



**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

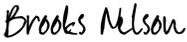
Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Investment Committee of El Camino Hospital (the “Committee”) was called to order at 5:30pm by Committee Chair Gary Kalbach. A verbal roll call was taken. Jack Po, MD was absent. All other members 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.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	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.	
3. PUBLIC COMMUNICATION	Chair Kalbach asked if there was any public communication to present. None were noted.	
4. CONSENT CALENDAR	<p>Chair Kalbach asked if any Committee member wished to remove any items from the consent calendar for discussion. No items were pulled.</p> <p>Motion: 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</p> <p>Movant: Nelson Second: Miller Ayes: Boone, Kalbach, Miller, Nelson, Conover Noes: None Abstentions: None Absent: Po Recused: None</p>	<i>Consent Calendar approved</i>
5. REPORT ON BOARD ACTIONS	There were no questions about the Report on Board Actions.	
6. ROTATING TOPICS	<p>Capital Markets Review and Portfolio Performance & Tactical Asset Allocation Positioning and Market Outlook</p> <p>Antonio DiCosola and Chris Kuhlman from Pavilion, a Mercer Practice, reported the following on Capital Markets Review and Portfolio Performance:</p> <ul style="list-style-type: none"> ➤ To summarize, the global economy experienced an unprecedented halt in activity in March, as social distancing policies forced many businesses to temporarily close. 	

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	<ul style="list-style-type: none"> ➤ 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%. ➤ U.S. equities hit all-time highs on February 19th and proceeded to sell off rapidly before bottoming out on March 23rd. Cyclical sectors were hit the hardest, with significant declines in energy as oil prices plummeted. ➤ 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%. ➤ 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. ➤ Equities have also rebounded sharply from March lows to regain a significant portion of the losses. ➤ The trend of growth outperforming value has accelerated as growth sectors such as technology benefitted from the pivot to work-from-home. ➤ 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. ➤ 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. ➤ 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. ➤ Based on preliminary information, Pavilion estimated April monthly returns of +5% and +7% for the Surplus Cash and Cash Balance Plan portfolios, respectively. ➤ Mr. DiCosola presented a market outlook, noting that volatility is likely to remain elevated going forward. ➤ 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. <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>	

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<p>7. REVIEW AND UPDATE OF INVESTMENT POLICY AND POSSIBLY ADD ADDITIONAL ASSET CLASSES</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>Motion: To approve the Change of Investment Policy and Add Additional Asset Classes and recommend to the Board for approval</p> <p>Movant: Conover Second: Boone Ayes: Boone, Kalbach, Miller, Nelson, Conover Noes: None Abstentions: None Absent: Po Recused: None</p>	<p><i>Investment Policy and Adding an Additional Asset Class approved</i></p>
<p>8. 403(b) INVESTMENT PERFORMANCE</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>Motion: To accept the report on the 403(b) Investment Performance</p> <p>Movant: Miller Second: Conover Ayes: Boone, Kalbach, Miller, Nelson, Conover Noes: None Abstentions: None Absent: Po Recused: None</p>	<p><i>Investment Performance approved</i></p>

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9. FY21 COMMITTEE PLANNING	<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>Motion: 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>Movant: Miller Second: Conover Ayes: Boone, Kalbach, Miller, Nelson, Conover Noes: None Abstentions: None Absent: Po Recused: None</p>	
10. AGENDA ITEM 13: ADJOURNMENT	<p>Motion: To adjourn at 7:42pm.</p> <p>Movant: Conover Second: Miller Ayes: Boone, Kalbach, Miller, Nelson, Conover Noes: None Abstentions: None Absent: Po Recused: None</p>	<i>Adjourned at 7:42pm</i>

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

DocuSigned by:

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 Brooks Nelson
 Chair, Investment Committee