CLEARBROOK

INVESTMENT PERFORMANCE REPORT

The West Warwick Pension Board,

On Behalf of the Town of West Warwick

May 2017

West Warwick Total Portfolio

Market Performance

As of May 31, 2017

Domestic Equity

- US domestic equities rallied in May with the S&P 500 TR index up 1.41%. Continued economic growth and subsiding political uncertainty helped drive the US equity markets higher. Technology and Utilities sectors led the market rally while the Energy and Financial sectors underperformed. Oil was particularly weak despite Saudi Arabia and Russia extending oil production cuts.
- The disparity between Growth and Value continued to widen as the Russell 1000 Growth index up 2.60% for the month, versus -0.10% for the Russell 1000 Value. For 2017, these indices are up 14.30% and 2.97%, respectively.
- Large caps stocks outperformed Small caps as the Russell 1000 was up 1.28% for the month and the Russell 2000 was down -2.03%. However, year to date the small cap index is up only 3.59% while the S&P 500 TR is up 8.66%.
- At the end of May, the 12-month forward P/E ratio was 17.7x, up from 16.9x in December. (Source: Factset)

International Equity

- Non-US developed markets outperformed US equities as the MSCI EAFE NR gained 2.09% in May and is up 8.39% for the year in local currency terms. For US dollar investors, the index was up 3.67% and 14.01% YTD, respectively as the USD declined in value throughout the month.
- Emerging markets had a stronger rally as the MSCI EM USD index advanced 2.96% and is up 17.25% YTD. Valuations continue to favor emerging market equities over that of developed markets. Further, capital flows continue to move out of money market funds into riskier assets as the global economic recovery continues.
- Japan's equity market (local currency) soared 2.19% in May as strong economic data supports its recovery. Nonetheless, its 3.13% YTD return lags virtually all developed equity markets.

Fixed Income

- The Federal Reserve is widely expected to raise rates in June, the second hike this year, as economic indicators remain within range of their mandated goals. Last month's release of the FOMC minutes provided additional details for the proposed tapering of the Fed's balance sheet: an anticipated rollout in Q4 with a cap on the amount of holdings that can roll off each month with a design on minimizing disruption in the credit markets.
- The Treasury curve flattened last month: the 2-yr yield rose by 2 bps, while the 5-yr, 10-yr and 30-yr decreased by 6 bps, 8 bps and 9 bps respectively.
- The broad US bond market index, as measured by the Barclays US Aggregate, returned in 0.77% in May, led by the Corporates (1.15%), Industrial (1.21%) and Utilities (1.36%) sectors. Corporate spreads continued their late April rally and had touched multi-year lows in mid-May but weakened moderately when equity markets saw a mild sell off due to concerns over the administration's ability to implement tax reform.
- In spite of continued negative retail headlines and bankruptcies, spreads in the commercial mortgage-backed securities (CMBS) sector narrowed modestly to return 0.86% in May. Investor demand for the securitized credit sector continues to be strong against the current low yield environment.

Economics

- Risks to the global economic outlook appear to be broadly balanced, with a slight positive bias. The economic recovery is gradually being consolidated supported by a general uptick in global demand and improving labor markets, particularly in the developed world. In addition, with the exception of the United States, monetary policies among the world's largest economies will remain accommodative throughout this year and governments are expected to pump up economic activity via fiscal spending. Higher commodity prices are providing some relief to EM.
- In the U.S., the economy seems to be rebounding after a sub-par Q1 1.2% annualized growth. The April job report noted stronger employment gains compared with March and a further decline in the unemployment rate, which continues to benefit households who have seen inflation rising and financial conditions tightening but only moderate wage growth. In line with the solid pace of job creation, retail sales picked up pace in April, which suggests that the stagnation in private spending seen in Q1 was indeed temporary.

