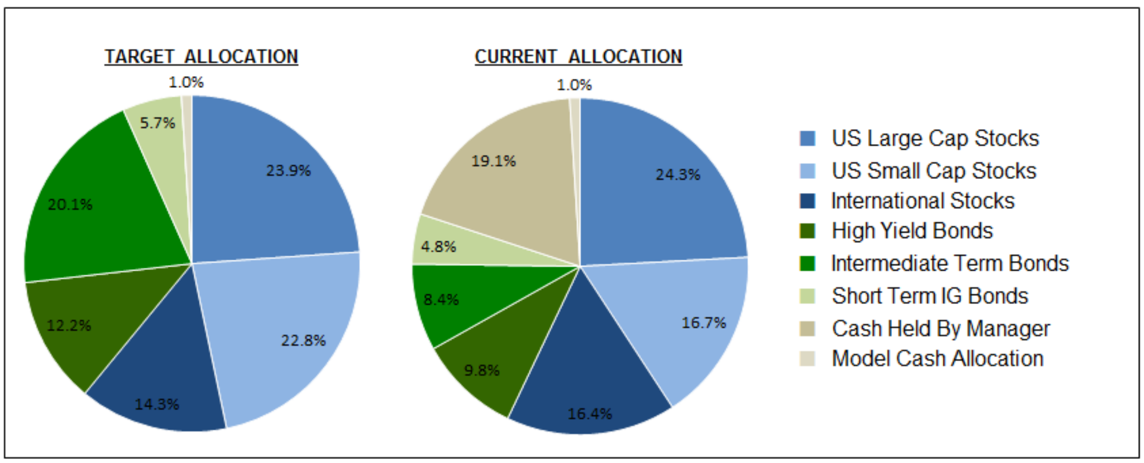
*General overall portfolio comments refer to the Moderate Growth allocations used in both the Pooled Fund Program and the Unified Managed Account Program. These general comments will be referred to as "Moderate Growth" throughout. Specific references to performance, current allocation, or comparison 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 06/30/2017, the 7-year volatility (standard deviation) of Model 5 is 6.2%, versus 11.6% 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) outperformed[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	JUNE	COMMENTS
Global 60/40 Benchmark Index[(2)]	0.26%	While global and domestic equities posted positive returns for the month, June was a volatile month for stocks. Large Cap Growth stocks were the most volatile group. Global bonds finished just below flat for the month.
US 60/40 Benchmark Index[(3)]	0.33%	
S&P Moderate Growth Index[(4)]	0.31%	

(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	JUNE	MULTIPLE	COMMENTS
U.S. Equities[(5)]	0.90%	23.0X	The broader market had a decent month, however Large Cap Growth technology names were very volatile and had a poor month as a group.
International Developed[(6)]	-0.15%	21.1X	International Developed cooled off during the month. This is not that unsurprising as this part of the global marketplace had enjoyed a near parabolic move higher since late last year.
Emerging Markets[(7)]	1.04%	15.3X	Emerging markets continue to march higher and are benefitting from currency movements and fresh capital allocation.

(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	JUNE	SPREAD OVER UST 10 YEAR	COMMENTS
U.S. Treasuries (Medium Duration)[8]	-0.59%	-	The 10-Year Treasury sold off during the month.
U.S. Treasuries (Longer Duration)[9]	0.49%	0.56%	The curve flattened during the month as long-bonds rallied and the belly of the curve sold off.
Global Fixed Income[10]	-0.09%	-0.66%	Global debt, much like global equity, finished the month relatively flat after several months of strong gains.
Emerging Fixed Income[11]	-0.35%	2.24%	Emerging markets debt cooled off as well in what was a relatively quiet month for all asset prices overseas.
High Yield[12]	0.14%	3.41%	The High Yield market finished with a small gain during the month in what was a quiet 30 days across the board for fixed income assets. Spreads against the 10-year continued to modestly widen.

(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.

