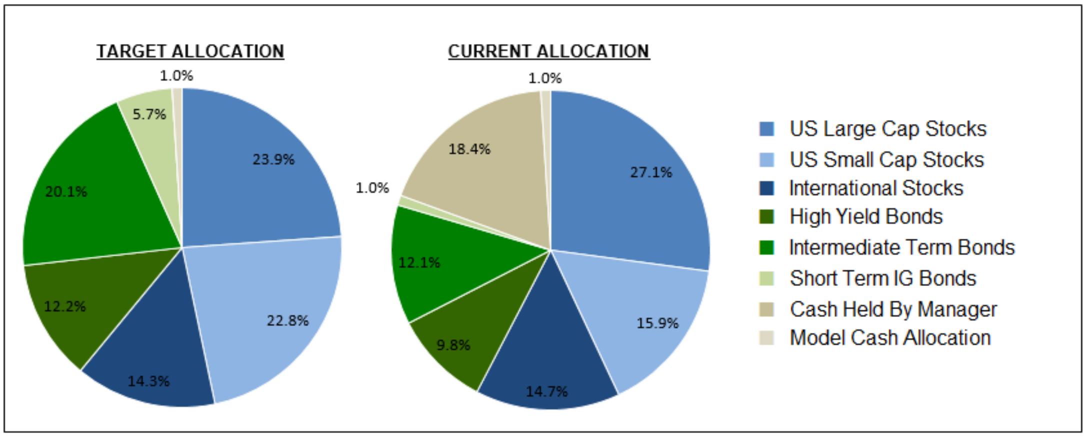
*General overall portfolio comments refer to the Moderate Growth allocations used in both the Pooled Fund Program and the Unified Managed Account Program. These general comments will be referred to as "Moderate Growth" throughout. Specific references to performance, current allocation, or comparison 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 01/31/2018, the 7-year volatility (standard deviation) of Model 5 is 7.4%, versus 10.74% 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 January, Model 5 (net of fees and expenses) underperformed (1) compared to the U.S. 60/40 Index, outperformed the S&P Moderate Growth Index, and underperformed compared to the Global 60/40 Index, which posted the following returns:

PERFORMANCE	JAN	COMMENTS
Global 60/40 Benchmark Index(2)	3.87%	The biggest disparity in global markets during the month of January was in the bond market, with the U.S. market posting a -1.15% return versus a positive 1.19% for international bonds. The over 2% differential in the bond indices accounted for the 90 bps difference between the two benchmarks. Both U.S. and Global equites saw returns north of 5.0%.
US 60/40 Benchmark Index(3)	2.97%	
S&P Moderate Growth Index(4)	2.37%	

(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	JAN	MULTIPLE	COMMENTS
U.S. Equities(5)	5.27%	24.6X	January was a relentless risk-on environment for equities, led by FANG stocks (Netflix alone was up over 40% in January).
International Developed(6)	5.03%	20.2X	International markets posted similarly strong gains as markets continued to feed on a weak U.S. dollar. Additionally, weakness in the U.S. Bond market continued to allow for outsized flows in to equities, particularly in the ETF space.
Emerging Markets(7)	8.32%	17.1X	Emerging markets again had a huge month, benefitting from U.S. Dollar weakness.

(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	JAN	SPREAD OVER UST 10 YEAR	COMMENTS
U.S. Treasuries (Medium Duration)(8)	-2.16%	-	The 10-Year Treasury yield rose 0.35% to 2.75% during the month, which is an outsized move.
U.S. Treasuries (Longer Duration)(9)	-3.28%	0.34%	Long bond yields rose rather dramatically during the month as the curve began to steepen and markets began to anticipate an uptick in inflation and economic growth for the U.S., combined with a new Fed chairman who many believe will have a hawkish view and will be more aggressive in raising rates than his predecessor.
Global Fixed Income(10)	1.19%	-0.91%	Global bonds earned a nice return as flows from the US sought refuge overseas.
Emerging Fixed Income(11)	0.15%	1.87%	Emerging market rates remained relatively steady during the month.
High Yield(12)	0.60%	3.27%	The high yield market posted a nice gain in January as the equity-like quality of high yield debt went up in concert with the stock markets. High Yield bonds do not have as much immediate rate sensitivity as do treasuries or other higher-grade debt.

(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).

