CLEARBROOK

INVESTMENT PERFORMANCE REPORT

The West Warwick Pension Board,

On Behalf of the Town of West Warwick

January 2018

WEST WARWICK TOTAL PLAN

Market Performance

As of January 31, 2018

Domestic Equity

- US domestic equity markets continued their string of monthly positive returns as the S&P 500 TR up +5.73%. Strong earnings announcements, higher energy prices, and positive investor sentiment led to a month long rally in U.S. stocks. Growth outperformed Value for the month as Consumer Discretionary and Growth had strong months, while Utilities and REITS were negative. For the fourth quarter, the earnings growth rate for the S&P 500 was 13.4%, with Energy leading the way and all sectors reporting positive growth.
- Small Caps had a positive month in January, posting a 2.61% return, but underperformed Large Caps by 3% for the year. Over the past 12 months, Small Cap Stocks have underperformed Large Cap by 8.6%.
- At the end of January, the 12-month forward P/E ratio stood at 18.0x, down from 18.4x in December. The 5-year average P/E ratio is 16.0x. (Source: Fact Set)

International Equity

- International developed markets had a strong month with the MSCI EAFE NR USD index up +5.02% supported by the continuation of coordinated global economic growth. Performance for the month was driven by Japan, which returned +4.55% in USD, as well as Europe, which was up +4.94%.
- Emerging market equities posted strong returns, gaining +8.32% in USD. Performance for the month of January was boosted by China and Brazil, which both had double digit returns for the month.
- The U.S. Dollar continued its downtrend in January, falling -3.25%. The increasing U.S. Trade deficit, debt concerns, and uncertainty in Washington have caused the U.S Dollar to fall against other major currencies.
- Overall, the MSCI ACWI USD Index was up +5.66% during the month, having one the best starts to the year since the Global Financial Crisis.

Fixed Income

- The Barclays US Aggregate index returned -1.15 in January. Investment-grade corporate issuance priced just under $125 billion during the month. In spite of the heavy issuance, investment-grade corporate spreads tightened 7bps to end at 86bps in January, the tightest level since February 2007, as a result of strong earnings growth, coupled with healthy demand
- Treasury yields rose dramatically during the month, with the most pronounced shifts in the belly of the curve, where 5-year and 10-year yields jumped 31bps and 30bps, respectively. The spread between the 10-year and 30-year narrowed to 23 bps, the lowest level since 2007.
- As anticipated, the Federal Reserve left rates unchanged at the January FOMC meeting, Janet Yellen's last meeting as Fed Chair. The market-implied probability for a rate hike in March increased from 70% to 99%, as the Fed became more optimistic that inflation should stabilize around its 2% target. The growing confidence regarding inflation caused government bond prices to weaken, notably US Treasuries.

Economics

- With a coordinated global growth cycle underway, we believe continued upside surprises should lift inflation as resource constraints begin to take hold. For the past nine years, strong growth has been ushered despite the material slack that has persisted since the "Great Recession". With the developed markets finally having closed its output gap and the region's unemployment rate expected to reach its lowest level since 1980, continued above-potential growth needs to be more carefully observed against a monetary policy that is still highly accommodative.
- In the US, Industrial production rose 0.9% in December for the fourth straight monthly increase, the Federal Reserve reported Wednesday. The gain was above Wall Street expectations of a 0.6% increase. For the fourth quarter, production jumped at an 8.2% annual rate, after a 1.3% drop in the prior quarter caused by hurricane damage. For the calendar year, production rose 3.6%, up from a 0.8% gain in 2016 and the fastest pace since 2010.
- In Europe, January's Euro-zone flash composite PMI was 58.6, up 0.5 points from December, a 139-month high. Compared with December, January's report showed a much better balance and while strength was again most apparent in manufacturing, its outperformance was notably less marked this time. While the flash manufacturing PMI lost a full point to (a still very solid) 59.6, its service sector counterpart gained a point to 57.6, a 125-month peak.
- In Asia, the pace of growth in China's economy accelerated last year for the first time in seven years as exports, construction and consumer spending all climbed strongly. China's National Bureau of Statistics announced on Thursday that the economy expanded 6.9% last year, up slightly from 6.7% in 2016 and breaking a trend of gradual slowing that began in 2011. For the fourth quarter, the bureau reported economic growth of 6.8% over a year earlier.

