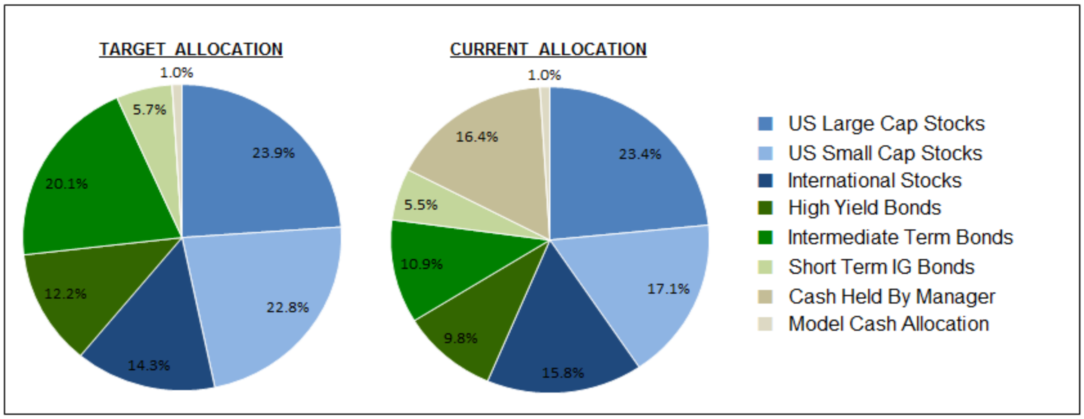
*General overall portfolio comments refer to the Moderate Growth allocations used in both the Pooled Fund Program and the Unified Managed Account Program. These general comments will be referred to as "Moderate Growth" throughout. Specific references to performance, current allocation, or comparison 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 7/31/16, the 7-year volatility (standard deviation) of Model 5 is 6.7% , versus 12.8%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 July, Model 5 (net of fees and expenses) market-performed(1) compared to the U.S. 60/40 Index, out-performed the S&P Moderate Growth Index, and under-performed(1) the Global 60/40 Index, which posted the following returns:

PERFORMANCE	JULY	COMMENTS
Global 60/40 Benchmark Index(2)	2.90%	International equities performed roughly 50 basis points stronger than domestic equities during the month, although both indices showed strong absolute performance. International bonds continue to strongly outperform domestic bonds, aided in most part by European quantitative easing.
US 60/40 Benchmark Index(3)	2.46%	
S&P Moderate Growth Index(4)	2.15%	

(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 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 July, both international and domestic equity markets showed strong performance, as did domestic and international bonds. A general sense of complacency in the market helped all asset classes "melt up" in a meticulous fashion throughout the month.

Equities

PERFORMANCE	JULY	MULTIPLE	COMMENTS
U.S. Equities(5)	3.69%	20.4X	Domestic equities showed strong performance throughout the month, buoyed by a complacent marketplace.
International Developed(6)	5.07%	23.9X	International equities rebounded and had a strong month, shaking off all of the negative sentiment from the Brexit vote in June.
Emerging Markets(7)	5.09%	15.5X	Emerging markets benefitted from a complacent and liquid marketplace and showed strong performance in July.

(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	JULY	SPREAD OVER UST 10 YEAR	COMMENTS
US Treasuries (Medium Duration)(8)	0.32%	-	
US Treasuries (Longer Duration)(9)	2.43%	0.76%	Longer-term yields moved lower in what was a bullish month for both equities and bonds
Global Fixed Income(10)	0.75%	-0.29%	European quantitative easing programs are soaking up all new issuance and have therefore created a "European Central Bank put" underneath the international bond markets for the time being.
Emerging Fixed Income(11)	0.63%	3.27%	Emerging market bonds tightened as liquidity conditions in the EM markets improved.
High Yield(12)	2.70%	5.34%	High Yield had another strong month. The run this year has caused lower rated credits (CCC and below) to appear to be very expensive.

(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.

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	JULY	TREND	COMMENTS
Energy(13)	-13.63%	DOWN	Oil had a very difficult month and has broken down below $40/barrel. The divergence between the price of oil and the equity markets is troubling. More on this later in this letter.
Real Estate(14)	3.76%	UP	Real Estate in the U.S. continues a strong rebound as rates are pushed lower.
Industrial Metals(15)	2.13%	UP	Metals were strong during the month however the drop in energy may be signaling some tougher times for the global economy.
Gold(16)	2.18%	UP	Gold continues its run on the heels of the Bank of Japan and the European Central Bank pumping the global markets full of liquidity.

