AGENDA
INVESTMENT COMMITTEE MEETING
OF THE EL CAMINO HOSPITAL BOARD
Monday, May 14th, 2018 – 5:30 pm

El Camino Hospital | Conference Room C (ground floor)
2500 Grant Road, Mountain View, CA 94040

PURPOSE: To develop and recommend to the El Camino Hospital Board of Directors the organization's investment policies, maintain current knowledge of the management and investment of the invested funds of the hospital and its pension plan(s), provide guidance to management in its investment management role, and provide oversight of the allocation of the investment assets.

	AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1.	CALL TO ORDER / ROLL CALL	Jeffrey Davis, MD Chair		5:30 – 5:32 pm
2.	POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Jeffrey Davis, MD Chair		5:32 – 5:33
3.	PUBLIC COMMUNICATION a. Oral Comments *This opportunity is provided for persons in the audience to make a brief statement, not to exceed 3 minutes on issues or concerns not covered by the agenda.* b. Written Correspondence	Jeffrey Davis, MD Chair	*public comment*	information 5:33 – 5:36
4.	CONSENT CALENDAR *Any Committee Member or member of the public may remove an item for discussion before a motion is made.* ***Approval*** a. Minutes of the Open Session of the Investment Committee Meeting – March 12, 2018 ***Information*** b. CFO Report Out – Finance Committee Open Session Materials c. Article of Interest d. Updated FY18 Pacing Plan	Jeffrey Davis, MD Chair Iftikhar Hussain, CFO	*public comment*	motion required 5:36 – 5:40
5.	REPORT ON BOARD ACTIONS ATTACHMENT 5	Jeffrey Davis, MD Chair		information 5:40 – 5:45
6.	403(b) INVESTMENT PERFORMANCE ATTACHMENT 6	Brian Montanez, Multnomah Group		information 5:45 – 6:15
7.	ROTATING TOPICS a. Capital Markets Review & Portfolio Performance b. Tactical Asset Allocation Positioning & Market Outlook ATTACHMENT 7	Antonio DiCosola & Chris Kuhlman, Pavilion Advisory Group		information 6:15 – 7:15
8.	COMMITTEE CHARTER REVIEW ATTACHMENT 8	Iftikhar Hussain, CFO		information 7:15 – 7:25
9.	ADJOURN TO CLOSED SESSION	Jeffrey Davis, MD Chair		motion required 7:25 – 7:26
10.	POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Jeffrey Davis, MD Chair		7:26 – 7:27

A copy of the agenda for the Regular Meeting will be posted and distributed at least seventy-two (72) hours prior to the meeting. In observance of the Americans with Disabilities Act, please notify us at (650) 988-7504 prior to the meeting so that we may provide the agenda in alternative formats or make disability-related modifications and accommodations.

	AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
11.	**CONSENT CALENDAR** *Any Committee Member may remove an item for discussion before a motion is made.* ***Approval*** *Gov't Code Section 54957.2.* a. Minutes of the Closed Session of the Investment Committee Meeting March 12, 2018	Jeffrey Davis, MD Chair		**motion required** **7:27 – 7:30**
12.	**ADJOURN TO OPEN SESSION**	Jeffrey Davis, MD Chair		**motion required** **7:30 – 7:31**
13.	**RECONVENE OPEN SESSION / REPORT OUT**	Jeffrey Davis, MD Chair		**7:31 – 7:32**
	To report any required disclosures regarding permissible actions taken during Closed Session.			
14.	**ADJOURNMENT**	Jeffrey Davis, MD Chair		**motion required** **7:32pm**

Important Dates:

FY 2019 Investment Committee Meetings

Tentative (IC Approved still need Board approval):

- August 13, 2018
- November 12, 2018
- January 28, 2019 – Joint meeting of Financial/Investment Committee
- February 11, 2019
- May 13, 2019

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Minutes of the Open Session of the Investment Committee of the Board of Directors
Monday, March 12, 2018
El Camino Hospital, 2500 Grant Road, Mountain View, California
Conference Room A

Members Present
Nicola Boone
John Conover
Jeffrey Davis, Chair
Gary Kalbach
Brooks Nelson

Members Absent
John Zoglin (via teleconference)

Members Excused

A quorum was present at the El Camino Hospital Investment Committee on Monday, March 12, 2018 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 5:30pm	***None***
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.	***None***
3. PUBLIC COMMUNICATION	Chair Davis asked if there was any public communication to present. None were noted.	***None***
4. CONSENT CALENDAR ITEMS	Chair Davis asked if any Committee member wished to remove any items from the consent calendar for discussion. None were noted. **Motion:** To approve the consent calendar (Open Minutes of the November 13, 2017 Investment Committee Meeting and Open Minutes of the January 29, 2018 Joint Finance & Investment Committee Meeting. **Movant:** Kalbach **Second:** Conover **Ayes:** Boone, Conover, Davis, Kalbach, Nelson, and Zoglin. **Abstentions:** None **Absent:** **Excused:** None **Recused:** None	*The Open Minutes of the November 13, 2017 Investment Committee Meeting and Open Minutes of the January 29, 2018 Joint Finance & Investment Committee Meeting were approved.*
5. REPORT ON BOARD ACTIONS	Chair Davis reported Bruce Harrison, to President of Silicon Valley Medical Development (SVMD), an affiliate of El Camino Hospital. Their leadership is an integral component to fulfilling our strategic vision and delivering on our mission. Also announced Gary Kalbach and Julie Kliger, RN to the El Camino Hospital Board of Directors. Lastly, a proposal to delegate certain decision making authority to the Executive Compensation Committee, and gave direction to the Committee to develop procedures for exercising the proposed authority.	

Agenda Item	Comments/Discussion	Approvals/Action
6. INVESTMENT REPORT	Mr. DiCosola, Pavilion Advisory Group, presented a summary on the Capital Markets. During the fourth quarter, implied and realized volatility declined to near historic lows and risk assets flourished, supported by limited headline risks and advancements in economic data. The S&P 500 Index returned +6.6% during the fourth quarter, bringing the full year return to +21.8%. Consumer Discretionary was the strongest performing sector for the fourth quarter but Information Technology stands out as having the strongest performance for the year. Energy and Telecom were the only sectors to end the year with negative returns. Developed market equity indices provided returns in the +4% to +7% range during the fourth quarter, with the S&P 500 among the strongest at +6.6%. Emerging Market equity returns were slightly higher, at +7.4%, led by South Africa, India, and South Korea. For the full year, the key regional indices all provided 20% plus returns, with the foreign markets benefitting from strong local market returns as well as currency appreciation vs. the U.S. dollar. Growth continued to outperform Value in the fourth quarter, capping a very strong year for Growth. Within the U.S. and Emerging Markets were driven by the technology sector. Emerging Markets experienced the highest absolute return for both Growth and Value stocks during the year. Size was in favor for the fourth quarter and full year, with U.S. Large Cap out earning U.S. Small and Mid Cap stocks. Mr. Kuhlman, Pavilion Advisory Group, reviewed the Investment Committee Scorecard and Portfolio Performance as further detailed in the submitted materials to include the following: 1. **Scorecard**: Mr. Kuhlman reported that Investment performance for the fourth quarter and the surplus cash was up 2.6% for the quarter and the benchmark is 2.7% more or less in line. The cash balance plan was 3.0% with a benchmark of 3.3%. Manger compliance flags are 3-5 year performance. Any below 50% benchmark will be flagged yellow. 2. **Surplus Cash**: Mr. Kuhlman noted that the Surplus Cash Portfolio returned +2.6% for the quarter, modestly underperforming its benchmark by 10 bps. Over the trailing one year period, the Portfolio returned +11.8%, outpacing the benchmark by approximately 30 bps. Manager results, particularly within Domestic and International equities dragged down positive results from asset allocation positioning. Notable outperformers during the quarter include Barrow Hanley Large Cap Value (+6.3%) and Wellington Small Cap Value (+3.0%), which both outperformed their indices by 100 bps, and the Direct Hedge Fund Program	

Agenda Item	Comments/Discussion	Approvals/Action
	(+3.3%), which outperformed the HFRI Fund of Funds Composite Index by 130 bps. 3. **Cash Balance Plan**: Mr. Kulman further reported that the Cash Balance Plan returned +3.0% for the quarter, underperforming its benchmark by 30 bps. Over the trailing one year period, the Plan returned +14.5%, outpacing the benchmark by approximately 100 bps. Relative underperformance during the quarter was driven by unfavorable manager results, particularly within the Domestic and International Equity Composites, which underperformed their benchmarks by 70 and 130 bps, respectively. Notable outperformers during the quarter include Barrow Hanley Large Cap Value (+6.3%) and Wellington Small Cap Value (+3.0%), which both outperformed their indices by 100 bps, and hedge fund of fund manager Pointer Offshore, which outpaced the HFRI Fund of Funds Composite Index by 110 bps. During 2017, the Fixed Income and Alternatives Composites were the best performers on a relative basis, outpacing their benchmarks by 60 and 140 bps, respectively. 4. **Hedge Funds**: The Hedge Fund Portfolio (the "Portfolio") returned +3.3% during the fourth quarter, outperforming the HFRI Fund of Funds Composite Index by +1.3%. Each of the Portfolio's four strategies delivered positive absolute returns, with the Macro, Credit and Equity Long / Short strategies performing significantly better than their respective underlying reference index (by +1.7%, +1.2%, and +0.6%, respectively). The Relative Value strategy underperformed its underlying reference index due to changes in the portfolio over the quarter. **International Value Equity Search:** The overall Candidate Summary recommended from Pavilion Advisory group is Causeway. Causeway was founded in 2001. The team believes risk is best measured by the volatility of a portfolio's returns, not its dispersion from the benchmark. They believe investors are rewarded over the long term by a reduction in volatility and their goal to construct a portfolio that provides consistent long-term, risk-adjusted returns. The portfolio managers have worked together for many years and average over 20 years of industry experience. We believe the culture of the team is very collaborative and view the team's shared history as a competitive advantage to the other candidates. In our assessment Causeway's is actively managed, value-focused strategy has a strong and consistent track record; as well as a strong success rate for outperforming in most market environments. Causeway would bring value to your portfolio; therefore we suggest replace Harbor Partner with Causeway.	

