

The logo for CLEARBROOK, featuring the word "CLEARBROOK" in a bold, white, sans-serif font. The letters "C", "L", "E", "A", "R", "B", "R", "O", "O", and "K" are arranged in a single line. The letters "C", "L", "E", "A", "R", "B", "R", "O", and "O" are white, while the letter "K" is black. The text is set against a solid black rectangular background.

CLEARBROOK

INVESTMENT PERFORMANCE REPORT

The West Warwick Pension Board,

On Behalf of the Town of West Warwick

March 2018

WEST WARWICK TOTAL PLAN

WEST WARWICK TOTAL PLAN

Market Performance

As of March 31, 2018

Domestic Equity

- US domestic equity markets sold off in March as trade tensions increased, predominately between the US and China. Concern that tensions could escalate into a trade war caused markets to trade lower. In addition, a number of idiosyncratic events including the unfortunate incident involving Uber's self-driving car and Facebook's data breach caused technology stocks to decline. For the month, the S&P 500 TR lost -2.54%. Financials were the worst performing sector last month as the yield curve flattened. Utilities and Real Estate were the best performing sectors as rates declined making these Value oriented investments more attractive. Value declined less than Growth last month returning -1.76% versus -2.74%.
- Looking forward, the US economy is experiencing strong earnings momentum, underpinned by corporate tax cuts and fiscal stimulus.
- Small Caps had a great month as the White House's protectionist rhetoric prompted companies with less export risk to outperform. Small Caps posted a 1.29% return and is marginally down for the year at -0.08%.
- At the end of March, the 12-month forward P/E ratio stood at 16.1x, 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 followed US markets downward with the MSCI EAFE NR USD index losing -1.80% as trade tensions engendered worries over the continuation of global growth. In local terms, the MSCI EAFE index was down -2.23%. Adding to the turmoil, Japan's Prime Minister was implicated in a real estate scandal that has adversely affected his cabinet. Additionally during the month, Russian President Putin was re-elected for another 6-year term, Germany was down -1.20, and Russia was down -2.51%, whereas South Korea was up 4.66%.
- Emerging market equities were also lower with the MSCI EM NR losing -1.86% but remains up 1.42% YTD. Markets are already discounting company valuations due to the potential disruption of global supply chains, due to the headline news. However, money flows do not appear to be shifting significantly away from emerging markets. Should a trade war escalate, there could be further de-risking. Conversely, markets may rally should negotiations prevail as this market segment continues to trade at a reasonable valuation.
- The U.S. Dollar fell -0.71% during the month. The increasing U.S. Trade Deficit, debt concerns, and uncertainty in Washington have caused the U.S Dollar to fall against other major currencies.

Fixed Income

- The Barclays US Aggregate index returned 0.64% as equities sold off and there was a flight to quality and Treasury rates declined.
- During the month, the Federal Reserve voted to hike rates at its March meeting, raising the Federal Funds target range a quarter-point, from 1.25-1.50% to 1.50-1.75%. The implied-market probability for at least two and three additional hikes before year-end is 71% and 32%, respectively.
- Investment-grade corporate supply was solid, as issuers priced just over \$110 billion. YTD issuance of \$325 billion is about 10% behind last year's pace; technology issuers have priced only \$2.75 billion, as many firms are repatriating cash rather than issuing debt.
- Geopolitical tensions caused corporate credit spreads to widen and performance was weak. Investment-grade spreads closed at 109bps, 13bps and 16bps wider on the month and year, respectively. High-yield spreads ended February at 354bps, 18bps and 11bps wider on the month and year, respectively.
- Securitized sectors were largely insulated from spread widening and outperformed corporates.

Economics

- Global economic data is indicating a Q1 deceleration from Q4's unsustainable rate, but some of this decline is temporary according to Street economists. 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 addition, the recent reports of tame inflation levels should keep global central banks on course with rate hikes and continued accommodative policies.
- In the US, the University of Michigan's consumer sentiment index hit the highest level since 2004 in March, helped by a record favorable assessment of current economic conditions. The index rose to 102 in March from 99.7 in February, topping the 99.5 economist forecast. All the gain in the sentiment index was among households with incomes in the bottom third, the report said.
- In Europe, consumer prices were just 1.1% higher in February than a year earlier, a lower rate of inflation than the 1.2% it first estimated. That marked the third straight month of decline and brought the rate to its lowest level since December 2016. The European Central Bank targets an inflation rate of just below 2% and continues to provide substantial stimulus to the euro-zone economy in pursuit of that goal.
- In Asia, China's January and February industrial production was up 7.2% on the year after increasing 6.2% in December. The pick-up in headline industrial production growth in the first two months was broad-based. Growth strengthened in the manufacturing sector, with output up 7.0% on the year in January and February after an increase of 6.5% in December, though there was some divergence within the sector.

