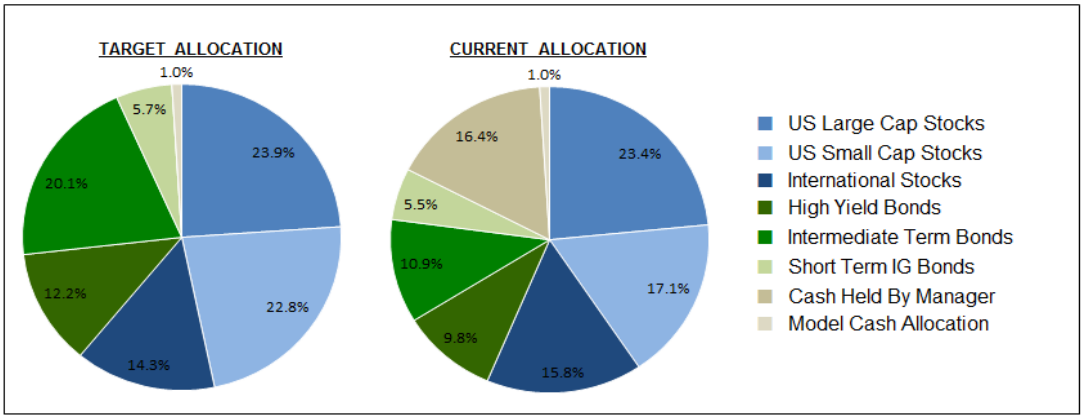
*General overall portfolio comments refer to the Moderate Growth allocations used in both the Pooled Fund Program and the Unified Managed Account Program. These general comments will be referred to as “Moderate Growth” throughout. Specific references to performance, current allocation, or comparison 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 8/31/16, the 7-year volatility (standard deviation) of Model 5 is 6.68% , versus 12.72% 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 August, Model 5 (net of fees and expenses) under-performed(1) compared to the U.S. 60/40 Index, under-performed the S&P Moderate Growth Index, and under-performed(1) the Global 60/40 Index, which posted the following returns:

PERFORMANCE	AUG	COMMENTS
Global 60/40 Benchmark Index(2)	0.04%	In what was a choppy month for equities and a losing month for bonds, Model 5 modestly underperformed the three indices. Much of the underperformance can be attributed to the value tilt of the model and to specific securities having more volatility than the overall benchmarks.
US 60/40 Benchmark Index(3)	0.04%	
S&P Moderate Growth Index(4)	0.15%	

(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

General Overview. The complacence in the markets still feels tangible, although the equity markets finished up by a thing margin and bond markets finished down by a thin margin. It was altogether a rather forgettable and uneventful month for the markets. The summer doldrums appear to have come late this year.

Equities

PERFORMANCE	AUG	MULTIPLE	COMMENTS
U.S. Equities(5)	0.26%	21.9X	Domestic equities were relatively flat during the month, although multiples expanded as earnings continue their slide.
International Developed(6)	0.10%	24.7X	International equities were flat as well and continue to show resilience given some of the turmoil in the Eurozone surrounding Brexit and Italian banks.
Emerging Markets(7)	2.52%	15.1X	Emerging markets had a strong month, likely benefitting from exposure related to the Olympics.

(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	AUG	SPREAD OVER UST 10 YEAR	COMMENTS
U.S. Treasuries (Medium Duration)(8)	-0.86%	-	
U.S. Treasuries (Longer Duration)(9)	-0.94%	0.59%	Longer-term yields ticked up marginally during the month in what was a very quiet month for sovereign debt
Global Fixed Income(10)	-0.49%	-0.45%	After a huge surge the past few months, the global fixed income market quieted down during the month of August.
Emerging Fixed Income(11)	1.24%	2.91%	Emerging market bonds had a good month relative to the fixed income landscape, likely buoyed by the Olympics and a global search for yield during a complacent month.
High Yield(12)	2.09%	4.61%	High Yield continued to rally and had a good month as investors search for yield during a low volatility month in the fixed income markets.

(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).

