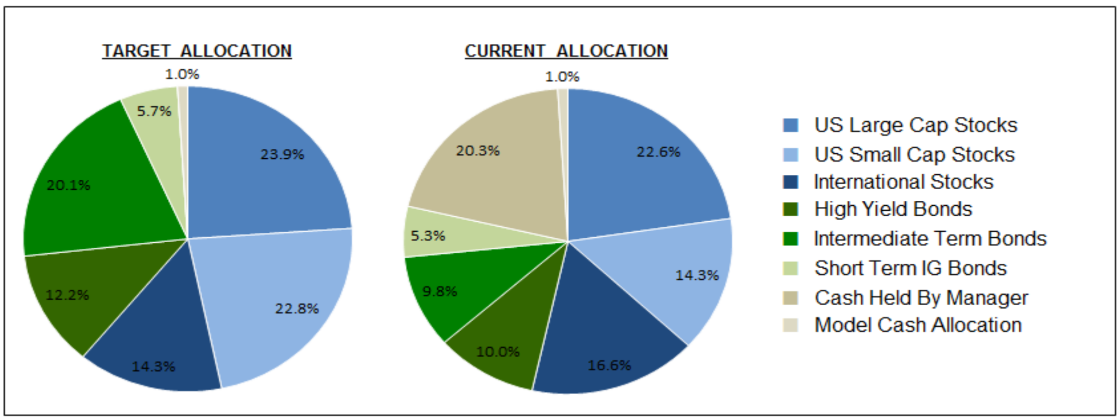
*General overall portfolio comments refer to the Moderate Growth allocations used in both the Pooled Fund Program and the Unified Managed Account Program. These general comments will be referred to as "Moderate Growth" throughout. Specific references to performance, current allocation, or comparison 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 US 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 5/31/16, the 7-year volatility (standard deviation) of Model 5 is 6.8%, versus 12.9% 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 May, 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 out-performed(1) the Global 60/40 Index, which posted the following returns:

PERFORMANCE	MAY	COMMENTS
Global 60/40 Benchmark Index(2)	-0.42%	International bonds underperformed after posting several months of strong outperformance. Domestic equities also outperformed international equities by a large margin. The 20% of the model that is allocated to international investments drug on relative performance, as did cash holdings.
US 60/40 Benchmark Index(3)	1.09%	
S&P Moderate Growth Index(4)	0.41%	

(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 7. 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 May, domestic equities earned positive results, while domestic bonds posted only slightly positive results. International equities were marginally positive, while International bonds posted negative results after several months of relative outperformance and strong absolute returns. Oil continued to improve, while metals posted negative gains after the U.S. Dollar strengthened post hawkish Fed comments about the potential for a June rate hike.

Equities. As noted earlier, domestic equities saw good performance in May, while International equities were only marginally positive and Emerging Markets gave up significant gains.

PERFORMANCE	MAY	MULTIPLE	COMMENTS
US Equities(5)	1.79%	19.4X	Domestic equities advanced; growth outperformed value in May for the first time this calendar year.
International Developed(6)	-0.79%	23.0X	Foreign equities cooled off amid volatility surrounding the upcoming US election season.

Emerging Markets[7]	-3.71%	13.8X	EM gave up over half its gain for the year, as volatility surrounding various currencies and the potential policy decisions of the next US president could impact global trade.

(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	MAY	SPREAD OVER UST 10 YEAR	COMMENTS
US Treasuries (Medium Duration)[8]	-0.09%	-	
US Treasuries (Longer Duration)[9]	0.85%	0.58%	Longer duration bonds tightened in May.
Global Fixed Income[10]	-1.34%	-0.55%	After a very hot start to the year, global credit cooled off. Spreads remain tight, however, and did not move much during the month, leading us to conclude that this market may be entering a period of illiquidity.
Emerging Fixed Income[11]	0.01%	3.27%	Emerging market bonds were flat during a tough month for EM equity.
High Yield[12]	0.62%	5.46%	High Yield continued to rally, however the pace of the rally is slowing down.

