

**Minutes of the Open Session of the
Investment Committee of the Board of Directors
Monday, August 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.

Members Absent

Members Excused

A quorum was present at the El Camino Hospital Investment Committee on the 8th day of August, 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 5:31 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.</p> <p>* One revision was noted in the Open Minutes of the May 9, 2016 - item 6a, line 12 to replace "outperformed" with "under performed".</p> <p><u>Motion:</u> To approve the consent calendar (Open Minutes of the May 9, 2016 Investment Committee Meeting with requested revision).</p> <p><u>Movant:</u> Kalbach</p> <p><u>Second:</u> Conover</p> <p><u>Ayes:</u> Boone, Davis, Nelson, Conover, Kalbach, and Zoglin.</p> <p><u>Abstentions:</u> None</p> <p><u>Absent:</u> None</p> <p><u>Excused:</u> None</p> <p><u>Recused:</u> None</p>	<i>The Open Minutes of the May 9, 2016 Investment Committee Meeting with the noted revision were approved.</i>

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5. REPORT ON BOARD ACTIONS	Chair Zoglin briefly reviewed the Board Report as further detailed in the packet and asked the Committee if there were any questions or concerns and discussion ensued.	<i>None</i>
6. INVESTMENT COMMITTEE SCORECARD AND PERFORMANCE REVIEW	<p>Antonio DiCosola, Pavilion Advisory Group, reviewed the Investment Committee Scorecard and reported the following:</p> <p>a. Scorecard: Mr. DiCosola reported that the Investment performance for the Surplus Cash portfolio was 30 basis points higher than the benchmark for the quarter with a return of +1.8%. The portfolio has matched the benchmark since inception (Nov. 1, 2012) with a return of +4.4% annualized. The assets within the Surplus Cash account ended the quarter at \$727.7 million, which were significantly higher than the beginning of the quarter due to strong performance and an increase in cash from operations, and ended the fiscal year ~\$28 million above the budgeted amount for June 30, 2016. He further reported that the Cash Balance Plan's performance was better than its benchmark for the quarter by 20 basis points with a return of +1.7%, and has outperformed its benchmark since inception, and the since inception annualized return stands at +7.0%, 60 basis points ahead of its benchmark per year. The assets within the Cash Balance Plan ended the quarter at \$221.5 million, \$2.7 million below the budgeted amount for June 30, 2016. He concluded the 403(b) balance was not available at the time of production and the balance of \$330.6 million was reflected as of March 31, 2016.</p> <p>Chris Kuhlman, Pavilion Advisory Group, reviewed the Second Quarter Performance Review and reported the following:</p> <p>b. Surplus Cash: Mr. Kuhlman reported that the Surplus Cash portfolio excluding District assets returned +1.8% during the second quarter, exceeding its benchmark by 30 basis points (bps) due to strong relative performance from the portfolio's international equity, market duration fixed income, and direct hedge fund managers.</p>	

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	<ul style="list-style-type: none"> • The domestic equity composite trailed its benchmark by 10 bps, as significant outperformance from the small-cap segment was offset by underwhelming performance from large-cap managers. The small-cap composite benefited from the timing of the Cortina small-cap growth liquidation, as assets were in cash during the post-“Brexite” selloff and subsequently reinvested in Conestoga in time to participate in the market rebound. Large-cap managers Sands and Barrow Hanley trailed their benchmarks by 110 and 160 bps, respectively. Sands suffered from an overweight to the poor performing Information Technology sector, while Barrow Hanley’s stock selection within Financials detracted from performance. • The international equity composite returned +1.0%, outperforming the MSCI AC World ex USA Index by 160 bps. Developed international manager Walter Scott was the portfolio’s top performer on a relative basis, returning +3.0% and outpacing the benchmark by 360 bps. The strategy’s outperformance was driven by significant underweight exposure to Financials as well as strong stock selection within the sector. Emerging markets manager Harding Loevner also boosted results, returning +3.5% vs +0.7% for the MSCI EM Index, led by strong stock selection in Financials and Information Technology. • Market duration fixed income manager Dodge & Cox returned +3.0%, outperforming the Barclays U.S. Aggregate Index by 80 bps due to overweight exposure to non-U.S. and emerging markets debt. Conversely, Metwest slightly trailed the benchmark as a result of underweight duration positioning, coupled with a below-benchmark allocation to corporate credit. <p>The direct hedge fund portfolio bounced back from a difficult first quarter, returning +1.1% vs. +0.6% for the HFRI Fund of Funds Composite Index, led by strong relative gains from the relative value strategy, which outperformed its benchmark by over 300 bps.</p> <p><i>*As of June 30, 2016, the equity composite’s underlying emerging markets exposure was 5.4% vs. 10.5% for the MSCI AC World IMI Index. Pavilion recommended rebalancing the equity composite</i></p>	