West Warwick Total Portfolio

West Warwick Total Portfolio Performance

As of May 31, 2017

	Market Value ($)	% of Portfolio	Ending May 31, 2017 1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Inception Return (%)	Since
West Warwick Total Portfolio	32,127,822	100.0	1.4	3.4	6.5	6.5	12.2	4.4	7.9	6.2	Jan-11
Policy Index			*1.3*	*3.0*	*6.6*	*6.6*	*11.4*	–	–	–	*Jan-11*
Total Equity	17,321,192	53.9	1.9	5.2	10.2	10.2	20.0	–	–	–	
MSCI ACWI			*2.2*	*5.1*	*11.0*	*11.0*	*17.5*	*5.3*	*11.5*	–	
Domestic Equity	8,338,088	26.0	1.2	2.3	7.3	7.3	21.6	–	–	–	
Russell 3000			*1.0*	*2.2*	*8.0*	*8.0*	*17.7*	*9.7*	*15.3*	–	
Dodge & Cox Large Cap Value	1,057,939	3.3	-0.1	0.0	5.3	5.3	23.5	–	–	14.2	Oct-15
Russell 1000 Value			*-0.1*	*-1.3*	*3.0*	*3.0*	*14.7*	*5.2*	*13.1*	*11.0*	*Oct-15*
iShares Russell 1000 Growth ETF	2,251,230	7.0	2.6	6.1	14.1	14.1	20.0	–	–	11.7	Oct-15
Spliced Russell 1000 Growth Index			*2.6*	*6.2*	*14.3*	*14.3*	*20.3*	*11.2*	*15.5*	*17.2*	*Oct-15*
AMG Silvercrest Small Cap I	641,547	2.0	-0.5	0.2	-0.1	-0.1	22.2	–	–	14.2	Nov-15
Russell 2000 Value			*-3.1*	*-3.6*	*-2.9*	*-2.9*	*21.0*	*6.8*	*13.3*	*13.9*	*Nov-15*
Vanguard 500 Index Adm	3,146,641	9.8	1.4	2.5	8.6	8.6	17.4	–	–	11.2	Nov-15
S&P 500			*1.4*	*2.6*	*8.7*	*8.7*	*17.5*	*9.6*	*15.1*	*11.2*	*Nov-15*
DFA Small Cap Portfolio	0	0.0	-1.4	-0.7	0.5	0.5	19.2	–	–	14.6	Dec-15
Russell 2000			*-2.0*	*-0.8*	*1.5*	*1.5*	*20.4*	*9.5*	*15.0*	*14.1*	*Dec-15*
Vanguard Mid-Cap Index Fund	1,240,730	3.9	0.9	1.8	–	–	–	–	–	1.8	Mar-17
Russell Mid Cap Index			*0.9*	*1.5*	*4.0*	*4.0*	*12.7*	*7.5*	*14.5*	*1.5*	*Mar-17*
International Equity	8,983,104	28.0	2.7	8.9	14.2	14.2	16.4	–	–	–	
MSCI ACWI ex USA			*3.2*	*8.1*	*13.7*	*13.7*	*18.2*	*1.3*	*8.4*	–	
Vanguard Developed Markets Adm	2,640,557	8.2	3.4	9.0	14.1	14.1	16.9	–	–	7.9	Oct-15
FTSE Developed ex North America			*4.0*	*9.8*	*15.0*	*15.0*	*18.1*	*0.0*	*9.2*	*8.5*	*Oct-15*
Causeway International Value Inv	1,339,381	4.2	2.5	9.9	13.4	13.4	15.7	–	–	6.0	Oct-15
MSCI EAFE Value			*2.3*	*7.4*	*10.8*	*10.8*	*18.4*	*-0.3*	*9.9*	*11.3*	*Oct-15*
Causeway Emerging Markets	1,943,713	6.0	1.8	7.0	18.1	18.1	28.0	–	–	10.0	Nov-15
MSCI Emerging Markets			*3.0*	*7.9*	*17.3*	*17.3*	*27.4*	*1.1*	*4.2*	*12.6*	*Nov-15*
Oppenheimer International Growth	1,382,663	4.3	4.2	13.2	17.3	17.3	13.9	–	–	8.0	Nov-15
MSCI EAFE Growth			*5.1*	*11.2*	*17.5*	*17.5*	*14.4*	*3.5*	*10.7*	*8.0*	*Nov-15*
DFA Emerging Markets Core Equity	1,676,791	5.2	1.9	2.9	–	–	–	–	–	2.9	Mar-17
MSCI Emerging Markets			*3.0*	*3.8*	*12.8*	*12.8*	*22.6*	*0.3*	*3.7*	*3.8*	*Mar-17*

