CLEARBROOK

INVESTMENT PERFORMANCE REPORT

The West Warwick Pension Board,

On Behalf of the Town of West Warwick

May 2018

WEST WARWICK TOTAL PLAN

Market Performance

As of May 31, 2018

Domestic Equity

- US equity markets were strong in May as consumer-spending rose of 0.6%, well above economist's estimates of 0.4% and was the highest in 5 months. Also, non-farm payrolls increased by 223,000, well above the 188,000 estimate, driving the unemployment rate to an 18-year low of 3.8%, and as hourly earnings growth picked up to an annualized rate of 2.7%, according to the BLS (Bureau of Labor Statistics).
- The strong economic data has helped fuel a robust recovery in US equities with the S&P 500 rising 2.41% for the month. Additionally, continued concerns over tariffs and the potential for a global trade war helped smaller cap companies, with far less exposure to exports outperform as the Russell 2000 index up 6.07%.
- Growth continues to outperform value as top line revenue growth, margin expansion and a positive market outlook drove the Russell 1000 Growth index up 4.38% while the Russell 1000 Value index was up only 0.59%.
- For Q2, the estimated earnings growth rate for the S&P 500 is 18.9%.
- At the end of May, the 12-month forward P/E ratio stood at 16.2x, down from 18.4x in December. The 5-year average P/E ratio is also 16.2x. (Source: Fact Set)

International Equity

- International developed markets diverged from US markets with the MSCI EAFE NR LCL index losing -0.67% and the USD index losing -2.25% as the USD currency rallied. International markets headed lower as a number of geopolitical issues arose in the Eurozone. In particular, Italy came under pressure, as they have been unable to form a government as the Italian president, who is biased towards staying in the EU, has resisted the Populist Party to appoint a prime minister that would consider leaving the EU.
- In addition, concerns over US tariffs being implemented against China, the EU, Mexico and Canada has caused market instability.
- Over the past month, the USD has appreciated an estimated 2.33%. This has caused investors to reassess their exposures, particularly to Emerging Markets, where investors have sought to benefit from a higher interest rate level. As the USD has appreciated, this has caused fund flows to turn negative and caused Emerging Market indices to decline by -2.43% in local currency and -3.54% in USD.

Fixed Income

- Strong US economic data continued to come in above market expectations with strong payroll figures and consumer spending on the rise. At the same time, inflation data was slightly below the Federal Reserve's target as measured by the Core Personal Consumption Expenditures rate, which grew at 1.8% year-over-year, slightly below the Fed's 2% target.
- Treasury yield volatility increased dramatically during the month, as yields rose across the curve before falling sharply in response to geopolitical tensions in Europe and continued uncertainty related to potential trade tariffs. The US government 10-year yield hit 3.11% on May 17th, only to fall to 2.78% on May 29th and end at 2.86%, down 9bps from April month-end.
- Corporates underperformed Treasuries during the month, as investment-grade spreads widened 7bps to close at 115bps, the widest level this year. High-yield bonds spreads widened 24bps to close at 362bps, underperforming Treasuries by 0.65%.
- Securitized sectors performed well relative to Corporates during the month, as strong demand outweighed interest rate volatility and spread widening.

Economics

- Global demand for goods is rebounding. As anticipated, a bounce back in global goods demand growth is following last quarter's temporary slowdown. On the consumer side, upbeat April DM readings point to a second consecutive solid increase in global retail sales volumes, with aggregate estimates seeing a 5% gain over the three month period through April. On the business side, initial reports on capital goods trade and shipments are less decisive but point to a pickup in Capex over this period as well.
- In the US, the year-over-year rate of the core consumer price index held at 2.1% and failed to advance. This reading is closely shadowed by the core PCE price index which is the Federal Reserve's policy measure and which back in late April jumped 0.3% to 1.9%. The latest CPI results do not point to a repeat of another PCE spike, at least not for April.
- In Europe, the first estimate of flash first quarter gross domestic product eased to a quarterly increase of 0.4% after rising 0.6% in the fourth quarter of 2017. The annual rate of expansion eased from 2.8% to 2.5%. National statistics suggest that domestic demand was relatively soft and net exports probably made a smaller contribution too. Another key data point, the April flash harmonized index of consumer prices also disappointed.
- In Asia regarding the US and China trade talks, the U.S. proposal offered an eight-point plan to Beijing and called for China to change its policies within two years. It also said the U.S. was ready to negotiate on the proposals. The first U.S. request in the plan was for China to reduce the bilateral trade deficit by at least $200 billion by the end of 2020. The U.S.-China bilateral deficit in goods was $375 billion last year. President Donald Trump has repeatedly said he wants China to reduce the figure by $100 billion a year.

