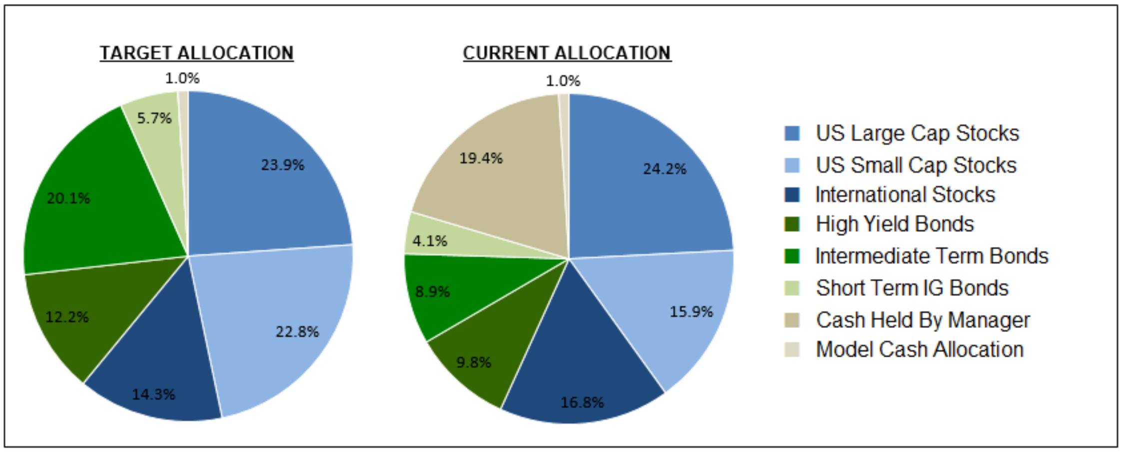
*General overall portfolio comments refer to the Moderate Growth allocations used in both the Pooled Fund Program and the Unified Managed Account Program. These general comments will be referred to as "Moderate Growth" throughout. Specific references to performance, current allocation, or comparison 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 10/31/2017, the 7-year volatility (standard deviation) of Model 5 is 6.0%, versus 10.8% 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 October, Model 5 (net of fees and expenses) underperformed[1] compared to the U.S. 60/40 Index, S&P Moderate Growth Index and the Global 60/40 Index, which posted the following returns:

PERFORMANCE	OCT	COMMENTS
Global 60/40 Benchmark Index[(2)]	1.11%	Both the U.S. and Global Indexes were up over 2% for the month. Domestic bonds were roughly flat, while international bonds were down approx. -0.4%. This was one of the only months so far in 2017 where the domestic benchmark outperformed the international benchmark, mostly due to differences in fixed income performance.
US 60/40 Benchmark Index[(3)]	1.42%	
S&P Moderate Growth Index[(4)]	1.25%	

(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 6. 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	OCT	MULTIPLE	COMMENTS
U.S. Equities[(5)]	2.18%	23.2X	The broader average posted a healthy return during the month. Growth continues to greatly outpace value, with growth stocks outperforming value stocks by over 3% for the month as measured by the Russell 1000 Growth and Value Indices.
International Developed[(6)]	1.53%	19.5X	International markets continued their march higher during the month. Favorable growth metrics in Europe continue to help valuations catch-up to domestic markets.
Emerging Markets[(7)]	3.51%	16.1X	Emerging markets continue to enjoy the momentum coming from global dynamics, as well as positive macroeconomic benefits due to more conservative fiscal and monetary policies within the emerging countries.

(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	OCT	SPREAD OVER UST 10 YEAR	COMMENTS
U.S. Treasuries (Medium Duration)(8)	-0.18%	-	Yields on the 10 year rose modestly during the month.
U.S. Treasuries (Longer Duration)(9)	-0.07%	0.41%	The curve flattened on the long-end during the month, with long-treasuries holding steady while the 10-year yield rose modestly.
Global Fixed Income(10)	-0.38%	-0.77%	Global debt sold off and spreads widened modestly.
Emerging Fixed Income(11)	0.06%	2.02%	Spreads modestly widened during the month as emerging market debt remained relatively flat.
High Yield(12)	0.42%	3.07%	The equity like characteristics of High Yield continued to compress spreads. Spreads are near all-time lows.

(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	OCT	TREND	COMMENTS
Energy(13)	4.88%	UP	Brent Crude topped $60/barrel at the end of October and has risen 30% since its lows in June.
Real Estate(14)	0.09%	UP	Real Estate was flat during the month.
Industrial Metals(15)	4.27%	UP	Industrial Metals posted strong results during the month. Strong data out of China continues to fuel metals prices across the board.
Gold(16)	-0.75%	-	Gold was down marginally during the month and continues to trade sideways. Muted inflation and the potential for the beginning of the Fed unwinding the balance sheet are the likely culprits.

(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) SPDR Gold Shares (GLD).

Market Comments

The equity markets continue to march higher, with growth greatly outperforming value year-to-date. We have mentioned this extensively, and it looks like this will continue to be the trend in the near term. We point to multiple historical instances of mean reversion in the markets - and how pendulum swings from one investment philosophy to another can happen quickly and violently - as a reason why we believe patience is often rewarded when constructing investment strategies. We continue to view the market as overextended valuation-wise and believe that staying true with a value focus could help investors avoid some problems down the road.

