

**AGENDA**  
**INVESTMENT COMMITTEE OF THE**  
**EL CAMINO HOSPITAL BOARD OF DIRECTORS**

**Monday, August 10, 2020 – 5:30 pm**  
 El Camino Hospital | 2500 Grant Road Mountain View, CA 94040

PURSUANT TO STATE OF CALIFORNIA EXECUTIVE ORDER N-29-20 DATED MARCH 18, 2020, EL CAMINO HEALTH WILL NOT BE PROVIDING A PHYSICAL LOCATION FOR THIS MEETING. INSTEAD, THE PUBLIC IS INVITED TO JOIN THE OPEN SESSION MEETING VIA TELECONFERENCE AT:

**1-669-900-9128, MEETING CODE: 760-083-0558#. No participant code. Just press #.**

**PURPOSE:** To develop and recommend to the El Camino Hospital Board of Directors the organization’s investment policies, maintain current knowledge of the management and investment of the invested funds of the hospital and its pension plan(s), provide guidance to management in its investment management role, and provide oversight of the allocation of the investment assets.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
<b>1. CALL TO ORDER / ROLL CALL</b>	Brooks Nelson, Chair		<b>5:30 – 5:31</b>
<b>2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES</b>	Brooks Nelson, Chair		<b>information 5:31 – 5:32</b>
<b>3. PUBLIC COMMUNICATION</b> a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence	Brooks Nelson, Chair		<b>information 5:32 – 5:35</b>
<b>4. CONSENT CALENDAR</b> <i>Any Committee Member may remove an item for discussion before a motion is made.</i>  <b>Approval</b> a. <a href="#">Minutes of the Open Session of the Investment Committee Meeting (05/11/2020)</a>  <b>Information</b> b. <a href="#">Article of Interest</a> c. <a href="#">CFO Report Out – Open Session FC Materials</a> d. <a href="#">Progress Against FY20 IC Goals</a> e. <a href="#">FY21 Pacing Plan</a>	Brooks Nelson, Chair	<i>public comment</i>	<b>motion required 5:35 – 5:38</b>
<b>5. REPORT ON BOARD ACTIONS</b> <a href="#">ATTACHMENT 5</a>	Cindy Murphy, Director of Governance Services; Don Watters, Board Member; Peter Fung, Board Member		<b>information 5:38 – 5:43</b>
<b>6. APPOINTMENT OF VICE CHAIR</b>	Brooks Nelson, Chair		<b>discussion 5:43 – 5:53</b>
<b>7. ROTATING TOPICS</b> a. <a href="#">Capital Markets Review and Portfolio Performance</a> b. <a href="#">Tactical Asset Allocation Positioning and Market Outlook</a>	Antonio DiCosola and Chris Kuhlman, Pavilion, a Mercer Practice		<b>information 5:53 – 6:33</b>
<b>8. EDUCATION TOPIC: INVESTING IN UNCERTAIN TIMES</b> <a href="#">ATTACHMENT 8</a>	Antonio DiCosola and Chris Kuhlman, Pavilion, a Mercer Practice		<b>information 6:33 – 6:53</b>

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AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
9. INVESTMENT COMMITTEE SELF-ASSESSMENT <a href="#">ATTACHMENT 9</a>	Brooks Nelson, Chair		<b>information</b> <b>6:53 – 7:23</b>
10. ADJOURNMENT	Brooks Nelson, Chair	<i>public comment</i>	<b>motion required</b> <b>7:23 – 7:24</b>

**Upcoming meetings:** November 9, 2020, January 25, 2021 (Joint with Finance Committee), February 8, 2021, May 10, 2021



**Minutes of the Open Session of the  
Investment Committee of the  
El Camino Board of Directors  
Monday, May 11, 2020**

**El Camino Hospital, 2500 Grant Road, Mountain View, California**

**Members Present**

Nicola Boone, Vice Chair\*\*

Gary Kalbach, Chair\*\*

Julia E. Miller\*\*

Brooks Nelson\*\*

John Conover\*\*

**Members Absent**

Jack Po, MD

\*\*via teleconference

Agenda Item	Comments/Discussion	Approvals/ Action
<b>1. CALL TO ORDER/ ROLL CALL</b>	The open session meeting of the Investment Committee of El Camino Hospital (the “Committee”) was called to order at 5:30pm by Committee Chair Gary Kalbach. A verbal roll call was taken. Jack Po, MD was absent. All other members were present and participated telephonically. A quorum was present pursuant to State of California Executive Orders N-25-20 dated March 12, 2020 and N-29-20 dated March 18, 2020.	
<b>2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES</b>	Chair Kalbach asked if any Committee member or anyone in the audience believes that a Committee member may have a conflict of interest on any of the items on the agenda. No conflict of interest was reported.	
<b>3. PUBLIC COMMUNICATION</b>	Chair Kalbach asked if there was any public communication to present. None were noted.	
<b>4. CONSENT CALENDAR</b>	Chair Kalbach asked if any Committee member wished to remove any items from the consent calendar for discussion. No items were pulled.  <b>Motion:</b> To approve the consent calendar: (a) Open Minutes of the February 10, 2020 Investment Committee Meeting, and for information; (b) CFO Report Out – Open Session FC Materials (c) Progress Against FY20 IC Goals, (d) FY20 Pacing Plan  <b>Movant:</b> Nelson <b>Second:</b> Miller <b>Ayes:</b> Boone, Kalbach, Miller, Nelson, Conover <b>Noes:</b> None <b>Abstentions:</b> None <b>Absent:</b> Po <b>Recused:</b> None	<b>Consent Calendar approved</b>
<b>5. REPORT ON BOARD ACTIONS</b>	There were no questions about the Report on Board Actions.	
<b>6. ROTATING TOPICS</b>	<b>Capital Markets Review and Portfolio Performance &amp; Tactical Asset Allocation Positioning and Market Outlook</b>  Antonio DiCosola and Chris Kuhlman from Pavilion, a Mercer Practice, reported the following on Capital Markets Review and Portfolio Performance: <ul style="list-style-type: none"> <li>➤ To summarize, the global economy experienced an unprecedented halt in activity in March, as social distancing policies forced many businesses to temporarily close.</li> </ul>	

Agenda Item	Comments/Discussion	Approvals/ Action
	<ul style="list-style-type: none"> <li>➤ Global equity indices suffered steep declines in the first quarter, with most global indices down around 20% and small caps faring the worst down around 30%.</li> <li>➤ U.S. equities hit all-time highs on February 19<sup>th</sup> and proceeded to sell off rapidly before bottoming out on March 23<sup>rd</sup>. Cyclical sectors were hit the hardest, with significant declines in energy as oil prices plummeted.</li> <li>➤ The pandemic caused financial conditions to tighten significantly. Credit spreads spiked and liquidity in fixed income markets evaporated. The Bloomberg Barclays High Yield Index was down nearly 13% for the quarter while emerging markets debt was down 15%.</li> <li>➤ However, the Fed’s willingness to engage in essentially unlimited quantitative easing has eased liquidity concerns in fixed income markets. Spreads have recently narrowed and issuers have returned to credit markets.</li> <li>➤ Equities have also rebounded sharply from March lows to regain a significant portion of the losses.</li> <li>➤ The trend of growth outperforming value has accelerated as growth sectors such as technology benefitted from the pivot to work-from-home.</li> <li>➤ The Surplus Cash portfolio is down 10.2% versus -9.4% for the benchmark and the cash balance is down 12.9% versus 11.7% for the benchmark.</li> <li>➤ Relative underperformance for the Surplus Cash portfolio during the quarter was driven by manager results, particularly within fixed income and hedge funds. The domestic and international equity composites benefited relative results, with growth managers Sands and Conestoga outpacing their benchmarks by 470 bps and 650 bps, respectively.</li> <li>➤ Relative underperformance for the Cash Balance Plan for the quarter was also driven by manager results within fixed income and hedge fund of funds. Lighthouse, one of the Plan’s hedge fund of funds managers, was a notable laggard, losing nearly 18%. Pavilion intends to monitor the strategy closely going forward.</li> <li>➤ Based on preliminary information, Pavilion estimated April monthly returns of +5% and +7% for the Surplus Cash and Cash Balance Plan portfolios, respectively.</li> <li>➤ Mr. DiCosola presented a market outlook, noting that volatility is likely to remain elevated going forward.</li> <li>➤ In terms of asset allocation positioning, both portfolios are slightly underweight equities and overweight fixed income following the recent selloff. The Surplus Cash portfolio is slightly outside the lower end of the Alternatives range. However, this is expected to correct following recent contributions to the hedge fund portfolio and new expected allocations to private vehicles pending Board approval of a revised Investment Policy Statement.</li> </ul> <p>In response to committee member’s questions, Mr. DiCosola stated that the economic shutdown is something the government forced for health reasons and was not caused by systematic issues in markets. Therefore, monetary and fiscal stimulus is expected to provide temporary support and long term ramifications are not yet known. In response to a question regarding the scorecard and manager performance flags, Mr. Kuhlman explained that they are endpoint sensitive and meant to raise awareness of relative underperformance, but do not necessitate action.</p>	



Agenda Item	Comments/Discussion	Approvals/ Action
<p><b>7. REVIEW AND UPDATE OF INVESTMENT POLICY AND POSSIBLY ADD ADDITIONAL ASSET CLASSES</b></p>	<p>Antonio DiCosola presented the Review and Update of Investment Policy and Possibly Add Additional Asset Classes to expand the strategy within alternatives to be able to invest in private funds. Chair Kalbach requested input from the committee members. John Conover desired a more conservative approach while Nicola Boone discussed the pros and cons on the expansion and her curiosity of how hedge funds will perform in the current environment but also would like to see the reallocation of a portion of hedge funds to private assets and particularly private debt vehicles. Overall, she stated that the language presented in the packet is very broad. Pavilion noted that the expansion of the language in the Investment Policy Statement allows for investment; however, does not require there to be an investment in private assets. The management team will work with Pavilion to analyze potential investment opportunities across alternative strategies and then proceed with an investment seeking out the guidance of the Investment Committee. The Committee approved the proposed changes to the Investment Policy Statement to be recommended to the Board for final approval. The Committee agreed that pending approval of the Investment Policy Statement by the Board, that they would not be opposed to adding distressed debt exposure if management and Pavilion agreed. Management will work with Pavilion on potential implementation after Board approval.</p> <p><b>Motion:</b> To approve the Change of Investment Policy and Add Additional Asset Classes and recommend to the Board for approval</p> <p><b>Movant:</b> Conover  <b>Second:</b> Boone  <b>Ayes:</b> Boone, Kalbach, Miller, Nelson, Conover  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Po  <b>Recused:</b> None</p>	<p><i>Investment Policy and Adding an Additional Asset Class approved</i></p>
<p><b>8. 403(b) INVESTMENT PERFORMANCE</b></p>	<p>Brian Montanez with the Multnomah Group presented the 403(b) Investment Performance for a review of the investment menu regarding the hospital's Retirement Plan Administration Committee on a quarterly basis as well as an annual fee benchmarking and share class study for the Plan. The T. Rowe Price Retirement services have added two underlying funds as well as changes to the underlying asset allocations in their target date funds. The first change is the increase of equity allocations in their target date funds. The second change is adding two new strategies to ongoing investments. They are adding the U.S. Large Cap Core fund and the T. Rowe Price Emerging markets Discovery Stock.</p> <p>In response to a committee member's questions regarding the watch list, Mr. Montanez does not recommend any investment option changes as the Watch List is more cautionary at this point.</p> <p><b>Motion:</b> To accept the report on the 403(b) Investment Performance</p> <p><b>Movant:</b> Miller  <b>Second:</b> Conover  <b>Ayes:</b> Boone, Kalbach, Miller, Nelson, Conover  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Po  <b>Recused:</b> None</p>	<p><i>Investment Performance approved</i></p>

Agenda Item	Comments/Discussion	Approvals/ Action
<p><b>9. FY21 COMMITTEE PLANNING</b></p>	<p>Chair Kalbach asked if any Committee members have any questions or concerns presented in the packet for the proposed FY21 Committee Meeting Dates, Goals, and Pacing Plan.</p> <p>Regarding the Committee Meeting Dates, Ms. Miller suggests an earlier date prior to August for a special meeting for an update report from the COVID-19 crisis. Mr. DiCosola states he can get a report done through June together. Mr. Moody proposes a 30 minute meeting on July 20, 2020 provided there is no violation to the Brown Act. Given there was a proposed added date, the FY21 Pacing Plan will reflect that.</p> <p><b>Motion:</b> To approve (a) Proposed FY21 Committee Meeting Dates with the added special meeting of July 20, 2020 be added, (b) Proposed FY21 Committee Goals, and (c) Proposed FY21 Pacing Plan</p> <p><b>Movant:</b> Miller  <b>Second:</b> Conover  <b>Ayes:</b> Boone, Kalbach, Miller, Nelson, Conover  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Po  <b>Recused:</b> None</p>	
<p><b>10. AGENDA ITEM 13: ADJOURNMENT</b></p>	<p><b>Motion:</b> To adjourn at 7:42pm.</p> <p><b>Movant:</b> Conover  <b>Second:</b> Miller  <b>Ayes:</b> Boone, Kalbach, Miller, Nelson, Conover  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Po  <b>Recused:</b> None</p>	<p><i>Adjourned at 7:42pm</i></p>

**Attest as to the approval of the Foregoing minutes by the Investment Committee of El Camino Hospital:**

\_\_\_\_\_  
 Gary Kalbach  
 Chair, Investment Committee

# Responding to the Crisis: Perspectives from Hospitals and Healthcare Systems

Since the beginning of the COVID-19 pandemic and sell-off in the equity markets, the Pavilion nonprofit Healthcare team has been in continuous dialogue with our clients to assess operational, financial and capital risk exposures as they navigate through this unprecedented crisis. We have drawn from a wide variety of healthcare systems ranging from large to small, higher credit quality to lower investment grade, with urban, suburban and rural service areas. We thought it would be instructive to offer our observations and the current thinking and actions of our clients<sup>1</sup>—your peers—as you consider a course of action. Additionally, we sought the perspective of healthcare rating agencies and credit banks.



<sup>1</sup> Hospitals and healthcare system opinions throughout this paper referred to are those of current Mercer Investments LLC clients. It is not known whether they approve or disapprove of the investment services provided by Mercer.



## Operations

As a result of the healthcare business environment in the pre-COVID 19 period, coupled with the direct impact of the pandemic, some hospitals and healthcare systems have estimated that Net Patient Revenue will drop up to 40 percent over the next several months.<sup>2</sup> The delay in elective and non-elective procedures has been the major driver of lower revenue (with the additional risk that patients will opt not to return for elective procedures despite the end of the restrictions). Several healthcare systems' estimates suggest that a timeframe to recover lost Net Patient Revenue will be approximately two years.<sup>3</sup> Expenses incurred due to staffing shortages, the increased cost to source and purchase protective personal equipment (PPE) and the high level of acuity for hospitals directly impacted by the coronavirus have created a spike in expenses. Systematic furloughs of essential and non-essential employees have reduced healthcare systems' payrolls, but have put a high level of strain on remaining employees. Management teams also have implemented salary reductions. One bright spot for healthcare providers has been subsidiary insurance/payor businesses, which have seen much lower utilization, thereby enhancing liquidity and helping to preserve leverage ratios.

## Balance Sheet

Hospitals and healthcare systems have responded with aggressive borrowing measures on existing lines of credit, as well as new lines, in an attempt to mitigate the impact of the operational downturn. Most borrowers have opted to fully fund lines of credit without concern about increased leverage ratios. Also, there was some anxiety of being subject to "material adverse event" risk language in credit agreements, which could have prevented borrowers from drawing on their lines. Credit banks have opted to offer credit to existing clients only and have turned away new, prospective healthcare borrowers even with attractive credit profiles. One bank told us that they were receiving over \$1 billion in credit requests *per day* in March. The demand for credit in such a short period of time was unprecedented. Going forward, there is an expectation that hospitals and healthcare systems will require additional capital infusions.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act made available \$100 billion to hospitals and healthcare systems for lost electives and costs associated with COVID-19 readiness (e.g., PPE, additional medical equipment such as ventilators). Our review of recent fund payments and Medicare accelerated payments suggest that the average of the sum of the two payments equates to roughly one month of expenses for a typical system. Medicare's accelerated advance payment program enhanced liquidity, but repayment of the funds starts four months from the funding date.

At the current time, we are not observing wholesale changes to the investment policies for operating asset pools as hospitals and healthcare systems seek to avoid forced liquidations of investments with depressed valuations. Our suggestion is that hospitals and healthcare systems revisit their assumptions and stress test their enterprise risk modeling to account for drawdown of the investment portfolio(s) and impact on days cash on hand (DCOH), covenants, credit rating, etc. (Please see [here](#) for more insight from Pavilion on this topic.)

<sup>2</sup> Based on conversations with Pavilion healthcare clients, March-April 2020.

<sup>3</sup> Services to be provided by Mercer Investments LLC using the business name of Pavilion, a Mercer Practice. Mercer Investments LLC is one of several associated legal entities that provide investment services to clients as part of a global investment advisory and investment management business (collectively referred to as "Mercer"). Mercer Investments LLC is registered to do business as "Mercer Investment Advisers LLC" in the following states: Arizona, California, Florida, Illinois, Kentucky, New Jersey, North Carolina, Oklahoma, Pennsylvania, Texas and West Virginia; as "Mercer Investments LLC (Delaware)" in Georgia; as "Mercer Investments LLC of Delaware" in Louisiana; and "Mercer Investments LLC, a limited liability company of Delaware" in Oregon. Throughout this document, unless otherwise stated, references to Pavilion are references to Mercer and the investment services that Mercer would provide.



## Retirement Plans

As healthcare plan sponsors assess defined benefit liabilities, consideration must be given to the impact of the crisis on demographic and workforce assumptions, as well as the short- and long-term effects on longevity. Pavilion recommends that plan sponsors reconfirm investment “glide path” liability hedge interest rate and market impacts. Relief could come in the form of deferring contributions. Market dislocations could be good opportunities for plan sponsors to capitalize on purchasing long US Treasuries for liquidity needs and rebalancing while maintaining long corporate credit for more attractive valuations. (For more on this topic, see this [recent paper](#).)

Some defined contribution plan sponsors have moved quickly to reduce 403(b) match and suspend auto-enrollment and profit sharing programs, as discussed in more detail [here](#). To alleviate the financial burden on some employees, healthcare systems have allowed partial, in-service withdrawals as well as increasing the participant loan maximum amount to \$100,000 in conjunction with the CARES Act. Delegating some fiduciary responsibilities to third parties in an Outsourced Chief Investment Officer (OCIO) governance model could be economically beneficial and offer plan sponsors increased operational leverage in plan benefit administration.

## Capital Expenditures

Capital programs at larger, well-capitalized systems in some cases have not been cut for fear of competitive disadvantage post-COVID 19. Conversely, smaller healthcare systems are cutting capex to preserve capital, and deferring some capital projects to a later date. Some exceptions to the rule are essential investments in technology, such as telemedicine, as systems prepare for the post-pandemic environment.

Hospital and healthcare systems are developing plans to help ensure that, post-crisis, actions can be taken to restore human resources and to sustain capital levels sufficient for preventing prolonged service disruptions. The expectation is that it will be a slow transition back to capacity. M&A opportunities will be available at potentially more attractive valuations.

## Credit Rating Agencies

A recent conversation with the healthcare credit rating agencies<sup>4</sup> yielded some interesting perspectives. One of the key themes we heard was “don’t try to paint a picture that is not realistic.” Rating agencies understand that this will be one of the worst quarters in history.

Ratings agencies do not “rate credits to the bottom or from the top,” so do not expect to be penalized unfairly versus peers. Liquidity is of paramount importance, followed by operating discipline. Additionally, carefully look at bond and credit covenants; June fiscal year-ends are of special emphasis. Debt service covenant calculations could be ameliorated by efficiently realizing gains without disruption to the portfolios. Credit discussions will revolve around what can you control now in terms of expense reduction and plans for return to normalcy. The CARES Act is viewed favorably, but it is a modest positive considering the size of the nonprofit healthcare sector. The rating agencies are hopeful for continued credit support from government.



<sup>4</sup> Standard and Pools, Moody’s and Fitch credit analysts at Kaufman Hall Not-for-profit Healthcare Webinar, April 2020.

## Portfolio Considerations and Opportunities

While each system has different considerations and liquidity requirements in light of the crisis, our general feeling is that the market sell-off could present opportunities akin to the Global Financial Crisis. We suggest:

1. Look for opportunities to upgrade portfolios across asset classes through access to previously capacity-constrained managers. Pavilion expects to see many managers open up to new capital. We are already seeing early signs of this in equities and hedge funds and anticipate the same in private markets.
2. First opportunities likely will appear across the credit sector. Exposure can be through liquid strategies, hedge funds and private debt.

- Be mindful of increasing risk too much across the portfolio if looking at exposure across multiple asset classes. Also, consider where you are taking capital and the purpose of the allocation (investment grade vs. high yield).
- While transaction activity likely will slow over the short-term, real estate and private equity teams continue to anticipate strong managers coming to market this year and are looking for opportunities for new strategies to upgrade the portfolios. While it is still early, specific strategies and vehicles likely will emerge to take advantage of dislocations.

## Final Thoughts

The experience of hospitals and healthcare systems has varied widely during the pandemic. The paramount concern for our client organizations initially was to generate adequate liquidity to fund operations. Unfortunately, extreme volatility events like the pandemic reinforce the best practice of consistent, enterprise risk management exercises. While no economic model could have accounted for a drop in Net Patient Revenue due to the suspension of non-elective procedures, our philosophy towards healthcare operating portfolios prepared our consulting team to help clients tactically navigate the current environment. Moving forward over the next several months, clients are concerned whether a second pandemic “wave” is reflected in market valuations and what path a recovery might take. We are urging our clients to remain vigilant in regard to liquidity requirements, to surveil credit positions carefully and to manage the operating assets in synchronization with the operating model. For those hospitals and healthcare systems in sufficient liquidity positions, attractive valuations may begin to appear across asset classes.

## Contact us

At Pavilion’s dedicated Healthcare practice, we focus on your investment strategy so you can focus on your mission. We welcome feedback and dialogue with you and your organization as we navigate through the current crisis. Please reach out to your Pavilion (or Mercer) consultant or to any of our colleagues listed below.

### Healthcare leadership team

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# El Camino Health

## Summary of Financial Operations

*Fiscal Year 2020 – Period 12*

*7/1/2019 to 6/30/2020*



## Period 12 Overview

- The month of June includes certain year-end adjustments that distort the monthly results
  - Included in this presentation is a pro-forma reconciliation to show the June operating results without these adjustments
  - The results for June, without the year-end adjustments, are favorable in comparison to both the prior months and the budget
    - ***The Operating Gain is favorable by \$2.3 million***
- The year-end adjustments are significant and approximately 67% of the adjustments are the result of year-end actuary studies

# Consolidated Statement of Operations (\$000s)

Period ending 06/30/2020

Period 12 FY 2019	Period 12 FY 2020	Period 12 Budget 2020	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2019	YTD FY 2020	YTD Budget 2020	Variance Fav (Unfav)	Var%
					<b>OPERATING REVENUE</b>					
294,309	308,375	331,617	(23,242)	(7.0%)	<b>Gross Revenue</b>	3,552,081	3,648,324	3,849,558	(201,235)	(5.2%)
(208,746)	(222,670)	(245,544)	22,874	9.3%	<b>Deductions</b>	(2,600,260)	(2,680,668)	(2,845,881)	165,212	5.8%
<b>85,563</b>	<b>85,705</b>	<b>86,073</b>	<b>(368)</b>	<b>(0.4%)</b>	<b>Net Patient Revenue</b>	<b>951,821</b>	<b>967,655</b>	<b>1,003,678</b>	<b>(36,023)</b>	<b>(3.6%)</b>
7,346	8,148	4,482	3,666	81.8%	<b>Other Operating Revenue</b>	47,026	55,919	54,496	1,423	2.6%
<b>92,909</b>	<b>93,853</b>	<b>90,555</b>	<b>3,298</b>	<b>3.6%</b>	<b>Total Operating Revenue</b>	<b>998,847</b>	<b>1,023,574</b>	<b>1,058,173</b>	<b>(34,599)</b>	<b>(3.3%)</b>
					<b>OPERATING EXPENSE</b>					
39,162	35,508	46,999	11,491	24.4%	<b>Salaries &amp; Wages</b>	512,087	543,403	557,655	14,252	2.6%
12,106	11,412	12,818	1,406	11.0%	<b>Supplies</b>	138,555	152,491	146,796	(5,695)	(3.9%)
21,465	16,377	13,470	(2,907)	(21.6%)	<b>Fees &amp; Purchased Services</b>	143,194	173,431	157,562	(15,870)	(10.1%)
4,184	3,460	3,524	64	1.8%	<b>Other Operating Expense</b>	34,742	44,227	45,996	1,769	3.8%
369	1,399	1,428	29	2.0%	<b>Interest</b>	4,240	9,449	11,939	2,490	20.9%
4,401	4,428	5,208	780	15.0%	<b>Depreciation</b>	52,181	53,982	59,463	5,481	9.2%
<b>81,686</b>	<b>72,583</b>	<b>83,447</b>	<b>10,864</b>	<b>13.0%</b>	<b>Total Operating Expense</b>	<b>884,998</b>	<b>976,984</b>	<b>979,411</b>	<b>2,427</b>	<b>0.2%</b>
<b>11,223</b>	<b>21,270</b>	<b>7,108</b>	<b>14,162</b>	<b>199.2%</b>	<b>Net Operating Margin</b>	<b>113,849</b>	<b>46,590</b>	<b>78,762</b>	<b>(32,172)</b>	<b>(40.8%)</b>
23,039	33,538	3,300	30,238	916.3%	<b>Non Operating Income</b>	53,048	66,819	38,196	28,624	74.9%
<b>34,262</b>	<b>54,808</b>	<b>10,408</b>	<b>44,400</b>	<b>426.6%</b>	<b>Net Margin</b>	<b>166,896</b>	<b>113,410</b>	<b>116,958</b>	<b>(3,549)</b>	<b>(3.0%)</b>
17.2%	28.9%	15.2%	13.7%		<b>EBITDA</b>	17.0%	10.7%	14.2%	(3.4%)	
12.1%	22.7%	7.8%	14.8%		<b>Operating Margin</b>	11.4%	4.6%	7.4%	(2.9%)	
36.9%	58.4%	11.5%	46.9%		<b>Net Margin</b>	16.7%	11.1%	11.1%	0.0%	

# June Pro-Forma results (000's)

Description	Amount	Commentary
Consolidated Operating Gain	\$ 21,270	
YEAR END ADJUSTMENTS:		
Inter Government Transfer Revenue	2,580	Budgeted In May
Foundation transfer of COVID funds	1,160	Fund balance transfer from restricted
Pension Liability adjustment	6,023	Actuary calculated
Workers' Compensation liability adjustment	1,818	Actuary calculated
COVID related expenses		
Salaries, Wages & Benefits	(501)	COVID related direct costs
Supplies	(159)	COVID related direct costs
Purchased Services	(806)	COVID related direct costs
Depreciation true-up for Behavioral Bldg. & MOB	1,000	Timing of building opening
Other year-end true-ups	788	Final reconciliations & Accruals
Total of Year-end adjustments	11,903	
June Pro-Forma Operating Income	\$ 9,367	
Budgeted Operating Income	\$ 7,108	
Favorable Operating Gain Variance	\$ 2,259	

# Financial Overview - June

## Financial Performance

- Operating Gain excluding the pro-forma adjustments was \$9.4M, compared to a budgeted Operating Gain of \$7.1M. Revenues approximated the budget while expenses were favorable. The drivers are:
  - Volumes and Revenues continue to improve but remain below pre Covid levels
    - Adjusted Discharges are 260 cases or 9% below budget
    - Gross charges are \$23M or 7% below budget
    - Higher mix of procedural cases drove Net Revenue per Adjusted Discharge 9.5% higher than budget (see slide 8)
  - Operating Expenses are favorable to budget, excluding year-end adjustments, by \$2.7M
    - Salaries, Wages & Benefits were favorable by \$3.7M (8%)
    - Supplies were favorable by \$1.4M (11%)
    - Fees & Purchased Services were unfavorable \$2.1M (15%)
- Non Operating Income is favorable to the budget by \$30.2M which is driven by:
  - A mark-to-market positive adjustment of approximately \$30.0M due to unrealized gains in equity and fixed income positions during the month.

# Financial Overview – June cont.

## Financial Performance

### Hospitals

- Adjusted Discharges (AD) unfavorable to budget by 260 ADs (9%) and unfavorable to prior year by 357 AD's
- This volume generated revenues at budget levels
  - Mountain View: Unfavorable to budget by 254 ADs (10%) and unfavorable to prior year by 417 AD's
  - Los Gatos: Unfavorable to budget by 6 ADs (1%) and favorable to prior year by 61 AD's
- Operating Expense\* Per Adjusted Discharge was \$21,056 which is 6% below budget
- Excluding the year-end adjustments, the Operating Expense\* Per Adjusted Discharge was \$23,625 which is 6% above budget
  - \* Excluding Depreciation and Interest

### El Camino Health Medical Network

- Visits, including Telehealth were 18,478 for June, 12% higher than the average monthly visit volume prior to the COVID pandemic
- Additionally, the collection percentage increased by 16% from May causing a positive adjustment to Net Revenue

# Consolidated Balance Sheet

(in thousands) ASSETS

	Audited	
	June 30, 2020	June 30, 2019
<b>CURRENT ASSETS</b>		
Cash	228,464	124,912
Short Term Investments	222,095	177,165
Patient Accounts Receivable, net	116,523	132,198
Other Accounts and Notes Receivable	10,811	5,058
Intercompany Receivables	72,515	8,549
Inventories and Prepays	101,267	64,093
<b>Total Current Assets</b>	<b>751,675</b>	<b>511,976</b>
<b>BOARD DESIGNATED ASSETS</b>		
Foundation Board Designated	15,364	16,895
Plant & Equipment Fund	169,236	171,304
Women's Hospital Expansion	22,563	15,472
Operational Reserve Fund	148,917	139,057
Community Benefit Fund	17,916	18,260
Workers Compensation Reserve Fund	16,482	20,732
Postretirement Health/Life Reserve Fund	30,731	29,480
PTO Liability Fund	27,515	26,149
Malpractice Reserve Fund	1,965	1,831
Catastrophic Reserves Fund	17,667	19,678
<b>Total Board Designated Assets</b>	<b>468,356</b>	<b>458,857</b>
<b>FUNDS HELD BY TRUSTEE</b>	<b>23,478</b>	<b>83,073</b>
<b>LONG TERM INVESTMENTS</b>	<b>383,699</b>	<b>375,729</b>
<b>CHARITABLE GIFT ANNUITY INVESTMENTS</b>	<b>680</b>	<b>602</b>
<b>INVESTMENTS IN AFFILIATES</b>	<b>29,065</b>	<b>38,532</b>
<b>PROPERTY AND EQUIPMENT</b>		
Fixed Assets at Cost	1,831,861	1,692,693
Less: Accumulated Depreciation	(676,535)	(622,877)
<b>Property, Plant &amp; Equipment - Net</b>	<b>1,155,326</b>	<b>1,069,816</b>
<b>DEFERRED OUTFLOWS</b>	20,952	33,876
<b>RESTRICTED ASSETS</b>	28,823	24,279
<b>OTHER ASSETS</b>	3,231	1,036
<b>TOTAL ASSETS</b>	<b>2,865,283</b>	<b>2,597,775</b>

LIABILITIES AND FUND BALANCE

	Audited	
	June 30, 2020	June 30, 2019
<b>CURRENT LIABILITIES</b>		
Accounts Payable	35,323	38,390
Salaries and Related Liabilities	35,209	30,296
Accrued PTO	28,124	26,502
Third Party Settlements	10,956	11,331
Intercompany Payables	70,214	8,464
Bonds Payable - Current	9,020	8,630
Bond Interest Payable	8,463	12,775
Other Liabilities	7,082	14,577
<b>Total Current Liabilities</b>	<b>204,391</b>	<b>150,966</b>
<b>LONG TERM LIABILITIES</b>		
Post Retirement Benefits	30,731	29,480
Worker's Comp Reserve	16,482	18,432
Other L/T Obligation (Asbestos)	4,094	3,975
Bond Payable	508,002	507,531
<b>Total Long Term Liabilities</b>	<b>559,308</b>	<b>559,417</b>
<b>DEFERRED REVENUE-UNRESTRICTED</b>	77,133	1,113
<b>DEFERRED INFLOW OF RESOURCES</b>	31,221	13,715
<b>FUND BALANCE/CAPITAL ACCOUNTS</b>		
Unrestricted	1,775,990	1,389,510
Board Designated	188,542	458,839
Restricted	28,697	24,215
<b>Total Fund Bal &amp; Capital Accts</b>	<b>1,993,229</b>	<b>1,872,563</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>2,865,283</b>	<b>2,597,775</b>

# Statement of Cash Flows

	<b>MTD</b>	<b>YTD</b>
Cash from Operations		
Net Income	\$54,808	\$113,410
add Depreciation	\$4,428	\$53,658
(Increase) decrease in working capital:		
Accounts Receivable	(6,499)	15,670
Inventory & Prepaids	386	654
Other AR and Notes Receivable	(2,803)	(69,986)
Accounts Payable	2,038	42,853
Payroll, PTO and Related Liabilities	8,793	6,294
Third Party Settlements	719	(200)
Short Term Leases	2,924	(352)
Bonds Current & Interest Payable	1,693	(737)
<u>Net Cash Flow s From Operations</u>	<u>7,251</u>	<u>(5,804)</u>
Net Cash Provided by (used in) Operations	66,487	161,264
Investing Cash flow s		
Board Designated Assets & Investments	(2,711)	43,980
Investment in Affiliates	718	9,467
Property Plant & Equipment	(2,534)	(123,256)
Other Assets	(22,103)	(31,724)
<u>Net Cash Provided by (used in) Investing</u>	<u>(26,629)</u>	<u>(101,533)</u>
Financing Cash Flow s		
Deferred Revenues / Income	18,345	93,973
Increase (decrease) in Debt	(5,208)	(10,770)
Deferred Inflow s of Resources	-	-
Fund Balance Transfers	(1,441)	5,548
<u>Net Cash Provided by (used in) Financing</u>	<u>\$11,696</u>	<u>\$88,751</u>
Total Cash Increase (Decrease)	\$51,554	\$148,482
Starting Cash Balance	\$399,006	\$302,077
Total Cash Increase (Decrease)	\$51,554	\$148,482
Ending Cash Balance	\$450,559	\$450,559

# APPENDIX

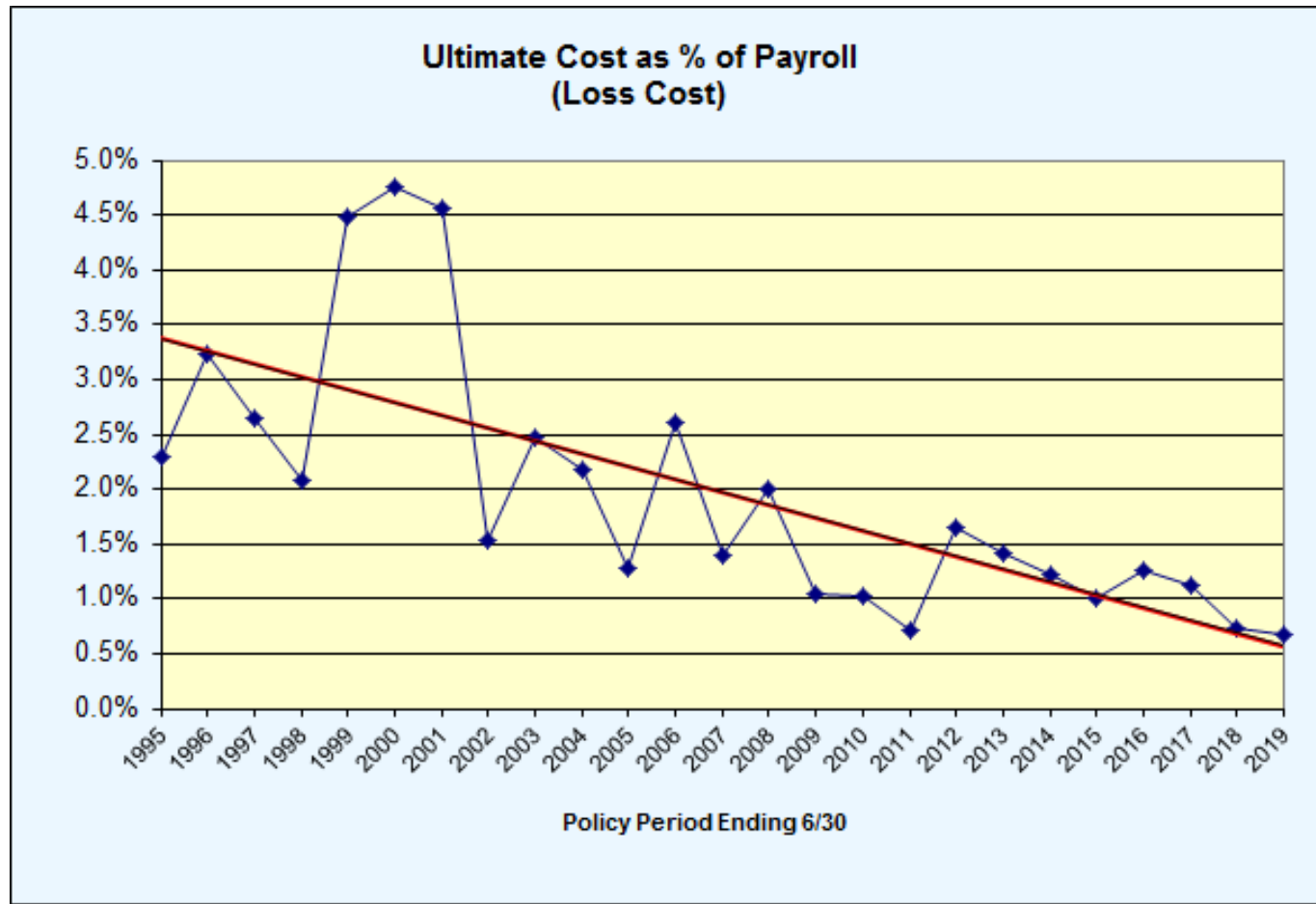


## Dashboard - as of June 30, 2020

	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
<b>Consolidated Financial Perf.</b>								
Total Operating Revenue	92,909	93,853	90,555	3,298	998,847	1,023,574	1,058,173	(34,599)
Operating Expenses	81,686	72,583	83,447	10,864	884,998	976,984	979,411	2,427
Operating Margin \$	11,223	21,270	7,108	14,162	113,849	46,590	78,762	(32,172)
Operating Margin %	12.1%	22.7%	7.8%	14.8%	11.4%	4.6%	7.4%	(2.9%)
EBIDA \$	15,993	27,097	13,744	13,352	170,270	110,021	150,164	(40,143)
EBIDA %	17.2%	28.9%	15.2%	13.7%	17.0%	10.7%	14.2%	(3.4%)
<b>Hospital Volume</b>								
<b>Licensed Beds</b>	443	454	443	11	443	444	443	1
ADC	236	212	256	(44)	242	227	242	(16)
Utilization MV	65%	54%	70%	(15.9%)	66%	61%	66%	(4.5%)
Utilization LG	30%	31%	33%	(1.4%)	30%	30%	32%	(1.7%)
Utilization Combined	53%	47%	58%	(11.1%)	55%	51%	55%	(3.6%)
Adjusted Discharges	3,149	2,791	3,052	(261)	35,538	35,326	36,126	(800)
Total Discharges (Excl NNB)	1,696	1,424	1,680	(256)	19,730	18,967	19,740	(773)
Total Discharges	2,024	1,739	2,021	(282)	23,767	23,073	23,817	(744)
<b>Inpatient Cases</b>								
MS Discharges	1,187	961	1,137	(176)	13,744	12,931	13,472	(541)
Deliveries	348	336	357	(21)	4,283	4,340	4,275	65
BHS	112	82	136	(54)	1,181	1,154	1,407	(253)
Rehab	49	45	50	(5)	522	542	586	(44)
<b>Outpatient Cases</b>								
ED	4,144	2,743	3,933	(1,190)	48,454	42,846	47,737	(4,891)
<b>Procedural Cases</b>								
OP Surg	426	363	445	(82)	5,023	4,771	5,155	(384)
Endo	247	195	241	(46)	2,662	2,295	2,792	(497)
Interventional	162	176	178	(2)	2,179	1,988	2,254	(266)
All Other	7,550	9,556	8,700	856	92,300	97,196	99,852	(2,656)
<b>Hospital Payor Mix</b>								
Medicare	49.1%	48.4%	48.5%	(0.1%)	49.0%	48.6%	48.6%	0.0%
Medi-Cal	7.3%	6.3%	8.1%	(1.8%)	8.0%	7.4%	8.1%	(0.7%)
Commercial IP	19.1%	19.5%	20.8%	(1.3%)	20.0%	20.2%	20.4%	(0.2%)
Commercial OP	21.3%	23.4%	20.3%	3.1%	20.7%	21.4%	20.6%	0.8%
Total Commercial	40.4%	42.9%	41.1%	1.8%	40.7%	41.5%	41.0%	0.6%
Other	3.2%	2.4%	2.2%	0.2%	2.4%	2.4%	2.3%	0.1%
<b>Hospital Cost</b>								
Total FTE	2,752.9	2,668.0	2,696.2	28.2	2,682.2	2,762.7	2,721.2	(41.5)
Productive Hrs/APD	31.6	32.2	30.6	(1.6)	30.6	32.6	31.4	(1.2)
<b>Consolidated Balance Sheet</b>								
Net Days in AR	46.2	50.4	49.0	(1.4)	46.2	50.4	49.0	(1.4)
Days Cash	507	525	435	89	507	525	435	89

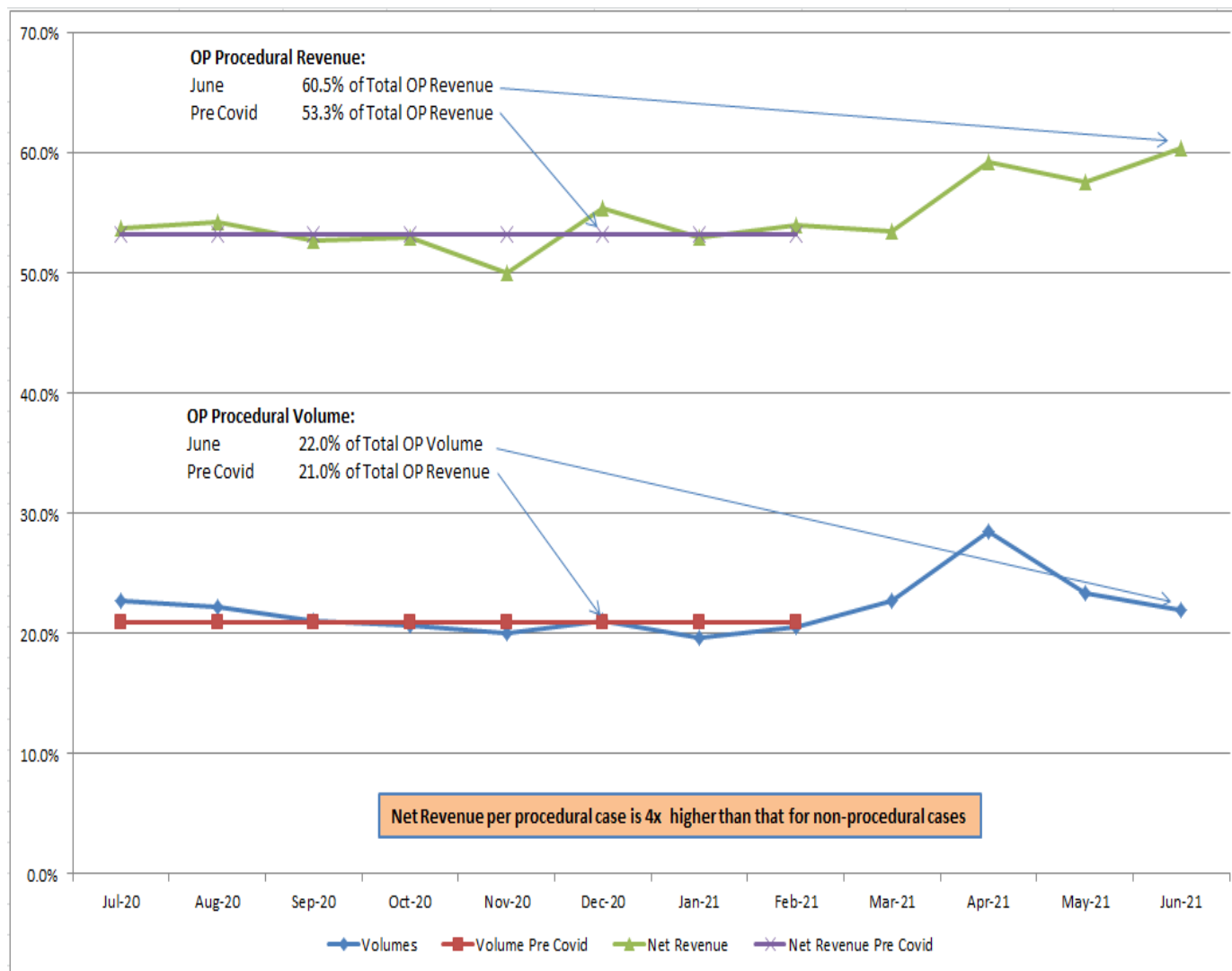
\*Beginning with the June FY 19 report, the Dashboard and the financial report has been updated to show the ECH consolidated results instead of just the Hospitals. The descriptions of the metrics indicate whether the data is hospital only.

# Workers' Compensation Ultimate Loss Trend



The Ultimate Loss Trend for Workers' Compensation costs being below 1% of payroll and the downward slope of the cost is the driver of the favorable year-end adjustment to Worker's Compensation expense.

# Procedural Volume & Revenue Trend



A higher concentration of Outpatient procedural cases over the last few months has generated higher overall Revenue.

**Proposed-FY21 COMMITTEE GOALS**  
Investment Committee

**PURPOSE**

The purpose of the Investment Committee is to develop and recommend to the El Camino Hospital (ECH) Board of Directors ("Board") the investment policies governing the Hospital's assets, maintain current knowledge of the management and investment funds of the Hospital, and provide oversight of the allocation of the investment assets.

**STAFF:** Michael Moody, Interim Chief Financial Officer (Executive Sponsor)

The CFO shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair's consideration. Additional members of the Executive Team or hospital staff may participate in the meetings upon the recommendation of the CFO and at the discretion of the Committee Chair. The CEO is an ex-officio member of this Committee.

GOALS	TIMELINE	METRICS
1. Review performance of consultant recommendations of managers and asset allocations	Each quarter - ongoing	Committee to review selection of money managers and make recommendations to the CFO
2. Education Topic: <a href="#">Ideas Investment Allocation in Uncertain Times for FY21?</a>	FY21 Q1	Complete by the August 2020 meeting
3. Asset Allocation, Investment Policy Review and ERM framework including Efficient Frontier	FY21 Q <del>3</del> <sup>1</sup>	Completed by <del>March, 2021</del> <sup>August 2020</sup>

**SUBMITTED BY:**

**Chair:** Gary Kalbach

**Executive Sponsor:** Michael Moody Interim CFO

FY21 INVESTMENT COMMITTEE PACING PLAN

<b>FY 2021: Q1</b>		
<b>JULY - NO MEETING</b>	<b>AUGUST 10, 2020 Meeting</b>	<b>SEPTEMBER - NO MEETING</b>
Participate in Committee Self –Assessment Survey	<ul style="list-style-type: none"> <li>▪ Capital Markets Review and Portfolio Performance</li> <li>▪ Tactical Asset Allocation Positioning and Market Outlook</li> <li>▪ Education Topic: Investing In Uncertain Times</li> <li>▪ CFO Report Out – Open Session Finance Committee Materials</li> </ul>	N/A
<b>FY 2021: Q2</b>		
<b>OCTOBER - NO MEETING</b>	<b>NOVEMBER 9, 2020 Meeting</b>	<b>DECEMBER - NO MEETING</b>
<i>October 28, 2020 – Board and Committee Educational Session</i>	<ul style="list-style-type: none"> <li>▪ Capital Markets Review and Portfolio Performance</li> <li>▪ Tactical Asset Allocation Positioning and Market Outlook</li> <li>▪ Investment Policy Review</li> <li>▪ CFO Report Out – Open Session Finance Committee Materials</li> </ul>	N/A
<b>FY 2021: Q3</b>		
<b>JANUARY 25, 2020</b>	<b>FEBRUARY 8, 2021 Meeting</b>	<b>MARCH - NO MEETING</b>
<i>Joint Finance Committee and Investment Committee meeting: Long Range Financial Forecast</i>	<ul style="list-style-type: none"> <li>▪ Capital Markets Review and Portfolio Performance</li> <li>▪ Tactical Asset Allocation Positioning and Market Outlook</li> <li>▪ CFO Report Out – Open Session Finance Committee Materials</li> <li>▪ Proposed FY 2021 Goals/Pacing Plan/Meeting Dates</li> <li>▪ Asset Allocation and ERM Framework</li> </ul>	N/A
<b>FY 2021: Q4</b>		
<b>APRIL - NO MEETING</b>	<b>MAY 10, 2021 Meeting</b>	<b>JUNE - NO MEETING</b>
<i>April 28, 2021 Board and Committee Educational Session</i>	<ul style="list-style-type: none"> <li>▪ Capital Markets Review and Portfolio Performance</li> <li>▪ Tactical Asset Allocation Positioning and Market Outlook</li> <li>▪ CFO Report Out – Open Session Finance Committee Materials</li> <li>▪ 403(b) Investment Performance</li> <li>▪ Approve FY 21 Committee Goals</li> <li>▪ Review status of FY20 Committee Goals</li> </ul>	N/A

**EL CAMINO HOSPITAL BOARD OF DIRECTORS  
COMMITTEE MEETING COVER MEMO**

**To:** Investment Committee  
**From:** Cindy Murphy, Director of Governance Services  
**Date:** August 10, 2020  
**Subject:** Report on Board Actions

**Purpose:**

To keep the Committee informed with regards to actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

**Summary:**

1. **Situation:** It is important to keep the Committees informed about Board activity to provide context for Committee work. The list below is not meant to be exhaustive, but includes agenda items the Board voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital's Board Advisory Committees.
2. **Authority:** This is being brought to the Committees at the request of the Board and the Committees.
3. **Background:** Since the last Investment Committee meeting, the Hospital Board has met four times and the District Board has three times. In addition, since the Board has delegated certain authority to the Compliance and Audit Committee, the Finance Committee and the Executive Compensation Committee those approvals are also noted in this report.