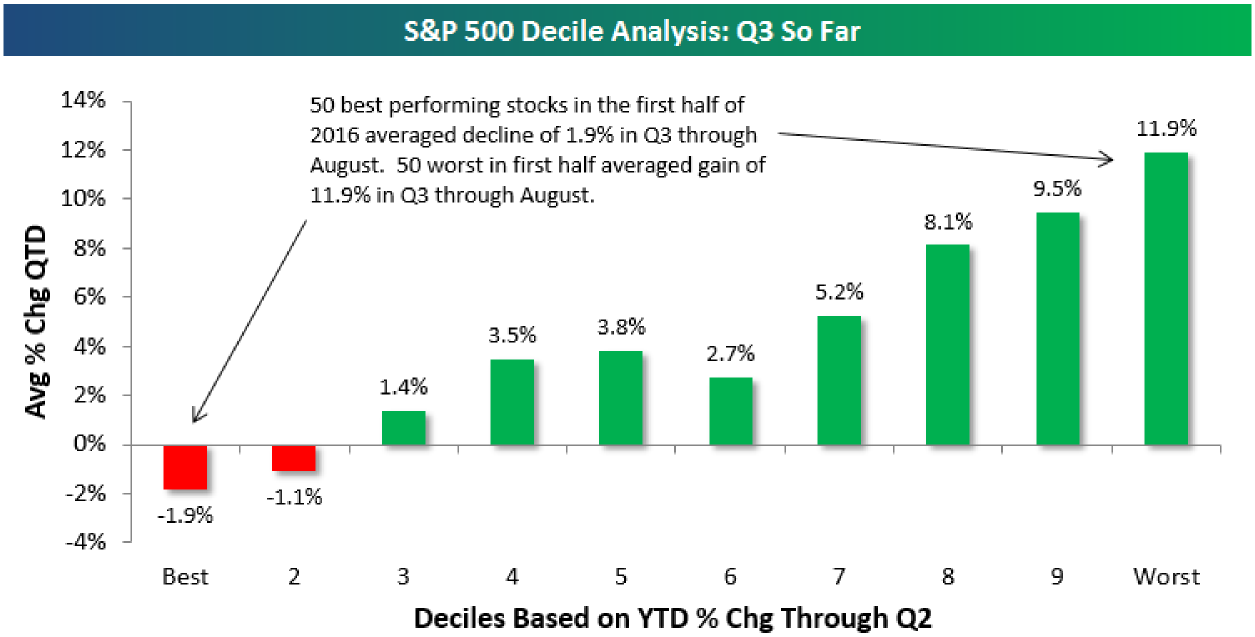
PERFORMANCE	AUG	TREND	COMMENTS
Energy(13)	6.15%	-	A little early to call it a trend, but Oil rebounded after a very poor July and appears poised to move higher over the fall months
Real Estate(14)	-3.35%	UP	After several months of positive gains, the real estate market took a slight breather but still appears to be in an uptrend.
Industrial Metals(15)	-3.27%%	-	Metals backed off during the month.
Gold(16)	-3.11%	-	Gold finally broke trend and appears to be treading water ahead of Fed decisions in September that could affect the global strength of the U.S. Dollar.

(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) Gold Spot Index in USD.

Market Comments

August was largely uneventful, and the market closed relatively flat with no real day to day directionality. This is not uncommon in summer months, it just appears that in 2016 the summer doldrums came a bit later than usual.

One interesting trend of note is that the worst performing stocks in the first half of the year are the best performing stock so far in the 3rd Quarter. In fact, if you look at the below chart, the 50 worst stocks in the first half of the year (represented by decile 10) are up 11.9% in July-August. The 50 best stocks to start the year (represented by decile 1) are down -1.9% for the first two months of the third quarter.



Source: www.bespokeinvest.com

This means that just doing what worked earlier in the year when the market was acting poorly has not done anything for investors lately, and investors may once again be taking their eye off the ball when it comes to risk. Cain Watters constantly preaches that investing is a marathon, not a sprint, and investor behavior like the above is just one of many pitfalls that you need to look out for. Don't chase a market that was quick to punish those without risk management just months ago, because it is likely to do it again before too long. We continue to like our defensive positioning with a deep value tilt in this market environment.

Further Reading

1) **Why The Math Doesn't Work For Today's Market**, Wall Street Journal, August 28, 2016

   This article outlines the amount of company earnings that S&P companies are returning to investors through dividends and buybacks, and how unsustainable it is.

2) **Updating Wall Street Clichés**, A Wealth of Common Sense, September 8, 2016

   To liven up what was an otherwise dull month in the market, we thought we would pass along this one for a laugh. Here is Ben Carlson updating Wall Street Clichés for today's investors.

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