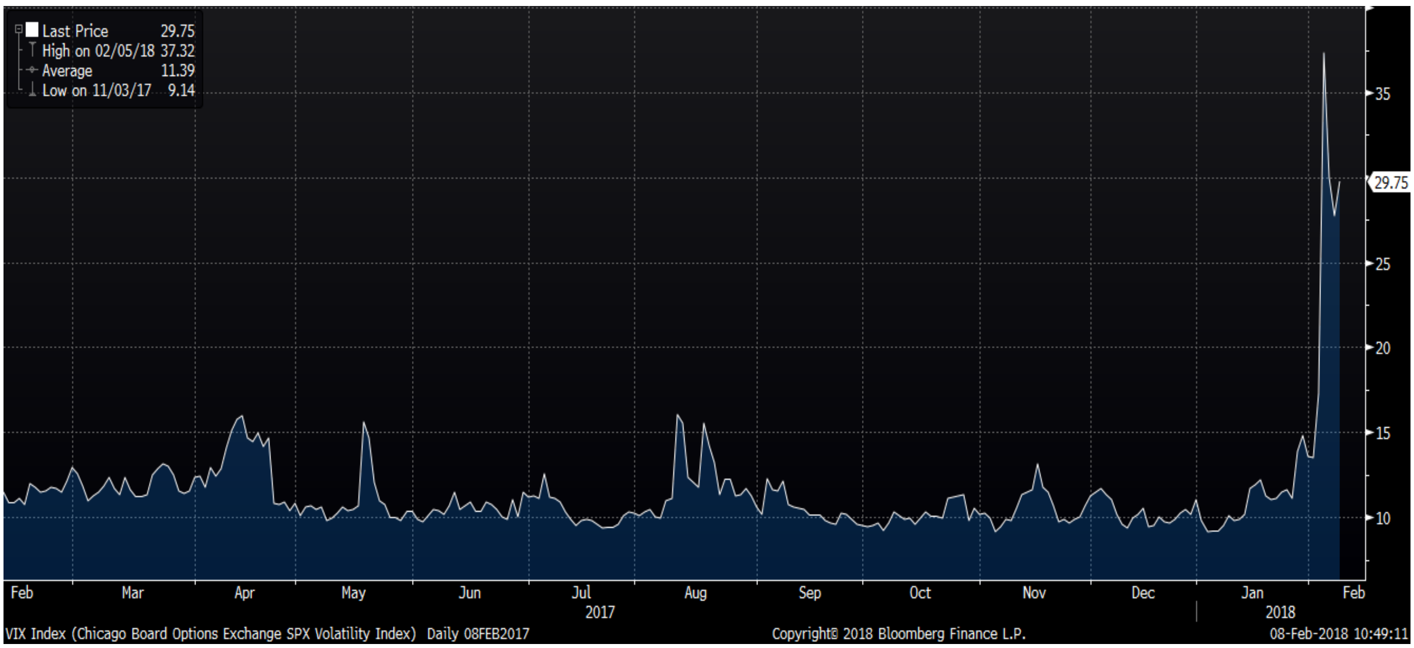
PERFORMANCE	JAN	TREND	COMMENTS
Energy(13)	5.05%	UP	U.S. Dollar weakness has bolstered oil prices and has improved profitability metrics for the industry as a whole. Global economic expansions prospects are also bullish for the oil patch.
Real Estate(14)	-2.85%	-	A movement higher in rates caused the real estate market to cool in January.
Industrial Metals(15)	0.12%	UP	Industrial metals remained relatively unchanged during the month.
Gold(16)	3.23%	UP	Continued U.S. Dollar weakness has begun to reflect itself in Gold prices. The demise of the cryptocurrency market has also likely helped GLD once again regain some status points in the investment industry.

(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

January saw fantastic returns for equity markets, and more of the same carryover from late 2017 – growth outperforming value, bond yields rising in the U.S., and FANG stocks (Facebook, Apple, Amazon, Netflix, Google) leading the market higher.

As this letter is being written on February 8, 2018, we felt it best to address the current market action rather than champion the month of January. February 2nd and 5th brought the return of volatility to the markets, as illustrated in the below 1-year chart of the CBOE VIX Index.



Source: Bloomberg

On February 5th alone, the Down was down 1600 points at one point, the largest one day drop in history from an index points standpoint (from a percentage standpoint, the market crash in 1987 still remains the single worst day in history). The CBOE VIX Index measures the change in option pricing on the Chicago Board Options Exchange. The Index is constructed using the implied volatility of a wide range of S&P 500 index options, and offers a view of what the 30-day expectation for market volatility is like.

The VIX Index has enjoyed its lowest levels in history throughout 2017, and as you can see in the above, the resulting spike was rather dramatic. Combined with the complacent nature of the market throughout the past 18 months, the market reacted violently to the downside, and has continued to show weakness.

Risk management is paramount in constructing any investment strategy, and the past week has reminded many investors why. January saw equity markets posting over 5% gains, and many investors saw nothing but dollar signs for the year ahead. Fast forward two days, and without any tangible catalyst, the markets were falling dramatically.

Risk is always alive and well in markets, and it is important to never let even the most seemingly innocuous bullish markets distract you. A focus on value and proper diversification can help mitigate bouts of volatility and lead to a more preferable long-term outcome.

Further Reading

1) **Icahn: The market will one day 'implode' because of these wacky funds using too much leverage,** CNBC, February 6, 2018

   Some of Carl Ichan's statements here lean towards the hyperbolic, but market leverage and the use of derivatives in the risk parity and hedge fund space are a source of risk for market stability going forward.

   https://www.cnbc.com/2018/02/06/billionaire-investor-carl-icahn-there-are-too-many-derivatives-and-the-current-market-is-a-rumbling-warning.html

2) **New Fiscal Worry: Too Much Short-Term Borrowing as Deficit Climbs,** Wall Street Journal, January 31, 2018

   This article outlines the changes in Treasury market dynamics due to the growing US deficit combined with the Fed's plan to shrink their balance sheet.

   https://www.wsj.com/article_email/treasury-plans-to-increase-size-of-debt-auctions-1517408688-IMyQjAxMTI4MTA5MTgwMjEzWj/

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.