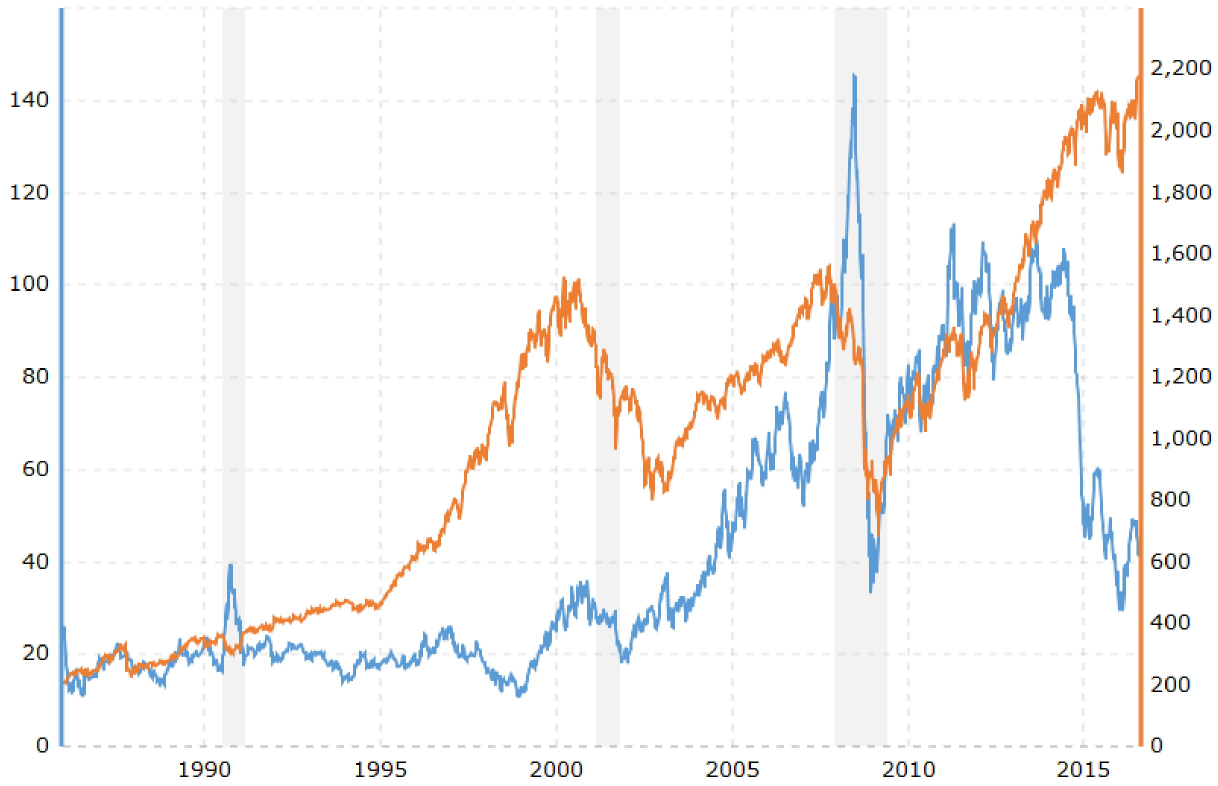
(13) S&P GSCI Energy Total Return Index.
(14) Dow Jones US Real Estate Index.
(15) S&P GSCI Industrial Metals Total Return Index.
(16) Gold Spot Index in USD.

Market Comments

July was a good market for stocks and bonds alike, and the complacency that can be redolent in markets during the summer doldrums was tangible. Both the international and domestic markets seemed to "melt up" every day and volatility in both equity and bond markets was very low.

One market that did see some volatility, however, was the energy market. Oil ended the month back below $40, and the S&P 500 and oil have now decoupled. As you can see in the chart, the performance of the S&P 500 and the price of oil is strongly correlated.

