

**Minutes of the Open Session of the
Investment Committee of the Board of Directors
Monday, November 13, 2017
El Camino Hospital, 2500 Grant Road, Mountain View, California
Conference Room A**

Members Present

Brooks Nelson
 Jeffrey Davis, Chair
 John Conover
 John Zoglin
 Nicola Boone (via teleconference)

Members Absent

Gary Kalbach

Members Excused

A quorum was present at the El Camino Hospital Investment Committee on Monday, November 13th 2017 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 Dr. Davis, Committee Chair at 5:34pm	<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>After the close session, Chair Davis requested to the Committee & Pavilion Advisory Group, to change the February Investment Committee meeting date. The Committee unanimously agreed to move the meeting to March 12th 2018.</p> <p><u>Motion:</u> To approve the consent calendar (Open Minutes of the August 14, 2017 Investment Committee Meeting and the FY 18 Pacing Plan.</p> <p><u>Movant:</u> Conover <u>Second:</u> Nelson <u>Ayes:</u> Boone, Davis, Nelson, Conover and Zoglin. <u>Abstentions:</u> None <u>Absent:</u> Kalbach <u>Excused:</u> None <u>Recused:</u> None</p>	<i>The Open Minutes of the August 14, 2017 Investment Committee Meeting and the FY 18 Pacing Plan were approved.</i>
5. REPORT ON BOARD ACTIONS	Chair Davis reported a majority of the ECH Board and Committee attended the Estes Park Institute Conference in San Francisco October 29 – November 1, 2017.	<i>None</i>

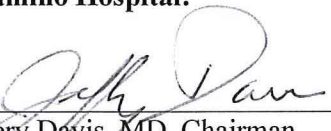
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<p>6. INVESTMENT POLICY REPORT</p>	<p>Mr. DiCosola, Pavilion Advisory Group, presented a summary on the Capital Markets. During the third quarter, geopolitical events and natural disasters dominated the headlines, although financial markets proved resilient, focusing on improving economic data. Risk assets rose. Additionally, cyclical risks remain low across developed markets, which we believe should allow existing trends to remain intact. Risk assets continue to perform well. We've strengthen in Corporate profits and strong economic debt across the globe.</p> <p>The S&P 500 is up 4.5% this past quarter in our portfolio. Hedge funds posted moderate gains during a robust quarter for equity markets. Long/short equity strategies were off to a strong start in the beginning weeks of the quarter, with technology, financials, and cable/media names playing prominent roles on the long side of portfolios, while short positions skewed toward consumer retail.</p> <p>Hedge funds posted moderate gains during a robust quarter for equity markets. Long/short equity strategies were off to a strong start in the beginning weeks of the quarter, with technology, financials, and cable/media names playing prominent roles on the long side of portfolios, while short positions skewed toward consumer retail. Hedge fund alpha was strong across value and growth names, with the average fund outperforming its beta to equity markets. In fixed income, distressed managers registered weaker than expected performance due to prominent exposure to Puerto Rico, as well as select coal and industrials names. Underlying volatility levels have stayed low for some time, which does not help macro.</p> <p>Following its September meeting, the Federal Reserve ("Fed") announced its intention to begin balance sheet normalization in October with maturity roll-offs. The Feds have kept the interest rates at an all-time low. In the end, it is likely that the Fed will begin to slowly liquidate its balance sheet in Q4, with the next interest rate hike likely in December, and the possibility of additional rate hikes in 2018.</p> <p>Mr. Kuhlman, 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"> 1. Scorecard: Mr. Kuhlman reported that Investment performance for the third quarter the surplus cash was up 2.7% for the quarter and the benchmark is 2.8% more or less in line. The cash balance plan was 3.2% with a benchmark of 3.3% we're missing returns on a couple of the real-estate managers though once we retro actively receive them we'll be within benchmark. 	