Agenda Item	Comments/Discussion	Approvals/Action
	In response to Mr. Woods downward market question, Mr. DiCosola & Mr. Kuhlman explained the worst return over one year for Boston Partners is -11.7% vs Causeway is -4.8%. All managers have a less down size participation relative to the index. Pavilion Advisory asked the Committee for feedback and a brief discussion ensued. The Committee agreed to replace Boston Harbor with Causeway to the portfolio.	
7. ROTATING TOPICS	Antonio DiCosola and Chris Kuhlman, Pavilion Advisory Group, reported on the Performance Analysis and Asset Allocations. **Performance Analysis** Surplus Cash primary objectives: (1) Preservation Of Capital, (2) Capital Growth, (3) Maintenance Of Liquidity, and (4) Avoidance Of Inappropriate Concentration Of Investments. Starting in mid-October 2012, Pavilion introduced new asset classes and sub-categories to help manage total program risk, diversify equity exposures, and manage fixed income interest rate sensitivities. (1) The Preservations of Capital over the 5yr 3m period since inception the portfolio has experienced limited drawdowns with the maximum drawdown of -5.8% and the worst quarterly return -4.0%. (2) Capital Growth has returned +6.4% per annum since inception, +0.7% ahead of the expected return modeled. Assets have grown from ~$494 million as of 12/31/2013 to ~$895 million as of 1/31/2018 inclusive of net cash flows of ~$181 million. (3) Maintenance of Liquidity is ~80% of the portfolio is daily liquid, ~9% monthly, ~5% quarterly, ~3% annually, and ~3% illiquid. Any liquidity demands have been met in adequate time as desired. (4) Avoidance Of Inappropriate Concentration Of Investments as of 9/30/2012, the portfolio consisted of two managers (Barrow Hanley and Wells Capital) that managed four separate strategies; U.S. Large-Cap Value Equity (~13%), Short-Duration Fixed Income (~25%), Intermediate-Duration Fixed Income (~42%), and Core Fixed Income (~20%). As of 1/31/18, the portfolio now consists of ~27 core managers covering over 15 various strategies ranging from Short and Intermediate-Duration Fixed Income, U.S., International, and Emerging Market Equities, to a number of Hedge Fund strategies and Private Real Estate strategies. Cash Balance Plan primary objectives: (1) The preservation of capital in real terms with a focus on	

Agenda Item	Comments/Discussion	Approvals/Action
	meeting future benefit payments, (2) Obtaining the maximum return within reasonable and acceptable level of risk. (1) The preservation of capital in real terms with a focus on meeting future benefit payments has a returned +8.9% per annum since inception, +7.5% ahead of CPI. The portfolio has met all monthly benefit payment needs and has ~79% daily liquidity, ~9% monthly, ~6% semi-annually, and ~ 6% illiquid. (2) Obtaining the maximum return within reasonable and acceptable level of risk has a return of +8.9% per annum since inception, +2.8% ahead of the expected return modeled. Risk as measured by standard deviation has been 5.4% annualized since inception, 3.3% below expectations. Over the course of the past 5 calendar years, the Cash Balance Plan has outperformed the Policy Benchmark in 3 of those years or 60% of the time. During periods when the fund has underperformed, it has been by a smaller margin (-1.6% max) than in the periods where it has outperformed (+2.0% max). **Asset Allocation Review** In recent meetings, members of the Investment Committee have expressed interest in private equity, while there have also been concerns of increased volatility. Relative to the current target asset allocation, the "Add Private Equity" portfolio introduces a 10% private equity allocation, funded from a combination of public equity, market duration fixed income and hedge funds. This increases the expected risk and return, but reduces liquidity. The "More Conservative" portfolio moves 5% from public equity into market duration fixed income. While this reduces the expected risk and return, the portfolio is expected to perform best in periods of market duress. In response to Mr. Nelson do managers have exposure with weapons manufactures question, Mr. Kuhlman explained our policy states they're unable to invest in any weapons manufactures that are prohibited to be sold in California. As well as tobacco rule applies to the policy. *The Committee Members requested to have Pavilion Advisory research team list which managers participates in gun manufactures and tobacco assets. Have a "Public Health topic: gun & tobacco" as a fuller discussion in our next meeting in regards to our portfolio.* The Committee Members unanimous agreed they're extremely pleased with Pavilion Advisory and ECH portfolio.	

Agenda Item	Comments/Discussion	Approvals/Action
8. REVIEW BIENNIAL COMMITTEE SELF-ASSESSMENT	Chair Davis reported on the Biennial Committee Self-Assessment and asked for feedback and a brief discussion ensued. The Committee Members are pleased with the results overall. They agreed to educate the ECH Board on Investments, and continue to host two annual meetings, to strengthen the communication between the two committees.	***information***
9. PROPOSED FY 2019	Chair Davis reported there's three items for the Committee to review: FY 2019 Goals, Pacing Plan, and Meeting dates for the next fiscal year. **Motion:** To approve the all Proposed items for 2019 **Movant:** Conover **Second:** Kalbach **Ayes:** Boone, Conover, Davis, Kalbach, Nelson, and Zoglin. **Abstentions:** None **Absent:** **Excused:** None **Recused:** None	
10. DRAFT RESOLUTION 2018-04 REQUIRED BY PREMIER, INC. LISTING THE CEO AND CFO AS AUTHORIZED INDIVIDUALS TO SELL STOCKS	Iftikhar Hussain, CFO stated El Camino Hospital has eligible Premier shares for sale. The sale allows the investment to be moved into the surplus cash pool where our investments are managed with the oversight of the Investment Committee. **Motion:** To approve the support of the Resolution 2018-04 **Movant:** Kalbach **Second:** Boone **Ayes:** Boone, Conover, Davis, Kalbach, Nelson, and Zoglin. **Abstentions:** None **Absent:** **Excused:** None **Recused:** None	
11. ADJOURN TO CLOSE SESSION	**Motion:** To adjourn to close session at 7:27 pm. **Movant:** Nelson **Second:** Conover **Ayes:** Boone, Conover, Davis, Kalbach, Nelson, and Zoglin. **Abstentions:** None **Absent:** None **Excused:** None **Recused:** None	***A motion to adjourn to the Investment Committee meeting at*** 7:27 pm ***was approved.***
12. AGENDA ITEM 15 RECONVENE OPEN SESSION	*Agenda Item 13 was conducted in closed session.* Chair Davis reported that the Closed Minutes of the November 13, 2017 and January 29, 2018 Joint Finance & Investment Committee Closed Minutes were approved.	

Agenda Item	Comments/Discussion	Approvals/Action
13. AGENDA ITEM 16 ADJOURMENT	**<u>Motion:</u>** To adjourn the Investment Committee meeting at 7:28pm. **<u>Movant:</u>** Boone **<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	***A motion to adjourn to the Investment Committee meeting at 7:28 pm was approved.***

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

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Jeffery Davis, MD, Chair
ECH Investment Committee of the Board of Directors

	Item:	Finance Committee Report El Camino Hospital Investment Committee (IC) May 14, 2018
	Responsible party:	Iftikhar Hussain, CFO
	Action requested:	For Information
	Background: The Finance Committee meets 6 times per year. The Committee last met on April 26, 2018 and meets next on May 29, 2018	
	Summary and session objectives: To update the Investment Committee on the work of the Finance Committee. 1. The April meeting was a special session to review and provide feedback for the FY 19 draft budget 2. The committee also developed the FY 19 goals and pacing plan. 3. Important Future Activities a. Review the budget in a joint meeting with the Board on May 29, 2018	
	Proposed Board motion, if any: 1. Approval of FY18 P9 Financial Statements 2. Approve the following physician contracts: a. Pathology Medical Director renewal b. ICU nighttime coverage c. ICU daytime coverage	
	LIST OF ATTACHMENTS: The Finance Committee Open Session Materials may be accessed by clicking here.	

MARKET INSIGHTS

The investment outlook for 2018

A difficult place to start – investing in 2018 and beyond

IN BRIEF

- The levels of key economic variables look very good. The more troubling question centers on rates of growth from here.
- As monetary policy is normalized around the developed world, yields should move gradually higher, pointing to the need for flexibility in fixed income investing.
- Equity market performance in the coming year should hinge on three variables: earnings, inflation and interest rates. Earnings are a function of economic growth, and we expect that the healthy pace of economic growth seen in the second half of 2017 can continue into next year.
- We expect global economic momentum to continue in 2018, which, combined with still low levels of inflation in the developed world and a gradual normalization of monetary policy, is a positive backdrop for international equities to continue outperforming those in the U.S. in the year ahead.
- Heading into 2018, it is important to remember some time-tested principles for successful long-term investing: cash isn't always king, diversification is essential, harness the power of compounding and don't let volatility derail you.

J.P.Morgan
Asset Management

A DIFFICULT STARTING POINT

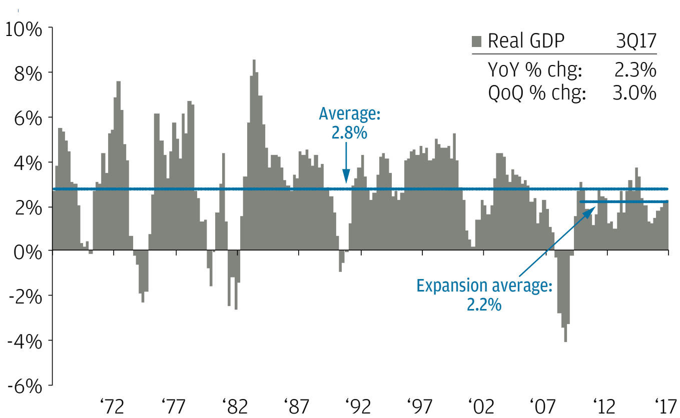
Many years ago, I remember seeing a TV commercial promoting a well-known brand of Irish beer. A man with a thick Spanish accent walks into a pub and asks the assembled Dubliners if they could please tell him the way to Ail-ez-bury Road (which local viewers would have recognized as the location of the Spanish embassy).

Now Irish people will always offer directions, whether they know the way or not, because it is just friendly to offer advice, and so a variety of unlikely routes are loudly suggested to the tourist. One suggests that he start by heading north up O'Connell Street. Another proposes that he commence his journey by heading west along the canal. After a cacophony of confusion, a wiser punter gives him a brimming pint of beer and says: "To tell you the truth, I wouldn't start from here." And so he settles into the pub for the night.

Entering 2018, most American investors should feel richly rewarded by a long economic expansion and extended bull markets in equities and bonds. However, looking forward, they should also recognize that this is not a great starting point and that the very length and strength of the bull markets to this point will limit returns going forward. This makes choosing portfolio overweights and underweights even more important and makes it critical that investors control their enthusiasm for the most expensive assets.

Economic growth could pick up in the short run

EXHIBIT 1: REAL GDP YEAR-OVER-YEAR % CHANGE



Source: BEA, FactSet, J.P. Morgan Asset Management.

Average represents the annualized growth rate for the full period. Expansion average refers to the period starting in the second quarter of 2009. *Guide to the Markets – U.S.* Data are as of November 15, 2017.

