



**Minutes of the Open Session of the
Investment Committee of the Board of Directors
Monday, February 8, 2016
El Camino Hospital, 2500 Grant Road, Mountain View, California
Conference Room A**

Members Present

John Zoglin, Nicki Boone, Brooks Nelson, John Conover, Gary Kalbach, and Jeffrey Davis, MD (via telepresence).

Members Absent

Members Excused

A quorum was present at the El Camino Hospital Investment Committee on the 8th day of February, 2016 meeting.

Agenda Item	Comments/Discussion	Approvals/Action
1. CALL TO ORDER/ ROLL CALL	The meeting of the Investment Committee of El Camino Hospital (the "Committee") was called to order by Committee Chair John Zoglin at 5:30 p.m. Silent roll call was taken.	<i>None</i>
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Zoglin 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 Zoglin if there was any public communication to present. None were noted.	<i>None</i>
4. CONSENT CALENDAR ITEMS	<p>Chair Zoglin asked if any Committee member wished to remove any items from the consent calendar for discussion. None were noted.</p> <p>Motion: To approve the consent calendar (Open Minutes of the November 9, 2015 Investment Committee Meeting, FY16 Investment Committee Pacing Plan, and FY17 Committee Dates).</p> <p>Movant: Conover</p> <p>Second: Boone</p> <p>Ayes: Boone, Davis, Nelson, Conover, Kalbach, and Zoglin.</p> <p>Abstentions: None</p> <p>Absent: None</p> <p>Excused: None</p> <p>Recused: None</p>	<i>The Open Minutes of the November 9, 2015 Investment Committee Meeting, FY16 Investment Committee Pacing Plan, and FY17 Committee Dates were approved.</i>
5. REPORT ON BOARD ACTIONS	Chair Zoglin reported that the Board is currently focused on the recent land purchase in South San Jose, and the	<i>None</i>

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	recent Board approval of opening 3 Urgent Care Facilities within the Silicon Valley.	
<p>6. INVESTMENT COMMITTEE SCORECARD AND PERFORMANCE REVIEW</p>	<p>Antonio DiCosola, Pavilion Advisory Group, reviewed the Investment Committee Scorecard and Performance Review as of December 31, 2015 and reported the following:</p> <p>a. Scorecard: Investment performance for the Surplus Cash portfolio was 30 basis points lower than the benchmark for the quarter with a return of +1.8%. The portfolio remains ahead of the benchmark since inception (Nov. 1, 2012) with a return of +4.4% annualized versus +4.3%% for the benchmark. The assets within the Surplus Cash account ended the quarter at \$735.5 million, well ahead of the budgeted amount for June 30, 2016. The Cash Balance Plan's performance outperformed its benchmark for the quarter by 50 basis points with a return of +3.1% and has outperformed its benchmark since inception. The since inception annualized return stands at 7.6%, 1% ahead of its benchmark per year. The assets within the Cash Balance Plan ended the quarter at \$216.4 million; \$7.8 million below the budgeted amount for June 30, 2016. The 403(b) balance increased \$13.9 million during the quarter, roughly 5%. The Surplus Cash portfolio's 3-year Sharpe ratio was above that of its benchmark and well above the expected Sharpe ratio modeled. This was more so due to very little volatility over the period with adequate returns. The Cash Balance Plan's 3-year Sharpe ratio exceeded modeling expectations and its benchmark as the Plan took on slightly more risk (standard deviation) than the benchmark, but with greater success. Both accounts have demonstrated strong risk-adjusted returns since inception.</p> <p>b. Fourth Quarter Performance Review: Surplus Cash; The Surplus Cash portfolio excluding District assets returned +1.8% for the quarter, underperforming its benchmark by 30 basis points. Asset allocation differences relative to the benchmark drove underperformance; however, manager performance also negatively impacted relative returns. An average overweight allocation to both short and market duration fixed income coupled with an underweight allocation to international equity weighed on performance. The</p>	