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	<p><i>closer to the benchmark, increasing the underlying emerging markets exposure to 8.0%.</i></p> <p>c. Cash Balance Plan: The Cash Balance Plan returned +1.7% during the quarter, and outperformed its benchmark by 20 basis points (bps) due to strong relative performance from the portfolio's international equity and hedge fund of funds managers.</p> <ul style="list-style-type: none"> • The domestic equity composite trailed its benchmark by 20 bps, as significant outperformance from the small-cap segment was offset by underwhelming performance from large-cap managers. The small-cap composite benefited from the timing of the Cortina small-cap growth liquidation, as assets were in cash during the post-"Brexit" selloff and subsequently reinvested in Conestoga in time to participate in the market rebound. Large-cap managers Sands and Barrow Hanley trailed their benchmarks by 110 and 160 bps, respectively. Sands suffered from an overweight to the poor performing Information Technology sector, while Barrow Hanley's stock selection within Financials detracted from performance. • The international equity composite returned +0.8%, outperforming the MSCI AC World ex USA Index by 140 bps. Walter Scott was the primary source of outperformance, returning +3.0% and outpacing the benchmark by 360 bps, driven by significant underweight exposure to Financials as well as strong stock selection within the sector. Northern Cross returned -1.6%, lagging the benchmark by 100 bps as unfavorable stock selection and overweight exposure to the Consumer Discretionary sector dragged on performance. • Mr. Kuhlman further reported that Performance was mixed within market duration fixed income. Dodge & Cox returned +2.6%, outperforming the Barclays U.S. Aggregate Index by 40 bps due to overweight exposure to non-U.S. and emerging markets debt. Conversely, Metwest slightly trailed the benchmark as a result of underweight duration positioning, coupled with a below-benchmark allocation to corporate credit. <p>The hedge fund of funds composite bounced back from a difficult first quarter, returning +1.0% vs.</p>	

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	<p>+0.6% for the HFRI Fund of Funds Composite Index. Lighthouse and Pointer outperformed the benchmark by 10 and 70 bps, respectively.</p> <p><i>*As of June 30, 2016, the equity composite's underlying emerging markets exposure was 4.3% vs. 10.5% for the MSCI AC World IMI Index. Pavilion recommended rebalancing the equity composite closer to the benchmark, increasing the underlying emerging markets exposure to 8.0%. In order to accomplish this, Pavilion recommended adding an investment in the Harding Loevner Emerging Markets Fund.</i></p> <p>d. Hedge Fund:</p> <p>The Hedge Fund Portfolio returned +1.1% during the second quarter, outperforming the HFRI Fund of Funds Composite Index by 50 basis points. Hedge funds experienced a broad rebound from a difficult first quarter, with three of the four strategies delivering positive returns. However, three of the Portfolio's four hedge fund strategies underperformed their respective benchmarks. The equity segment was a notable laggard, while the relative value segment delivered strong results on an absolute and relative basis.</p> <ul style="list-style-type: none"> • The Credit strategy delivered an exceptionally strong return of +4.6%, with strong gains from Davidson Kempner and Marathon. Gains came from several areas, including distributions from liquidation holdings such as Lehman Brothers, strong performance from energy-related credits, and the successful resolution of positions relating to Argentinian bonds. • The Relative Value strategy generated excellent returns of +4.2% with all three managers contributing. Fir Tree was a star performer (+7.8%) over the quarter as the fund experienced a broad revaluation of a number of positions which had been punished earlier in the year, including car rental and pipeline companies. Pine River and (Carlson) Double Black Diamond each made solid contributions driven by their event equity and merger arbitrage books. • The Equity Long / Short strategy (-1.8%) was the lone strategy to post a loss in the quarter. The Portfolio's dedicated Japanese manager, Indus (-6.9%), was responsible for most of the negative 	