WEST WARWICK TOTAL PLAN

WEST WARWICK TOTAL PLAN Performance

As of January 31, 2018

	Market Value ($)	% of Portfolio	Ending January 31, 2018 1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	Inception Return (%)	Since
WEST WARWICK TOTAL PLAN	**37,372,385**	**100.0**	**3.5**	**5.6**	**3.5**	**3.5**	**16.7**	**7.8**	**7.2**	**Jan-11**
Policy Index			*3.2*	*5.5*	*3.2*	*3.2*	*16.5*	--	--	*Jan-11*
TOTAL EQUITY	**22,201,661**	**59.4**	**5.7**	**9.4**	**5.7**	**5.7**	**28.1**	--	--	
MSCI ACWI			*5.6*	*9.4*	*5.6*	*5.6*	*27.5*	*11.9*	--	
DOMESTIC EQUITY	**12,063,991**	**33.8**	**5.6**	**10.0**	**5.6**	**5.6**	**25.3**	--	--	
Russell 3000			*5.3*	*9.6*	*5.3*	*5.3*	*25.2*	*14.1*	--	
VANGUARD 500 INDEX ADM	**4,163,695**	**11.1**	**5.7**	**10.2**	**5.7**	**5.7**	**26.5**	--	**16.2**	**Nov-15**
S&P 500			*5.7*	*10.2*	*5.7*	*5.7*	*26.4*	--	*16.2*	*Nov-15*
DODGE & COX LARGE CAP VALUE	**3,085,322**	**8.3**	**5.7**	**11.1**	**5.7**	**5.7**	**22.3**	--	**18.4**	**Oct-15**
Russell 1000 Value			*3.9*	*8.6*	*3.9*	*3.9*	*17.2*	--	*14.3*	*Oct-15*
ISHARES RUSSELL 1000 GROWTH ETF	**2,979,323**	**8.0**	**6.9**	**11.1**	**6.9**	**6.9**	**34.6**	--	**17.8**	**Oct-15**
Spliced Russell 1000 Growth Index			*7.1*	*11.2*	*7.1*	*7.1*	*34.9*	*16.1*	*22.0*	*Oct-15*
VANGUARD MID CAP INDEX FUND	**1,526,224**	**4.1**	**4.4**	**8.7**	**4.4**	**4.4**	--	--	**16.8**	**Mar-17**
Russell Mid Cap Index			*3.8*	*8.3*	*3.8*	*3.8*	*16.8*	--	*16.8*	*Mar-17*
AMG SILVERCREST SMALL CAP I	**819,427**	**2.2**	**1.6**	**4.1**	**1.6**	**1.6**	**12.9**	--	**15.6**	**Nov-15**
Russell 2000 Value			*1.2*	*3.2*	*1.2*	*1.2*	*10.0*	--	*15.4*	*Nov-15*
INTERNATIONAL EQUITY	**9,717,690**	**26.0**	**6.0**	**8.1**	**6.0**	**6.0**	**31.0**	--	--	
MSCI ACWI ex USA			*5.6*	*8.8*	*5.6*	*5.6*	*29.7*	*9.9*	--	
VANGUARD DEVELOPED MARKETS ADM	**2,714,240**	**7.3**	**4.9**	**7.5**	**4.9**	**4.9**	**27.9**	--	**12.6**	**Oct-15**
Vanguard Developed Custom			*4.6*	*7.9*	*4.6*	*4.6*	*28.0*	--	*12.3*	*Oct-15*
CAUSEWAY INTERNATIONAL VALUE INV	**1,309,268**	**3.5**	**3.6**	**7.2**	**3.6**	**3.6**	**27.7**	--	**11.1**	**Oct-15**
MSCI EAFE Value			*5.4*	*8.0*	*5.4*	*5.4*	*24.9*	--	*11.4*	*Oct-15*
JOHN HANCOCK INTERNATIONAL GROWTH FUND	**2,036,868**	**5.5**	**7.1**	**8.9**	**7.1**	**7.1**	--	--	**20.7**	**Jun-17**
MSCI EAFE Growth			*4.6*	*7.7*	*4.6*	*4.6*	--	--	*14.1*	*Jun-17*
CAUSEWAY EMERGING MARKETS	**1,180,997**	**3.2**	**8.3**	**12.4**	**8.3**	**8.3**	**41.0**	--	**19.5**	**Nov-15**
MSCI Emerging Markets			*8.3*	*12.4*	*8.3*	*8.3*	*41.0*	--	*20.8*	*Nov-15*
ISHARES MSCI EUR FN ETF	**304,492**	**0.8**	**8.7**	**10.2**	**8.7**	**8.7**	--	--	**19.0**	**May-17**
MSCI Europe/Financials NR USD			*8.5*	*10.5*	*8.5*	*8.5*	--	--	*19.9*	*May-17*
ISHARES MSCI JAPAN ETF	**764,217**	**2.0**	**5.0**	**8.0**	**5.0**	**5.0**	--	--	**11.7**	**Oct-17**
MSCI Japan			*4.6*	*8.5*	*4.6*	*4.6*	--	--	*11.4*	*Oct-17*
ISHARES EDGE MSCI MULTIFACTOR EM ETF	**739,448**	**2.0**	**6.4**	--	**6.4**	**6.4**	--	--	**10.6**	**Dec-17**
MSCI EM Diversified Multi-Factor Index			*6.5*	--	*6.5*	*6.5*	--	--	*10.8*	*Dec-17*
ISHARES EUROZONE ETF	**668,123**	**1.8**	**7.0**	--	**7.0**	**7.0**	--	--	**7.2**	**Dec-17**
MSCI EMU Index			*7.0*	--	*7.0*	*7.0*	--	--	*7.2*	*Dec-17*

