

The logo for CLEARBROOK, featuring the word "CLEARBROOK" in a bold, white, sans-serif font. The text is centered within a solid black rectangular background.

CLEARBROOK

INVESTMENT PERFORMANCE REPORT

The West Warwick Pension Board,
On Behalf of the Town of West Warwick

April 2018

WEST WARWICK TOTAL PLAN

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Market Performance

As of April 30, 2018

Domestic Equity

- US equity markets were volatile in April as tariff talks along with the 10-year Treasury yield breaching 3% for the first time since January 2014, drove market volatility higher. The rate rise caused investors to rethink their pricing metrics for risk assets. The rate rise permits investors to earn returns in excess of inflation while taking on much less risk.
- Earnings continue to be robust. As of the end of April, 53% of S&P 500 companies have reported earnings. Of those companies, a record 79% have reported actual EPS above their mean estimate, 6% have reported EPS at the mean estimate and 15% have reported EPS below the mean estimate. Healthcare and Information Technology have seen the highest percentage of companies beating EPS. This data continues to illustrate the strength of the US economy, and how Street analysts may be behind the curve regarding their earnings expectations. Note that these results have been achieved, before the full impact of the new tax legislation has been felt. Looking forward, strong earnings momentum, corporate tax cuts and fiscal stimulus will continue to be a tailwind for the market.
- For the month, the S&P 500 was up 0.38%, cutting the YTD loss to -0.38%. Small Caps outperformed with a 0.86% return and is up 0.78% YTD. This is due, in part, to the protectionist rhetoric out of the White House.
- The Energy sector was the best performer as crude oil rallied 5.59%, due to rising speculation that President Trump would look to pull out of the 2015 Iran nuclear deal. The worst performing sector was the Industrial sector.
- At the end of March, the 12-month forward P/E ratio stood at 16.3x, down from 18.4x in December. The 5-year average P/E ratio is also 16.1x. (Source: Fact Set)

International Equity

- International developed markets diverged from US markets with the MSCI EAFE NR LCL index gaining 4.50% and the USD index gaining 2.28% as the US Dollar rallied by 2.08%. Leading the market higher was the Italy that rose 4.42%, followed by the UK at 4.32% and France at 4.08%. The rise in the USD is a tailwind for European exports.
- The European Central Bank left rates unchanged and President Mario Draghi expressed confidence in the euro-zone's solid economic growth but cited escalating trade tensions and the recent softness in economic data as risks. He also stated that the central bank would not raise rates until "well past" the end of its bond-buying program.
- Emerging market equities were also strong performers as the broad EM index was up 1.05% in local currency, driven in part by rising commodity prices.

Fixed Income

- The Barclays US Aggregate Index was down -74bps in April, bringing its YTD return to -2.19%. Continued upward pressure on rates have been a headwind for the fixed income market as the US Fed continues to raise the Fed Funds rate in order to stay ahead of expected inflation. For the month, 2-year Treasuries rose 22bps, while 10-years rose 21bps and 30-years rose 15bps. Curve flattening continues, as short-end rates rose more than long-end rates.
- Economic data releases during the month were strong, highlighted by first-quarter GDP growth, which came in at an annualized 2.3%, beating expectations of 2.0%. US Consumer Price Index increased by 2.4% on the year, while core CPI advanced by 2.1%.
- April supply broke the monthly record, set in 2008, as investment-grade corporate issuers priced over \$103 billion. Year-to-date investment-grade supply has been skewed toward financials, and over 75% has come from issuers rated BBB+ or below.
- During the month, corporate spreads tightened slightly, with IG 1bp tighter to 108bps and HY 16bps tighter to 338bps.
- Securitized credit outperformed corporates, as the short-term nature of the sector protected principal as rates rose.