As seen in **Exhibit 1**, the U.S. economic expansion, which has provided just 2.2% growth per year since its inception in 2009, appeared to pick up its pace in the middle of 2017 as falling unemployment boosted both consumer and business confidence. Real GDP grew by roughly 3% annualized in both the second and third quarters of 2017 and may be rising at a similar pace in the fourth quarter, as repairing, restoring and replacing after a tough hurricane season have added to demand.

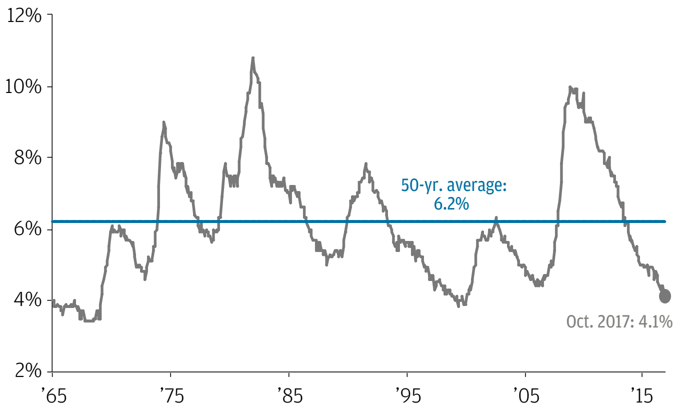
Our base case scenario is that this above-trend pace of growth will continue into the first half of 2018 as lower income tax withholding and corporate tax cuts promote increased consumer and investment spending. However, it should be noted that an extended delay in passing a tax act might be more harmful than having no tax reform at all, since uncertainty about the nature of tax cuts could cause companies to delay investments until they receive more clarity.

More importantly, either way, economic growth will likely slow down to a 2% or slower pace later in 2018 and beyond. The reason for this can be found in the jobs market.

As this is being written, the U.S. unemployment rate has fallen from a peak of 10.0% in October 2009 to 4.1% today (**Exhibit 2**, next page). However, this decline in the unemployment rate has been accelerated by very slow 0.5% annual growth in the labor force. This, in turn, largely reflects a wave of workers retiring, a trend that started in earnest in 2012 as the first baby boomers turned 65. An "Indian summer" of economic growth in 2017 and early 2018 may well push the unemployment rate down to 3.5% by late next year. However, it is unlikely to go much lower than that given the everyday friction and churning that occurs in the jobs market. At that point, and barring a surge in immigration, the U.S. economy will have to get by with roughly 0.5% annual employment growth per year. Moreover, a lack of investment spending in recent years has meant that output per worker has grown by just 0.9% per year over the past decade (**Exhibit 3**, next page).

…but with unemployment near 50-year lows

EXHIBIT 2: CIVILIAN UNEMPLOYMENT RATE, SEASONALLY ADJUSTED, PERCENT

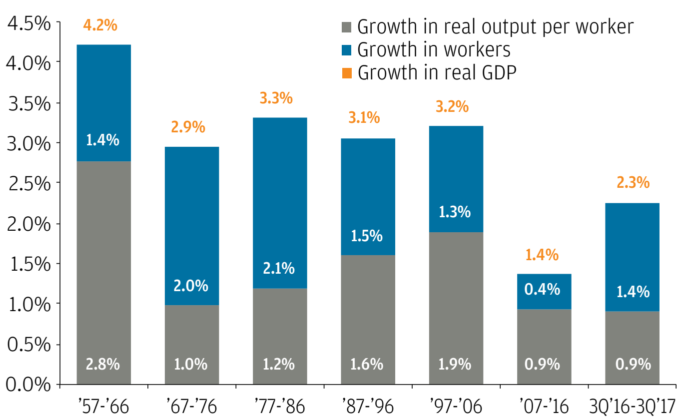


Source: BLS, FactSet, J.P. Morgan Asset Management. *Guide to the Markets – U.S.* Data are as of November 15, 2017.

Adding the pieces together suggests that, barring major structural change, the U.S. will not be able to sustain growth above 2%, never mind 3%, in the years ahead. However, we believe that a slower expansion with slightly higher inflation could be sustained for a few more years to come, making this the longest expansion in U.S. history.

…the economy is supply-side constrained

EXHIBIT 3: DRIVERS OF GDP GROWTH, AVERAGE YEAR-OVER-YEAR PERCENT CHANGE



Source: BEA, BLS, FactSet, J.P. Morgan Asset Management. GDP drivers are calculated as the average annualized growth between 4Q of the first and last year, excepting the most recent period. *Guide to the Markets – U.S.* Data are as of November 15, 2017.

The profit picture, in late 2017, also looks good, with S&P 500 operating earnings posting a nearly 10% year-over-year gain for the third quarter. It should be noted that this strong year-over-year gain is largely being driven by a revival in energy company profits and a year-over-year decline in the dollar, which has boosted overseas revenues. Earnings should continue to look strong in the first half of 2018 but then, like economic growth itself, earnings could come under pressure from low top-line revenue growth and the higher interest rates and wage costs that could accompany an economy operating at the peak of its capacity.

It should also be recognized that the corporate tax cut currently being debated by Congress would help boost earnings going forward. As this is being written, the final form of such a bill is very much in doubt. However, we know that, to gain passage in the Senate, the total tax cuts for both households and businesses cannot exceed $1.5 trillion over 10 years, or an average of $150 billion per year. If we assume that S&P 500 companies get $60 billion of this, the tax cut would amount to roughly 5% of projected S&P 500 company profits for the next 12 months. Even this is probably an overestimate of the net benefit to corporate profits since the tax cut would be financed through deficit spending and so would have to be paid for by either higher taxes or lower government spending in some future years. In addition, the higher interest rates and wage costs that fiscal stimulus might generate could also eat into profits. Corporate profit growth, like economic growth, could fall back later in 2018 following a few quarters of excellent gains.

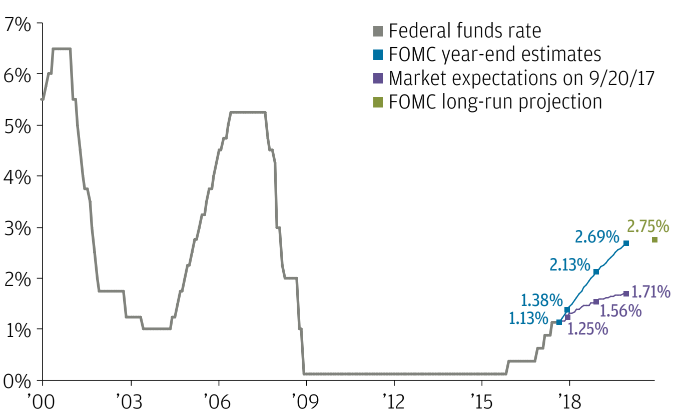
One of the great puzzles of the economic expansion throughout the developed world has been the low level of consumer inflation. In a highly competitive global economy, both wages and consumer prices have not responded to continuous infusions of central bank liquidity. In general, we expect this pattern to continue in the year ahead with the Fed's preferred inflation measure, the personal consumption deflator, only rising from 1.6% year-over-year growth in October 2017 to about 2.0% year-over-year by the end of 2018. However, we believe that excess liquidity could continue to push a wide range of asset prices higher, boosting consumer wealth but also raising the specter of asset bubbles.

The global economy should maintain strong growth into 2018. Europe has seen solid improvement over the past year, despite tensions from Brexit and in Catalonia and, with 8.9% unemployment, clearly still has plenty of capacity for above-trend growth. Japan has also had a good year and a lower yen could help maintain economic momentum even though inflation is slow to respond to very low unemployment. China will emphasize the quality of growth rather than its pace in the years ahead but there seems little reason to fear an abrupt slowdown. And other emerging markets should continue to improve following the commodity slump of 2015/2016, with a reform agenda in many countries holding out hope for more stable growth going forward. Importantly, although global central banks will generally be tightening in 2018, these are the very early days of a tightening cycle when economic effects of increases in interest rates tend to be mildest for developed countries and emerging markets alike.

For the Federal Reserve, the economy of 2018 should provide ample justification for further tightening (**Exhibit 4**). Very low unemployment, slowly rising inflation, faster-rising asset prices, a weaker dollar, strong overseas growth and domestic fiscal stimulus all suggest that monetary policy remains too loose. The Fed has already laid out a clear plan for the reduction of its balance sheet and, barring a recession, we expect this plan to be implemented. In addition, presuming Jerome Powell is confirmed as Fed chair, he may be more likely to follow the balance of opinion on the FOMC with regard to tightening, a consensus that may be more hawkish than in 2017, given a turnover in personnel at the Fed.

...suggesting higher interest rates and slower growth later in 2018

EXHIBIT 4: FOMC AND MARKET EXPECTATIONS FOR THE FED FUNDS RATE



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.

Market expectations are the federal funds rate priced into the fed futures market as of the date of the September 2017 FOMC meeting. *Guide to the Markets – U.S.* Data are as of November 15, 2017.

All of this presents an interesting economic backdrop for investors. In the ninth year of economic expansion, the economy is in a good place with regard to the levels: high economic activity, low unemployment, high levels of profits and low levels of inflation and interest rates. However, the direction of change in many of these variables looks less positive, particularly later in 2018 and 2019, even if the economy avoids shocks. This is why, in 2018, a more thoughtful approach to investment strategy is essential.

– Dr. David Kelly, CFA

FIXED INCOME: PREPARING FOR MONETARY POLICY NORMALIZATION

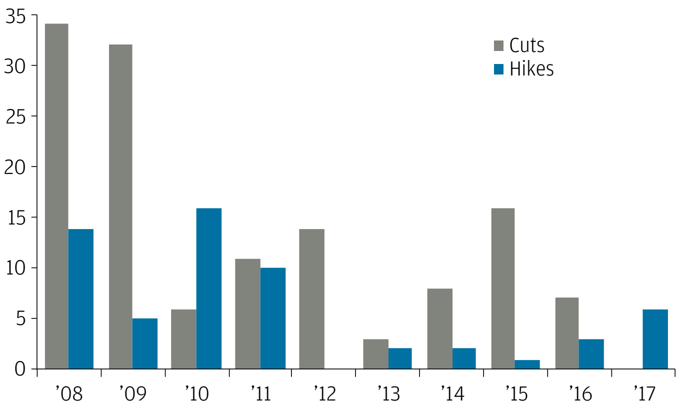
2017 has been characterized by strong growth around the world. A faster-moving economy is no doubt a good thing for investors' portfolios, helping to boost earnings, lift sentiment and move risk assets higher. However, faster economic growth also presents a challenge to global central bankers and fixed income investors.

In many ways the global economy has been like a sick patient in a hospital. Upon admission, doctors, in the form of central bankers, have pumped the patient full of monetary policy medicine. With the patient now looking healthier, the doctors must change their approach and wean the patient off of the medicine. As anyone who has given up sugar or coffee will know, breaking an addiction doesn't come without its side effects. With central banks hiking interest rates, reducing asset purchase programs and shrinking balance sheets, there will be some negative withdrawal effects around the world over the next 12 months, particularly in fixed income markets.