WEST WARWICK TOTAL PLAN

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	Market Value ($)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	Return (%)	Since
TOTAL FIXED INCOME	7,425,640	19.8	-0.7	-0.6	-0.7	-0.7	2.6	--	--	
BBgBarc US Universal TR			-1.0	-0.7	-1.0	-1.0	2.7	1.8	--	
VANGUARD INTERM BOND INDEX FUND ADM	1,908,180	5.1	-1.5	-1.5	-1.5	-1.5	1.8	--	1.2	Oct-15
Barclays U.S. Gov/Credit 5-10 Yr			-1.5	-1.6	-1.5	-1.5	1.9	--	1.5	Oct-15
DIAMOND HILL SHORT DURATION	1,914,137	5.1	0.1	0.5	0.1	0.1	--	--	2.8	Apr-17
Barclays 1-3 Yr. Gov/Credit			-0.3	-0.4	-0.3	-0.3	--	--	0.0	Apr-17
DOUBLELINE TOTAL RETURN BOND I	2,905,874	7.8	-0.8	-0.8	-0.8	-0.8	2.8	--	1.7	Oct-15
Barclays Aggregate			-1.2	-0.8	-1.2	-1.2	2.1	--	1.6	Oct-15
VOYA SECURITIZED CREDIT	697,649	1.9	-0.2	0.9	-0.2	-0.2	--	--	1.0	Oct-17
BbgBarc US Universal			-1.0	-0.7	-1.0	-1.0	--	--	-0.4	Oct-17
TOTAL ALTERNATIVES	6,829,270	18.3	2.1	2.0	2.1	2.1	6.8	--	--	
BLACKSTONE ALTERNATIVE MULTI-MANAGER FUND I	1,635,840	4.4	0.3	-0.4	0.3	0.3	5.9	--	4.1	Nov-15
HFRX Global Hedge Fund Index			2.5	3.3	2.5	2.5	8.0	2.5	3.9	Nov-15
GRAHAM ABSOLUTE RETURN FUND	1,336,799	3.6	6.6	6.8	6.6	6.6	1.3	--	5.0	Jan-16
DAVIDSON KEMPNER	1,220,160	3.3	1.4	1.5	1.4	1.4	8.7	--	7.0	Jan-16
BALYASNY ATLAS GLOBAL	999,858	2.7	0.5	1.2	0.5	0.5	2.3	--	1.1	Jan-16
HFRX Global Hedge Fund Index			2.5	3.3	2.5	2.5	8.0	2.5	5.3	Jan-16
RENAISSANCE INSTITUTIONAL EQUITY	1,636,693	4.4	2.1	2.5	2.1	2.1	16.9	--	15.5	Jan-17
TOTAL CASH	835,893	2.2								
CITIZEN SELECT PRIME MONEY MARKET	835,893	2.2								
Citi 3mth Treasury Bill										
CASH	0	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:

-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

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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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