



**Minutes of the Open Session of the
Investment Committee of the
El Camino Board of Directors
Monday, August 10, 2020**

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

Members Present

Brooks Nelson, Chair**
Don Watters, Vice Chair**
John Conover**
Peter Fung, MD**
Nicola Boone**

Members Absent

**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 Brooks Nelson. A verbal roll call was taken. All 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 Nelson 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 Nelson asked if there was any public communication to present. None were noted.	
4. CONSENT CALENDAR	<p>Chair Nelson 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 May 11, 2020 Investment Committee Meeting, and for information; (b) Article of Interest (c) CFO Report Out – Open Session FC Materials, (d) Progress Against FY20 IC Goals, and (e) FY20 Pacing Plan</p> <p>Movant: Fung Second: Boone Ayes: Boone, Conover, Fung, Nelson, Watters Noes: None Abstentions: None Absent: None Recused: None</p>	Consent Calendar approved
5. REPORT ON BOARD ACTIONS	There were no questions about the Report on Board Actions.	
6. APPOINTMENT OF VICE CHAIR	Chair Nelson announced Don Watters as the Vice Chair of the Investment Committee.	
7. 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 investment markets and the El Camino Hospital portfolios:</p>	

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	<ul style="list-style-type: none"> ➤ In summary, global equities and other risk assets rebounded significantly during the second quarter, driven by improving economic conditions and accommodative fiscal and monetary policy. ➤ The Surplus Cash portfolio returned 10.2% for the quarter, outperforming its benchmark by 50 basis points (bps). The Cash Balance Plan portfolio returned 13.2%, outperforming its benchmark by 190 bps. ➤ For the trailing one-year period, the Surplus Cash and Cash Balance Plan portfolios returned 3.6% and 3.8%, respectively. ➤ Relative outperformance during the quarter was driven by favorable manager results, particularly within the large cap equity and fixed income. The domestic and international equity composites benefited relative results while also generating the largest absolute gains. US large cap growth manager Sands and international value manager Causeway were the top relative performers, outpacing their benchmarks by 1000 bps and 440 bps, respectively. ➤ Pavilion did not recommend any changes to the investment manager lineup. However, it was noted that Lighthouse Partners is being monitored following performance issues. ➤ Both portfolios are underweight alternatives in favor of equities and fixed income. The alternatives allocations are below the minimum allowable range. Pavilion is monitoring this and will work to bring the allocation back to within the allowable range. ➤ The equity allocations are overweight growth vs. value following the continued outperformance of growth. Pavilion recommended rebalancing the split back to neutral and will work with El Camino Hospital management to implement the rebalancing. Pavilion also recommended slight overweights to US and emerging markets equities at the expense of developed international equities. ➤ Looking ahead, global markets are expected to continue to focus on virus containment efforts, economic reopening, and supportive action from fiscal and monetary policymakers. While risk premiums declined significantly during the second quarter, risk assets still provide significant compensation relative to cash, but an uncertain macro outlook means volatility is likely to persist. <p>In response to committee members' questions, Mr. DiCosola stated that for the quarter, the Surplus Cash hedge fund portfolio underperformed, largely due to more defensive positioning, notably less equity exposure. Mr. DiCosola also stated that before Pavilion came on board, the accounts were heavily invested in fixed income and value equities and have since been more broadly diversified. In regards to rebalancing, Mr. DiCosola stated that when they look at the asset allocations, the overall exposure to equity and fixed income is acceptable. However, it's within the underlying equity sub composites that they currently recommend rebalancing to a more neutral posture.</p>	
8. EDUCATION TOPIC: INVESTING IN UNCERTAIN TIMES	<p>Antonio DiCosola and Chris Kuhlman briefly presented the Education Topic: Investing in Uncertain Times. Mr. Kuhlman noted that both the Surplus Cash and Cash Balance Plan portfolios are well diversified and positioned to protect during market selloffs. This is evident in each portfolio's historical down market capture and beta relative to both global equities and a generic mix of global equities and fixed income. Mr. Kuhlman and Mr. DiCosola also commented on Mercer's forward looking capital market assumptions, noting</p>	

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	that expected returns have decreased in recent years. As a result, the forward looking expectations for both portfolios are lower than years past.	
9. INVESTMENT COMMITTEE SELF-ASSESSMENT	Cindy Murphy, Director, Governance Services, presented the Investment Committee Self-Assessment. She suggested giving more frequent reports to the board about the investment committee's thinking (i.e. what they are thinking when seeing the investment portfolio and why or why not make changes?). Dr. Fung stated that he agrees that there is a lack of communication between the committee and the board. He stated given this discussion, this self-assessment is a great time for learning for all. Mr. Watters commented that it would be difficult to report to the board if only 10% of the packet is discussed. Chair Nelson also presented that Richard Juelis, currently on the Finance Committee, is interested in joining the Investment Committee. All members agreed to attend a meeting to interview Mr. Juelis prior to the next Investment Committee scheduled for November 9, 2020.	
10. AGENDA ITEM 13: ADJOURNMENT	<p>Motion: To adjourn at 7:24pm.</p> <p>Movant: Watters</p> <p>Second: Fung</p> <p>Ayes: Boone, Fung, Nelson, Watters</p> <p>Noes: None</p> <p>Abstentions: None</p> <p>Absent: Conover</p> <p>Recused: None</p>	<i>Adjourned at 7:24pm</i>

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

DocuSigned by:

Brooks Nelson

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Brooks Nelson, Chair
Investment Committee