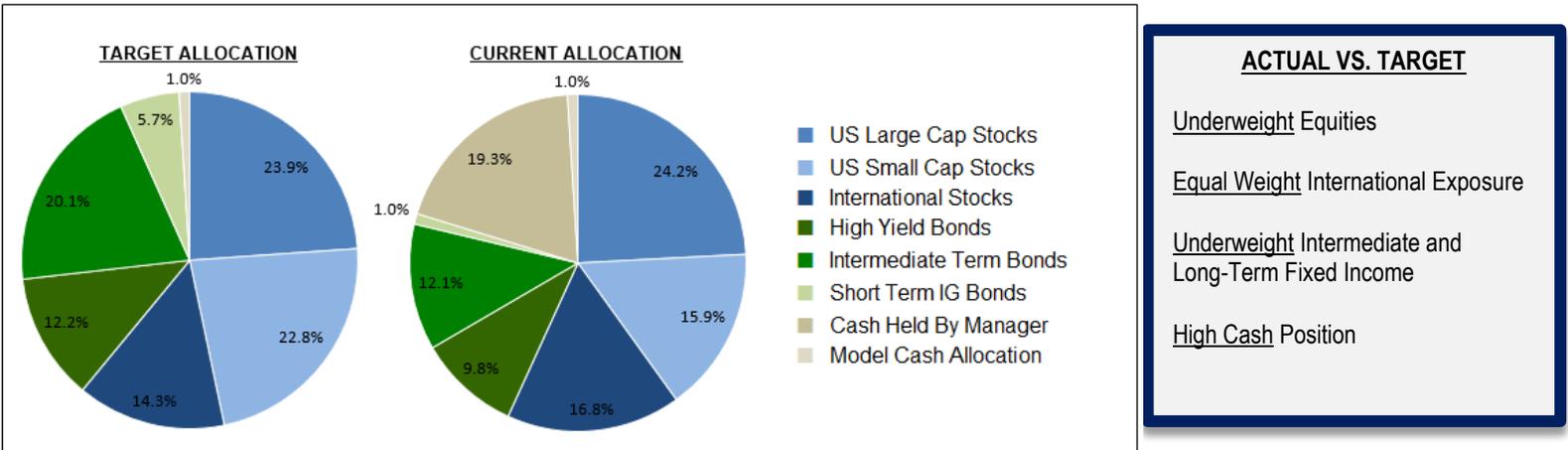


*General overall portfolio comments refer to the Moderate Growth allocations used in both the Pooled Fund Program and the Unified Managed Account Program. These general comments will be referred to as "Moderate Growth" throughout. Specific references to performance, current allocation, or comparison 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 11/30/2017, 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 November, Model 5 (net of fees and expenses) underperformed⁽¹⁾ compared to the U.S. 60/40 Index, market performed compared to the Global 60/40 Index, and outperformed the S&P Moderate Growth, which posted the following returns:

PERFORMANCE	NOV	COMMENTS
Global 60/40 Benchmark Index ⁽²⁾	1.63%	Domestic stocks were up over 3% as measured by the S&P 500 Index, due mostly to anticipation of positive benefits to corporate earnings stemming from tax reform. Domestic bonds were down during the month as the yield curve rapidly flattened. International equities and bonds were both up just over 1% for the month.
US 60/40 Benchmark Index ⁽³⁾	1.79%	
S&P Moderate Growth Index ⁽⁴⁾	0.84%	

(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	NOV	MULTIPLE	COMMENTS
U.S. Equities ⁽⁵⁾	3.04%	23.8X	U.S. stocks had a great month, bolstered by market pricing in earnings benefits stemming from tax reform. Breaking trend so far for the year, value stocks were up in tandem with growth stocks during the month.
International Developed ⁽⁶⁾	1.08%	19.6X	International markets continued their march higher during the month. However their pace has slowed a bit in the past few months and have allowed domestic equities to pull within 4% of international for the year.
Emerging Markets ⁽⁷⁾	0.21%	15.4X	Emerging markets were up modestly during the month.

(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	NOV	SPREAD OVER UST 10 YEAR	COMMENTS
U.S. Treasuries (Medium Duration) ⁽⁸⁾	-0.29%	-	The curve flattened during the month, with short and intermediate term rates rising and the long end performing well.
U.S. Treasuries (Longer Duration) ⁽⁹⁾	0.80%	0.34%	Long bonds improved during the month as the curve flattened, potentially signaling that long-term inflation expectations are muted.
Global Fixed Income ⁽¹⁰⁾	1.11%	-0.79%	Global bonds rebounded from a soft October.
Emerging Fixed Income ⁽¹¹⁾	0.06%	2.08%	Emerging market bonds were quiet during the month.
High Yield ⁽¹²⁾	-0.26%	3.31%	High yield has cooled off market metrics suggest that the cycle may be turning for high yield in the short term.