West Warwick Total Portfolio

As of May 31, 2017

	Market Value ($)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Return (%)	Since
Total Fixed Income	**7,148,909**	**22.3**	**0.7**	**1.5**	**2.4**	**2.4**	**1.7**	**–**	**–**	**–**	
BBgBarc US Universal TR			*0.8*	*1.6*	*2.7*	*2.7*	*2.8*	*2.8*	*2.8*	*–*	
Baird Short Term Bond	1,086,795	3.4	0.3	0.7	1.2	1.2	1.7	–	–	1.8	Oct-15
Barclays 1-3 Yr. Govt/Credit			*0.2*	*0.4*	*0.8*	*0.8*	*1.0*	*0.9*	*0.9*	*0.9*	*Oct-15*
Doubleline Total Return Bond I	2,600,584	8.1	0.8	1.8	2.6	2.6	2.6	–	–	2.2	Oct-15
Barclays Aggregate			*0.8*	*1.5*	*2.4*	*2.4*	*1.6*	*2.3*	*2.1*	*2.3*	*Oct-15*
Vanguard Interm Bond Index Fund Adm	2,308,004	7.2	0.8	2.0	3.2	3.2	1.5	–	–	2.3	Oct-15
Barclays U.S. Gov/Credit 5-10 Yr			*0.9*	*2.0*	*3.2*	*3.2*	*1.9*	*2.9*	*2.7*	*2.7*	*Oct-15*
Diamond Hill Short Duration	1,153,526	3.6	0.6	–	–	–	–	–	–	0.6	Apr-17
Barclays US 1-3 Yr Gov/Credit			*0.1*	*0.1*	*0.4*	*0.4*	*0.4*	*0.7*	*0.6*	*0.1*	*Apr-17*
Total Alternatives	**6,374,903**	**19.8**	**1.2**	**2.2**	**2.7**	**2.7**	**7.5**	**–**	**–**	**–**	
Blackstone Alternative Multi Manager Fund I	1,429,977	4.5	1.1	3.6	6.2	6.2	8.5	–	–	4.9	Nov-15
HFRX Global Hedge Fund Index			*0.2*	*0.7*	*2.3*	*2.3*	*6.0*	*-0.1*	*1.8*	*1.7*	*Nov-15*
Graham Absolute Return Fund	1,252,743	3.9	-1.6	-3.5	-7.0	-7.0	4.1	–	–	2.7	Jan-16
Davidson Kempner	1,181,128	3.7	0.8	2.2	4.1	4.1	8.6	–	–	8.0	Jan-16
Balyasny Atlas Global	973,923	3.0	0.3	0.0	1.1	1.1	2.5	–	–	-0.3	Jan-16
HFRX Global Hedge Fund Index			*0.2*	*0.7*	*2.3*	*2.3*	*6.0*	*-0.1*	*1.8*	*3.4*	*Jan-16*
Renaissance Institutional Equity	1,537,134	4.8	4.4	7.9	9.8	9.8	–	–	–	9.8	Jan-17
Total Cash	**1,282,817**	**4.0**									
Citizen Select Prime Money Market	1,282,817	4.0									
Citi 3mth Treasury Bill											

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

West Warwick Total Portfolio

As of May 31, 2017

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