<b>Board/Committee</b>	<b>Meeting Date</b>	<b>Actions (Approvals unless otherwise noted)</b>
<b>ECH Board</b>	May 20, 2020	<ul style="list-style-type: none"> <li>- FY20 Period 9 Financials</li> <li>- Medical Staff Report including the Credentials and Privileges Report</li> <li>- Imaging Equipment Service Agreements</li> <li>- Revised Investment Policy</li> </ul>
	June 10, 2020	<ul style="list-style-type: none"> <li>- Medical Staff Report including the Credentials and Privileges Report</li> <li>- FY20 Period 10 Financials</li> <li>- FY21 Community Benefit Grant Program Funding</li> <li>- Medical Staff Report</li> <li>- Deferral of Revisions to Executive Salary Ranges for FY21</li> <li>- Medical Director Agreements</li> <li>- FY21 Board and Committee Master Calendar</li> <li>- FY21 Advisory Committee Goals</li> <li>- FY21 Advisory and Committee Liaison Agreements</li> <li>- Restructuring of FY 20 Incentive Goals</li> </ul>
	July 8, 2020	<ul style="list-style-type: none"> <li>- Strategic Planning Session</li> </ul>
	July 27, 2020	<ul style="list-style-type: none"> <li>- Joint Meeting With the Finance Committee to Review Proposed FY21 Budget</li> </ul>

Report on Board Actions  
August 10, 2020

<b>Board/Committee</b>	<b>Meeting Date</b>	<b>Actions (Approvals unless otherwise noted)</b>
<b>ECHD Board</b>	May 19, 2020	<ul style="list-style-type: none"> <li>- FY20 YTD Financials</li> <li>- Proposed Budget Expense Allocations to ECHD for FY21 (Community Benefit Staff SW&amp;B and Association Memberships)</li> <li>- Resolution 2020-04 Requesting for and Consenting to Consolidation of Election</li> <li>- Funding for District to Provide COVID-19 Community Testing</li> </ul>
	June 16, 2020	<ul style="list-style-type: none"> <li>- FY20 YTD Financials</li> <li>- Allocation of \$7,830,671 in FY18 Capital Outlay Funds to Mountain View Women’s Hospital Expansion Project</li> <li>- Modification to District Funded Community COVID-19 Testing Program Authorization</li> <li>- Funding for FY21 Community Benefit Grant Program</li> <li>- Appointed Director Miller as Liaison to the Community Benefit Advisory Council</li> </ul>
	July 15, 2020	<ul style="list-style-type: none"> <li>- Appointment of Ad Hoc Committee to Review Compliance Issue</li> </ul>
<b>Finance Committee</b>	July 27, 2020	<ul style="list-style-type: none"> <li>- Funding NTE \$1.85 for Replacement Sterile Processing Equipment</li> </ul>
<b>Compliance and Audit Committee</b>		<ul style="list-style-type: none"> <li>- N/A</li> </ul>
<b>Exec. Comp Committee</b>	July 28, 2020	<ul style="list-style-type: none"> <li>- FY21 CFO Base Salary</li> </ul>

4. Assessment: N/A

5. Other Reviews: N/A

6. Outcomes: N/A

**List of Attachments**: None.

**Suggested Committee Discussion Questions**: None.

# **El Camino Hospital**

## Capital Markets Review & Portfolio Performance

June 30, 2020

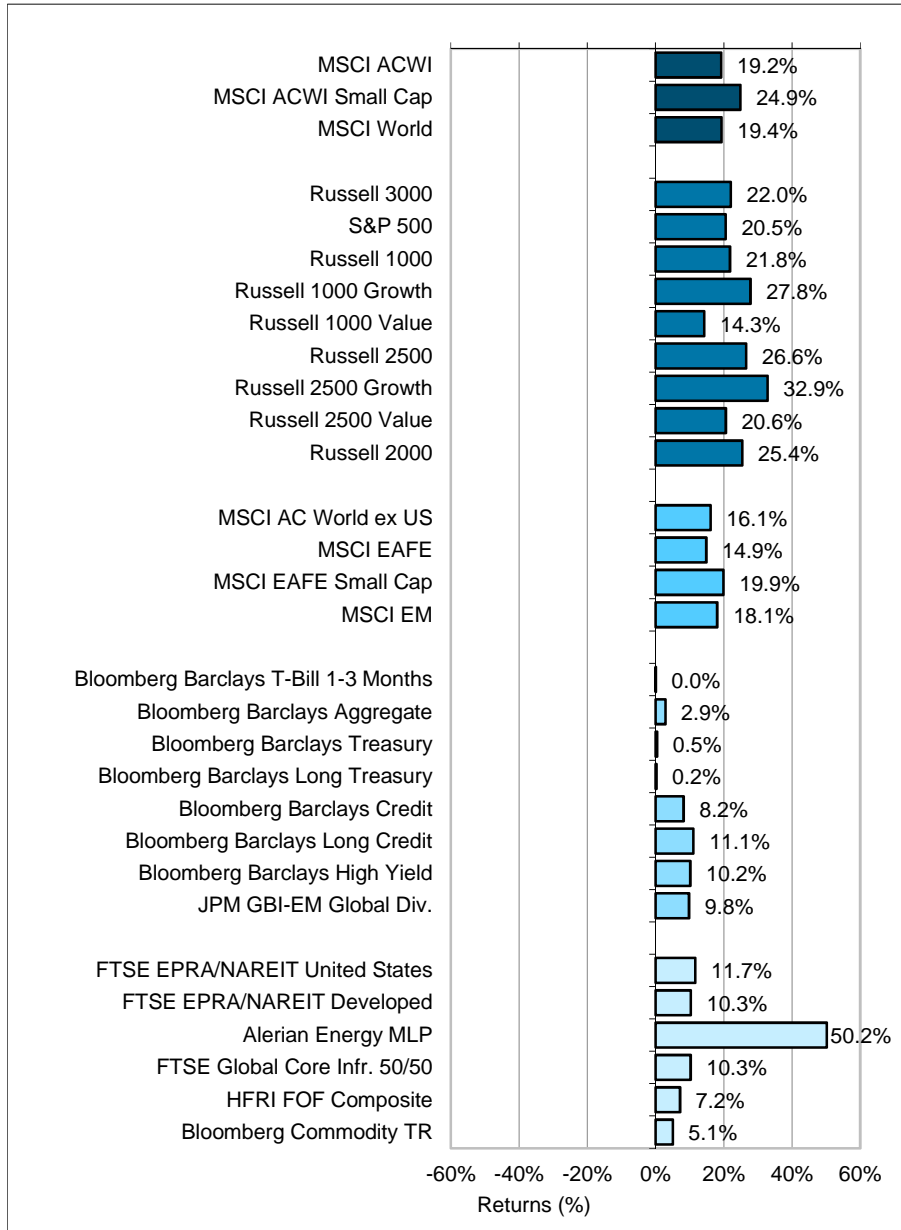


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# Capital Markets Review

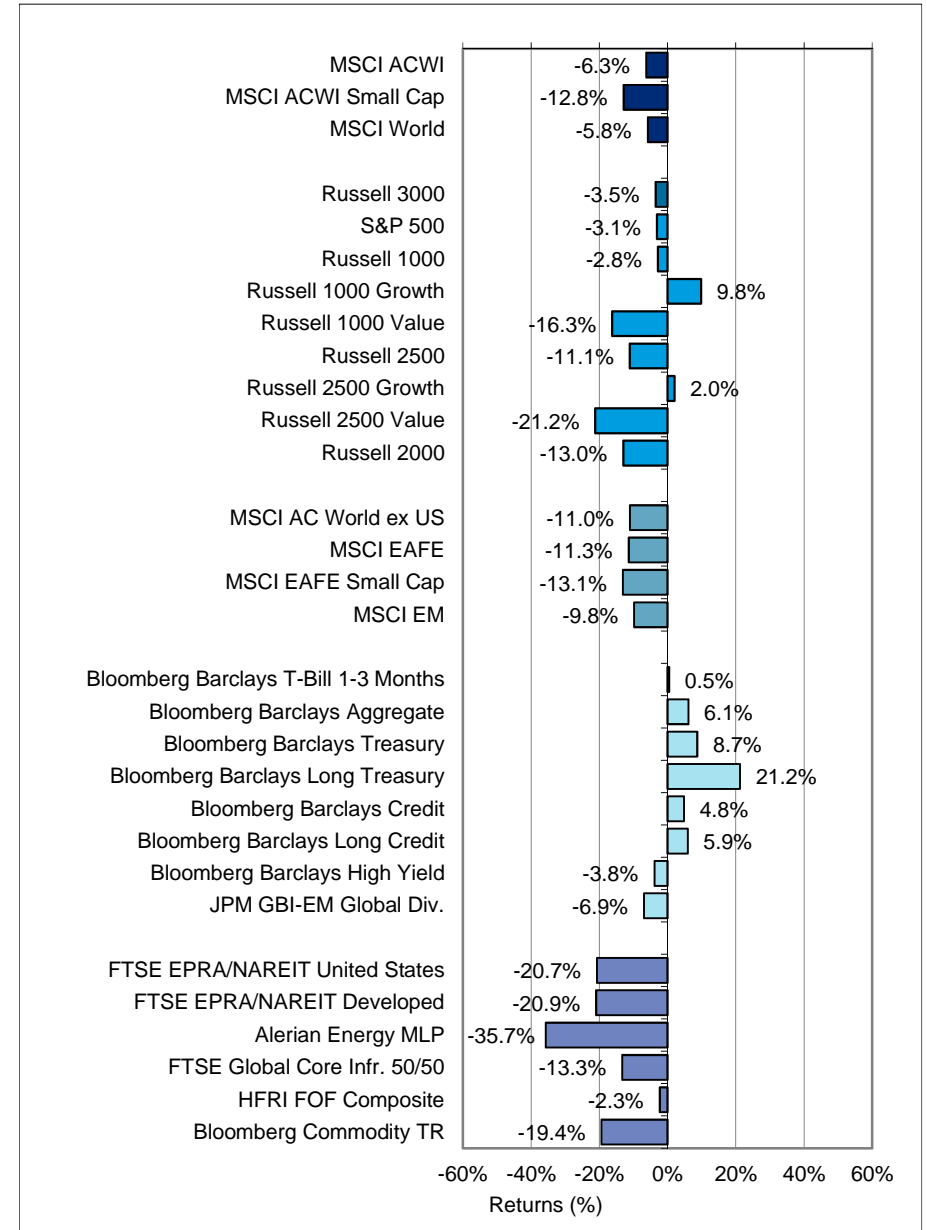
# Performance Summary

## Market Performance Second Quarter 2020



Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg; as of 6/30/20

## Market Performance Year-to-Date



Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg; as of 6/30/20

# Performance Drivers

## 1. Many countries began to reopen their economies.

- Most countries have begun the process of reopening following an unprecedented closure of large segments of their economies due to COVID-19. While the current recovery is encouraging after the collapse in GDP in March and April, it is coming off of a very low base. Continued outbreaks may restrict the recovery as many industries will operate at limited capacity until medical options improve.
- The labor market is following similar dynamics with a partial rebound in employment figures. However, there may be structural job losses that could take time to restore as companies retool and restructure their business models.
- **Mercer View:** It remains difficult to predict the magnitude of the intermediate-term impact on global growth, but we may have seen the low point in economic activity during Q2. The path forward will depend largely on whether the virus is contained or merely controlled, whether fiscal support will be sufficient, any potential rebound in business investment, and whether behavioral changes will drive structural changes to economies.

## 2. Monetary and fiscal support remains significant.

- In the US, the Federal Reserve indicated that short-term rates will likely remain near zero through 2022. The Fed also pledged to continue its bond buying programs for the foreseeable future. While some aspects of the CARES Act are set to expire in July, it seems likely that Congress will be able to reach agreement on extending certain provisions given upcoming elections in November.
- The EU announced the creation of a recovery fund, which could be an important step toward a fiscal union that should reduce the odds of future sovereign debt crises in Europe. The Bank of England increased the size of its quantitative easing program and the UK announced an additional fiscal stimulus package in early July. Japan announced further spending initiatives on top of an already large fiscal platform.
- **Mercer View:** Fiscal and monetary measures have been necessary for cushioning the impact for households and avoiding financial contagion.

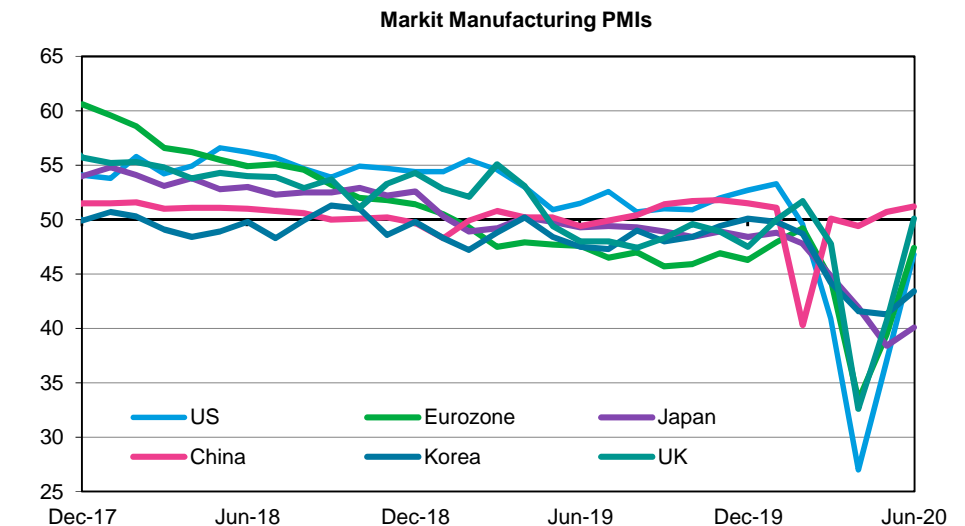
## 3. Geopolitical concerns remain elevated.

- Tensions between the US and China are likely to remain high, as the imposition of a security law on Hong Kong only adds to existing tensions related to trade and transparency around COVID-19.
- As we move further into 2020, US elections in November will have the potential to move markets.
- The UK formally announced that it will not extend the Brexit transition period with the EU. Both sides have agreed to accelerate negotiations, although COVID-19 is likely to remain a distraction as the year-end deadline approaches.
- **Mercer View:** Geopolitical risks are likely to remain elevated over the near term, and could continue to be a source of volatility and downside risk.

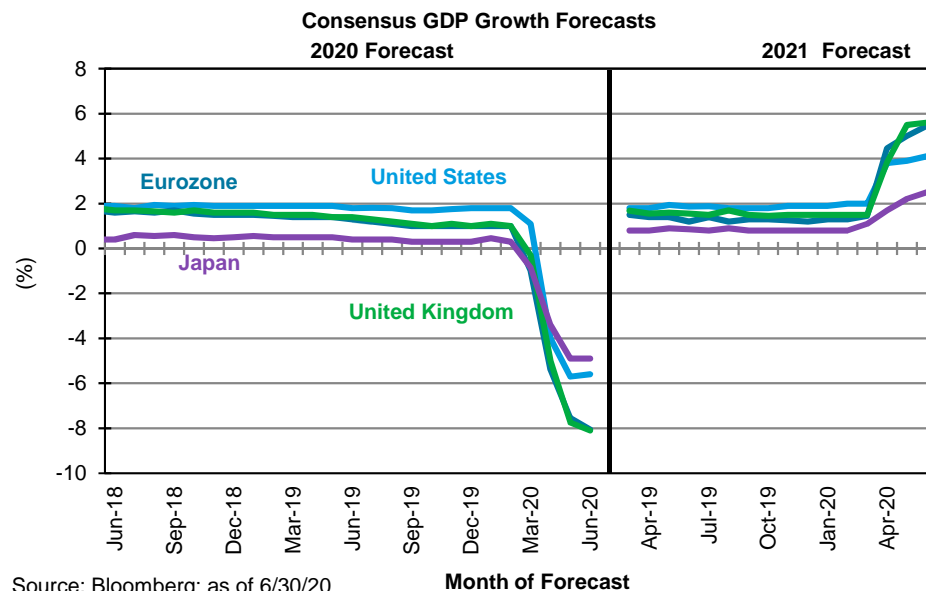
# Economic Fundamentals

## Early Signs of a Recovery in Economic Activity

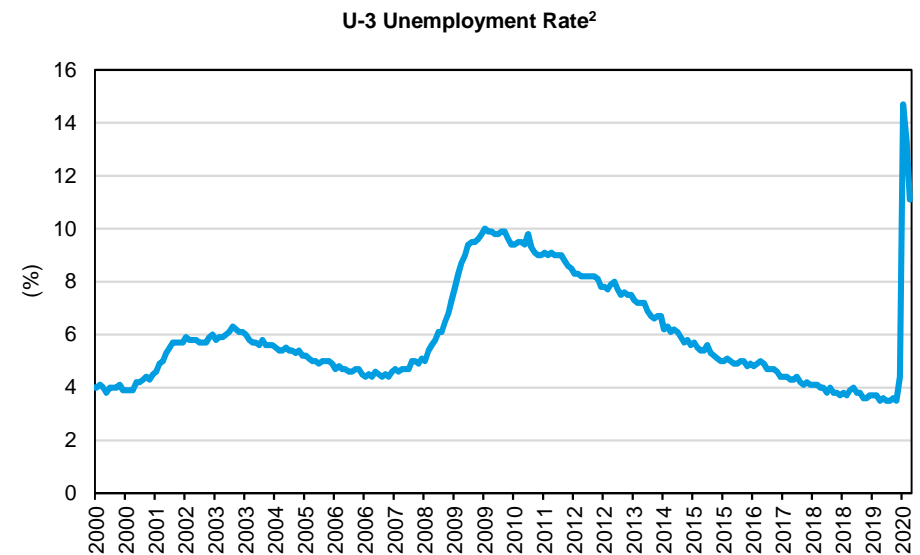
- The global economy is experiencing a recovery in economic activity off of a very low base as lockdowns have been relaxed.
- The strong monetary and fiscal response from around the globe has helped to mitigate some of the economic damage.
- The US unemployment Rate (U-3) spiked to 14.7% in April before ending the quarter at 11.1%<sup>1</sup>. While the U-3 rate excludes many individuals that are out of work<sup>2</sup>, the improvement from April to June was notable.
- The US economy officially entered a recession after having peaked in February 2020, according to the National Bureau of Economic Research.



Source: Bloomberg; as of 6/30/20



Source: Bloomberg; as of 6/30/20



Source: Bureau of Labor Statistics; as of 6/30/20

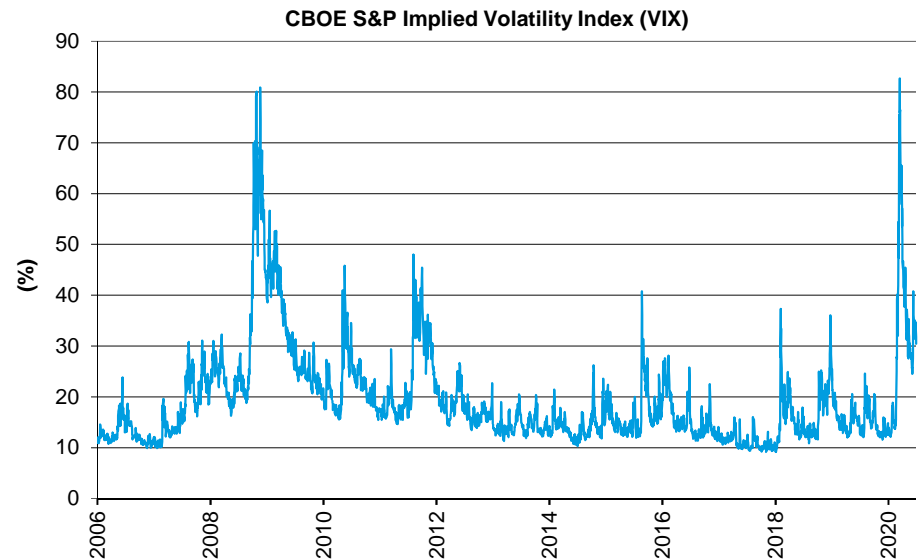
<sup>1</sup> Source: Bureau of Labor Statistics

<sup>2</sup> The U-3 Unemployment Rate represents the percentage of the civilian labor force that is jobless and actively seeking employment.

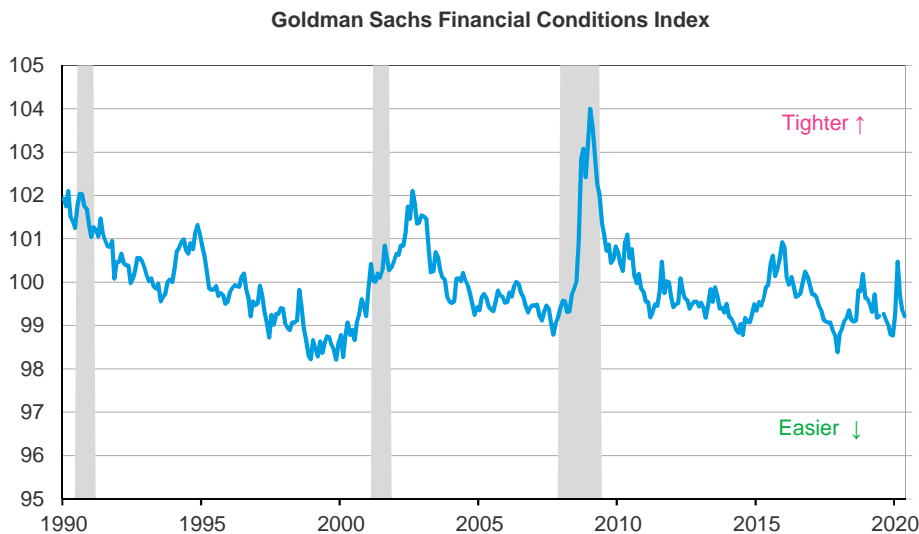
# Risk Factors

## Financial Conditions Eased

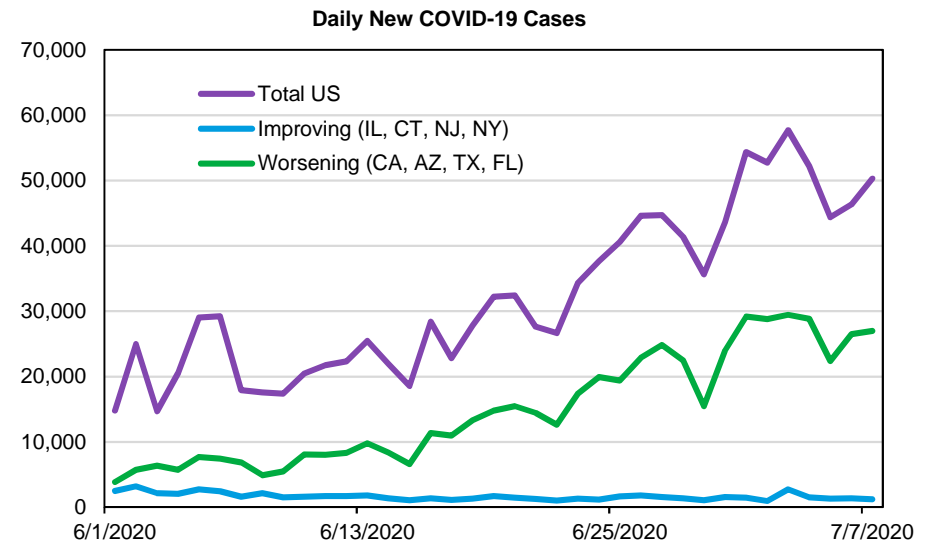
- Financial conditions improved considerably during Q2, as credit spreads declined and bond issuance volumes rose sharply. The Goldman Sachs Financial Conditions Index returned to levels seen in late 2019.
- The VIX index also saw a notable decline during the quarter, falling to just over 30 at quarter-end, after spiking above 80 during Q1<sup>1</sup>.
- A number of US states are currently experiencing a resurgence in COVID-19 case loads, which could begin to weigh on the economic rebound. While any mandated shutdowns are likely to be far more targeted than before, individuals may begin to change their behavior without mandates.



Source: Bloomberg; as of 6/30/20



Source: Bloomberg; as of 6/30/20



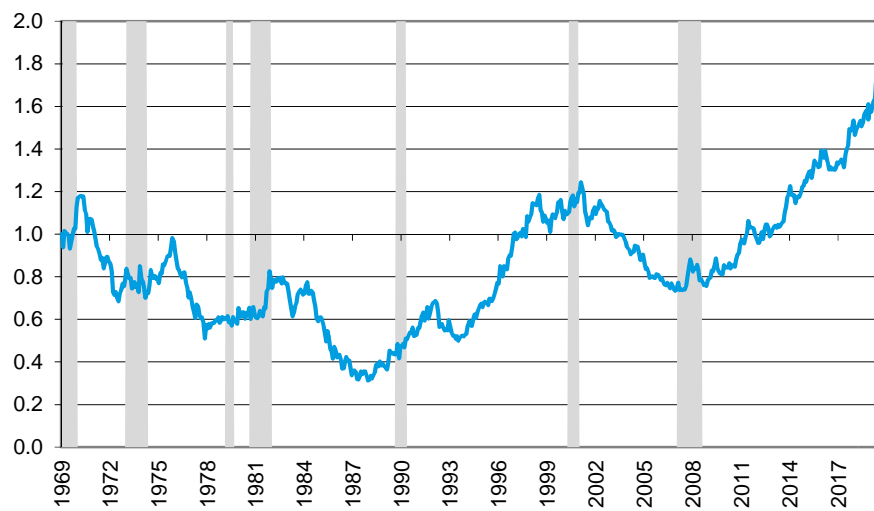
Source: Centers for Disease Control; as of 7/8/20

# Regional Equity Returns

## Global Equities Rebounded

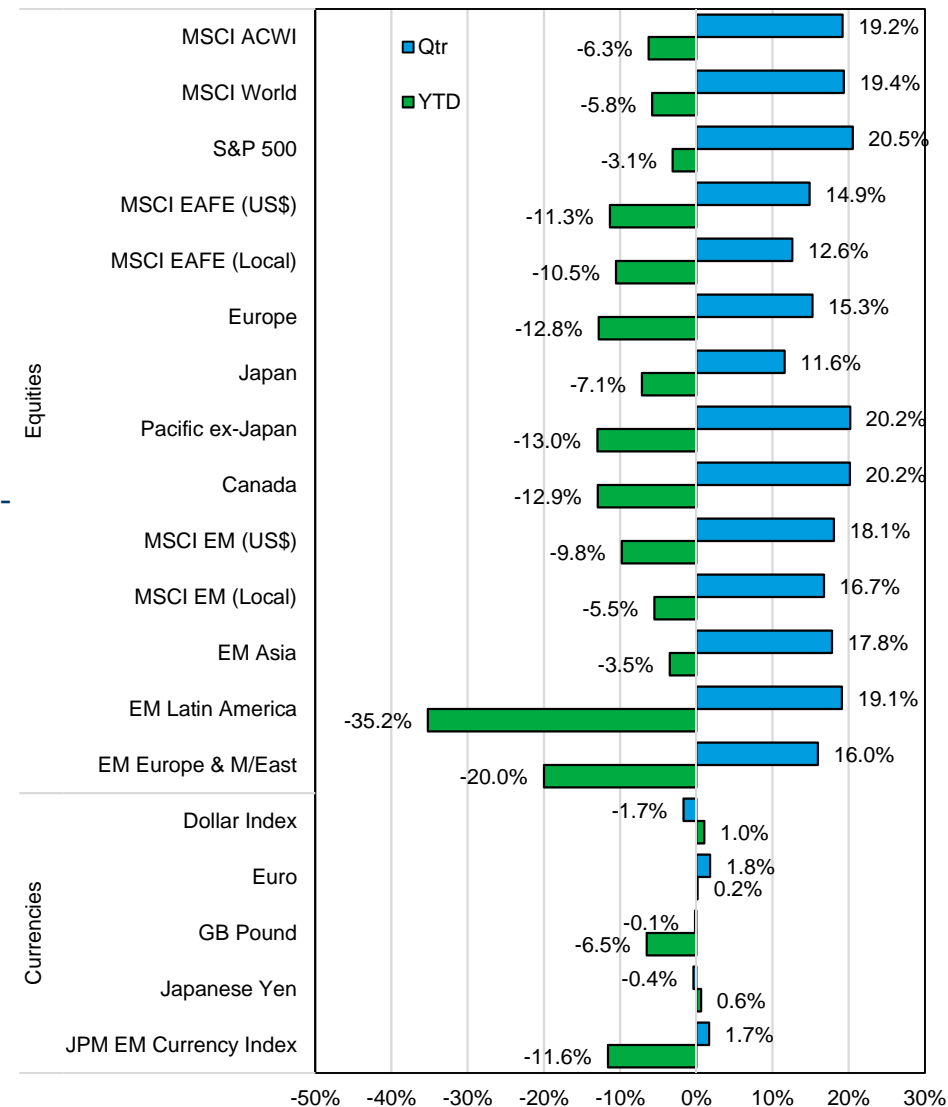
- Global equities rebounded during Q2, with MSCI ACWI gaining 19.2% as economies began to show signs of improvement in activity.
- The S&P 500 gained 20.5% during the quarter, outperforming most other markets. Year-to-date, the S&P 500 has declined 3.1%.
- International developed stocks rose 14.9% during the quarter. A weaker dollar added 230 bps to US\$ returns for the quarter.
- Emerging market equities gained 18.1% in Q2. Latin America modestly outperformed during the quarter, but continues to significantly lag other regions year-to-date.

Ratio of MSCI US to MSCI EAFE (Relative Performance)



Source: Datastream; as of 6/30/20

Global Performance



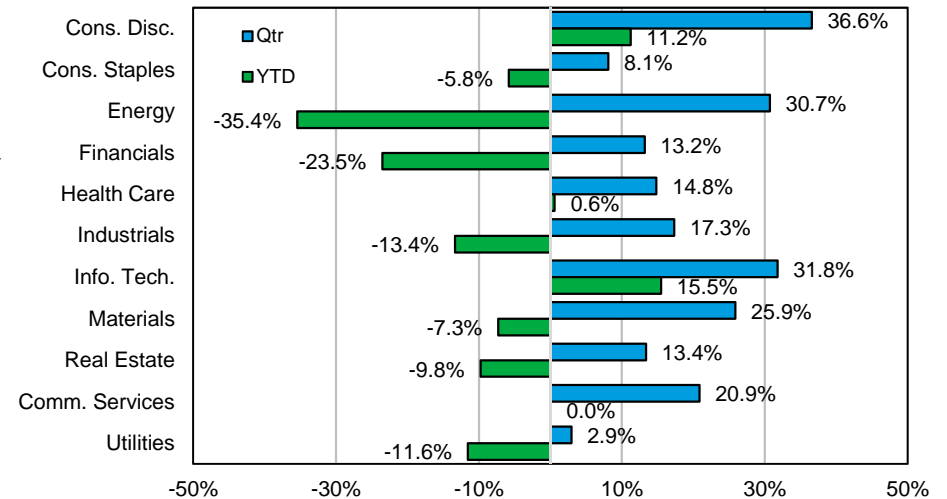
Source: Bloomberg, Datastream; as of 6/30/20

# US Equity Factor and Sector Returns

## Growth and Momentum Outperformed

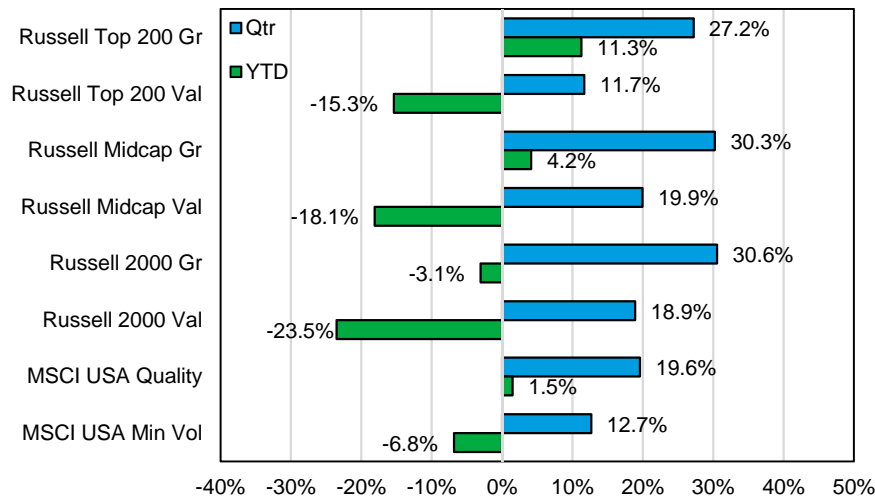
- Growth outperformed value across the size spectrum during Q2. Meanwhile small cap stocks outperformed larger caps. Large-cap value was the worst performing style box segment for the quarter.
- The momentum factor outperformed in Q2, while value, minimum volatility and quality lagged. Technology and consumer discretionary stocks posted the best results during the quarter and both are now in positive territory year-to-date. The energy sector rebounded during Q2 as economic activity started to pick up and output cuts were extended, although energy remains the worst performing sector so far in 2020.

MSCI USA Sector Returns



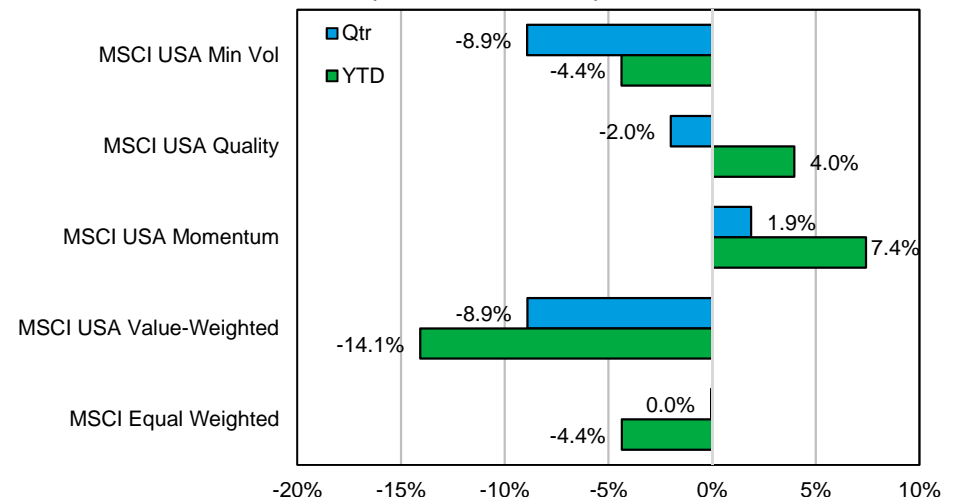
Source: Bloomberg; as of 6/30/20

US Style Performance



Source: Datastream; as of 6/30/20

Relative Factor Performance (Relative to MSCI USA)



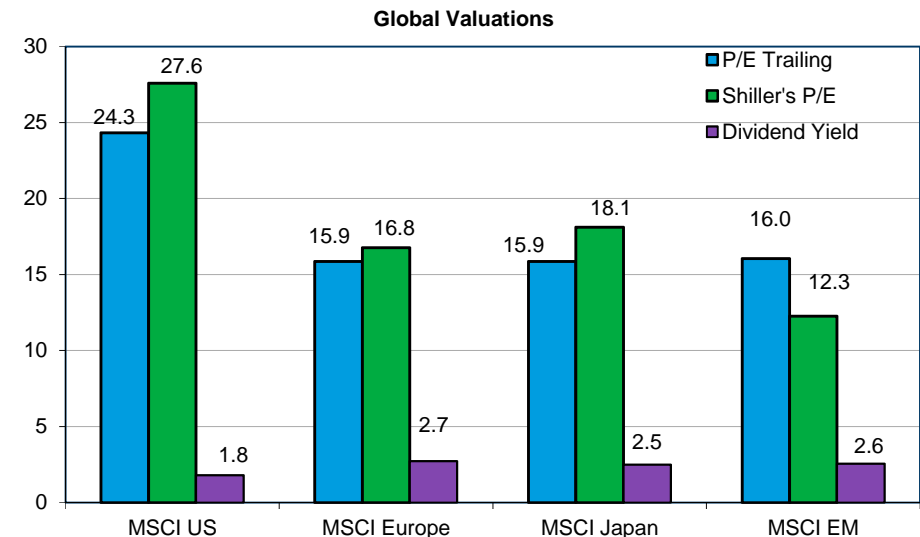
Source: MSCI; as of 6/30/20



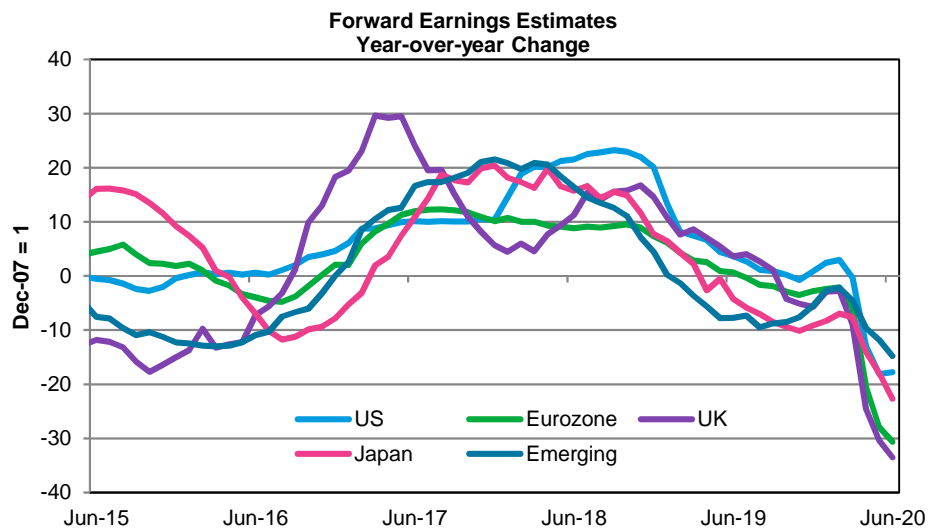
# Equity Fundamentals

## Valuations Elevated, Earnings Remain Uncertain

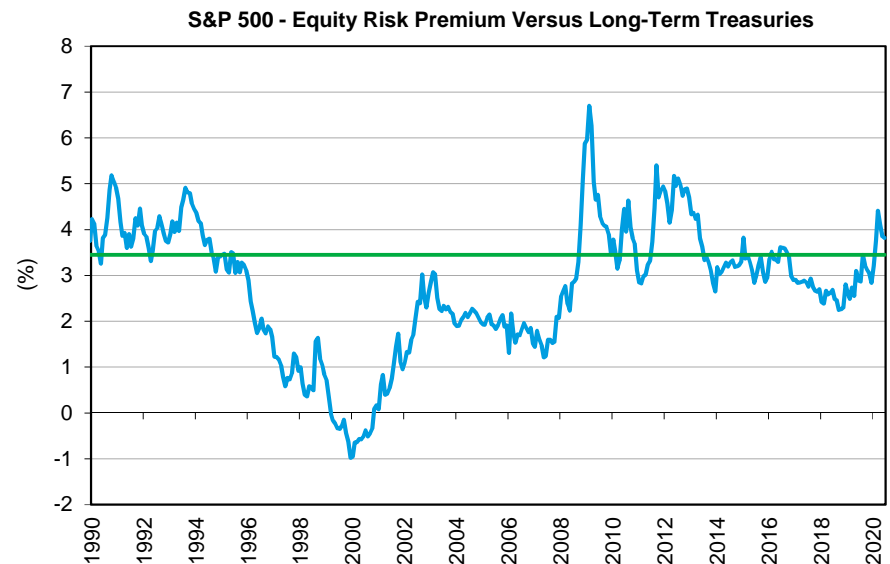
- The rebound in prices during the quarter made equity valuations less attractive, and earnings are likely to plunge over the near-term. The trailing P/E ratio on the MSCI US Index rose from 18.0 to 24.3<sup>1</sup>. We estimate that the equity risk premium over long-term Treasuries fell 60 bps to 3.8%<sup>2</sup> as a result of rising equity valuations.
- International developed stocks remain more reasonably valued, although the macro environment continues to present challenges.
- Emerging market valuations are more attractive. Emerging economies should benefit from an improvement in the global economy, but are exposed to trade and geopolitical risks.



Source: Bloomberg, Datastream, Mercer; as of 6/30/20



Source: Datastream; as of 6/30/20



Source: MSCI, Datastream, Mercer; as of 6/30/20

<sup>1</sup> Source: Datastream

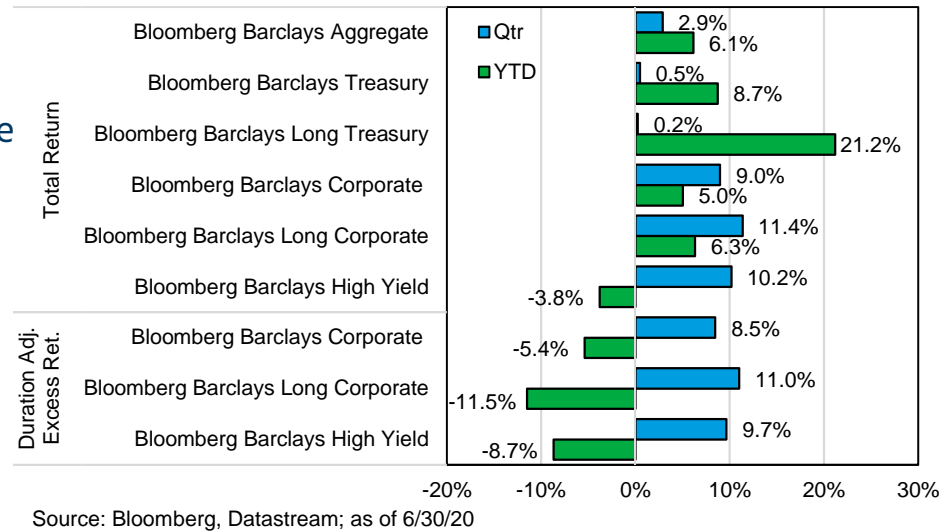
<sup>2</sup> Source: MSCI, Datastream, Mercer

# Interest Rates and Fixed Income

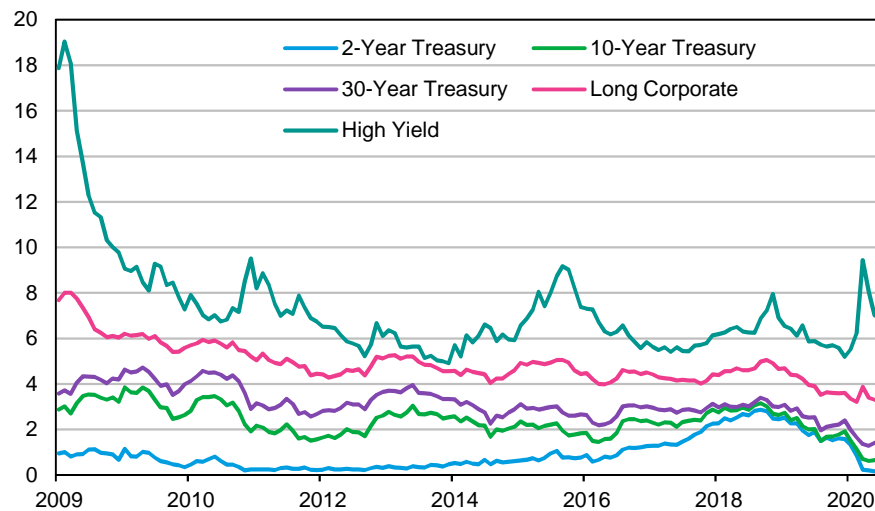
## Corporate Bonds Outperformed as Credit Spreads Fell

- The Bloomberg Barclays Aggregate returned 2.9% during Q2 with corporate bonds outperforming Treasuries. The yield curve saw very modest changes during the quarter, with 3-month yields rising by 5 bps, while 10-year yields fell by 4 bps and 30-year yields rose by 6 bps<sup>1</sup>.
- Investment-grade corporate bond spreads fell an average of 122 bps during the quarter to 1.5%, which is roughly 40 bps above the long-term median level<sup>2</sup>.
- High yield bonds gained 10.2% during the quarter, as credit spreads fell by 254 bps to 6.3%, above the long-term median level of 4.7%<sup>3</sup>.

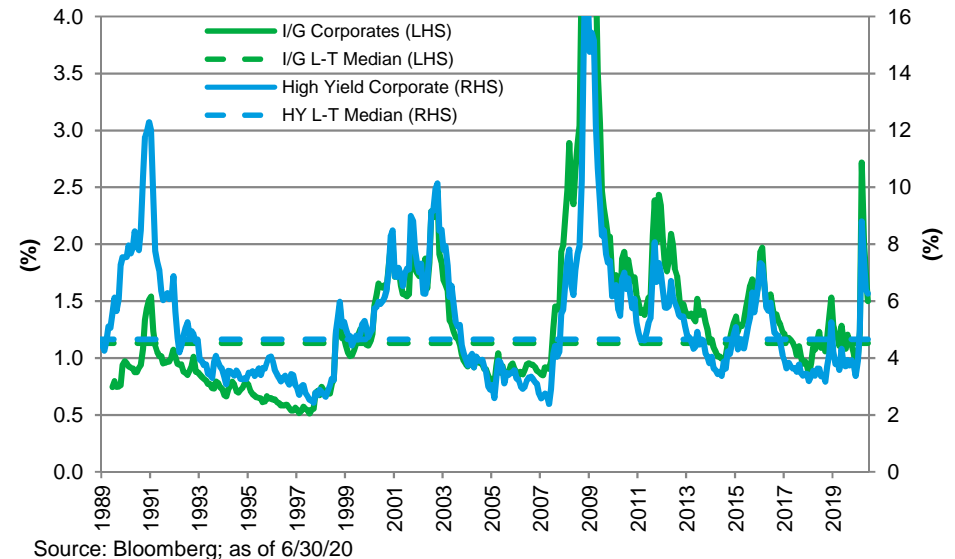
Fixed Income Performance



Yield History



Credit Spread to Treasuries



<sup>1</sup> Source: Federal Reserve

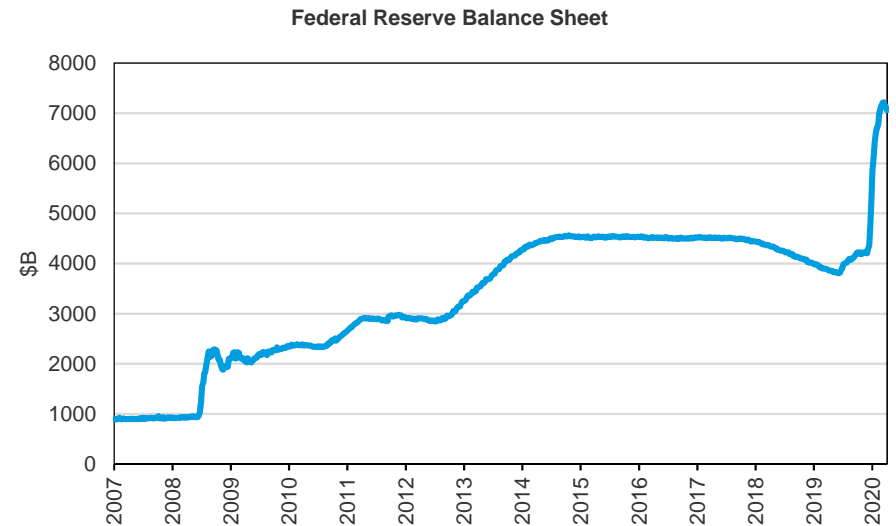
<sup>2</sup> Source: Bloomberg, Mercer

<sup>3</sup> Source: Bloomberg, Mercer

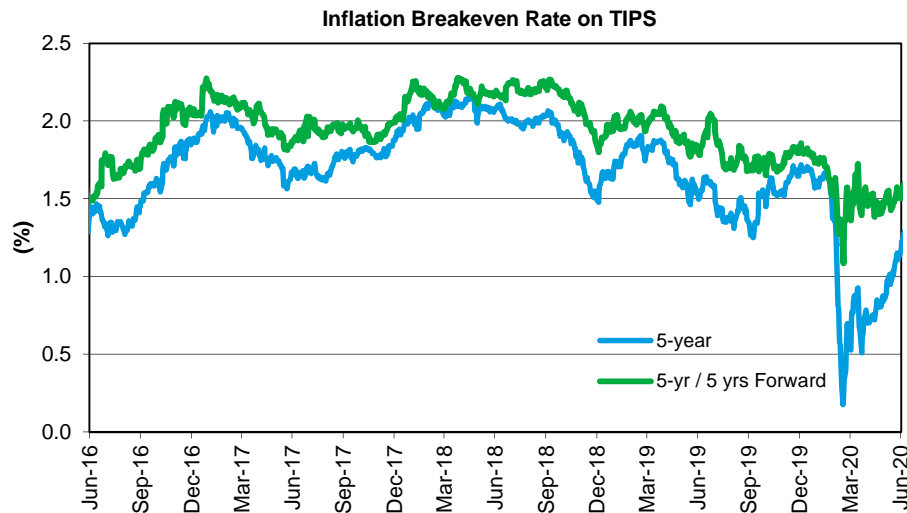
# Monetary Policy

## Central Banks Increased Their Asset Purchase Programs

- In its June meeting, the Federal Reserve indicated that short-term rates will likely remain near zero through 2022. The Fed also pledged to continue its bond buying programs at the current pace for the foreseeable future and expanded its corporate bond purchase program from ETFs to single issues. The Fed's balance sheet crossed \$7T during the second quarter<sup>1</sup>.
- At quarter end, the US Treasury yield curve had a very modest inversion at the short end, but was otherwise upward sloping.
- Overseas, the European Central Bank, the Bank of Japan, the Bank of England, and the People's Bank of China all increased their asset purchase programs during the quarter.

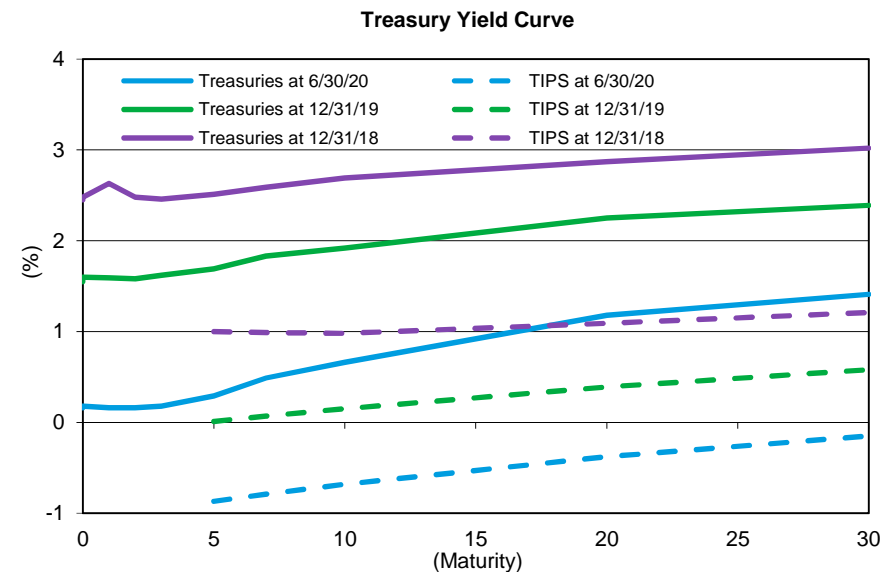


Source: Bloomberg; as of 6/30/20



Source: Bloomberg, Mercer; as of 6/30/20

<sup>1</sup> Source: Bloomberg



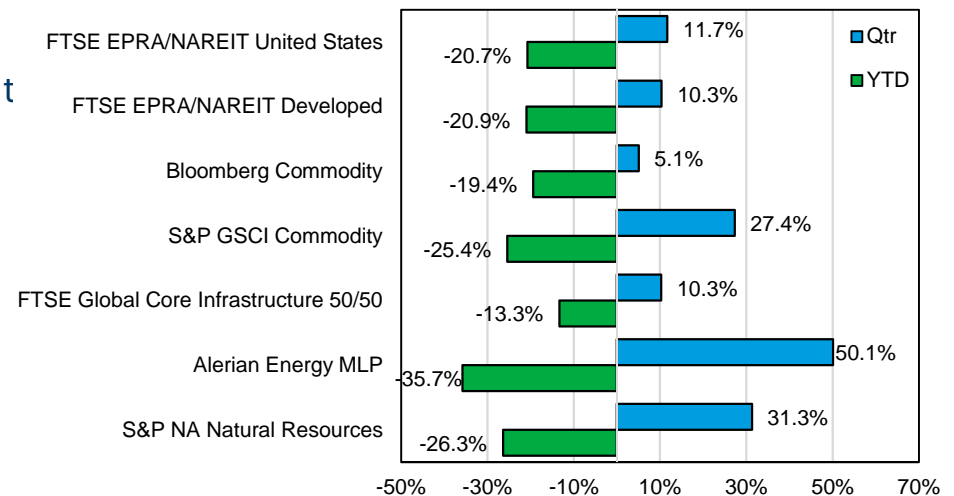
Source: Federal Reserve; as of 6/30/20

# Alternative Investment Performance

## REITs Lagged the Broader Market

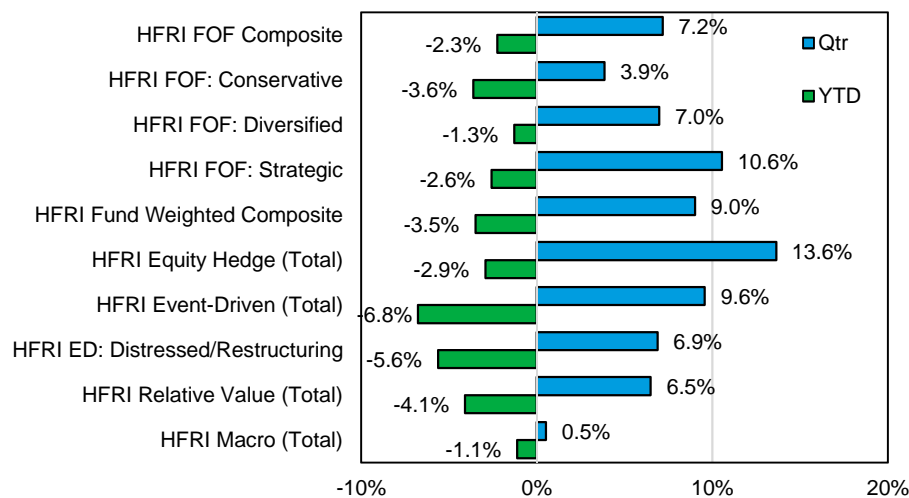
- REITs continue to lag the broader market given the high level of uncertainty around how certain segments of the real estate market will be impacted by COVID-19. Infrastructure stocks also lagged during the quarter, but have outperformed REITs year-to-date.
- Natural resource stocks and MLPs saw some of the strongest rebounds in Q2, supported by an increase in economic activity and renewed production cuts.
- Hedge funds returned 7.2% in Q2. Equity hedge strategies performed well during the quarter, while macro strategies lagged.
- Global private equity outperformed global developed stocks by a wide margin over most trailing periods<sup>1</sup>.

Real Asset Performance



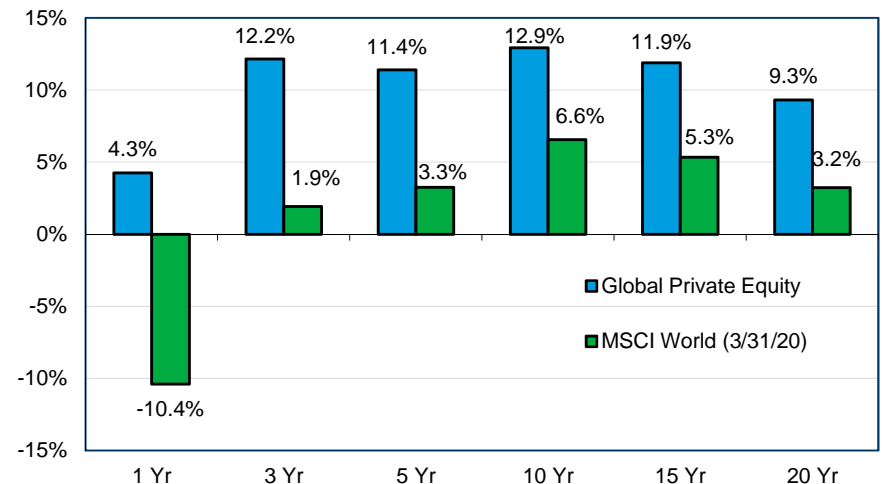
Source: Bloomberg, Datastream; as of 6/30/20

Hedge Fund Performance



Source: Hedge Fund Research; as of 6/30/20

Global Private Equity vs. Global Public Equities (as of 03/31/2020)



Source: Burgiss, Bloomberg; as of 3/31/20

<sup>1</sup> As of 3/31/20

# Valuations and Yields

## Ending June 30, 2020

### Valuations

MSCI USA	6/30/2020	3/31/2020	12/31/2019	9/30/2019
Index Level	13305.2	10927.7	13599.6	12462.2
P/E Ratio (Trailing)	24.3	18.0	23.1	21.1
CAPE Ratio	27.6	22.7	28.6	27
Dividend Yield	1.8	2.3	1.8	2
P/B	3.7	2.9	3.7	3.4
P/CF	13.9	11.3	15.8	14.3
MSCI EAFE	6/30/2020	3/31/2020	12/31/2019	9/30/2019
Index Level	4538.1	4023.2	5056.4	4805
P/E Ratio (Trailing)	15.8	12.9	16.3	15.3
CAPE Ratio	15.0	13.2	19.1	18.4
Dividend Yield	2.8	4.1	3.2	3.4
P/B	1.5	1.3	1.7	1.6
P/CF	8.6	8.3	10.5	9.4
MSCI EM	6/30/2020	3/31/2020	12/31/2019	9/30/2019
Index Level	475.9	403.1	527.6	471.7
P/E Ratio (Trailing)	16.0	12.5	15.0	13.2
CAPE Ratio	12.3	10.5	13.8	12.5
Dividend Yield	2.6	3.2	2.6	2.9
P/B	1.6	1.4	1.7	1.6
P/CF	8.7	7.1	10.0	8.1

Source: Bloomberg, Thomson Reuters Datastream

### Yields

Global Bonds	6/30/2020	3/31/2020	12/31/2019	9/30/2019
Germany – 10Y	-0.45	-0.47	-0.19	-0.57
France - 10Y	-0.11	-0.15	0.12	-0.27
UK - 10Y	0.17	0.36	0.82	0.49
Switzerland – 10Y	-0.44	-0.33	-0.47	-0.76
Italy – 10Y	1.26	1.52	1.41	0.82
Spain 10Y	0.47	0.68	0.47	0.15
Japan – 10Y	0.28	0.02	-0.01	-0.21
Euro Corporate	0.89	1.85	0.51	0.40
Euro High Yield	5.62	9.62	3.46	3.76
EMD (\$)	5.51	7.00	4.91	5.16
EMD (LCL)	4.51	5.36	5.22	5.21
US Bonds	6/30/2020	3/31/2020	12/31/2019	9/30/2019
3-Month T-Bill	0.16	0.11	1.55	1.88
10Y Treasury	0.66	0.70	1.92	1.68
30Y Treasury	1.41	1.35	2.39	2.12
10Y TIPS	-0.68	-0.17	0.15	0.15
30Y TIPS	-0.15	0.16	0.58	0.53
US Aggregate	1.25	1.59	2.31	2.26
US Treasury	0.50	0.58	1.80	1.72
US Corporate	2.15	3.43	2.84	2.91
US Corporate High Yield	6.87	9.44	5.19	5.65

Source: Bloomberg, Thomson Reuters Datastream

# Portfolio Review

As of June 30, 2020

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY20 Budget	Expectation Per Asset Allocation
<b>Investment Performance</b>		<b>2Q 2020</b>		<b>Fiscal Year-to-date</b>		<b>7y 8m Since Inception (annualized)</b>		<b>FY 2020</b>	<b>2019</b>
Surplus cash balance*		\$1,076.6	--	--	--	--	--	--	--
Surplus cash return		10.2%	9.7%	3.6%	4.0%	5.4%	5.3%	4.0%	5.6%
Cash balance plan balance (millions)		\$286.7	--	--	--	--	--	--	--
Cash balance plan return		13.2%	11.3%	3.8%	3.7%	7.3%	6.6%	6.0%	6.0%
403(b) plan balance (millions)		\$551.4	--	--	--	--	--	--	--
<b>Risk vs. Return</b>		<b>3-year</b>			<b>7y 8m Since Inception (annualized)</b>				<b>2019</b>
Surplus cash Sharpe ratio		0.47	0.46	--	--	0.78	0.78	--	0.34
Net of fee return		5.3%	5.2%	--	--	5.4%	5.3%	--	5.6%
Standard deviation		7.9%	7.6%	--	--	5.9%	5.8%	--	8.7%
Cash balance Sharpe ratio		0.48	0.45	--	--	0.85	0.83	--	0.32
Net of fee return		6.3%	5.6%	--	--	7.3%	6.6%	--	6.0%
Standard deviation		10.0%	9.1%	--	--	7.6%	7.1%	--	10.3%
<b>Asset Allocation</b>		<b>2Q 2020</b>							
Surplus cash absolute variances to target		12.5%	< 10% Green < 20% Yellow	--	--	--	--	--	--
Cash balance absolute variances to target		11.7%	< 10% Green < 20% Yellow	--	--	--	--	--	--
<b>Manager Compliance</b>		<b>2Q 2020</b>							
Surplus cash manager flags		18	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		21	< 27 Green < 34 Yellow	--	--	--	--	--	--

\*Excludes debt reserve funds (~\$21 mm), District assets (~\$42 mm), and balance sheet cash not in investable portfolio (\$234 mm). Includes Foundation (~\$36 mm) and Concern (~\$14 mm) assets.