However, central bankers are not going to make financial markets go "cold turkey" by withdrawing monetary policy stimulus all at once. Assuming inflation remains relatively subdued, it is likely to be a long and gradual journey back toward a more normal approach to monetary policy. **Exhibit 5** on the next page shows the number of rate hikes and rate cuts done by the top-10 developed market (DM) central banks since 2008. Notably, in 2017, none of the major DM central banks cut rates for the first time since the global financial crisis; instead, they have seven hikes among them, with an additional potential hike from the Federal Reserve in December 2017. Beyond interest rate hikes, asset purchase programs by two major central banks – the European Central Bank (ECB) and the Bank of Japan (BoJ) – are also set to slow in 2018.

2017 has seen a number of central banks raise rates, a trend that should continue in 2018

EXHIBIT 5: NUMBER OF RATE CHANGES BY TOP-10 DM CENTRAL BANKS*



Source: Bank of Canada, Bank of England, Bank of Japan, Bank of Norway, Bloomberg, Central Bank of Sweden, European Central Bank, FactSet, Federal Reserve System, National Bank of Denmark, Reserve Bank of Australia, Swiss National Bank, J.P. Morgan Asset Management. *Includes: Australia, Canada, Denmark, eurozone, Japan, Norway, Sweden, Switzerland, UK, U.S. Data are as of October 31, 2017.

As the rest of the world begins to normalize policy in 2018, the U.S. Federal Reserve (Fed) will already be well along its way, having been the first mover in both interest rate hikes and balance sheet reduction. We believe the Fed will continue to be relatively aggressive, raising interest rates three times in 2018 beyond the likely hike in December 2017. The Fed's balance sheet reduction program, kick-started in late 2017, will likely ramp up over the course of the next 12 months, which should see the balance sheet contract by about $400bn by the end of 2018. As monetary policy is normalized around the developed world, bond prices should fall and yields should move gradually higher.

As we enter this unprecedented period of monetary policy normalization, it is important to ask: how should fixed income investors be positioning their portfolios? First, U.S. investors should expect a little less from their core fixed income holdings. Since 1990, the Bloomberg Barclays U.S. aggregate index has yielded, on average, 5.0%, with an annual return of 6.2%. Over the next year, this historical performance is unlikely to be repeated. Investors should look to clip the coupon and brace for some small negative movements in bond prices.

With a tepid return outlook for core U.S. holdings, it will become even more tempting for investors to search for additional yield outside of their traditional fixed income holdings while simultaneously diversifying. However, it is important to be selective in this search. With the global economic backdrop looking robust, areas such as emerging market debt look particularly attractive, while in the U.S., sectors with atypical responses to rising interest rates, like high yield and emerging market debt, could play a part in helping to lift returns. That said, broad fixed income diversification runs the risk of coming with increased correlation to S&P 500 returns. This increased correlation, in turn, has the potential to make a portfolio less diversified from a risk perspective. Therefore, maintaining an exposure to core fixed income remains a critical part of an investment portfolio.

In summary, the reduction in monetary policy stimulus is likely to lead to some withdrawal effects for fixed income investors over the next year. Central banks are likely to continue raising rates, reducing asset purchase programs and shrinking balance sheets, albeit gradually. Such steps are likely to drive down bond prices and hamper the returns on fixed income holdings in 2018. However, investors should not completely despair; with the help of areas such as high yield and emerging market debt, returns from fixed income holdings are likely to be positive, just lower than history.

— Alexander Dryden, CFA

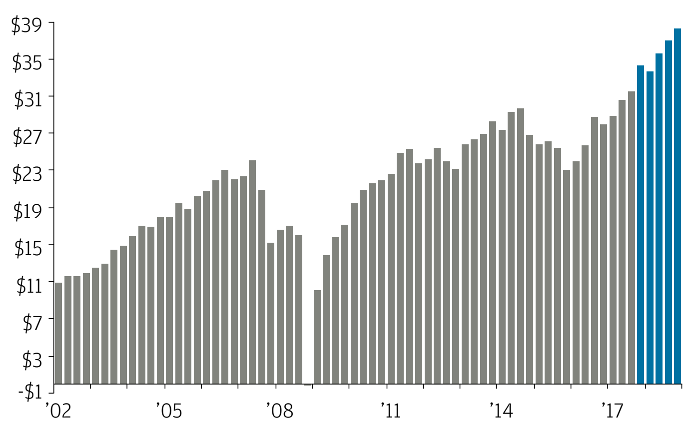
U.S. EQUITIES: BACK TO SCHOOL

For equity investors, the turn of each calendar year is much like a student's first day at a new school. They are excited by the prospect of a fresh environment, which they know will be full of new questions and unforeseen challenges, but simultaneously a bit nervous as they are forced to leave a world in which they had become comfortable.

At the beginning of 2017, investors were plagued by uncertainty. How many times would the Fed hike interest rates, and how would that impact markets? What would the first year of a new administration in the White House bring? Would the underperformance of growth stocks ever come to an end? How much longer would corporate profits remain under pressure?

Profits look set to continue rising next year

EXHIBIT 6: S&P 500 EARNINGS PER SHARE



Sources: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management. *Guide to the Markets - U.S.* Data are as of October 31, 2017.

While we now have answers to many of these questions, investors have found themselves faced with a new laundry list of issues for the coming year. In 2017, economic growth surprised to the upside. Will this better-than-expected growth continue? Will a corporate tax cut get passed? What are the market implications of a shift in both monetary and fiscal policy? How far can rates rise before they begin to weigh on equity market performance?

Equity market performance in the coming year should hinge on three variables: earnings, inflation and interest rates. Earnings are a function of economic growth, and we expect that the healthy pace of economic growth seen in the second half of 2017 can continue into next year. However, potential growth for the U.S. economy remains around 2%, suggesting that the above-trend pace we have seen should begin to moderate in the second half of 2018.

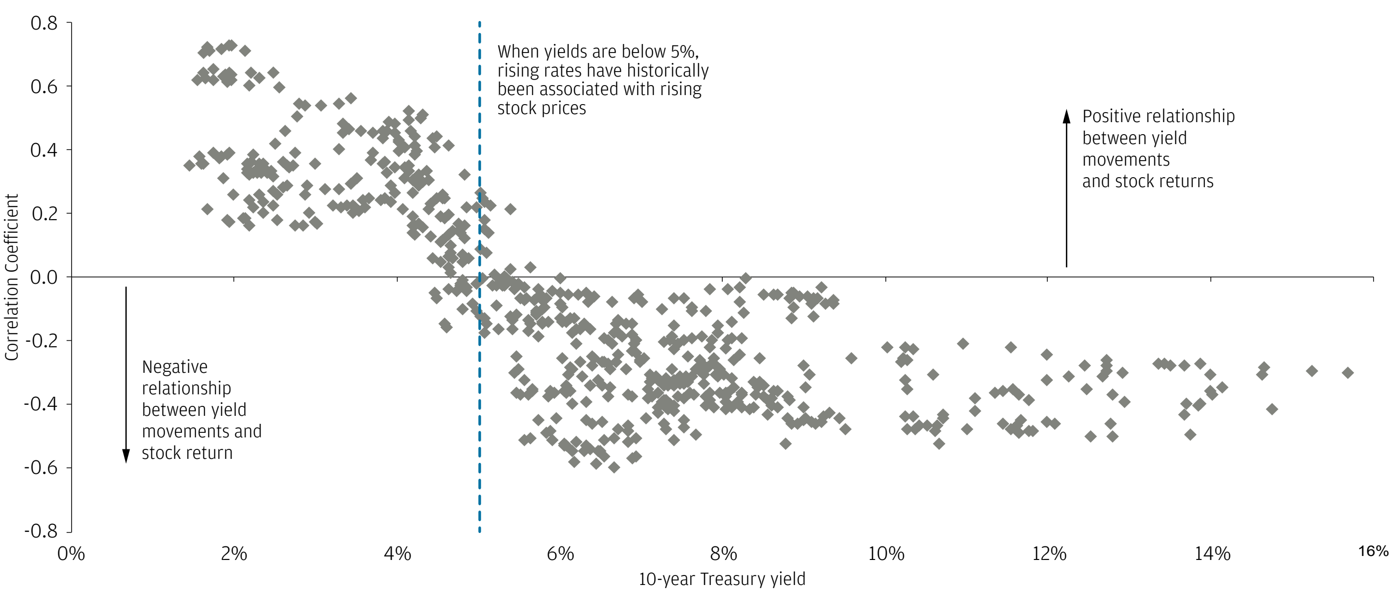
That said, even a moderate pace of underlying growth, coupled with a slight acceleration in the pace of inflation, could lead to stronger-than-expected revenue growth and potentially offset any downward pressure on margins stemming from a rise in wages. Over time, stock prices follow earnings, and given our expectation that the economy will avoid recession in the coming 12 months, profit growth should continue, providing fundamental support for equity markets to push higher (**Exhibit 6**, previous page). Any fiscal stimulus in the form of a corporate tax cut will be the icing on the cake.

There is the potential that above-trend growth, coupled with fiscal stimulus, could lead inflation to pick up more than expected. While there is still room for inflation to accelerate before it comes in conflict with the Fed's 2% target, any meaningful acceleration in inflation could lead market-based expectations of interest rates to re-price, potentially undermining the low interest rate and low volatility environment that has underpinned the melt-up in multiples seen over the past year.

However, with earnings continuing to grow, we expect that any volatility on the back of a repricing in interest rate expectations should remain relatively contained. Yes, it could lead to the elusive 10% correction investors have been searching for, but with equities still cheap relative to fixed income and the fundamentals looking solid, the risk of a bear market in the immediate future seems a bit remote. The question then becomes: at what level will rising rates begin to weigh on equity markets? As shown in **Exhibit 7** below, historically the 10-year U.S. Treasury yield has been able to rise to a level of 5% before interest rates and equity markets become negatively correlated.

Rising rates should not be a headwind for equities, yet...

EXHIBIT 7: CORRELATIONS BETWEEN WEEKLY STOCK RETURNS AND INTEREST RATE MOVEMENTS, S&P 500, 10Y UST



Source: FactSet, FRB, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Markers represent monthly 2-year correlations only. *Guide to the Markets – U.S.* Data are as of October 31, 2017.

