

**Minutes of the Open Session of the
 Investment Committee of the Board of Directors
 Monday, February 25, 2019
 El Camino Hospital, 2500 Grant Road, Mountain View, California
 Conference Room A**

Members Present

Nicola Boone
 John Conover
 Jeffrey Davis, Chair
 Gary Kalbach
 Brooks Nelson
 George Ting, MD

Members Absent
Members Excused

A quorum was present at the El Camino Hospital Investment Committee on Monday, February 25, 2019 meeting.

Agenda Item	Comments/Discussion	Approvals/Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Investment Committee of El Camino Hospital (the "Committee") was called to order at 5:30pm by Chair Mr. Jeff Davis. All other Committee members were present.	<i>None</i>
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Davis 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.	<i>None</i>
3. PUBLIC COMMUNICATION	Chair Davis asked if there was any public communication to present. None were noted.	<i>None</i>
4. CONSENT CALENDAR ITEMS	<p>Chair Davis asked if any Committee member wished to remove any items from the consent calendar for discussion. None were noted.</p> <p><u>Motion:</u> To approve the consent calendar Open Minutes of the November 12, 2018 Investment Committee meeting; and Open Session Joint Finance & Investment Committee – January 28, 2019</p> <p><u>Movant:</u> Boone <u>Second:</u> Conover <u>Ayes:</u> Boone, Conover, Davis, Kalbach, Nelson, Ting <u>Abstentions:</u> None <u>Absent:</u> None <u>Excused:</u> None <u>Recused:</u> None</p>	<i>The Open Minutes of the November 12, 2018 Investment Committee and Open Session Joint Finance & Investment Committee – January 28, 2019 Meeting were approved.</i>
5. REPORT ON BOARD ACTIONS	Chair Davis briefly reviewed the Report on Board Actions as further detailed in the packet.	<i>information</i>


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<p>6. ROTATING TOPICS: CAPITAL MARKETS REVIEW & PORTFOLIO PERFORMANCE.</p>	<p>Antonio DiCosola and Chris Kuhlman, Pavilion Advisory Group, presented a summary to the Investment Committee on Capital Markets and Portfolio Performance.</p> <p>Mr. Kuhlman provided a review of capital markets, noting that uncertainty rose in the fourth quarter as investors contemplated the likely direction of monetary policy, trade policy, and government spending. In the beginning of the quarter, the potential for a monetary policy misstep ignited October's sharp interest rate moves, as Federal Reserve Chairman Powell suggested rates were "a long way from neutral." While refined forward guidance helped calm markets, domestic and international political tensions helped drive risk aversion higher in December.</p> <p>Global equity markets tumbled during the quarter, catalyzed by the rising uncertainty and increased risk aversion. The S&P 500 Index, which entered the quarter in positive territory, declined almost 14% and posted a negative return for the calendar year. Uncertainties included the escalation of trade tensions between the U.S. and China and fears of a Federal Reserve policy misstep. These uncertainties, coupled with reduced liquidity resulting from seasonal and technical factors catalyzed a significant re-pricing of risk assets, particularly equities.</p> <p>Pavilion Advisory Group reviewed the Investment Committee Scorecard and Portfolio Performance as further detailed in the submitted materials to include the following:</p> <ol style="list-style-type: none"> <p>Scorecard:</p> <p>Mr. Kuhlman reported investment performance for the quarter. The Surplus Cash portfolio ended with a market value of \$933M and returned -6.2% vs. -5.6% for its benchmark. The Cash Balance Plan ended with a market value of \$249M and returned -7.9% vs. -7.0% for the benchmark.</p> <p>Surplus Cash:</p> <p>Mr. Kuhlman noted that the Surplus Cash Portfolio underperformed its benchmark by 60 bps during the quarter. Over the trailing one-year period, the Portfolio returned -2.7%, outpacing its benchmark by 0.9%. Relative underperformance during the quarter was driven by unfavorable manager results. However, over the trailing one-year period, manager results were the primary driver of outperformance. Notable underperformers during the quarter included international equity managers Causeway & Harding Loevner, along with fixed income manager Dodge & Cox. Notable outperformers over the one-year period include large cap growth manager Touchstone Sands (+6.3%) and small cap growth manager Conestoga (+0.8%), which outperformed their benchmarks by 7.8%</p> 	

