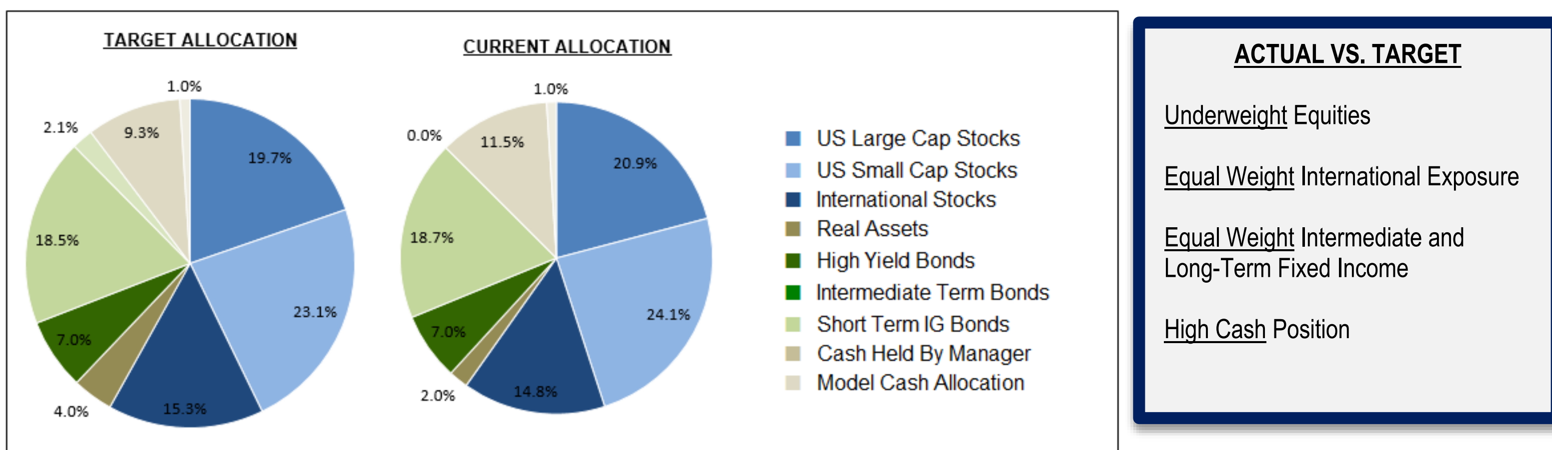
*General overall portfolio comments refer to the Moderate Growth allocations used in both the Pooled Fund Program and the Unified Managed Account Program. These general comments will be referred to as "Moderate Growth" throughout. Specific references to performance, current allocation, or comparison 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 07/31/2018, 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 July, Model 5 (net of fees and expenses) underperformed(1) compared to the U.S. 60/40 Index, underperformed compared to the Global 60/40 Index, and underperformed the S&P Moderate Growth Index, which posted the following returns:

PERFORMANCE	JULY	COMMENTS
Global 60/40 Benchmark Index(2)	1.76%	July was a strong month for Global and Domestic equities. The bond markets were relatively flat. Value outperformed Growth for the month, however under owned sectors such as healthcare and financials led to marginal relative underperformance during the quarter.
US 60/40 Benchmark Index(3)	2.24%	
S&P Moderate Growth Index(4)	1.64%	

(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	JULY	MULTIPLE	COMMENTS
U.S. Equities(5)	3.32%	21.9X	The domestic markets were broadly higher during the month, with all sectors experiencing gains.
International Developed(6)	2.48%	15.9X	International markets were up during the month as well. Trade talks were relatively sanguine during the month which helped calm the international markets.
Emerging Markets(7)	2.28%	13.5X	Emerging markets experienced some relief during July from what has been a rough first half of 2018.

(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	JULY	SPREAD OVER UST 10 YEAR	COMMENTS
U.S. Treasuries (Medium Duration)(8)	-0.58%	-	The 10 Year treasury yield rose during the month.
U.S. Treasuries (Longer Duration)(9)	-1.52%	0.15%	The yield curve remains flat, however spreads widened marginally during the month and yields rose.
Global Fixed Income(10)	-0.17%	-0.90%	Global bonds still sport yields below that of the U.S., despite having unfavorable debt dynamics and the U.S. being the reserve currency.
Emerging Fixed Income(11)	1.79%	2.77%	July was risk on and EM bonds rallied.
High Yield(12)	1.09%	3.25%	High yield was positive during the month – however, spreads widened.

(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	JULY	TREND	COMMENTS
Energy(13)	-4.88%	-	Oil sold off after a nice run. Seasonality was a factor.
Real Estate(14)	0.90%	UP	Real Estate has taken off in 2018, due in part to the prospects for higher inflation and growing replacement cost dynamics.
Industrial Metals(15)	-5.06%	DOWN	Industrial metals sold off during the month.
Gold(16)	-2.24%	DOWN	Gold continues to struggle as U.S. Dollar directionality remains elusive.

(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

We have continually received inquiries about the possibility of a trade war with China and its potential impact on our markets.

Depending on where you regularly get your news, the severity of the situation can reach epic proportions or can be severely downplayed. We remain hopeful that cooler heads will prevail and the situation will die down. However, hope is not a good investment strategy and understanding the impact of tariffs and trade wars is paramount to risk management practices.

We will not speculate on outcomes here. Rather, we will outline some facts that we feel put the situation into sharp relief. Since the back and forth with China began, tariffs have risen from an initial $25 billion worth of Chinese goods to $200 billion, and an imposition of restrictions on Chinese investment in the U.S. and our exports of technology to China.

Some would downplay the $200 billion number and say that it represents less than 0.5% of our GDP and is insignificant. However, this variation can cause a ripple effect. Over 40% of the earnings and market capitalization of the S&P 500 is attributable to U.S. manufacturers. So, any marginal change at the top can have dramatic impacts on our investment markets. Additionally, U.S. manufacturing makes up 12% of our GDP annually – which is not something to sneeze at.

Most importantly, China and the U.S. combine to represent approximately 30% of Global GDP. Therefore, any moves made can spill over and impact the world economy in dramatic ways.

There is no easy solution or quick fix for portfolios here, and directionality of the situation is volatile. The war of words has died down in the short term. Whether or not the situation will just go away or turn into something more serious is unclear. However, owning stock in a durable business with valuations that can be justified is one way to steer away from trouble. In the event the markets get disrupted, in general, the more expensive and over-owned stocks are the hardest to fall. In addition, having risk management in place and a hefty cash position can allow adept managers to take advantage of short-term price dislocations, whereas being fully invested does not afford the opportunity.

This type of macro scenario is the perfect reminder of why risk management is paramount at all times. Situations like these can become highly combustible very fast. Hopefully cooler heads will prevail, but in the meantime, we believe exercising prudence to be the best option.

Further Reading

1) **FPA Crescent Fund 2nd Quarter Commentary**
   This commentary provides valuable insight into how Steve Romick of FPA thinks, as well as reinforces some ideas we share about having a value discipline.

   https://fpa.com/docs/default-source/funds/fpa-crescent-fund/literature/quarterly-commentaries/crescent-commentary-2018-q2.pdf?sfvrsn=10

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.