The problem is that a backdrop of steadily falling rates over the past 35 years, coupled with central bank policy that has kept yields at artificially low levels during this business cycle, suggests the threshold for a shift in correlations may be lower than it has been historically. While the exact level is subject to debate, a qualitative analysis of why rates are rising can tell us what we need to know. If rates are rising for all of the right reasons – namely better economic growth, more normal monetary policy or healthier rates of inflation – equities should continue to move higher. However, if rates begin rising for the wrong reasons – the economy is overheating, the Fed is trying to cool things off or inflation is getting a bit too hot – equities, and equity multiples, will likely begin to come under pressure.

Given a backdrop of moderate economic growth, decent earnings growth, minimal inflation and gradually rising interest rates (from low levels), U.S. equities should be capable of generating mid-to-high single digit returns next year. The risk to this view stems from the fact that the U.S. is late cycle; with the unemployment rate expected to fall further, higher inflation and a more hawkish Fed seem inevitable. Furthermore, as we consider the investment options available in the coming year, economies outside the U.S. are far earlier in their respective business cycles, and still experiencing double-digit profit growth. Thus, with the first day of school just around the corner, investors would be wise to choose a curriculum that allows them to study abroad.

— David Lebovitz

INTERNATIONAL EQUITIES IN 2018: STILL CLIMBING

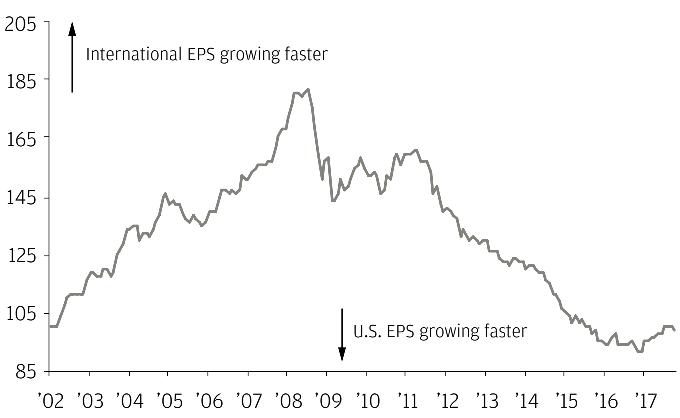
At one time or another, we have all sat next to a nervous flier on a plane. They are easy to spot: the enhanced alertness to any announcement over the loud speaker, the preoccupied focus on the plane's course on the map and sometimes even the outstretched hand when turbulence surfaces. Oftentimes, that behavior is the result of a prior bad experience on a flight, so the concern is understandable. I have actually been that person myself. Over time, I realized that I cannot let a previous situation hold me back from reaching my destination or prevent me from enjoying the ride, especially when I trust the pilot.

After four years of international equity underperformance relative to U.S. equities, with many worries along the way, it makes sense that some investors are scared to board the flight again or to relax during the journey. However, after over a year of strong, synchronized global economic and earnings growth, investors should recognize that the scariest part of the flight is behind us. We are now past 10,000 feet, the moment when the pilot allows the flight attendants to walk around, turns the wi-fi on and tells everyone to enjoy the ride. After a tepid acceleration in global growth in mid-2016, the global economy picked up speed over the course of 2017 with all of the major regions participating in the recovery. As we write this piece, 96% of major economies have a PMI figure above 50, indicating acceleration. This has created a virtuous cycle of consumption, earnings growth and investment around the world. We expect this momentum to continue in 2018, which, combined with still low levels of inflation in the developed world and a gradual normalization of monetary policy from major central banks, is a positive backdrop for international equities to continue outperforming those in the U.S. in the year ahead **(Exhibit 8)**.

2018 should be another year of strong global economic growth and, crucially, another year of strong earnings growth as well. Profits in several regions around the world grew at a double-digit pace in 2017; however, investors should remember that there is still plenty of room for them to keep climbing. While U.S. companies have been reporting record-high earnings since 2011, emerging market earnings would have to grow by 10% to reach their previous peak, and eurozone earnings would have to grow by 59% to reach theirs. With the encouraging acceleration in economic growth continuing, we can expect these gaps to continue to close.

After years of U.S. earnings outpacing international, a reversal is beginning

EXHIBIT 8: MSCI ACWI EX-U.S. VS. S&P 500 FORWARD EPS, USD, JAN. 2002 = 100

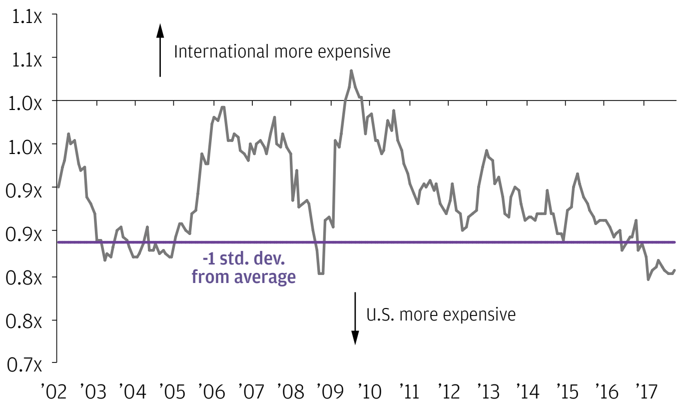


Sources: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management. Data are as of November 10, 2017.

Overall, international valuations are now at average levels after 18 months of rallying markets (**Exhibit 9**). The plane is no longer at the beginning of the climb, but at these levels, and especially compared to U.S. valuations, it is tough to conclude that we are at the end of the ascent.

International at almost record cheap levels relative to the U.S.

EXHIBIT 9: MSCI ACWI EX-U.S. VS. S&P 500 FORWARD PRICE-TO-EARNINGS RATIO



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. Data are as of November 10, 2017.

Lastly, we expect the U.S. dollar to continue acting as a tailwind to international returns for U.S. investors. We believe we are still at the beginning stages of a long move down for the dollar, as a result of better global growth, narrowing interest rate differentials, more stable commodity prices and a persistent U.S. current account deficit. This weaker dollar environment should continue to provide a boost to international returns in the year ahead.

2018 does have the potential for some pockets of turbulence, whether they arise from the continued geopolitical tensions in the Middle East and North Korea or from the several elections occurring around the world, such as in Italy and in a multitude of Latin American countries. However, one of the important lessons from 2017 is that investors should not let event risks such as elections restrain them from considering overseas opportunities. Oftentimes, the strong underlying economic momentum wins out. As a result, investors should not overreact to turbulence in the year ahead, and instead pay more attention to the destination.

While it continues to look like a favorable time for international equities, investors should make sure they have the right pilot. Crucially, one who is able to identify the best routes, whether by region or by sector. We continue to favor emerging markets and the eurozone, as well as cyclical over defensive sectors.

As we wrap up a strong year for emerging and developed equities, investors should remember that the climb is not over. For those nervous fliers, there is still time to put fears aside and buy that plane ticket.

— Gabriela Santos

CONCLUSION: FOCUS ON TIME-TESTED PRINCPLES

We conclude our year-ahead outlook by getting back to the investing principles that hold across market environments and truly are year-agnostic.

Let's compare two very different timekeeping devices: namely a broken clock and a sundial. While hot, flashy investing tactics and behaviors may work for short periods of time or when in "favor," – just as the time frozen on the broken clock's face is correct twice a day, investors should focus on tried and true principles of investing: behaviors that build success in a portfolio with greater consistency, like the way a sundial tells time. While being a simple device, a sundial can consistently and easily – barring very cloudy weather – tell you the time with great accuracy.

The following four investing principles are timeless and their importance holds regardless of what the growth rate of the U.S economy is, who the Fed chair is or whatever might be going on in China – and that is what makes them indispensable.

First and foremost, cash has and will continue to be a poor long-term investment. Even with rates continuing to normalize in 2018, interest rates and therefore the return on cash will not increase enough to make the overall cash return attractive. When we factor in inflation, we continue to get a negative real return on cash (**Exhibit 10A**, next page) as has been the case in every year since 2009. While cash has a small place in a portfolio, we know there are enormous amounts of cash sitting on the sidelines, almost $110,000 on a per household basis – well above total home mortgage debt (**Exhibit 10B**, next page).

Cash earns a negative real return and yet households keep so much of it

EXHIBIT 10A: ANNUAL INCOME GENERATED BY A $100,000 INVESTMENT IN A 6-MO. CD

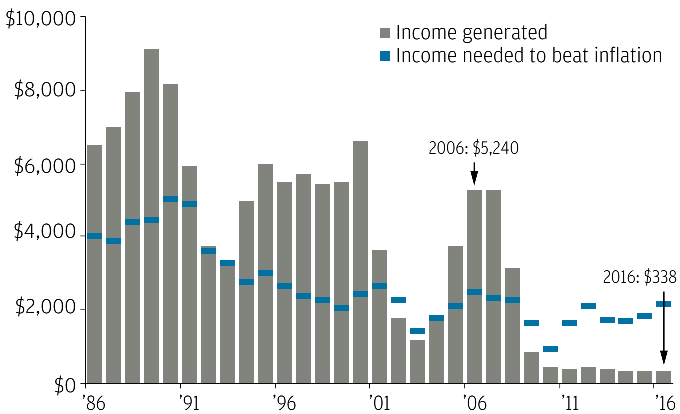
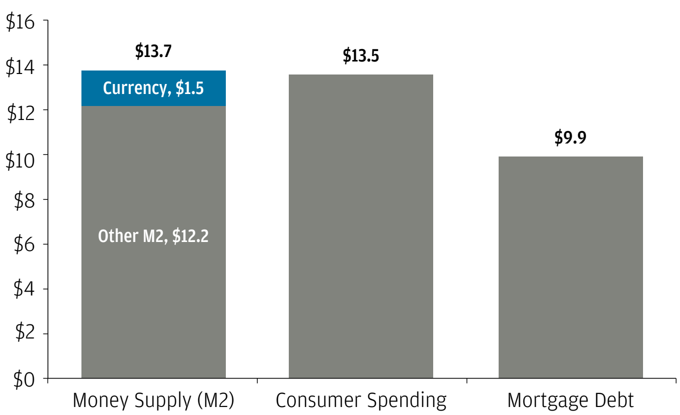


EXHIBIT 10B: TOTAL CASH LEVELS



Source: FactSet, J.P. Morgan Asset Management; (Left) Bankrate.com; (Right) Federal Reserve System, BEA.

Money supply and consumer spending data as of 9/30/2017. Consumer spending is SAAR Seasonally Adjusted Annual Rate data. Mortgage debt data as of 6/30/2017. M2 includes M1 (currency in circulation and reserve balances) plus savings deposits, small-denomination time deposits and retail money market mutual funds. Annual income is for illustrative purposes and is calculated based on the 6-month CD yield on average during each year and $100,000 invested. Past performance is not indicative of comparable future results. Data are as of October 31, 2017.

