

"This time it's different." Or is it?

Recent market volatility has prompted vigorous commentary from analysts and investors. The general consensus appears to favor a relatively benign view of the turmoil – an overdue market correction in a basically healthy economic environment. However, there is an unusual degree of uncertainty in the economic and political “background noise.” Are things really different now, or is another bubble about to burst?

Welcome to the new normal. The increasingly complex matrix of markets, asset classes and risks make it difficult to predict just how events – foreseen and unforeseen – will ripple through the markets, and at what speed. Adaptability, innovation and resilience will be the hallmarks of the successful investor.

In this issue of POV, we'll look at some of the approaches Clearbrook¹ has developed to bring those traits to our clients' portfolios. New thinking and applied innovation have enabled us to offer new investment options, more flexibility, and access to higher levels of investment talent and resources – new solutions for the new normal.

Elliott Wislar
CEO Clearbrook

In a Period of Acquisition and Change in the Investment Advisory Business – How We Differentiate Clearbrook

We believe it's important to reinforce how we differentiate Clearbrook and why our clients have been truly satisfied for so many years. Clearbrook was founded on transparency, client advocacy and aligning with our clients for a truly differentiated advisory relationship. The solid reputation in which our company has grown with our clients (one at a time), the asset management community and our employees, is a testament for what is right about our vision. Every day we maintain our dedication to this vision and our clientele.

An important attribute of our service model are the dedicated teams that every account and relationship at Clearbrook has. Each team is made up of four key individuals; two consultants, one member of research and a senior analyst. Although this model is somewhat more costly from a corporate perspective compared to the industry standard, it accomplishes a couple of things, which we firmly believe in. Ideas which are generated at the Investment Committee level are more easily communicated to the client. It creates a more cohesive understanding of each client's needs across the team – from the consultants to the analysts to the research.

As a research-driven organization, our investment ideas are centralized with decisions made by the investment committee. The core of Clearbrook is the communication between clients, consultants and our investment professionals. We are committed to our forward looking capital markets approach. We look for areas of the global markets where we can add alpha, assisting our clients in reaching their ultimate goals and objectives. This has been represented in the confirmed top tier returns we have fostered, while mitigating risk over multiple market cycles.

While things change day-to-day, Clearbrook's commitment to our clients vision, philosophy and goals remains rock steady.

Q4 Economic Update

The months of October and November are a great lesson for investors in seeing that economic and corporate earnings data are not the sole determinate of asset prices. This was particularly true in reviewing the periods' U.S. and global equity and fixed income market performance. The primary economic and geo-political concerns revolved around U.S. interest rates and the on-going U.S./China trade dispute. From a rates perspective, the markets were rattled by the comments made by Federal Reserve Chairman, Jerome Powell, who in an October interview stated that short-term interest rates were “a long way from neutral”. As the market had priced in short-term rates in the U.S. moving to a range of 2.75% to 3.00% before taking a breather, investors were not contemplating rates could rise to 3.50% to 4.00% before stopping. This reset in interest rate expectations caused markets and investors to re-value equities.

The continued trade dispute between the U.S. and China has caused both countries to levy tariffs on imported goods. This, as we know, serves as a tax on goods, increasing the purchase cost for both retail and corporate consumers. The tariffs can have a negative impact on consumer spending, and increase the input cost of materials for corporations, reducing their future earnings. These factors in aggregate prompted investors to believe that a global recession could be initiated and caused global markets to plunge in October: The S&P 500 dropped by -6.54%, the MSCI EAFE Index was down -7.96% and the MSCI Emerging Market Index lost -8.71%. More vexing was the traditional safe haven in times of equity market turmoil, fixed income, also suffered losses. Worries over rising interest rates caused the Bloomberg Barclays U.S. Aggregate Index to decline by -0.78%.

In November, regional economic and fundamental factors overrode geo-political concerns to drive asset prices. The U.S. reported robust Q3 GDP growth of 3.5%; China grew at a pace of 6.5%, while Europe slowed to an acceptable level of 1.7%. Further helping markets was the continued decline in the U.S. unemployment rate to 3.7% (lowest level since 1969), rise in consumer spending and muted inflation data (Personal Consumption Index 2.0%) which was right at the Fed's target. This drove the S&P 500 higher by +2.04% for the month. Overseas, the MSCI EAFE Index was flat at -0.13%, the MSCI Emerging Market Index rebounded by +4.12% and fixed income turned higher as well, with the Bloomberg Barclays U.S. Aggregate Index rising by +0.60%.