Economies

- Global economic data indicated a Q1 deceleration from Q4's unsustainable rate, but some of this decline is temporary according to Street economists. The general sense is that global consumers pulled back on spending last quarter, to repair personal balance sheets after a robust holiday spending spree. In addition, consumer spending in early 2018 was adversely affected by severe winter weather. Many economists are still comfortable with above-trend growth this year, backed by corporate profits, the fading drag of rising oil prices and US tax cuts.
- In the US, sales retailers rose 0.6% in March ending a streak of three straight declines, the Commerce Department reported. This highlights the improved financial picture of US households and the resiliency of an economic expansion that could end up the longest on record. Auto dealers posted a 2% rise, their best month since last September. Internet retailers, pharmacies and home furnishing stores were the other big winners.
- In Europe, Germany, the April ZEW survey found analysts notably more cautious about the state of the German economy. Not only has the assessment of the current situation been revised to less bullish, but expectations have also been downgraded significantly. The current conditions index fell a modest 2.8 points to 87.9. However, this was its third decline in as many months and its weakest reading since last October.
- In Asia, China's gross domestic product rose 6.8% in the first quarter of 2018 when compared with a year ago and in line with expectations. China's industrial production and fixed asset investment rose in March, but missed forecasts, while retail sales growth exceeded expectations. Industrial output advanced an annual 6.0% in March and retail sales jumped 10.1% from last year, while fixed asset investment climbed an annual 7.5%.

WEST WARWICK TOTAL PLAN
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WEST WARWICK TOTAL PLAN Performance

As of April 30, 2018

Ending April 30, 2018

	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	Inception (%)	Inception Date
WEST WARWICK TOTAL PLAN	37,484,382	100.0	0.1	-3.5	-0.1	-0.1	8.8	5.3	6.4	Jan-11
Policy Index			0.3	-3.7	-0.6	-0.6	8.3	--	--	Jan-11
MSCI ACWI			1.0	-5.4	0.0	0.0	14.2	7.4	--	
Russell 3000			0.4	-5.3	-0.3	-0.3	13.0	10.2	--	
S&P 500			0.4	-5.8	-0.4	-0.4	13.3	--	11.8	Nov-15
Russell 1000 Value			0.3	-6.1	-2.5	-2.5	7.5	--	10.1	Oct-15
Spliced Russell 1000 Growth Index			0.3	-5.0	1.8	1.8	19.0	12.4	17.3	Oct-15
Russell Mid Cap Index			-0.2	-4.2	-0.6	-0.6	11.2	--	10.1	Mar-17
KBW NASDAQ BANK			0.6	-5.4	--	--	--	--	-5.4	Feb-18
KBW NASDAQ REGIONAL BANK INDEX			1.2	--	--	--	--	--	1.2	Apr-18
RUSSELL 2000 INDEX			0.0	--	--	--	--	--	0.0	Apr-18
MSCI ACWI ex USA			1.6	-4.9	0.4	0.4	15.9	5.0	--	
Vanguard Developed Custom			2.3	-4.0	0.4	0.4	15.5	--	9.3	Oct-15
MSCI EAFE Growth			1.5	-4.0	0.4	0.4	--	--	9.6	Jun-17
MSCI Emerging Markets			-0.4	-6.8	1.0	1.0	21.7	--	15.3	Nov-15
MSCI EMU Index			3.0	-4.2	2.6	2.6	--	--	2.7	Dec-17
MSCI Europe/Financials NR USD			2.5	-7.0	1.0	1.0	11.5	--	11.5	May-17
MSCI Japan			0.7	-2.9	1.5	1.5	--	--	8.1	Oct-17
MSCI EM Diversified Multi-Factor Index			-1.8	-5.6	0.6	0.6	--	--	4.6	Dec-17