If cash is moved off of the sidelines, where should it go? A second principle is diversification. Being diversified has been key for investors, and that will continue to be the case in 2018. While in any one year a diversified portfolio is never the best or the worst performer when we look across returns of nine asset classes (**Exhibit 11**, next page), its benefit truly shows over the long run. Over the last 15 years, a hypothetical diversified portfolio had an average annual return of almost 7%, with a volatility of 11% – an attractive risk/return profile. The last 15 years have been filled with all sorts of events – wars, market crashes and natural disasters – namely, the type of events that would make you want to bunker down in cash and gold – and that would have been disastrous for returns. Often diversification gets a bad wrap for not "working," – especially when one part of the market is roaring ahead, leaving a diversified portfolio to lag behind, but overall, and over time, diversification works and is a winning strategy for long-run investors.

Diversification will be especially important in fixed income, where a rising rate environment will mean that navigating the asset class in an active way will be essential. Holding good quality fixed income as the umbrella for when a storm hits and traversing the gambit of sub-sectors in the market in a flexible and nimble way for returns will be key.

Being diversified and increasingly selective in equities will also be crucial. With returns in the longer term being limited by our starting point in 2018, choosing sectors, factors and regions will be critical for higher returns.

Diversification is a winning strategy for long-run investors

EXHIBIT 11: ASSET CLASS RETURNS OVER THE LAST 15 YEARS AND CUMULATIVE ANNUALIZED RETURN AND VOLATILITY

																2002-2016	
2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD	Ann.	Vol.
Comdty 25.9%	EM Equity 56.3%	REITs 31.6%	EM Equity 34.5%	REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 32.6%	REITs 10.8%	EM Equity 23.8%
Fixed Income 10.3%	Small Cap 47.3%	EM Equity 26.0%	Comdty 21.4%	EM Equity 32.6%	Comdty 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 22.3%	EM Equity 9.8%	REITs 22.6%
High Yield 4.1%	DM Equity 39.2%	DM Equity 20.7%	DM Equity 14.0%	DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 16.9%	High Yield 9.2%	Small Cap 20.1%
REITs 3.8%	REITs 37.1%	Small Cap 18.3%	REITs 12.2%	Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty 11.8%	Asset Alloc. 12.0%	Small Cap 8.5%	DM Equity 19.2%
Cash 1.7%	High Yield 32.4%	High Yield 13.2%	Asset Alloc. 8.1%	Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Small Cap 11.9%	Asset Alloc. 6.9%	Comdty 19.0%
Asset Alloc. -5.9%	Large Cap 28.7%	Asset Alloc. 12.8%	Large Cap 4.9%	Asset Alloc. 15.3%	Large Cap 5.5%	Comdty -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 9.9%	Large Cap 6.7%	Large Cap 15.9%
EM Equity -6.0%	Asset Alloc. 26.3%	Large Cap 10.9%	Small Cap 4.6%	High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 6.2%	DM Equity 5.7%	High Yield 11.7%
DM Equity -15.7%	Comdty 23.9%	Comdty 9.1%	High Yield 3.6%	Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.2%	Fixed Income 4.6%	Asset Alloc. 11.0%
Small Cap -20.5%	Fixed Income 4.1%	Fixed Income 4.3%	Cash 3.0%	Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Cash 0.6%	Cash 1.3%	Fixed Income 3.5%
Large Cap -22.1%	Cash 1.0%	Cash 1.2%	Fixed Income 2.4%	Comdty 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty -1.1%	Comdty -9.5%	Comdty -17.0%	Comdty -24.7%	Cash 0.3%	Comdty -0.8%	Comdty 1.2%	Cash 0.8%

Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management. *Guide to the Markets – U.S.* Data are as of October 31, 2017.

Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Barclays Global HY Index, Fixed Income: Barclays US Aggregate, REITs: NAREIT Equity REIT Index. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Barclays US Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represent period of 12/31/01 – 12/31/16. All data represent total return for stated period. Past performance is not indicative of future returns.

All that said, why not wait for a large correction to create a buying opportunity? Because even in the later stages of the cycle there exist opportunities: international markets are still climbing, while in the U.S earnings growth can support another year of the bull run. But an even more compelling reason to be in the market relates to our third principle: compounding.

The only way to have the power of compounding on your side is to be invested. It's worth noting that while compounding is a long-run phenomenon – supporting the adage "It's about time in the market, not market timing" – compounding starts working immediately, benefiting the investor over shorter time horizons as well. The combination of opportunities in the market and the math that compounding starts working immediately provide persuasive reasons as to why investors should not wait for a correction to invest.

Our last principle concerns volatility, and the value of knowing that volatility is normal. While we do not know what events may occur in 2018, the tide of volatility that has been out for the last few years very well may come in. Government policy, Fed action and events abroad all have the ability to spook the market in different ways. Investors should not let volatility derail their asset allocation or time invested in the market.

While sundials are not the fanciest way to tell the time and do not work in every single instance, they have served a great purpose, working consistently for countless people all over the world since 700 B.C. The investing principles presented are not as old and distinguished as the sundial, yet they have been a critical component of successful investing throughout modern financial history. And they will continue to be important as investors navigate the challenges of an old expansion and extended bull markets in 2018.

— Samantha Azzarello

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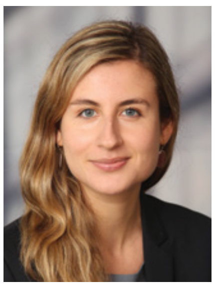

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MI-MB 2018 Outlook

J.P.Morgan
Asset Management

FY 2018: Q1		
JULY – NO MEETING	**AUGUST 14, 2017 Meeting**	**SEPTEMBER – NO MEETING**
	▪ Discussion on Investment Committee Meeting Structure and Pacing Calendar ▪ Capital Markets Review and Portfolio Performance ▪ Tactical Asset Allocation Positioning and Market Outlook ▪ Hedge Fund Education and Structure Review ▪ CFO Report Out – Open Session Finance Committee Materials	N/A
FY 2018: Q2		
OCTOBER – NO MEETING	**NOVEMBER 13, 2017 Meeting**	**DECEMBER – NO MEETING**
October 25, 2017 – Board and Committee Educational Session	▪ Capital Markets Review and Portfolio Performance ▪ Tactical Asset Allocation Positioning and Market Outlook ▪ Investment Policy Review ▪ CFO Report Out – Open Session Finance Committee Materials	N/A
FY 2018: Q3		
JANUARY 29, 2018	**FEBRUARY - NO MEETING**	**MARCH – 12, 2018 Meeting**
Joint Finance Committee and Investment Committee meeting.	*(February meeting moved to March)*	▪ Capital Markets Review and Portfolio Performance ▪ Tactical Asset Allocation Positioning and Market Outlook ▪ 5-Year Review of Investment Performance & Advisor (Pavilion) ▪ Asset Allocation Review and ERM Framework ▪ CFO Report Out – Open Session Finance Committee Materials ▪ Review Biennial Committee Self-Assessment ▪ Proposed FY 2020 Goals/Pacing Plan ▪ Proposed FY 2020 Meeting Dates ▪ Committee Goal
FY 2018: Q4		
APRIL – NO MEETING	**MAY 14, 2018 Meeting**	**JUNE – NO MEETING**
April 25, 2018 – Board and Committee Educational Session	▪ Capital Markets Review and Portfolio Performance ▪ Tactical Asset Allocation Positioning and Market Outlook ▪ CFO Report Out – Open Session Finance Committee Materials ▪ 403(b) Investment Performance ▪ Committee Charter Review (FY18, FY20)	N/A

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

	Item:	Report on Board Actions Investment Committee May 14, 2018
	Responsible party:	Cindy Murphy, Director of Governance Services
	Action requested:	For Information
	Background: In FY16, we added this item to each Board Committee agenda to keep Committee members informed about Board actions via a verbal report by the Committee Chair. This written report is intended to supplement the Chair's verbal report.	
	Other Board Advisory Committees that reviewed the issue and recommendation, if any: None.	
	Summary and session objectives: To inform the Committee about recent Board actions.	
	Suggested discussion questions: None.	
	Proposed Committee motion, if any: None. This is an informational item.	
	LIST OF ATTACHMENTS: 1. Report on ECH Board Actions	

El Camino Hospital®
THE HOSPITAL OF SILICON VALLEY

March 2018 ECH Board Actions*

1. March 14, 2018
    a. Approved Resolution 2018-03 recognizing Emergency Department physicians and staff for their work during this winter's severe flu season
    b. Received annual Compliance education
    c. Approved the Community Benefit Mid-Year Metrics
    d. Approved Resolution 2018-04: required by Premier, Inc. listing the CEO and CFO as authorized individuals to sell stock.

2. April 18, 2018
    a. Approved the FY 18 Period 7and 8 Financials
    b. Approved a Resolution Delegating Authority to the Executive Compensation Committee to Approve Annual Salary Ranges, Annual Base Pay Adjustments, Individual Incentive Goals and Incentive Payments for Executives other than the CEO.
    c. Approved a Resolution Approving the Winding Up and Dissolution of Pathways Continuous Care (Private Duty Services).
    d. Approved Revised ECH Bylaws Sections 5.1 1nd 5.2.

March 2018 ECHD Board Actions

1. March 20, 2018
    a. Approved Resolution 2018-05 acknowledging the District's partnership with the AHA on the "Check.Change.*Control"* Hypertension Initiative.
    b. Approved the FY18 YTD Financial Report
    c. Completed a Periodic Review of the District's Bylaws and Approved Revisions
    d. Approved Resolution 2018-03 Calling a District General Election and Resolution 2018-04 Requesting and Consenting to Consolidation of District Election with the November 2018 Statewide Election.

*This list is not meant to be exhaustive, but includes agenda items the Board voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital's Board Advisory Committees.

MULTNOMAH GROUP

Annual Report to the El Camino Hospital Investment Committee

El Camino Hospital 403(b) Plan
Performance as of March 29, 2018

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Table of Contents

Executive Summary

El Camino Hospital 403(b) Retirement

May 1, 2018,

Introduction

As an ERISA 3(21) Investment Fiduciary to the Plan, Multnomah Group reviews the investment menu with the El Camino Hospital Retirement Plan Administration Committee (RPAC) on a quarterly basis. Additionally, Multnomah Group conducts a annual fee benchmarking and share class study for the Plan.

Fund Actions

Effective January 2, 2018 the **New York Life Guaranteed Interest Account** moved to a lower share class, increasing the yield by 25 basis points.

On January 10, 2018 the final **Principal Fixed** payment was made for the 403(b) and the product is no longer in the menu.

At the July 26th, 2017 meeting, the RPAC approved two fund changes which are currently in the implementation process. The fund changes include removing **American Beacon Stephens Small Cap Growth** and replacing it with **Conestoga Small Cap** as well as removing **Fidelity Government Money Market** and replacing it with **Vanguard Federal Money Market**.

