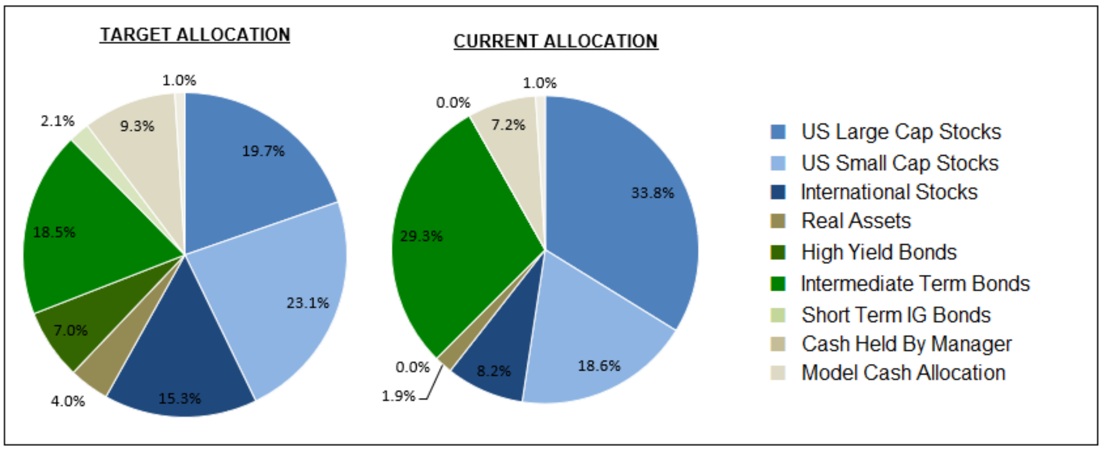
*General overall portfolio comments refer to the Moderate Growth allocations used in both the Pooled Fund Program and the Unified Managed Account Program. These general comments will be referred to as "Moderate Growth" throughout. Specific references to performance, current allocation, or comparison 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**

Equal Weight Equities

Under Weight International Exposure

Equal Weight 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 10/31/2022, the 10-year volatility (standard deviation) of Model 5 is 9.2%, versus 14.5% 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 October, Model 5 (net of fees and expenses) outperformed compared to the Global 60/40 Index, outperformed compared to the U.S. 60/40 Index, and outperformed compared to the S&P Moderate Growth which posted the following returns:

| PERFORMANCE | OCT | COMMENTS |
|---|---|---|
| Global 60/40 Benchmark Index(2) | 3.41% | Equity markets recovered as economic data broadly softened and led to anticipation that the Fed may begin to moderate the pace on interest rates hikes as early as late this year. |
| U.S. 60/40 Benchmark Index(3) | 4.34% | |
| S&P Moderate Growth Index(4) | 2.68% | |

(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 | OCT | MULTIPLE | COMMENTS |
|---|---|---|---|
| U.S. Equities(5) | 8.20% | 20.4X | Equities broadly rebounded as they entered the month dramatically oversold in the short term. |
| International Developed(6) | 5.38% | 12.3X | International markets also had the pressure valve released but are still dealing with ramifications from a strong U.S. dollar. |
| Emerging Markets(7) | -3.09% | 9.5X | A strong dollar and high commodities are the worst things that can happen to E.M. E.M. will likely continue to underperform until these pressures abate, which will create opportunity on the back end. |

(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 | OCT | SPREAD OVER UST 10 YEAR | COMMENTS |
|---|---|---|---|
| U.S. Treasuries (Medium Duration)(8) | -1.42% | - | Yields rose modestly during October. |
| U.S. Treasuries (Longer Duration)(9) | -6.23% | 0.18% | LT yields rose but inverted deeper during the month. |
| Global Fixed Income(10) | -0.69% | -0.26% | Global fixed income fell during the month of October. |
| Emerging Fixed Income(11) | -0.20% | 4.29% | E.M. debt continues to fall but the pace is moderating. |
| High Yield(12) | 2.60% | 5.07% | High Yield rebounded with the equity markets during the month. |

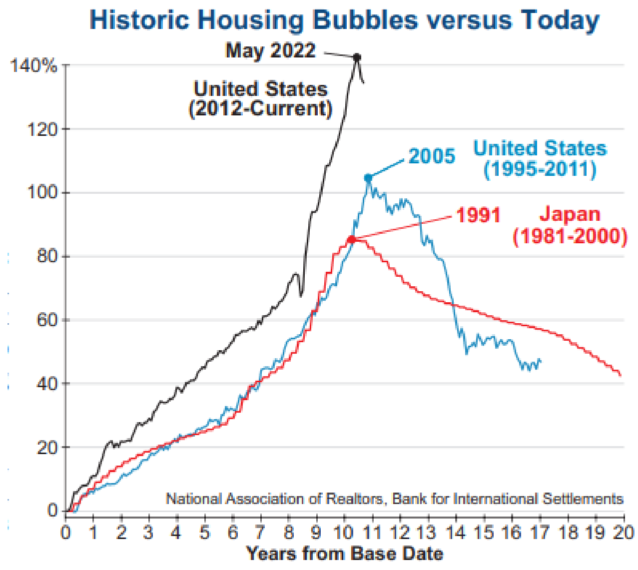
(8) U.S. Treasuries (7-10 Years), represented by the Barclays U.S.T 7-10 Yr Total Return Index
(9) U.S. Treasuries (20+ Years), represented by the Barclays U.S.T 20+ Yr Total Return Index
(10) Barclays Global Aggregate Bond Index.
(11) Barclays Emerging Markets EMEA Total Return
(12) Barclays U.S. Corporate High Yield Index.

