 (net of fees and expenses) under-performed[1] compared to the U.S. 60/40 Index, under-performed the S&P Moderate Growth Index, and under-performed[1] the Global 60/40 Index, which posted the following returns:

PERFORMANCE	JUNE	COMMENTS
Global 60/40 Benchmark Index[2]	0.87%	Bonds were the biggest driver of returns during the month, particularly during the flight to quality post Brexit. Domestic equities ended the month modestly positive, while Global equities were negative. Equity managers in Model 5 outperformed their respective indices during the month, but a shorter duration positioning in the fixed income side of the model hurt relative performance during the month.
US 60/40 Benchmark Index[3]	0.83%	
S&P Moderate Growth Index[4]	0.82%	

(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 US 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

General Overview. In June, domestic equities earned modestly positive results, while domestic bonds posted strong performance after the global flight to quality after the Brexit announcement. International equities were negative, while International bonds posted strong positive results. Oil slipped over global economic worries and a stronger U.S. dollar, while gold posted very strong performance after the Brexit announcement riled currency markets.

Equities. As noted earlier, domestic equities were modestly positive in June, while International equities were negative. Emerging market equities posted strong positive results.

PERFORMANCE	JUNE	MULTIPLE	COMMENTS
U.S. Equities[5]	0.26%	19.4X	Domestic equities were modestly positive after a late month period of volatility on the heels of the Brexit vote.
International Developed[6]	--3.32%	22.2X	International developed equities were hit hard by the Brexit announcement as concerns for the Eurozone were ramped up.
Emerging Markets[7]	4.08%	14.6X	EM bounced back after a tough May. Emerging markets continue to rebound this year after being oversold in 2015.

(5) US 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	JUNE	SPREAD OVER UST 10 YEAR	COMMENTS
US Treasuries (Medium Duration)[8]	2.93%	-	
US Treasuries (Longer Duration)[9]	6.42%	0.59%	A flight to quality post Brexit pushed yields much lower.
Global Fixed Income[10]	2.92%	-0.34%	International bonds rallied as equities were sold in the wake of the Brexit announcement.
Emerging Fixed Income[11]	2.23%	3.28%	Emerging market bonds tightened as conditions in the EM markets improved.
High Yield[12]	0.92%	5.68%	High Yield continued to rally, and the strength of high yield during this volatile period suggests that credit as a whole is not currently a macro-level concern.

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

Fixed Income was strong across the board in June. Domestically, yields were pushed down as global demand for Treasuries increased in the wake of the Brexit announcement. Internationally, a flight to quality pushed yields lower, as did the market anticipating further QE programs as the Eurozone and EU combat fallout from the decision by the UK.

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	JUNE	TREND	COMMENTS
Energy[13]	-1.19%	-	Energy cooled as the U.S. Dollar strengthened during the month and concerns. Global recession concerns also mounted.
Real Estate[14]	6.12%	UP	Real Estate in the U.S. continues a strong rebound as rates are pushed lower.
Industrial Metals[15]	5.72%	UP	Metals were strong during the month.
Gold[16]	8.79%	UP	Gold saw a tremendous rally post Brexit and the case for gold going forward is being made stronger as currencies become more volatile and even more vulnerable to global shocks in the case of the euro.

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

Brexit and What Do We Expect?

On June 23 the referendum vote held in the U.K. on whether or not to exit the European Union (EU) passed with a roughly 52% to 48% margin. It was widely anticipated that the U.K. would stay, even as polls were open late that afternoon. The fallout from the vote caused global equity markets to sell off hard over the preceding two trading days. Markets then rebounded and stabilized as the news was digested and cooler heads prevailed in the market.

Markets hate uncertainty, and the one thing that is certain about the Brexit vote is that it injects a healthy dose of just that. The U.K. will likely have a recession, but the timing and severity of it is unknown. The EU will be going from 28 member nations to 27 now, and with that comes an absolute mountain of red tape and contract negotiations which cover everything from trade regulations to immigration policy. The largest unknown post Brexit is how other troubled members of the EU will react over the next two years as the U.K. negotiates its exit. If things are going smoothly, will more leave, or will the EU use the U.K. as an example and make terms so onerous that no other country would consider leaving? Time will tell.

