CLEARBROOK

INVESTMENT PERFORMANCE REPORT

The West Warwick Pension Board,

On Behalf of the Town of West Warwick

August 2017

WEST WARWICK TOTAL PLAN

Market Performance

As of August 31, 2017

Domestic Equity

- US domestic equities markets were exceptionally volatile in August as geopolitical risk rose, due to the back and forth rhetoric between North Korea and the US. Adding to market worries was the negative social and economic impact of Hurricane Harvey, and the general low trading volume associated with the end of the summer months. Nonetheless, the S&P 500 TR Index closed up 0.31%% in August as the lack of inflationary pressure continues to reduce the probability that the Federal Reserve will raise interest rates a third time this year.
- Large Cap Growth indices were up strong in the month as Facebook and Apple hit new highs. This pushed the Russell 1000 Growth index up 1.83%. Large Cap Value was mixed as Utility stocks rallied 3.29% due to the reduced prospect of another Fed hike. Conversely, Financials underperformed by 1.55% as concerns of declining net interest margin growth rose. Additionally, Hurricane Harvey negatively affected insurance stocks.
- Large Caps outperformed Small Caps as the US Dollar's inexorable decline has a more favorable effect on larger cap companies that have overseas customers. The Russell 1000 index was up 0.31% while the Russell 2000 index was down -1.27% for the month.
- At the end of August, the 12-month forward P/E ratio stood at 17.5x, up from 16.9x in December. The 5-year average P/E ratio is 15.5x. (Source: Fact Set)

International Equity

- International developed markets were relatively flat last month with the MSCI EAFE NR USD index down -0.04%. However, due to the -9.18% devaluation of the USD, the index is up 17.05% for the year. In local currency terms, EAFE is up 8.23%.
- Pulling up international markets in August were Emerging Markets, which climbed 2.23%. This brought the MSCI ACWI Index up 0.38% for the month and into positive territory.
- Geopolitical tensions stemming from North Korea continues to cause heightened equity market volatility in the Asian region. MSCI South Korea was down 1.76% in August and Japan ended down -0.09%.

Fixed Income

- Credit markets continue to rally at the same time equities post positive returns. This may be an indication that money flows are moving away from the sidelines. Much of the return has come from a flattening of the yield curve as rates moved lower, with expectations that the Federal Reserve will not raise interest rates again until 2018. However, the Fed is expected to announce its balance sheet tapering program as early as the September meeting.
- Aside from the lack of inflation holding back the Fed, Treasury rates fells across the curve due to heightened geopolitical risk. The rally was most noticeable in intermediate and long maturities.
- Strong demand for yield also drove securitized credits tighter in August, led by the CMBS market followed by the ABS market.
- Emerging Market Debt also rallied significantly with the JPM EMBI Global TR USD index up 1.73% for the month and is up 8.74% for the year.

Economics

- As the political noise receded a bit at the end of August, global economic activity data has been heating up. Strong reports from Japan and Europe have raised the level of global Q2 GDP growth to 3.7%, the strongest since 2010, and a nice break from the 2¼% to 3¼% range we had seen since. The first half of 2017 now stands at 3.3%, vs the 2.75% the Street had expected at the beginning of the year.
- In the U.S., the core inflation rate came in at only 0.1% last month, held down by a sharp decline in new vehicle prices, which fell 0.5%, the biggest decline since August 2009. The cost of cell phones continued to decline, falling 0.3%. The index of used cars fell 0.5%, its seventh consecutive decline.
- In Europe, second quarter real gross domestic product increased a quarterly 0.6% after advancing 0.5% in the first quarter. On the year, GDP was revised up a tick from the preliminary flash reading to 2.2%, the fastest pace since January to March 2011. This confirms that the quarterly expansion was built on a solid performance by Germany (0.6%) and supported by Spain (0.9%).