# El Camino Hospital

Total Surplus Cash Assets

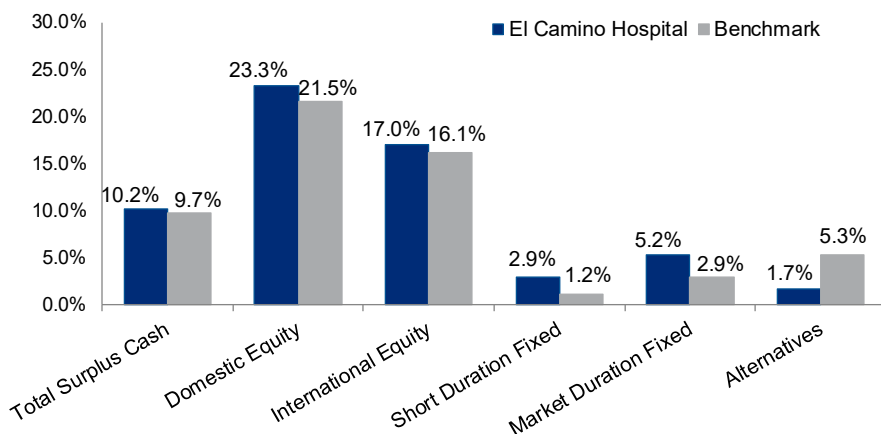
As of June 30, 2020

	Allocation		Performance								
	Asset \$	%	3 Month	CYTD	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
<b>Total Surplus Cash (1)</b>	<b>1,139,807,610</b>	<b>100.0</b>	<b>9.6</b>	<b>-0.9</b>	<b>3.6</b>	<b>3.6</b>	<b>4.7</b>	<b>4.4</b>	<b>5.2</b>	<b>4.9</b>	<b>Nov-2012</b>
<b>Total Surplus Cash ex District / Debt Reserves (1)</b>	<b>1,076,560,748</b>	<b>94.5</b>	<b>10.2</b>	<b>-1.1</b>	<b>3.6</b>	<b>3.6</b>	<b>5.3</b>	<b>5.0</b>	<b>5.6</b>	<b>5.4</b>	<b>Nov-2012</b>
<i>Surplus Cash Total Benchmark</i>			9.7	-0.9	4.0	4.0	5.2	5.0	5.5	5.3	
<b>Total Surplus Cash ex District / CONCERN / Debt Reserves (1)</b>	<b>1,062,222,977</b>	<b>93.2</b>	<b>10.3</b>	<b>-1.2</b>	<b>3.5</b>	<b>3.5</b>	<b>5.3</b>	<b>5.0</b>	<b>5.6</b>	<b>5.4</b>	<b>Nov-2012</b>
<i>Surplus Cash Total Benchmark</i>			9.7	-0.9	4.0	4.0	5.2	5.0	5.5	5.3	
<b>Total CONCERN</b>	<b>14,337,771</b>	<b>1.3</b>	<b>4.1</b>	<b>6.4</b>	<b>9.0</b>	<b>9.0</b>	<b>5.6</b>	<b>-</b>	<b>-</b>	<b>4.6</b>	<b>Feb-2016</b>
<i>CONCERN Total Benchmark</i>			2.9	6.1	8.5	8.5	5.2	-	-	4.3	
Met West Total Return Bond Plan - CONCERN	14,251,802	1.3	4.1	6.5	9.2	9.2	5.7	4.4	-	4.7	Feb-2016
<i>Blmbg. Barc. U.S. Aggregate</i>			2.9	6.1	8.7	8.7	5.3	4.3	3.8	4.4	
Cash Account - CONCERN	85,968	0.0	0.0	0.1	1.4	1.4	1.1	-	-	0.9	Feb-2016
<i>90 Day U.S. Treasury Bill</i>			0.0	0.6	1.6	1.6	1.8	1.2	0.6	1.3	
<b>District - Barrow Hanley</b>	<b>41,795,137</b>	<b>3.7</b>	<b>0.8</b>	<b>2.7</b>	<b>4.1</b>	<b>4.1</b>	<b>2.6</b>	<b>1.8</b>	<b>1.3</b>	<b>1.4</b>	<b>Nov-2012</b>
<i>Blmbg. Barc. 1-3 Govt</i>			0.3	3.0	4.1	4.1	2.7	1.9	1.4	1.5	
<b>Total Debt Reserves</b>	<b>21,451,724</b>	<b>1.9</b>	<b>-0.1</b>	<b>0.3</b>	<b>1.4</b>	<b>1.4</b>	<b>1.8</b>	<b>1.3</b>	<b>-</b>	<b>1.3</b>	<b>May-2015</b>
<i>90 Day U.S. Treasury Bill</i>			0.0	0.6	1.6	1.6	1.8	1.2	0.6	1.1	
Ponder Debt Reserves - 2015	143	0.0	-	-	-	-	-	-	-	-	May-2015
<i>90 Day U.S. Treasury Bill</i>			0.0	0.6	1.6	1.6	1.8	1.2	0.6	1.1	
Ponder Debt Reserves - 2017	21,451,582	1.9	-0.1	0.3	1.4	1.4	1.8	-	-	1.7	Mar-2017
<i>90 Day U.S. Treasury Bill</i>			0.0	0.6	1.6	1.6	1.8	1.2	0.6	1.7	

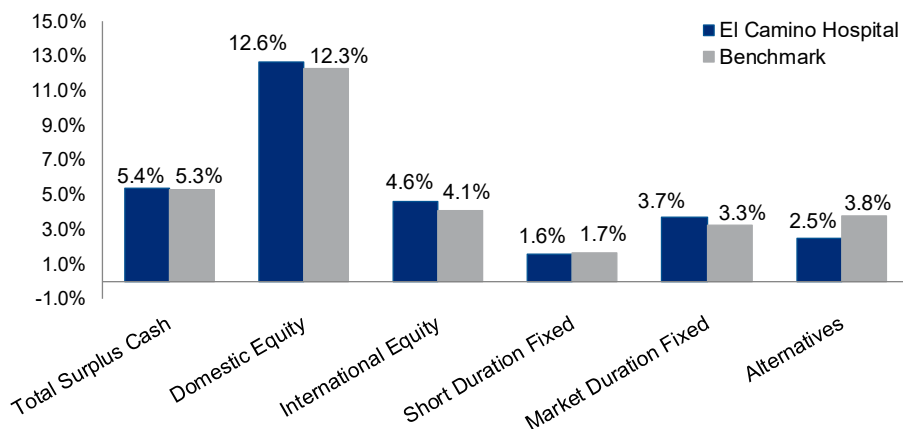
Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized. (1) Includes Foundation assets.



## Performance: Most Recent Quarter



## Performance: Since Inception<sup>1</sup>



<sup>1</sup> Reflects the date Pavilion's recommended portfolio was implemented (November 1, 2012).

## Asset Allocation

Manager	Total Assets (\$, mil.)	Percent of Total	Target Allocation	Variance to Target	Target Range	Within Policy Range
Domestic Equity	\$291.6	27.1%	25.0%	+ 2.1%	20-30%	Yes
International Equity	\$143.9	13.4%	15.0%	- 1.6%	10-20%	Yes
Short-Duration Fixed	\$120.2	11.2%	10.0%	+ 1.2%	8-12%	Yes
Market-Duration Fixed	\$355.3	33.0%	30.0%	+ 3.0%	25-35%	Yes
Alternatives	\$165.6	15.4%	20.0%	- 4.6%	17-23%	No
<b>Total (X District)</b>	<b>\$1,076.6</b>	<b>100.0%</b>				

## Portfolio Updates

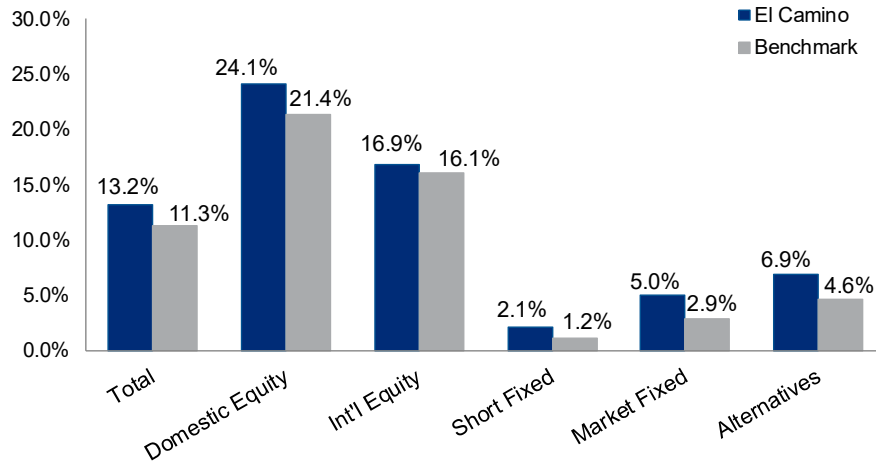
### Performance

- The Surplus Cash Portfolio returned 10.2% for the quarter, outperforming its benchmark by approximately 50 bps. Relative outperformance during the quarter was driven by manager results, particularly within large cap equity and fixed income.
- The domestic and international equity composites benefited relative results while also generating absolute gains.
- Domestic growth manager Sands and international equity manager Causeway were the top relative performers, outpacing their benchmarks by 1000 bps and 440 bps, respectively.

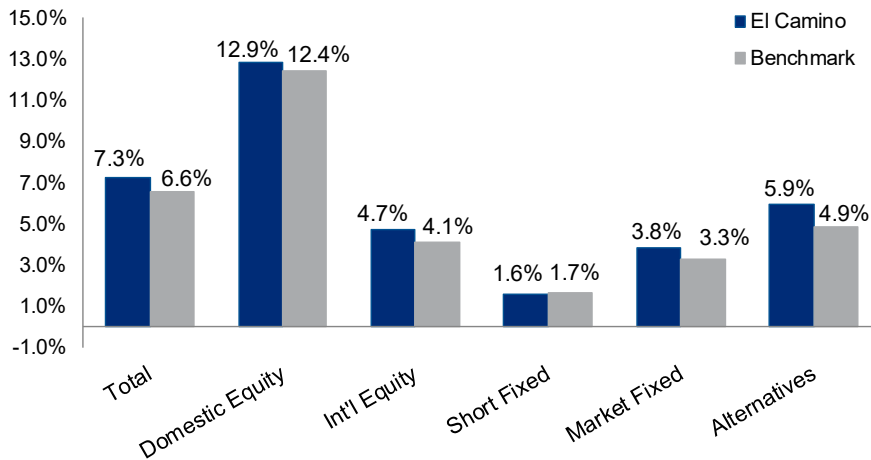
### Investment Activity

- Angelo Gordon Realty Value Fund X called \$1.75 million of capital during the quarter.
- Distribution payments were made by liquidating hedge funds in the amount of \$1.5 mm during the quarter.
- The Alternatives composite fell outside of policy range temporarily as we contemplate additional investments to alternative assets.

## Performance: Most Recent Quarter



## Performance: Since Inception<sup>1</sup>



## Asset Allocation

Manager	Total Assets (\$, mil.)	Percent of Total	Target Allocation	Variance to Target	Target Range	Within Policy Range
Domestic Equity	\$100.1	34.9%	32.0%	+ 2.9%	27-37%	Yes
International Equity	\$ 48.3	16.8%	18.0%	- 1.2%	15-21%	Yes
Short-Duration Fixed	\$ 10.4	3.6%	5.0%	- 1.4%	0-8%	Yes
Market-Duration Fixed	\$ 80.0	27.9%	25.0%	+ 2.9%	20-30%	Yes
Alternatives	\$ 47.9	16.7%	20.0%	- 3.3%	17-23%	No
<b>Total</b>	<b>\$286.7</b>	<b>100.0%</b>				

## Portfolio Updates

### Performance

- The Cash Balance Plan returned 13.2% for the quarter, outperforming its benchmark by 190 bps. Relative outperformance during the second quarter was driven by manager results across the board, particularly within large cap equity and market duration fixed income.
- The domestic and international equity composites benefited relative results while also generating absolute gains.
- Domestic growth manager Sands and international equity manager Causeway were the top relative performers, outpacing their benchmarks by 1000 bps and 440 bps, respectively.

### Investment Activity

- Benefit payments of \$2.5 mm were made during the quarter.

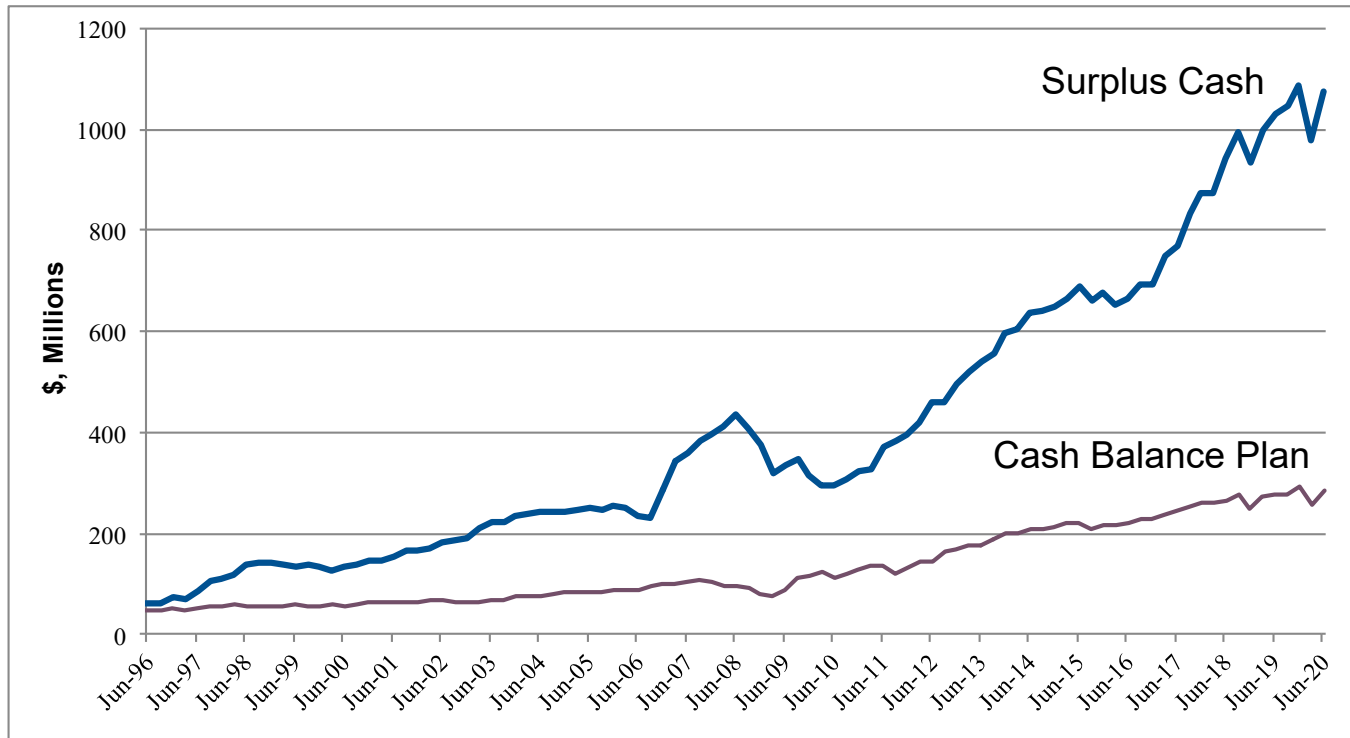
<sup>1</sup> Reflects the date Pavilion's recommended portfolio was implemented (November 1, 2012).

# Calendar Year Market Value Reconciliation

As of June 30, 2020

\$ in Millions	Surplus Cash					Cash Balance Plan				
	2016	2017	2018	2019	YTD 2020	2016	2017	2018	2019	YTD 2020
<b>Beginning Market Value</b>	<b>\$677.5</b>	<b>\$694.7</b>	<b>\$872.3</b>	<b>\$934.4</b>	<b>\$1,088.1</b>	<b>\$216.8</b>	<b>\$228.1</b>	<b>\$259.3</b>	<b>\$250.1</b>	<b>\$294.0</b>
<b>Net Cash Flow</b>	<b>(\$17.5)</b>	\$89.0	\$83.1	\$4.4	\$0.5	\$0.4	<b>(\$0.8)</b>	<b>(\$3.9)</b>	<b>(\$2.6)</b>	<b>(\$1.3)</b>
Income	\$12.4	\$14.2	\$18.1	\$21.4	\$9.7	\$3.4	\$3.6	\$4.1	\$4.9	\$2.2
Realized Gain/(Loss)	\$7.1	\$9.6	\$14.1	\$20.0	\$8.7	\$4.5	\$2.2	\$10.0	\$6.0	<b>(\$0.5)</b>
Unrealized Gain/(Loss)	\$15.1	\$64.8	<b>(\$53.2)</b>	\$107.9	<b>(\$30.3)</b>	\$3.0	\$26.2	<b>(\$19.4)</b>	\$35.6	<b>(\$7.7)</b>
<b>Capital App/(Dep)</b>	\$34.6	\$88.6	<b>(\$21.0)</b>	\$149.3	<b>(\$12.0)</b>	\$10.9	\$32.0	<b>(\$5.3)</b>	\$46.6	<b>(\$6.0)</b>
<b>End of Period Market Value</b>	<b>\$694.7</b>	<b>\$872.3</b>	<b>\$934.4</b>	<b>\$1,088.1</b>	<b>\$1,076.6</b>	<b>\$228.1</b>	<b>\$259.3</b>	<b>\$250.1</b>	<b>\$294.0</b>	<b>\$286.7</b>
<b>Return Net of Fees</b>	5.2%	11.8%	-2.6%	15.1%	-1.1%	4.9%	14.5%	-2.8%	18.2%	-1.8%

Totals may not add due to rounding.



Fund Name	Excess Performance (3Yr)	Excess Performance (5Yr)	Peer Return Rank (3Yr)	Peer Return Rank (5Yr)	Sharpe Ratio (5Yr)	Information Ratio (5Yr)
Sands Large Cap Growth (Touchstone) - Both Plans	✓	✓	✓	✓	✗	✓
Barrow Hanley Large Cap Value - Surplus Cash	✓	✗	✗	✗	✗	✓
Barrow Hanley Large Cap Value - Pension	✓	✗	✗	✗	✗	✓
Wellington Small Cap Value - Surplus Cash	✗	✗	✗	✗	✗	✗
Wellington Small Cap Value - Pension	✗	✗	✗	✗	✗	✗
Conestoga Small-Cap Fund I - Both Plans	✓	✓	✓	✓	✓	✓
BNY Mellon International Stock - Both Plans	✓	✓	✓	✓	✓	✓
Causeway International Value - Both Plans	✓	✓	✓	✗	✓	✓
Harding Loevner Inst. Emerging Markets I - Both Plans	✗	✗	✗	✓	✗	✓
Barrow Hanley Short Fixed - Surplus Cash	✗	✓	✓	✓	✗	✓
Barrow Hanley Short Fixed - Pension	✓	✓	✓	✓	✗	✓
Dodge & Cox Fixed - Surplus Cash	✓	✓	✓	✓	✓	✓
Dodge & Cox Fixed - Pension	✓	✓	✓	✓	✓	✓
MetWest Fixed - Surplus Cash	✓	✓	✓	✓	✓	✓
Met West Fixed - Pension	✓	✓	✓	✓	✓	✓
Lighthouse Diversified - Pension	✗	✗	-	-	✗	✗
Pointer Offshore LTD - Pension	✓	✓	-	-	✓	✓

- ✓ Goals met or no material change
- ✗ Goals not met or material change

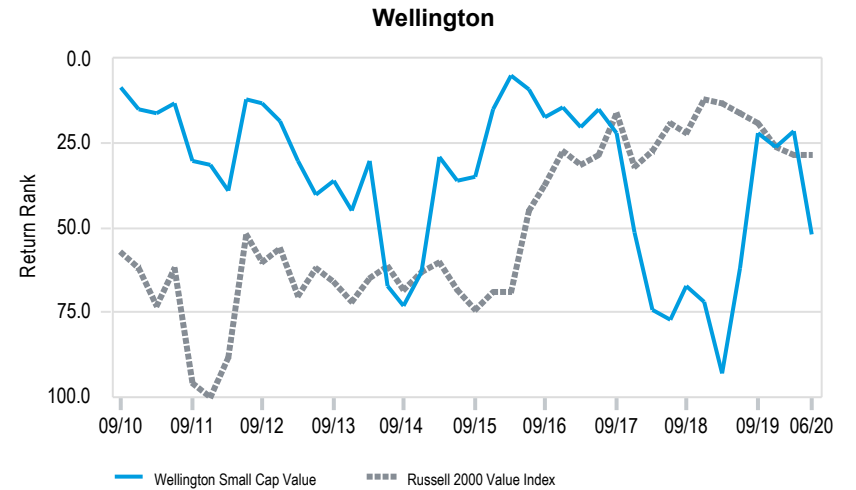
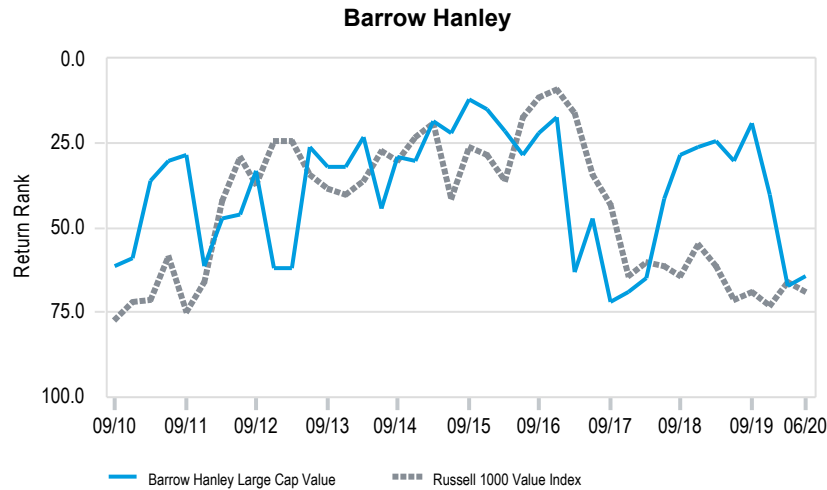
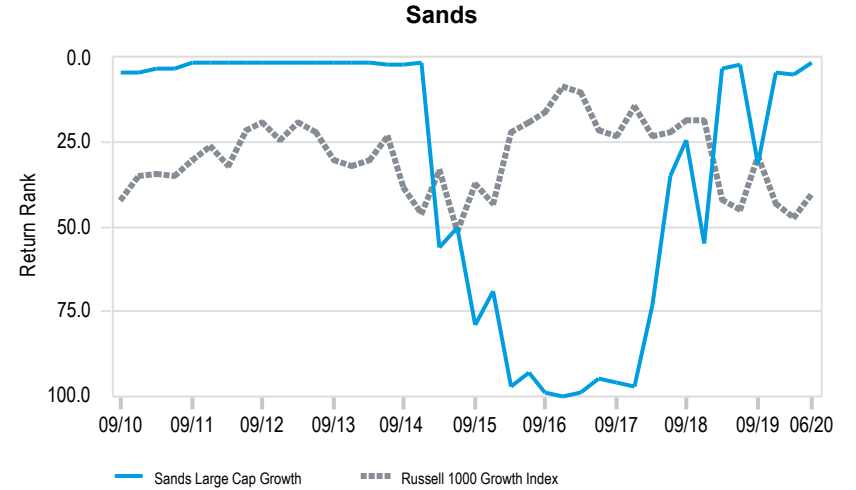
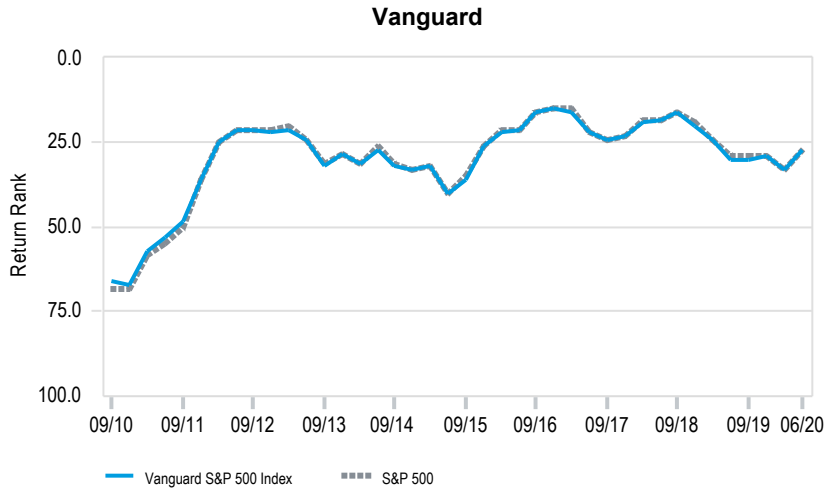
Excess Performance - The fund must outperform its benchmark over the trailing 3 / 5 year period.  
 Peer Return Rank - The fund's Return Rank must be in the top 51% of its peer group over the trailing 3 / 5 year period.  
 Sharpe Ratio (5YR) The fund's Sharpe Ratio must be greater than the benchmark over the trailing 5-year period.  
 Information Ratio (5Yr) The fund's Information Ratio must be greater than 0% over the trailing 5-year period.

Manager	Comments
Causeway International Value (both plans)	<p>Jamie Doyle, Portfolio Manager on Causeway’s fundamental equity strategies, officially retired on June 30, 2020. The firm had previously announced that Doyle would be retiring at some point in 2020 (see News Item dated January 29, 2020). Doyle, who was the cluster lead for the Technology sector, had been with the firm since its inception. This news does not impact our existing ratings for Causeway’s fundamental strategies, as we continue to view Sarah Ketterer and Harry Hartford as the key drivers of the philosophy, process and portfolios.</p>
Barrow Hanley Large Cap Value and Short Duration Fixed Income (both plans)	<p>On July 26, 2020, Barrow, Hanley, Mehwinney &amp; Strauss (BHMS) announced Australian financial firm Perpetual Limited (“Perpetual”)(ASX:PPT) has agreed to purchase the majority ownership stake from BrightSphere Investment Group (NYSE: BSIG) in a transaction expected to close during the fourth quarter of 2020. Following the closing of the transaction, BHMS employees will retain their 24.9% ownership stake in the company, and BHMS will retain brand autonomy and continue to operate independently, with no change to its investment teams and philosophy. While this transaction presents potential synergies for the two organizations with complementary product sets and regional focuses, both firms view the partnership as a means to achieve growth objectives, we would like to better understand the impetus for the transaction and its implications for the firms’ long-term growth objectives. We will monitor the situation going forward.</p>
Lighthouse Partners (Surplus Cash Plan)	<p>We assigned a Provisional (P) designation in our Research View posted in April 2020, following disappointing performance amid the COVID-19 pandemic and corresponding market drawdown, which caused us to question our conviction in Lighthouse’s portfolio construction and risk management approach. Although we did not want to overreact to underperformance over a short time period, the magnitude of the drawdown was unexpected, especially relative to other multi-strategy FoF peers.</p> <p>Over the last few months, we have re-assessed our rating and while we remain surprised by the extent a single sub-strategy was able to influence returns, we do not believe anything is inherently flawed with Lighthouse’s investment or risk management approach. In our view, the losses experienced in March were exacerbated by the unique and unfortunate developments in the options markets and we maintain conviction in the team’s ability to construct a portfolio of unique managers that will produce attractive risk-adjusted returns on a forward-looking basis. The Lighthouse team is comprised of experienced and thoughtful investors whose prudent actions during and following the mid-March drawdown were in line with our expectations. Additionally, although we were disappointed that the managed account framework could not protect the portfolio from a majority of the losses stemming from RV volatility managers, the increased control and transparency afforded by the structure allowed Lighthouse to proactively reduce risk in most other strategies and make tactical adjustments to take advantage of short-term opportunities following the dislocation.</p> <p>In our opinion, concerns around future profitability and talent retention at the firm are somewhat alleviated by the success of Lighthouse’s other product offerings, especially on the equity side. However, multi-strategy product assets represent a large amount of Firm-wide AUM and we anticipate a healthy amount of redemptions given the drawdown. We note that recent headline risk could result in stagnant growth in other areas of the business. We propose replacing the Provisional (P) with a Watch (W) designation to highlight that AUM and heightened business risk are ongoing areas to monitor over time.</p>

# Manager Performance Evaluation

## Rolling 3 Year Rankings vs. Peers

As of June 30, 2020

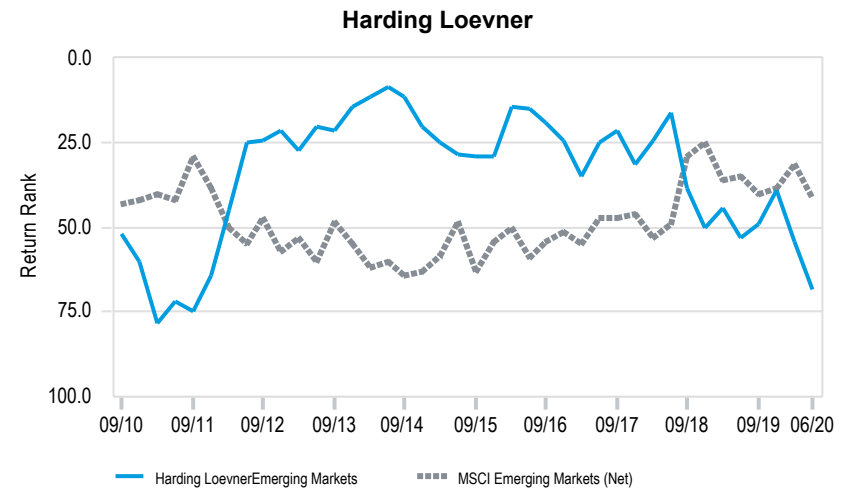
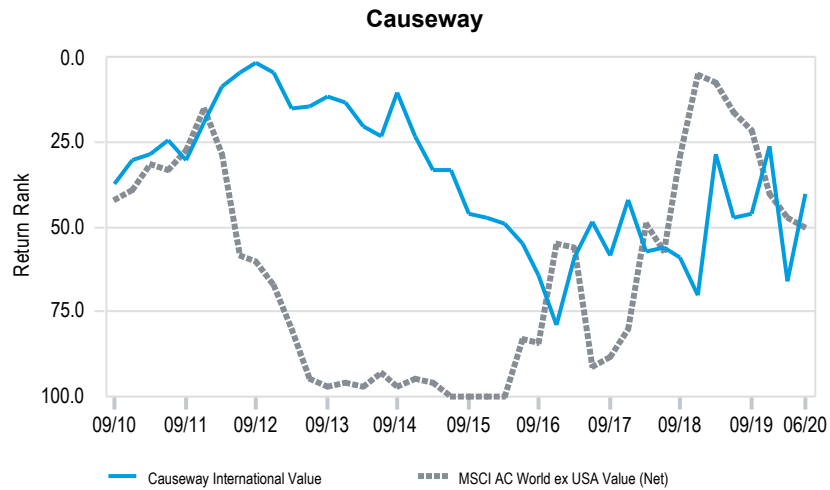
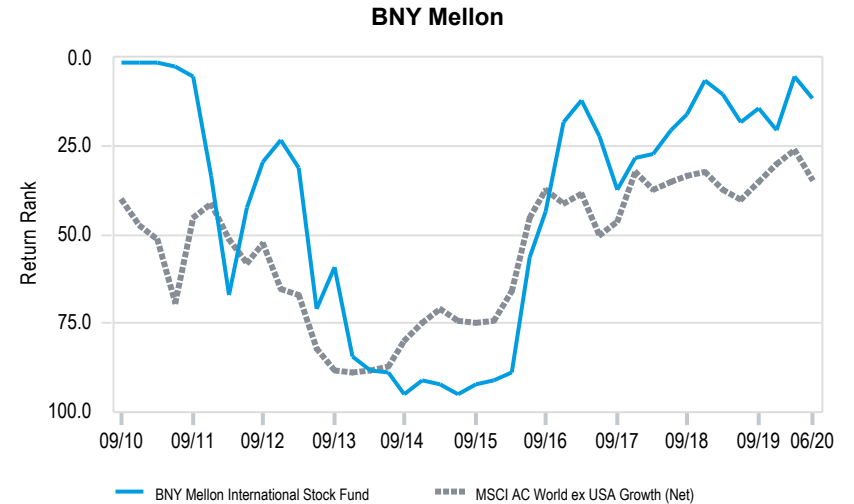
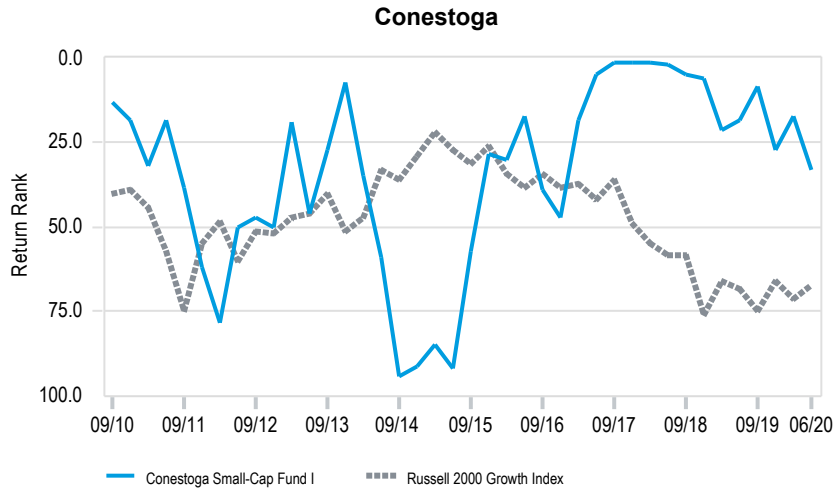


Rolling 3 Year Rankings vs. Peers utilizes performance from the Surplus Cash Plan.

# Manager Performance Evaluation

## Rolling 3 Year Rankings vs. Peers

As of June 30, 2020

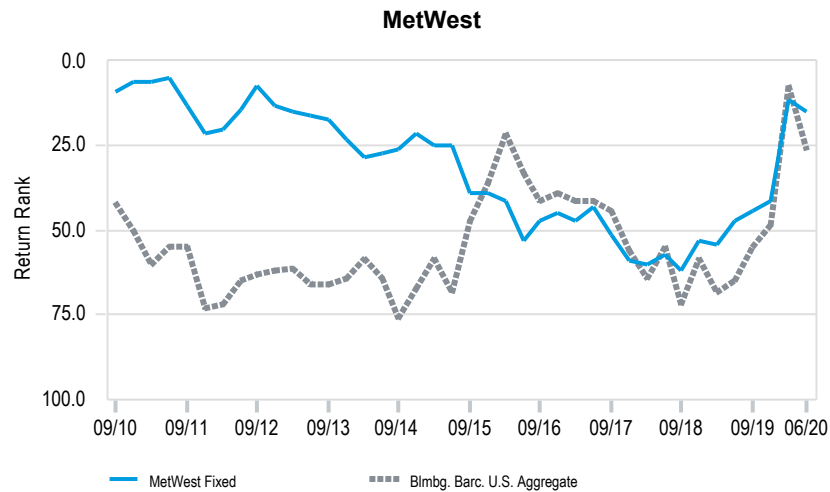
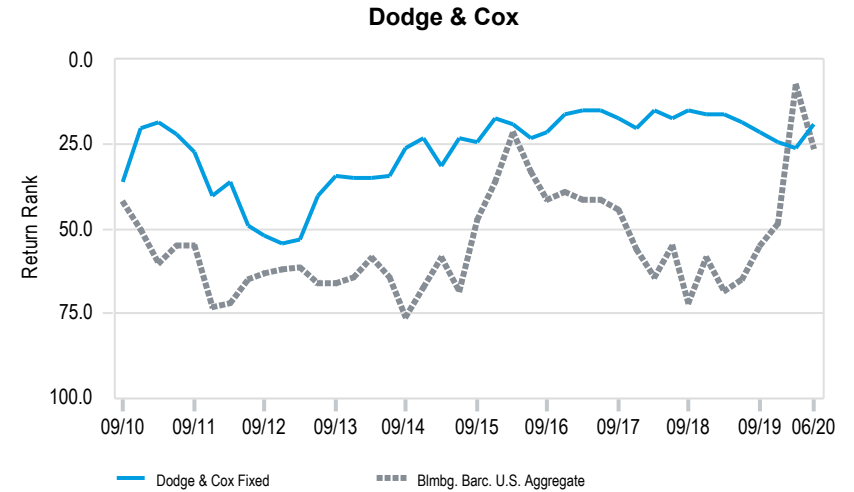
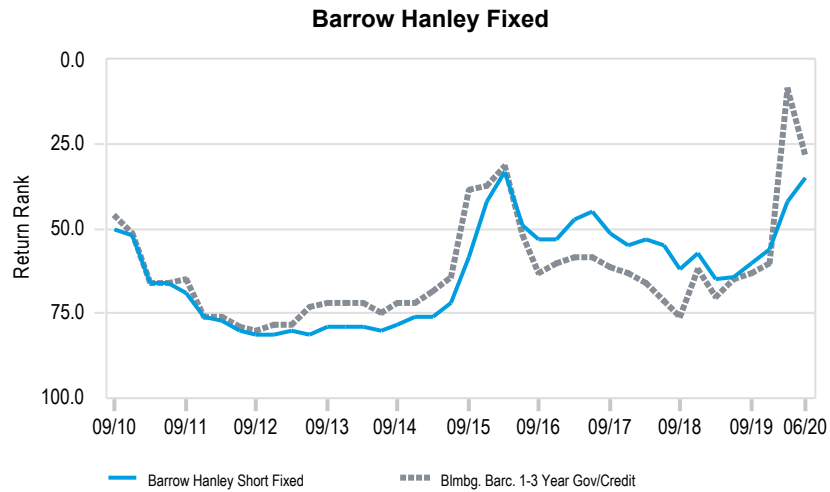


Rolling 3 Year Rankings vs. Peers utilizes performance from the Surplus Cash Plan.

# Manager Performance Evaluation

## Rolling 3 Year Rankings vs. Peers

As of June 30, 2020



Rolling 3 Year Rankings vs. Peers utilizes performance from the Surplus Cash Plan.

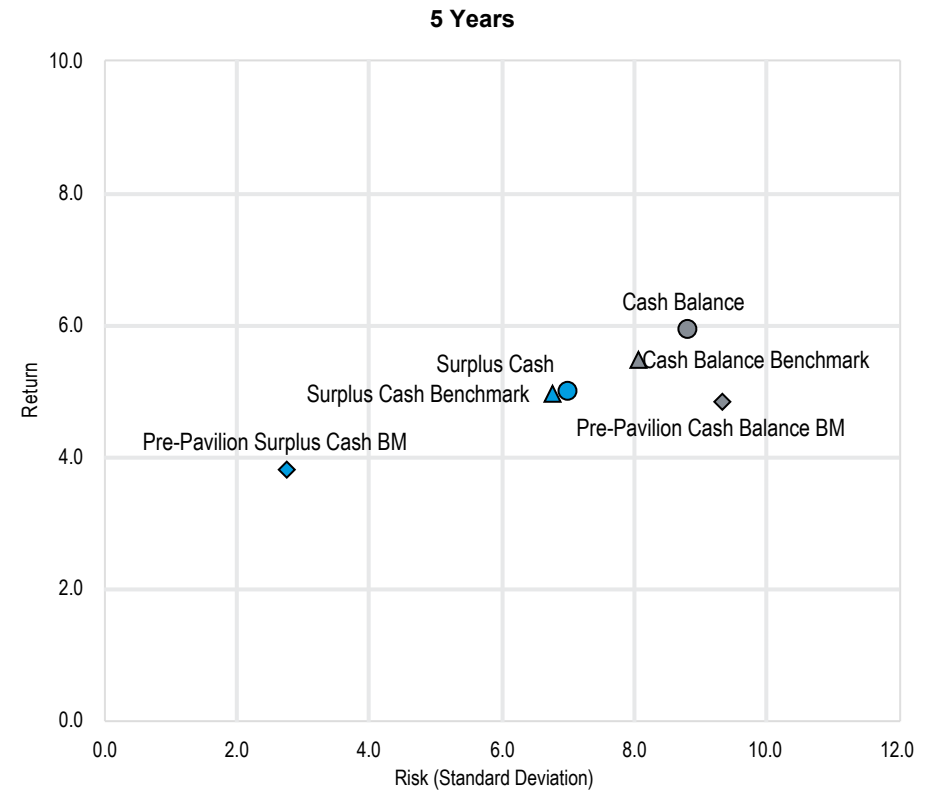
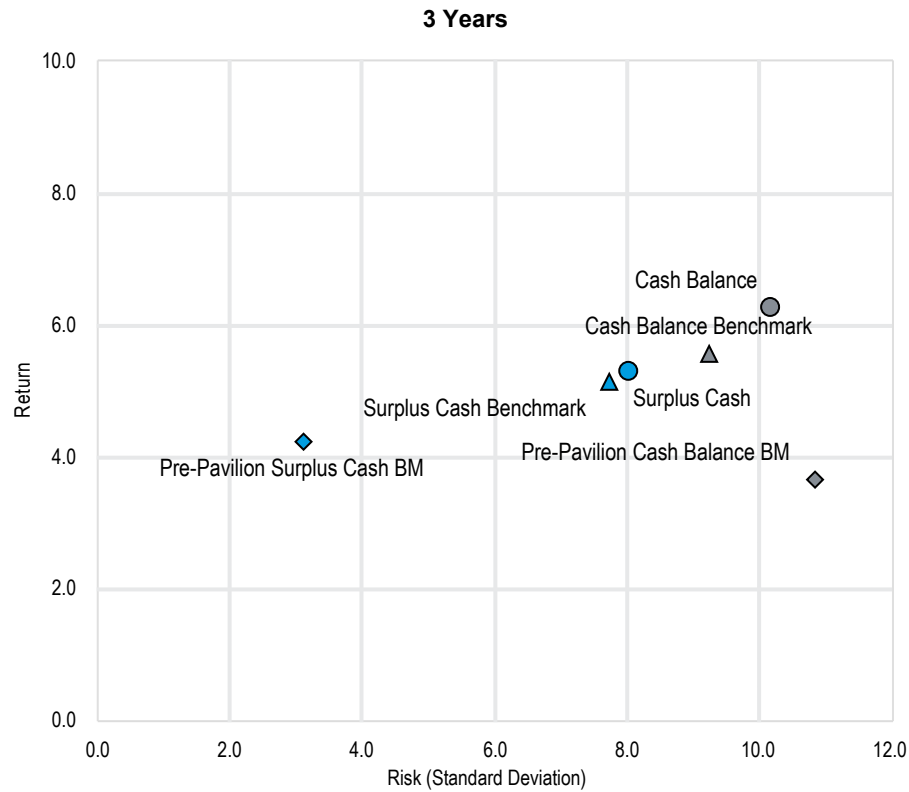


# Performance Summary

# Surplus Cash and Cash Balance Plan

## Risk and Return Summary (Net of Fees)

As of June 30, 2020



# Surplus Cash Portfolio ex District

Composite Asset Allocation & Performance

June 30, 2020

	Allocation		Performance								
	Asset \$	%	3 Month	CYTD	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
<b>Total Surplus Cash X District</b>	<b>1,076,560,748</b>	<b>100.0</b>	<b>10.2</b>	<b>-1.1</b>	<b>3.6</b>	<b>3.6</b>	<b>5.3</b>	<b>5.0</b>	<b>5.6</b>	<b>5.4</b>	<b>Nov-2012</b>
<i>Surplus Cash Total Benchmark</i>			9.7	-0.9	4.0	4.0	5.2	5.0	5.5	5.3	
<i>Pre-Pavilion Surplus Cash Total Benchmark</i>			3.9	1.8	4.8	4.8	4.2	3.8	4.3	3.7	
<b>Total Surplus Cash X District X Privates</b>	<b>1,060,142,751</b>	<b>98.5</b>	<b>10.4</b>	<b>-1.0</b>	<b>3.8</b>	<b>3.8</b>	<b>5.4</b>	<b>5.0</b>	<b>5.5</b>	<b>5.3</b>	<b>Nov-2012</b>
<i>Surplus Cash Total Benchmark x Privates</i>			9.9	-0.9	4.1	4.1	5.3	5.1	5.5	5.3	
<b>Total Equity Composite</b>	<b>435,514,605</b>	<b>40.5</b>	<b>21.1</b>	<b>-5.2</b>	<b>3.0</b>	<b>3.0</b>	<b>7.5</b>	<b>7.6</b>	<b>11.4</b>	<b>9.9</b>	<b>Nov-2012</b>
<i>Total Equity Benchmark - Surplus</i>			19.5	-7.6	0.7	0.7	5.9	6.6	10.8	9.4	
<b>Domestic Equity Composite</b>	<b>291,640,766</b>	<b>27.1</b>	<b>23.3</b>	<b>-2.6</b>	<b>5.8</b>	<b>5.8</b>	<b>10.6</b>	<b>10.0</b>	<b>13.5</b>	<b>12.6</b>	<b>Nov-2012</b>
<i>Domestic Equity Benchmark - Surplus</i>			21.5	-5.5	4.0	4.0	8.7	9.2	13.1	12.3	
<b>Large Cap Equity Composite</b>	<b>245,931,503</b>	<b>22.8</b>	<b>24.0</b>	<b>-0.4</b>	<b>8.9</b>	<b>8.9</b>	<b>12.0</b>	<b>10.8</b>	<b>14.1</b>	<b>13.5</b>	<b>Nov-2012</b>
<i>Large Cap Equity Benchmark</i>			20.7	-3.5	6.9	6.9	10.5	10.5	13.7	13.0	
<b>Small Cap Equity Composite</b>	<b>45,709,263</b>	<b>4.2</b>	<b>19.5</b>	<b>-12.9</b>	<b>-8.3</b>	<b>-8.3</b>	<b>4.3</b>	<b>5.9</b>	<b>-</b>	<b>9.3</b>	<b>Nov-2012</b>
<i>Small Cap Equity Benchmark</i>			24.7	-13.8	-7.4	-7.4	1.7	4.1	10.4	9.1	
<b>International Equity Composite</b>	<b>143,873,840</b>	<b>13.4</b>	<b>17.0</b>	<b>-9.9</b>	<b>-2.1</b>	<b>-2.1</b>	<b>2.0</b>	<b>3.3</b>	<b>-</b>	<b>4.6</b>	<b>Nov-2012</b>
<i>MSCI AC World ex USA (Net)</i>			16.1	-11.0	-4.8	-4.8	1.1	2.3	5.0	4.1	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized. Peer group percentile ranks are shown in parentheses.

# Surplus Cash Portfolio ex District

Composite Asset Allocation & Performance

June 30, 2020

	Allocation		Performance								
	Asset \$	%	3 Month	CYTD	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
<b>Total Fixed Income Composite</b>	<b>475,429,887</b>	<b>44.2</b>	<b>4.6</b>	<b>5.2</b>	<b>7.7</b>	<b>7.7</b>	<b>4.8</b>	<b>4.0</b>	<b>3.5</b>	<b>3.2</b>	<b>Nov-2012</b>
<i>Total Fixed Income Benchmark - Surplus</i>			2.5	5.3	7.6	7.6	4.7	3.8	3.2	2.9	
<b>Short Duration Fixed Income Composite</b>	<b>120,173,193</b>	<b>11.2</b>	<b>2.9</b>	<b>2.4</b>	<b>3.8</b>	<b>3.8</b>	<b>2.6</b>	<b>2.1</b>	<b>2.1</b>	<b>1.6</b>	<b>Nov-2012</b>
<i>Short Duration Fixed Income Benchmark - Surplus</i>			1.2	2.9	4.2	4.2	2.9	2.1	2.1	1.7	
<b>Market Duration Fixed Income Composite</b>	<b>355,256,694</b>	<b>33.0</b>	<b>5.2</b>	<b>6.3</b>	<b>9.1</b>	<b>9.1</b>	<b>5.6</b>	<b>4.7</b>	<b>4.6</b>	<b>3.7</b>	<b>Nov-2012</b>
<i>Blmbg. Barc. U.S. Aggregate</i>			2.9	6.1	8.7	8.7	5.3	4.3	3.8	3.3	
<b>Total Alternatives Composite</b>	<b>165,616,256</b>	<b>15.4</b>	<b>1.7</b>	<b>-7.2</b>	<b>-5.6</b>	<b>-5.6</b>	<b>0.8</b>	<b>0.8</b>	<b>-</b>	<b>2.5</b>	<b>May-2013</b>
<i>Total Alternatives Benchmark - Surplus</i>			5.3	-1.5	0.8	0.8	3.0	2.8	-	3.8	
<b>Real Estate Composite</b>	<b>22,020,427</b>	<b>2.0</b>	<b>0.0</b>	<b>-5.9</b>	<b>-4.7</b>	<b>-4.7</b>	<b>0.8</b>	<b>3.4</b>	<b>-</b>	<b>6.8</b>	<b>Sep-2013</b>
<i>NCREIF Property Index</i>			-0.9	-0.2	2.8	2.8	5.5	6.8	9.7	8.2	
<b>Hedge Fund Composite</b>	<b>143,595,829</b>	<b>13.3</b>	<b>1.9</b>	<b>-7.4</b>	<b>-5.8</b>	<b>-5.8</b>	<b>0.8</b>	<b>0.1</b>	<b>-</b>	<b>1.5</b>	<b>May-2013</b>
<i>HFRI Fund of Funds Composite Index</i>			7.5	-2.0	0.1	0.1	2.1	1.4	2.8	2.5	

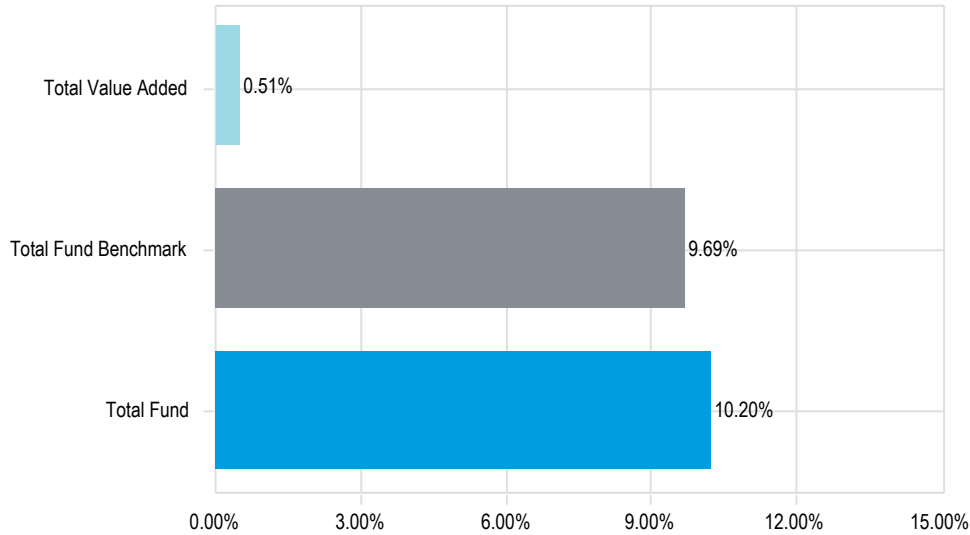
Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized. Peer group percentile ranks are shown in parentheses.