On a global basis, the uncertainty is more severe. With global central banks trying to run coordinated programs to both keep rates low and keep currencies in check, the slightest upset to the applecart can create large disruptions. Central banks as a rule can only control their rates or their currency – not both simultaneously – and policies that aim at doing both require a tremendous amount of luck to run smoothly. China is trying to devalue their currency in a measured way to prevent a wholesale banking crisis and to transition their economy, and any new U.S. dollar strength disrupts those plans and causes wide swings in downside volatility. Europe is trying to prevent wholesale deflation and is now having to combat that using a currency that is suddenly being looked at with a wary eye after the Brexit vote, all the while trying to solve a very quiet (so far) Italian banking crisis. Japan needs to do even more QE and has taken to buying ETFs and stocks in its own markets to try and keep Abenomics alive and stable. The ripples in the pool caused by an event like Brexit turn into waves down the road when all of these policies are trying to be enacted while balancing on a string.

As we have written about previously, it is likely that the next wave of volatility will begin with the currency markets, and the Brexit vote opened the door just enough to confirm that this is likely to be the case. Most of the risk in equity and bond markets has been transferred to the currency market through central bank intervention, and as currencies are the largest barometer of confidence in the markets, they can become volatile and unpredictable very rapidly. We believe it is of very low probability that all of the global central banks can negotiate their own policies and have the markets digest the outcomes in a smooth or positive manner. With many countries now running negative rates, the probability drifts even lower.

That being said, we do not expect the Brexit vote to be a short-term negative to the markets, as the process of the U.K. exiting will be a long one with many possible outcomes. What we do expect is for the Brexit vote to cause markets to be much more volatile going forward and for the equity markets to behave irrationally at times, even to what may seem to be marginal data points. Global risk is higher post Brexit, and the markets will likely behave as such.

We continue to believe that an all-weather approach is prudent given the amount of uncertainty in the markets. It is also important to remember that with volatility comes overreaction, which creates opportunities for investors that are prepared to move on them as prices move into favorable territory.

.

Further Reading

1) ***Brexit Reaction: Keep Calm and Carry On***, Guggenheim Investments, June 28, 2016

   This article outlines how the Brexit vote should not be viewed as a short-term negative due to central banks openness and ability to support markets at this time.

2) ***Bad Debt Piled in Italian Banks Looms as Next Crisis***, Wall Street Journal, July 4, 2016

   This article outlines the current state of the Italian banks and how they are now vulnerable to a full on crisis post Brexit. This is an example of how uncertainty post the U.K. announcement can have consequences far beyond what is known at this point.

3) ***The Downside of Past Performance***, A Wealth of Common Sense, July 3, 2016

   Here is an article that outlines how selecting managers based solely on past performance can be a fool's errand, and casts a light on how Tectonic uses past performance as only one factor when selecting a manager for our programs.

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

DISCLOSURES

PAST PERFORMANCE IS NOT AN INDICATOR OF FUTURE MARKET RETURNS.
Cain Watters is a Registered Investment Advisor. Request Form ADV Part 2A for a complete description of Cain Watters Advisors' investment advisory services. Diversification does not ensure a profit and may not protect against loss in declining markets. No inference should be drawn that managed accounts will be profitable in the future of that the Manager will be able to achieve its objectives. Investing involves risk and the possibility of loss, including a permanent loss of principal.

This commentary contains the opinions of the CWA Investment Committee at the time of publication and is subject to change. Market and economic factors can change rapidly, producing materially different results. This update is intended for clients currently invested in CWA Recommended Investment Programs. This is not intended to be personalized investment advice. This does not take into account a particular investor's financial objectives or risk tolerances. Any specific mention of securities is for informational purposes only and is not intended as a recommendation or solicitation to purchase.

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 1.05% is subtracted from gross returns on a pro-rated basis of 0.0875% per month; and includes trust fees, manager fees, and investment advisory fees. 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.