



**Minutes of the Open Session of the  
Investment Committee of the  
El Camino Hospital Board of Directors  
Tuesday, June 7, 2022  
El Camino Hospital, 2500 Grant Road, Mountain View, California**

**Members Present**

**Brooks Nelson, Chair\*\***  
**Nicola Boone**  
**John Conover**  
**Richard Juelis\*\***  
**Carol Somersille, MD**  
**John Zoglin**

**Members Absent**

\*\*via teleconference

**Staff/ Guest Present**

**Dan Woods, Chief Executive Officer**  
**Carlos Bohorquez, Chief Financial Officer**  
**Michael Walsh, Controller**  
**Pierre Zamorano, Managing Partner, Veloz Partners**  
**Sam Austin, Partner NEPC**  
**Jesse Pricer, CFA, Principle, Senior Consultant, NEPC**  
**Samreen Salehi, Executive Assistant II**

<b>Agenda Item</b>	<b>Comments/Discussion</b>	<b>Approvals/ Action</b>
<b>1. CALL TO ORDER</b>	The open session meeting of the Investment Committee of the El Camino Hospital Board of Directors (the "Committee") was called to order at 5:30 pm by Chair Brooks Nelson. A verbal roll call was taken. All members were present at roll call and participated in person. Except for Chair Nelson and Mr. Juelis participated via teleconference. 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 Nelson asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were reported.	
<b>3. PUBLIC COMMUNICATION</b>	There were no comments from the public.	
<b>4. CONSENT CALENDAR</b>	<p>Chair Nelson asked if any Committee member wished to remove any items from the consent calendar for discussion. No items were pulled from the consent calendar.</p> <p><b>Motion:</b> To approve the consent calendar: (a) Minutes of the Open Session of Investment Committee Meeting on (02/14/2022) (b) Minutes of the Open Session of the Special Investment Committee Meeting on (01/31/2022), (c) Minutes of the Open Session of the Joint Investment and Finance Committee Meeting on (01/31/2022), (d) IC Charter and for information; (e) Article of Interest, (f) FY2022 Progress Against IC Goals, (f) FY2022 Pacing Plan</p> <p><b>Movant:</b> Conover  <b>Second:</b> Zoglin  <b>Ayes:</b> Boone, Conover, Juelis, Nelson, Somersille, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	<b>Consent Calendar Approved</b>
<b>5. CFO REPORT OUT</b>	Carlos Bohorquez, Chief Financial Officer presented an overview of the FY2022 Period 10 Financials and highlighted the following:	

Agenda Item	Comments/Discussion	Approvals/ Action
	<ul style="list-style-type: none"> <li>• Mr. Bohorquez stated the healthcare industry has been challenged over the last few years related to the pandemic and now inflation / workforce shortages are having a negative impact on the health care industry.</li> <li>• Overall performance of the organization through the first ten months of the fiscal year has been strong and favorable to budget. This is attributed to actions taken by management over the past 18 months to manage variable expenses and ensure we have sufficient staff to maintain all services during the various covid waves.</li> <li>• Through the first ten months of the fiscal year, Operating EBIDA is 19.3% compared to last fiscal year same period we were 13.3%.</li> <li>• Mr. Bohorquez stated, that he and Dan Woods, Chief Executive Officer have been in conversations with all three rating agencies over the last few months. All three rating agencies were pleased with the performance of the organization and actions taken by management to mitigate the covid challenges, inflation and workforce shortages.</li> <li>• Mr. Bohorquez stated the FY2023 capital and operating budget were presented at the May 26<sup>th</sup> Joint Hospital Board and Finance Committee meeting, and the operating budget was approved.</li> <li>• The FY2023 operating budget incorporates a number of investments related to improving operating, patient access and quality at the El Camino Health Medical Network and supporting overhead departments such as human resources and IT security are becoming more important as our industry evolves. The operating EBIDA in FY2023 budget is 16.6% which is the highest budgeted number the organization has approved in the last seven years.</li> </ul>	
<b>6. REPORT ON BOARD ACTIONS</b>	<p>Mr. Zoglin discussed the report on Board Actions as further detailed in the materials. Mr. Zoglin has requested for the Strategic Plan presentation presented at the April 27<sup>th</sup> Hospital Board and Committee Retreat to be sent to the Investment Committee.</p>	
<b>7. FY2023 COMMITTEE PLANNING</b>  a) FY2023 Committee Meeting Dates (b) FY2023 Committee Goals (c) FY2023 Pacing Plan	<p><b>Motion:</b> To approve the FY2023 Committee Planning which includes the FY2023 Pacing Plan, FY2023 Goals, and FY2023 Meeting Dates.</p> <p><b>Movant:</b> Boone  <b>Second:</b> Juelis  <b>Ayes:</b> Boone, Conover, Juelis, Nelson, Somersille, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	
<b>8. ROTATING TOPICS:</b>	<p>Sam Austin and Jesse Pricer presented the rotating topics:</p> <p><b>1) Capital Markets Review and Portfolio Performance</b></p> <p><b>2) Tactical Asset Allocation Positioning and Market Outlook</b> and highlighted the following:</p> <p><b><u>Markets Review</u></b></p>	