As we head into the end of the year, it will be interesting to see whether geo-political or fundamental factors will come out ahead in influencing global asset prices. Fundamentally, we are expecting to see growth in global and regional GDP, as well as continued positive earnings growth from corporations. On the geo-political side, we are awaiting a potential resolution to the U.S./China trade dispute, progress from the UK and EU “Brexit” negotiations, and a compromise in the budget talks between Italy and the EU. The confluence of multiple factors will cause global market volatility to be elevated, but we believe the positive economic and earnings backdrop should drive asset prices higher.



Is OCIO Right for Me?

With the right partner, discretionary management (“Outsourced CIO”) services can provide an additional layer of fiduciary oversight, add significant value and costs savings.

- Clearbrook can respond with tactical decision-making and strategic asset allocation – faster responses to emerging opportunities and risks. Allows the OCIO Investment Committee to make complex tactical portfolio moves in real-time to mitigate the equity markets downside risk and fixed income duration risk. Recent market activity has underscored the importance of this factor.
- Our OCIO platform allows you to focus on your core mission, reducing the administrative burden and potential for integrated and reduced cost controls across entire investment process. Such as:
 - Handling day-to-day transactions such as re-balancing
 - Distribution of cash raised via the custodian bank's online system
 - Liquidity management
 - Manager selection, changes and terminations
 - Assistance with preparing reports for board members and trustees
 - Reviewing your IPS and revising as needed

Why Clearbrook?

Clearbrook works with your organization as a collaborative partner and as an extension of your investment staff, taking a flexible and customized approach to discretionary management:

- All portfolios are customized to your goals and objectives – there is no set model portfolio or “buy list”
- We advise your investment committee across a broad range of discretion and open communication ensures you are informed participants in the investment process
- Clearbrook's Investment Committee ensures centralized risk oversight, and that all of our clients benefit from our best ideas

Clearbrook was an early adopter in developing customized OCIO solutions for clients. We have built our OCIO platform on the multi-market cycle, multi-asset class experience of our investment team, including early use of alternative investments. But the foundation of our platform rests on more than expertise. It is also based on a willingness to innovate and a belief in the value of long-term relationships.

New Talent Joins Clearbrook

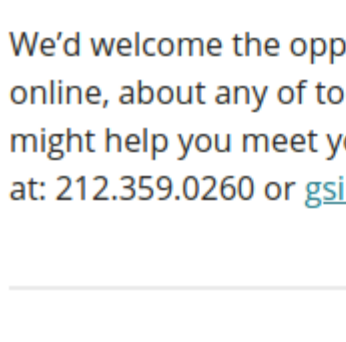
Clearbrook continues to grow, adding new professionals to bring client service to a new level. Welcome our new managing director and two new analysts to our research team.



Chris Leary, Managing Director
Understanding motive is the art of investing. With thirty years experience, Chris provides a broad range of investment services and guidance on a global basis to help clients create unique value drawing from his experience in consulting, research, capital solutions and specific transactions. Within that arena, his passion focuses on the ESG tsunami. Chris has worked for Wafra Investment Advisory, AIG, SunAmerica Asset Management, Equitable Capital and U.S. Trust Co.



Kyle Hanlon, Research Analyst
Kyle joined Clearbrook in 2018 as a Research Analyst. His responsibilities include manager research, monitoring and client reporting. Kyle received his Bachelor of Business Administration degree with a dual concentration in Accounting and Finance with a Minor in Economics from the George Washington University School of Business. Kyle is an avid sailor having won the YRALIS Championships and having participated in the 2017 International One Design World Championships.



Rajan Meswani, Research Analyst
Rajan joined Clearbrook in 2018 as a Research Analyst and is responsible for manager research, monitoring, performance and investment analysis, and client reporting. Rajan previously worked at Weed & Co. Inc. as an Equity Research Summer Analyst and Muzinich & Co., Inc. as a Fixed Income Summer Analyst. Rajan received his Bachelor of Science degree in Finance from Bentley University.

Talk With Us

We'd welcome the opportunity to talk with you, by phone, in person or online, about any of topics raised in Clearbrook POV, or to explore how we might help you meet your investment objectives. Just contact Gregg Sibert at: 212.359.0260 or gsibert@clbrbk.com

Disclosure

¹ Advisory services are offered through Clearbrook's wholly-owned SEC Registered Subsidiaries, CIC, CIS, and ClearShares.