Additional Comments

T. Rowe Price Equity Income scores In the bottom half of it's Multnomah Group peer group ranking. The Equity Income fund focuses on investing in established, quality companies either with a history of paying above-average dividends or selling at a discount relative to their historical valuation. These type of securities have been out of favor for most of 2014 & 2015, thereby negatively affecting the funds performance. The fund takes a patient approach to investment, giving its discounted holdings time to play out to full valuation. PM John Linehan took over the portfolio from founding PM Brian Rogers in November 2015, thus inheriting Rogers' track record. (Roger's performance suffered from security selection, sector allocation, and a high cash position during much of 2014 and 2015 due to what he considered excessively high valuations for dividend paying stocks) Linehan has maintained Rogers' investment philosophy and process with steadily improving results.

Fee Benchmarking

As of December 31, 2017 the 403(b) Plan has a fixed dollar fee arrangement of $92 per participant. The fee is offset at the plan level by the revenue sharing generated by plan investments. Any excess revenue is credited to the plan’s revenue credit account. El Camino directs Fidelity to use these funds for plan administrative expenses or distributes it back to participants.

This $92 per participant fee is above Multnomah Group’s peer group range of $55-$90 per participant for similarly sized plans.

Share Class Review

At the July 26th, 2017 meeting, the RPAC had approved changing how Fidelity is compensation from paying Fidelity from the revenue sharing received by from the investment products to a fee levelization model where all participants are assessed a level asset-based fee to pay for Fidelity's services. This would allow two funds to be exchanged for lower share classes of the same investments. However, due to union negotiations, both the fee levelization change and share class changes have been put on hold.

Market Commentary

U.S. Economic Expansion is the Third Longest on Record

- Real GDP grew at an annualized rate of 2.9% in Q4 2017 (most recent available); the current economic expansion is in its ninth year
- Core CPI, which strips out food and energy prices, rose 0.2% in February (most recent available), up 1.9% versus a year ago
- The unemployment rate held steady at 4.1% in March -- its lowest level since 2000; nonfarm payrolls for the month increased by less than expected
- Factory goods orders increased 1.2% after declining in January; orders were supported by strong domestic and global demand, but a shortage of skilled workers and capacity constraints could hurt factory output; sentiment might change due to growing trade conflicts with China
- Consumer spending, which makes up over two-thirds of the economy, rose only 0.2% in February; banks are more cautious with lending policies

The Fed Hiked Rates Once Again in March

- The Fed raised interest rates in March 2018 by a quarter point; the recent rate hike was the sixth rate increase since December 2015
- 10- and 30-year Treasury bond yields increased to 2.7% and 3.0% during the quarter
- Developed international bonds and 3-month Treasury bills returned 4.5% and 0.4% in Q1, the top fixed income performers for the period and the only two with positive returns for the period; investment grade corporates and emerging markets bonds performed the worst
- The Fed recently started reducing its bond holdings following the expansion of its balance sheet by 500% to $4.2 trillion over the past decade; the reduction will take several years

A Bumpy Quarter for U.S. Equity Markets

- After a nine-quarter win streak, the U.S. stock market declined 0.76% in Q1 given interest rate, trade tariff, valuation, and rising inflation concerns
- Technology and consumer discretionary sectors were the only two sectors to show gains for the S&P 500 during Q1, with each sector up over 3%
- All other sectors were in negative territory for the quarter; telecom (-7.5%) and consumer staples (-7.1%) reported the largest declines
- The forward P/E for the S&P 500 dropped for Q1 to 16.4x, slightly above the 25-year average of 16.1x
- Small cap stocks outperformed large caps in Q1, a reversal from Q4; growth comfortably outperformed value for the quarter
- The CBOE Volatility Index (VIX Index) increased in Q1 after unusually low volatility in 2017

Emerging Markets Outperformed Developed Europe and Developed Asia

- Emerging markets equities reported the strongest Q1 returns versus other asset classes -- but only gained 1.4%; results were helped by Latin America which jumped 8.1% due to strong returns in Brazil
- Developed Europe (ex-UK) and Developed Asia had modestly negative returns for Q1; the UK market declined 3.9%
- China moved modestly higher (+1.8%) for Q1 after a very strong 2017; India declined 7.0%

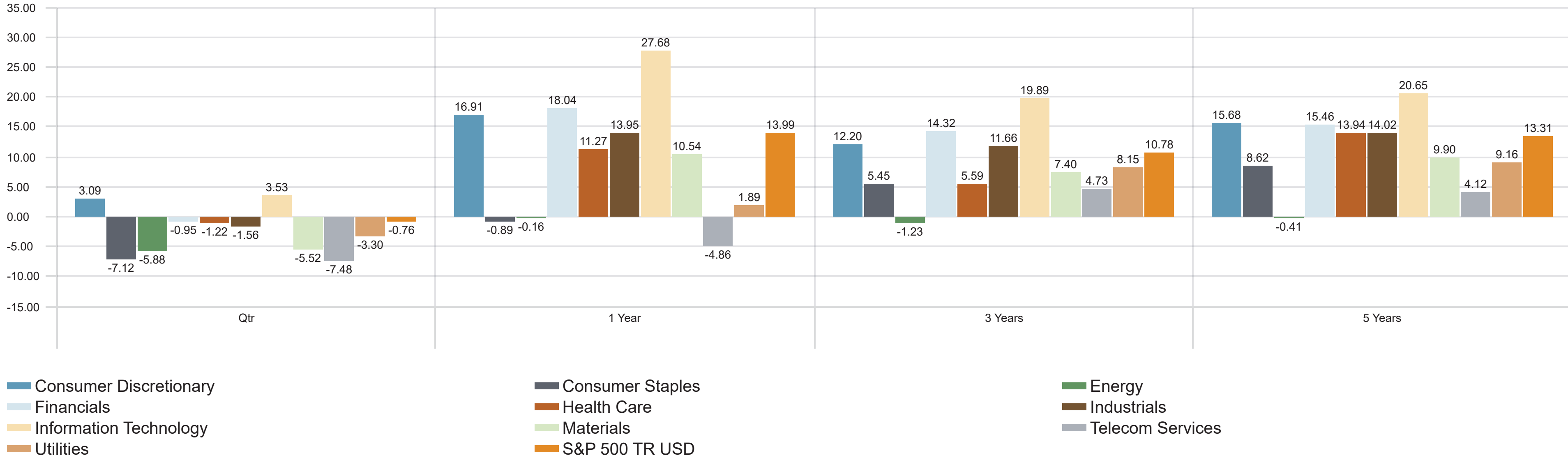
Commodities Were Basically Flat for the Quarter

- The Bloomberg Commodity Index declined modestly (-0.8%) during Q1
- U.S. crude oil prices jumped 8.5% during the quarter, finishing at $64.94 per barrel
- Gold prices moved up 2.6% for the 3-month period finishing the quarter at $1,324 per troy ounce
- REITs fell 6.7% in Q1 giving back much of its 2017 gains; the pullback was mainly from a heightened short-term sensitivity to interest rates

As of 3/31/2018

U.S. Market Equity

Returns by Sector (S&P 500)



Returns by Style (Russell Indices)

Last Quarter

	Value	Blend	Growth
Large	-2.99	-0.78	1.17
Mid	-2.50	-0.46	2.17
Small	-2.64	-0.08	2.30

Last 1 Year

	Value	Blend	Growth
Large	7.16	14.68	21.76
Mid	6.50	12.20	19.74
Small	5.13	11.79	18.63

Last 3 Years

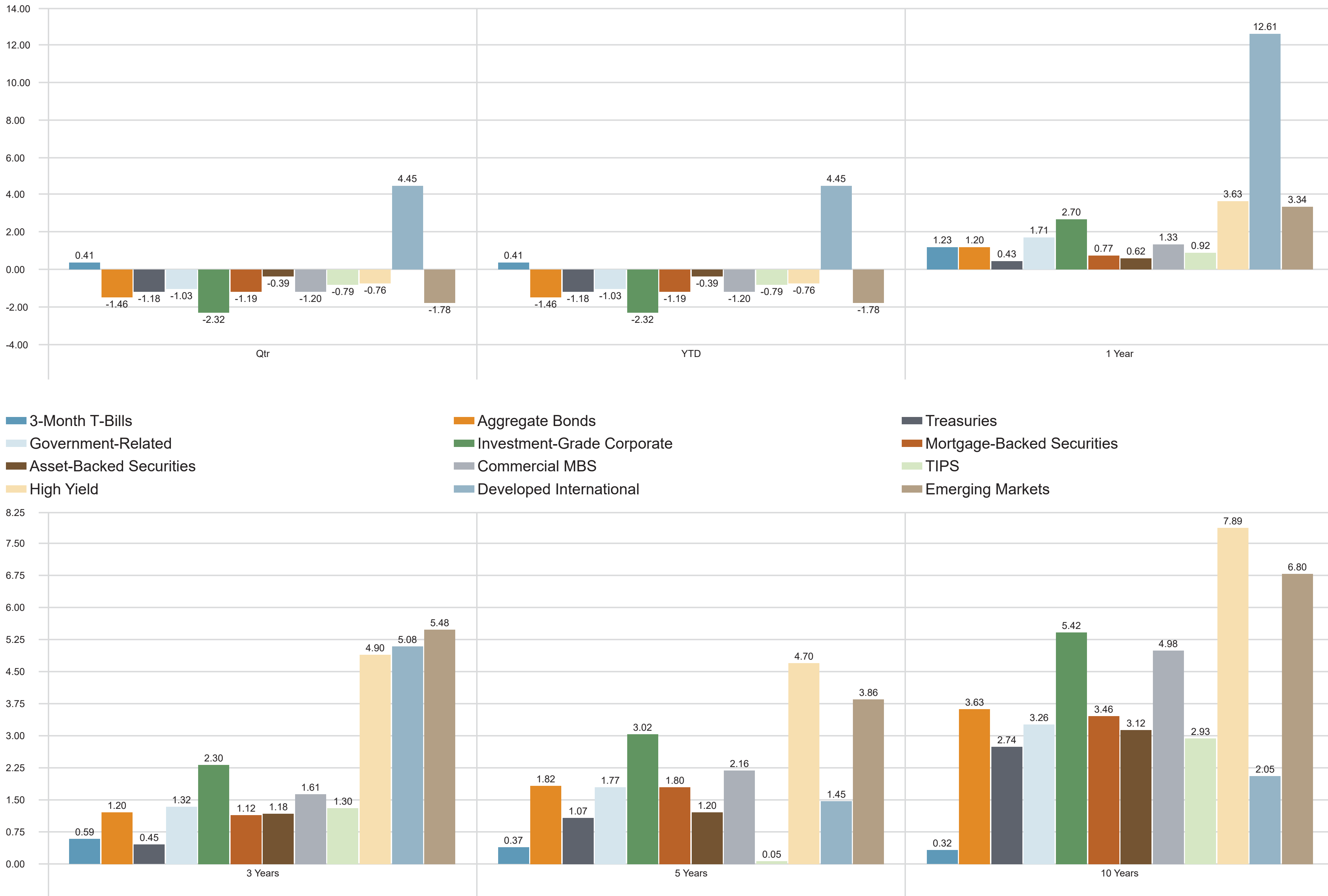
	Value	Blend	Growth
Large	8.17	11.41	14.40
Mid	7.23	8.01	9.17
Small	7.87	8.39	8.77