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Ending April 30, 2018

	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	Inception (%)	Inception Date
MSCI EAFE Small Cap			1.4	--	--	--	--	--	1.4	Apr-18
MSCI World ex-US Diversified Multi-Factor Index			-0.7	--	--	--	--	--	-0.7	Apr-18
BBGBarc US Universal TR			-0.7	-1.1	-2.1	-2.1	0.0	1.5	--	
Barclays U.S. Gov/Credit 5-10 Yr			-1.0	-1.3	-2.9	-2.9	-1.4	--	0.9	Oct-15
Barclays 1-3 Yr. Gov/Credit			-0.1	0.0	-0.3	-0.3	-0.1	--	-0.1	Apr-17
Barclays Aggregate			-0.7	-1.1	-2.2	-2.2	-0.3	--	1.0	Oct-15
BBGBarc US Universal			-0.7	-1.1	-2.1	-2.1	--	--	-1.6	Oct-17
JPM GBI EM Global Diversified Custom			-0.1	0.5	--	--	--	--	0.5	Feb-18
HFBRX Global Hedge Fund Index			0.1	-3.3	-0.9	-0.9	2.9	0.5	2.1	Nov-15
HFBRX Macro Index			0.5	-5.2	-1.6	-1.6	1.7	-1.6	-0.9	Jan-16
HFBRX Event Driven Index			0.4	-6.0	-4.4	-4.4	-1.8	1.1	5.4	Jan-16
HFBRX Global Hedge Fund Index			0.1	-3.3	-0.9	-0.9	2.9	0.5	3.2	Jan-16
HFBRX Global Hedge Fund Index			0.1	-3.3	-0.9	-0.9	2.9	0.5	3.7	Jan-17
Citi Smith Treasury Bill										

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Policy Index: 33% Russell 3000/ 22% MSCI ACWI Ex USA/ 2.5% Barclays U.S. Universal/ 18.5% HFRX Global Hedge Fund Index/ 4% 91 Day T-Bills
Shares Russell 1000 Growth ETF= VIGAX until 12/29/2015, IWF going forward
Spliced Russell 1000 Growth Index= CRSP Large Growth Index until 12/31/2015, Russell 1000 Growth going forward

Footnotes:

- Shares EDGE MSCI Multifactor International ETF was invested in April 18, 2018
- Causeway International Value was liquidated on April 18, 2018
- Powershares KBW Regional Bank ETF was invested in April 6, 2018
- Wasatch Core Growth was invested in April 6, 2018
- AMG Silvercrest was liquidated on April 6, 2018
- Vanguard International Explorer Fund was invested in April 2, 2018
- PowerShares KBW Bank ETF was invested February 21, 2018.
- Payden Emerging Markets Bond Fund was invested February 6, 2018.
- iShares Edge MSCI Multifactor Emerging Markets ETF was invested December 13, 2017
- iShares MSCI Eurozone ETF was invested December 26, 2017
- DFA Emerging Markets Core Equity Fund was liquidated December 12, 2017
- iShares MSCI Japan ETF was invested October 13, 2017
- Voya Securitized Credit was invested October 10, 2017
- Baird Short Term Bond was liquidated August 10, 2017
- John Hancock International Growth was invested June 29, 2017
- iShares MSCI Europe Financials ETF was invested May 31, 2017
- Diamond Hill Short Duration was invested in April 21, 2017
- DFA Emerging Markets Core Equity was invested March 21, 2017
- Vanguard Mid Cap Index was invested in March 1, 2017

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Clearbrook Investment Consulting, LLC (Clearbrook) has exercised reasonable professional care in the preparation of this performance report. However, certain information in this report, such as market indices, security characteristics, etc. is received from sources external to Clearbrook. These sources, including pricing and rating services, issuer reports or communications, etc. are believed to be reliable. While efforts are made to ensure that this data is accurate, Clearbrook cannot accept responsibility for any errors that may occur. All rates of return for periods longer than one year have been annualized. All rates of return are gross of management fees and net of commissions unless otherwise noted. Past performance is not an indication of future results.

A copy of Clearbrook's Form ADV, Part 2A, is available, without charge, upon request. The Form ADV, Part 2A, is the SEC disclosure document Clearbrook is required to file as a registered investment advisor. If you would like to receive a copy, please send a written request to the address noted below.

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