WEST WARWICK TOTAL PLAN

WEST WARWICK TOTAL PLAN Performance

As of March 31, 2018

Ending March 31, 2018

Policy Index	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	Inception (%)	Inception Date
WEST WARWICK TOTAL PLAN	36,763,699	100.0	-0.8	-0.2	-0.2	-0.2	9.9	5.5	6.5	Jan-11
MSCI ACWI			-1.1	-0.9	-0.9	-0.9	9.1	--	--	Jan-11
Russell 3000			-2.1	-1.0	-1.0	-1.0	14.8	8.1	--	
S&P 500			-2.0	-0.5	-0.6	-0.6	13.8	10.2	--	
Russell 1000 Value			-2.5	-0.8	-0.8	-0.8	14.0	--	12.1	Nov-15
Spliced Russell 1000 Growth Index			-1.8	-2.8	-2.8	-2.8	6.9	--	10.3	Oct-15
Russell Mid Cap Index			-2.7	1.4	1.4	1.4	21.3	12.2	17.8	Oct-15
Russell 2000 Value			0.1	-0.5	-0.5	-0.5	12.2	--	11.0	Mar-17
KBW/NASDAQ BANK			1.2	-2.6	-2.6	-2.6	5.1	--	12.4	Nov-15
MSCI ACWI ex USA			-5.3	--	--	--	--	--	-5.9	Feb-18
Vanguard Developed Custom			-1.8	-1.2	-1.2	-1.2	16.5	6.2	--	
MSCI EAFE Value			-1.4	-1.8	-1.8	-1.8	15.6	--	8.6	Oct-15
MSCI EAFE Growth			-2.4	-2.0	-2.0	-2.0	12.2	--	7.4	Oct-15
MSCI Emerging Markets			-1.2	-1.0	-1.0	-1.0	--	--	8.0	Jun-17
MSCI EMU Index			-0.8	2.1	2.1	2.1	24.4	--	14.2	Nov-15
MSCI Europe/Financials NR USD			-1.9	1.4	1.4	1.4	24.9	--	16.0	Nov-15
MSCI Japan			-1.3	-0.5	-0.5	-0.5	--	--	-0.3	Dec-17
MSCI EM Diversified Multi-Factor Index			-4.5	-1.5	-1.5	-1.5	--	--	8.8	May-17
			-2.1	0.8	0.8	0.8	--	--	7.4	Oct-17
			-1.2	2.5	2.5	2.5	--	--	6.6	Dec-17

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	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	Inception (%)	Inception Date
BbgBarc US Universal TR			0.5	-1.4	-1.4	-1.4	1.5	1.7	--	
Barclays U.S. Gov/Credit 5-10 Yr			0.6	-1.9	-1.9	-1.9	0.7	--	1.3	Oct-15
Barclays 1-3 Yr. Gov/Credit			0.2	-0.2	-0.2	-0.2	0.0	--	0.0	Apr-17
Barclays Aggregate			0.6	-1.5	-1.5	-1.5	1.2	--	1.4	Oct-15
BbgBarc US Universal			0.5	-1.4	-1.4	-1.4	--	--	-0.9	Oct-17
JPM GBI EM Global Diversified Custom			1.0	--	--	--	--	--	0.6	Feb-18
HFRX Global Hedge Fund Index			-1.0	-1.0	-1.0	-1.0	3.2	0.5	2.2	Nov-15
HFRX Macro Index			-0.8	-2.0	-2.0	-2.0	1.2	-2.6	-1.1	Jan-16
HFRX Event Driven Index			-2.2	-4.8	-4.8	-4.8	-1.5	1.1	5.4	Jan-16
HFRX Global Hedge Fund Index			-1.0	-1.0	-1.0	-1.0	3.2	0.5	3.3	Jan-16
Chf 3mth Treasury Bill	4,077	0.0								

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Policy Index: 33% Russell 3000/ 22% MSCI ACWI EX USA/ 22.5% 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:

- PowerShares KBW Bank ETF was invested February 21, 2018.
- Payden Emerging Markets Bond Fund was invested February 6, 2018.
- Shares Edge MSCI Multifactor Emerging Markets ETF was invested December 13, 2017
- Shares MSCI Eurozone ETF was invested December 26, 2017
- DFA Emerging Markets Core Equity Fund was liquidated December 12, 2017
- Shares 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
- Shares 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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