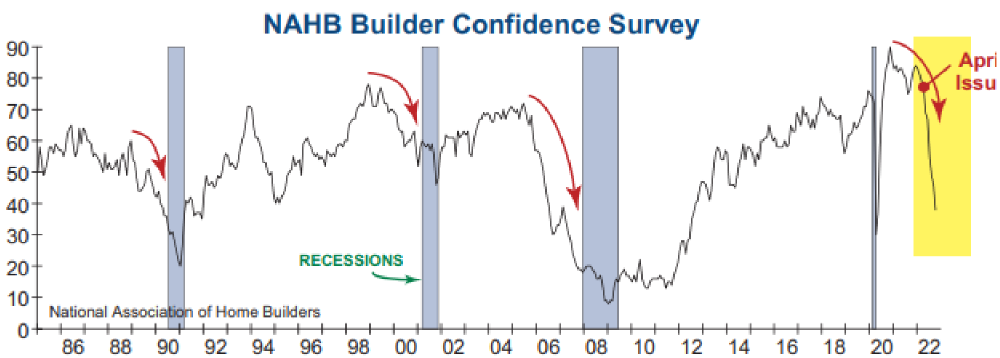
**Commodities and Real Assets.** The Model 5 portfolios do not have significant exposure to commodities, except indirectly. However, commodities and real assets (real estate) provide a good sense of global demand (in the case of industrial commodities) or fear (gold).

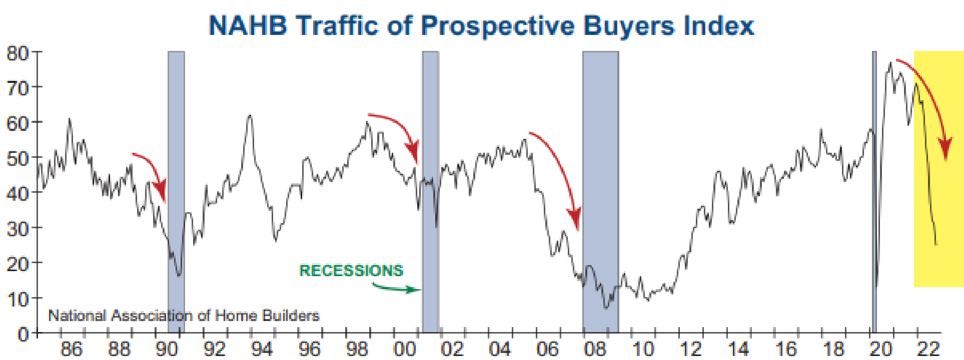
| PERFORMANCE | OCT | TREND | COMMENTS |
|---|---|---|---|
| Energy(13) | 10.71% | | Oil rebounded during the month and there appears to be a price floor that will keep oil elevated for the next several years. |
| Real Estate(14) | 3.15% | | Real Estate rebounded after a few tough months. |
| Industrial Metals(15) | 0.42% | | Industrial metals were slightly positive after a selloff. |
| Gold(16) | -1.78% | DOWN | Gold sold off during the month, reflecting a stronger U.S. dollar and a stronger desire for cash. |

(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




**Source: Investech**

The housing market is becoming a problem. We have had bubble level prices that have reverted, and we have affordability crumbling because of higher rates. We all learned a hard lesson about what happens to the American economy when housing softens in 2008. Thankfully, we are not in a situation where loans have been made that will never be paid back. We are however in a situation where housing may get soft enough to guarantee a mild recession. It will also guarantee that the Fed will succeed in tamping inflation.

On top of what everyone understands – home prices went up exponentially (see the top chart) and now higher mortgage rates are causing pricing pressure, we now have issuance issues. Wells Fargo announced on November 3 that retail mortgage originations are down 90% year over year. That is not a typo. That paints a scenario where there will be less demand, but also less supply as existing homeowners are stuck in their current home since they do not want to move and decrease their affordability by accepting a near doubled mortgage rate.

Rent has been the stickiest part of the CPI numbers that have kept them elevated. A soft home market will translate to lower rents as well, which will help expedite the lowering of the CPI.

The housing market is integral to the consumer. Annual GDP in the U.S. is 72% consumer spending dependent. If a consumer's house is underwater, it makes them feel "less rich" and translates to a spending pullback in size.

This is further evidence that supports our thesis that we are entering a mild recession. The good news is that the equity market typically sells off 30% in a recession, and we have already sold off 25%. This means that a mild recession is a long way towards being priced in and we can focus on repositioning portfolios to make outsized returns on the rebound, rather than hyper focus on capital protection like we were earlier in the year.

**Further Reading**

**Getting Long-Term Bullish, A Wealth of Common Sense, October 2, 2022**

https://awealthofcommonsense.com/2022/10/getting-long-term-bullish/

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

**DISCLOSURES**

**PAST PERFORMANCE IS NOT AN INDICATOR OF FUTURE MARKET RETURNS.**
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*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.*