Agenda Item	Comments/Discussion	Approvals/ Action
	<ul style="list-style-type: none"> <li>• Global Markets were challenged in 1Q '22 given heightened geopolitical tensions, persistently high inflation, and hawkish central bank action.</li> <li>• During the quarter, fixed income returned -5.9%, as measured by the BCAG. The 10-year Treasury yield increased 0.81% for the period after the highest inflation prints in 40 years caused the Fed to signal its intent to take an aggressive response to put out the inflationary flames.</li> <li>• The S&amp;P 500 was down -4.6% for the period. Value (-0.7%) significantly outperformed growth (-9.0%), large-cap stocks (Russel 1K -5.1%) modestly outperformed small cap stocks (Russel 2K -7.5%). US equity markets modestly outperformed international (MSCI EAFE – 5.9%/-3.7% USD hedged) and emerging markets (MSCI EM -7.0%), broadly speaking.</li> <li>• Commodities were up +25.5% on the quarter, as measured by the Bloomberg Commodity Index. This was mostly on the back of significantly higher energy prices. West Texas Intermediate crude was up +33.1% on the quarterly.</li> <li>• The dollar was stronger versus most other developed market currencies (EUR- -2.2%, JPY- -5.1%, GBP- -2.8%) and down vs. emerging market currencies (e.g., Bzl Real, Chinese Yuan, Mxn Peso).</li> <li>• Finally, hedged funds weathered the selloff in mainstream stocks and bonds relatively well. Broadly speaking, they were flat for the quarter (-0.03%), as measured by the CS HF Composite.</li> </ul> <p><b><u>Surplus - Reserve Cash</u></b></p> <ul style="list-style-type: none"> <li>• The El Camino Health (ECH) Surplus – Reserve Cash portfolio returned -5.1% for the quarter and +0.2% for the trailing 12 months. Despite these lackluster results, the portfolio’s longer-term marks are strong (3 yr + 8.7%, 5 yr + 8.3%, 10 yr +7.9%).</li> <li>• Relative to the primary benchmark the portfolio underperformed by -0.8% for the quarter and -1.8% for the trailing year.</li> <li>• The primary drivers of underperformance for the quarter and trailing year have come from “Selection” or active management within your Domestic and International/EM Equity allocation. More specifically,             <ul style="list-style-type: none"> <li>○ Domestic Equities - Touchstone Sands Capital was down -21.8% (-12.8% relative -- Russel 1000 Growth).</li> <li>○ International Equities - Dreyfus, down -12.7% (-7.3% relative – MSCI AC Wrld Ex US )</li> <li>○ Emerging Markets - Harding Lovener -17.7% (-10.7% relative—MSCI EM Index)</li> </ul> </li> <li>• The portfolio’s hedge fund allocation, more specifically the macro HF allocation, was the only real positive contributor for the period. The investment in the Robeco Transtrend fund (i.e., 1.2% of the portfolio) was +23.4% in the quarter, and +40.7% over the last 12 months. York Credit, a credit-based HF, also deserves to be recognized given a +29.5% quarterly return.</li> </ul> <p><b><u>Cash Balance</u></b></p> <ul style="list-style-type: none"> <li>• The ECH Cash Balance portfolio returned -6.8% for the quarterly and +0.1% for the trailing 12 months. The portfolio’s longer-term marks</li> </ul>	