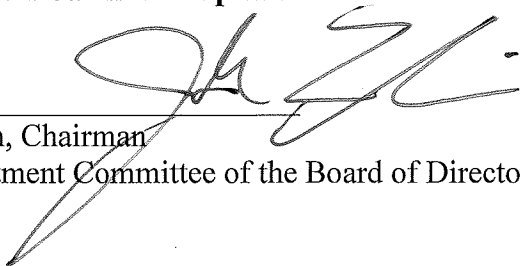
Agenda Item	Comments/Discussion	Approvals/Action
	<p>Alternatives composite hindered performance results as the Direct Hedge Fund composite underperformed the HFRI Fund of Funds Index by 180 basis points. Real estate performance was not available at time of report production. Domestic equity managers partially offset the negative impact of alternative managers. Active large-cap managers Sands and Barrow Hanley outperformed their respective benchmarks. Strong stock selection within the information technology sector proved accretive for Sands, while Barrow Hanley was aided by beneficial sector positioning. Small-cap value manager Wellington also performed well and ranked in the top decile amongst its peers as strong selection, particularly within the health care sector, helped. Market duration fixed income managers positively contributed to performance. Dodge & Cox experienced flat investment performance for the quarter, preserving capital as the Barclays U.S. Aggregate Index was down 0.6%. MetWest also added value, outpacing the benchmark by 20 basis points. Both managers benefited from shorter-than-benchmark duration positioning as interest rates rose. International equity managers combined to have a marginally positive impact on relative results. Walter Scott (Dreyfus) outperformed the MSCI AC World ex U.S. Index; however, the positive impact was partially offset by Northern Cross (Harbor). In its first full quarter since inception, Harding Loevner Emerging Markets performed in line with its benchmark.</p> <ul style="list-style-type: none"> • Pavilion recommended no changes to the traditional asset manager lineup at this time, but will keep a close watch on developments and performance at Cortina. <p>Cash Balance Plan; The Cash Balance Plan returned +3.1% during the quarter, outperforming its benchmark by 50 basis points. Outperformance was driven by manager results; however, asset allocation differences relative to the benchmark also added marginal value. Domestic equity managers positively contributed to performance most during the quarter. Active large-cap managers Sands and Barrow Hanley outperformed their respective benchmarks. Strong stock selection within the information technology sector proved accretive for Sands, while Barrow Hanley was aided by beneficial</p>	

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	<p>sector positioning. Small-cap value manager Wellington also performed well and ranked in the top decile amongst its peers as strong selection, particularly within the health care sector, helped. International equity managers added value as Walter Scott (Dreyfus) outperformed the MSCI AC World ex U.S. Index by 150 basis points. Walter Scott's stock selection, particularly within the European region, proved beneficial. Northern Cross (Harbor), however, trailed its benchmark by 30 basis points and partially offset the positive impact of other managers. The market duration fixed income composite positively contributed to results during the quarter as both Dodge & Cox and MetWest outperformed the Barclays U.S. Aggregate. The managers' shorter-than-benchmark duration positioning aided relative results as interest rates increased during the quarter. Alternative managers had a negligible impact on relative performance. Hedge fund-of-funds managers Lighthouse and Pointer outpaced the HFRI Fund of Funds Composite Index by 140 and 150 basis points, respectively; however, real estate performance was not available at time report production.</p> <ul style="list-style-type: none"> • Pavilion recommended no changes to the existing manager lineup at this time, but will keep a close watch on developments and performance at Cortina. <p>c. Hedge Fund; The Hedge Fund Portfolio returned -1.2% during the fourth quarter, underperforming the HFRI Fund of Funds Composite Index, which returned +0.6%. All of the Portfolio's hedge fund strategies, with the exception of the macro strategy, underperformed their benchmarks. The equity and credit segments were notable laggards as the strategies underperformed their benchmarks by 190 and 170 basis points, respectively. The macro strategy returned +0.3%, outperforming its benchmark by 30 basis points. Mr. DiCosola described in further detail the performance of hedge funds as submitted in the committee packet.</p> <ul style="list-style-type: none"> • Pavilion has moved Luxor to a SELL rating and recommended that the El Camino submit a full redemption when the Fund's lock-up expires on June 30, 2017. The redemption notice would need to be submitted by April 1, 2017. Additionally, Pavilion is recommending that El 	