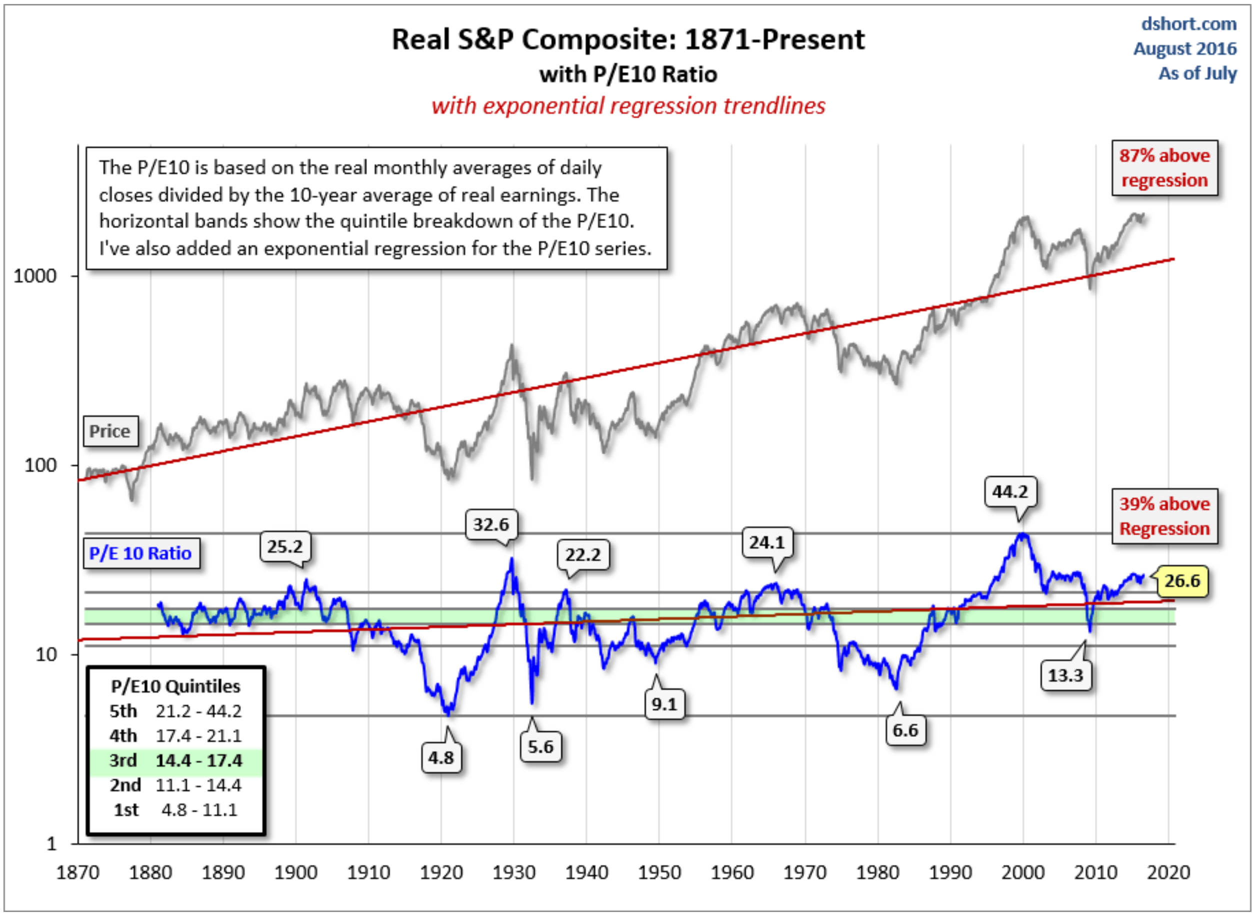
S&P 500 vs the price of oil



Source: www.macrotrends.net

Both the price of oil and the stock market have broken correlation over the years, but those periods, as you can see, do not tend to last long. We would hypothesize that the market has become a bit frothy as it has melted up and that stocks will need to take a bit of a breather soon.

Coupled with this is the fact that the P/E10 ratio, which we describe in detail on our July video, at 26.6 is now at its 3rd highest reading since 1871. Certainly the market can go higher from here, but when valuations get this stretched it is important to take a step back and to make sure risk management is in place.



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To end this month's letter, we thought we would leave you with a quote that we feel best embodies the current market and is a good reminder of how professional value managers think during market periods like this one. This quote is from the 2Q2016 Quarterly update from Charles de Vaulx of International Value Advisors, one of our long-time flexible allocation managers.

> *"Holding cash today is awful- in real terms you lose money. That leads some people to argue that with interest rates so low, you should use higher multiples to value businesses. Or maybe don't insist on a 30% discount to intrinsic value, and take 15% instead. We say no to both. Implicit in lowering your valuation standards is a willingness to accept a lower equity risk premium in the stocks you own. But when we look at the world today, at the market manipulation by central banks, the financial imbalances and excessive debt, the morose economic outlook and the disruption going on in industries that reduces visibility across the board, we'd argue for requiring a higher equity risk premium rather than lower. Often when the outlook is bleak, valuations are attractive enough to offer a good margin of safety. But that isn't the case today. We can go anywhere, developed and emerging markets alike, and we're just struggling to find genuine bargains."*

Further Reading

1) ***The Worst ETFs You Can Own***, A Wealth of Common Sense, August 2, 2016

We have written and spoken to our clients about these ETFs in the past, but we felt that this article is a good reminder to stay away from these types of products.

http://awealthofcommonsense.com/2016/08/the-worst-etfs-you-can-own/

2) ***30 Years: Reflections on the Ten Attributes of Great Investors***, Credit Suisse, August 4, 2016

This document is long, but it is a wonderful summary of some great attributes of successful investors. It is well worth the time.

http://tinyurl.com/hnqq5b7

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 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.