WEST WARWICK TOTAL PLAN

WEST WARWICK TOTAL PLAN Performance

As of August 31, 2017

	Market Value ($)	% of Portfolio	Ending August 31, 2017 1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	Inception Return (%)	Since
WEST WARWICK TOTAL PLAN	**15,144,775**	**100.0**	**0.7**	**2.7**	**9.4**	**9.4**	**12.1**	**4.6**	**8.8**	**Jan-11**
Policy Index			*0.4*	*2.6*	*9.4*	*9.4*	*10.6*	--	--	*Jan-11*
TOTAL EQUITY	**19,346,507**	**55.0**	**0.6**	**4.2**	**14.9**	**14.9**	**19.6**	--	--	
MSCI ACWI			*0.4*	*3.7*	*15.0*	*15.0*	*17.1*	*5.6*	--	
DOMESTIC EQUITY	**9,191,464**	**26.2**	**-0.2**	**2.4**	**9.9**	**9.9**	**18.1**	--	--	
Russell 3000			*0.2*	*3.0*	*11.2*	*11.2*	*16.1*	*9.1*	--	
VANGUARD 500 INDEX ADM	3,470,170	9.9	0.3	3.0	11.9	11.9	16.2	--	11.4	Nov-15
S&P 500			*0.3*	*3.0*	*11.9*	*11.9*	*16.2*	--	*11.4*	*Nov-15*
DODGE & COX LARGE CAP VALUE	1,668,332	4.7	-1.1	2.2	7.6	7.6	20.5	--	13.5	Oct-15
Russell 1000 Value			*-1.2*	*1.8*	*4.8*	*4.8*	*11.6*	--	*10.5*	*Oct-15*
iSHARES RUSSELL 1000 GROWTH ETF	1,977,108	5.6	1.8	4.2	18.9	18.9	20.6	--	12.5	Oct-15
Spliced Russell 1000 Growth Index			*1.8*	*4.3*	*19.2*	*19.2*	*20.8*	*10.8*	*17.4*	*Oct-15*
VANGUARD MID CAP INDEX FUND	1,353,769	3.9	-0.6	1.8	--	--	--	--	3.6	Mar-17
Russell Mid Cap Index			*-0.8*	*1.7*	--	--	--	--	*3.2*	*Mar-17*
AMG SILVERCREST SMALL CAP I	722,085	2.1	-4.7	-1.1	-1.1	-1.1	11.3	--	11.5	Nov-15
Russell 2000 Value			*-2.5*	*1.6*	*-1.3*	*-1.3*	*13.5*	--	*12.8*	*Nov-15*
INTERNATIONAL EQUITY	**10,155,043**	**28.9**	**1.3**	**6.0**	**21.0**	**21.0**	**19.3**	--	--	
MSCI ACWI ex USA			*0.5*	*4.6*	*18.9*	*18.9*	*18.9*	*2.4*	--	
VANGUARD DEVELOPED MARKETS ADM	2,887,940	8.2	0.1	3.6	18.2	18.2	18.1	--	8.8	Oct-15
Vanguard Developed Custom			*0.0*	*3.2*	*17.3*	*17.3*	*17.9*	--	*8.2*	*Oct-15*
CAUSEWAY INTERNATIONAL VALUE INV	1,075,958	3.1	-0.2	2.5	16.2	16.2	17.9	--	6.5	Oct-15
MSCI EAFE Value			*-0.6*	*3.0*	*14.1*	*14.1*	*20.0*	--	*7.4*	*Oct-15*
JOHN HANCOCK INTERNATIONAL GROWTH FUND	1,464,743	4.2	2.2	5.8	--	--	--	--	5.8	Jun-17
MSCI EAFE Growth			*0.6*	*1.7*	--	--	--	--	*1.7*	*Jun-17*
CAUSEWAY EMERGING MARKETS	2,256,047	6.4	3.1	11.0	31.1	31.1	27.6	--	15.0	Nov-15
MSCI Emerging Markets			*2.2*	*9.4*	*28.3*	*28.3*	*24.5*	--	*16.4*	*Nov-15*
DFA EMERGING MARKETS CORE EQUITY	1,902,132	5.4	2.3	8.3	--	--	--	--	11.4	Mar-17
MSCI Emerging Markets			*2.2*	*9.4*	--	--	--	--	*13.6*	*Mar-17*