WEST WARWICK TOTAL PLAN

WEST WARWICK TOTAL PLAN Performance

As of May 31, 2018

	Market Value ($)	% of Portfolio	Ending May 31, 2018 1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	Inception (%)	Inception Date
WEST WARWICK TOTAL PLAN	**36,006,397**	**100.0**	**0.5**	**-0.2**	**0.3**	**0.3**	**7.8**	**5.2**	**6.4**	**Jan-11**
Policy Index			*0.6*	*-0.2*	*0.0*	*0.0*	*7.6*	*--*	*--*	*Jan-11*
[redacted]										
MSCI ACWI			*0.1*	*-1.1*	*0.1*	*0.1*	*11.8*	*7.5*	*--*	
[redacted]										
Russell 3000			*2.8*	*1.1*	*2.5*	*2.5*	*15.1*	*10.7*	*--*	
[redacted]										
S&P 500			*2.4*	*0.2*	*2.0*	*2.0*	*14.4*	*--*	*12.4*	*Nov-15*
[redacted]										
Russell 1000 Value			*0.6*	*-0.8*	*-1.9*	*-1.9*	*8.2*	*--*	*10.0*	*Oct-15*
[redacted]										
Spliced Russell 1000 Growth Index			*4.4*	*1.9*	*6.2*	*6.2*	*21.0*	*13.4*	*18.6*	*Oct-15*
[redacted]										
Russell Mid Cap Index			*2.3*	*2.2*	*1.6*	*1.6*	*12.7*	*--*	*11.4*	*Mar-17*
[redacted]										
KBW NASDAQ BANK			*-0.7*	*-5.5*	*--*	*--*	*--*	*--*	*-6.0*	*Feb-18*
[redacted]										
KBW NASDAQ REGIONAL BANK INDEX			*3.6*	*--*	*--*	*--*	*--*	*--*	*4.9*	*Apr-18*
[redacted]										
RUSSELL 2000 INDEX			*6.1*	*--*	*--*	*--*	*--*	*--*	*6.0*	*Apr-18*
[redacted]										
MSCI ACWI ex USA			*-2.3*	*-2.5*	*-1.9*	*-1.9*	*9.7*	*4.7*	*--*	
[redacted]										
Vanguard Developed Custom			*-1.8*	*-1.0*	*-1.4*	*-1.4*	*9.5*	*--*	*8.2*	*Oct-15*
[redacted]										
MSCI EAFE Growth			*-0.2*	*0.1*	*0.2*	*0.2*	*9.4*	*--*	*9.4*	*Jun-17*
[redacted]										
MSCI Emerging Markets			*-3.5*	*-5.8*	*-2.6*	*-2.6*	*14.0*	*--*	*13.1*	*Nov-15*
[redacted]	[redacted]	[redacted]							[redacted]	[redacted]
MSCI EMU Index			*-4.8*	*-3.1*	*-2.3*	*-2.3*	*--*	*--*	*-2.2*	*Dec-17*
[redacted]	[redacted]	[redacted]								
MSCI Japan			*-1.0*	*-2.4*	*0.5*	*0.5*	*--*	*--*	*7.1*	*Oct-17*
[redacted]	[redacted]	[redacted]								
MSCI EM Diversified Multi-Factor Index			*-0.4*	*-3.3*	*0.2*	*0.2*	*--*	*--*	*4.2*	*Dec-17*
[redacted]										
MSCI EAFE Small Cap			*-1.0*	*0.4*	*--*	*--*	*--*	*--*	*0.4*	*Apr-18*

WEST WARWICK TOTAL PLAN

As of May 31, 2018

	Market Value ($)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	Inception (%)	Inception Date
			Ending May 31, 2018							
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
MSCI World ex-US Diversified Multi-Factor Index			*-1.0*	*--*	*--*	*--*	*--*	*--*	*-1.6*	*Apr-18*
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
BBgBarc US Universal TR			*0.5*	*0.4*	*-1.5*	*-1.5*	*-0.2*	*1.8*	*--*	
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Barclays U.S. Gov/Credit 5-10 Yr			*0.8*	*0.4*	*-2.0*	*-2.0*	*-1.5*	*--*	*1.1*	*Oct-15*
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Barclays 1-3 Yr. Gov/Credit			*0.4*	*0.4*	*0.1*	*0.1*	*0.2*	*--*	*0.2*	*Apr-17*
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Barclays Aggregate			*0.7*	*0.6*	*-1.5*	*-1.5*	*-0.4*	*--*	*1.3*	*Oct-15*
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
BbgBarc US Universal			*0.5*	*0.4*	*-1.5*	*-1.5*	*--*	*--*	*-1.0*	*Oct-17*
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
JPM GBI EM Global Diversified Custom			*-5.0*	*-6.8*	*--*	*--*	*--*	*--*	*-7.1*	*Feb-18*
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
HFRX Global Hedge Fund Index			*0.3*	*-0.6*	*-0.7*	*-0.7*	*2.9*	*0.5*	*2.2*	*Nov-15*
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
HFRX Macro Index			*-0.4*	*-0.7*	*-1.9*	*-1.9*	*0.9*	*-1.9*	*-1.0*	*Jan-16*
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
HFRX Event Driven Index			*0.4*	*-1.4*	*-4.1*	*-4.1*	*-2.4*	*1.0*	*5.4*	*Jan-16*
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
HFRX Global Hedge Fund Index			*0.3*	*-0.6*	*-0.7*	*-0.7*	*2.9*	*0.5*	*3.7*	*Jan-17*
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Citi 3mth Treasury Bill										
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

WEST WARWICK TOTAL PLAN

As of May 31, 2018

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:

-iShares European Financials ETF was liquidated on May 18, 2018

-iShares EDGE MSCI Multifactor International ETF was invested in Aril 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

WEST WARWICK TOTAL PLAN

As of May 31, 2018

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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