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	<p>Camino redeem from Carlson’s Double Black Diamond Fund Ltd. and replace with BlackRock’s The 32 Capital Fund, Ltd., an equity market neutral manager. The redemption notice would need to be submitted by March 1, 2016.</p> <p>d. Hedge Fund Research Note on BlackRock’s The 32 Capital Fund, Ltd.: Mr. DiCosola presented an overview of BlackRock’s The 32 Capital Fund, Ltd Fund, which included: forecast returns, quantitative strategies, team structure and key professionals, investment process, fees and terms, service providers, and risk and return history as submitted in the committee packet. A brief discussion ensued.</p>	
<p>7. REVIEW CURRENT INVESTMENT STRATEGY OF USING ACTIVE MANAGERS VS. PASSIVE ALLOCATION</p>	<p>Mr. DiCosola reviewed the current Investment Strategy of using Active vs. Passive Managers. He reported the Performance Results to include:</p> <ul style="list-style-type: none"> • The Surplus Cash and Cash Balance Plan portfolios include both actively managed (85-87%) and passively managed strategies (13-15%). • Prior to November of 2012, both portfolios were 100% actively managed. • We’ve chosen to utilize a passive manager to gain S&P 500 Index exposure as large-cap core managers have experienced difficulty consistently outperforming the benchmark. • Most of El Camino’s active managers have added value since being added to the portfolio, with the exception of small-cap growth manager, Cortina, and two other managers who have lagged by a modest amount. • Cortina was also the only manager to lag their benchmark since they started managing the strategy, which is all a result of recent performance headwinds. • The surplus cash portfolio has outperformed the previous benchmark by 1.4% annualized basis net of fees. • The cash balance plan has lagged the previous benchmark by .8% on an annualized basis net of fees. 	<p><i>None</i></p>

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	<p>Pavilion recommended no changes to the current Investment Strategy. Mr. DiCosola asked the Committee for feedback and discussion ensued. The Committee generally agreed with the Pavilion recommendation to maintain the current Investment Strategy.</p> <p>*Chair Zoglin asked for Investment Manager Discussion to be agendaized for the May 9, 2016 meeting.</p>	
<p>8. COMMITTEE GOALS</p>	<p>Iftikhar Hussain, Chief Financial Officer, reviewed the progress against the FY16 Goals and noted that all have been completed. He also submitted Proposed FY17 Committee Goals to the Committee and discussion ensued.</p>	<p><i>None</i></p>
<p>9. ADJOURN TO CLOSED SESSION</p>	<p><u>Motion:</u> To adjourn to closed session at 7:17 pm. <u>Movant:</u> Kalbach <u>Second:</u> Conover <u>Ayes:</u> Boone, Conover, Davis, Kalbach, Nelson, and Zoglin. <u>Abstentions:</u> None <u>Absent:</u> None <u>Excused:</u> None <u>Recused:</u> None</p>	<p><i>A motion to adjourn to closed session at 7:17 p.m. was approved.</i></p>
<p>10. AGENDA ITEM 12 RECONVENE OPEN SESSION/ REPORT OUT</p>	<p><i>Agenda Items 10 through 11 were conducted in closed session.</i></p> <p>Chair Zoglin reported that the November 9, 2015 Investment Committee Closed Minutes were approved. Chair Zoglin also noted the upcoming Investment Committee Meeting dates, and upcoming Semi-Annual Board and All Committee Meeting on March 23, 2016.</p>	<p><i>None</i></p>
<p>11. AGENDA ITEM 13 ADJOURNMENT</p>	<p><u>Motion:</u> To adjourn the Investment Committee meeting at 7:31 pm. <u>Movant:</u> Kalbach <u>Second:</u> Nelson <u>Ayes:</u> Boone, Conover, Davis, Kalbach, Nelson, and Zoglin. <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 7:31pm was approved.</i></p>

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

A handwritten signature in black ink, appearing to read 'J. Zoglin', is written over a horizontal line. The signature is stylized and cursive.

John Zoglin, Chairman
ECH Investment Committee of the Board of Directors