(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	NOV	TREND	COMMENTS
Energy ⁽¹³⁾	3.39%	UP	Energy remains in an uptrend, helped by a weaker dollar and improving global economic metrics.
Real Estate ⁽¹⁴⁾	2.57%	UP	Real Estate had a nice month, anchored by favorable economic news and interest rate expectations.
Industrial Metals ⁽¹⁵⁾	-3.15%	-	Industrial Metals sold off during the month, breaking up several months of strong gains.
Gold ⁽¹⁶⁾	0.36%	-	Gold was yet again quiet, and has had a quiet six months as it seems the new "alternative currency" du jour is Bitcoin.

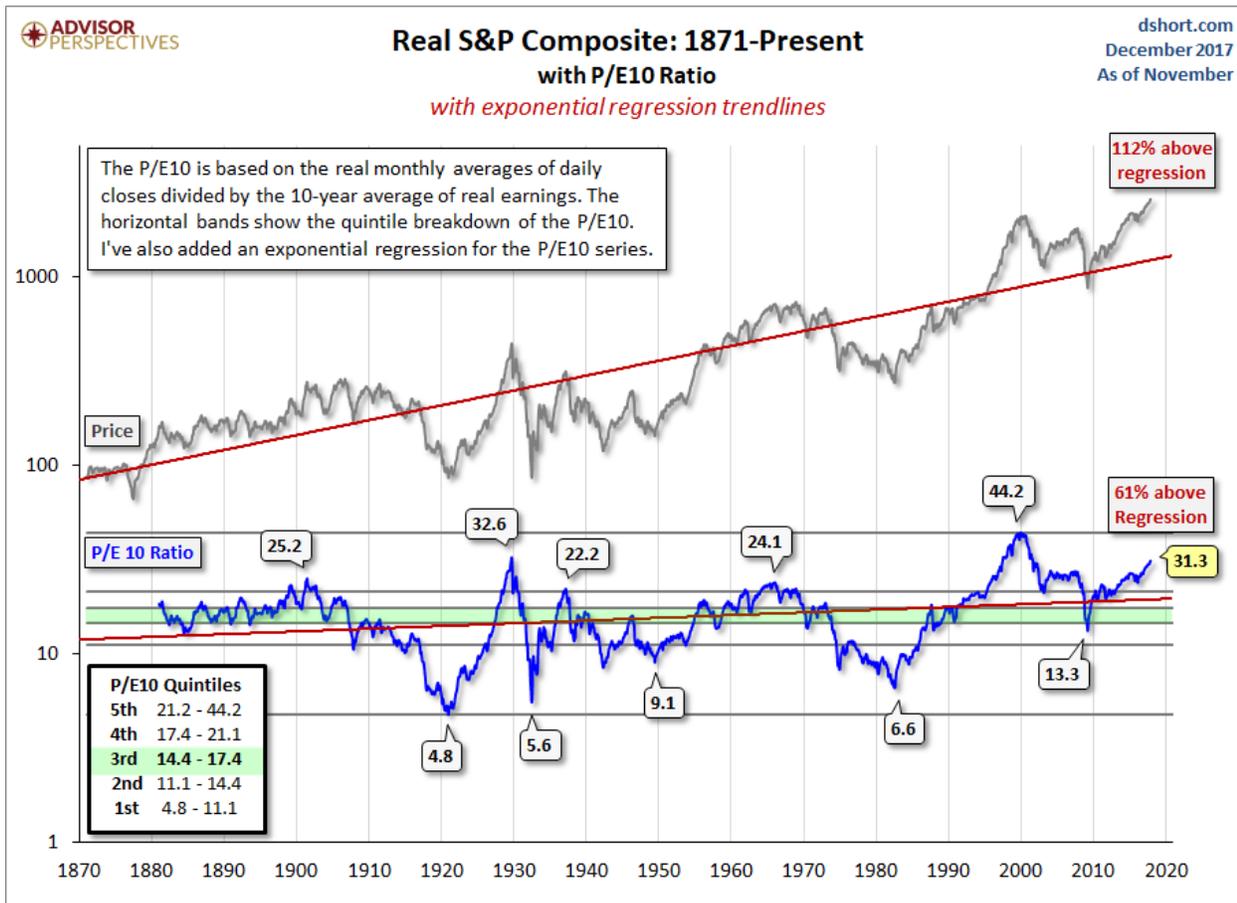
(13) S&P GSCI Energy Total Return Index.

(14) Dow Jones U.S. Real Estate Index.

(15) S&P GSCI Industrial Metals Total Return Index.

(16) SPDR Gold Shares (GLD).