# Surplus Cash Portfolio ex District

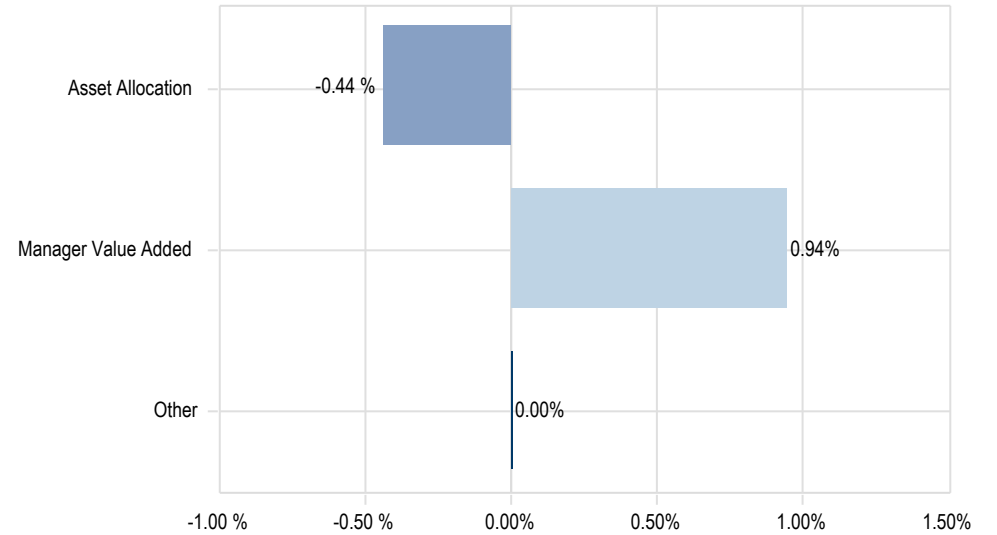
## Attribution Analysis

1 Quarter Ending June 30, 2020

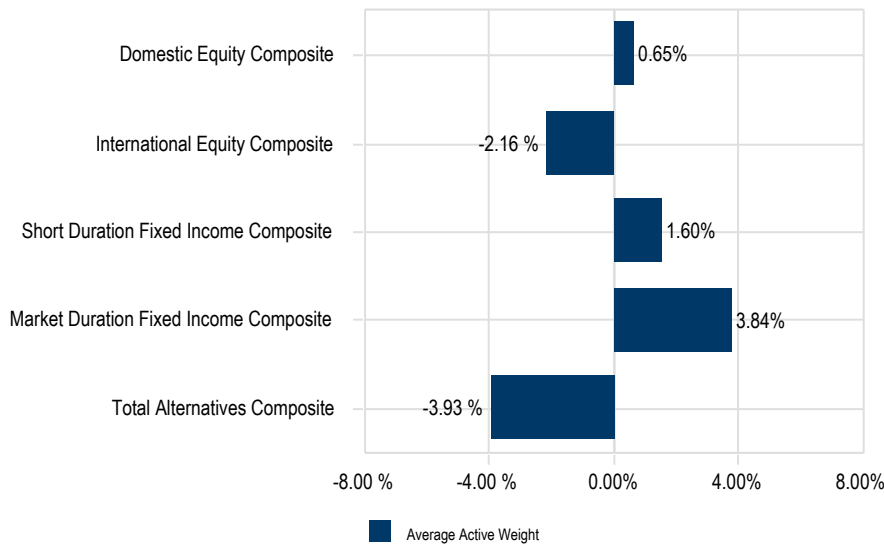
### Total Fund Performance



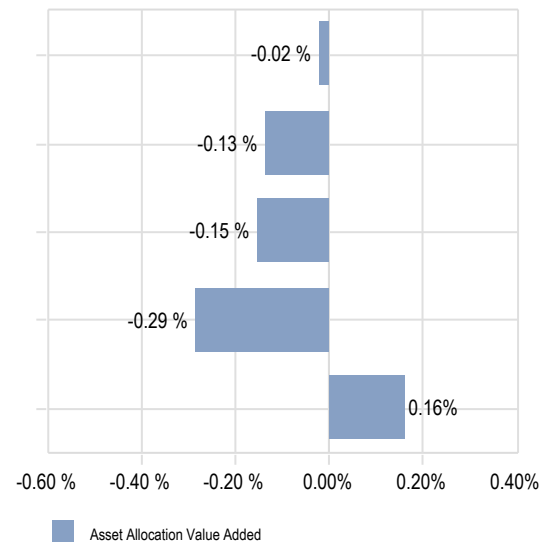
### Total Value Added: 0.51%



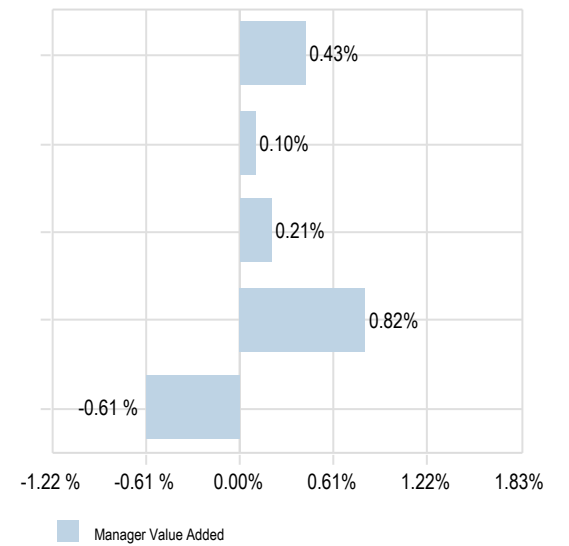
### Average Active Weight



### Asset Allocation Value Added: -0.44%



### Total Manager Value Added: 0.94%



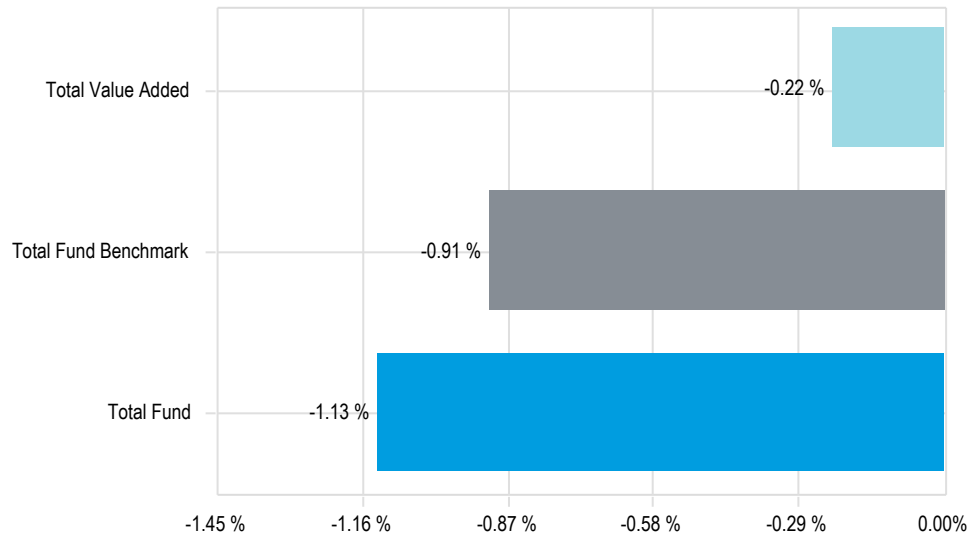
"Other" includes the effects of all other factors on the Fund's relative return, including rebalancing and other trading activity.

# Surplus Cash Portfolio ex District

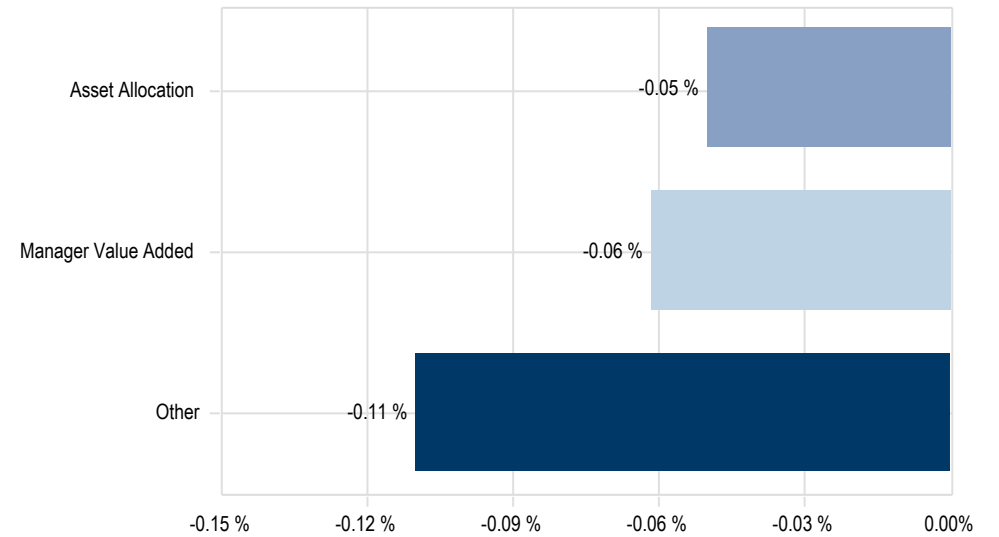
Attribution Analysis

Year To Date Ending June 30, 2020

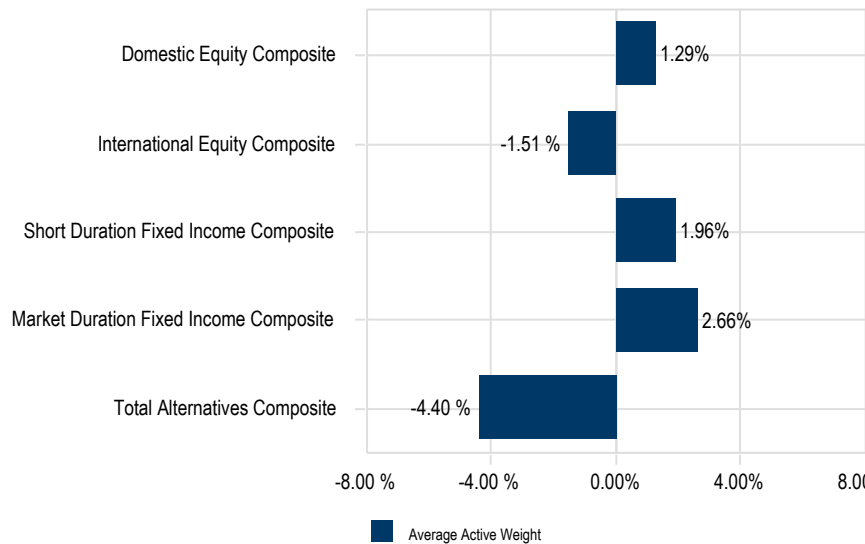
## Total Fund Performance



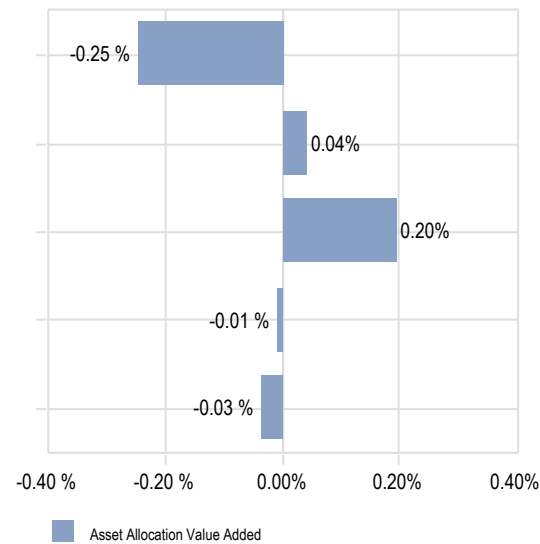
## Total Value Added:-0.22 %



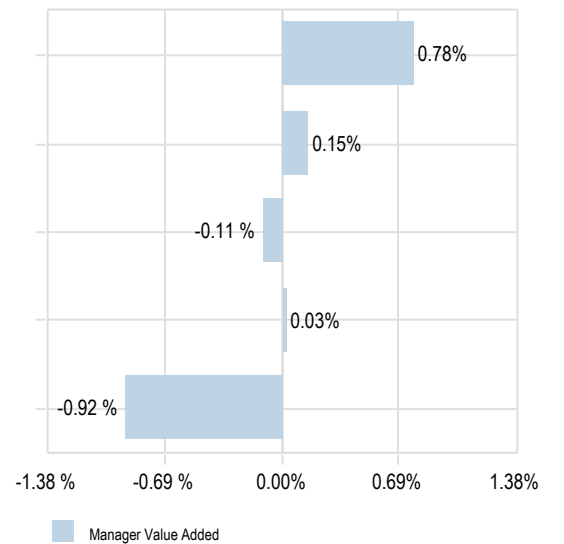
## Average Active Weight



## Asset Allocation Value Added:-0.05 %



## Total Manager Value Added:-0.06 %



"Other" includes the effects of all other factors on the Fund's relative return, including rebalancing and other trading activity.

# Surplus Cash Portfolio ex District

Manager Asset Allocation & Performance

June 30, 2020



	Allocation		Performance									
	Asset \$	%	3 Month	CYTD	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date	
<b>Large-Cap Equity</b>												
<b>Vanguard S&amp;P 500 Index</b>	<b>144,704,095</b>	<b>13.4</b>	<b>20.5 (37)</b>	<b>-3.1 (40)</b>	<b>7.5 (31)</b>	<b>7.5 (31)</b>	<b>10.7 (27)</b>	<b>10.7 (16)</b>	<b>14.0 (13)</b>	<b>13.1 (17)</b>	<b>Nov-2012</b>	
<i>S&amp;P 500</i>			20.5 (37)	-3.1 (40)	7.5 (31)	7.5 (31)	10.7 (27)	10.7 (16)	14.0 (13)	13.1 (16)		
<i>Mercer Mutual Fund US Equity Large Cap Core Median</i>			19.7	-4.1	5.9	5.9	9.7	9.3	12.6	11.8		
<b>Sands Large Cap Growth (Touchstone)</b>	<b>62,365,908</b>	<b>5.8</b>	<b>37.8 (4)</b>	<b>24.8 (1)</b>	<b>30.7 (6)</b>	<b>30.7 (6)</b>	<b>24.9 (1)</b>	<b>16.7 (12)</b>	<b>19.0 (2)</b>	<b>17.8 (16)</b>	<b>Nov-2012</b>	
<i>Russell 1000 Growth Index</i>			27.8 (43)	9.8 (55)	23.3 (28)	23.3 (28)	19.0 (40)	15.9 (29)	17.2 (23)	17.0 (27)		
<i>Mercer Mutual Fund US Equity Large Cap Growth Median</i>			27.5	10.1	20.6	20.6	18.2	14.4	16.0	16.1		
<b>Barrow Hanley Large Cap Value</b>	<b>38,861,500</b>	<b>3.6</b>	<b>17.8 (18)</b>	<b>-18.6 (89)</b>	<b>-10.8 (90)</b>	<b>-10.8 (90)</b>	<b>2.2 (64)</b>	<b>4.3 (67)</b>	<b>10.6 (37)</b>	<b>8.0 (5)</b>	<b>Aug-2000</b>	
<i>Russell 1000 Value Index</i>			14.3 (72)	-16.3 (68)	-8.8 (72)	-8.8 (72)	1.8 (69)	4.6 (60)	10.4 (43)	6.3 (47)		
<i>Mercer Mutual Fund US Equity Large Cap Value Median</i>			15.6	-14.8	-6.7	-6.7	2.9	4.9	10.2	6.1		
<b>Small-Cap Equity</b>												
<b>Wellington Small Cap Value</b>	<b>18,561,435</b>	<b>1.7</b>	<b>10.6 (100)</b>	<b>-28.4 (84)</b>	<b>-21.6 (79)</b>	<b>-21.6 (79)</b>	<b>-5.6 (52)</b>	<b>-1.0 (59)</b>	<b>7.7 (37)</b>	<b>5.4 (44)</b>	<b>Nov-2012</b>	
<i>Russell 2000 Value Index</i>			18.9 (79)	-23.5 (48)	-17.5 (41)	-17.5 (41)	-4.3 (28)	1.3 (20)	7.8 (33)	6.1 (24)		
<i>Mercer Mutual Fund US Equity Small Cap Value Median</i>			22.1	-23.8	-18.7	-18.7	-5.6	-0.7	7.4	5.2		
<b>Conestoga Small Cap Growth</b>	<b>27,147,828</b>	<b>2.5</b>	<b>26.5 (84)</b>	<b>2.1 (41)</b>	<b>3.7 (56)</b>	<b>3.7 (56)</b>	<b>13.7 (33)</b>	<b>13.6 (14)</b>	<b>15.4 (17)</b>	<b>16.8 (29)</b>	<b>Jul-2016</b>	
<i>Russell 2000 Growth Index</i>			30.6 (58)	-3.1 (64)	3.5 (57)	3.5 (57)	7.9 (67)	6.9 (72)	12.9 (61)	11.8 (64)		
<i>Mercer Mutual Fund US Equity Small Cap Growth Median</i>			32.1	0.3	4.9	4.9	10.4	9.0	13.6	13.5		
<b>International Equity</b>												
<b>Causeway International Value</b>	<b>42,648,016</b>	<b>4.0</b>	<b>20.5 (6)</b>	<b>-18.1 (57)</b>	<b>-10.8 (54)</b>	<b>-10.8 (54)</b>	<b>-3.4 (40)</b>	<b>-1.1 (53)</b>	<b>4.9 (21)</b>	<b>-9.0 (50)</b>	<b>May-2018</b>	
<i>MSCI AC World ex USA (Net)</i>			16.1 (34)	-11.0 (7)	-4.8 (6)	-4.8 (6)	1.1 (1)	2.3 (1)	5.0 (20)	-3.6 (1)		
<i>MSCI AC World ex USA Value (Net)</i>			12.8 (85)	-19.4 (70)	-15.3 (77)	-15.3 (77)	-4.0 (50)	-1.2 (55)	2.8 (87)	-10.1 (67)		
<i>Mercer Mutual Fund World ex US/EAFE Equity Large Cap Value Median</i>			15.3	-16.5	-10.7	-10.7	-4.0	-1.1	4.0	-9.0		
<b>BNY Mellon International Stock Fund</b>	<b>66,992,364</b>	<b>6.2</b>	<b>14.5 (94)</b>	<b>-0.6 (20)</b>	<b>8.1 (20)</b>	<b>8.1 (20)</b>	<b>8.8 (11)</b>	<b>8.2 (9)</b>	<b>7.8 (27)</b>	<b>7.2 (27)</b>	<b>Nov-2012</b>	
<i>MSCI AC World ex USA (Net)</i>			16.1 (87)	-11.0 (88)	-4.8 (91)	-4.8 (91)	1.1 (84)	2.3 (83)	5.0 (90)	4.1 (89)		
<i>MSCI AC World ex USA Growth (Net)</i>			19.1 (50)	-2.6 (34)	5.8 (33)	5.8 (33)	6.1 (34)	5.6 (30)	7.0 (49)	6.6 (39)		
<i>Mercer Mutual Fund World ex US/EAFE Equity Large Cap Growth Median</i>			19.1	-4.7	2.7	2.7	4.3	4.0	7.0	6.0		
<b>Harding Loevner Emerging Markets</b>	<b>34,233,460</b>	<b>3.2</b>	<b>17.5 (76)</b>	<b>-15.0 (79)</b>	<b>-7.9 (68)</b>	<b>-7.9 (68)</b>	<b>-0.4 (68)</b>	<b>2.6 (49)</b>	<b>4.3 (30)</b>	<b>5.7 (53)</b>	<b>Sep-2015</b>	
<i>MSCI Emerging Markets (Net)</i>			18.1 (69)	-9.8 (44)	-3.4 (45)	-3.4 (45)	1.9 (41)	2.9 (45)	3.3 (44)	6.6 (39)		
<i>Mercer Mutual Fund Emerging Markets Equity Median</i>			19.7	-10.4	-4.1	-4.1	1.1	2.6	2.9	5.9		

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized. Peer group percentile ranks are shown in parentheses.

# Surplus Cash Portfolio ex District

Manager Asset Allocation & Performance

June 30, 2020



	Allocation		Performance									
	Asset \$	%	3 Month	CYTD	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date	
<b>Short Duration Fixed Income</b>												
<b>Barrow Hanley Short Fixed</b>	<b>116,465,928</b>	<b>10.8</b>	<b>2.9 (57)</b>	<b>2.5 (34)</b>	<b>4.0 (28)</b>	<b>4.0 (28)</b>	<b>2.8 (35)</b>	<b>2.2 (41)</b>	<b>1.6 (71)</b>	<b>4.6 (17)</b>	<b>Apr-1991</b>	
<i>Blmbg. Barc. 1-3 Year Gov/Credit</i>			1.2 (78)	2.9 (26)	4.2 (21)	4.2 (21)	2.9 (28)	2.1 (50)	1.6 (64)	4.1 (30)		
<i>Mercer Mutual Fund US Fixed Short Median</i>			3.3	2.0	3.3	3.3	2.6	2.1	1.9	3.9		
<b>Cash Composite</b>	<b>3,707,265</b>	<b>0.3</b>	<b>0.0</b>	<b>0.1</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.5</b>	<b>-</b>	<b>0.2</b>	<b>Nov-2012</b>	
<i>90 Day U.S. Treasury Bill</i>			0.0	0.6	1.6	1.6	1.8	1.2	0.6	0.8		
<b>Market Duration Fixed Income</b>												
<b>Dodge &amp; Cox Fixed</b>	<b>173,996,360</b>	<b>16.2</b>	<b>6.0 (31)</b>	<b>5.8 (25)</b>	<b>8.9 (20)</b>	<b>8.9 (20)</b>	<b>5.5 (19)</b>	<b>5.0 (14)</b>	<b>4.7 (21)</b>	<b>4.1 (13)</b>	<b>Nov-2012</b>	
<i>Blmbg. Barc. U.S. Aggregate</i>			2.9 (86)	6.1 (19)	8.7 (22)	8.7 (22)	5.3 (26)	4.3 (33)	3.8 (54)	3.3 (44)		
<i>Mercer Mutual Fund US Fixed Core Median</i>			4.9	4.3	6.9	6.9	4.7	4.0	3.9	3.1		
<b>MetWest Fixed</b>	<b>167,008,532</b>	<b>15.5</b>	<b>4.6 (58)</b>	<b>6.8 (9)</b>	<b>9.4 (14)</b>	<b>9.4 (14)</b>	<b>5.6 (15)</b>	<b>4.4 (28)</b>	<b>4.6 (21)</b>	<b>3.5 (33)</b>	<b>Nov-2012</b>	
<i>Blmbg. Barc. U.S. Aggregate</i>			2.9 (86)	6.1 (19)	8.7 (22)	8.7 (22)	5.3 (26)	4.3 (33)	3.8 (54)	3.3 (44)		
<i>Mercer Mutual Fund US Fixed Core Median</i>			4.9	4.3	6.9	6.9	4.7	4.0	3.9	3.1		
<b>Met West Total Return Bond Plan - CONCERN</b>	<b>14,251,802</b>	<b>1.3</b>	<b>4.1 (68)</b>	<b>6.5 (12)</b>	<b>9.2 (17)</b>	<b>9.2 (17)</b>	<b>5.7 (15)</b>	<b>4.4 (30)</b>	<b>-</b>	<b>4.7 (37)</b>	<b>Feb-2016</b>	
<i>Blmbg. Barc. U.S. Aggregate</i>			2.9 (86)	6.1 (19)	8.7 (22)	8.7 (22)	5.3 (26)	4.3 (33)	3.8 (54)	4.4 (46)		
<i>Mercer Mutual Fund US Fixed Core Median</i>			4.9	4.3	6.9	6.9	4.7	4.0	3.9	4.3		
<b>Real Estate</b>												
<b>AG Realty Value Fund X, LP</b>	<b>5,602,430</b>	<b>0.5</b>	<b>0.0</b>	<b>-3.2</b>	<b>-1.7</b>	<b>-1.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-16.6</b>	<b>Jun-2019</b>	
<i>NCREIF Property Index</i>			-0.9	-0.2	2.8	2.8	5.5	6.8	9.7	3.0		
<b>Oaktree Real Estate Opportunities Fund VI</b>	<b>4,924,923</b>	<b>0.5</b>	<b>0.0</b>	<b>-2.0</b>	<b>-3.9</b>	<b>-3.9</b>	<b>1.8</b>	<b>2.4</b>	<b>-</b>	<b>5.7</b>	<b>Sep-2013</b>	
<i>NCREIF Property Index</i>			-0.9	-0.2	2.8	2.8	5.5	6.8	9.7	8.2		
<b>Walton Street Real Estate Fund VII, L.P.</b>	<b>3,282,974</b>	<b>0.3</b>	<b>0.0</b>	<b>-12.2</b>	<b>-13.6</b>	<b>-13.6</b>	<b>-4.0</b>	<b>1.9</b>	<b>-</b>	<b>7.8</b>	<b>Nov-2013</b>	
<i>NCREIF Property Index</i>			-0.9	-0.2	2.8	2.8	5.5	6.8	9.7	8.2		
<b>Walton Street Real Estate Fund VIII, L.P.</b>	<b>8,210,100</b>	<b>0.8</b>	<b>0.0</b>	<b>-6.6</b>	<b>-2.7</b>	<b>-2.7</b>	<b>6.2</b>	<b>-</b>	<b>-</b>	<b>8.4</b>	<b>Jun-2017</b>	
<i>NCREIF Property Index</i>			-0.9	-0.2	2.8	2.8	5.5	6.8	9.7	5.5		
<b>Hedge Funds</b>												
<b>Hedge Fund Composite</b>	<b>143,595,829</b>	<b>13.3</b>	<b>1.9</b>	<b>-7.4</b>	<b>-5.8</b>	<b>-5.8</b>	<b>0.8</b>	<b>0.1</b>	<b>-</b>	<b>1.5</b>	<b>May-2013</b>	
<i>HFRI Fund of Funds Composite Index</i>			7.5	-2.0	0.1	0.1	2.1	1.4	2.8	2.5		

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized. Peer group percentile ranks are shown in parentheses.



# Surplus Cash Portfolio ex District

Manager Asset Allocation & Performance

June 30, 2020



	Allocation		Performance								
	Asset \$	%	3 Month	CYTD	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
<b>Total Plan</b>											
<b>Total Surplus Cash X District</b>	<b>1,076,560,748</b>	<b>100.0</b>	<b>10.2</b>	<b>-1.1</b>	<b>3.6</b>	<b>3.6</b>	<b>5.3</b>	<b>5.0</b>	<b>5.6</b>	<b>5.4</b>	<b>Nov-2012</b>
<i>Total Surplus Cash Benchmark</i>			9.7	-0.9	4.0	4.0	5.2	5.0	5.5	5.3	
<i>Pre-Pavilion Total Surplus Cash Benchmark</i>			3.9	1.8	4.8	4.8	4.2	3.8	4.3	3.7	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized. Peer group percentile ranks are shown in parentheses.

# El Camino Hospital

## Private Real Estate Summary (Lagged)

March 31, 2020

Partnerships	Vintage	Capital Commitment	Drawn Down	Distributed	Market Value (1)	IRR (1)	FTSE NAREIT	PME+ Equity REIT Index (4)	TVPI Multiple (1,2)	DPI Multiple (2)	Remaining Commitment (3)
Oaktree Capital Management RE Opportunities Fund VI	2012	14,000,000	14,000,000	14,416,258	4,924,923	8.8		7.2	1.4	1.0	3,220,000
Walton Street Real Estate Fund VII, L.P.	2012	14,000,000	12,438,130	13,763,325	3,282,974	10.5		5.8	1.4	1.1	4,420,768
Walton Street Real Estate Fund VIII, L.P.	2015	13,000,000	11,094,901	4,173,347	8,210,100	7.4		-5.9	1.1	0.4	6,089,858
AG Realty Value Fund X	2018	20,000,000	4,200,000	53,543	3,852,430	-10.7		-39.9	0.9	0.0	15,800,000
<b>Total Surplus Cash Real Estate</b>		<b>61,000,000</b>	<b>41,733,031</b>	<b>32,406,473</b>	<b>20,270,427</b>	<b>8.9</b>		<b>4.0</b>	<b>1.3</b>	<b>0.8</b>	<b>29,530,626</b>

1) Valuations are typically reported on one quarter lag. If the valuation date is earlier than the statement's date, the market value and performance are estimated by rolling forward the latest reported balance to include relevant new cash flows.

2) Total Value to Paid In (TVPI) reflects total realized and unrealized performance. Distributed to Paid In (DPI) reflects realized performance only.

3) Remaining commitment includes recallable distributions which, if called, could cause drawn to exceed commitment.

4) The public market equivalent (PME+) calculates benchmark performance by using the daily cash flows in a public index, and scaling the fund's distributions so the public market NAV remains positive.

The PME will match the fund's IRR if no distribution/s had occurred during the life of the fund.

# Cash Balance Plan

## Composite Asset Allocation & Performance

June 30, 2020

	Allocation		Performance								
	Asset \$	%	3 Month	CYTD	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
<b>Total Cash Balance Plan</b>	<b>286,703,613</b>	<b>100.0</b>	<b>13.2</b>	<b>-1.8</b>	<b>3.8</b>	<b>3.8</b>	<b>6.3</b>	<b>5.9</b>	<b>8.5</b>	<b>7.3</b>	<b>Nov-2012</b>
<i>Total Cash Balance Plan Benchmark</i>			11.3	-1.9	3.7	3.7	5.6	5.5	7.8	6.6	
<i>Pre-Pavilion Total Cash Balance Plan Benchmark</i>			9.7	-7.3	-1.4	-1.4	3.7	4.8	8.0	6.9	
<b>Total Cash Balance Plan X Private Structures</b>	<b>275,468,503</b>	<b>96.1</b>	<b>13.8</b>	<b>-1.6</b>	<b>4.2</b>	<b>4.2</b>	<b>6.5</b>	<b>6.0</b>	<b>8.4</b>	<b>7.2</b>	<b>Nov-2012</b>
<i>Cash Balance Plan Total X Privates Benchmark</i>			12.1	-2.1	3.6	3.6	5.5	5.4	7.7	6.5	
<b>Total Equity Composite</b>	<b>148,402,911</b>	<b>51.8</b>	<b>21.7</b>	<b>-4.5</b>	<b>3.6</b>	<b>3.6</b>	<b>8.1</b>	<b>7.8</b>	<b>11.4</b>	<b>10.0</b>	<b>Nov-2012</b>
<i>Total Equity Benchmark</i>			19.5	-7.2	1.2	1.2	6.2	6.9	10.9	9.4	
<b>Domestic Equity Composite</b>	<b>100,131,160</b>	<b>34.9</b>	<b>24.1</b>	<b>-2.1</b>	<b>6.2</b>	<b>6.2</b>	<b>11.2</b>	<b>10.2</b>	<b>13.6</b>	<b>12.9</b>	<b>Nov-2012</b>
<i>Domestic Equity Benchmark</i>			21.4	-5.1	4.6	4.6	9.1	9.5	13.2	12.4	
<b>Large Cap Equity Composite</b>	<b>86,539,047</b>	<b>30.2</b>	<b>24.9</b>	<b>0.0</b>	<b>9.0</b>	<b>9.0</b>	<b>12.5</b>	<b>10.9</b>	<b>14.1</b>	<b>13.5</b>	<b>Nov-2012</b>
<i>Large Cap Equity Benchmark</i>			20.7	-3.5	6.9	6.9	10.5	10.5	13.7	13.0	
<b>Small Cap Equity Composite</b>	<b>13,592,113</b>	<b>4.7</b>	<b>19.2</b>	<b>-13.5</b>	<b>-8.7</b>	<b>-8.7</b>	<b>4.0</b>	<b>5.8</b>	<b>-</b>	<b>9.1</b>	<b>Nov-2012</b>
<i>Small Cap Equity Benchmark</i>			24.7	-13.8	-7.4	-7.4	1.7	4.1	10.4	9.1	
<b>International Equity Composite</b>	<b>48,271,751</b>	<b>16.8</b>	<b>16.9</b>	<b>-9.1</b>	<b>-1.2</b>	<b>-1.2</b>	<b>2.4</b>	<b>3.4</b>	<b>-</b>	<b>4.7</b>	<b>Nov-2012</b>
<i>MSCI AC World ex USA (Net)</i>			16.1	-11.0	-4.8	-4.8	1.1	2.3	5.0	4.1	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized. Peer group percentile ranks are shown in parentheses.

# Cash Balance Plan

## Composite Asset Allocation & Performance

June 30, 2020

	Allocation		Performance								
	Asset \$	%	3 Month	CYTD	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date
<b>Total Fixed Income Composite</b>	<b>90,390,701</b>	<b>31.5</b>	<b>4.6</b>	<b>5.3</b>	<b>8.0</b>	<b>8.0</b>	<b>5.2</b>	<b>4.2</b>	<b>4.2</b>	<b>3.4</b>	<b>Nov-2012</b>
<i>Total Fixed Income Benchmark</i>			2.6	5.6	8.0	8.0	4.9	3.8	3.6	2.9	
<b>Short Duration Fixed Income Composite</b>	<b>10,361,255</b>	<b>3.6</b>	<b>2.1</b>	<b>2.4</b>	<b>3.8</b>	<b>3.8</b>	<b>2.7</b>	<b>2.1</b>	<b>-</b>	<b>1.6</b>	<b>Nov-2012</b>
<i>Short Duration Fixed Income Benchmark</i>			1.2	2.9	4.2	4.2	2.9	2.1	1.3	1.7	
<b>Market Duration Fixed Income Composite</b>	<b>80,029,446</b>	<b>27.9</b>	<b>5.0</b>	<b>5.8</b>	<b>8.7</b>	<b>8.7</b>	<b>5.5</b>	<b>4.5</b>	<b>4.5</b>	<b>3.8</b>	<b>Nov-2012</b>
<i>Blmbg. Barc. U.S. Aggregate</i>			2.9	6.1	8.7	8.7	5.3	4.3	3.8	3.3	
<b>Total Alternatives Composite</b>	<b>47,910,000</b>	<b>16.7</b>	<b>6.9</b>	<b>-6.2</b>	<b>-3.5</b>	<b>-3.5</b>	<b>2.1</b>	<b>2.8</b>	<b>-</b>	<b>5.9</b>	<b>Nov-2012</b>
<i>Total Alternatives Benchmark</i>			4.6	-1.3	1.1	1.1	3.3	3.2	-	4.9	
<b>Hedge Fund of Fund Composite</b>	<b>36,674,890</b>	<b>12.8</b>	<b>9.3</b>	<b>-6.2</b>	<b>-3.1</b>	<b>-3.1</b>	<b>2.4</b>	<b>2.2</b>	<b>-</b>	<b>5.0</b>	<b>Nov-2012</b>
<i>HFRI Fund of Funds Composite Index</i>			7.5	-2.0	0.1	0.1	2.1	1.4	2.8	3.1	
<b>Real Estate Composite</b>	<b>11,235,110</b>	<b>3.9</b>	<b>0.0</b>	<b>-6.1</b>	<b>-4.7</b>	<b>-4.7</b>	<b>1.5</b>	<b>3.7</b>	<b>-</b>	<b>7.3</b>	<b>Jan-2013</b>
<i>NCREIF Property Index</i>			-0.9	-0.2	2.8	2.8	5.5	6.8	9.7	8.5	

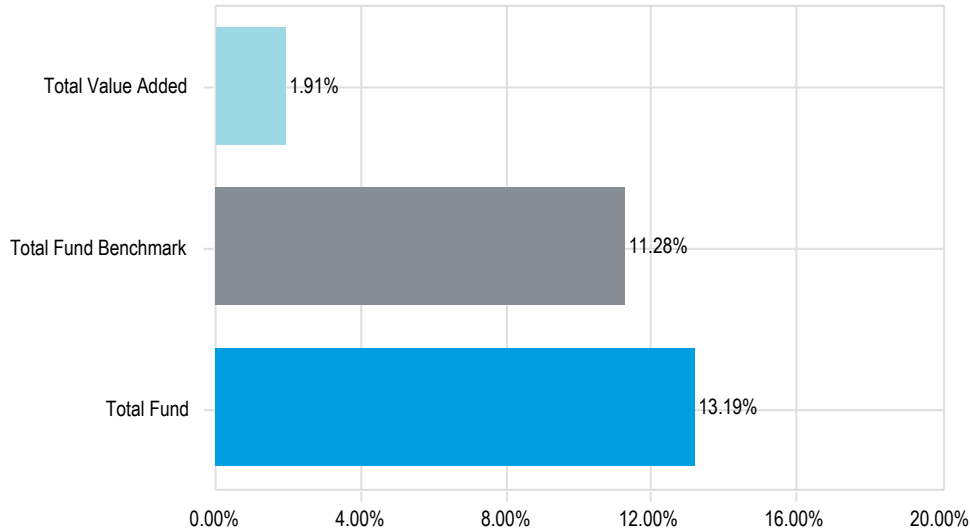
Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized. Peer group percentile ranks are shown in parentheses.

# Cash Balance Plan

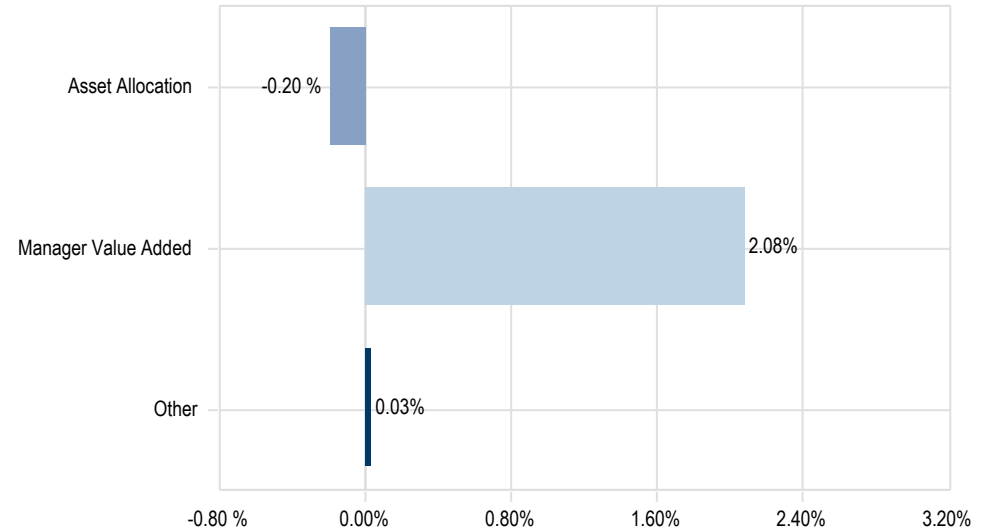
## Attribution Analysis

1 Quarter Ending June 30, 2020

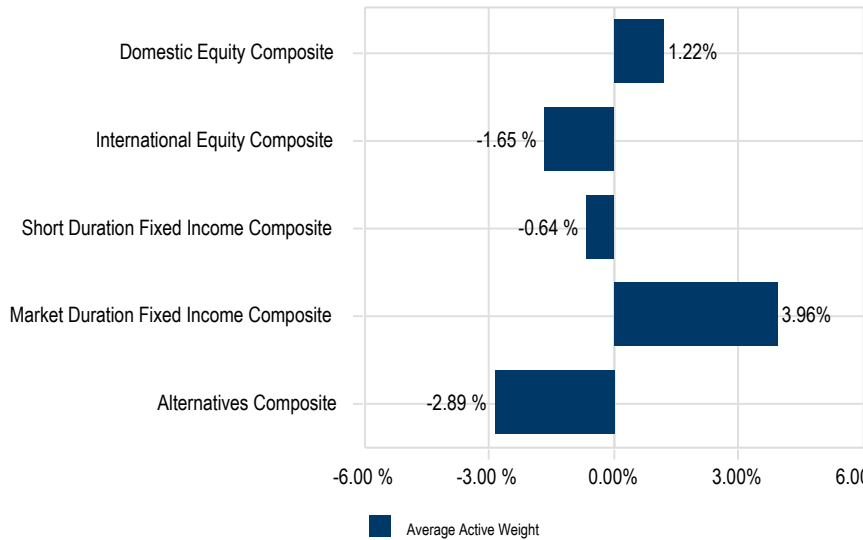
### Total Fund Performance



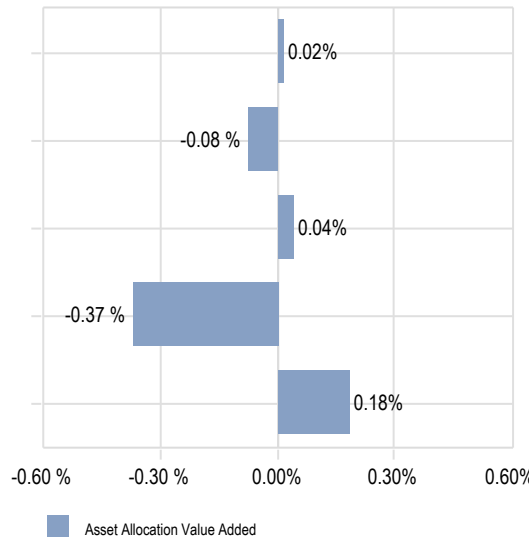
### Total Value Added: 1.91%



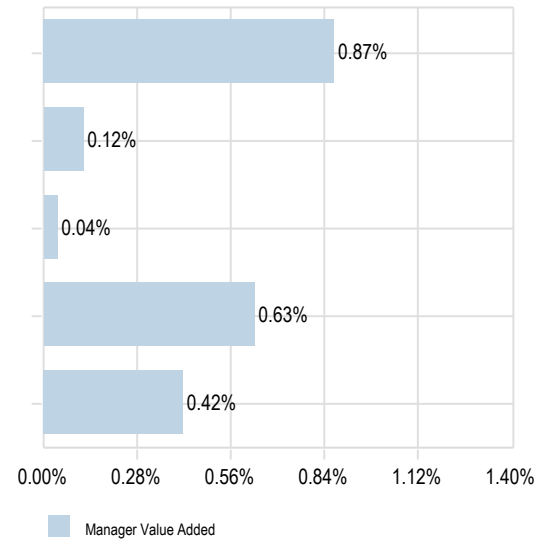
### Average Active Weight



### Asset Allocation Value Added: -0.20%



### Total Manager Value Added: 2.08%



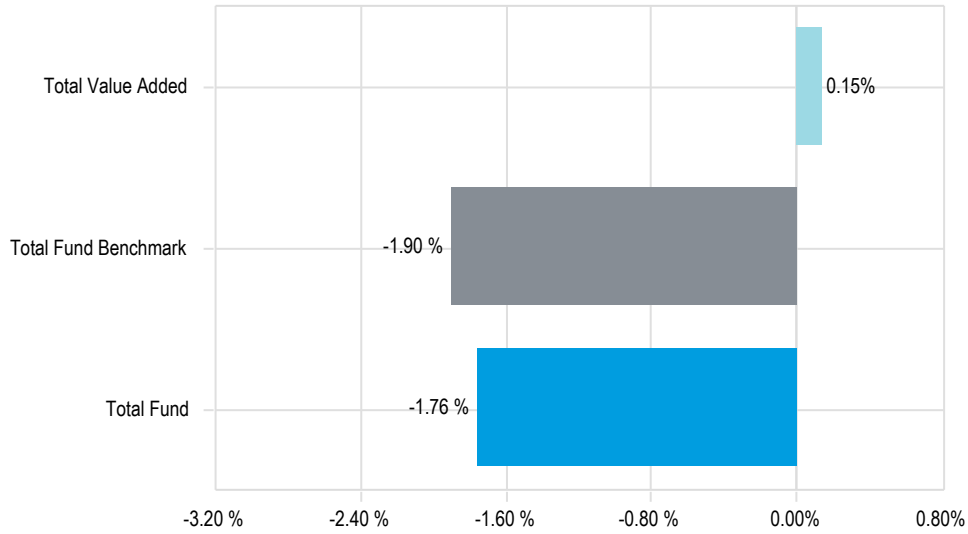
"Other" includes the effects of all other factors on the Fund's relative return, including rebalancing and other trading activity.

# Cash Balance Plan

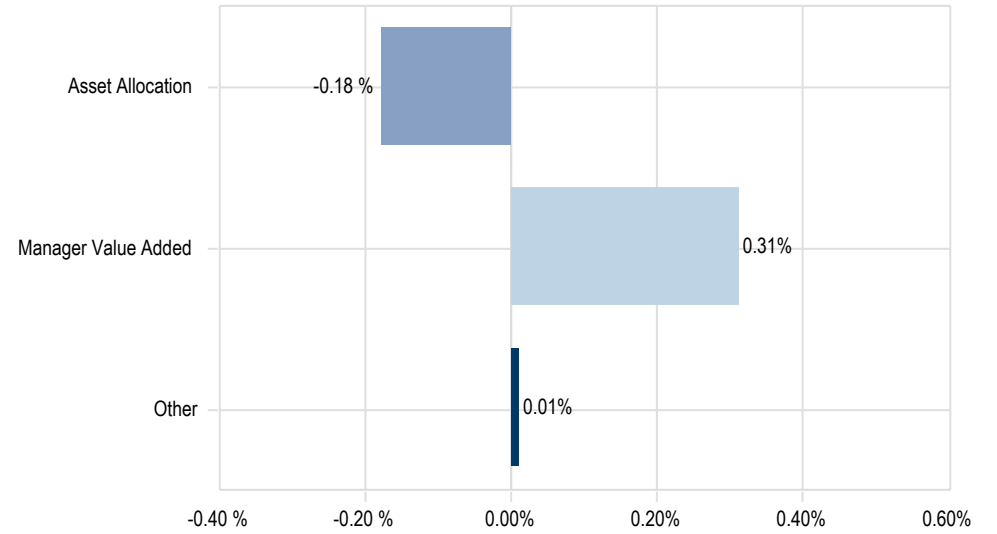
## Attribution Analysis

Year To Date Ending June 30, 2020

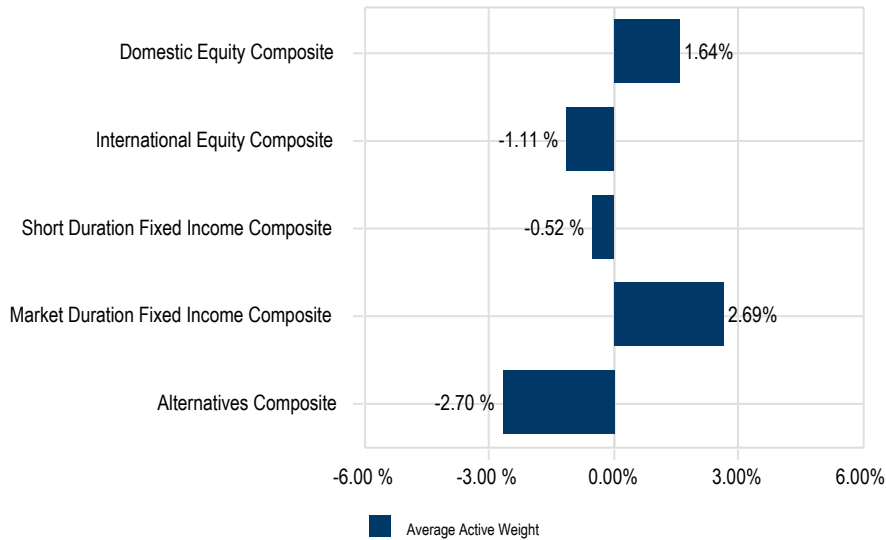
### Total Fund Performance



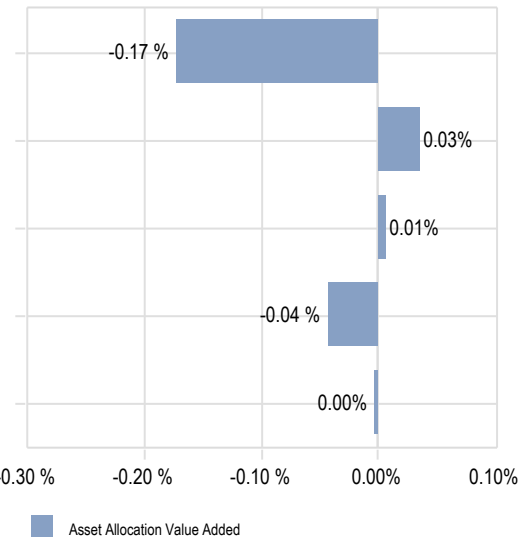
### Total Value Added: 0.15%



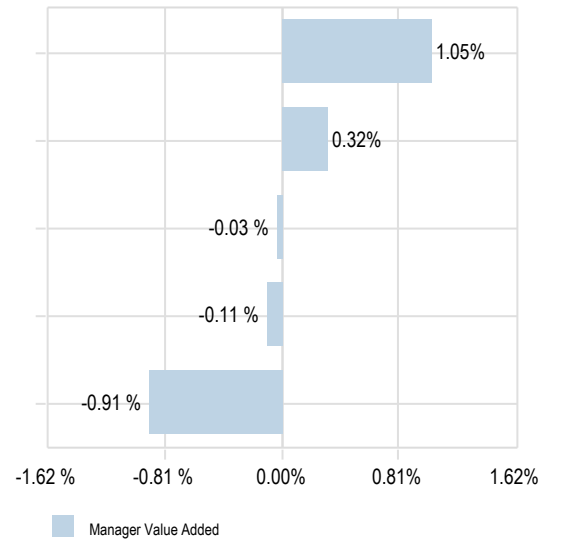
### Average Active Weight



### Asset Allocation Value Added: -0.18%



### Total Manager Value Added: 0.31%



"Other" includes the effects of all other factors on the Fund's relative return, including rebalancing and other trading activity.

# Cash Balance Plan

Manager Asset Allocation & Performance

June 30, 2020

	Allocation		Performance									
	Asset \$	%	3 Month	CYTD	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date	
<b>Large-Cap Equity</b>												
<b>Vanguard Institutional Index Fund</b>	<b>40,944,125</b>	<b>14.3</b>	<b>20.5 (37)</b>	<b>-3.1 (40)</b>	<b>7.5 (31)</b>	<b>7.5 (31)</b>	<b>10.7 (27)</b>	<b>10.7 (16)</b>	<b>14.0 (13)</b>	<b>13.1 (17)</b>	<b>Nov-2012</b>	
<i>S&amp;P 500</i>			20.5 (37)	-3.1 (40)	7.5 (31)	7.5 (31)	10.7 (27)	10.7 (16)	14.0 (13)	13.1 (16)		
<i>Mercer Mutual Fund US Equity Large Cap Core Median</i>			19.7	-4.1	5.9	5.9	9.7	9.3	12.6	11.8		
<b>Sands Large Cap Growth (Touchstone)</b>	<b>27,381,699</b>	<b>9.6</b>	<b>37.8 (4)</b>	<b>24.8 (1)</b>	<b>30.7 (6)</b>	<b>30.7 (6)</b>	<b>24.9 (1)</b>	<b>16.7 (12)</b>	<b>19.0 (2)</b>	<b>17.8 (16)</b>	<b>Nov-2012</b>	
<i>Russell 1000 Growth Index</i>			27.8 (43)	9.8 (55)	23.3 (28)	23.3 (28)	19.0 (40)	15.9 (29)	17.2 (23)	17.0 (27)		
<i>Mercer Mutual Fund US Equity Large Cap Growth Median</i>			27.5	10.1	20.6	20.6	18.2	14.4	16.0	16.1		
<b>Barrow Hanley Large Cap Value</b>	<b>18,213,223</b>	<b>6.4</b>	<b>17.9 (17)</b>	<b>-18.5 (88)</b>	<b>-10.6 (86)</b>	<b>-10.6 (86)</b>	<b>2.5 (58)</b>	<b>4.6 (61)</b>	<b>10.8 (34)</b>	<b>9.2 (41)</b>	<b>Nov-2012</b>	
<i>Russell 1000 Value Index</i>			14.3 (72)	-16.3 (68)	-8.8 (72)	-8.8 (72)	1.8 (69)	4.6 (60)	10.4 (43)	8.8 (52)		
<i>Mercer Mutual Fund US Equity Large Cap Value Median</i>			15.6	-14.8	-6.7	-6.7	2.9	4.9	10.2	8.9		
<b>Small-Cap Equity</b>												
<b>Wellington Small Cap Value</b>	<b>5,761,750</b>	<b>2.0</b>	<b>10.6 (100)</b>	<b>-28.4 (84)</b>	<b>-21.5 (79)</b>	<b>-21.5 (79)</b>	<b>-5.7 (53)</b>	<b>-1.1 (63)</b>	<b>7.7 (38)</b>	<b>5.3 (46)</b>	<b>Nov-2012</b>	
<i>Russell 2000 Value Index</i>			18.9 (79)	-23.5 (48)	-17.5 (41)	-17.5 (41)	-4.3 (28)	1.3 (20)	7.8 (33)	6.1 (24)		
<i>Mercer Mutual Fund US Equity Small Cap Value Median</i>			22.1	-23.8	-18.7	-18.7	-5.6	-0.7	7.4	5.2		
<b>Conestoga Small Cap Growth</b>	<b>7,830,363</b>	<b>2.7</b>	<b>26.5 (84)</b>	<b>2.1 (41)</b>	<b>3.7 (56)</b>	<b>3.7 (56)</b>	<b>13.7 (33)</b>	<b>13.6 (14)</b>	<b>15.4 (17)</b>	<b>16.8 (29)</b>	<b>Jul-2016</b>	
<i>Russell 2000 Growth Index</i>			30.6 (58)	-3.1 (64)	3.5 (57)	3.5 (57)	7.9 (67)	6.9 (72)	12.9 (61)	11.8 (64)		
<i>Mercer Mutual Fund US Equity Small Cap Growth Median</i>			32.1	0.3	4.9	4.9	10.4	9.0	13.6	13.5		
<b>International Equity</b>												
<b>Causeway International Value</b>	<b>16,424,813</b>	<b>5.7</b>	<b>20.5 (6)</b>	<b>-18.1 (57)</b>	<b>-10.8 (54)</b>	<b>-10.8 (54)</b>	<b>-3.4 (40)</b>	<b>-1.1 (53)</b>	<b>4.9 (21)</b>	<b>-9.0 (50)</b>	<b>May-2018</b>	
<i>MSCI AC World ex USA (Net)</i>			16.1 (34)	-11.0 (7)	-4.8 (6)	-4.8 (6)	1.1 (1)	2.3 (1)	5.0 (20)	-3.6 (1)		
<i>MSCI AC World ex USA Value (Net)</i>			12.8 (85)	-19.4 (70)	-15.3 (77)	-15.3 (77)	-4.0 (50)	-1.2 (55)	2.8 (87)	-10.1 (67)		
<i>Mercer Mutual Fund World ex US/EAFE Equity Large Cap Value Median</i>			15.3	-16.5	-10.7	-10.7	-4.0	-1.1	4.0	-9.0		
<b>BNY Mellon International Stock Fund</b>	<b>25,628,961</b>	<b>8.9</b>	<b>14.5 (94)</b>	<b>-0.6 (20)</b>	<b>8.1 (20)</b>	<b>8.1 (20)</b>	<b>8.8 (11)</b>	<b>8.2 (9)</b>	<b>7.8 (27)</b>	<b>7.2 (27)</b>	<b>Nov-2012</b>	
<i>MSCI AC World ex USA (Net)</i>			16.1 (87)	-11.0 (88)	-4.8 (91)	-4.8 (91)	1.1 (84)	2.3 (83)	5.0 (90)	4.1 (89)		
<i>MSCI AC World ex USA Growth (Net)</i>			19.1 (50)	-2.6 (34)	5.8 (33)	5.8 (33)	6.1 (34)	5.6 (30)	7.0 (49)	6.6 (39)		
<i>Mercer Mutual Fund World ex US/EAFE Equity Large Cap Growth Median</i>			19.1	-4.7	2.7	2.7	4.3	4.0	7.0	6.0		
<b>Harding Loevner Inst. Emerging Markets I</b>	<b>6,217,976</b>	<b>2.2</b>	<b>17.5 (76)</b>	<b>-15.0 (79)</b>	<b>-7.9 (68)</b>	<b>-7.9 (68)</b>	<b>-0.4 (68)</b>	<b>2.6 (49)</b>	<b>4.3 (30)</b>	<b>3.4 (62)</b>	<b>Nov-2016</b>	
<i>MSCI Emerging Markets (Net)</i>			18.1 (69)	-9.8 (44)	-3.4 (45)	-3.4 (45)	1.9 (41)	2.9 (45)	3.3 (44)	5.0 (37)		
<i>Mercer Mutual Fund Emerging Markets Equity Median</i>			19.7	-10.4	-4.1	-4.1	1.1	2.6	2.9	4.3		

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized. Peer group percentile ranks are shown in parentheses.

