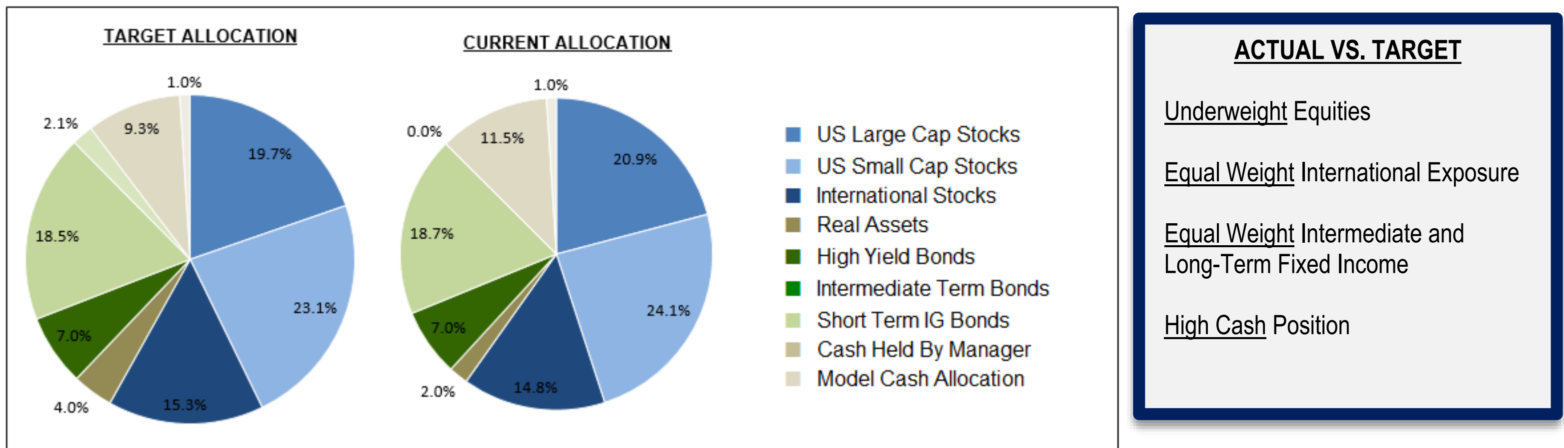
*General overall portfolio comments refer to the Moderate Growth allocations used in both the Pooled Fund Program and the Unified Managed Account Program. These general comments will be referred to as “Moderate Growth” throughout. Specific references to performance, current allocation, or comparison 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 11/30/2018, the 7-year volatility (standard deviation) of Model 5 is 5.6%, versus 9.9% 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) outperformed[1] compared to the Global 60/40 Index, outperformed compared to the S&P Moderate Growth Index, and market performed compared to the U.S. 60/40 Index which posted the following returns:

PERFORMANCE	NOV	COMMENTS
Global 60/40 Benchmark Index[2]	1.03%	November was a volatile month, with a near 6.5% peak to trough decline in the S&P 500 intra-month. A strong last week helped stocks bounce back into the green. Bonds righted the ship after losses in October and showed modest gains as the yield curve began to once again flatten.
US 60/40 Benchmark Index[3]	1.46%	
S&P Moderate Growth Index[4]	1.03%	

(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	NOV	MULTIPLE	COMMENTS
U.S. Equities[5]	2.00%	20.1X	Equities broadly rallied during the last week of the month to post gains after a difficult October. Intra-month volatility was high.
International Developed[6]	-0.10%	14.1X	International stocks were down in November as Brexit concerns were unable to help bolster markets in tandem with the U.S.
Emerging Markets[7]	4.13%	11.8X	Emerging markets rallied in concert with the U.S. markets.

(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]	1.36%	-	Yields moved lower during the month.
U.S. Treasuries (Longer Duration)[9]	1.91%	0.00%	The curve has flattened as the Fed has hinted towards a more dovish policy and the pace of rate hikes potentially pausing/slowing.
Global Fixed Income[10]	0.31%	-0.99%	Global bonds had a modest month and yields now trade even lower than that of the U.S.
Emerging Fixed Income[11]	-0.35%	2.96%	Spreads widened during the month.
High Yield[12]	-0.86%	4.04%	High yield spreads widened by almost 0.5% during the month. High Yield can now be in the beginnings of a confirmed bear market.

(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]	-17.87%	DOWN	Energy was down severely during the month as global growth is beginning to be called into question, along with uncertainty surrounding OPEC.
Real Estate[14]	4.71%	-	Real Estate rebounded after a tough month in October.
Industrial Metals[15]	2.00%	-	Metals rebounded in tandem with the equity markets.
Gold[16]	0.34%	-	Gold had a very quiet month and will likely need some directionality on monetary policy to find a new defined trend channel.

(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

November was another volatile month, however with a much better outcome than October. After a near 6.5% peak to trough decline intra-month, stocks finished in the green.

December is typically a quiet month, but this year appears to be an outlier. On December 4, markets were broadly lower – all major U.S. indices were down over 3% for the day.

The source of the stress were comments from President Trump on Twitter that cast uncertainty surrounding the status of a trade agreement with China, which came a mere day after markets bounced euphorically after his comments after the G-20 meeting.

Markets in general hate uncertainty, and the more uncertainty that can be injected, the more volatile they become. As we wrap up 2018, here are what we believe are the main sources of market uncertainty and potential volatility that could take shape as we begin 2019.

1. China – A trade deal with China is necessary in order to help make markets more sanguine. Much like throwing a rock into a pond, China and the U.S. are the biggest drivers of the global economic engine, and small changes in money flow and trade can have wider ripple effects for other nations and in turn the financial markets. This is for us the number one source of potential market risk as the situation remains fluid and a potential deal or lack thereof could materialize quickly, and markets would likely react immediately.
2. Brexit - There is a major vote that will shape Brexit on Dec. 11, 2018. Any "messiness" that may stem from the vote could negatively affect European markets, and in our opinion European Financials may be hit the hardest, which could put stress on global markets in the near term.
3. Fed Policy/the Yield Curve – The Yield curve is now the flattest that it has been since Summer 2007, and a Fed rate hike in December will more than likely invert the yield curve. Yield curve inversion has historically been a predecessor to a recession within the following 12-18 months – in fact the curve has inverted prior to every recession since World War II. The Fed also issued "dovish" language in November, which intimated that they may be closer to a pause in rate hikes than they had previously led on. This has called growth into question and in the near term has caused cyclicals, commodities and transports to be rerated for lower growth. Yield curve inversion would like cause big money participants to adjust allocations and institute risk management, which could further spike volatility.

Markets such as these are a reminder that prudent risk management should be in place at all times, as hope is in general not a good investment strategy, particularly when dealing with large idiosyncratic events in geopolitics. We approach 2019 with a constructive yet cautious mindset.

Further Reading

1) **US yield curve flattest since July 2007, Financial Times, December 3, 2018**

   https://www.ft.com/content/db6ebce2-f716-11e8-af46-2022a0b02a6c

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.