Some of the biggest recent news has been the appointment of Jay Powell as the next Chairman of the Federal Reserve. This was a choice that has many interesting aspects to it, but none more so than the fact that Mr. Powell has a business and investing background, rather than a Ph.D. in Economics.

Danielle DiMartino Booth, who worked for the Dallas Fed under Richard Fisher and was one of our featured speakers at the CWA Annual Meeting in March, put out a piece in her Money Strong newsletter last week that we believe very eloquently states what Mr. Powell may be bringing to the Fed and how it could shape future policy. Here are her comments:

> *"The sheer breadth of Powell's experience is refreshing compared to what we've had for the past 30 years. Powell has a deep understanding of the law and politics. He worked in the Treasury Department under Nicholas Brady and was confirmed as Undersecretary of the Treasury under George H.W. Bush. His background in politics and the experience he has had at the Fed thus far have prepared him well for his role as liaison to Congress and the White House.*
>
> *Powell's experience as an investment banker was critical in his carrying out the investigation and sanctioning of Salomon Brothers. Understanding the entirely different type of politics that exists in big banks will bode well for his capacity to regulate the banks. This attribute especially will dilute the power traditionally exerted by the NY Fed in recent years, a District that has a long history of conflicts of interest vis-à-vis the banks it regulates. A stronger regulator as Fed chair in the years leading up to the financial crisis.*
>
> *At the Carlyle Group, Powell founded and ran the Industrial Group within the Buyout Fund. A separate missing characteristic among Fed leaders for the past 30 years has been a woeful lack of understanding as to how Fed policy effects corporations and the decisions CEOs and CFOs make driven by Fed policy, the most obvious of which has been debt-financed share buybacks at the expense of capital expenditures.*
>
> *Some in the media have questioned Powell's being the wealthiest individual at the Fed. That is an extremely strong attribute. In his work between 2010 and 2012 at a bipartisan think tank, Powell worked for a salary of $1 per year to carry out his mission to raise the debt ceiling. His wealth affords him the luxury of having no preset agenda. His*

history of working for his country to its best end exemplifies that he is at the Fed because he truly believes he is doing a greater good in servicing his country.

Powell's work on Too Big to Fail banks also speaks to his ability to be independent and objective in his approach to regulating big banks with deep-pocketed lobbyists who hold huge sway over politicians. If he is willing to go up against the biggest banks, he will hopefully prove to be a leader cast in the mold of William McChesney Martin, the longest serving Fed Chairman famous for testifying to Congress that it was the Fed's job to take away the punch bowl just as the party gets going.

His being a member of the Republican party is a sign he will be less apt to encourage further mission creep at the Fed in its fulfillment of its second mandate to maximize employment. Dovish leaning Fed chairs have induced financial instability time and again in their efforts to bring marginal workers off the sidelines. The busts that have followed though have done greater damage to the labor market. His experience in the financial markets suggests he will be less apt to keep rates too low for too long as has been the case with his three predecessors.

Powell was not in favor of the third round of QE, but voted for it nevertheless. This is his biggest black eye and why market participants perceive him to be as dovish as they do. One can only hope that the quiet leader will have the strength to not only act more independently, being faithful to his convictions, but also to encourage dissent on the Board of Governors which has been absent since 1996 save two dissents.

I lean towards the Bloomberg Intelligence Fed Spectrometer which rates Powell as neutral rather than a hawk or a dove. Or as the man I used to call boss, Richard Fisher, would say, Powell is a (wise) owl. The notion that an intelligent man who has studied economics assiduously since joining the Fed is unfit to lead because he is not a Ph.D. in economics is naïve and utterly preposterous. His not being an academic is possibly his best attribute given he will be battling the next recession and the financial markets disruption that is sure to accompany it."

Source: www.dimartinobooth.com

In many ways this could prove to be a disruptive force towards policy that we have come to recognize as "the norm" over the past 9 years.

Further Reading

1) **Bond Market Bubbles Are Not What You Think,** A Wealth of Common Sense, October 11, 2017

   We have often written about how we do not believe that a "bond bubble", in which the bond market as a whole experiences 2008-style losses, is an extremely low probability event. This article does a great job of laying that out.
   http://awealthofcommonsense.com/2017/10/bond-market-bubbles-are-not-what-you-think/

2) **Why Are Markets Rising Everywhere? Investors Can't Stop Buying Every Dip,** Wall Street Journal, October 29, 2017

   This article describes a lot of the current market metrics we reference when describe a sense of "complacency" in the market.
   https://www.wsj.com/articles/why-are-markets-rising-everywhere-investors-cant-stop-buying-every-dip-1509274803

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

DISCLOSURES

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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 or that the Manager will be able to achieve its objectives. Investing involves risk and the possibility of loss, including a permanent loss of principal.

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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.

**Statements relating to Value outperforming Growth are based upon the data of the Fama-French 3-Factor Model. A pioneering study by renowned academics, Eugene Fama and Ken French, suggesting that three risk factors: market (beta), size (market capitalization) and price (book/market value) dimensions explain 96% of historical equity performance.*

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.