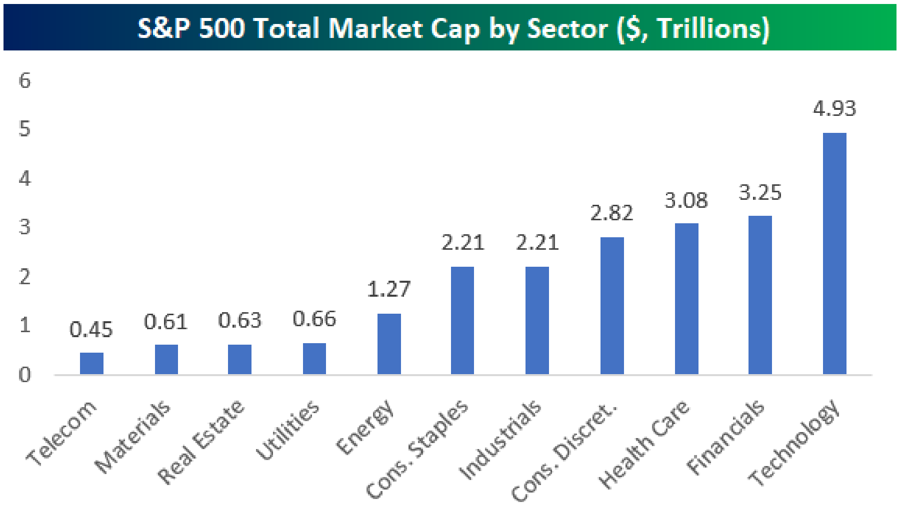
Commodities and Real Assets. The Model 5 portfolios do not have significant exposure to commodities, except indirectly. However, commodities and real assets (real estate) provide a good sense of global demand (in the case of industrial commodities) or fear (gold).

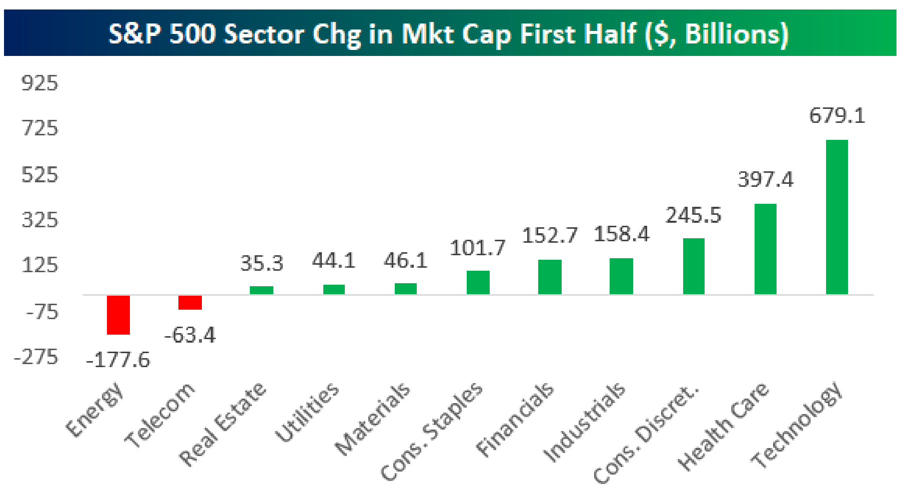
PERFORMANCE	JUNE	TREND	COMMENTS
Energy[13]	-4.34%	DOWN	Oil once again dropped during the month and remains in a downtrend. The Energy sector has suffered the largest drop in market cap in the S&P 500 year-to-date.
Real Estate[14]	2.05%	UP	Real Estate had a nice month and could continue to perform well if there is an inflationary pick-up in the economy.
Industrial Metals[15]	3.22%	-	Industrial metals enjoyed a nice pop in June after several months of losses.
Gold[16]	-2.16%	-	Gold turned negative after being in an uptrend for the past few months.

(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

June saw a return of volatility to the market for a time, and with it some trends that have some investors scratching their heads. Through the end of June, five stocks account for over one third of the year-to-date return of the S&P 500 (Apple, Google, Facebook, Microsoft and Amazon). In fact, technology names are the dominant driver of returns for the S&P 500, and the swell in market cap of that space is causing the Index to become increasingly top heavy.





Source: www.bespokeinvest.com

Many point to a troubling comparison to the 1999 to early-2000 period, where the S&P 500 return was positive due to a handful of internet stocks. During that period, over 400 of the 500 stocks that comprise the index were actually lower. While we do agree that there is some similarity between the two periods, the gulf in valuations between these five stocks that are driving returns and the rest of the index is not near as pronounced. As well, the breadth of the market is still acting healthy, although not as euphoric as the technology sector. During a month which saw several poor days of performance for the top performers in the index, Model 5 outperformed all three of its comparative indexes, as well as outperformed the S&P 500 itself. This is due to the lack of ownership in many of these highly valued names, as well as defensive cash positioning. We would expect Model 5 to continue to benefit from a rotation out of technology stocks into more cyclical, defensive names if that trend holds.

Further Reading

1) **[In the New Bond Market, Bigger Is Better](#)**, Wall Street Journal, June 21, 2017

   This article talks about how bigger firms are taking a price-setting role in the post-crisis bond market. We have written extensively in the past about the benefits – particularly when it comes to risk management – of using a large firm for fixed income management.

2) **[Two Decades of Winning By Not Losing](#)**, Steve Romick

   We believe this is one of the more important pieces we have read in the past several years and wanted to link here once again for readers that may have missed it in May.

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