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	<p>2. Surplus Cash: Mr. Kuhlman noted that the Surplus Cash Portfolio returned +2.7% for the quarter, trailing its benchmark by 10 basis points (bps). Over the trailing one year period, the Portfolio returned +9.0%, outpacing the benchmark by 10 bps. Marginal relative underperformance during the quarter was driven by unfavorable manager results within the International Equity Composite (+4.9%), which trailed the MSCI AC World ex USA Index by 130 bps. Notable outperformers included Large Cap Growth manager Sands (+6.5%), which outperformed the Russell 1000 Growth Index by 60 bps, continuing its rebound from 2016, and Small Cap Growth manager Conestoga (+9.8%), which outpaced the Russell 2000 Growth Index by 360 bps. The Direct Hedge Fund portfolio (+2.6%) bested the HFRI Fund of Funds Composite Index by 30 bps.</p> <p>3. Cash Balance Plan: Mr. Kulman further reported that the Cash Balance Plan returned +3.2 for the quarter, trailing its benchmark by 10 basis points (bps). Over the trailing one year period, the Portfolio returned +11.0%, outpacing the benchmark by 40 bps. Marginal relative underperformance during the quarter was driven by unfavorable manager results within the International Equity Composite (+4.7%), which trailed the MSCI AC World ex USA Index by 150 bps. Notable outperformers included Large Cap Growth manager Sands (+6.5%), which outperformed the Russell 1000 Growth Index by 60 bps, continuing its rebound from 2016, and Small Cap Growth manager Conestoga (+9.8%), which outpaced the Russell 2000 Growth Index by 360 bps. The Plan's asset allocation positioning proved beneficial (overweight Equity, underweight Fixed Income). The Hedge Fund Composite (+2.9%) outperformed the HFRI Fund of Funds Composite Index by 60 bps.</p> <p>4. Hedge Funds: The Hedge Fund Portfolio returned +2.6% during the third quarter, outperforming the HFRI Fund of Funds Composite Index by +0.3%. Each of the Portfolio's four strategies delivered positive absolute returns, with the Relative Value, Credit, and Macro strategies outperforming their respective underlying reference index (by +3.4%, +1.1% and +0.8%, respectively). The Equity Long/Short strategy performed in line with its underlying reference index (+3.6%).</p> <p>The overall Executive Summary from Pavilion Advisory Group is Global growth should remain sound, although some regions will benefit more than others. Inflation will remain subdued in</p>	

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	<p>the near-term, with tight U.S. labor markets a potential threat. Any sustained wage gains may be a leading indicator of changes in inflation dynamics. Valuations in equity and credit markets appear full on an absolute basis but reflect strong underlying fundamentals, and the likelihood that interest rates, though expected to rise slightly, will stay low for longer. Central bank policy makers have begun to refine forward guidance, but policy changes likely will continue to be very gradual with accommodation remaining in place for some time. Risks remain particularly geopolitical risks that likely could rock markets periodically. A monetary policy misstep is also a possibility.</p> <ul style="list-style-type: none"> We recommend maintaining the current positioning: overweight equities, emphasis on the US and emerging markets within equities, and high quality fixed income exposure with some duration for diversification, and the use of emerging market debt either through active managers or dedicated positions. <p>Committee Members noted that the analysis of the passive management vs active management is on the pacing plan for the March 2018 meeting.</p>	
7. INVESTMENT POLICY REVIEW	<p>Antonio DiCosola and Chris Kuhlman, Pavilion Advisory Group, stated a momentary recap of the Cash Balance & Surplus Cash investments.</p> <ul style="list-style-type: none"> No recommendations at this time. However, if there's an asset allocation change after the allocation study report, we can reevaluate the changes to the investment policy. 	
8. ADJOURN TO CLOSE SESSION	<p><u>Motion:</u> To adjourn to close session at 6:44 pm.</p> <p><u>Movant:</u> Nelson <u>Second:</u> Zoglin <u>Ayes:</u> Boone, Conover, Davis, Nelson and Zoglin. <u>Abstentions:</u> None <u>Absent:</u> Kalbach <u>Excused:</u> None <u>Recused:</u> None</p>	<p><i>A motion to adjourn to the Investment Committee meeting at 6:44 pm was approved.</i></p>
9. AGENDA ITEM 12 RECONVENE OPEN SESSION	<p>Agenda Items 10 was conducted in closed session. Chair Davis reported that the Closed Session Minutes of the August 14, 2017 Investment Committee were approved.</p> <p>Chair Davis requested to the Committee & Pavilion Advisory Group, to change the February Investment Committee meeting date. The Committee unanimously agreed to move the meeting to March 12th 2018.</p>	

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10. AGENDA ITEM 13 ADJOURNMENT	<p><u>Motion:</u> To adjourn the Investment Committee meeting at 6:51 pm.</p> <p><u>Movant:</u> <u>Second:</u> <u>Ayes:</u> Boone, Conover, Davis, Nelson and Zoglin. <u>Abstentions:</u> None <u>Absent:</u> Kalbach <u>Excused:</u> None <u>Recused:</u> None</p>	<p><i>A motion to adjourn to the Investment Committee meeting at 6:51 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:



Jeffery Davis, MD, Chairman

ECH Investment Committee of the Board of Directors