# Cash Balance Plan

Manager Asset Allocation & Performance

June 30, 2020

	Allocation		Performance									
	Asset \$	%	3 Month	CYTD	Fiscal YTD	1 Year	3 Year	5 Year	10 Year	Inception	Inception Date	
<b>Short Duration Fixed Income</b>												
<b>Barrow Hanley Short Fixed</b>	<b>8,190,940</b>	<b>2.9</b>	<b>2.6 (61)</b>	<b>2.9 (25)</b>	<b>4.5 (15)</b>	<b>4.5 (15)</b>	<b>2.9 (24)</b>	<b>2.2 (41)</b>	<b>1.6 (71)</b>	<b>1.6 (44)</b>	<b>Nov-2012</b>	
<i>Blmbg. Barc. 1-3 Year Gov/Credit</i>			1.2 (78)	2.9 (26)	4.2 (21)	4.2 (21)	2.9 (28)	2.1 (50)	1.6 (64)	1.7 (43)		
<i>Mercer Mutual Fund US Fixed Short Median</i>			3.3	2.0	3.3	3.3	2.6	2.1	1.9	1.6		
<b>Cash Composite</b>	<b>2,170,315</b>	<b>0.8</b>	<b>0.1</b>	<b>0.4</b>	<b>1.3</b>	<b>1.3</b>	<b>1.6</b>	<b>2.0</b>	<b>-</b>	<b>1.9</b>	<b>Nov-2012</b>	
<i>90 Day U.S. Treasury Bill</i>			0.0	0.6	1.6	1.6	1.8	1.2	0.6	0.8		
<b>Market Duration Fixed Income</b>												
<b>Dodge &amp; Cox Income Fund</b>	<b>39,681,743</b>	<b>13.8</b>	<b>6.0 (31)</b>	<b>5.2 (37)</b>	<b>8.3 (30)</b>	<b>8.3 (30)</b>	<b>5.4 (24)</b>	<b>4.7 (18)</b>	<b>4.5 (24)</b>	<b>6.7 (14)</b>	<b>Jan-1989</b>	
<i>Blmbg. Barc. U.S. Aggregate</i>			2.9 (86)	6.1 (19)	8.7 (22)	8.7 (22)	5.3 (26)	4.3 (33)	3.8 (54)	6.3 (30)		
<i>Mercer Mutual Fund US Fixed Core Median</i>			4.9	4.3	6.9	6.9	4.7	4.0	3.9	6.0		
<b>Met West Total Return Fund PI</b>	<b>40,347,703</b>	<b>14.1</b>	<b>4.0 (71)</b>	<b>6.3 (16)</b>	<b>9.0 (18)</b>	<b>9.0 (18)</b>	<b>5.6 (16)</b>	<b>4.3 (32)</b>	<b>4.9 (17)</b>	<b>3.8 (21)</b>	<b>Nov-2012</b>	
<i>Blmbg. Barc. U.S. Aggregate</i>			2.9 (86)	6.1 (19)	8.7 (22)	8.7 (22)	5.3 (26)	4.3 (33)	3.8 (54)	3.3 (44)		
<i>Mercer Mutual Fund US Fixed Core Median</i>			4.9	4.3	6.9	6.9	4.7	4.0	3.9	3.1		
<b>Hedge Fund of Funds</b>												
<b>Lighthouse Diversified</b>	<b>16,852,906</b>	<b>5.9</b>	<b>7.0</b>	<b>-12.0</b>	<b>-10.3</b>	<b>-10.3</b>	<b>-1.8</b>	<b>-0.4</b>	<b>3.1</b>	<b>2.7</b>	<b>Nov-2012</b>	
<i>HFRI Fund of Funds Composite Index</i>			7.5	-2.0	0.1	0.1	2.1	1.4	2.8	3.1		
<b>Pointer Offshore LTD</b>	<b>19,821,984</b>	<b>6.9</b>	<b>11.3</b>	<b>-0.5</b>	<b>4.1</b>	<b>4.1</b>	<b>6.5</b>	<b>4.8</b>	<b>7.9</b>	<b>7.4</b>	<b>Jan-2013</b>	
<i>HFRI Fund of Funds Composite Index</i>			7.5	-2.0	0.1	0.1	2.1	1.4	2.8	2.9		
<b>Real Estate</b>												
<b>Oaktree RE Opportunities Fund VI</b>	<b>2,950,884</b>	<b>1.0</b>	<b>0.0</b>	<b>-0.2</b>	<b>-2.1</b>	<b>-2.1</b>	<b>2.9</b>	<b>3.0</b>	<b>-</b>	<b>6.6</b>	<b>Feb-2013</b>	
<i>NCREIF Property Index</i>			-0.9	-0.2	2.8	2.8	5.5	6.8	9.7	8.5		
<b>Walton Street Real Estate Fund VII, L.P.</b>	<b>1,968,764</b>	<b>0.7</b>	<b>0.0</b>	<b>-12.2</b>	<b>-13.5</b>	<b>-13.5</b>	<b>-3.8</b>	<b>2.1</b>	<b>-</b>	<b>7.6</b>	<b>Jul-2013</b>	
<i>NCREIF Property Index</i>			-0.9	-0.2	2.8	2.8	5.5	6.8	9.7	8.3		
<b>Walton Street Real Estate Fund VIII, L.P.</b>	<b>6,315,462</b>	<b>2.2</b>	<b>0.0</b>	<b>-6.6</b>	<b>-2.7</b>	<b>-2.7</b>	<b>6.2</b>	<b>-</b>	<b>-</b>	<b>8.4</b>	<b>Jun-2017</b>	
<i>NCREIF Property Index</i>			-0.9	-0.2	2.8	2.8	5.5	6.8	9.7	5.5		
<b>Total Plan</b>												
<b>Total Cash Balance Plan</b>	<b>286,703,613</b>	<b>100.0</b>	<b>13.2</b>	<b>-1.8</b>	<b>3.8</b>	<b>3.8</b>	<b>6.3</b>	<b>5.9</b>	<b>8.5</b>	<b>7.3</b>	<b>Nov-2012</b>	
<i>Total Cash Balance Plan Benchmark</i>			11.3	-1.9	3.7	3.7	5.6	5.5	7.8	6.6		
<i>Pre-Pavilion Total Cash Balance Plan Benchmark</i>			9.7	-7.3	-1.4	-1.4	3.7	4.8	8.0	6.9		

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized. Peer group percentile ranks are shown in parentheses.



# El Camino Hospital

## Private Real Estate Summary (Lagged)

March 31, 2020

Partnerships	Vintage	Capital Commitment	Drawn Down	Distributed	Market Value (1)	IRR (1)	FTSE NAREIT Equity REIT Index	PME+ (4)	TVPI Multiple (1,2)	DPI Multiple (2)	Remaining Commitment (3)
Oaktree RE Opportunities Fund VI	2012	8,400,000	8,400,000	8,948,674	2,950,884	8.7		6.5	1.4	1.1	1,932,000
Walton Street Real Estate Fund VII, L.P.	2012	8,400,000	7,440,389	8,262,540	1,968,764	10.4		5.4	1.4	1.1	2,652,461
Walton Street Real Estate Fund VIII, L.P.	2015	10,000,000	8,534,539	3,210,267	6,315,462	7.4		-5.9	1.1	0.4	4,684,507
<b>Total Cash Balance Real Estate</b>		<b>26,800,000</b>	<b>24,374,928</b>	<b>20,421,481</b>	<b>11,235,110</b>	<b>9.1</b>		<b>4.4</b>	<b>1.3</b>	<b>0.8</b>	<b>9,268,967</b>

1) Valuations are typically reported on one quarter lag. If the valuation date is earlier than the statement's date, the market value and performance are estimated by rolling forward the latest reported balance to include relevant new cash flows.

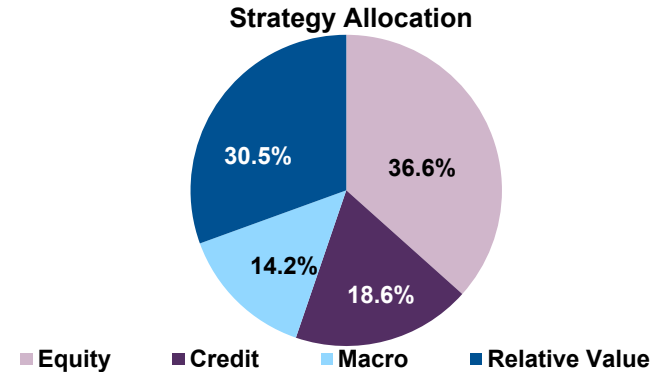
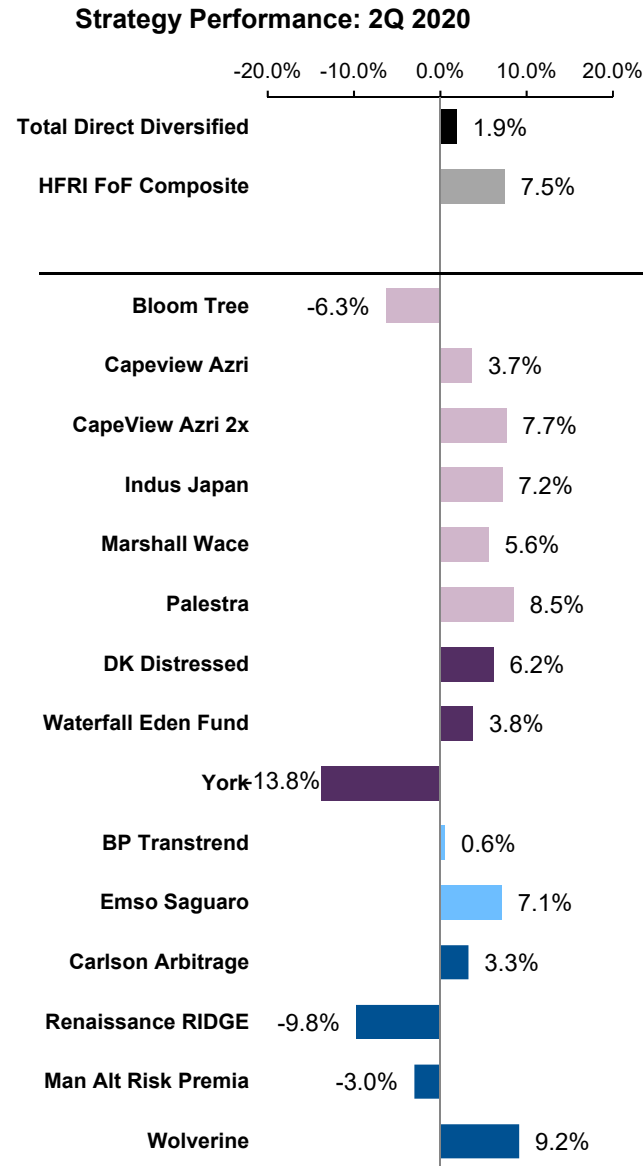
2) Total Value to Paid In (TVPI) reflects total realized and unrealized performance. Distributed to Paid In (DPI) reflects realized performance only.

3) Remaining commitment includes recallable distributions which, if called, could cause drawn to exceed commitment.

4) The public market equivalent (PME+) calculates benchmark performance by using the daily cash flows in a public index, and scaling the fund's distributions so the public market NAV remains positive. The PME will match the fund's IRR if no distribution/s had occurred during the life of the fund.

# Direct Hedge Fund Portfolio

Direct Hedge Fund Portfolio



Program Comments:

The *Direct Hedge Fund Portfolio* returned +1.9% during the first quarter, underperforming peers as measured by the *HFRI Fund of Funds Composite Index* (+7.5%). Most strategies lagged the rally in global equities during the quarter.

Long/short equity strategies generated material security selection alpha in Q2, which was largely marked by a strong equity rebound following the unprecedented selloff in Q1. As with Q1, manager positioning made a material difference in performance, as dispersion of manager returns remained elevated. **Bloom Tree** was the only manager to experience losses amid this dispersion—all other managers posted sizable gains.

Distressed strategies posted gains in Q2 but have underperformed other strategies on a year-to-date basis. Generally, legacy positions lagged as capital flows focused on ‘front running’ the Fed. This particularly hurt liquidating manager **York**. Conversely, managers that were less burdened by legacy holdings and were more nimble fared substantially better, including **Davidson Kempner** and **Waterfall**, which both gained.

There was dispersion across macro strategies, but both of the Portfolio’s macro managers posted gains during the quarter. **Transtrend** had only modest gains given the headwinds of large reversals across markets, while long EM currencies and bonds were a tailwind for EM debt focused manager **Emso**.

Relative value strategies were mixed, as factor relationships that broke down in Q1 continued to drive certain losses in Q2. Continued underperformance of low volatility and value factors hurt risk premium manager **Man**. Quantitative equity manager **Renaissance** experienced losses due to its exposure to the low volatility factor and poor performance of its beta models. A rebound in the performance of merger arbitrage strategies boosted **Carlson**, and a rebound in credit helped fuel gains in **Wolverine’s** convertible arbitrage book.

# Direct Hedge Fund Portfolio Asset Allocation & Performance

June 30, 2020

	Allocation		Performance							
	Asset \$	%	3 Month	CYTD	Fiscal YTD	1 Year	3 Year	5 Year	Since Invested	Inception Date
<b>Hedge Fund Composite</b>	<b>143,595,829</b>	<b>100.0</b>	<b>1.9</b>	<b>-7.4</b>	<b>-5.8</b>	<b>-5.8</b>	<b>0.8</b>	<b>0.1</b>	<b>1.5</b>	<b>May-2013</b>
<i>HFRI Fund of Funds Composite Index</i>			7.5	-2.0	0.1	0.1	2.1	1.4	2.5	
<i>El Camino HF Composite Benchmark</i>			8.0	-2.6	-0.7	-0.7	1.9	2.2	2.9	
<b>Equity HF Composite</b>	<b>52,556,964</b>	<b>36.6</b>	<b>3.8</b>	<b>-3.5</b>	<b>1.9</b>	<b>1.9</b>	<b>4.0</b>	<b>0.7</b>	<b>2.4</b>	<b>May-2013</b>
<i>HFRI Equity Hedge (Total) Index</i>			13.3	-3.2	0.8	0.8	3.0	3.1	4.1	
<b>Credit HF Composite</b>	<b>26,779,389</b>	<b>18.6</b>	<b>1.3</b>	<b>-15.4</b>	<b>-19.3</b>	<b>-19.3</b>	<b>-4.1</b>	<b>-0.9</b>	<b>1.1</b>	<b>May-2013</b>
<i>HFRI ED: Distressed/Restructuring Index</i>			7.2	-5.3	-7.0	-7.0	-0.4	1.4	1.9	
<b>Macro HF Composite</b>	<b>20,410,836</b>	<b>14.2</b>	<b>3.9</b>	<b>-3.3</b>	<b>-2.4</b>	<b>-2.4</b>	<b>0.7</b>	<b>0.7</b>	<b>0.9</b>	<b>May-2013</b>
<i>HFRI Macro (Total) Index</i>			0.8	-0.9	0.6	0.6	1.4	0.7	0.9	
<b>Relative Value HF Composite</b>	<b>43,848,639</b>	<b>30.5</b>	<b>-0.6</b>	<b>-8.2</b>	<b>-6.1</b>	<b>-6.1</b>	<b>1.8</b>	<b>-0.3</b>	<b>1.5</b>	<b>May-2013</b>
<i>HFRI RV: Multi-Strategy Index</i>			5.6	-0.9	0.5	0.5	1.9	2.5	3.0	

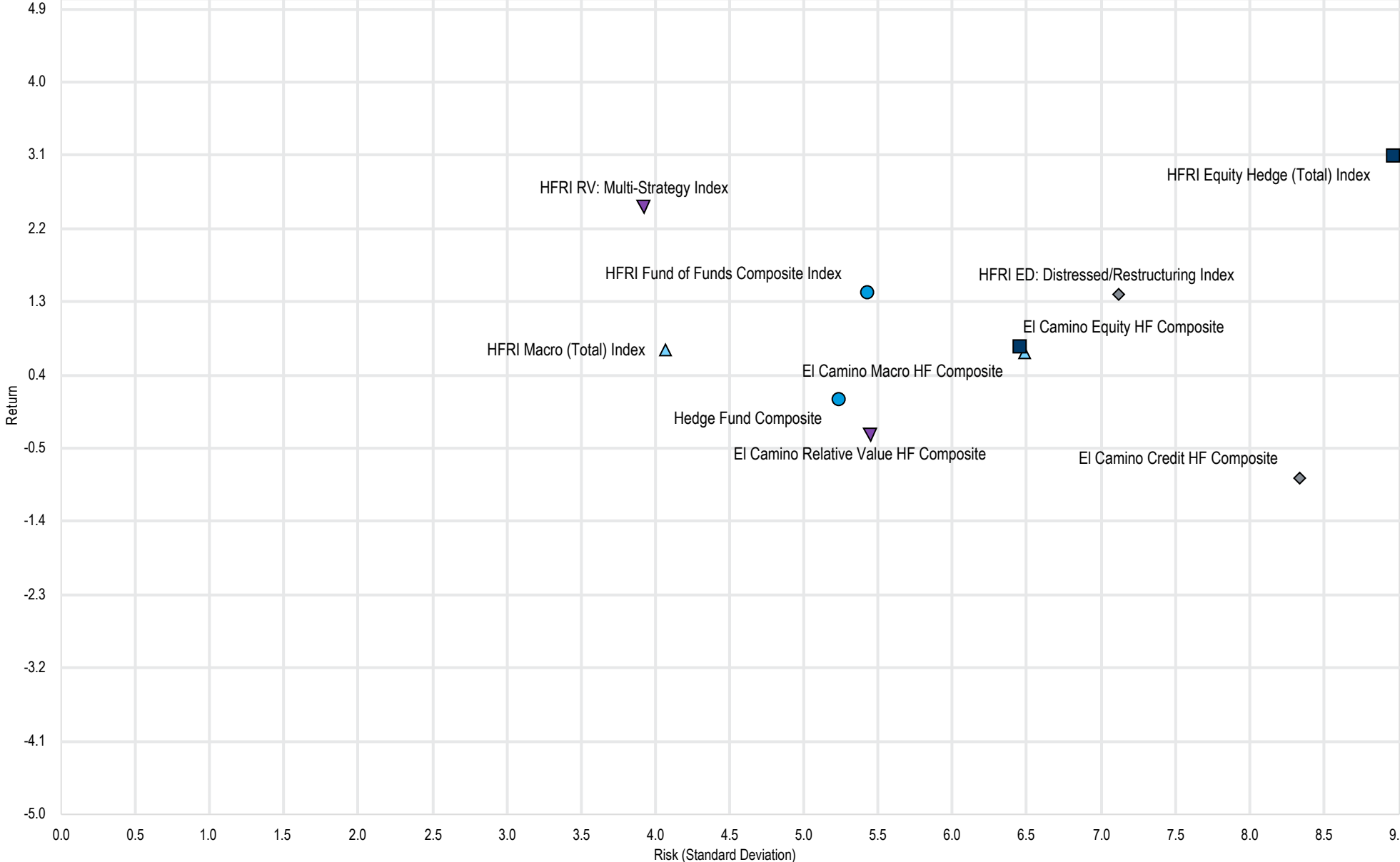
Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.

The El Camino HF Composite Benchmark consists of 40% HFRI Equity Hedge (Total) Index, 20% HFRI ED: Distressed/Restructuring Index, 20% HFRI Macro (Total) Index, and 20% HFRI RV: Multi-Strategy Index.

# Direct Hedge Fund Portfolio

Risk and Return Summary (Net of Fees)

5 Years



Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.

	Since Inception Return	Since Inception Standard Deviation	Since Inception Maximum Drawdown	Since Inception Best Quarter	Since Inception Worst Quarter	Since Inception Sharpe Ratio	Since Inception Sortino Ratio	Inception Date
<b>Total Portfolio</b>								
Hedge Fund Composite	1.5	4.8	-9.8	4.9	-9.4	0.2	0.2	May-2013
HFRI Fund of Funds Composite Index	2.5	4.9	-9.1	7.5	-8.8	0.4	0.5	
<b>Equity Long/Short</b>								
El Camino Equity HF Composite	2.4	5.9	-14.3	5.7	-8.2	0.3	0.4	May-2013
HFRI Equity Hedge (Total) Index	4.1	7.9	-14.6	13.3	-14.6	0.4	0.6	
<b>Credit</b>								
El Camino Credit HF Composite	1.1	7.6	-23.2	7.0	-17.5	0.1	0.1	May-2013
HFRI ED: Distressed/Restructuring Index	1.9	6.5	-17.5	7.4	-11.7	0.2	0.2	
<b>Macro</b>								
El Camino Macro HF Composite	0.9	6.4	-9.5	7.9	-6.9	0.0	0.1	May-2013
HFRI Macro (Total) Index	0.9	4.0	-6.8	6.1	-4.0	0.0	0.0	
<b>Relative Value</b>								
El Camino Relative Value HF Composite	1.5	5.1	-13.8	5.3	-8.6	0.1	0.2	May-2013
HFRI RV: Multi-Strategy Index	3.0	3.5	-6.6	5.6	-6.1	0.6	0.8	

## Asset Class Diversification

Hedge Fund Portfolio

As of June 30, 2020



**Pavilion**  
A Mercer practice

Manager	Asset Class/Type	Total Assets (\$, mil.)	Percent of Total	Target Allocation	Weighting Relative to Target
<b>Equity Hedge Funds</b>		<b>\$ 52.6</b>	<b>36.6%</b>	<b>40.0%</b>	<b>- 3.4%</b>
Luxor	Event Driven Equity	\$ 0.5	0.4%		
CapeView 1x	European Equity	\$ 6.6	4.6%		
CapeView 2x	European Equity	\$ 4.1	2.9%		
Bloom Tree	Global Equity	\$ 10.1	7.0%		
Marshall Wace Eureka	Global Equity	\$ 10.8	7.5%		
Indus Japan	Japanese Equity	\$ 9.1	6.3%		
Palestra	Long/Short Equity	\$ 11.3	7.8%		
<b>Credit Hedge Funds</b>		<b>\$ 26.8</b>	<b>18.7%</b>	<b>20.0%</b>	<b>- 1.3%</b>
Davidson Kempner	Distressed Credit	\$ 11.1	7.7%		
York	Multi-Strategy Credit	\$ 4.5	3.2%		
Waterfall Eden	Structured Credit	\$ 11.1	7.7%		
<b>Macro Hedge Funds</b>		<b>\$ 20.4</b>	<b>14.2%</b>	<b>20.0%</b>	<b>- 5.8%</b>
BP Transtrend	Systematic Macro	\$ 9.9	6.9%		
EMSO Saguaro	Discretionary Macro	\$ 10.5	7.3%		
<b>Relative Value Hedge Funds</b>		<b>\$ 43.8</b>	<b>30.5%</b>	<b>20.0%</b>	<b>+ 10.5%</b>
Renaissance RIDGE	Quantitative Market Neutral	\$ 10.7	7.4%		
Fir Tree	Multi-Strategy	\$ 0.1	0.0%		
Black Diamond Arbitrage	Event/Merger Arbitrage	\$ 10.7	7.5%		
Man Alternative Risk Premia	Alternative Risk Premia	\$ 11.6	8.1%		
Wolverine	Convertible Arbitrage	\$ 10.7	7.5%		
<b>Total Hedge Fund Portfolio</b>		<b>\$143.6</b>	<b>100.0%</b>		

\*Totals may not add due to rounding.

# Direct Hedge Fund Performance Summary

June 30, 2020

	3 Month	Fiscal YTD	1 Year	3 Year	5 Year	Since Invested	2019	2019	2018	2017	2016	2015	2014	Inception Date
Total Portfolio														
<b>Hedge Fund Composite</b>	<b>1.9</b>	<b>-5.8</b>	<b>-5.8</b>	<b>0.8</b>	<b>0.1</b>	<b>1.5</b>	<b>-7.4</b>	<b>5.9</b>	<b>-1.4</b>	<b>7.2</b>	<b>1.0</b>	<b>-1.6</b>	<b>2.2</b>	<b>May-2013</b>
<i>HFRI Fund of Funds Composite Index</i>	7.5	0.1	0.1	2.1	1.4	2.5	-2.0	8.4	-4.0	7.8	0.5	-0.3	3.4	
<i>El Camino HF Composite Benchmark</i>	8.0	-0.7	-0.7	1.9	2.2	2.9	-2.6	8.4	-4.1	7.7	6.7	-2.1	2.2	
Equity Long/Short														
<b>Equity HF Composite</b>	<b>3.8</b>	<b>1.9</b>	<b>1.9</b>	<b>4.0</b>	<b>0.7</b>	<b>2.4</b>	<b>-3.5</b>	<b>12.5</b>	<b>-3.7</b>	<b>12.1</b>	<b>-8.0</b>	<b>2.0</b>	<b>-0.4</b>	<b>May-2013</b>
<i>HFRI Equity Hedge (Total) Index</i>	13.3	0.8	0.8	3.0	3.1	4.1	-3.2	13.7	-7.1	13.3	5.5	-1.0	1.8	
Bloom Tree Offshore Fund, Ltd.	-6.3	-9.8	-9.8	0.1	0.9	2.4	-14.6	15.8	0.5	8.6	-3.8	6.3	3.0	Apr-2014
<i>HFRI Equity Hedge (Total) Index</i>	13.3	0.8	0.8	3.0	3.1	3.2	-3.2	13.7	-7.1	13.3	5.5	-1.0	1.8	
CapeView Azri Fund Limited	3.7	6.8	6.8	4.7	2.0	3.7	2.6	5.0	0.6	7.6	-8.3	9.8	4.6	Jul-2013
<i>HFRI Equity Hedge (Total) Index</i>	13.3	0.8	0.8	3.0	3.1	4.3	-3.2	13.7	-7.1	13.3	5.5	-1.0	1.8	
CapeView Azri 2X Fund	7.7	13.3	13.3	8.7	3.5	7.4	4.9	9.0	-0.4	16.2	-15.9	21.6	9.8	Jul-2013
<i>HFRI Equity Hedge (Total) Index</i>	13.3	0.8	0.8	3.0	3.1	4.3	-3.2	13.7	-7.1	13.3	5.5	-1.0	1.8	
Indus Japan Fund Ltd.	7.2	3.8	3.8	0.1	-1.6	1.4	-4.7	14.1	-20.1	21.6	-7.5	1.8	6.3	Dec-2013
<i>HFRI Equity Hedge (Total) Index</i>	13.3	0.8	0.8	3.0	3.1	3.4	-3.2	13.7	-7.1	13.3	5.5	-1.0	1.8	
Marshall Wace Eureka Fund Class B2	5.6	4.4	4.4	5.8	5.6	5.7	-0.5	12.6	-0.2	12.0	1.3	11.7	8.1	Aug-2017
<i>HFRI Equity Hedge (Total) Index</i>	13.3	0.8	0.8	3.0	3.1	2.6	-3.2	13.7	-7.1	13.3	5.5	-1.0	1.8	
Palestra Capital Offshore	8.5	5.6	5.6	9.0	10.0	10.0	0.9	22.4	-2.3	14.9	8.7	11.4	5.3	Apr-2019
<i>HFRI Equity Hedge (Total) Index</i>	13.3	0.8	0.8	3.0	3.1	1.9	-3.2	13.7	-7.1	13.3	5.5	-1.0	1.8	



# Direct Hedge Fund Performance Summary

June 30, 2020

	3 Month	Fiscal YTD	1 Year	3 Year	5 Year	Since Invested	2019	2019	2018	2017	2016	2015	2014	Inception Date
Credit														
<b>Credit HF Composite</b>	<b>1.3</b>	<b>-19.3</b>	<b>-19.3</b>	<b>-4.1</b>	<b>-0.9</b>	<b>1.1</b>	<b>-15.4</b>	<b>-2.4</b>	<b>0.7</b>	<b>9.9</b>	<b>14.7</b>	<b>-8.2</b>	<b>2.8</b>	<b>May-2013</b>
<i>HFRI ED: Distressed/Restructuring Index</i>	7.2	-7.0	-7.0	-0.4	1.4	1.9	-5.3	2.9	-1.7	6.3	15.1	-8.1	-1.4	
DK Distressed Opportunities International (Cayman) Ltd.	6.2	-10.5	-10.5	-0.4	3.3	4.4	-10.5	3.4	2.7	9.5	21.4	-6.2	3.2	May-2013
<i>HFRI ED: Distressed/Restructuring Index</i>	7.2	-7.0	-7.0	-0.4	1.4	1.9	-5.3	2.9	-1.7	6.3	15.1	-8.1	-1.4	
Waterfall Eden Fund, Ltd.	3.8	-9.2	-9.2	0.7	2.6	-10.8	-12.3	5.6	6.7	11.1	6.5	0.4	10.9	Oct-2019
<i>HFRI ED: Distressed/Restructuring Index</i>	7.2	-7.0	-7.0	-0.4	1.4	-5.4	-5.3	2.9	-1.7	6.3	15.1	-8.1	-1.4	
York Credit Opportunities Unit Trust	-13.8	-40.8	-40.8	-15.0	-9.5	-5.1	-31.0	-12.9	-4.8	12.5	4.1	-7.9	3.4	May-2013
<i>HFRI ED: Distressed/Restructuring Index</i>	7.2	-7.0	-7.0	-0.4	1.4	1.9	-5.3	2.9	-1.7	6.3	15.1	-8.1	-1.4	
Macro														
<b>Macro HF Composite</b>	<b>3.9</b>	<b>-2.4</b>	<b>-2.4</b>	<b>0.7</b>	<b>0.7</b>	<b>0.9</b>	<b>-3.3</b>	<b>4.5</b>	<b>-4.0</b>	<b>0.1</b>	<b>5.0</b>	<b>1.0</b>	<b>7.7</b>	<b>May-2013</b>
<i>HFRI Macro (Total) Index</i>	0.8	0.6	0.6	1.4	0.7	0.9	-0.9	6.5	-4.1	2.2	1.0	-1.3	5.6	
BP Transtrend Diversified Fund LLC	0.6	-4.4	-4.4	1.9	2.0	2.0	-3.9	5.0	-7.2	1.4	8.2	-1.1	18.9	May-2013
<i>HFRI Macro (Total) Index</i>	0.8	0.6	0.6	1.4	0.7	0.9	-0.9	6.5	-4.1	2.2	1.0	-1.3	5.6	
EMSO Saguaro, Ltd.	7.1	-0.1	-0.1	1.1	5.3	1.0	-2.4	7.5	-4.6	7.7	10.2	6.2	2.6	Aug-2017
<i>HFRI Macro (Total) Index</i>	0.8	0.6	0.6	1.4	0.7	1.2	-0.9	6.5	-4.1	2.2	1.0	-1.3	5.6	

# Direct Hedge Fund Performance Summary

June 30, 2020

	3 Month	Fiscal YTD	1 Year	3 Year	5 Year	Since Invested	2019	2019	2018	2017	2016	2015	2014	Inception Date
Relative Value														
<b>Relative Value HF Composite</b>	<b>-0.6</b>	<b>-6.1</b>	<b>-6.1</b>	<b>1.8</b>	<b>-0.3</b>	<b>1.5</b>	<b>-8.2</b>	<b>5.1</b>	<b>5.3</b>	<b>4.4</b>	<b>-0.4</b>	<b>-4.0</b>	<b>1.6</b>	<b>May-2013</b>
<i>HFRI RV: Multi-Strategy Index</i>	5.6	0.5	0.5	1.9	2.5	3.0	-0.9	5.3	-0.2	4.1	6.4	0.7	3.4	
(Carlson) Black Diamond Arbitrage Ltd.	3.3	1.7	1.7	3.9	6.9	3.6	-0.4	4.8	6.4	6.8	10.8	10.5	3.9	Sep-2018
<i>HFRI ED: Merger Arbitrage Index</i>	5.4	-2.8	-2.8	1.5	2.3	0.4	-6.1	6.8	3.3	4.3	3.6	3.3	1.7	
<i>HFRI RV: Multi-Strategy Index</i>	5.6	0.5	0.5	1.9	2.5	1.3	-0.9	5.3	-0.2	4.1	6.4	0.7	3.4	
Man Alternative Risk Premia SP Fund	-3.0	-8.1	-8.1	0.9	2.8	-8.1	-7.8	3.8	-3.5	10.2	6.8	7.8	28.0	Jul-2019
<i>HFRI RV: Multi-Strategy Index</i>	5.6	0.5	0.5	1.9	2.5	0.5	-0.9	5.3	-0.2	4.1	6.4	0.7	3.4	
Renaissance RIDGE	-9.8	-14.0	-14.0	-0.9	9.1	-1.8	-18.2	6.7	10.4	12.4	13.3	25.6	17.0	Nov-2017
<i>HFRI EH: Equity Market Neutral Index</i>	1.7	-1.0	-1.0	1.2	1.7	0.2	-1.8	2.3	-1.0	4.9	2.2	4.3	3.1	
<i>HFRI RV: Multi-Strategy Index</i>	5.6	0.5	0.5	1.9	2.5	1.7	-0.9	5.3	-0.2	4.1	6.4	0.7	3.4	
Wolverine	9.2	2.1	2.1	6.0	6.8	-2.3	-1.9	10.9	5.1	10.4	14.9	-0.5	-1.3	Mar-2020
<i>HFRI RV: Fixed Inc-Conv Arbitrage Index (Onshore)</i>	9.1	6.4	6.4	5.8	5.2	1.1	2.9	9.6	2.0	6.6	8.6	-0.9	-0.1	

# Appendix

## Surplus Cash

### Surplus Cash Total Benchmark

Beginning March 2015, the Surplus Cash Total Benchmark consists of 40% Total Equity Benchmark - Surplus, 30% Barclays Capital Aggregate, 10% Short Duration Fixed Income Benchmark - Surplus, and 20% Total Alternatives Benchmark - Surplus. From April 2014 to February 2015, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 10% Short Duration Fixed Income Benchmark - Surplus, and 20% Total Alternatives Benchmark - Surplus. From August 2013 to March 2014, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 20% Short Duration Fixed Income Benchmark - Surplus, and 10% Total Alternatives Benchmark - Surplus. During July 2013, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 21% Short Duration Fixed Income Benchmark - Surplus, and 9% Total Alternatives Benchmark - Surplus. From May 2013 to June 2013, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 22% Short Duration Fixed Income Benchmark - Surplus, and 8% HFRI Fund of Funds Composite Index. From November 2012 to April 2013, the Surplus Cash Total Benchmark consists of 30% Total Equity Benchmark - Surplus and 70% Total Fixed Income Benchmark - Surplus. From January 2007 to October 2012, the Surplus Cash Total Benchmark consisted of 15% Total Equity Benchmark - Surplus and 85% Total Fixed Income Benchmark - Surplus. From August 2000 to December 2006, the Surplus Cash Total Benchmark consisted of 2% Total Equity Benchmark - Surplus and 98% Total Fixed Income Benchmark - Surplus. From April 1991 to July 2000, the Surplus Cash Total Benchmark consisted of 100% Total Fixed Income Benchmark - Surplus.

### Surplus Cash Total Benchmark X Privates

Beginning March 2015 the Surplus Cash Total Benchmark consists of 42.1% Total Equity Benchmark - Surplus, 31.6% Barclays Capital Aggregate, 10.5% Short Duration Fixed Income Benchmark - Surplus, and 15.8% Total Alternatives Benchmark - Surplus. From April 2014 to February 2015 the Surplus Cash Total Benchmark consisted of 31.6% Total Equity Benchmark - Surplus, 42.1% Barclays Capital Aggregate, 10.5% Short Duration Fixed Income Benchmark - Surplus, and 15.8% Total Alternatives Benchmark - Surplus. From August 2013 to March 2014, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 20% Short Duration Fixed Income Benchmark - Surplus, and 10% Total Alternatives Benchmark - Surplus. During July 2013, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 21% Short Duration Fixed Income Benchmark - Surplus, and 9% Total Alternatives Benchmark - Surplus. From May 2013 to June 2013, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 22% Short Duration Fixed Income Benchmark - Surplus, and 8% HFRI Fund of Funds Composite Index. From November 2012 to April 2013, the Surplus Cash Total Benchmark consists of 30% Total Equity Benchmark - Surplus and 70% Total Fixed Income Benchmark - Surplus. From January 2007 to October 2012, the Surplus Cash Total Benchmark consisted of 15% Total Equity Benchmark - Surplus and 85% Total Fixed Income Benchmark - Surplus. From August 2000 to December 2006, the Surplus Cash Total Benchmark consisted of 2% Total Equity Benchmark - Surplus and 98% Total Fixed Income Benchmark - Surplus. From April 1991 to July 2000, the Surplus Cash Total Benchmark consisted of 100% Total Fixed Income Benchmark - Surplus.

### Pre-Pavilion Surplus Cash Total Benchmark

Beginning January 2007, the Pre-Pavilion Surplus Cash Total Benchmark consists of 15% Total Equity Benchmark - Surplus and 85% Total Fixed Income Benchmark - Surplus. From August 2000 to December 2006, the Pre-Pavilion Surplus Cash Total Benchmark consisted of 2% Total Equity Benchmark - Surplus and 98% Total Fixed Income Benchmark - Surplus. From April 1991 to July 2000, the Pre-Pavilion Surplus Cash Total Benchmark consisted of 100% Total Fixed Income Benchmark - Surplus.

### Total Equity Benchmark - Surplus

Beginning March 2015, the Total Equity Benchmark - Surplus consists of 50% Large Cap Equity Benchmark, 12.5% Small Cap Equity Benchmark, and 37.5% MSCI AC World ex USA (Net). From November 2012 to February 2015, the Total Equity Benchmark - Surplus consisted of 50% Large Cap Equity Benchmark, 16.67% Small Cap Equity Benchmark, and 33.33% MSCI AC World ex USA (Net). From April 1991 to October 2012, the Total Equity Benchmark - Surplus consisted of 100% Large Cap Equity Benchmark.

### Domestic Equity Benchmark - Surplus

Beginning March 2015, the Domestic Equity Benchmark - Surplus consists of 80% Large Cap Equity Benchmark and 20% Small Cap Equity Benchmark. From November 2012 to February 2015, the Domestic Equity Benchmark - Surplus consisted of 75% Large Cap Equity Benchmark and 25% Small Cap Equity Benchmark. From April 1991 to October 2012, the Domestic Equity Benchmark - Surplus consisted of 100% Large Cap Equity Benchmark.

### Large Cap Equity Benchmark

Beginning November 2012, the Large Cap Equity Benchmark consists of 25% Russell 1000 Value Index, 25% Russell 1000 Growth Index, and 50% S&P 500 Index. From April 1991 to October 2012, the Large Cap Equity Benchmark consisted of 100% Russell 1000 Value Index.

### **Small Cap Equity Benchmark**

Beginning November 2012, the Small Cap Equity Benchmark consists of 50% Russell 2000 Growth Index and 50% Russell 2000 Value Index.

### **Total Fixed Income Benchmark - Surplus**

Beginning March 2015, the Total Fixed Income Benchmark - Surplus consists of 75% Barclays Capital Aggregate and 25% Short Duration Fixed Income Benchmark - Surplus. From April 2014 to February 2015, the Total Fixed Income Benchmark - Surplus consisted of 80% Barclays Capital Aggregate and 20% Short Duration Fixed Income Benchmark - Surplus. From August 2013 to March 2014, the Total Fixed Income Benchmark - Surplus consisted of 66.67% Barclays Capital Aggregate and 33.33% Short Duration Fixed Income Benchmark - Surplus. During July 2013, the Total Fixed Income Benchmark - Surplus consisted of 65.57% Barclays Capital Aggregate and 34.43% Short Duration Fixed Income Benchmark - Surplus. From May 2013 to June 2013, the Total Fixed Income Benchmark - Surplus consisted of 64.52% Barclays Capital Aggregate and 35.48% Short Duration Fixed Income Benchmark - Surplus. From November 2012 to April 2013, the Total Fixed Income Benchmark - Surplus consisted of 57.14% Barclays Capital Aggregate and 42.86% Short Duration Fixed Income Benchmark - Surplus. From January 2007 to October 2012, the Total Fixed Income Benchmark - Surplus consisted of 40% Barclays Capital Aggregate and 60% Short Duration Fixed Income Benchmark - Surplus. From April 1991 to December 2006, the Total Fixed Income Benchmark - Surplus consisted of 100% Short Duration Fixed Income Benchmark - Surplus.

### **Short Duration Fixed Income Benchmark - Surplus**

Beginning in November 2012, the Short Duration Fixed Income Benchmark - Surplus consists of 100% Barclays Capital 1-3 Year Gov't/Credit. From January 2007 to October 2012, the Short Duration Fixed Income Benchmark - Surplus consisted of 66.67% Barclays Capital Intermediate Aggregate and 33.33% Barclays Capital Gov't 1-3 Year. From May 2001 to December 2006, the Short Duration Fixed Income Benchmark - Surplus consisted of 84.69% Barclays Capital Intermediate Aggregate and 15.31% Barclays Capital Gov't 1-3 Year. From April 1991 to April 2001, the Short Duration Fixed Income Benchmark - Surplus consisted of 100% Barclays Capital Gov't 1-3 Year.

### **Total Alternatives Benchmark - Surplus**

Beginning April 2014 the Total Alternatives Benchmark - Surplus consists of 75% HFRI Fund of Funds Composite Index and 25% NCREIF Property Index. From May 2013 to March 2014, the Total Alternatives Benchmark - Surplus consisted of 100% HFRI Fund of Funds Composite Index.

## Cash Balance Plan

### Cash Balance Plan Total Benchmark

Beginning July 2017, the Cash Balance Plan Total Benchmark consists of 50% Total Equity Benchmark, 30% Total Fixed Income Benchmark, and 20% Alternatives Benchmark. From January 2013 to June 2017, the Cash Balance Plan Total Benchmark consisted of 50% Total Equity Benchmark, 35% Total Fixed Income Benchmark, and 15% Alternatives Benchmark. From November 2012 to December 2012, the Cash Balance Plan Total Benchmark consisted of 50% Total Equity Benchmark, 45% Total Fixed Income Benchmark, and 5% Alternatives Benchmark. From October 1990 to October 2012, the Cash Balance Plan Total Benchmark consisted of 60% Russell 1000 Value Index and 40% Barclays Capital Aggregate.

### Cash Balance Plan Total X Privates Benchmark

Beginning July 2017, the Cash Balance Plan Total Benchmark X Privates consists of 33.68% Domestic Equity Benchmark, 18.95% MSCI AC World ex USA Net, 26.31% Barclays Capital Aggregate, 5.27% Short Duration Fixed Income Benchmark, and 15.79% HFRI FOF Composite. From January 2013 to June 2017, the Cash Balance Plan Total Benchmark X Privates consisted of 33.68% Domestic Equity Benchmark, 18.95% MSCI AC World ex USA Net, 26.31% Barclays Capital Aggregate, 10.53% Short Duration Fixed Income Benchmark, and 10.53% HFRI FOF Composite. From November 2012 to December 2012, the Cash Balance Plan Total Benchmark X Privates consisted of 50% Total Equity Benchmark, 45% Total Fixed Income Benchmark, and 5% HFRI FOF Composite. From October 1990 to October 2012, the Cash Balance Plan Total Benchmark X Privates consisted of 60% Russell 1000 Value Index and 40% Barclays Capital Aggregate.

### Pre-Pavilion Cash Balance Plan Total Benchmark

Beginning October 1990, the Cash Balance Plan Total Benchmark consists of 60% Russell 1000 Value Index and 40% Barclays Capital Aggregate.

### Total Equity Benchmark

Beginning November 2012, the Total Equity Benchmark consists of 54% Large Cap Equity Benchmark, 10% Small Cap Equity Benchmark, and 36% MSCI AC World ex USA (Net). From October 1990 to October 2012, the Total Equity Benchmark consisted of 100% Large Cap Equity Benchmark.

### Domestic Equity Benchmark

Beginning November 2012, the Domestic Equity Benchmark consists of 84.38% Large Cap Equity Benchmark and 15.62% Small Cap Equity Benchmark. From October 1990 to October 2012, the Domestic Equity Benchmark consisted of 100% Large Cap Equity Benchmark.

### Large Cap Equity Benchmark

Beginning November 2012, the Large Cap Equity Benchmark consists of 25% Russell 1000 Value Index, 25% Russell 1000 Growth Index, and 50% S&P 500 Index. From October 1990 to October 2012, the Large Cap Equity Benchmark consisted of 100% Russell 1000 Value Index.

### Small Cap Equity Benchmark

Beginning November 2012, the Small Cap Equity Benchmark consists of 50% Russell 2000 Growth Index and 50% Russell 2000 Value Index.

### Total Fixed Income Benchmark

Beginning July 2017, the Total Fixed Income Benchmark consists of 83.3333% Barclays Capital Aggregate and 16.6667% Short Duration Fixed Income Benchmark. From January 2013 to June 2017, the Total Fixed Income Benchmark consisted of 71.43% Barclays Capital Aggregate and 28.57% Short Duration Fixed Income Benchmark. From November 2012 to December 2012, the Total Fixed Income Benchmark consists of 55.56% Barclays Capital Aggregate and 44.44% Short Duration Fixed Income Benchmark. From October 1990 to October 2012, the Total Fixed Income Benchmark consisted of 100% Barclays Capital Aggregate.

### Short Duration Fixed Income Benchmark

Beginning November 2012, the Short Duration Fixed Income Benchmark consists of 100% Barclays Capital 1-3 Year Gov't/Credit. From October 1990 to October 2012, the Short Duration Fixed Income Benchmark consisted of 100% 90 Day U.S. Treasury Bills.

# Appendix

## Benchmark Descriptions

June 30, 2020

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### **Total Alternatives Benchmark**

Beginning January 2013, the Alternatives Benchmark consists of 66.67% HFRI Fund of Funds Composite Index and 33.33% NCREIF Property Index. From November 2012 to December 2012, the Alternatives Benchmark consisted of 100% HFRI Fund of Funds Composite Index.

Key Performance Indicator	Definition / Explanation
<b>Investment Performance</b>	
Surplus cash balance (millions)	The Surplus Cash portfolio outgained its benchmark by 50 basis points (bps) for the quarter with a +10.2% return. The portfolio has slightly outperformed its benchmark per annum since inception (Nov. 1, 2012) with a return of +5.4% annualized versus +5.3% for its benchmark. The assets within the Surplus Cash account excluding debt reserves, balance sheet cash and District assets, but including Foundation and Concern assets ended the quarter at \$1,076.6 million, \$99.0 million higher than the beginning of the quarter.
Surplus cash return	
Cash balance plan balance (millions)	The Cash Balance Plan's performance outpaced its benchmark by 190 bps for the quarter with a return of +13.2% and has outperformed its benchmark since inception. The since inception annualized return stands at +7.3%, 70 basis points ahead of its benchmark per year. The assets within the Cash Balance Plan ended the quarter at \$286.7 million.
Cash balance plan return	
403(b) plan balance (millions)	The 403(b) balance increased significantly during the quarter and now stands at \$551.4 million, an increase of \$76.8 million or 16.2% from the March 31, 2020 value.
<b>Risk vs. Return</b>	
Surplus cash 3-year Sharpe ratio	The Sharpe ratio is the excess return of an investment over the risk free rate (US Treasuries) generated per unit of risk (standard deviation) taken to obtain that return. The higher the value, the better the risk-adjusted return. It is important to view returns in this context because it takes into account the risk associated with a particular return rather than simply focusing on the absolute level of return.
3-year return	
3-year standard deviation	Sharpe ratio = (actual return - risk free rate) / standard deviation
Cash balance 3-year Sharpe ratio	
3-year return	The Surplus Cash portfolio's 3-year Sharpe ratio was slightly above that of its benchmark and the expected Sharpe ratio modeled. This was due primarily to lower standard deviation over the period in comparison to what was modeled. The Cash Balance Plan's 3-year Sharpe ratio was above modeling expectations and its benchmark. Both accounts have demonstrated strong risk-adjusted returns since inception particularly in relation to modeled expectations.
3-year standard deviation	
<b>Asset Allocation</b>	
Surplus cash absolute variances to target	This represents the sum of the absolute differences between the portfolio's allocations to various asset classes and the target benchmark's allocations to those asset classes. The higher the number, the greater the portfolio's allocations deviate from the target benchmark's allocations, indicating a higher possibility for the portfolio's risk and return characteristics to differ from the Board's expectations.
Cash balance absolute variances to target	The threshold for an alert "yellow" status is set at 10% and the threshold for more severe "red" status is set at 20%. The Surplus Cash and Cash Balance portfolio were above the 10% threshold primarily due to an underweight to alternatives. We expect to increase the allocation to alternatives and reduce the overweight to fixed income with recommended changes in the upcoming quarter.
<b>Manager Compliance</b>	
Surplus cash manager flags	This section represents how individual investment managers have fared and draws attention to elevated concerns regarding performance and risk-adjusted performance all at the individual manager level. The number of flags are aggregated and a percentage of the total is used to highlight an alert "yellow" status (40% of the flags) and a more severe "red" status (50%). In total there are 60 potential flags for the Surplus Cash account and 68 for the Cash Balance Plan.
Cash balance plan manager flags	Currently, both portfolios are not in alert status.



The **Equity Strategy** is comprised of Equity Long/Short strategies. Equity hedge strategies typically have a directional bias (long or short) and trade in equities and equity-related derivatives. Managers seek to buy undervalued equities with improving fundamentals and short overvalued equities with deteriorating fundamentals.

*Trade Example: Long a basket of energy stocks and short a basket of consumer electronics stocks.*

The **Credit Strategy** is comprised of Distressed Securities, Credit Long/Short, Emerging Market Debt and Credit Event Driven. Credit strategies typically have a directional bias and involve the purchase of various types of debt, equity, trade claims and fixed income securities. Hedging using various instruments such as Credit Default swaps is frequently employed.

*Trade Example: Buying the distressed bonds of a company which has defaulted and participating in the corporate restructuring.*

The **Macro Strategy** consists of Global Macro, Managed Futures, Commodities and Currencies. Macro strategies usually have a directional bias (which can be either long or short) and involve the purchase of a variety of securities and/or derivatives related to major markets. Managed futures strategies trade similar instruments but are typically implemented by computerized systems.

*Trade Example: Long the US Dollar and short the Japanese Yen.*

The **Relative Value Strategy** typically does not display a distinct directional bias. Relative Value encompasses a range of strategies covering different asset classes. Arbitrage strategies focus on capturing movements or anomalies in the price spreads between related or similar instruments. The rationale for Arbitrage trades is the ultimate convergence of the market price relationship to a known, theoretical or equilibrium relationship.

*Trade Example: Long the stock of a merger bid target and short the stock of the acquirer.*

Statistics	Definition
Alpha	- A measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta. It is a measure of the portfolio's historical performance not explained by movements of the market, or a portfolio's non-systematic return.
Best Quarter	- The best of rolling 3 months(or 1 quarter) cumulative return.
Beta	- A measure of the sensitivity of a portfolio to the movements in the market. It is a measure of a portfolio's non-diversifiable or systematic risk.
Consistency	- The percentage of quarters that a product achieved a rate of return higher than that of its benchmark. The higher the consistency figure, the more value a manager has contributed to the product's performance.
Downside Risk	- A measure similar to standard deviation, but focuses only on the negative movements of the return series. It is calculated by taking the standard deviation of the negative set of returns. The higher the factor, the riskier the product.
Excess Return	- Arithmetic difference between the managers return and the risk-free return over a specified time period.
Information Ratio	- Measured by dividing the active rate of return by the tracking error. The higher the Information Ratio, the more value-added contribution by the manager.
Maximum Drawdown	- The drawdown is defined as the percent retrenchment from a fund's peak value to the fund's valley value. It is in effect from the time the fund's retrenchment begins until a new fund high is reached. The maximum drawdown encompasses both the period from the fund's peak to the fund's valley (length), and the time from the fund's valley to a new fund high (recovery). It measures the largest percentage drawdown that has occurred in any fund's data record.
Return	- Compounded rate of return for the period.
Sharpe Ratio	- Represents the excess rate of return over the risk free return divided by the standard deviation of the excess return. The result is the absolute rate of return per unit of risk. The higher the value, the better the product's historical risk-adjusted performance.
Sortino Ratio	- A ratio developed by Frank A. Sortino to differentiate between good and bad volatility in the Sharpe ratio. This differentiation of upwards and downwards volatility allows the calculation to provide a risk-adjusted measure of a security or fund's performance without penalizing it for upward price changes.
Standard Deviation	- A statistical measure of the range of a portfolio's performance, the variability of a return around its average return over a specified time period.
Tracking Error	- A measure of the standard deviation of a portfolio's performance relative to the performance of an appropriate market benchmark.
Worst Quarter	- The worst of rolling 3 months(or 1 quarter) cumulative return.

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# El Camino Hospital

## Tactical Asset Allocation & Market Outlook

June 30, 2020

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# Market Outlook

# Market Outlook

## Summary

- **At quarter's start, the global COVID-19 fight aggressively restricted industry in an effort to manage the virus spread. Policymakers quickly instituted measures to address left-tail health and economic risks, and while the pace of reopening has been uneven, the quick change in direction from extreme lows has produced record swings.**
  - Improving liquidity and declines in extreme risks helped equity markets surge in the second quarter, narrowing the equity risk premium.
  - Global central bank accommodation is expected to persist, pinning rates near the historic lows experienced in the first quarter. Credit sectors experienced significant spread compression, benefiting from incremental reductions in uncertainty.
  - Commodities also enjoyed rising prices driven by demand improvements and OPEC+'s agreement on production cuts<sup>1</sup>.
- **With global activity returning, economies will try to balance living with the virus and supporting growth, albeit in a more socially distant format.**
  - Fighting the virus: Aggressive containment efforts employed throughout the world have slowed the spread and helped economies prepare. A region's ability to manage the virus (testing, tracing) and advancements in medical protocol (treatments) will have a direct effect on economic growth.
  - Reopening: The economic slowdown appeared to reach its nadir in April, as business activity reversed course in May, and while industries with high transmission risks remain constrained, many industries were able to adapt and return to operations.
  - Unwavering support: Globally, fiscal and monetary policymakers continue to monitor and assess the evolving situation with accommodative policy likely to remain in the near-term.
- **While risk premiums declined significantly during the quarter, risk assets still provide significant compensation relative to cash, but an uncertain macro outlook means volatility is likely to persist.**
  - With long-term growth likely still intact, equity risk premiums have approached historical levels, but unclear intermediate-term revenue prospects may damage/benefit select industries, leading to punctuated price moves that amplify volatility.
  - After a tumultuous March, fixed income assets have priced in prolonged accommodative monetary policy, dampening return prospects across the risk spectrum. Spread sectors continue to offer premiums relative to historic averages.