Agenda Item	Comments/Discussion	Approvals/ Action
	<p>are in line with the returns in the Surplus – cash reserve portfolio (3 yr + 8.7%, 5 yr + 7.9%, 10 yr +7.9%).</p> <ul style="list-style-type: none"> <li>• The portfolio underperformed its policy benchmark by -2.6% for the quarter and -3.6% for the trailing year.</li> <li>• The primary drivers of underperformance for the quarter and trailing year has come from “Selection” or active management within Domestic Equities, International Equities, and Alternatives. More specifically:               <ul style="list-style-type: none"> <li>○ Domestic Equities - Touchstone Sands Capital was down - 21.8% (-12.8% relative -- Russel 1000 Growth).</li> <li>○ International Equities - Dreyfus, down -12.7% (-7.3% relative – MSCI AC Wrld Ex US ).</li> <li>○ Alternatives – Pointer Offshore LTD, which is not held in the Reserve Cash portfolio, was down -10.7% for the quarter.</li> </ul> </li> </ul> <p><b><u>Market Outlook</u></b></p> <ul style="list-style-type: none"> <li>• Diminishing policy support and higher levels of inflation/growth are driving a transition from Fed policy as the dominant input for capital markets to economic fundamentals. This transition will impact the pricing of risk premium across the capital markets as we potentially shift to a new investment regime.</li> <li>• Sanctions on Russia highlight the global sensitivity to a USD-based system, potentially increasing the likelihood of separate spheres of influence between the U.S. and China. The “regulatory reset” and similar top-down initiatives may incite further volatility on the country’s long transition path, creating a tail risk for market and economic contagion.</li> <li>• Several factors are contributing to elevated inflation levels and NEPC’s expectation for inflation has increased over the near term.</li> <li>• Some of the tactical shifts NEPC has been recommending to other clients include:               <ul style="list-style-type: none"> <li>○ Increase exposure to U.S. large-cap value stocks</li> <li>○ Reduce exposure to Treasury Inflation-Protected Securities (TIPS) given we believe inflation has peaked.</li> <li>○ Add short-term investment grade credit exposure given a relatively high risk-adjusted return.</li> </ul> </li> <li>• NEPC is still assessing ECH’s asset allocation and will be prepared to make some observations and recommendations to the committee at the next meeting.</li> </ul>	
<p><b>9. ADJOURN TO CLOSED SESSION</b></p>	<p><b>Motion:</b> To adjourn to closed session at 6:34 pm.  <b>Movant:</b> Zoglin  <b>Second:</b> Somersille  <b>Ayes:</b> Boone, Conover, Juelis, Nelson, Somersille, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	<p><i>Adjourned to closed session at 6:34 pm</i></p>
<p><b>10. AGENDA ITEM 15: RECONVENE OPEN SESSION/REPORT OUT</b></p>	<p>The open session reconvened at 6:14 pm. The Investment Committee approved the consent calendar which includes the Minutes of the Closed Session of the Investment Committee Meeting (02/14/2022), Minutes of the Closed Session of the Special Investment Committee Meeting (01/31/2022), and the Minutes of the Closed Session of the Joint Investment and Finance</p>	

Agenda Item	Comments/Discussion	Approvals/ Action
	Committee Meeting (01/31/2022) by a unanimous vote of all members present (Ms. Boone, Mr. Conover, Mr. Juelis, Mr. Nelson, Dr. Somersille, and Mr. Zoglin).	
<b>11. AGENDA ITEM 16: CLOSING COMMENTS</b>	There were no closing comments.	
<b>12. AGENDA ITEM 17: ADJOURNMENT</b>	<b>Motion:</b> To adjourn at 7:15 pm.  <b>Movant:</b> Boone <b>Second:</b> Zoglin <b>Ayes:</b> Boone, Conover, Juelis, Nelson, Fung, Zoglin <b>Noes:</b> None <b>Abstentions:</b> None <b>Absent:</b> None <b>Recused:</b> None	<b>Meeting adjourned at 7:15 pm</b>

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

Designed by:

*Brooks Nelson*

930828708C3242A...

Brooks Nelson

Chair, Investment Committee

Prepared by: Samreen Salehi, Executive Assistant II Administrative Services