CLEARBROOK

INVESTMENT PERFORMANCE REPORT

The West Warwick Pension Board,

On Behalf of the Town of West Warwick

June 2018

WEST WARWICK TOTAL PLAN

Market Performance

As of June 30, 2018

Domestic Equity

- US equity markets were volatile in June as relief, then concern over tariffs and a possible trade war drove markets up and down. By month end, the S&P 500 TR index was up 0.62% bringing its YTD return to 2.65%. Growth continued to drive markets higher as the Russell 1000 Growth index was up 0.96%, and is up 7.25% for the year, whereas the Russell 1000 Value index was up only 0.25% keeping it in negative territory for the year at -1.69%. Financials and Consumer Staples continue to lag the broader market while Consumer Discretionary and Technology sectors have lead.
- Small Caps slightly outperformed Large Caps as protectionist rhetoric continues to favor those companies with less international exposure.
- Second quarter financial results are starting to be released, and with high expectations. The estimated earnings growth rate for the S&P 500 is 20%, which is up from Q1's revised earnings growth rate of 18.9%.
- At the end of June, 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 16.2x and the 10-year average is 14.4x. (Source: Factset)

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 2.0% year-over-year, the same as the Fed's 2% target.
- Treasury yield volatility increased early on this month, but began to decline intermittently in response to geopolitical tensions in Europe and continued uncertainty related to potential trade tariffs. The US government 10-year yield hit 2.99% on June 13th and eventually fell to 2.63% by the end of June. Consequently, the 2-10 curve flattened by 10bps month over month to 33.2bps.
- Rising short term rates and heavy supply of investment grade corporates drove spreads wider by 8bps to 123bps, the widest since late 2016.
- Securitized (MBS/ABS) sectors were insulated from trade tension-related weakness, and fared better than corporates during the month. They were up 3bps and 1bps respectively.

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 June 30, 2018

	Market Value ($)	% of Portfolio	Ending June 30, 2018 1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	Inception (%)	Inception Date
WEST WARWICK TOTAL PLAN	35,168,808	100.0	-0.4	0.2	-0.1	-0.1	7.4	5.5	6.3	Jan-11
Policy Index			-0.3	0.7	-0.2	-0.2	6.9	--	--	Jan-11
MSCI ACWI			-0.5	0.5	-0.4	-0.4	10.7	8.2	--	
Russell 3000			0.7	3.9	3.2	3.2	14.8	11.6	--	
S&P 500			0.6	3.4	2.6	2.6	14.4	--	12.3	Nov-15
Russell 1000 Value			0.2	1.2	-1.7	-1.7	6.8	--	9.8	Oct-15
Spliced Russell 1000 Growth Index			1.0	5.8	7.3	7.3	22.5	14.4	18.4	Oct-15
Russell Mid Cap Index			0.7	2.8	2.3	2.3	12.3	--	11.2	Mar-17
KBW NASDAQ BANK			-1.8	-1.9	--	--	--	--	-7.7	Feb-18
KBW NASDAQ REGIONAL BANK INDEX			-2.9	1.9	--	--	--	--	1.9	Apr-18
RUSSELL 2000 INDEX			0.7	6.8	--	--	--	--	6.8	Apr-18
MSCI ACWI ex USA			-1.9	-2.6	-3.8	-3.8	7.3	5.1	--	
Vanguard Developed Custom			-1.5	-1.1	-2.8	-2.8	7.7	--	7.4	Oct-15
MSCI EAFE Growth			-1.2	0.1	-0.9	-0.9	9.4	--	7.4	Jun-17
MSCI Emerging Markets			-4.2	-8.0	-6.7	-6.7	8.2	--	10.9	Nov-15
MSCI EM Diversified Multi-Factor Index			-6.3	-8.4	-6.1	-6.1	--	--	-2.4	Dec-17
MSCI EAFE Small Cap			-1.9	-1.6	--	--	--	--	-1.6	Apr-18
MSCI World ex-US Diversified Multi-Factor Index			-3.1	-4.7	--	--	--	--	-4.7	Apr-18
MSCI JAPAN SMALL CAP			-3.6	--	--	--	--	--	-3.6	Jun-18

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BBgBarc US Universal TR			-0.1	-0.3	-1.7	-1.7	-0.3	2.1	--	
Barclays U.S. Gov/Credit 5-10 Yr			-0.1	-0.3	-2.2	-2.2	-1.3	--	1.1	Oct-15
Barclays 1-3 Yr. Gov/Credit			0.0	0.3	0.1	0.1	0.2	--	0.2	Apr-17
Barclays Aggregate			-0.1	-0.2	-1.6	-1.6	-0.4	--	1.2	Oct-15
BbgBarc US Universal			-0.1	-0.3	-1.7	-1.7	--	--	-1.2	Oct-17
HFRX Global Hedge Fund Index			-0.2	0.2	-0.8	-0.8	2.5	0.8	2.0	Nov-15
HFRX Macro Index			0.1	0.2	-1.8	-1.8	1.4	-1.0	-0.9	Jan-16
HFRX Event Driven Index			-0.5	0.3	-4.5	-4.5	-2.8	1.2	5.0	Jan-16
HFRX Global Hedge Fund Index			-0.2	0.2	-0.8	-0.8	2.5	0.8	3.4	Jan-17
Citi 3mth Treasury Bill										

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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:

-Payden Emerging Markets Bond Fund was liquidated on June 15, 2018

-DFA Japanese Small Company was invested on June 15, 2018

-iShares MSCI Japan was liquidated on June 15, 2018

-iShares MSCI Eurozone was liquidated on May 31, 2018

-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

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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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