1. Stevens, P. "OPEC and allies finalize record oil production cut after days of discussion." CNBC. Published April 12 2020. <https://www.cnbc.com/2020/04/12/opec-and-allies-finalize-record-oil-production-cut-after-days-of-discussion.html>

# Market Outlook

## Where are we in the cycle?



### Broad Indicators

- **Global growth:** After an abrupt stall and sharp restart, virus effects on industry will limit near-term potential, but restrictions are anticipated to dissipate as virus management improves (tracing, treatments, vaccine)
- **Inflation risks:** Limited, monitor for supply disruptions and increased costs of doing business
- **Interest rates:** Rates are likely to remain low, as central banks maintain support amid heightened risk aversion
- **Volatility:** Above normal, likely to linger with elevated uncertainty
- **Accommodation:** Accommodative and dynamic, global policymakers continue to maintain liquidity channels and treat economic virus symptoms
- **Earnings:** Bottoming, evaluate earnings guidance to assess the recovery
- **Valuations:** Market valuations quickly rose during the second quarter, as tail risks declined; however, heightened uncertainty may keep premiums in excess of cash above historic levels



# Market Outlook

## Global slowdown appeared to bottom in April

Composite	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
<b>Global</b>	54.2	53.7	53.4	52.7	52.9	53.1	52.7	52.1	52.5	52.8	52.2	51.2	51.2	51.6	51.3	51.1	50.8	51.4	51.5	52.1	46.1	39.2	26.2	36.3	47.7
<b>Developed</b>	55.0	54.2	54.1	53.3	53.6	53.3	52.7	52.3	52.9	52.8	52.0	51.1	51.3	51.7	51.0	50.7	50.3	50.8	51.2	52.1	49.5	36.4	22.2	33.2	46.9
<b>Emerging</b>	52.4	52.5	51.8	51.6	51.3	52.6	52.5	51.5	51.6	52.9	52.5	51.3	51.0	51.5	51.8	51.8	51.8	52.6	52.1	52.2	38.9	44.9	34.6	42.7	49.7
<b>United States</b>	56.2	55.7	54.7	53.9	54.9	54.7	54.4	54.4	55.5	54.6	53.0	50.9	51.5	52.6	50.7	51.0	50.9	52.0	52.7	53.3	49.6	40.9	27.0	37.0	47.9
<b>Canada*</b>	57.1	56.9	56.8	54.8	53.9	54.9	53.6	53.0	52.6	50.5	49.7	49.1	49.2	50.2	49.1	51.0	51.2	51.4	50.4	50.6	51.8	46.1	33.0	40.6	47.8
<b>U.K</b>	55.1	53.5	54.2	54.1	52.1	50.8	51.4	50.3	51.5	50.0	50.9	50.9	49.7	50.7	50.2	49.3	50.0	49.3	49.3	53.3	53.0	36.0	13.8	30.0	47.7
<b>Euro Zone</b>	54.9	54.3	54.5	54.1	53.1	52.7	51.1	51.0	51.9	51.6	51.5	51.8	52.2	51.5	51.9	50.1	50.6	50.6	50.9	51.3	51.6	29.7	13.6	31.9	48.5
<b>Germany</b>	54.8	55.0	55.6	55.0	53.4	52.3	51.6	52.1	52.8	51.4	52.2	52.6	52.6	50.9	51.7	48.5	48.9	49.4	50.2	51.2	50.7	35.0	17.4	32.3	47.0
<b>France</b>	55.0	54.4	54.9	54.0	54.1	54.2	48.7	48.2	50.4	48.9	50.1	51.2	52.7	51.9	52.9	50.8	52.6	52.1	52.0	51.1	52.0	28.9	11.1	32.1	51.7
<b>Italy</b>	53.9	53.0	51.7	52.4	49.3	49.3	50.0	48.8	49.6	51.5	49.5	49.9	50.1	51.0	50.3	50.6	50.8	49.6	49.3	50.4	50.7	20.2	10.9	33.9	47.6
<b>Spain</b>	54.8	52.7	53.0	52.5	53.7	53.9	53.4	54.5	53.5	55.4	52.9	52.1	52.1	51.7	52.6	51.7	51.2	51.9	52.7	51.5	51.8	26.7	9.2	29.2	49.7
<b>Greece*</b>	53.5	53.5	53.9	53.6	53.1	54.0	53.8	53.7	54.2	54.7	56.6	54.2	52.4	54.6	54.9	53.6	53.5	54.1	53.9	54.4	56.2	42.5	29.5	41.1	49.4
<b>Ireland</b>	58.1	56.8	58.4	58.4	56.1	56.6	55.5	53.3	55.4	54.1	53.4	54.1	54.4	51.8	51.8	51.0	50.6	52.0	53.0	54.7	56.7	37.3	17.3	25.7	44.3
<b>Australia</b>	55.6	52.5	55.9	57.1	54.7	50.8	50.0	52.5	54.0	51.0	54.8	52.7	49.4	51.3	53.1	54.7	51.6	48.1	48.3	45.4	44.3	53.7	35.8	41.6	51.5
<b>Japan</b>	52.1	51.8	52.0	50.7	52.5	52.4	52.0	50.9	50.7	50.4	50.8	50.7	50.8	50.6	51.9	51.5	49.1	49.8	48.6	50.1	47.0	36.2	25.8	27.8	40.8
<b>China</b>	53.0	52.3	52.0	52.1	50.5	51.9	52.2	50.9	50.7	52.9	52.7	51.5	50.6	50.9	51.6	51.9	52.0	53.2	52.6	51.9	27.5	46.7	47.6	54.5	55.7
<b>Indonesia*</b>	50.3	50.5	51.9	50.7	50.5	50.4	51.2	49.9	50.1	51.2	50.4	51.6	50.6	49.6	49.0	49.1	47.7	48.2	49.5	49.3	51.9	45.3	27.5	28.6	39.1
<b>S. Korea*</b>	49.8	48.3	49.9	51.3	51.0	48.6	49.8	48.3	47.2	48.8	50.2	48.4	47.5	47.3	49.0	48.0	48.4	49.4	50.1	49.8	48.7	44.2	41.6	41.3	43.4
<b>Taiwan*</b>	54.5	53.1	53.0	50.8	48.7	48.4	47.7	47.5	46.3	49.0	48.2	48.4	45.5	48.1	47.9	50.0	49.8	49.8	50.8	51.8	49.9	50.4	42.2	41.9	46.2
<b>India</b>	53.3	54.1	51.9	51.6	53.0	54.5	53.6	53.6	53.8	52.7	51.7	51.7	50.8	53.9	52.6	49.8	49.6	52.7	53.7	56.3	57.6	50.6	7.2	14.8	37.8
<b>Brazil</b>	47.0	50.4	47.8	47.3	50.5	51.6	52.4	52.3	52.6	53.1	50.6	48.4	49.0	51.6	51.9	52.5	51.8	51.8	50.9	52.2	50.9	37.6	26.5	28.1	40.5
<b>Mexico*</b>	52.1	52.1	50.7	51.7	50.7	49.7	49.7	50.9	52.6	49.8	50.1	50.0	49.2	49.8	49.0	49.1	50.4	48.0	47.1	49.0	50.0	47.9	35.0	38.3	38.6
<b>Russia</b>	52.0	51.7	52.1	53.5	55.8	55.0	53.9	53.6	54.1	54.6	53.0	51.5	49.2	50.2	51.5	51.4	53.3	52.9	51.8	52.6	50.9	39.5	13.9	35.0	48.9

Source: Bloomberg, JP Morgan, composite indices illustrated except for \*, which indicates manufacturing PMI data

Key	Contraction	Expansion
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# Market Outlook

## As lockdowns have subsided, manufacturing restarted

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
<b>Global</b>	52.8	52.6	52.4	52.0	51.9	51.8	51.4	50.6	50.5	50.5	50.4	49.8	49.4	49.3	49.5	49.8	49.8	50.3	50.1	50.3	47.1	47.3	39.6	42.4	47.8
<b>Developed</b>	54.4	54.0	53.8	53.6	53.2	52.8	52.3	51.7	50.3	49.9	50.2	49.2	48.9	48.6	48.7	48.6	48.6	49.5	49.1	49.8	49.5	45.9	36.8	39.5	46.4
<b>Emerging</b>	51.2	51.0	50.8	50.3	50.5	50.7	50.2	49.4	50.5	51.0	50.5	50.4	49.8	50.1	50.4	51.0	51.0	51.1	51.0	51.0	44.6	49.0	42.7	45.4	49.6
<b>United States</b>	55.4	55.3	54.7	55.6	55.7	55.3	53.8	54.9	53.0	52.4	52.6	50.5	50.6	50.4	50.3	51.1	51.3	52.6	52.4	51.9	50.7	48.5	36.1	39.8	49.8
<b>Canada</b>	57.1	56.9	56.8	54.8	53.9	54.9	53.6	53.0	52.6	50.5	49.7	49.1	49.2	50.2	49.1	51.0	51.2	51.4	50.4	50.6	51.8	46.1	33.0	40.6	47.8
<b>U.K</b>	54.0	53.9	52.9	53.7	51.1	53.3	54.3	52.8	52.1	55.1	53.1	49.4	48.0	48.0	47.4	48.3	49.6	48.9	47.5	50.0	51.7	47.8	32.6	40.7	50.1
<b>Euro Zone</b>	54.9	55.1	54.6	53.2	52.0	51.8	51.4	50.5	49.3	47.5	47.9	47.7	47.6	46.5	47.0	45.7	45.9	46.9	46.3	47.9	49.2	44.5	33.4	39.4	47.4
<b>Germany</b>	55.9	56.9	55.9	53.7	52.2	51.8	51.5	49.7	47.6	44.1	44.4	44.3	45.0	43.2	43.5	41.7	42.1	44.1	43.7	45.3	48.0	45.4	34.5	36.6	45.2
<b>France</b>	52.5	53.3	53.5	52.5	51.2	50.8	49.7	51.2	51.5	49.7	50.0	50.6	51.9	49.7	51.1	50.1	50.7	51.7	50.4	51.1	49.8	43.2	31.5	40.6	52.3
<b>Italy</b>	53.3	51.5	50.1	50.0	49.2	48.6	49.2	47.8	47.7	47.4	49.1	49.7	48.4	48.5	48.7	47.8	47.7	47.6	46.2	48.9	48.7	40.3	31.1	45.4	47.5
<b>Spain</b>	53.4	52.9	53.0	51.4	51.8	52.6	51.1	52.4	49.9	50.9	51.8	50.1	47.9	48.2	48.8	47.7	46.8	47.5	47.4	48.5	50.4	45.7	30.8	38.3	49.0
<b>Greece</b>	53.5	53.5	53.9	53.6	53.1	54.0	53.8	53.7	54.2	54.7	56.6	54.2	52.4	54.6	54.9	53.6	53.5	54.1	53.9	54.4	56.2	42.5	29.5	41.1	49.4
<b>Ireland</b>	56.6	56.3	57.5	56.3	54.9	55.4	54.5	52.6	54.0	53.9	52.5	50.4	49.8	48.7	48.6	48.7	50.7	49.7	49.5	51.4	51.2	45.1	36.0	39.2	51.0
<b>Australia</b>	55.6	52.5	55.9	57.1	54.7	50.8	50.0	52.5	54.0	51.0	54.8	52.7	49.4	51.3	53.1	54.7	51.6	48.1	48.3	45.4	44.3	53.7	35.8	41.6	51.5
<b>Japan</b>	53.0	52.3	52.5	52.5	52.9	52.2	52.6	50.3	48.9	49.2	50.2	49.8	49.3	49.4	49.3	48.9	48.4	48.9	48.4	48.8	47.8	44.8	41.9	38.4	40.1
<b>China</b>	51.0	50.8	50.6	50.0	50.1	50.2	49.7	48.3	49.9	50.8	50.2	50.2	49.4	49.9	50.4	51.4	51.7	51.8	51.5	51.1	40.3	50.1	49.4	50.7	51.2
<b>Indonesia</b>	50.3	50.5	51.9	50.7	50.5	50.4	51.2	49.9	50.1	51.2	50.4	51.6	50.6	49.6	49.0	49.1	47.7	48.2	49.5	49.3	51.9	45.3	27.5	28.6	39.1
<b>S. Korea</b>	49.8	48.3	49.9	51.3	51.0	48.6	49.8	48.3	47.2	48.8	50.2	48.4	47.5	47.3	49.0	48.0	48.4	49.4	50.1	49.8	48.7	44.2	41.6	41.3	43.4
<b>Taiwan</b>	54.5	53.1	53.0	50.8	48.7	48.4	47.7	47.5	46.3	49.0	48.2	48.4	45.5	48.1	47.9	50.0	49.8	49.8	50.8	51.8	49.9	50.4	42.2	41.9	46.2
<b>India</b>	53.1	52.3	51.7	52.2	53.1	54.0	53.2	53.9	54.3	52.6	51.8	52.7	52.1	52.5	51.4	51.4	50.6	51.2	52.7	55.3	54.5	51.8	27.4	30.8	47.2
<b>Brazil</b>	49.8	50.5	51.1	50.9	51.1	52.7	52.6	52.7	53.4	52.8	51.5	50.2	51.0	49.9	52.5	53.4	52.2	52.9	50.2	51.0	52.3	48.4	36.0	38.3	51.6
<b>Mexico</b>	52.1	52.1	50.7	51.7	50.7	49.7	49.7	50.9	52.6	49.8	50.1	50.0	49.2	49.8	49.0	49.1	50.4	48.0	47.1	49.0	50.0	47.9	35.0	38.3	38.6
<b>Russia</b>	49.5	48.1	48.9	50.0	51.3	52.6	51.7	50.9	50.1	52.8	51.8	49.8	48.6	49.3	49.1	46.3	47.2	45.6	47.5	47.9	48.2	47.5	31.3	36.2	49.4

Source: Bloomberg & JP Morgan

Key	Contraction	Expansion
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# Market Outlook

## Regional outbreaks will temper service growth

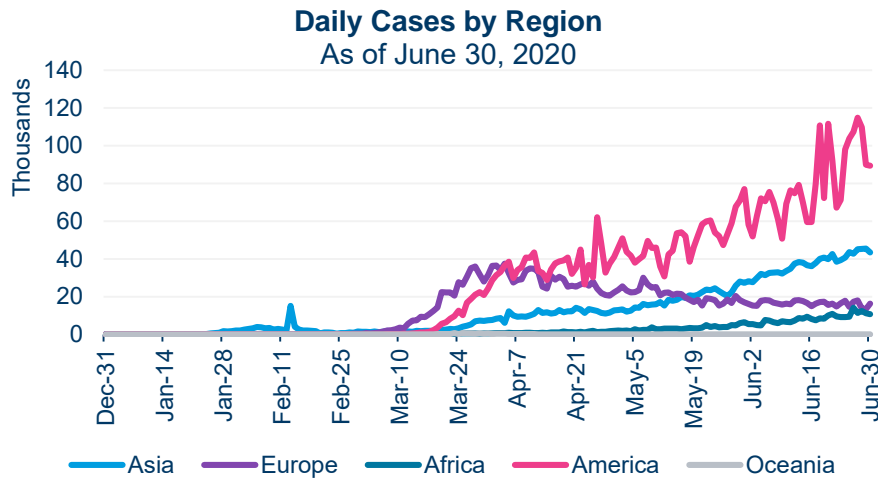
	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
<b>Global</b>	54.6	54.0	53.5	52.9	53.4	53.7	53.0	52.6	53.3	53.8	52.8	51.6	51.9	52.5	51.8	51.4	51.0	51.6	52.0	52.7	47.1	36.8	23.7	35.1	48.0
<b>Developed</b>	55.2	54.4	54.1	53.2	53.9	53.7	52.8	52.5	53.8	53.8	52.6	51.5	52.0	52.6	51.5	51.3	50.7	51.1	51.9	52.7	49.7	34.9	21.0	33.0	47.6
<b>Emerging</b>	52.8	52.9	51.7	52.1	51.9	53.7	53.7	52.9	52.0	53.7	53.4	51.7	51.7	52.1	52.3	51.7	51.7	53.1	52.3	52.4	39.7	42.1	31.6	41.4	49.2
<b>United States</b>	56.5	56.0	54.8	53.5	54.8	54.7	54.4	54.2	56.0	55.3	53.0	50.9	51.5	53.0	50.7	50.9	50.6	51.6	52.8	53.4	49.4	39.8	26.7	37.5	47.9
<b>Canada</b>	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
<b>U.K</b>	55.1	53.5	54.3	53.9	52.2	50.4	51.2	50.1	51.3	48.9	50.4	51.0	50.2	51.4	50.6	49.5	50.0	49.3	50.0	53.9	53.2	34.5	13.4	29.0	47.1
<b>Euro Zone</b>	55.2	54.2	54.4	54.7	53.7	53.4	51.2	51.2	52.8	53.3	52.8	52.9	53.6	53.2	53.5	51.6	52.2	51.9	52.8	52.5	52.6	26.4	12.0	30.5	48.3
<b>Germany</b>	54.5	54.1	55.0	55.9	54.7	53.3	51.8	53.0	55.3	55.4	55.7	55.4	55.8	54.5	54.8	51.4	51.6	51.7	52.9	54.2	52.5	31.7	16.2	32.6	47.3
<b>France</b>	55.9	54.9	55.4	54.8	55.3	55.1	49.0	47.8	50.2	49.1	50.5	51.5	52.9	52.6	53.4	51.1	52.9	52.2	52.4	51.0	52.5	27.4	10.2	31.1	50.7
<b>Italy</b>	54.3	54.0	52.6	53.3	49.2	50.3	50.5	49.7	50.4	53.1	50.4	50.0	50.5	51.7	50.6	51.4	52.2	50.4	51.1	51.4	52.1	17.4	10.8	28.9	46.4
<b>Spain</b>	55.4	52.6	52.7	52.5	54.0	54.0	54.0	54.7	54.5	56.8	53.1	52.8	53.6	52.9	54.3	53.3	52.7	53.2	54.9	52.3	52.1	23.0	7.1	27.9	50.2
<b>Greece</b>	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
<b>Ireland</b>	59.5	57.4	58.0	58.7	57.2	57.1	56.3	54.2	55.9	55.3	54.7	57.0	56.9	55.0	54.6	53.1	50.6	53.7	55.9	56.9	59.9	32.5	13.9	23.4	39.7
<b>Australia</b>	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
<b>Japan</b>	51.4	51.3	51.5	50.2	52.4	52.3	51.0	51.6	52.3	52.0	51.8	51.7	51.9	51.8	53.3	52.8	49.7	50.3	49.4	51.0	46.8	33.8	21.5	26.5	45.0
<b>China</b>	53.9	52.8	51.5	53.1	50.8	53.8	53.9	53.6	51.1	54.4	54.5	52.7	52.0	51.6	52.1	51.3	51.1	53.5	52.5	51.8	26.5	43.0	44.4	55.0	58.4
<b>Indonesia</b>	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
<b>S. Korea</b>	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
<b>Taiwan</b>	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
<b>India</b>	52.6	54.2	51.5	50.9	52.2	53.7	53.2	52.2	52.5	52.0	51.0	50.2	49.6	53.8	52.4	48.7	49.2	52.7	53.3	55.5	57.5	49.3	5.4	12.6	33.7
<b>Brazil</b>	47.0	50.4	46.8	46.4	50.5	51.3	51.9	52.0	52.2	52.7	49.9	47.8	48.2	52.2	51.4	51.8	51.2	50.9	51.0	52.7	50.4	34.5	27.4	27.6	35.9
<b>Mexico</b>	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
<b>Russia</b>	52.3	52.8	53.3	54.7	56.9	55.6	54.4	54.9	55.3	54.4	52.6	52.0	49.7	50.4	52.1	53.6	55.8	55.6	53.1	54.1	52.0	37.1	12.2	35.9	47.8

Source: Bloomberg & JP Morgan

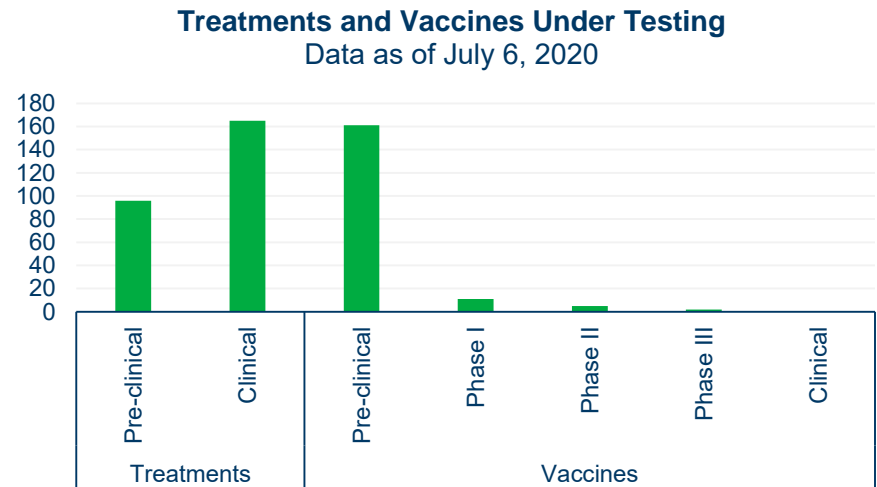
Key	Contraction	Expansion
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# Market Outlook

## Treating the tail



Source: European Centre for Disease Prevention and Control, as of 6/30/2020



Source: Milken Institute, as of 7/6/2020  
<https://airtable.com/shrSAi6t5WFwqo3GM/tblEzPQS5fnc0FHYP/viweyymxOAtNvo7yH?blocks=bipZFzhJ7wHPv7x9z>

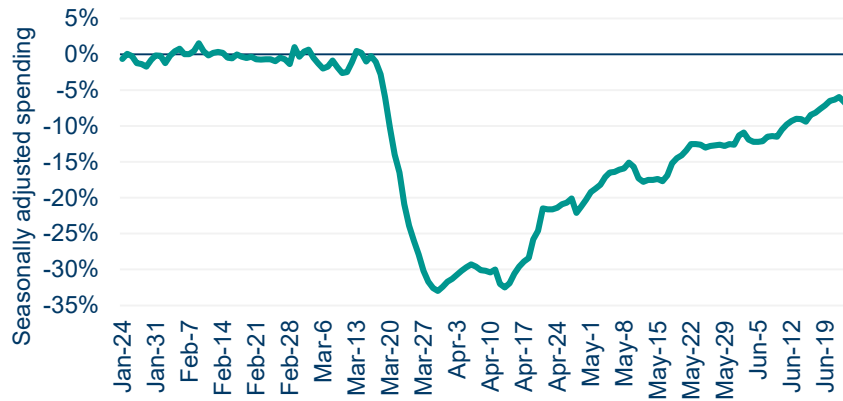
- **While the spread of the virus slowed as the world locked down, research (treatments, vaccines), preparation (PPE, testing, hospital capacity), and public education (how to reduce transmission) continued at breakneck speeds.**
- Significant risks remain with the virus' continued transmission, but these developments better equip societies to manage the devastating impact.
- Medical protocols, in particular, have ramped up to 165 treatments being employed in clinical settings for a virus that society had little knowledge of at the turn of the year.<sup>1</sup>
- Additionally, individual's increased awareness and behavior have shown to be critical to managing transmission rates, which may cause regional disruptions from outbreaks.

1. Milken Institute, as of 7/6/2020, <https://airtable.com/shrSAi6t5WFwqo3GM/tblEzPQS5fnc0FHYP/viweyymxOAtNvo7yH?blocks=bipZFzhJ7wHPv7x9z>

# Market Outlook

## Assessing the damage

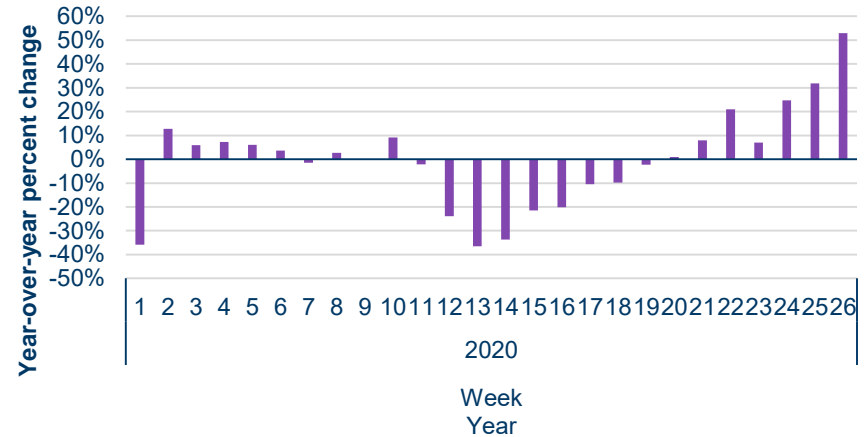
**Credit and debit card transactions**  
As of June 24, 2020



Source: Economic Tracker at <https://tracktherecovery.org>  
Affinity Solutions, Seasonally adjusted credit/debit card spending relative to January 4-31, 2020 in all merchant category codes, 7 day moving average.

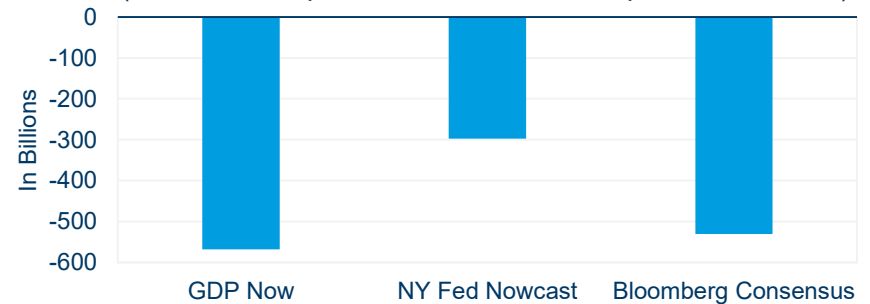
- **Consistent with economic survey data, spending appeared to have bottomed in April and has since recovered to near 5% below January levels.**
- Through the second quarter, the recession depth has not breached the level of fiscal support; however, there has been impairment to certain sectors.
- While the ultimate damage to existing businesses is not yet known, new business applications have rebounded during the recovery.

**Year-over-year US business applications**



Source: Census Bureau, as of Week Ending June 30, 2020 was released on July 2, 2020.

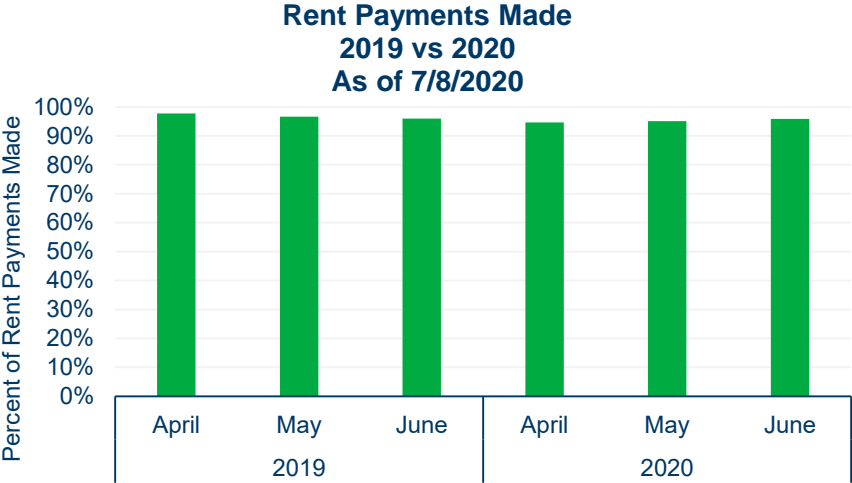
**Drawdown in GDP from fourth quarter 2019**  
(includes first quarter data and second quarter estimates)



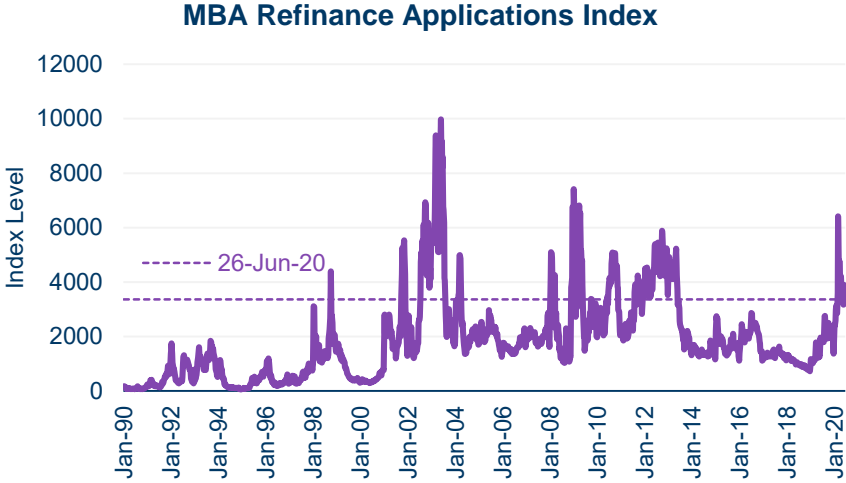
Source: St. Louis Federal Reserve Database FRED, Bloomberg (7/10/2020), Atlanta Federal Reserve (7/2/2020), New York Federal Reserve (7/2/2020), and Pavilion Analysis  
Drawdown estimated using first quarter actual GDP and estimated second quarter GDP compared to fourth quarter 2019 and adjusted for 6-months.

# Market Outlook

## Policy support helps main street



Source: National Multifamily Housing Council  
<https://www.nmhc.org/research-insight/nmhc-rent-payment-tracker/>

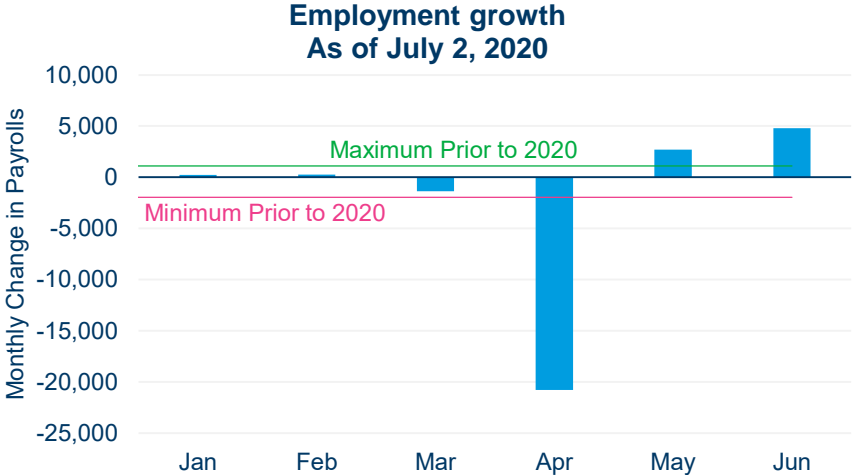


Source: Bloomberg, Mortgage Bankers Association

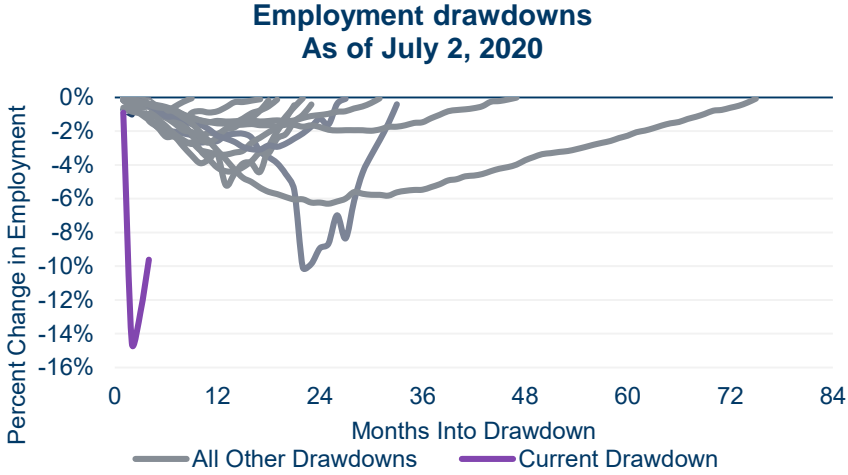
- **The quick action of governments and central banks helped to shore up individuals income statements through the depths of the slowdown, as rent payments remained above 90% in the second quarter and nearly at the same levels as 2019. Additionally, households were able to refinance mortgages at attractive rates.**
- Avoiding balance sheet deterioration will remain a critical consideration for enabling a strong economic recovery, a factor that exacerbated the great financial crisis.
- Through the second quarter, policies appear to have achieved the desired outcome, but as the virus looms, more targeted policies may be required.

# Market Outlook

From worst to best, but there is still a long way to go



Source: Bureau of Labor Statistics, as of July 2, 2020 with data from Jan 1939 to June 2020

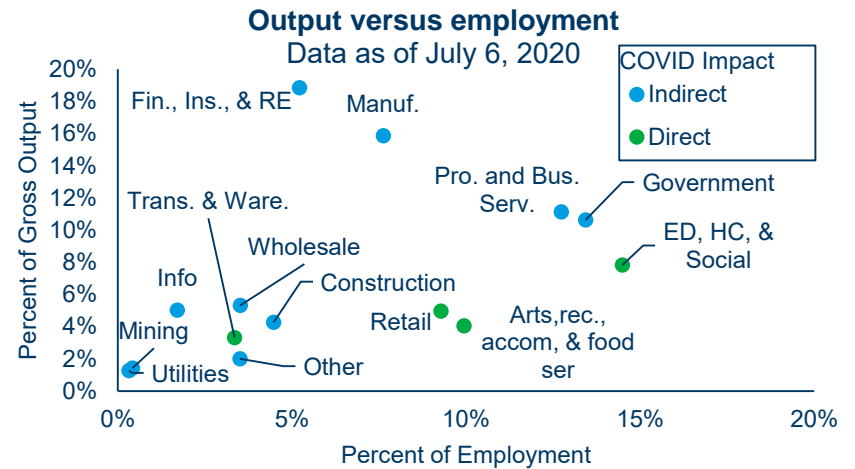
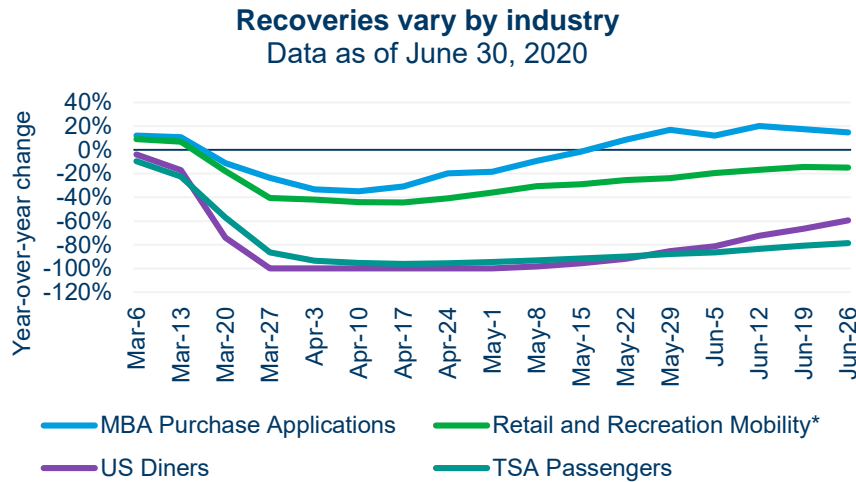


Source: Bureau of Labor Statistics, as of July 2, 2020 with data from Jan 1939 to June 2020

- **Reflecting the artificial deterioration of demand many, fundamental indicators have sharply rebounded off extreme lows.**
- April's precipitous decline in payrolls provided a low floor for May and June's record job growth.
- The challenge for forecasters is determining the intermediate path and capacity of the economy.

# Market Outlook

## Restricted potential, uneven impacts, demand flows



Source: National Multifamily Housing Council, Bloomberg, Google Mobility, OpenTable, and US TSA as of 7/7/2020

\*Google mobility data represents percent change from baseline

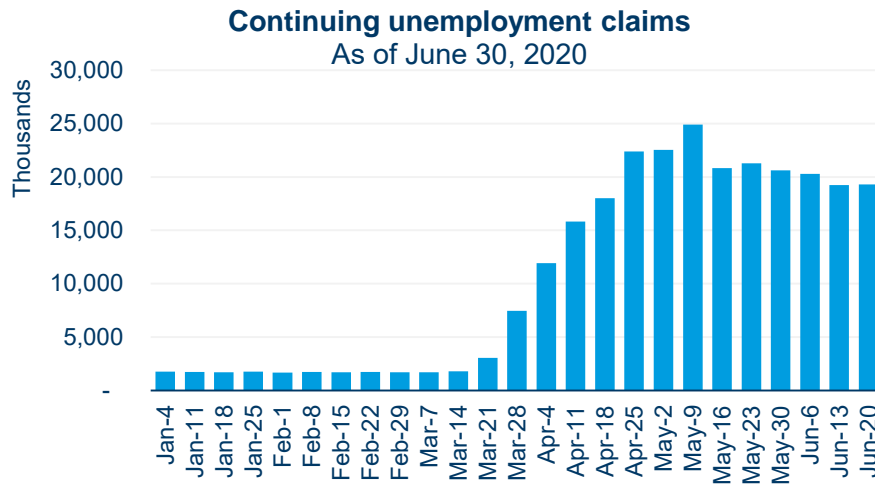
Source: Bureau of Economic Analysis & Bureau of Labor Statistics December 2019 as of 7/6/2020.

- **As the world reopens, a degree of virus overhang will continue to hamper portions of the economy, and while approximately 40% of employment is directly affected by the virus, these industries account for approximately 20% of gross output (right-hand chart).**
- For sectors with limited adaption required, rebounds have been swift. Additionally, critical industries with strong economic multipliers, like housing, have not only remained resilient, but benefited from monetary policy.
- For more directly affected sectors, the near-term environment remains treacherous, as reduced demand likely will come at a time when the costs of doing business are rising.
- In the near-term, demand may shift to less restricted enterprises, similar to the accelerated adoption of ecommerce experienced early in the lockdown.
- Additionally, regional outbreaks likely will constrict growth, which may spur supply disruptions.



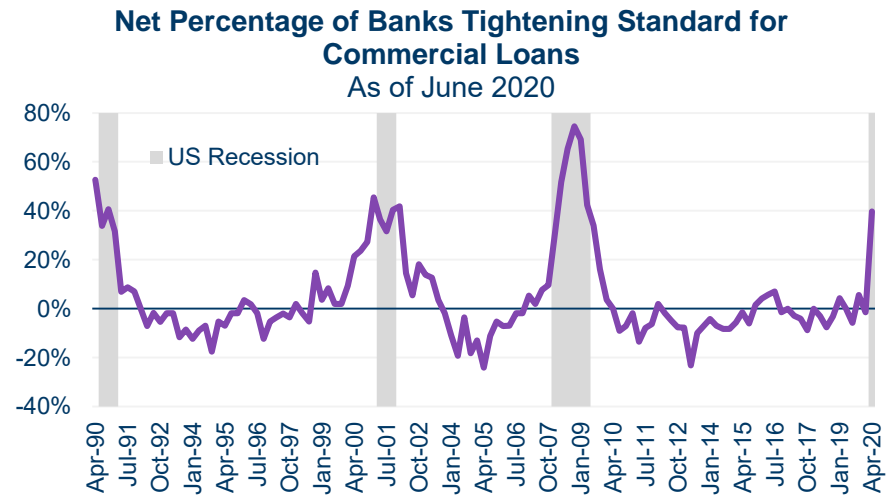
# Market Outlook

## Policy protection

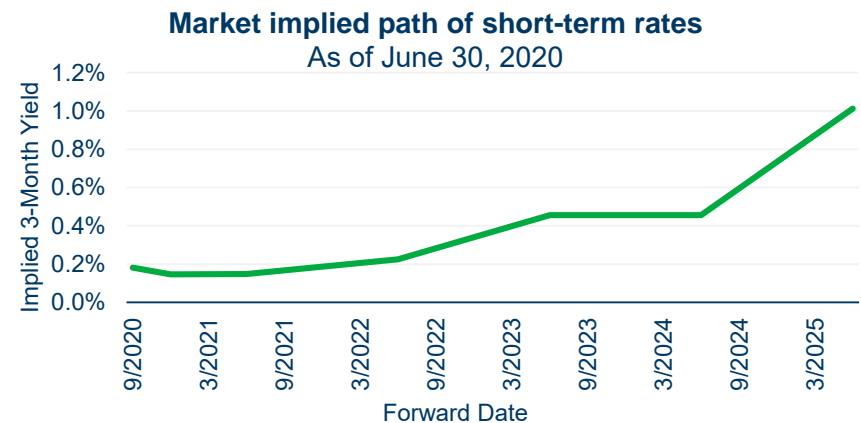


Source: St. Louis Federal Reserve Database, FRED.

- **With the economy unable to function at full potential, policymakers will remain vigilant with evolving targeted policies to alleviate strained industries.**
- In order to sustain household balance sheets, unemployment will remain a critical safety net that will help keep housing and balances sheets stable or reduce impairment.
- Similarly, interest rates reflect the ongoing accommodative posture of central bankers in an effort to maintain functioning funding channels; however, it will be important to watch if banks severely tighten lending standards.



Source: St. Louis Federal Reserve Database, FRED.  
Net Percentage of Domestic Banks Tightening Standards for Commercial and Industrial Loans to Small Firms, Percent, Quarterly, Not Seasonally Adjusted as of 5/4/2020

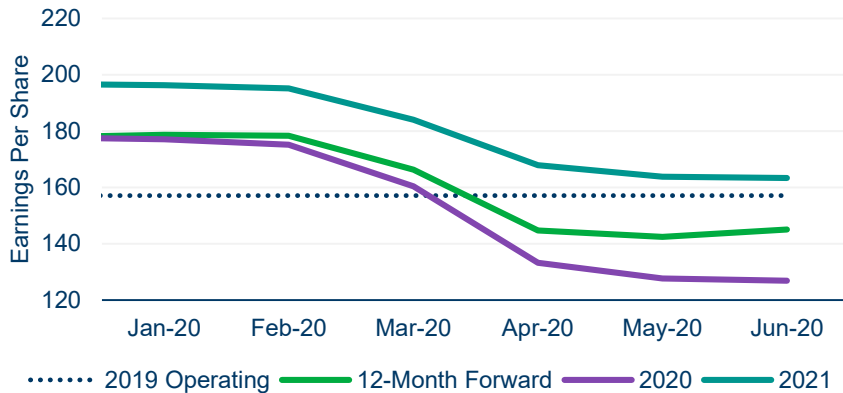


Source: Bloomberg, treasury forwards as of 6/30/2020.

# Market Outlook

## Expectations have stabilized, but dispersion remains

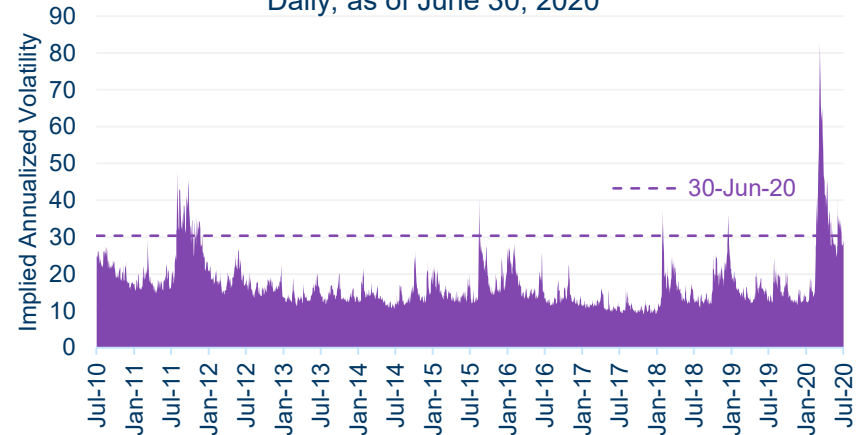
**S&P 500 earnings expectations**  
As of June 30, 2020



Source: FactSet and Standard and Poor's as of 6/30/2020

- **Earnings are expected to surpass 2019's high water mark in 2021, but an uncertain intermediate-term picture will keep volatility elevated.**
- Company earnings expectations vary greatly, resulting in a wide variance between winners and losers.
- Additionally, the magnitude of change may result in increased swings in markets, as macroeconomic news confirms or shifts expectations.

**CBOE Volatility Index (VIX)**  
Daily, as of June 30, 2020



Source: St. Louis Federal Reserve Database, FRED.

**Forecasted 2020 earnings growth**  
As of June 30, 2020

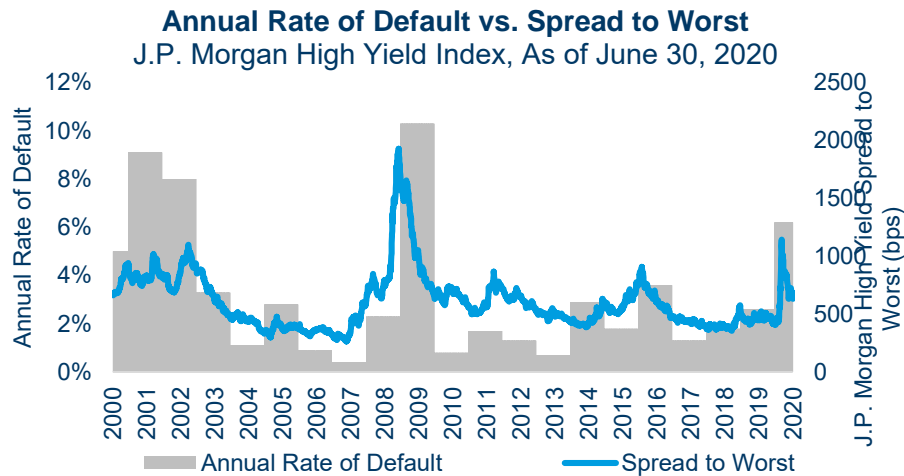


Source: FactSet and Mercer Calculations, as of 6/30/2020

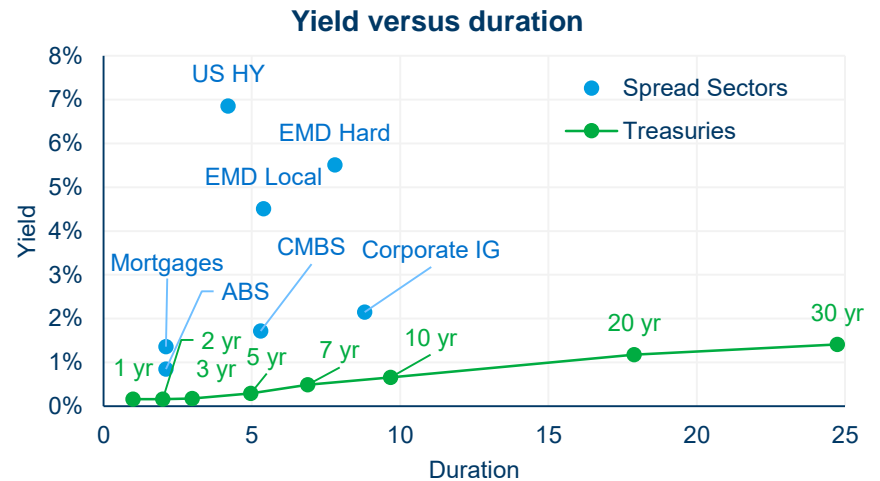
© 2020 Mercer LLC. All rights reserved.

# Market Outlook

## Credit offers higher yields, amid headwinds



Source: Moody's Investors Service; JPM Default Monitor, as of July 1, 2020  
Default rate as a percent of par

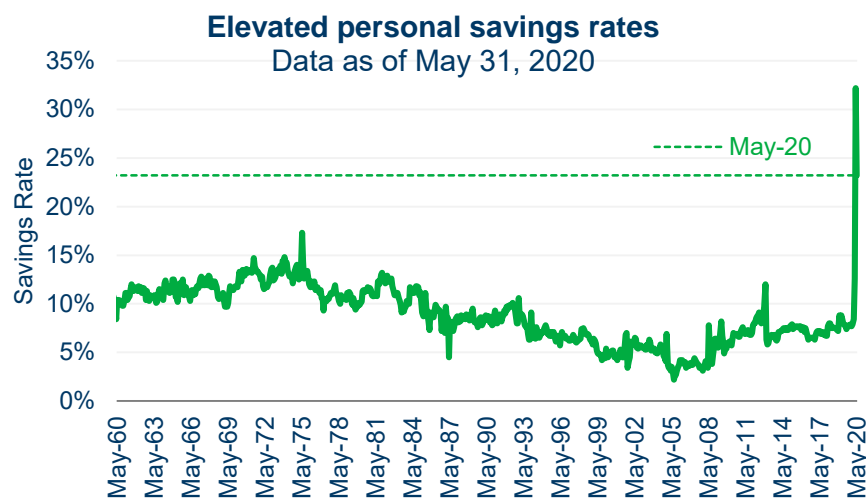


Source: Treasury.gov, Bloomberg Indices, and JPMorgan emerging market indices.  
ABS: Asset Backed Securities, CMBS: Commercial Mortgage Backed Securities, IG: Investment Grade, HY: High Yield, EMD Hard: Emerging market debt hard currency, EMD Local: emerging market debt local currency

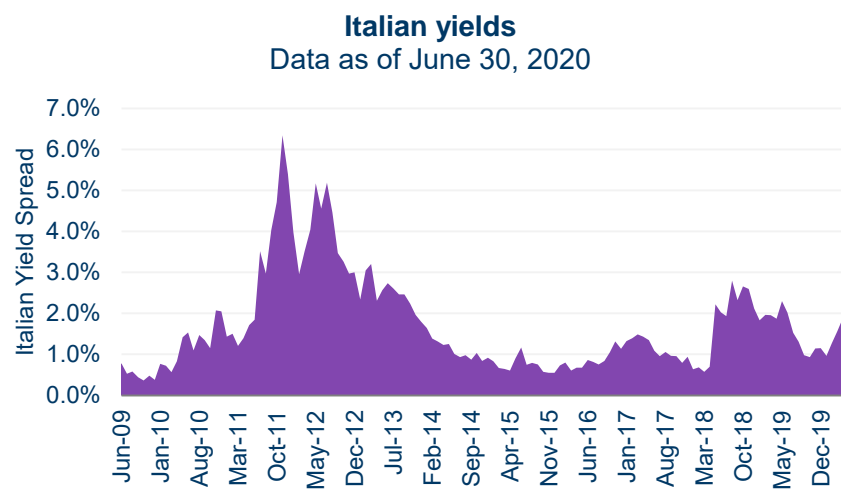
- **Accommodative monetary policy and risk aversion have pushed yields to historic lows, requiring investors to take on significant duration risk or credit exposure to capture yield.**
- While monetary policy has helped support fixed income markets, the severe slowdown and continued restriction to economic growth likely will result in further defaults.
- As the drawdown continues, adroit credit selection should help mitigate the uncompensated risks and harvest spread yield.

# Market Outlook

## Emerging and legacy risks



Source: St. Louis Federal Reserve Database, FRED.



Source: Bloomberg Generic 5-Year Italian Yield less Generic 5-Year German Yield as of 6/30/2020.

- **While the virus had captured headlines, legacy risks have continued with new ones emerging.**
- **Precautionary savings:** Fiscal support to date has helped alleviate debt burdens and support spending, but one potential symptom of the slowdown could be increased precautionary savings with declines in spending hindering the recovery.
- **Fiscal balances:** Significant increases in transfer payments amid declining growth will balloon deficits in 2020. For the European periphery and US state/local governments, these declines could adversely affect future spending and employment, so investors should watch the European Commission and US Federal Government for additional backing.
- **US Elections:** The presidential election between Trump and presumptive nominee Biden represents a contest of near diametrically opposed ideologies, which increases uncertainty until a clear victor is determined, at which point at least a philosophical direction is known.
- **Trade:** Tensions between the US and China have increased. It is unlikely, however, that rhetoric will be sufficient to alter the recovery's direction, but headlines may still spur bouts of volatility. Further, BREXIT negotiations continue with a deadline of establishing a trade deal by year-end.

# Market Outlook

## Conclusions

- **With global activity returning, economies will try to balance living with the virus and supporting growth, albeit in a more socially distant format.**
  - Fighting the virus: Aggressive containment efforts employed throughout the world have slowed the spread and helped economies prepare. A region's ability to manage the virus (testing, tracing) and advancements in medical protocol (treatments) will have a direct effect on economic growth.
  - Reopening: The economic slowdown appeared to reach its nadir in April, as business activity reversed course in May, and while industries with high transmission risks remain constrained, many industries were able to adapt and return to operations.
  - Unwavering support: Globally, fiscal and monetary policymakers continue to monitor and assess the evolving situation with accommodative policy likely to remain in the near-term.
- **While risk premiums declined significantly during the quarter, risk assets still provide significant compensation relative to cash, but an uncertain macro outlook means volatility is likely to persist.**
  - With long-term growth likely still intact, equity risk premiums have approached historical levels, but unclear intermediate-term revenue prospects may damage/benefit select industries, leading to punctuated price moves that amplify volatility.
  - After a tumultuous March, fixed income assets have priced in prolonged accommodative monetary policy, dampening return prospects across the risk spectrum. Spread sectors continue to offer premiums relative to historic averages.

# Tactical Asset Allocation

# Asset Class Diversification

## Surplus Cash Investment Program Structure

As of June 30, 2020

Manager	Asset Class/Type	Total Assets (\$ mil.)	Percent of Total	Target Allocation	Weighting Relative to Target	Target Range
<b>Large-Cap Domestic Equity</b>		<b>\$245.9</b>	<b>22.8%</b>	<b>20.0%</b>	<b>+ 2.8%</b>	<b>20-30%</b>
Vanguard S&P 500 Index	Large-Cap Index	\$144.7	13.4%	10.0%	+ 3.4%	
Sands	Large-Cap Growth	\$ 62.4	5.8%	5.0%	+ 0.8%	
Barrow Hanley	Large-Cap Value	\$ 38.9	3.6%	5.0%	- 1.4%	
<b>Small-Cap Domestic Equity</b>		<b>\$ 45.7</b>	<b>4.2%</b>	<b>5.0%</b>	<b>- 0.8%</b>	<b>10-20%</b>
Conestoga	Small-Cap Growth	\$ 27.1	2.5%	2.5%	+ 0.0%	
Wellington	Small-Cap Value	\$ 18.6	1.7%	2.5%	- 0.8%	
<b>International Equity</b>		<b>\$143.9</b>	<b>13.4%</b>	<b>15.0%</b>	<b>- 1.6%</b>	<b>8-12%</b>
Causeway	International Value	\$ 42.6	4.0%			
BNY Mellon	International Growth	\$ 67.0	6.2%			
Harding Loevner	Emerging	\$ 34.2	3.2%			
<b>Short-Duration Fixed Income</b>		<b>\$120.2</b>	<b>11.2%</b>	<b>10.0%</b>	<b>+ 1.2%</b>	<b>25-35%</b>
Barrow Hanley	Short Duration	\$116.5	10.8%			
Cash	Money Market	\$ 3.7	0.3%			
<b>Market-Duration Fixed Income</b>		<b>\$355.3</b>	<b>33.0%</b>	<b>30.0%</b>	<b>+ 3.0%</b>	<b>17-23%</b>
Dodge & Cox	Market Duration	\$174.0	16.2%	15.0%	+ 1.2%	
MetWest	Market Duration	\$181.3	16.8%	15.0%	+ 1.8%	
<b>Alternatives</b>		<b>\$165.6</b>	<b>15.4%</b>	<b>20.0%</b>	<b>- 4.6%</b>	<b>17-23%</b>
Angelo Gordon Realty Value X	Real Estate	\$ 5.6	0.5%			
Oaktree RE Opps VI	Real Estate	\$ 4.9	0.5%			
Walton Street RE VII	Real Estate	\$ 3.3	0.3%			
Walton Street RE VIII	Real Estate	\$ 8.2	0.8%			
Direct Hedge Fund Composite	Hedge Fund	\$143.6	13.3%			
<b>Total (X District)</b>		<b>\$1,076.6</b>	<b>100.0%</b>			
District Assets - Barrow Hanley	Short Duration	\$ 41.8				
Debt Reserves - Ponder	Short Duration	\$ 21.5				
<b>Total Surplus Cash</b>		<b>\$1,139.8</b>				

\*Totals may not add due to rounding.