(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.

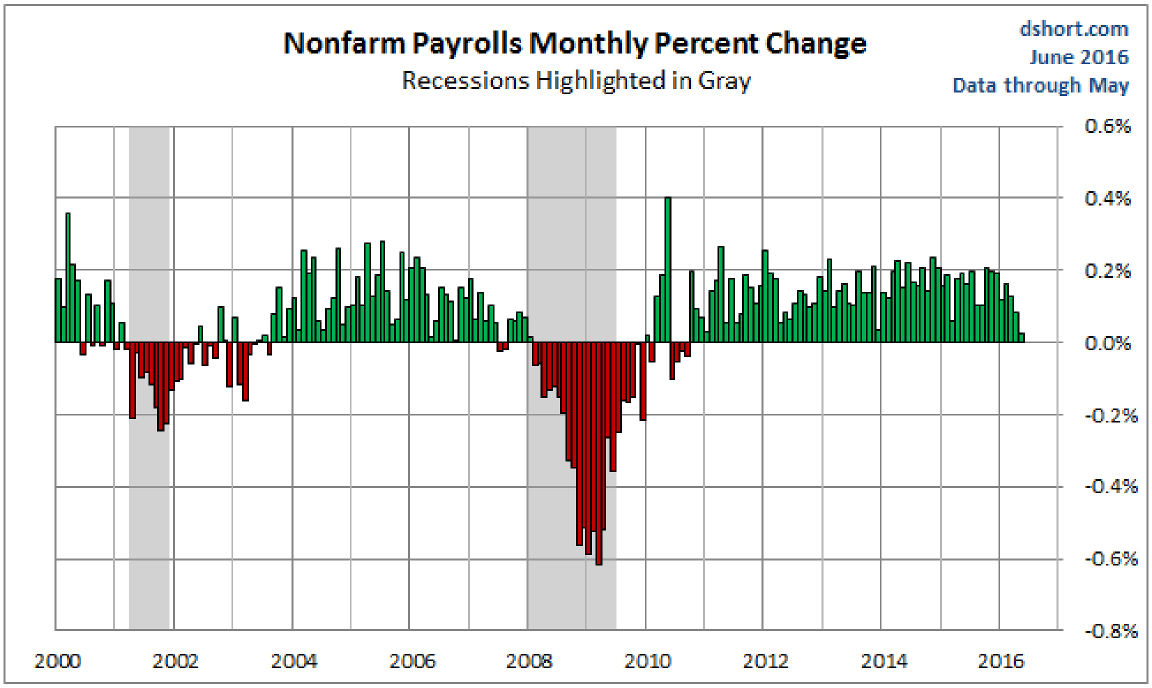
Domestic investment grade fixed income posted positive results, while International fixed income was negative after a very good start to the year. We continue to believe that the intermediate part of the curve offers opportunities given the tenor of the market, even in the midst of the potential for a rate hike in June.

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	MAY	TREND	COMMENTS
Energy[13]	4.60%	UP	Energy continued its rebound, which has eased concerns globally over its role in a potential global economic downturn.
Real Estate[14]	2.36%	-	Real Estate rebounded after a pullback in April.
Industrial Metals[15]	-7.05%	DOWN	Metals dropped due to a strengthening US dollar
Gold[16]	-6.01%	DOWN	Gold dropped on the back of a strengthening US dollar, which picked up steam after hawkish headlines from the Fed mid-month.