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	<p>and 10.1%, respectively.</p> <p>3. Cash Balance Plan: Mr. Kuhlman further reported that the Cash Balance Plan returned -7.9% for the quarter, underperforming its benchmark by 90 bps. During 2018, the Plan returned -2.8%, outpacing its benchmark by approximately 1.5%. Relative underperformance during the fourth quarter was driven by unfavorable manager results. However, over the trailing one-year period, manager results were the primary driver of outperformance, particularly within domestic equities. Asset allocation positioning relative to the benchmark also added value over the year. Notable underperformers during the quarter included international equity managers Causeway and Harding Loevner, along with fixed income manager Dodge & Cox. Alternatives manager results detracted from relative results the most during the quarter, as Pointer Offshore returned -9.3%, underperforming the HFRI Fund of Funds Composite Index by 430 bps. Notable outperformers over the one-year period include large cap growth manager Touchstone Sands (+6.3%) and small cap growth manager Conestoga (+0.8%) which outperformed their benchmarks by 7.8% and 10.1%, respectively.</p> <p>4. Hedge Funds: The Surplus Cash Hedge Fund Portfolio (the “Portfolio”) returned -5.1% during the fourth quarter of 2018, underperforming the HFRI Fund of Funds Composite Index by 0.1%. Each of the Portfolio’s four strategies had negative returns in what was a difficult quarter for markets. Relative Value (-0.4%) strategies detracted slightly, while the other strategies suffered greater losses: Equity Long / Short (-8.2%), Macro (-5.0%) and Credit (-4.2%). On the positive side, three of the four strategies outperformed their respective reference indices, namely Relative Value (+2.0% outperformance), Credit (+1.6%), and Equity Long / Short (+0.1%).</p> <p>In response to Mr. Ting’s question regarding exposure to alternative investments; Pavilion noted the Surplus Cash target is 20%. The actual allocation as of December 31, 2018 was 17%, with less than 3% in Real Estate and 15% in Hedge Funds.</p> <p>Antonio DiCosola from Pavilion discussed the Surplus Cash hedge fund redemptions which are currently in progress and recommended this capital be deployed into two new investments; \$10 million each to the Palestra Capital Offshore Fund and Man Group Alternative Risk Premia Fund. These investments would be funded using proceeds from the</p>	

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	<p>redemptions of Tiger Eye and BlackRock 32 Capital, as well as residual cash.</p> <p>In response to questions from Mr. Conover and Mr. Kalbach; Pavilion stated the Palestra and Man Group funds are different strategies and thus performance should not be measured against one another. The funds will have exposure to different factors and maintain different risk and return profiles. While Palestra's track record is somewhat shorter compared to other funds in the Surplus Cash portfolio, the portfolio managers have longer track records prior to forming Palestra.</p> <p><i>The Committee requested that a representative from the Pavilion hedge fund research team attend the next Investment Committee meeting to discuss the research and due diligence process.</i></p>	<p><i>El Camino will proceed with two new hedge fund investments. A representative from the Pavilion hedge fund team will attend the next Investment Committee meeting.</i></p>
<p>7. JANUARY PERFORMANCE UPDATE</p>	<p>Mr. Kuhlman provided a brief update on performance through January 31, 2019. For the month of January, the Surplus Cash portfolio returned +3.9%, while the Cash Balance Plan returned +4.9%.</p>	
<p>8. PROPOSED FY 2020 GOALS, PACING PLAN AND MEETING DATES</p>	<p><u>Motion:</u> The Committee added Hedge Fund Research and Due Diligence Process to Q4 and moved the Asset Allocation Review and ERM framework to Q4 of the FY 2020 Goals; as well as on the Pacing Plan.</p> <p><u>Movant:</u> Conover <u>Second:</u> Nelson <u>Ayes:</u>, Boone, Conover, Davis, Kalbach, Nelson <u>Abstentions:</u> None <u>Absent:</u> None <u>Excused:</u> None <u>Recused:</u> None</p>	<p><i>Hedge Fund Research and Due Diligence Process added to Q4 and moved Asset Allocation Review and ERM framework to Q4 of the FY2020 Goals & Pacing Plan.</i></p>
<p>9. ADJOURN TO CLOSE SESSION</p>	<p><u>Motion:</u> To adjourn to close session at 6:53 pm.</p> <p><u>Movant:</u> Boone <u>Second:</u> Ting <u>Ayes:</u>, Boone, Conover, Davis, Kalbach, Nelson, Ting <u>Abstentions:</u> None <u>Absent:</u> None <u>Excused:</u> None <u>Recused:</u> None</p>	<p><i>A motion to adjourn to the Investment Committee meeting at 6:53 pm was approved.</i></p>
<p>10. AGENDA ITEM 12 RECONVENE OPEN SESSION</p>	<p><i>Agenda Item 11 was conducted in closed session.</i></p> <p>Mr. Kalbach filled in for Chair Davis and reported that the Closed Minutes of the November 12, 2018 and Closed Session Joint Finance & Investment Committee – January 28, 2019 Meeting were approved. Chair Davis left during Open Session. All other Committee members were present.</p>	

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11. AGENDA ITEM 13 ADJOURNMENT	<p><u>Motion:</u> To adjourn the Investment Committee meeting at 6:56 pm.</p> <p><u>Movant:</u> Nelson <u>Second:</u> Ting <u>Ayes:</u>, Boone, Conover, Davis, Kalbach, Nelson <u>Abstentions:</u> None <u>Absent:</u> None <u>Excused:</u> None <u>Recused:</u> None</p>	<p><i>A motion to adjourn to the Investment Committee meeting at 6:56 pm was approved.</i></p>

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



Jeffrey Davis, MD, Chairman
ECH Investment Committee of the Board of Directors