WEST WARWICK TOTAL PLAN

As of August 31, 2017

	Market Value ($)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	Return (%)	Since
ISHARES MSCI EUR FN ETF	568,224	1.6	-2.4	5.8	--	--	--	--	5.8	May-17
MSCI Europe/Financials NR USD			*-2.3*	*6.0*	--	--	--	--	*6.0*	*May-17*
TOTAL FIXED INCOME	**7,187,756**	**20.5**	**0.8**	**1.3**	**3.6**	**3.6**	**1.3**	**--**	**--**	
BBgBarc US Universal TR			*0.9*	*1.3*	*4.0*	*4.0*	*1.3*	*3.0*	--	
VANGUARD INTERM BOND INDEX FUND ADM	2,565,971	7.3	1.0	1.3	4.6	4.6	0.5	--	2.7	Oct-15
Barclays U.S. Gov/Credit 5-10 Yr			*1.1*	*1.4*	*4.6*	*4.6*	*0.6*	--	*3.1*	*Oct-15*
BAIRD SHORT TERM BOND	0	0.0	0.1	0.4	1.6	1.6	1.3	--	1.8	Oct-15
Barclays 1-3 Yr. Govt/Credit			*0.2*	*0.4*	*1.2*	*1.2*	*0.9*	--	*1.0*	*Oct-15*
DIAMOND HILL SHORT DURATION	1,771,059	5.0	0.5	1.3	--	--	--	--	1.8	Apr-17
Barclays 1-3 Yr. Gov/Credit			*0.2*	*0.4*	--	--	--	--	*0.6*	*Apr-17*
DOUBLELINE TOTAL RETURN BOND I	2,850,725	8.1	0.9	1.3	3.9	3.9	2.4	--	2.6	Oct-15
Barclays Aggregate			*0.9*	*1.2*	*3.6*	*3.6*	*0.5*	--	*2.6*	*Oct-15*
TOTAL ALTERNATIVES	**6,641,171**	**18.9**	**1.1**	**1.1**	**3.8**	**3.8**	**7.6**	**--**	**--**	
BLACKSTONE ALTERNATIVE MULTI-MANAGER FUND I	1,641,453	4.7	0.9	0.8	7.0	7.0	8.7	--	4.7	Nov-15
HFRX Global Hedge Fund Index			*0.3*	*1.4*	*3.8*	*3.8*	*5.6*	*0.0*	*2.3*	*Nov-15*
GRAHAM ABSOLUTE RETURN FUND	1,287,199	3.7	0.8	2.8	-4.4	-4.4	6.7	--	3.9	Jan-16
HFRX Macro Index			*0.8*	*1.3*	*0.9*	*0.9*	*-1.0*	*0.0*	*-1.2*	*Jan-16*
DAVIDSON KEMPNER	1,190,266	3.4	0.5	0.8	4.9	4.9	7.6	--	7.2	Jan-16
HFRX Event Driven Index			*0.1*	*1.1*	*5.7*	*5.7*	*9.7*	*0.0*	*10.1*	*Jan-16*
BALYASNY ATLAS GLOBAL	979,844	2.8	1.9	0.7	1.8	1.8	1.7	--	0.1	Jan-16
HFRX Global Hedge Fund Index			*0.3*	*1.4*	*3.8*	*3.8*	*5.6*	*0.0*	*3.8*	*Jan-16*
RENAISSANCE INSTITUTIONAL EQUITY	1,542,408	4.4	1.7	0.4	10.2	10.2	--	--	10.2	Jan-17
TOTAL CASH	**1,969,341**	**5.6**								
CITIZEN SELECT PRIME MONEY MARKET	1,969,341	5.6								
Citi 3mth Treasury Bill										
CASH	0	0.0								

WEST WARWICK TOTAL PLAN

As of August 31, 2017

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:

-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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As of August 31, 2017

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