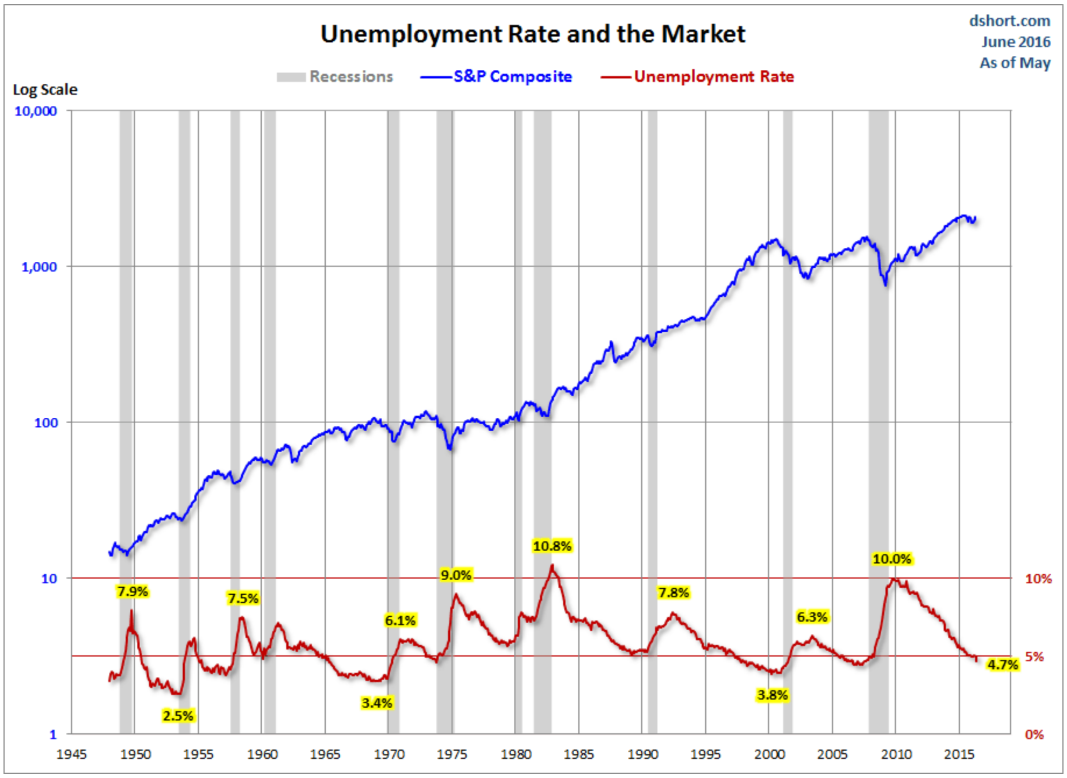
(13) S&P GSCI Energy Total Return Index.
(14) Dow Jones US Real Estate Index.
(15) S&P GSCI Industrial Metals Total Return Index.
(16) Gold Spot Index in USD.

A bad May payroll number: Last Friday, the May non-farm payroll number missed by a significant degree. Only 38,000 non-farm jobs were added during the month, versus an estimate of 164,000. March and April's numbers were also revised downward for an additional 58,000 jobs.



Source: www.dshort.com

The number in itself may prove to be skewed to the downside, as a number of striking workers at Verizon were counted as unemployed, so the real number may increase to 73,000 jobs and the overall unemployment rate still dropped. However, this is still a significant miss and bears watching.