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	<p>attribution. Japanese markets were sharply lower during the quarter and several of Indus' largest long positions were heavily marked down. CapeView detracted as European markets witnessed heavy outflows around the "Brexit" event. CapeView was defensively positioned into the event, a move which served to mitigate losses. Both ESG and Passport generated modest positive results and helped to partially offset overall losses in the equity segment.</p> <p>The Macro strategy generated a small positive return of 0.2%, with three out of four managers delivering positive results. Brevan Howard, Moore and Robeco Transtrend delivered small positive returns while Stone Milliner suffered a 1.0% loss.</p> <p>Mr. DiCosola and Mr. Kuhlman asked the Committee if they had any questions or concerns and discussion ensued.</p> <p><i>*Discussion item of note included: Do we have sufficient delta in the risk vs. return to warrant the reevaluation of benchmarks and asset allocation.</i></p> <p>Mr. DiCosola further clarified the Sharpe ratio and noted that Hedge Fund recommendations will be submitted in the next few quarters.</p>	
<p>7. COMMITTEE EDUCATION: INVESTMENT STRATEGY IN LOW RETURN ENVIRONMENTS</p>	<p>The Committee received an education session from Pavilion, ECH investment advisors. Mr. DiCosola reviewed Investment Strategy in Low Return Environments with the Committee, as further detailed in the Committee packet, to include the following: Global Equities, Fixed Income of the U.S. Interest Rates and Yield Curve, Fixed Income of Investment Grade Sector Fundamentals, Hedge Funds, Capital Market Assumptions, Asset Allocation targets and proposed, Portfolio Liquidity, Net cash flows, Projected market values w/o debt issuance, Projected market values with debt issuance, Projected days' cash on hand w/o debt issuance, and Projected day's cash on hand with debt issuance.</p> <p>Mr. DiCosola noted that as we enter a low return environment we can increase returns by investing in less liquid investments such as Private Equity.</p>	<p><i>None</i></p>
<p>8. PRIVATE EQUITY OPTIONS</p>	<p>Mr. DiCosola introduced Raelan Lambart, LP Capital Advisors, to the Committee and asked her to present</p>	

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	<p>Private Equity Options to the group. Ms. Lambart reviewed the characteristics of Private Equity, Return Expectations, Investor Trends, and How to develop a diversified and manageable Portfolio as further detailed in the packet. Ms. Lambart asked the Committee for feedback and discussion ensued.</p> <p>The Committee considered private equity investment options with Pavilion but did not make any changes to the asset allocation policy. The Committee agreed with the need for further education on this subject at future Investment Committee meetings.</p>	
<p>9. ADJOURN TO CLOSED SESSION</p>	<p>Motion: To adjourn to closed session at 7:40pm. Movant: Kalbach Second: Boone Ayes: Boone, Conover, Davis, Kalbach, Nelson, and Zoglin. Abstentions: None Absent: None Excused: None Recused: None</p>	<p><i>A motion to adjourn to closed session at 7:40 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 Closed Minutes of the May 9, 2016 Investment Committee were approved, and updated the Committee on the upcoming meetings and educational sessions.</p>	<p><i>None</i></p>
<p>11. AGENDA ITEM 13 ADJOURNMENT</p>	<p>Motion: To adjourn the Investment Committee meeting at 7:45 pm. Movant: Nelson Second: Conover Ayes: Boone, Conover, Davis, Kalbach, Nelson, and Zoglin. Abstentions: None Absent: None Excused: None Recused: None</p>	<p><i>A motion to adjourn to the Investment Committee meeting at 7:45 pm 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:


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