# El Camino Hospital

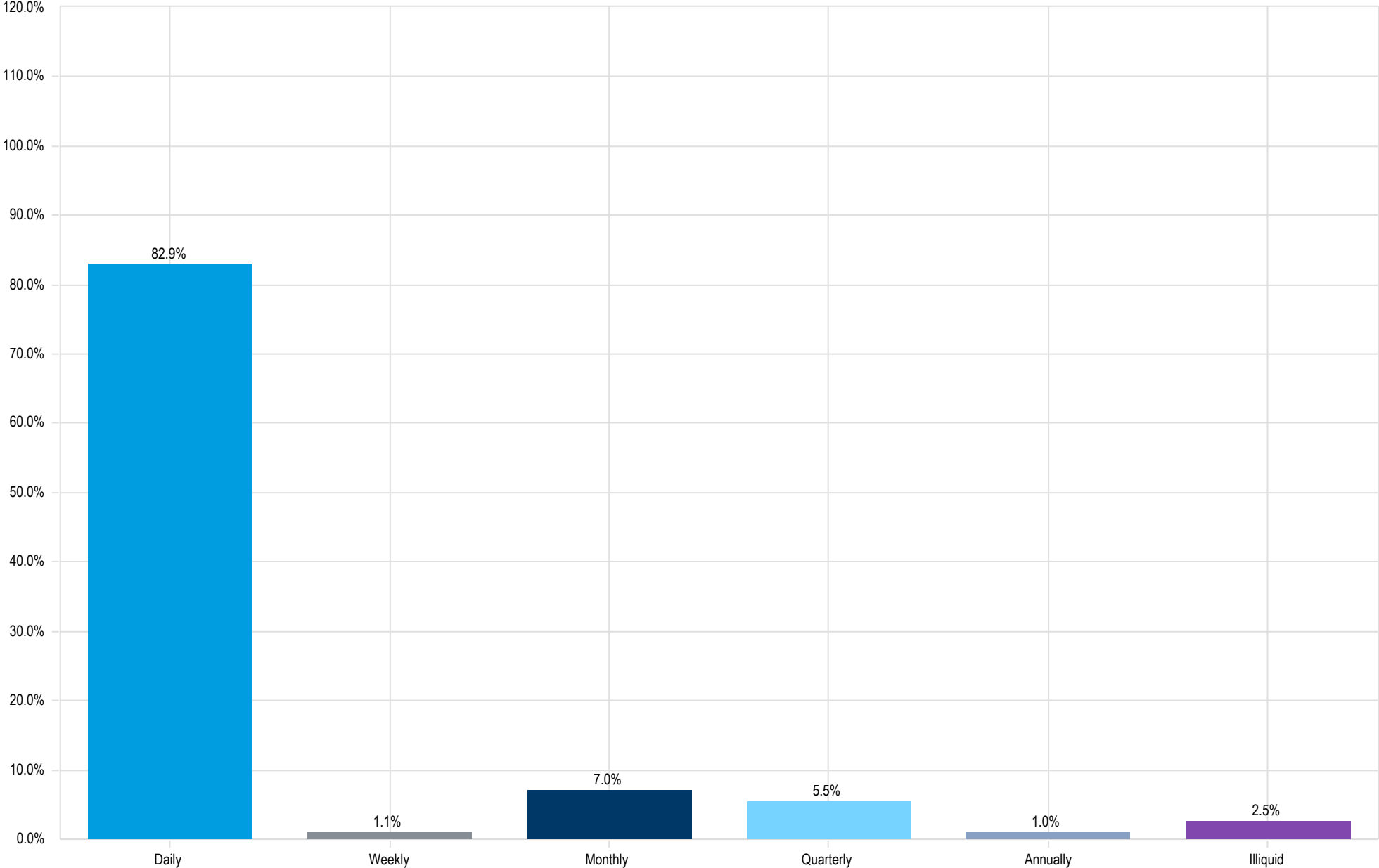
## Liquidity Schedule

June 30, 2020

Investments	Market Value	Daily	Weekly	Monthly	Quarterly	Annually	Illiquid	Redemptions	Notes
Vanguard S&P 500 Index	144,704,095	144,704,095	-	-	-	-	-	Daily	Daily, No Lock-Up
Sands Large Cap Growth (Touchstone)	62,365,908	62,365,908	-	-	-	-	-	Daily	Daily, No Lock-Up
Barrow Hanley Large Cap Value	38,861,500	38,861,500	-	-	-	-	-	Daily	Daily, No Lock-Up
Wellington Small Cap Value	18,561,435	-	-	18,561,435	-	-	-	Monthly	10 Day Notice, No Lock-Up
Conestoga Small-Cap Fund I	27,147,828	27,147,828	-	-	-	-	-	Daily	Daily, No Lock-Up
BNY Mellon International Stock Fund	66,992,364	66,992,364	-	-	-	-	-	Daily	Daily, No Lock-Up
Causeway International Value	42,648,016	42,648,016	-	-	-	-	-	Daily	Daily, No Lock-Up
Harding Loevner Inst. Emerging Markets I	34,233,460	34,233,460	-	-	-	-	-	Daily	Daily, No Lock-Up
Barrow Hanley Short Fixed	116,465,928	116,465,928	-	-	-	-	-	Daily	Daily, No Lock-Up
Cash Account	2,073,128	2,073,128	-	-	-	-	-	Daily	Daily, No Lock-Up
Cash Account - CONCERN	85,968	85,968	-	-	-	-	-	Daily	Daily, No Lock-Up
Hedge Funds Cash	1,548,169	1,548,169	-	-	-	-	-	Daily	Daily, No Lock-Up
Dodge & Cox Fixed	173,996,360	173,996,360	-	-	-	-	-	Daily	Daily, No Lock-Up
MetWest Fixed	167,008,532	167,008,532	-	-	-	-	-	Daily	Daily, No Lock-Up
Met West Total Return Bond Plan - CONCERN	14,251,802	14,251,802	-	-	-	-	-	Daily	Daily, No Lock-Up
AG Realty Value Fund X, LP	5,602,430	-	-	-	-	-	5,602,430	Illiquid	Illiquid
Oaktree Capital Management RE Opportunities Fund VI	4,924,923	-	-	-	-	-	4,924,923	Illiquid	Illiquid
Walton Street Real Estate Fund VII, L.P.	3,282,974	-	-	-	-	-	3,282,974	Illiquid	Illiquid
Walton Street Real Estate Fund VIII, L.P.	8,210,100	-	-	-	-	-	8,210,100	Illiquid	Illiquid
Bloom Tree Offshore Fund Ltd.	10,115,035	-	-	-	10,115,035	-	-	Quarterly	45 Day Notice, No Lock-Up
Capeview Azri 2X Fund USD B - U	4,123,752	-	-	4,123,752	-	-	-	Monthly	30 Day Notice, No Lock-Up
Capeview Azri Fund USD B - UV	6,641,443	-	-	-	6,641,443	-	-	Quarterly	30 Day Notice, 2.5% Redemption Penalty
Chatham Asset High Yield Offshore Fund, Ltd	-	-	-	-	-	-	-	Illiquid	Redemption in Progress
DK Distressed Opportunities International, Ltd.	11,124,593	-	-	-	-	11,124,593	-	Annually	90 Day Notice, No Lock-Up
EMSO Saguaro, Ltd.	10,486,479	-	-	10,486,479	-	-	-	Monthly	60 Day Notice, 15% Fund level gate
Fir Tree International Value Fund (Non-US), L.P.	69,714	-	-	-	-	-	69,714	Illiquid	Redemption in Progress
Indus Japan Fund Ltd.	9,064,331	-	-	-	9,064,331	-	-	Quarterly	30 Day Notice, No Lock-up
Luxor Capital Partners Offshore, Ltd.	540,171	-	-	-	-	-	540,171	Illiquid	Redemption in Progress
Man Alternative Risk Premia SP Fund	11,616,971	-	11,616,971	-	-	-	-	Weekly	7 Day Notice, No Lock-Up
Marshall Wace Eureka Fund Class B2	10,808,009	-	-	10,808,009	-	-	-	Monthly	30 Day Notice, No Lock-Up
Moore Macro Managers Fund	-	-	-	-	-	-	-	Illiquid	Redemption in Progress
Palestra Capital Offshore	11,264,224	-	-	-	11,264,224	-	-	Quarterly	60 Day Notice, 12 mth soft lock
Pine River Fund Ltd.	24,352	-	-	-	-	-	24,352	Illiquid	Redemption in Progress
Renaissance RIDGE	10,692,220	-	-	10,692,220	-	-	-	Monthly	45 Days Notice, No Lock-Up
Carlson Black Diamond Arbitrage Ltd.	10,703,440	-	-	10,703,440	-	-	-	Monthly	45 Day Notice, No Lock-Up
Robeco Transtrend Diversified Fund LLC	9,924,357	-	-	9,924,357	-	-	-	Monthly	5 Day Notice, No Lock-Up
Waterfall Eden Fund, Ltd.	11,112,039	-	-	-	11,112,039	-	-	Quarterly	90 Day Notice, 1 year soft lock
York Credit Opportunities Unit Trust	4,542,757	-	-	-	-	-	4,542,757	Illiquid	Redemption in Progress
Wolverine	10,741,942	-	-	-	10,741,942	-	-	Quarterly	60 Day Notice; 1 year soft lock
<b>Total (\$)</b>	<b>1,076,560,748</b>	<b>892,383,057</b>	<b>11,616,971</b>	<b>75,299,692</b>	<b>58,939,013</b>	<b>11,124,593</b>	<b>27,197,422</b>		
<b>Total (%)</b>	<b>100.0</b>	<b>82.9</b>	<b>1.1</b>	<b>7.0</b>	<b>5.5</b>	<b>1.0</b>	<b>2.5</b>		



Liquidity Schedule Summary



# Investment Management Fees

## Surplus Cash Investment Program Structure

As of June 30, 2020

	Total Assets (\$ millions)	Committed Capital (\$ millions)	Contributed Capital (\$ millions)	Management Fee (%)	Mercer Mutual Fund Peer Group	Mercer Mutual Fund Peer Group Median (%)
<b>Domestic Equity</b>						
Vanguard S&P 500 Index	\$144,704,095			0.035	Mercer Mutual Fund US Equity Large Cap Index	0.18
Sands Large Cap Growth (Touchstone)	\$62,365,908			0.80	Mercer Mutual Fund US Equity Large Cap Growth Median	0.67
Barrow Hanley Large Cap Value	\$38,861,500			0.38	Mercer Mutual Fund US Equity Large Cap Value Median	0.65
Wellington Small Cap Value	\$18,561,435			0.90	Mercer Mutual Fund US Equity Small Cap Value Median	0.94
Conestoga Small Cap Growth	\$27,147,828			0.90	Mercer Mutual Fund US Equity Small Cap Growth Median	0.94
<b>International Equity</b>						
Causeway International Value	\$42,648,016			0.88	Mercer Mutual Fund World ex US/EAFE Equity Large Cap Value Median	0.81
BNY Mellon International Stock Fund	\$66,992,364			0.91	Mercer Mutual Fund World ex US/EAFE Equity Large Cap Growth Median	0.83
Harding Loevner Emerging Markets	\$34,233,460			1.27	Mercer Mutual Fund Emerging Markets Equity Median	0.95
<b>Short Fixed Income</b>						
Barrow Hanley Short Fixed	\$116,465,928			0.17	Mercer Mutual Fund US Fixed Short Median	0.39
<b>Market Duration Fixed Income</b>						
Dodge & Cox Fixed	\$173,996,360			0.17	Mercer Mutual Fund US Fixed Core Median	0.44
MetWest Total Return	\$167,008,532			0.28	Mercer Mutual Fund US Fixed Core Median	0.44
MetWest Total Return - CONCERN	\$14,251,802			0.37	Mercer Mutual Fund US Fixed Core Median	0.44
<b>Cash</b>						
Cash Account	\$3,707,265			N/A	N/A	N/A
<b>Hedge Funds<sup>1</sup></b>						
Bloom Tree Offshore Fund Ltd.	\$10,115,035			1.50	N/A	N/A
CapeView Azri Fund Ltd.	\$6,641,443			1.35	N/A	N/A
CapeView Azri 2x Fund	\$4,123,752			2.00	N/A	N/A
Indus Japan Fund	\$9,064,331			1.50	N/A	N/A
Luxor Capital Partners	\$540,171			1.50	N/A	N/A
Pine River Fund	\$24,352			1.50	N/A	N/A
Fir Tree International	\$69,714			1.50	N/A	N/A
Marshall Wace Eureka Fund Class B2	\$10,808,009			2.00	N/A	N/A
Palestra Capital Offshore	\$11,264,224			1.50	N/A	N/A
DK Distressed Opportunities International	\$11,124,593			1.75	N/A	N/A
York Credit Opportunities <sup>3</sup>	\$4,542,757			0.75	N/A	N/A
BP Transtrend Diversified Fund	\$9,924,357			1.00	N/A	N/A
EMSO Saguaro	\$10,486,479			1.25	N/A	N/A
Carlson Black Diamond Arbitrage	\$10,703,440			1.00	N/A	N/A
Renaissance RIDGE	\$10,692,220			1.00	N/A	N/A
Man Alternative Risk Premia	\$11,616,971			1.00	N/A	N/A
Waterfall Eden	\$11,112,039			1.50	N/A	N/A
Wolverine	\$10,741,942			1.75	N/A	N/A
<b>Total (ex Private Real Estate)</b>	<b>\$1,054,540,322</b>			<b>0.50%</b>		
<b>Private Real Estate<sup>2</sup></b>						
AG Realty Value Fund X	\$5,602,430	\$ 20.0	\$ 1.5	1.50	N/A	N/A
				Of committed Capital <sup>2</sup>		
Oaktree Real Estate Opportunities VI	\$4,924,923	\$ 14.0	\$ 14.0	1.50	N/A	N/A
				Of committed Capital <sup>2</sup>		
Walton Street Real Estate VII	\$3,282,974	\$ 13.0	\$ 12.4	1.50	N/A	N/A
				Of committed Capital <sup>2</sup>		
Walton Street Real Estate Fund VIII	\$8,210,100	\$ 13.0	\$ 9.3	1.50	N/A	N/A
				Of committed Capital <sup>2</sup>		
<b>Total</b>	<b>\$1,076,560,749</b>					

1. Hedge fund fees do not include incentive fees.

2. Private Real Estate fees do not include carried interest.

3. York Credit Opportunities Fund is in the process of liquidation. Beginning July 1, 2020 the management fee was completely eliminated.

## Asset Class Diversification

Cash Balance Plan Investment Program Structure

As of June 30, 2020

Manager	Asset Class/Type	Total Assets (\$, mil.)	Percent of Total	Target Allocation	Weighting Relative to Target	Target Range
<b>Large-Cap Domestic Equity</b>		<b>\$ 86.5</b>	<b>30.2%</b>	<b>27.0%</b>	<b>+ 3.2%</b>	<b>27-37%</b>
Vanguard S&P 500 Index	Large-Cap Index	\$ 40.9	14.3%	13.5%	+ 0.8%	
Sands	Large-Cap Growth	\$ 27.4	9.6%	6.8%	+ 2.8%	
Barrow Hanley	Large-Cap Value	\$ 18.2	6.4%	6.8%	- 0.4%	
<b>Small-Cap Domestic Equity</b>		<b>\$ 13.6</b>	<b>4.7%</b>	<b>5.0%</b>	<b>- 0.3%</b>	
Conestoga	Small-Cap Growth	\$ 7.8	2.7%	2.5%	+ 0.2%	
Wellington	Small-Cap Value	\$ 5.8	2.0%	2.5%	- 0.5%	
<b>International Equity</b>		<b>\$ 48.3</b>	<b>16.8%</b>	<b>18.0%</b>	<b>- 1.2%</b>	<b>15-21%</b>
Causeway	International Value	\$ 16.4	5.7%			
BNY Mellon	International Growth	\$ 25.6	8.9%			
Harding Loewner	Emerging Markets	\$ 6.2	2.2%			
<b>Short-Duration Fixed Income</b>		<b>\$ 10.4</b>	<b>3.6%</b>	<b>5.0%</b>	<b>- 1.4%</b>	<b>0-8%</b>
Barrow Hanley	Short Duration	\$ 8.2	2.9%			
Cash	Money Market	\$ 2.2	0.8%			
<b>Market-Duration Fixed Income</b>		<b>\$ 80.0</b>	<b>27.9%</b>	<b>25.0%</b>	<b>+ 2.9%</b>	<b>20-30%</b>
Dodge & Cox	Market Duration	\$ 39.7	13.8%	12.5%	+ 1.3%	
MetWest	Market Duration	\$ 40.3	14.1%	12.5%	+ 1.6%	
<b>Alternatives</b>		<b>\$ 47.9</b>	<b>16.7%</b>	<b>20.0%</b>	<b>- 3.3%</b>	<b>17-23%</b>
Lighthouse	HFOF	\$ 16.9	5.9%			
Pointer	HFOF	\$ 19.8	6.9%			
Oaktree RE Opps VI	Real Estate	\$ 3.0	1.0%			
Walton Street RE VII	Real Estate	\$ 2.0	0.7%			
Walton Street RE VIII	Real Estate	\$ 6.3	2.2%			
<b>Total</b>		<b>\$286.7</b>	<b>100.0%</b>			

\*Totals may not add due to rounding.

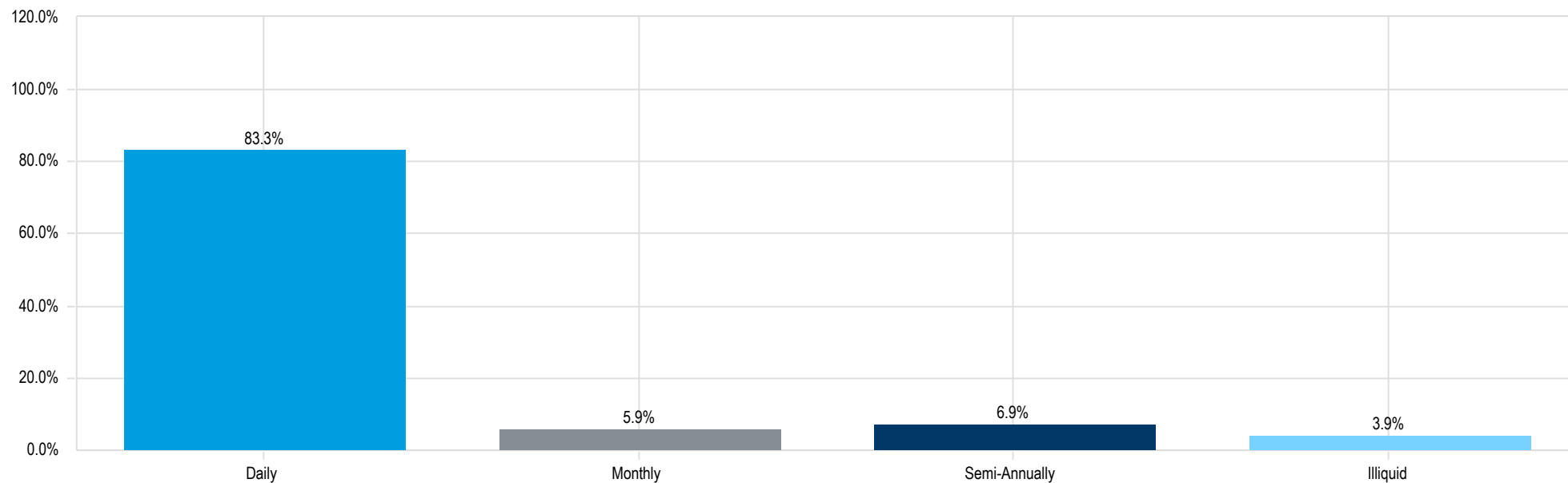
# Liquidity Schedule - Cash Balance

## Liquidity Schedule

June 30, 2020

Investments	Market Value	Daily	Monthly	Semi-Annually	Illiquid	Subscriptions	Redemptions	Notes
Vanguard Institutional Index Fund	40,944,125	40,944,125	-	-	-	Daily	Daily	Daily, No Lock-Up
Sands Large Cap Growth (Touchstone)	27,381,699	27,381,699	-	-	-	Daily	Daily	Daily, No Lock-Up
Barrow Hanley Large Cap Value	18,213,223	18,213,223	-	-	-	Daily	Daily	Daily, No Lock-Up
Conestoga Small-Cap Fund I	7,830,363	7,830,363	-	-	-	Daily	Daily	Daily, No Lock-Up
Wellington Small Cap Value	5,761,750	5,761,750	-	-	-	Daily	Daily	Daily, No Lock-Up
Causeway International Value	16,424,813	16,424,813	-	-	-	Daily	Daily	Daily, No Lock-Up
BNY Mellon International Stock Fund	25,628,961	25,628,961	-	-	-	Daily	Daily	Daily, No Lock-Up
Harding Loevner Inst. Emerging Markets I	6,217,976	6,217,976	-	-	-	Daily	Daily	Daily, No Lock-Up
Barrow Hanley Short Fixed	8,190,940	8,190,940	-	-	-	Daily	Daily	Daily, No Lock-Up
Cash Account	2,170,315	2,170,315	-	-	-	Daily	Daily	Daily, No Lock-Up
Dodge & Cox Income Fund	39,681,743	39,681,743	-	-	-	Daily	Daily	Daily, No Lock-Up
Met West Total Return Fund PI	40,347,703	40,347,703	-	-	-	Daily	Daily	Daily, No Lock-Up
Lighthouse Diversified	16,852,906	-	16,852,906	-	-	Monthly	Monthly	90 Day Notice, No Lock-Up
Pointer Offshore LTD	19,821,984	-	-	19,821,984	-	Semi-Annually	Semi-Annually	Notice by Mar 15/Sept 15
Oaktree RE Opportunities Fund V	2,950,884	-	-	-	2,950,884	Illiquid	Illiquid	Illiquid
Walton Street Real Estate Fund VII, L.P.	1,968,764	-	-	-	1,968,764	Illiquid	Illiquid	Illiquid
Walton Street Real Estate Fund VIII, L.P.	6,315,462	-	-	-	6,315,462	Illiquid	Illiquid	Illiquid
<b>Total (\$)</b>	<b>286,703,613</b>	<b>238,793,613</b>	<b>16,852,906</b>	<b>19,821,984</b>	<b>11,235,110</b>			
<b>Total (%)</b>	<b>100.0</b>	<b>83.3</b>	<b>5.9</b>	<b>6.9</b>	<b>3.9</b>			

### Liquidity Schedule Summary



# Investment Management Fees

## Cash Balance Investment Program Structure

As of June 30, 2020

	Total Assets (\$ millions)	Committed Capital (\$ millions)	Contributed Capital (\$ millions)	Management Fee (%)	Mercer Mutual Fund Peer Group	Mercer Mutual Fund Peer Group Median (%)
<b>Domestic Equity</b>						
Vanguard S&P 500 Index	\$40,944,125			0.035	Mercer Mutual Fund US Equity Large Cap Index	0.18
Sands Large Cap Growth (Touchstone)	\$27,381,699			0.80	Mercer Mutual Fund US Equity Large Cap Growth Median	0.67
Barrow Hanley Large Cap Value	\$18,213,223			0.38	Mercer Mutual Fund US Equity Large Cap Value Median	0.65
Wellington Small Cap Value	\$5,761,750			0.90	Mercer Mutual Fund US Equity Small Cap Value Median	0.94
Conestoga Small Cap Growth	\$7,830,363			0.90	Mercer Mutual Fund US Equity Small Cap Growth Median	0.94
<b>International Equity</b>						
Causeway International Value	\$16,424,813			0.88	Mercer Mutual Fund World ex US/EAFE Equity Large Cap Value Median	0.81
BNY Mellon International Stock Fund	\$25,628,961			0.91	Mercer Mutual Fund World ex US/EAFE Equity Large Cap Growth Median	0.83
Harding Loevner Emerging Markets	\$6,217,976			1.27	Mercer Mutual Fund Emerging Markets Equity Median	0.95
<b>Short Fixed Income</b>						
Barrow Hanley Short Fixed	\$8,190,940			0.17	Mercer Mutual Fund US Fixed Short Median	0.39
<b>Market Duration Fixed Income</b>						
Dodge & Cox Income Fund	\$39,681,743			0.42	Mercer Mutual Fund US Fixed Core Median	0.44
MetWest Total Return	\$40,347,703			0.37	Mercer Mutual Fund US Fixed Core Median	0.44
<b>Cash</b>						
Cash Account	\$2,170,315			N/A	N/A	N/A
<b>Hedge Fund of Funds<sup>1</sup></b>						
Lighthouse Diversified	\$16,852,906			1.00	N/A	N/A
Pointer Offshore	\$19,821,984			1.00	N/A	N/A
<b>Total (ex Private Real Estate)</b>	<b>\$275,468,501</b>			<b>0.55%</b>		
<b>Private Real Estate<sup>2</sup></b>						
Oaktree Real Estate Opportunities VI	\$2,950,884	\$ 8.4	\$ 8.4	1.50	N/A	N/A
				Of committed Capital <sup>2</sup>		
Walton Street Real Estate VII	\$1,968,764	\$ 8.4	\$ 7.7	1.50	N/A	N/A
				Of committed Capital <sup>2</sup>		
Walton Street Real Estate Fund VIII	\$6,315,462	\$ 10.0	\$ 7.1	1.50	N/A	N/A
				Of committed Capital <sup>2</sup>		
<b>Total</b>	<b>\$286,703,611</b>					

1. Hedge Fund of Fund fees do not include management and incentive fees of underlying hedge fund investments.

2. Private Real Estate fees do not include carried interest.

# Surplus Cash Equity Portfolio Characteristics

Total Equity Composite vs. MSCI AC World IMI (Net)

June 30, 2020

## Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap \$000	212,954,446	215,791,317
Median Mkt. Cap \$000	16,798,406	1,612,606
Price / Earnings	22.94	19.32
Price / Book	3.78	3.30
5 Yr. EPS Growth Rate (%)	11.01	10.08
Current Yield (%)	1.73	2.20
Beta (5 Years, Monthly)	1.00	1.00
Number of Holdings	826	8,786

## Top 10 Holdings

	Portfolio	Benchmark	Return
Amazon.com Inc	2.86	2.17	41.50
Microsoft Corp	2.73	2.73	29.40
Apple Inc	1.93	2.97	43.84
Netflix Inc	1.45	0.37	21.18
Visa Inc	1.43	0.61	20.10
Facebook Inc	1.25	1.02	36.13
Alphabet Inc Class A	1.13	0.79	22.04
ServiceNow Inc	1.08	0.14	41.34
Adobe Inc	1.02	0.39	36.79
Match Group Inc	0.88	0.01	62.10

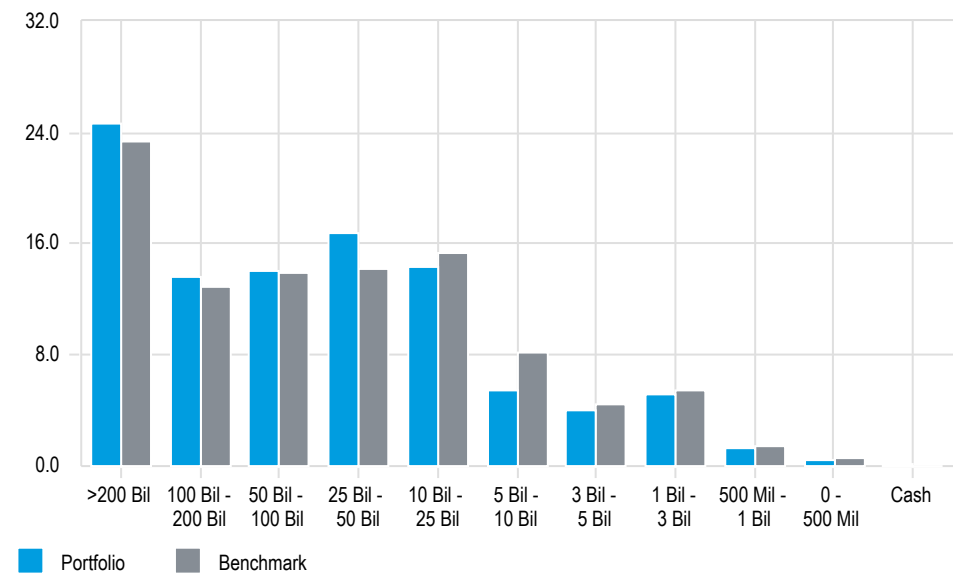
## Top Contributors

	Portfolio	Benchmark	Return	Contribution
Amazon.com Inc	2.34	1.84	41.50	0.97
Microsoft Corp	2.71	2.56	29.40	0.80
Apple Inc	1.70	2.53	43.84	0.75
Facebook Inc	1.08	0.90	36.13	0.39
Sea Ltd	0.27	0.00	142.02	0.38

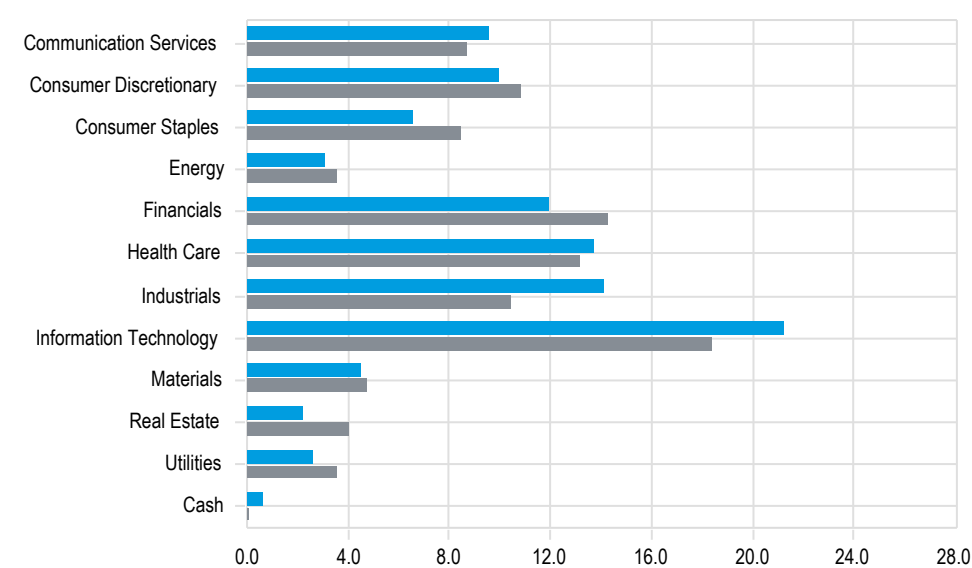
## Top Detractors

	Portfolio	Benchmark	Return	Contribution
General Electric Co	0.36	0.16	-13.85	-0.05
Rolls Royce Holdings PLC	0.30	0.02	-14.10	-0.04
Siam Commercial Bank Public Co Ltd	0.14	0.00	-20.64	-0.03
China Mobile Ltd	0.44	0.10	-6.38	-0.03
Wells Fargo & Co	0.30	0.26	-9.00	-0.03

## Distribution of Market Cap



## Sector Allocation



## Surplus Cash Equity Portfolio - Country/Region Allocation

Total Equity Composite vs. MSCI ACWI IMI Index

June 30, 2020

	Total Equity Composite	MSCI AC World IMI (Net)
Canada	0.8	2.9
United States	63.3	54.9
Australia	0.8	2.0
Hong Kong	2.9	2.7
New Zealand	0.0	0.1
Singapore	0.6	0.4
<b>Pacific ex Japan</b>	<b>4.3</b>	<b>5.2</b>
Japan	5.3	7.4
Austria	0.0	0.1
Belgium	0.0	0.3
Bermuda	0.2	0.2
Denmark	1.5	0.6
Finland	0.3	0.3
France	2.4	2.6
Germany	3.0	2.4
Ireland	1.4	1.0
Italy	0.3	0.6
Luxembourg	0.1	0.1
Netherlands	0.9	1.7
Norway	0.0	0.2
Portugal	0.2	0.1
Spain	0.5	0.7
Sweden	0.0	1.0
Switzerland	3.6	3.0
<b>Europe ex UK</b>	<b>14.2</b>	<b>15.0</b>
United Kingdom	4.4	4.1
Israel	0.0	0.2
<b>Middle East</b>	<b>0.0</b>	<b>0.2</b>
<b>Developed Markets</b>	<b>92.5</b>	<b>89.8</b>

	Total Equity Composite	MSCI AC World IMI (Net)
China	1.9	2.7
India	0.6	1.0
Indonesia	0.2	0.2
Korea	1.3	1.5
Malaysia	0.0	0.2
Pakistan	0.0	0.0
Philippines	0.0	0.1
Taiwan	1.2	1.6
Thailand	0.1	0.3
<b>EM Asia</b>	<b>5.3</b>	<b>7.6</b>
Czech Republic	0.1	0.0
Greece	0.0	0.0
Hungary	0.0	0.0
Iceland	0.0	0.0
Poland	0.0	0.1
Russia	0.5	0.3
Turkey	0.0	0.1
<b>EM Europe</b>	<b>0.6</b>	<b>0.6</b>
Argentina	0.0	0.1
Brazil	0.6	0.7
Cayman Islands	0.0	0.0
Chile	0.0	0.1
Colombia	0.1	0.0
Mexico	0.4	0.2
Peru	0.0	0.0
Virgin Islands	0.0	0.0
<b>EM Latin America</b>	<b>1.0</b>	<b>1.1</b>
Egypt	0.1	0.0
Qatar	0.0	0.1
Saudi Arabia	0.0	0.3
South Africa	0.1	0.4
United Arab Emirates	0.0	0.1
<b>EM Mid East+Africa</b>	<b>0.2</b>	<b>0.9</b>
<b>Emerging Markets</b>	<b>7.0</b>	<b>10.1</b>
<b>Frontier Markets</b>	<b>0.1</b>	<b>0.0</b>
Cash	0.2	0.0
Other	0.2	0.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

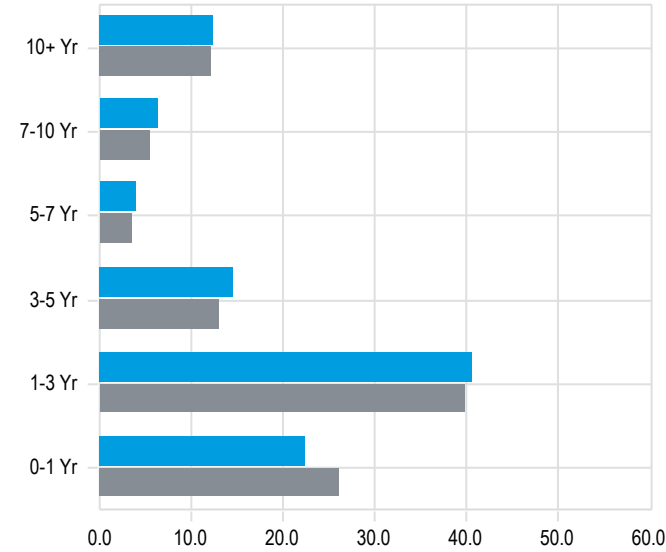
# Surplus Cash Fixed Income Portfolio Characteristics

Total Fixed Income Composite vs. Total Fixed Income Benchmark - Surplus

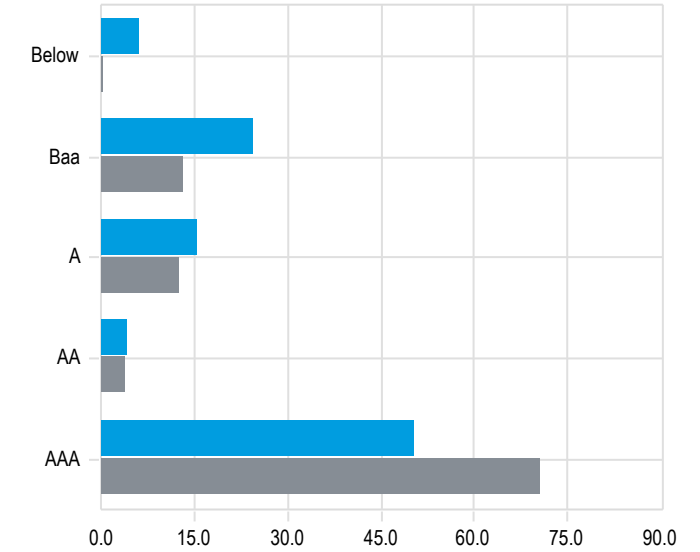
June 30, 2020

	Portfolio	Benchmark
<b>Portfolio Characteristics</b>		
Effective Duration	4.40	5.00
Avg. Maturity	6.80	6.60
Avg. Quality	AA	AA
Avg. Coupon	3.10	2.80
Current Yield	2.90	2.60
Yield To Maturity (%)	2.00	1.70
Number of Issues	-	-
<b>Duration Distribution</b>		
0-1 Yr	22.4	26.1
1-3 Yr	40.6	39.8
3-5 Yr	14.5	13.1
5-7 Yr	3.9	3.4
7-10 Yr	6.3	5.4
10+ Yr	12.3	12.1
<b>Maturity Distribution</b>		
0-1 Yr	10.6	0.3
1-3 Yr	31.5	43.5
3-5 Yr	26.1	25.3
5-7 Yr	9.8	9.2
7-10 Yr	6.1	7.2
10+ Yrs	15.9	14.5
<b>Quality Distribution</b>		
AAA	50.2	70.5
AA	4.1	3.8
A	15.3	12.5
Baa	24.3	13.3
Below	6.2	-
<b>Sector Distribution</b>		
US Gov	16.6	49.7
Mortg.	28.8	22.1
Asset-Bck.	4.9	0.0
Corp	41.8	26.4
Foreign	3.7	1.9
Other	0.0	-
Cash	4.3	-

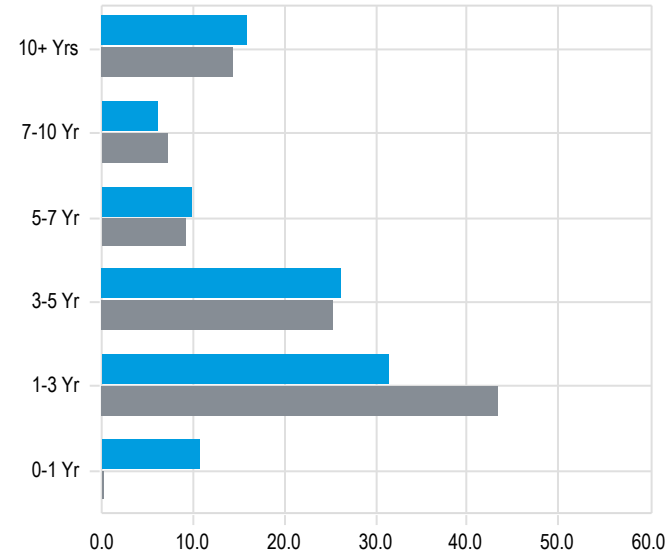
## Duration Distribution



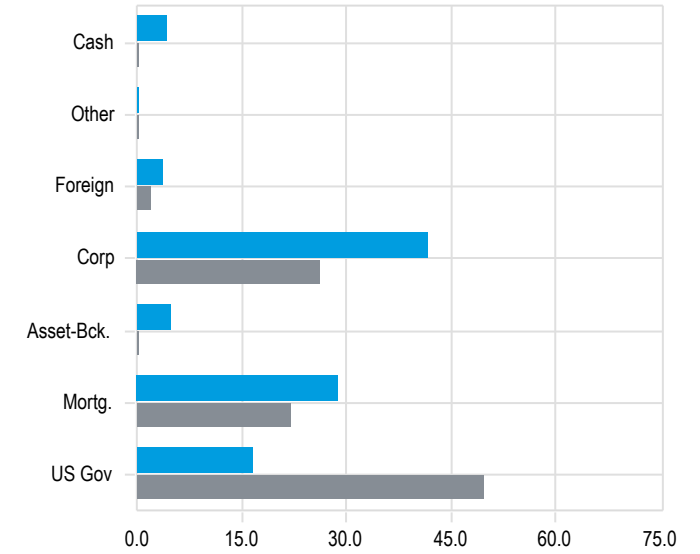
## Credit Quality Distribution



## Maturity Distribution



## Sector Distribution



■ Portfolio ■ Benchmark



# Cash Balance Plan Equity Portfolio Characteristics

Total Equity Composite vs. MSCI AC World IMI (Net)

June 30, 2020

## Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap \$000	207,310,363	215,791,317
Median Mkt. Cap \$000	16,798,406	1,612,606
Price / Earnings	23.26	19.32
Price / Book	3.78	3.30
5 Yr. EPS Growth Rate (%)	10.91	10.08
Current Yield (%)	1.70	2.20
Beta (5 Years, Monthly)	1.00	1.00
Number of Holdings	826	8,786

## Top 10 Holdings

	Portfolio	Benchmark	Return
Amazon.com Inc	2.99	2.17	41.50
Microsoft Corp	2.61	2.73	29.40
Netflix Inc	1.75	0.37	21.18
Visa Inc	1.65	0.61	20.10
Apple Inc	1.60	2.97	43.84
ServiceNow Inc	1.35	0.14	41.34
Facebook Inc	1.29	1.02	36.13
Alphabet Inc Class A	1.20	0.79	22.04
Adobe Inc	1.20	0.39	36.79
Match Group Inc	1.13	0.01	62.10

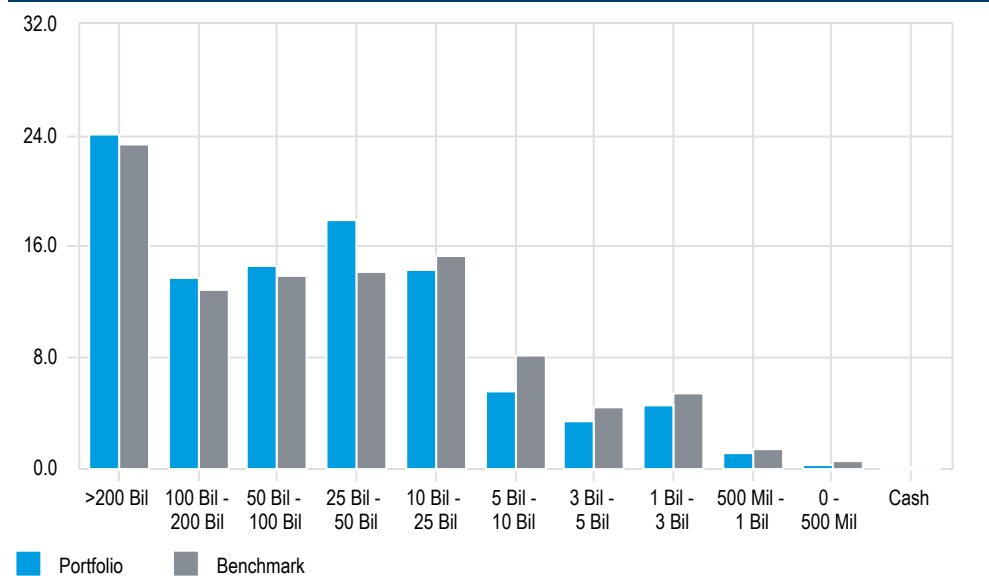
## Top Contributors

	Portfolio	Benchmark	Return	Contribution
Amazon.com Inc	2.79	1.84	41.50	1.16
Microsoft Corp	2.58	2.56	29.40	0.76
Apple Inc	1.63	2.53	43.84	0.72
Sea Ltd	0.40	0.00	142.02	0.57
Match Group Inc	0.87	0.01	62.10	0.54

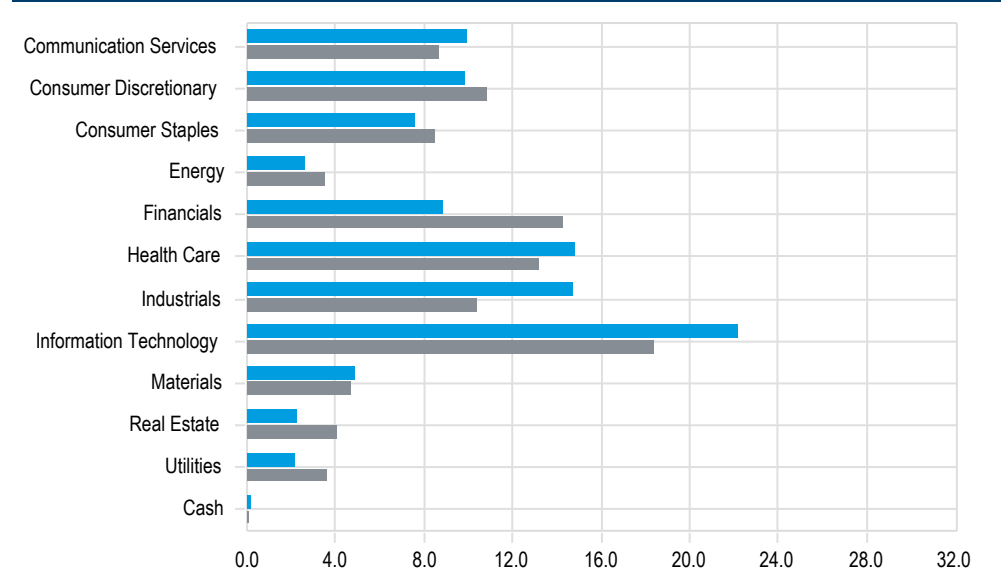
## Top Detractors

	Portfolio	Benchmark	Return	Contribution
Compass Group PLC	0.37	0.06	-12.51	-0.05
Rolls Royce Holdings PLC	0.24	0.02	-14.10	-0.03
Great Western Bancorp Inc	0.08	0.00	-31.96	-0.03
China Mobile Ltd	0.35	0.10	-6.38	-0.02
Air France - KLM	0.11	0.00	-18.98	-0.02

## Distribution of Market Cap



## Sector Allocation



## Cash Balance Plan Equity Portfolio - Country/Region Allocation

Total Equity Composite vs. MSCI ACWI IMI Index

June 30, 2020

	Total Equity Composite	MSCI AC World IMI (Net)
Canada	0.9	2.9
United States	63.3	54.9
Australia	0.9	2.0
Hong Kong	2.5	2.7
New Zealand	0.0	0.1
Singapore	0.8	0.4
<b>Pacific ex Japan</b>	<b>4.2</b>	<b>5.2</b>
Japan	5.9	7.4
Austria	0.0	0.1
Belgium	0.0	0.3
Bermuda	0.1	0.2
Denmark	1.7	0.6
Finland	0.4	0.3
France	2.7	2.6
Germany	3.3	2.4
Ireland	1.4	1.0
Italy	0.4	0.6
Luxembourg	0.0	0.1
Netherlands	0.9	1.7
Norway	0.0	0.2
Portugal	0.2	0.1
Spain	0.5	0.7
Sweden	0.0	1.0
Switzerland	4.0	3.0
<b>Europe ex UK</b>	<b>15.7</b>	<b>15.0</b>
United Kingdom	4.9	4.1
Israel	0.0	0.2
<b>Middle East</b>	<b>0.0</b>	<b>0.2</b>
<b>Developed Markets</b>	<b>94.9</b>	<b>89.8</b>

	Total Equity Composite	MSCI AC World IMI (Net)
China	1.4	2.7
India	0.4	1.0
Indonesia	0.1	0.2
Korea	1.0	1.5
Malaysia	0.0	0.2
Pakistan	0.0	0.0
Philippines	0.0	0.1
Taiwan	0.9	1.6
Thailand	0.0	0.3
<b>EM Asia</b>	<b>3.8</b>	<b>7.6</b>
Czech Republic	0.0	0.0
Greece	0.0	0.0
Hungary	0.0	0.0
Iceland	0.0	0.0
Poland	0.0	0.1
Russia	0.3	0.3
Turkey	0.0	0.1
<b>EM Europe</b>	<b>0.3</b>	<b>0.6</b>
Argentina	0.0	0.1
Brazil	0.3	0.7
Cayman Islands	0.0	0.0
Chile	0.0	0.1
Colombia	0.0	0.0
Mexico	0.2	0.2
Peru	0.0	0.0
Virgin Islands	0.0	0.0
<b>EM Latin America</b>	<b>0.6</b>	<b>1.1</b>
Egypt	0.0	0.0
Qatar	0.0	0.1
Saudi Arabia	0.0	0.3
South Africa	0.1	0.4
United Arab Emirates	0.0	0.1
<b>EM Mid East+Africa</b>	<b>0.1</b>	<b>0.9</b>
<b>Emerging Markets</b>	<b>4.8</b>	<b>10.1</b>
<b>Frontier Markets</b>	<b>0.1</b>	<b>0.0</b>
Cash	0.2	0.0
Other	0.1	0.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

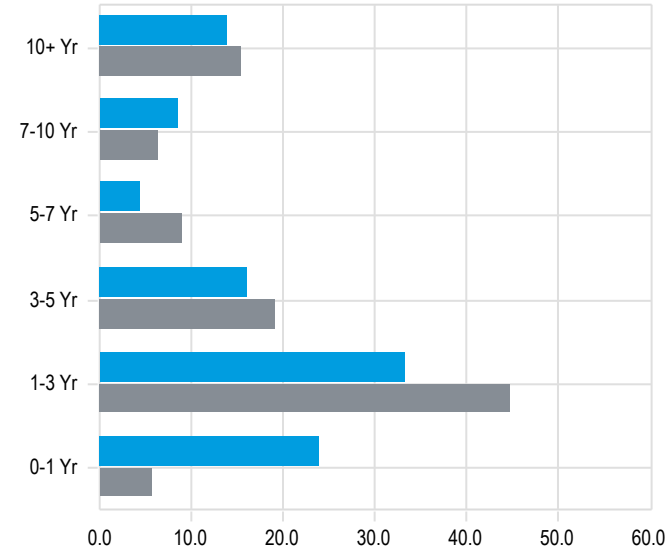
# Cash Balance Plan Fixed Income Portfolio Characteristics

Cash Balance Fixed Income Composite vs. Total Fixed Income Benchmark

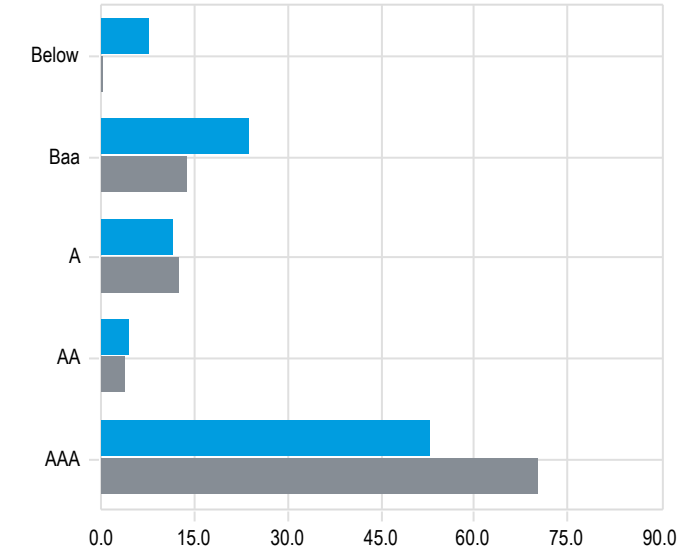
June 30, 2020

	Portfolio	Benchmark
<b>Portfolio Characteristics</b>		
Effective Duration	4.80	5.40
Avg. Maturity	7.60	7.10
Avg. Quality	AA-	AA
Avg. Coupon	3.10	2.90
Current Yield	2.90	2.60
Yield To Maturity (%)	2.00	1.10
Number of Issues	-	-
<b>Duration Distribution</b>		
0-1 Yr	23.9	5.6
1-3 Yr	33.2	44.8
3-5 Yr	16.1	19.1
5-7 Yr	4.3	8.8
7-10 Yr	8.5	6.4
10+ Yr	14.0	15.3
<b>Maturity Distribution</b>		
0-1 Yr	10.8	0.4
1-3 Yr	20.7	37.2
3-5 Yr	27.7	28.1
5-7 Yr	13.2	10.2
7-10 Yr	9.0	8.0
10+ Yrs	18.6	16.2
<b>Quality Distribution</b>		
AAA	52.9	70.2
AA	4.5	3.7
A	11.5	12.5
Baa	23.6	13.6
Below	7.6	-
<b>Sector Distribution</b>		
Other	-	-
US Gov	15.4	47.2
Mortg.	33.0	24.5
Asset-Bck.	4.5	0.0
Corp	29.5	26.6
Foreign	12.5	1.7
Cash	5.1	-

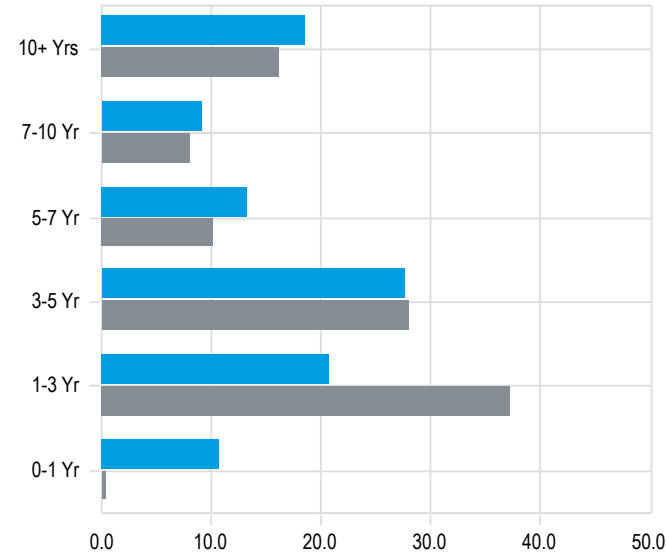
## Duration Distribution



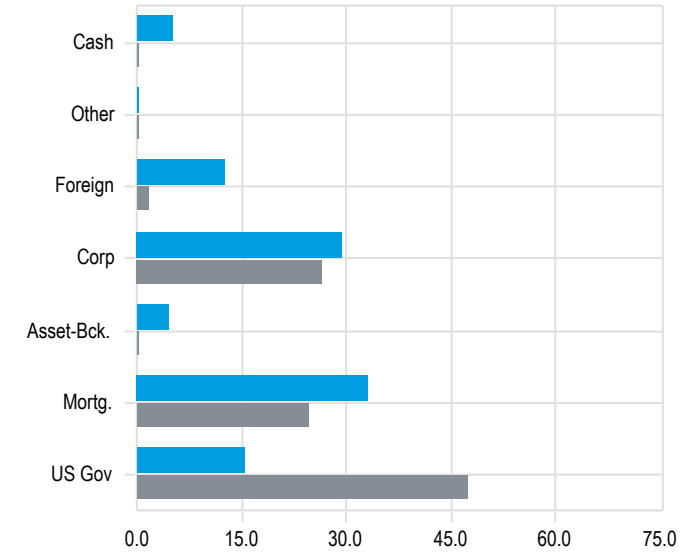
## Credit Quality Distribution



## Maturity Distribution



## Sector Distribution



■ Portfolio ■ Benchmark

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**Pavilion**  
A Mercer practice

# El Camino Hospital Investing in Uncertain Times

August 10, 2020

Antonio DiCosola, CFA  
Principal, Senior Investment Consultant

Chris Kuhlman  
Principal, Senior Investment Consultant

welcome to brighter

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- Prioritizing action in a market crisis
- Dynamic asset allocation views
- Current allocation – positioned for volatile markets
- Appendix



**Pavilion**

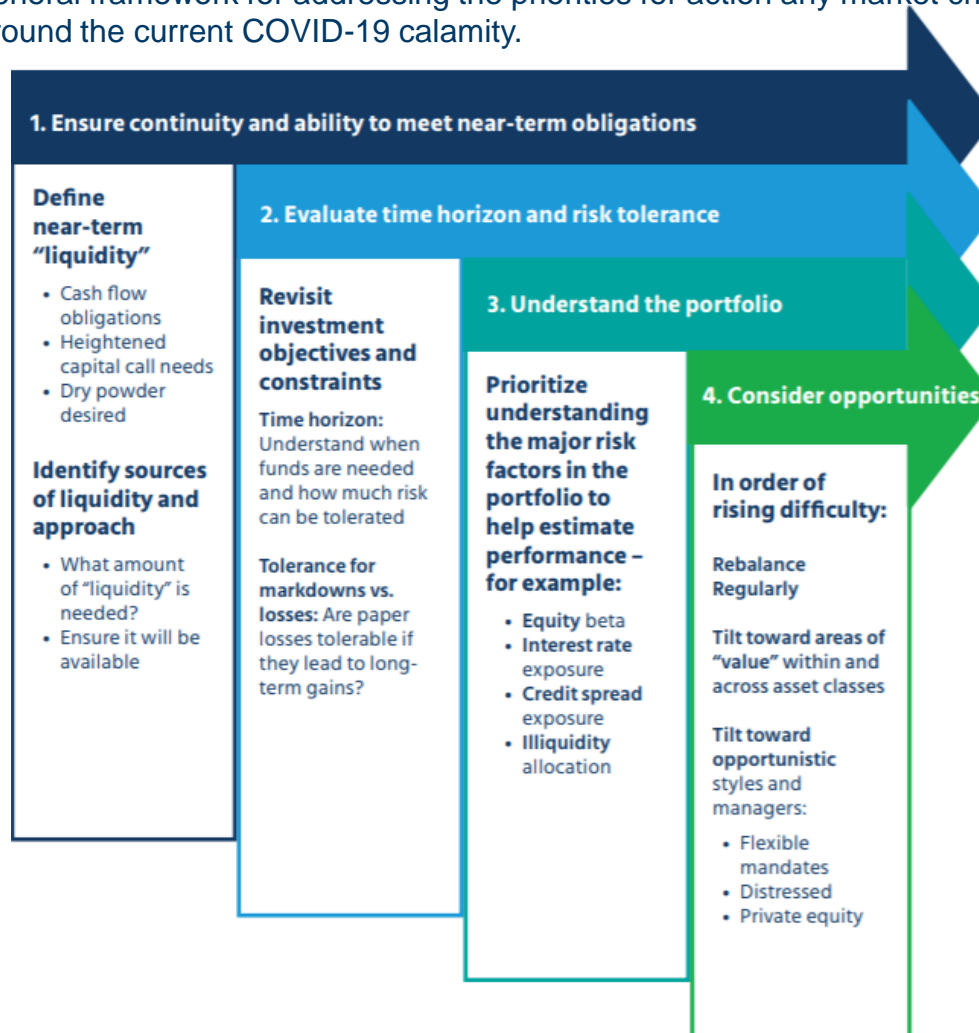
A Mercer practice

# Prioritizing action in a market crisis

welcome to brighter

# Framework

- Every market crisis is unique, and fiduciaries overseeing institutional asset pools should be thoughtful about the actions to take.
- The particular circumstances of each organization and the way markets decline differ from crisis to crisis.
- This presentation is a general framework for addressing the priorities for action any market crisis, with a particular focus on the circumstances around the current COVID-19 calamity.