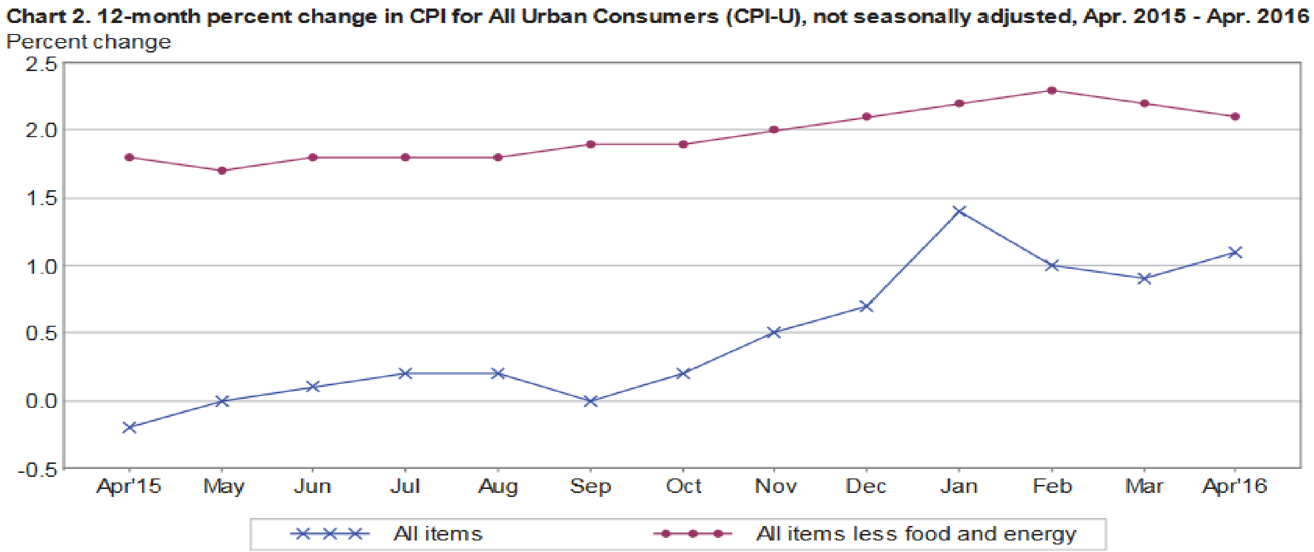


Source: www.dshort.com

Why is this so significant? As you can see below, market drawdowns historically happen when unemployment rate is at a low, not a high, and the unemployment rate appears to be approaching a cyclical low. The overall takeaway is that we may be reaching the highs of the market, and that the economy may be closer to a recession than most pundits think.

What Do We Expect?

Global Markets; Economic Climate: Other than a bad jobs number, nothing much has changed since our last letter. There is one scenario that needs to be mentioned and monitored, and that is the worry that we could be entering a period of stagflation. Stagflation is an economic scenario where the economy is faced with higher than anticipated inflation, declining growth and steadily increasing unemployment.



Source: Bureau of Labor Statistics

Inflation has been low in recent years, although it has trending up month-over-month for the past year and has done so in an under-the-radar fashion. This has happened in the midst of an earnings recession in the US, and during a period where top line growth has been decent, but is on the cusp of slowing and potentially turning negative. A period of stagflation would occur if inflation continues to incrementally pick up, growth were to continue to be anemic and we experience several more months of job reports like the one in May.

Why is this important? Because the Fed's one policy tool to combat inflation – raising interest rates – works with, not against, the two negative data points. A rise in rates would potentially worsen the employment situation, and would work against growth as credit tightens. In a period of stagflation, the Central Bank would be forced with an extremely difficult situation – fight inflation pressures, or take your chances and keep growth and employment on track. It's a catch 22, and it is not a desirable scenario in which risk assets can continue to march higher at the rates we are accustomed.

We continue to believe an all-weather portfolio is prudent in this environment given the heightened uncertainty surrounding the economy in the US, but more importantly abroad. We are also entering an election that promises fireworks at the minimum, and continue to believe that heightened market volatility may be the norm for the foreseeable future.

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Further Reading

1) ***Is Crude Oil About to Gush Higher,*** Dragonfly Capital, June 1, 2016

   This article goes over some interesting technical indicators about the price of oil, and paints a picture that it has more room to the upside after 4 months of gains.

2) ***Bon Appetit!,*** Janus Capital, June 2, 2016

   In this article, Bill Gross (formerly of PIMCO) outlines reasons why he believes the investment world is about to enter down a drastically different path than we have been on for the past 40 years. He echoes many of the issues we have outlined over the past 5 years, which are some of the reasons why we preach prudent risk management.

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

DISCLOSURES

PAST PERFORMANCE IS NOT AN INDICATOR OF FUTURE MARKET RETURNS.
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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 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.