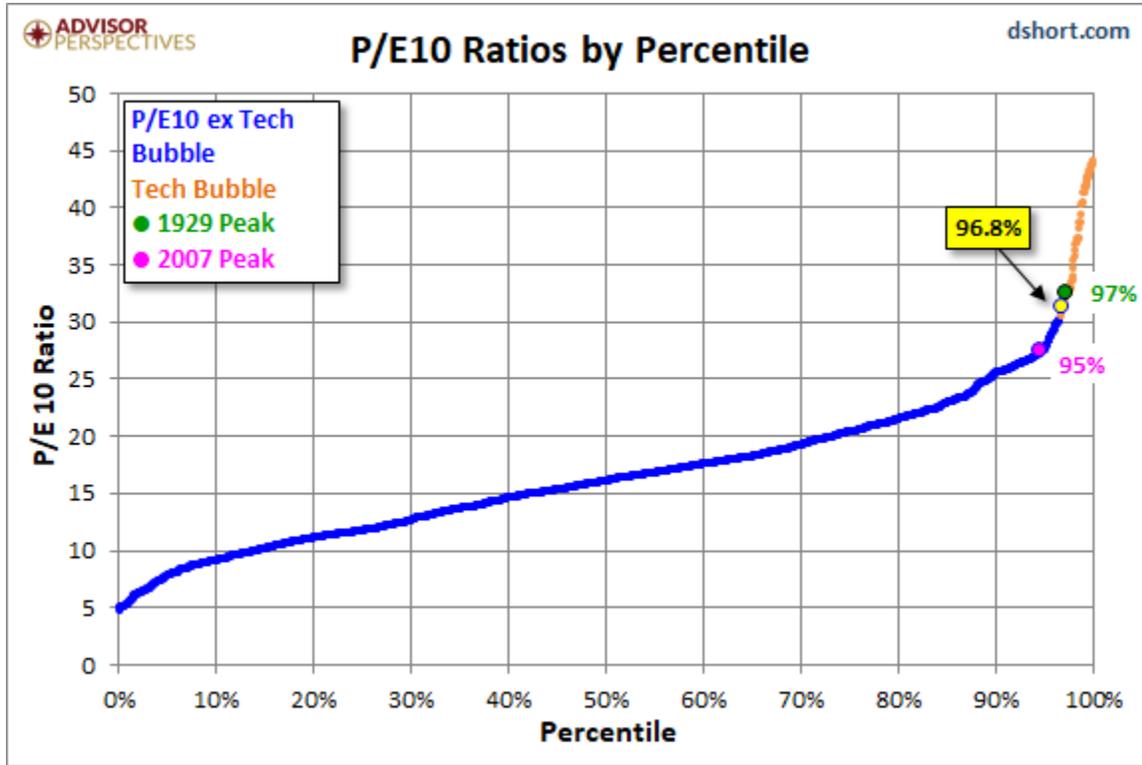
Market Comments



Markets continue to be strong and lately there seems to be a wealth of good news. The tax reform bill getting through the Senate began to move the market very strongly in late November. Corporations with the highest tax rates saw the largest gains – however for one of the first times this calendar year, value stocks matched growth stock during the month of November (both up just over 3%, as measured by the Russell 1000 Growth and Russell 1000 Value Indices).

The discussion of high market valuations has become anathema to the media and to the bulls, who seem to want to data-fit reasons around why the market could/should/will continue to go higher. And why shouldn't they? We are almost nine years into a very strong bull market and lately no news is bad news.

We would point to the above chart and state that, while we remain constructive on the markets in the near term, it is always a good idea to never forget where we are valuation wise. Valuations remain the third highest ever, as measured by the Shiller P/E10 Ratio.**



In fact, valuations are only 0.2% below the second highest reading ever (the 1929 peak that preceded the Great Depression).

Valuations, coupled with some of the euphoric rhetoric surrounding disruptive technology, notably Bitcoin, suggest that the market could be entering into a period where fundamentals continue to not matter, and investor behavior becomes increasingly more speculative and risk seeking rather than prudent. It is our contention that risk management is paramount during this time.

Further Reading

- 1) **US yield curve flattens at fastest pace since financial crisis**, Financial Times, December 6, 2017

This article discusses recent action in the Treasury market and what it may mean for the economy in the coming year.
<https://www.ft.com/content/1ecaf10e-da1c-11e7-a039-c64b1c09b482>

- 2) **Bitcoin's 6 biggest risks**, Business Insider, November 30, 2017

We have been getting more and more questions on Bitcoin recently. Here are some risks to consider.
<http://www.businessinsider.com/bitcoins-6-biggest-risks-2017-11/>

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 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.

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.

***The CAPE ratio is a valuation measure that uses real earnings per share (EPS) over a 10-year period to smooth out fluctuations in corporate profits that occur over different periods of a business cycle. The ratio is generally applied to broad equity indices to assess whether the market is undervalued or overvalued. While the CAPE ratio is a popular and widely-followed measure, several leading industry practitioners have called into question its utility as a predictor of future stock market returns. The CAPE ratio, an acronym for Cyclically Adjusted P/E (i.e. Price-Earnings) ratio, was popularized by Yale University professor Robert Shiller. It is also known as the Shiller P/E ratio.*

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.