# Ensure ability to operate

- Almost all investment pools have some cash flows that they are obligated to provide, whether it is benefit payments, working capital needs or foundation obligations. Assessing liquidity needs requires first defining the demands for short-term liquidity that is critical to the organization at that particular time.
- Institutional investment pools may have both external liquidity obligations as mentioned above, and internal liquidity demands. The investment portfolio's internal liquidity needs may include meeting capital calls for commitments to private market funds or providing collateral for various investment strategies.
- Determining and sourcing the specific amounts needed over a six- to 18-month time horizon will provide some operating certainty and an ability to take a slightly longer view on the rest of the investment pool.
- If the institution's liquidity reserves, inclusive of short-term savings, lines of credit and/or the investment portfolio, are not in the target range for liquidity reserves in this crisis, then (to risk stating the obvious) it is necessary to reduce invested assets to raise cash. Determining from where to take that cash depends on the amount of cash needed.
- In a market crisis led downward by equities, defensive high-quality fixed income typically has gained in value, or at least has not declined by nearly as much as equities. We believe that selling fixed income to raise cash, especially if there are gains in that part of the portfolio, not only has the least impact on long-term projected portfolio returns, but also serves as an incremental portfolio-level rebalancing "into" equities, without actually investing additional cash in equities.
- If larger cash levels are necessary, some combination of rebalancing the portfolio and reducing invested amounts across all asset classes, where available, should be considered even if that means crystalizing substantial losses in equities.
- Finally, once the institution has raised sufficient cash, fiduciaries should resist the urge to maximize invested yield on that cash and remain highly conservative with the money market fund or other cash-equivalent instruments for that cash. In the U.S., this means avoiding "prime" money market funds, which have the ability to reduce price per share ("break the buck") and to restrict redemptions, both of which fly in the face of the definition of a liquidity reserve in the first place.
- **Pavilion and El Camino Hospital management have been in frequent communication during the current crisis to ensure adequate liquidity.**

# Evaluate time horizon and risk tolerances

- Time horizon and overall risk tolerance are two of the key considerations in any investment decisions. All fiduciaries likely have evaluated these factors in setting up and running their investment program, and revisiting these decisions will provide perspective and context for the decisions that need to be made in a crisis.
- Most institutional pools have a long-term investment horizon and are able to ride out short-term volatility if no shifts in direction are made in a crisis and the current investment policy is maintained. The current crisis likely was not identified specifically when designing the investment program, but a period of volatility and market declines almost certainly was considered. It is important to remember that after accounting for short-term operating needs in Step 1, there is no requirement for immediate action.

# Understand the portfolio

- During times of crisis with highly volatile markets, there is often a desire for fiduciaries to more frequently monitor the portfolio's performance. Most institutional portfolios have one or two risk factor exposures that really drive portfolio performance. Knowing those major risk factors helps estimate the degree of portfolio change in a crisis. This streamlines the focus of the day-to-day monitoring activity on the critical assessments of investment managers' operational continuity, and prioritizes monitoring portfolios that typically exhibit a high level of risk.
- Given their long-term time horizon, most institutions' primary risk factor is in equity markets. For these institutions, a historical analysis of equity market beta, which is investment-speak for sensitivity, becomes the critical issue. Other types of organizations may have significant exposure to credit spreads or interest rates.
- Fiduciaries typically use beta exposure analysis to stress-test portfolios in a hypothetical crisis. When there is an actual crisis, knowing those risk factor betas can provide a useful back-of-the-envelope estimate of short-term performance. For example, a portfolio with a historical beta of 0.63 to global equities means that those portfolios will suffer 63% of the downside in equities, on average and without considering short-term active manager outperformance or underperformance.
- It also may be helpful to go back a somewhat recent down market to test the risk factor beta sensitivity on the portfolio. The most recent significant drawdown prior to the current crisis was the fourth calendar quarter of 2018 when equity markets were down double digits. Comparing that market drawdown with the portfolio's actual return that quarter could provide a real-life example of the helpfulness of estimating short-term performance using risk factor betas.
- **Analysis of beta and downside sensitivity can be found later in this presentation.**

# Consider opportunities

- Crises sometimes lead to paralysis. It is never easy to think about investing as markets fall, but if we maintain faith in capital markets over generations, then remaining disciplined and thinking opportunistically is the right way to overcome paralysis. Considering opportunities is also a lot easier once the first three steps of this process are completed — liquidity has been secured and the risk tolerance and portfolio risks are understood and communicated.
- The low-hanging fruit for being opportunistic is simply to rebalance the portfolio, selling out of asset classes that have outperformed others, and buying the underperforming, under-allocated asset classes. Rebalancing itself can be done opportunistically; for instance, trustees may opt to reduce underweights and overweights by only half instead of moving fully back to targets. For institutions that typically rebalance regularly but infrequently, stepping up the frequency of rebalancing could help in maintaining the portfolio's overall risk posture.
- Tilting toward relative value is the next possible way to be opportunistic. This can mean tilting across asset classes, as well as tilting within asset classes. Assessing value always involves risk, and as with liquidity, the word “value” itself can mean different things. But value, however defined for each institution, can help with the discipline of incrementally buying cheaper investments for the long term.
- Finally, there are opportunistic or other specific investments to consider through the crisis. These vary from crisis to crisis. In the Global Financial Crisis of 2007-2009, at different points there were buying opportunities in investment grade bonds, assetbacked securities, and agency-backed securities, as well as distressed companies both in restructuring and in liquidation. In the COVID-19 crisis, corporate credit has been particularly dislocated and may be attractive.
- Assessing the “right” opportunistic investments is always easy in hindsight, but difficult in the moment. To help with calibrating risk tolerance, these opportunistic investments need to conform with an institution's overall investment policy asset class guidelines, as well as with diversification guidelines that can point to the right allocation sizing of these types of opportunities. Before moving forward with attractive opportunities, be certain the institution has the governance structure and implementation processes to properly implement, monitor, select and agree upon the measurements of success. Also, thinking ahead to the exit strategy from these opportunities is worthwhile, before investing.

# Dynamic asset allocation views

# Summary

*This document summarizes our views on the market outlook and valuations over a medium-term horizon. Note that asset class views are expressed relative to a strategic asset allocation (overweight, neutral or underweight) across and within major asset classes. We do not expect clients to make frequent tactical changes to their asset allocation based upon these views. They are provided for discussion purposes and do not provide any assurance or guarantee of future market returns.*

- Global equity markets recovered sharply during Q2, although most indexes remained below their peak. Credit also posted strong gains, driven by the tightening of credit spreads for both investment-grade and high yield bonds.
- The US and most other countries have begun to relax lockdowns. While the current recovery is encouraging after the collapse in GDP in March and April, it is coming off of a very low base. Our base case calls for a gradual recovery over the second half of the year. Continued resurgences of the virus in the US and elsewhere remain a downside risk, although any future lockdowns will likely be more regionally-oriented and less restrictive.
- Fiscal and monetary policy has reduced downside risks for the global economy and remain supportive with many countries announcing additional fiscal stimulus measures and central banks such as the Federal Reserve suggesting that policy rates will remain low until 2022 at least. In the US, the failure to extend the increased unemployment benefits scheduled to expire at the end of July is a risk to the economy and markets.
- **Across the major asset classes, we have modestly upgraded our view on public equities from neutral to neutral / overweight.** While equity valuations are expensive in absolute terms, we view them as attractive relative to ultra-low bond and cash yields. Equities should also be supported by aggressive monetary and fiscal policy responses.
- **We maintained an overweight view on growth fixed income. Within growth fixed income, we maintain our preference for high yield bonds over emerging market debt.** While high yield bond spreads declined during the quarter, they remain above their long-term median level. Fed support should also act as a tailwind for high yield bonds. While emerging market debt appears attractive in absolute terms, we think it faces a more challenging macro environment and prefer the risk-to-reward of high yield bonds.
- **Within defensive fixed income, we continue to view investment-grade credit more favorably than Treasury bonds.** Investment grade bond spreads have come in, but remain above their historical median level. Fed support and a gradual economic recovery should lead spreads to compress further. **We also maintain a preference for TIPS over nominal Treasuries.** Inflation breakeven rates appear to be pricing low levels of inflation too far into the future.

Asset Class Returns (as of 6/30/20)	Q2	YTD	1-Year
Global developed equities (MSCI World Net)	19.4%	-5.8%	2.8%
US large-cap equities (S&P 500)	20.5%	-3.1%	7.5%
US small-cap equities (Russell 2000)	25.4%	-13.0%	-6.6%
Non-US developed equities (US\$) (MSCI EAFE Net)	14.9%	-11.3%	-5.1%
Non-US developed equities (local) (MSCI EAFE Local)	12.6%	-10.5%	-4.2%
Non-US small-cap equities (US\$) (MSCI EAFE Small-cap Net)	19.9%	-13.1%	-3.5%
Emerging market equities (US\$) (MSCI Emerging Markets Net)	18.1%	-9.8%	-3.4%
Global defensive equities (MSCI World Min Vol Net) (MSCI World Quality Net)	9.8% 19.6%	-7.3% 1.3%	-1.4% 14.6%
Global REITs (FPRA-NAREIT Global RE)	10.3%	-20.9%	-15.5%
Listed infrastructure (S&P Global Infrastructure Net)	13.6%	-19.7%	-15.4%
US high yield bonds (Barclays High Yield Index)	10.2%	-3.8%	0.0%
Emerging debt local (JPM GBI-EM Global Diversified)	9.8%	-6.9%	-2.8%
Emerging debt hard currency (JP Morgan EMBI Global Diversified)	9.1%	-0.4%	1.2%
Cash (Barclays 1-3M Tbills)	0.0%	0.5%	1.5%
US Treasuries (Barclays Treasury)	0.5%	8.7%	10.4%
US TIPS (Barclays TIPS)	4.2%	6.0%	8.3%
US I/G corporate bonds (Barclays I/G Corporate)	9.0%	5.0%	9.5%

# Dynamic Asset Allocation Views

## Third Quarter 2020



Public Equities



Growth Fixed Income



Defensive Fixed Income



Cash



US Equities



Emerging Debt Local



US Treasuries



International Developed Equities



Emerging Debt Hard Currency



US TIPS



Emerging Market Equities



US/Global High Yield



US Investment-grade Corporates



Global Defensive Equities



US/Global Loans



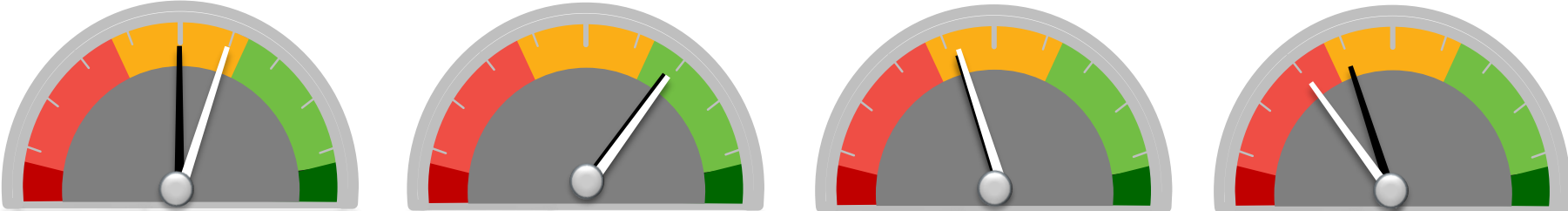
US Securitized

- Overweight
- Neutral
- Underweight

Position/view last quarter (if changed)

Mercer's current position/view

# Major Asset Class Views



Public Equities

Growth Fixed Income

Defensive Fixed Income

Cash

Asset Class	October 2019	January 2020	April 2020	July 2020	Commentary
Public equities	Underweight / Neutral	Neutral	Neutral	Overweight / Neutral	While the rebound in prices has lifted valuations, the prospective return is attractive relative to the low yields available on defensive fixed income. The strong policy response has reduced the downside risk for the economy and earnings.
Growth fixed income	Neutral	Neutral	Overweight	Overweight	Spreads declined as asset prices rebounded during the quarter, but growth fixed income continues to look attractive relative to other asset classes. We prefer high yield to EMD given better yields and Fed support.
Defensive fixed income	Underweight	Underweight	Underweight / Neutral	Underweight / Neutral	Despite the decline in spreads during Q2, investment-grade credit spreads remain attractive. However, the low yields available on Treasuries continue to offer limited upside.
Cash	Overweight	Overweight	Underweight / Neutral	Underweight	We suggest underweighting cash in favor of additional credit and equity exposure, while remaining sensitive to any liquidity needs.

● Overweight      ● Neutral      ● Underweight



# Public Equity Views

Asset Class	April 2020	July 2020	Commentary
US Equities	Neutral	Neutral	US equities remain more expensive than other regions, largely due to their higher concentration in large-cap technology stocks. However, many of those firms are more insulated from the impacts of COVID-19 than the broader market.
US Small-cap Equities	Neutral	Neutral	Small-cap valuations are attractive relative to large-caps, but many smaller firms may lack the resources and access to credit of larger companies to weather the recession. The prospects for small-caps could brighten if the economic recovery remains on track.
International Developed Equities	Underweight / Neutral	Underweight / Neutral	International stocks are generally more exposed to cyclical sectors of the economy. While that acts as a headwind in the current environment, international stocks could benefit if we were to experience a stronger than expected recovery.
Emerging Market Equities	Overweight / Neutral	Overweight / Neutral	Emerging market equities present attractive valuations. Additionally, countries that have limited the spread and are seeing an economic recovery (China, South Korea and Taiwan) form the bulk of the index.
US Style	Overweight / Neutral Value	Overweight / Neutral Value	Growth stocks continue to look expensive relative to value stocks. However, the traditional value sectors have been impacted particularly hard by COVID-19 with more cyclical sensitivity and weaker balance sheets.
US Currency Hedge	Underweight / Neutral	Underweight / Neutral	With the Fed Funds rate effectively at zero, the dollar's yield advantage has been mitigated. However, in the current era of uncertainty the dollar's safe haven status could drive further gains. Over the longer-term, the dollar appears fundamentally overvalued against its major trading partners.

# Fixed Income Views

Asset Class	April 2020	July 2020	Commentary
US Treasuries	Underweight	Underweight	Treasury yields remained extremely low in Q2, leaving very limited upside. We continue to view Treasuries as unattractive and we maintain our preference for TIPS over Treasuries.
US TIPS	Overweight / Neutral	Overweight / Neutral	Inflation breakeven rates appear very cheap in the intermediate-term. While the near-term impacts of COVID-19 will be deflationary, the extraordinary monetary and fiscal response coupled with an economic recovery could lead to higher inflation in future years.
US Investment-grade corporates	Overweight	Overweight	Investment-grade credit remains attractive despite the decline in spreads during the quarter. Investment-grade bonds should also benefit from Fed support.
US Securitized	Overweight / Neutral	Overweight / Neutral	Securitized bonds have been slow to recover and have not rebounded as much as investment-grade credit. The outlook for the consumer is less certain, which drives our preference for credit over securitized.
Duration	Underweight / Neutral	Underweight / Neutral	Interest rates remain low and they have limited room to fall further. However, the Fed is likely to remain highly accommodative for the foreseeable future.
Emerging Debt Local	Underweight / Neutral	Underweight / Neutral	With the decline in yields during the quarter, local currency emerging market debt is less attractive, although currency valuations remain attractive. We continue to prefer the risk to reward of high yield bonds.
Emerging Debt Hard Currency	Underweight / Neutral	Underweight / Neutral	Spreads on emerging market debt tightened during the quarter. Additionally, some emerging market countries could find it more difficult to repay dollar obligations with weaker trade flows and currencies.
US / Global High Yield	Overweight	Overweight	High yield bonds remain attractively valued, although less so than at the beginning of the quarter. Current spreads should compensate for a fair amount of risk and policy support from the Fed should continue to support the asset class.
US / Global Loans	Neutral	Neutral	Our outlook for loans remains constructive. While loans are also attractively valued, we continue to prefer the risk-to-reward of high yield bonds within growth fixed income.



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# Current allocation – positioned for volatile markets

# Asset Allocation Overview

## As of June 30, 2020

	Surplus Cash Actual	Surplus Cash Target	Cash Balance Actual	Cash Balance Target
U.S. Large-Cap	22.8%	20.0%	30.2%	27.0%
U.S. Small-Cap	4.2%	5.0%	4.7%	5.0%
Non-U.S.	13.4%	15.0%	16.8%	18.0%
<b>Total Equity</b>	<b>40.5%</b>	<b>40.0%</b>	<b>51.8%</b>	<b>50.0%</b>
Market Duration	33.0%	30.0%	27.9%	25.0%
Short Duration	11.2%	10.0%	3.6%	5.0%
<b>Total Fixed Income</b>	<b>44.2%</b>	<b>40.0%</b>	<b>31.5%</b>	<b>30.0%</b>
Hedge Funds	13.3%	15.0%	12.8%	15.0%
Real Estate	2.0%	5.0%	3.9%	5.0%
<b>Total Alternatives</b>	<b>15.4%</b>	<b>20.0%</b>	<b>16.7%</b>	<b>20.0%</b>

### Modeled Expectations

Long-Term Expected Return	5.0%	5.2%	5.6%	5.7%
Standard Deviation (1 Yr.)	8.8%	9.1%	10.9%	10.8%
1 Yr. Value-at-risk (95%)	-8.4%	-8.6%	-10.8%	-10.6%
1 Yr. Value-at-risk (99%)	-13.5%	-13.8%	-16.8%	-16.6%
Equity Beta	0.44	0.45	0.58	0.58

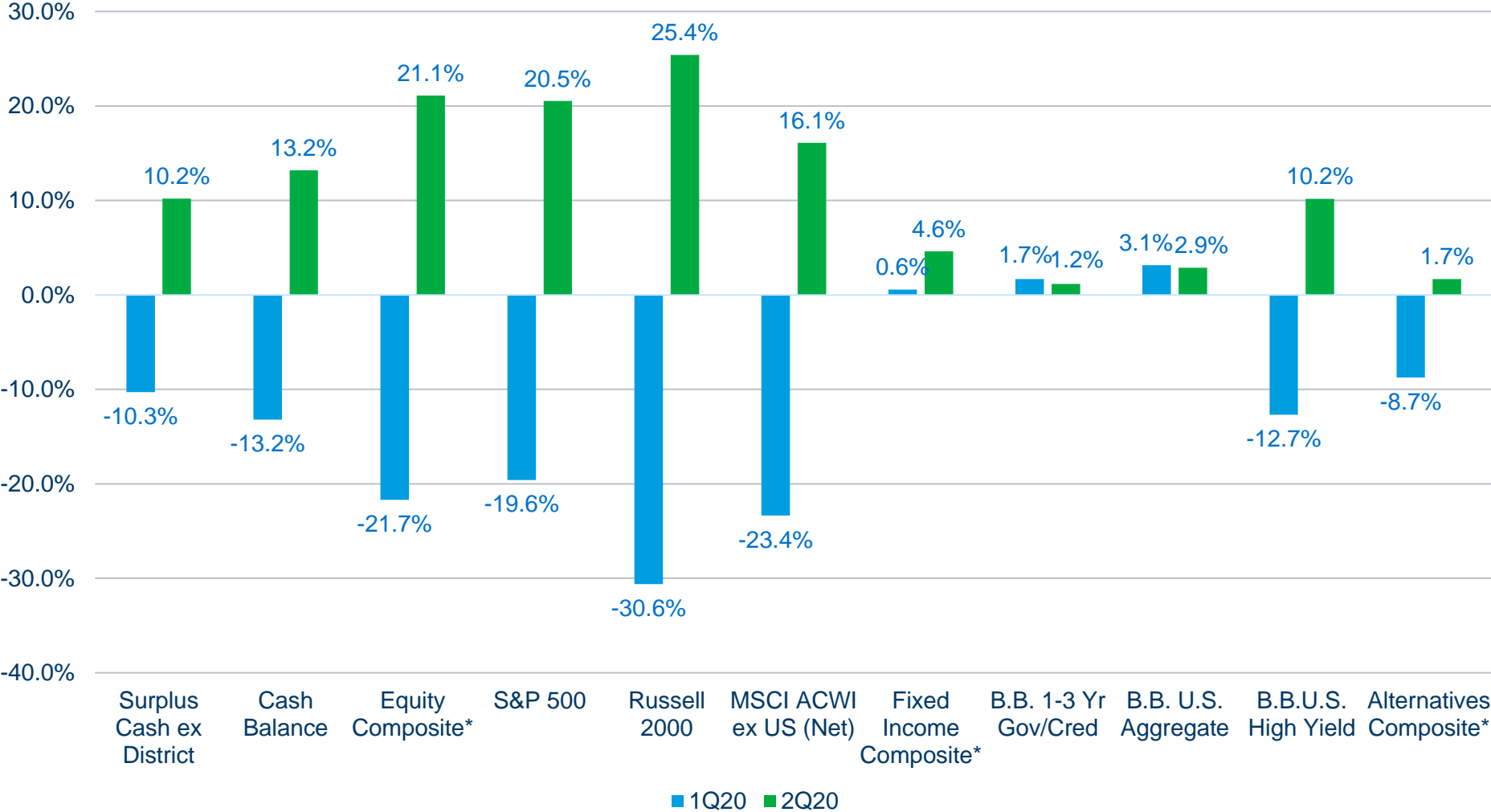
- The Cash Balance Plan allocation is slightly more aggressive than the Surplus Cash portfolio, leading to higher expected risk and return.
- Currently, both portfolios are overweight U.S. Large-Cap Equity and Market Duration Fixed Income at the expense of Alternatives.
- Both portfolios are well diversified, positioned to protect in down markets while still participating in upward markets.
- Both portfolios also have adequate liquidity, with over 80% of investments able to be liquidated within a week's time.

Based on Mercer's capital market assumptions published in July 2020.

# Performance during COVID-19 volatility

## Q1 and Q2 2020

- Diversification helped protect during recent selloff



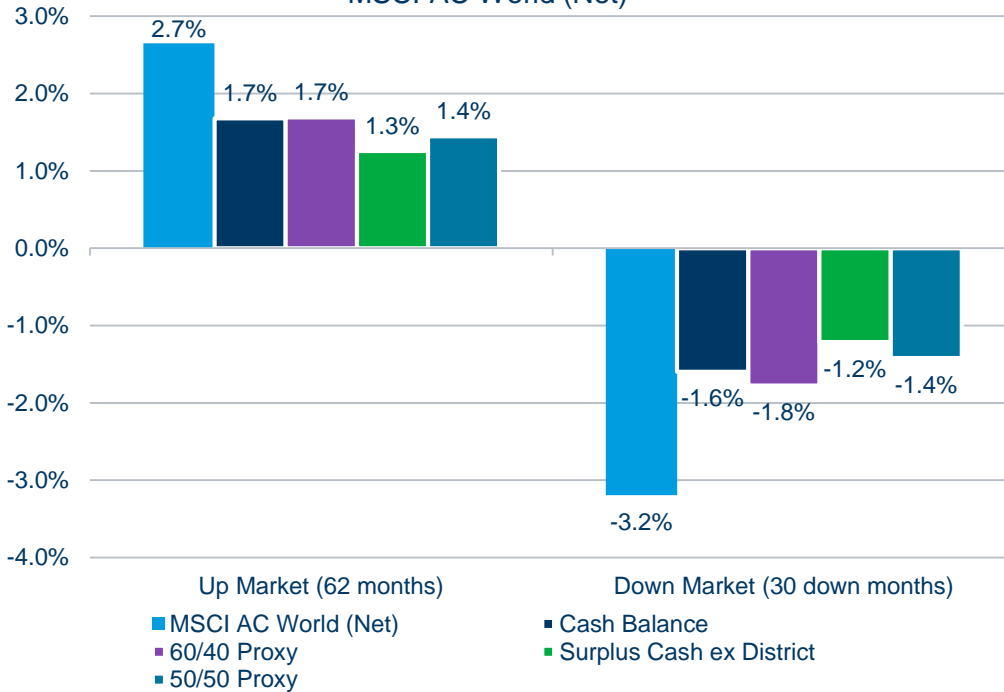
\*Reflects Surplus Cash composite performance.

# Historical downside protection

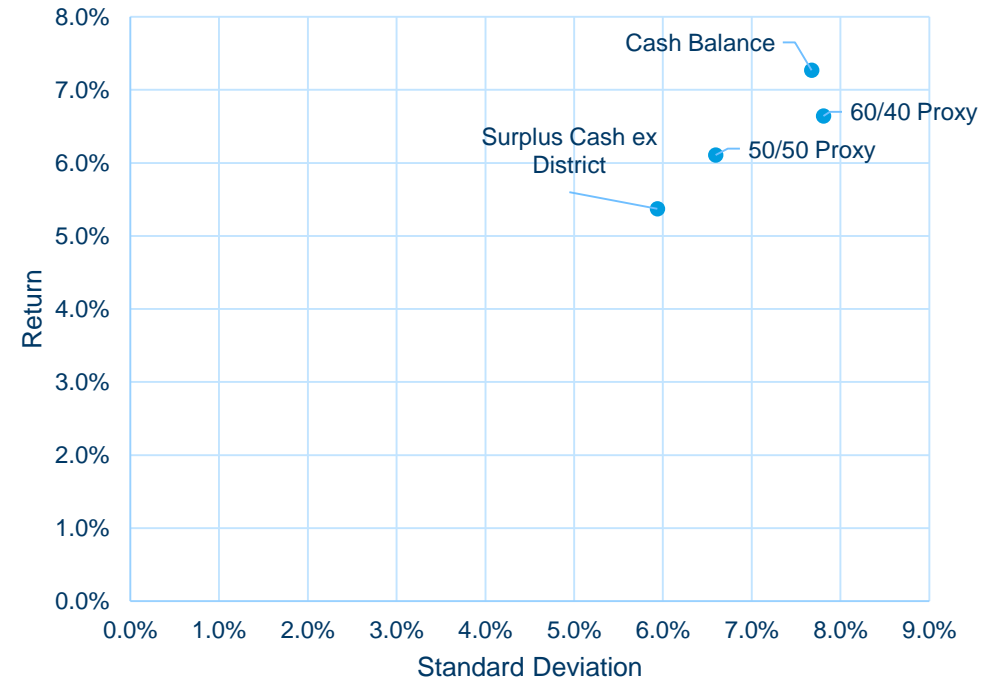
## From November 1, 2012 through June 30, 2020\*

	Annualized Return	Standard Deviation	Down Market Capture	Up Market Capture	Maximum Drawdown	Beta	Sharpe Ratio
MSCI AC World Index (Net)	8.4%	12.8%	100.0%	100.0%	-21.4%	1.00	0.63
Surplus Cash ex District	5.4%	5.9%	37.9%	47.4%	-10.3%	0.45	0.78
50/50 Proxy	6.1%	6.6%	44.5%	54.6%	-10.0%	0.50	0.81
Cash Balance	7.3%	7.7%	50.0%	63.4%	-13.2%	0.58	0.85
60/40 Proxy	6.6%	7.8%	55.5%	63.9%	-12.3%	0.60	0.76

UP/Down Market Analysis vs. MSCI AC World (Net)



Risk and Return

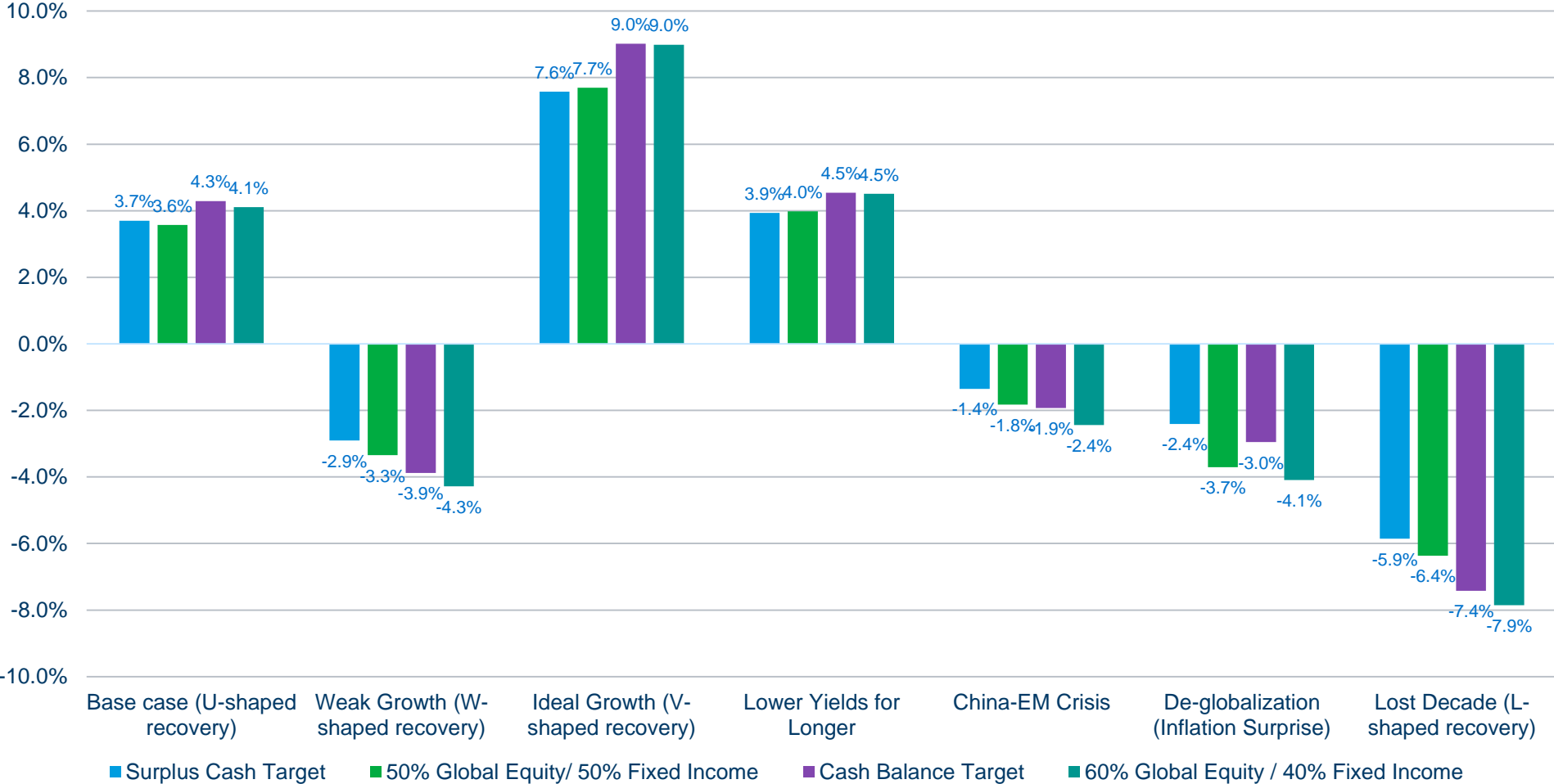


\* 50/50 and 60/40 proxies include Vanguard Total Work Stock Index Fund (VTWIX) and Vanguard Total Bond Market Index Fund (VBTIX), respectively.

# Forward-looking scenarios

## 3-Year annualized return expectations

- Near-term expectations are depressed relative to long-term levels



Based on Mercer's capital market assumptions published in July 2020. See Appendix for scenario descriptions.

# Appendix



# Scenario Descriptions

Scenario	Short Description
Base case	Mercer's base case expectations.
Weak growth	Economic growth falls materially below trend.
Ideal growth	The economy grows above trend while inflationary pressures remain contained.
Lower yields for longer	Interest rates remain below equilibrium and undershoot forward curve pricing.
China / emerging markets crisis	China and other emerging economies experience a financial crisis.
De-globalization	Inflation rises due to trade wars, supply constraints or geopolitical events, reducing growth.
Lost decade	Weak productivity growth and demographics lead to secular stagnation.

Based on Mercer's capital market assumptions published in July 2020.

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The assets under management data (the AUM Data) reported here include aggregated assets for which Mercer Investments LLC (Mercer Investments) and their global affiliates provide discretionary investment management services as of the dates indicated. The AUM Data reported here may differ from regulatory assets under management reported in the Form ADV for Mercer Investments. For regulatory assets under management, please see the Form ADV for Mercer Investments which is available upon request by contacting Compliance Department, Mercer Investments, 99 High Street, Boston, MA 02110.

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## **Expected Return**

Actual performance may be lower or higher than the performance data quoted. Actual statistics may be lower or higher than the statistics quoted. The expectations for the modelled portfolio are a compilation of return, volatility, and correlation expectations of the underlying asset classes.

Portfolio expectations are forward looking and reflective of Mercer's Capital Market Assumptions, as defined by asset class and incorporating return, standard deviation, and correlations. Our process for setting asset class expected returns begins with developing an estimate of the long term normal level of economic growth and inflation. From these two key assumptions, we develop an estimate for corporate earnings growth and the natural level of interest rates. From these values, we can then determine the expected long term return of the core asset classes, equity and government bonds. We combine current valuations with our expectations for long term normal valuations and incorporate a reversion to normal valuations over a period of up to five years. Volatility and correlation assumptions are based more directly on historical experience except in cases in which the market environment has clearly changed. Manager impact on performance is not incorporated into expectations.

The views expressed are provided for discussion purposes and do not provide any assurance or guarantee of future returns.

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**2020**

**Investment Committee  
Self-Assessment Report**

Prepared by



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# Introduction and Executive Summary

In the interest of enhancing its committee effectiveness, members of the El Camino Hospital (ECH) Investment Committee participated in a committee self-assessment process in the summer of 2020. Erica Osborne, Principal at Via Healthcare Consulting, provided the consulting and analysis for this effort. This report provides a summary of the findings that were identified during the process and includes recommendations for the committee's consideration.

Governance best practices call for boards and their committees to regularly evaluate performance and adopt improvements to fulfill their duties and responsibilities more effectively. This type of governance assessment can help a committee ensure that its structures, composition, policies and practices provide a platform for thorough oversight and deliberation, effective policy making, efficient decision making, and strong ties with and accountability to board, the community and external regulators. In today's rapidly changing marketplace, effective and efficient governance has never been more important to organizational performance.

## Executive Summary

Overall, members believe the IC is effective in carrying out its responsibilities as is indicated by ratings of 4.0 or higher in all but one of the areas of focus. Key areas of strength include:

- All members are in full agreement that the committee chair provides strong and appropriate leadership in directing the work of the committee as indicated by a score of 5.00
- The current balance of skills, expertise and expertise promotes healthy constructive discussion.
- Members are provided sufficient information and education to be able to discuss and evaluate current issues.
- Committee meeting agendas are strategically focused and allow for enough time to thoughtfully address all issues.
- Most believe meeting frequency and duration are appropriate and that meetings are effective and promote meaningful discussion.

In addition to areas of strengths, the assessment identified several opportunities for improvement.

- Members indicate they would like more guidance from the board regarding topics of interest and concern as well as feedback on overall committee performance. It is important to note that this is an issue raised by all of the committees during this assessment cycle.
- While there is agreement that current committee composition is appropriate, the group may benefit from consideration of individuals with additional skills or perspectives that would further strengthen the current level of expertise.

These assessment results will be discussed with committee members at the September 2020 committee meeting. It is important to note that this assessment process was designed to gauge the effectiveness and efficiency of the committee as a whole, not of the individual committee members. In addition, it was focused on the governance of the organization, not its management or operations.

## Overview of the Process

A customized committee assessment was administered via the Microsoft Forms online survey tool. Committee members were asked to rate their level of agreement with statements of committee effectiveness using a scale of 1-5 from strongly agree to strongly disagree. The self-assessment also invited open-ended responses. All six IC members responded.

# Recommendations

**B**ased on the results of the 2020 ECH Committee Self-Assessment Process and our extensive experience in the area of governance effectiveness, Via Healthcare Consulting recommends ECH consider the following recommendations. In addition, additional education topics requested are listed.

## RECOMMENDATIONS

1. Board and committee leadership should engage the executive team in developing a more effective mechanism for communication between the board and committees (*Please note this is also included as a recommendation on the committee self-assessment*).
  - Committee Chairs (or Committee Vice-Chairs when the Chair is a non-board member) should work with staff to create a more robust report out on board actions. These reports could include frequent updates on ECH strategic goals, priorities and drivers to better inform the committee's work as well as feedback on the committee's performance and the board's rationale for accepting or rejecting committee recommendations.
  - Committee members should participate in the semi-annual Joint ECH Board and Committee Educational Sessions scheduled for October 2020 and April 2021. At these meetings the CEO can provide updates on progress against the current strategic plan and information on the new strategic process.
2. Consider whether the addition of a few active benefit managers to the committee would further strengthen the current level of expertise.

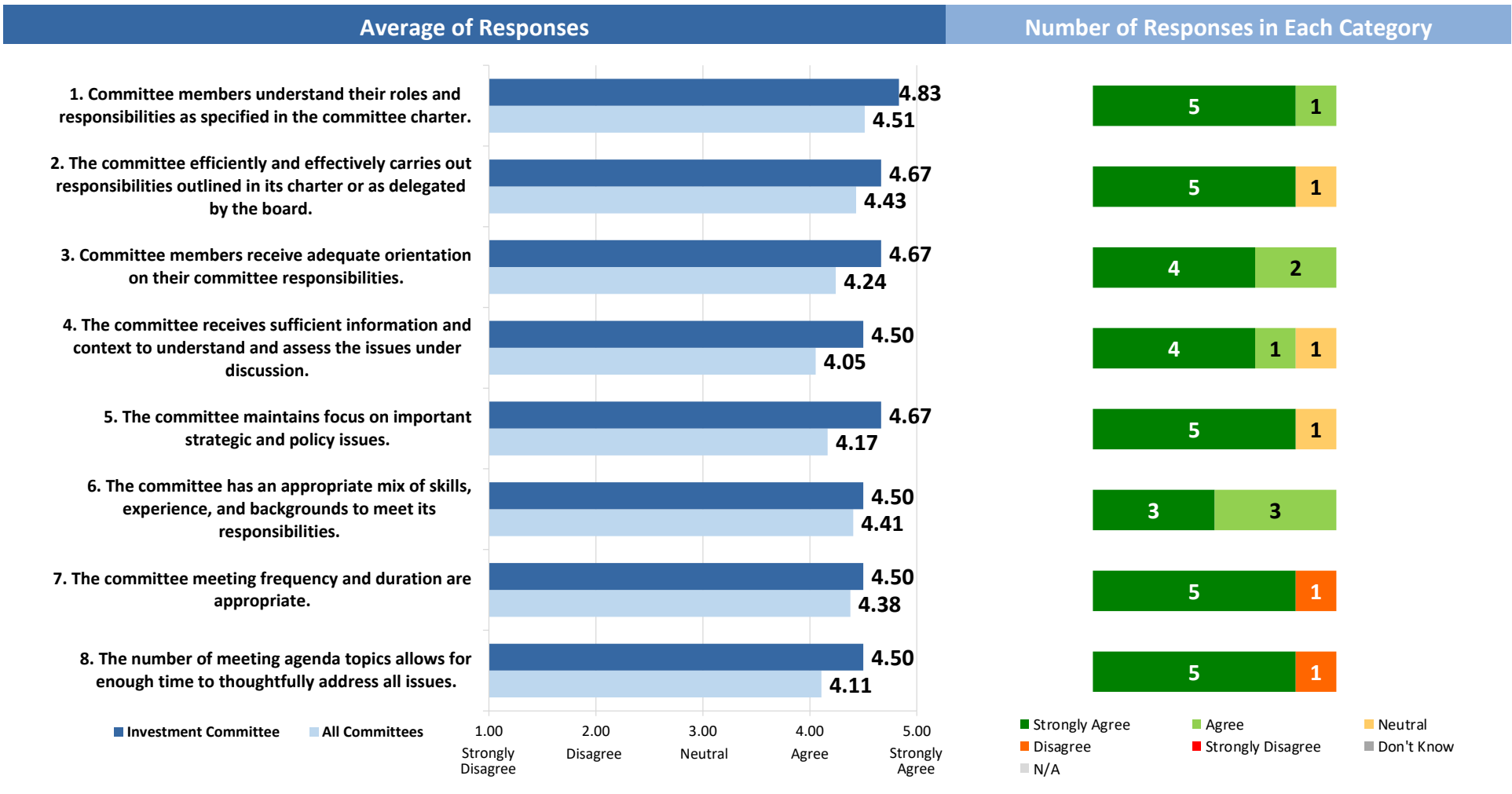
## ADDITIONAL EDUCATION TOPICS TO BE COVERED OVER THE NEXT YEAR:

1. More frequent review of investment strategy and balance that includes more time listening to the consultants.

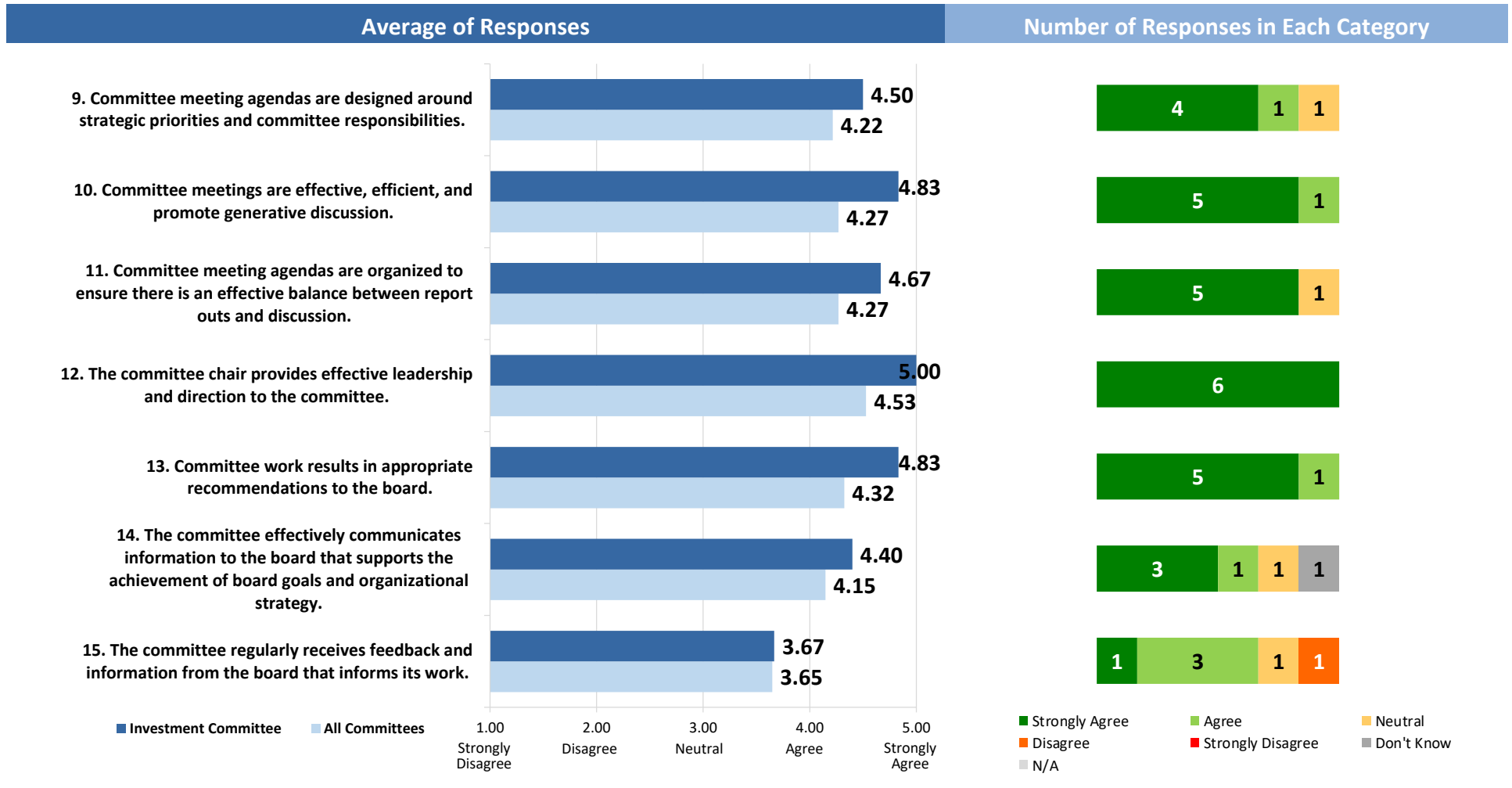


# Committee Self-Assessment Survey Results

## Investment Committee Self-Assessment Results



## Investment Committee Self-Assessment Results (cont.)



***Summary of Comments for Committee Performance Improvement:***

- Good balance of members and healthy constructive discussion of issues. I think this is an important committee of professionals who add value to the health care district.
- Committee seems well aligned with the objectives of the Health Care District. Maintenance and growth of the investment funds is critical to the funding priorities of the hospital. All well aligned.
- I don't know that we've ever heard how the Board thinks of the Investment Committee's (IC) performance. Perhaps that's because it hasn't been a problem, and we have always had a Chair who was on the Board. The pandemic and the markets' performance may change this and with my taking on the Chair role as I'm not a Board member, this will be more important.
- The IC does not receive a lot of guidance on what topics/issues are of interest or concern to the board. Perhaps this is due to the Board not having question/concerns. It would be helpful to know more about the Board's goals, objectives and concerns for the IC.
- The committee would benefit from a few active investment managers on the committee.
- The committee had a good chair and strong vice chair.
- I feel the meetings were too abbreviated for complex discussion and analysis.
- This has been a good committee!

***Suggestions for Additional Education:***

- Basically our work experience and knowledge allows us to have good discussions with our advisors and the Board members.
- Possibly review investment strategy and balance more frequently and include more time listening to the consultants.



**2020**

**Board Committee  
Self-Assessment Report**

Prepared by



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# Introduction and Executive Summary

In the interest of enhancing their committee effectiveness, members of the El Camino Hospital (ECH) Board committees participated in a committee self-assessment process in the summer of 2020. Erica Osborne, Principal at Via Healthcare Consulting, provided the consulting and analysis for this effort. This report provides a summary of the findings that were identified during the process and includes recommendations for consideration both across the ECH Board committee structure and for each individual committee.

Governance best practices call for boards and their committees to regularly evaluate performance and adopt improvements to fulfill their duties and responsibilities more effectively. This type of governance assessment can help a committee ensure that its structures, composition, policies and practices provide a platform for thorough oversight and deliberation, effective policy making, efficient decision making, and strong ties with and accountability to the board, the community and external regulators. In today's rapidly changing marketplace, effective and efficient governance has never been more important to organizational performance

## Executive Summary

Overall, most ECH committee members believe things are going well. Committee performance across the areas of responsibilities assessed was rated highly, with only one of the 15 areas rated falling below a mean score of 4.0. Key areas of strength include:

- Committee leadership received the highest score at 4.53 and was supported by comments across most committees.
- Members indicate the committees have a strong understanding of their roles and responsibilities, and generally carry them out effectively and efficiently.
- Many are of the opinion that the committees are well-constituted from a skills and experience perspective though there may be room to continue to strengthen this.
- Meeting frequency and duration are believed to be appropriate for most committees. However, some commented that there is not always enough time to balance routine matters and robust discussion.

In addition to areas of strengths, the assessment also identified several opportunities for improvement:

- There is a strong desire across the committees to continue to enhance bi-directional communication between the board and the committees. Committee members would like to receive more information and feedback from the board regarding ECH's strategic direction and priorities.
- Agendas are often perceived as being overly full, are not always organized around strategic priorities, and are focused more on report outs than true generative discussion.
- Materials, while improved, do not appear to be consistent across the committees. Some packets continue to lack sufficient information and context to enable members to feel comfortable they are making informed recommendations to the board. Specifically, more information regarding Silicon Valley Medical Development (SVMD) and other service lines appears to be a priority for several of the committee members.

These assessment results will be discussed with board members at the September 9, 2020 board meeting. Each committee will also review and discuss their individual results at a future meeting, dates still to be determined. It is important to note that this assessment process was designed to gauge the effectiveness and efficiency of the committees as a whole, not of the individual committee members. In addition, it was focused on the governance by the board and its committees, not management or operations.

## Overview of the Process

A customized questionnaire to committee members was administered via the Microsoft Forms online survey tool. Committee members were asked to rate their level of agreement on a scale of 1-5 – from strongly agree to strongly disagree – to 15 statements of committee effectiveness. The self-assessment also invited open-ended responses. 37 out of 44 responses were received, indicating an 87% response rate.

# Recommendations

**B**ased on the results of the 2020 ECH Committee Self-Assessment Process and our extensive experience in the area of governance effectiveness, Via Healthcare Consulting recommends ECH consider adopting these practices across the committee structure, as follows:

## RECOMMENDATION

1. Board and committee leadership should engage the executive team in developing a more effective mechanism for communication between the board and committees (*Please note this is also included as a recommendation on the Board self-assessment*).
  - This should include frequent updates on ECH strategic goals, priorities and drivers to better inform the committee's work. It should also include feedback on the committee's performance as well as the board's rationale for accepting or rejecting committee recommendations.
  - Committee members should participate in the semi-annual Joint ECH Board and Committee Educational Sessions scheduled for October 2020 and April 2021. At these meetings the CEO can provide updates on progress against the current strategic plan and information on the new strategic process.
2. Conduct a review of the current committee orientation process to ensure:
  - Committee members are aware of and take advantage of this valuable practice.
  - Current practices are up-to-date, comprehensive and utilize best practices.
3. Redesign meeting agendas so they limit number of topics and increase time for strategic and generative discussions.
4. Direct staff to continue to refine meeting materials so packets are smaller, more focused and contain appropriate and relevant contextual information to support the committee's work.
5. Consider whether all committees would benefit from the development of a more intentional approach to new committee member recruitment that focuses on increasing ethnic and racial diversity while maintaining the caliber of the current membership.





# Overview of Committee Self-Assessment Results

## Overall Committee Self-Assessment Results—Highest to Lowest Rated