Last 5 Years

	Value	Blend	Growth
Large	10.66	13.62	16.42
Mid	11.11	12.09	13.31
Small	9.96	11.47	12.90

As of 3/31/2018

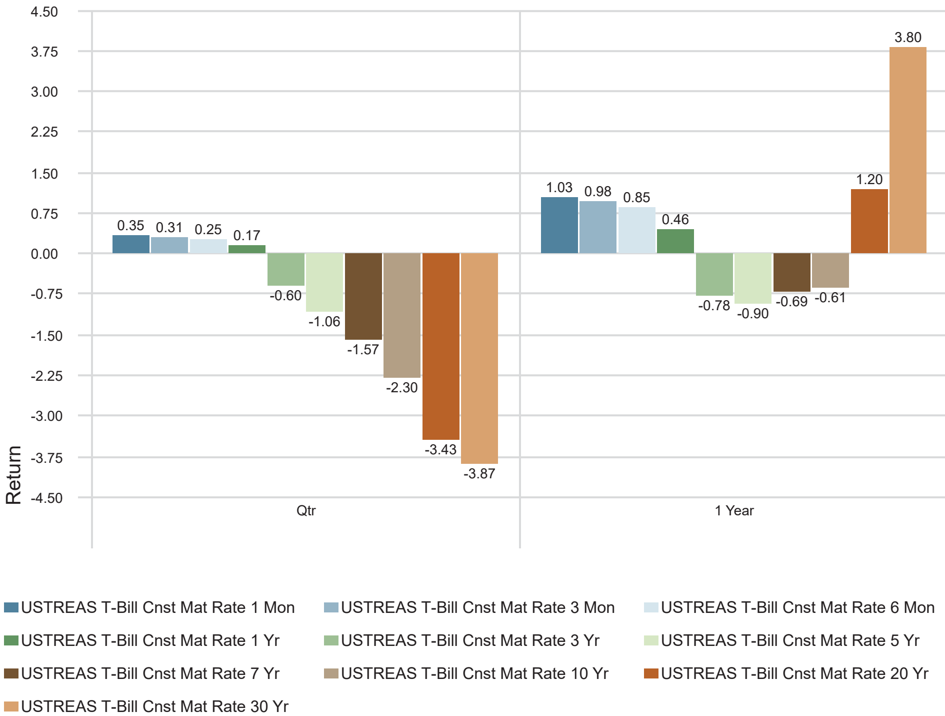
Fixed Income



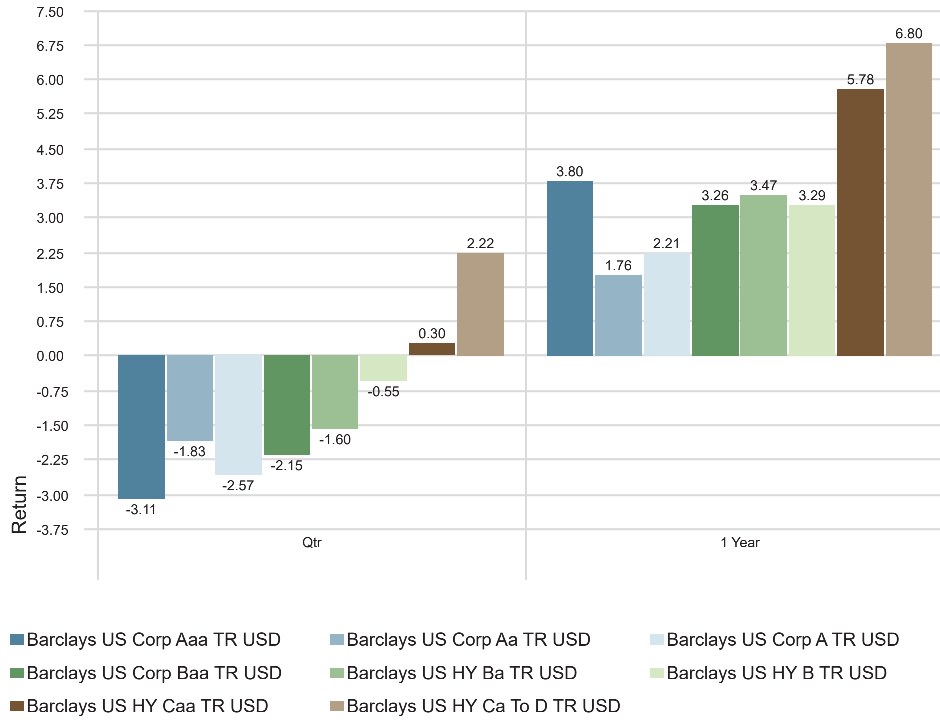
As of 3/31/2018

Fixed Income

Performance by Maturity



Performance by Credit Quality



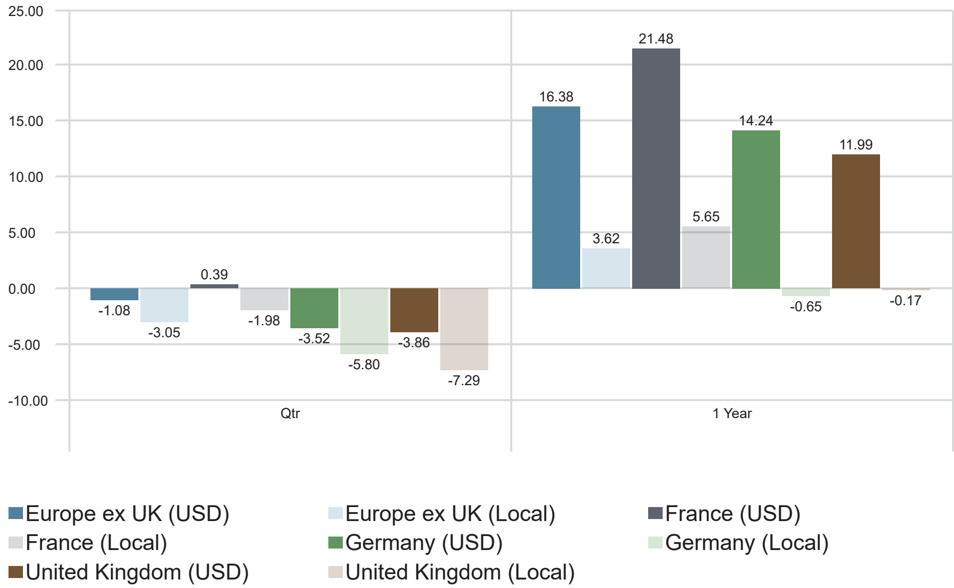
Estimated Cost of $1 of Lifetime Retirement Income at Age 65 (Adjusted for Cost of Living)

	BlackRock CoRI Retirement 2006	BlackRock CoRI Retirement 2008	BlackRock CoRI Retirement 2010	BlackRock CoRI Retirement 2012	BlackRock CoRI Retirement 2014	BlackRock CoRI Retirement 2016	BlackRock CoRI Retirement 2018	BlackRock CoRI Retirement 2020	BlackRock CoRI Retirement 2022	BlackRock CoRI Retirement 2024
3/29/2018		$ 14.03	$ 15.39	$ 16.77	$ 18.16	$ 19.57	$ 21.04	$ 19.80	$ 18.64	$ 17.56
12/29/2017		$ 15.26	$ 16.58	$ 17.88	$ 19.17	$ 20.47	$ 21.69	$ 20.44	$ 19.30	$ 18.24
9/29/2017		$ 15.34	$ 16.63	$ 17.90	$ 19.17	$ 20.40	$ 21.38	$ 20.03	$ 18.78	$ 17.64
6/30/2017		$ 15.53	$ 16.81	$ 18.06	$ 19.29	$ 20.58	$ 21.18	$ 19.82	$ 18.56	$ 17.44
3/31/2017		$ 15.45	$ 16.68	$ 17.90	$ 19.09	$ 20.27	$ 20.51	$ 19.09	$ 17.73	$ 16.55
12/30/2016		$ 15.61	$ 16.84	$ 18.06	$ 19.28	$ 20.46	$ 20.27	$ 18.84	$ 17.48	$ 16.29
9/30/2016		$ 16.74	$ 18.12	$ 19.50	$ 20.91	$ 22.22	$ 22.09	$ 20.81	$ 19.55	$ 18.45

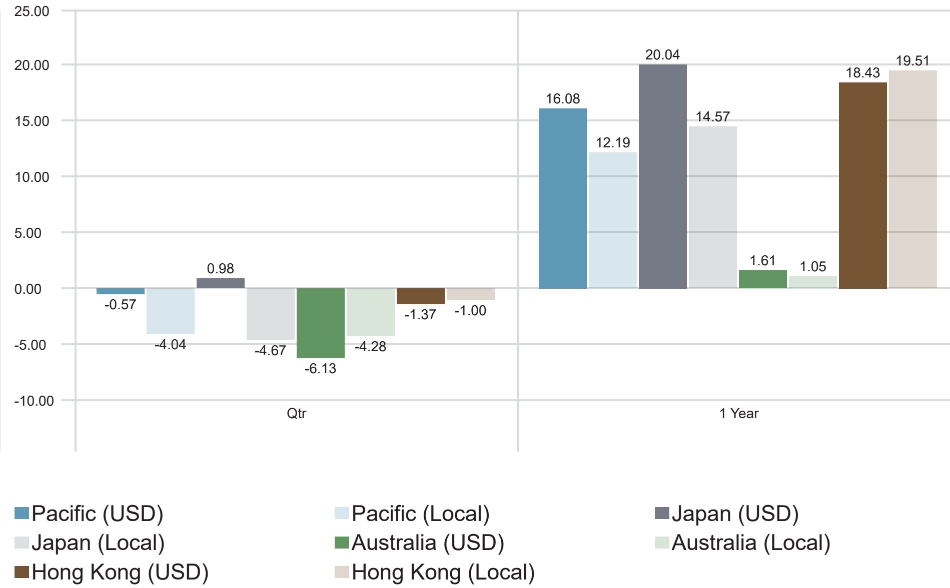
As of 3/31/2018

International Equity Markets

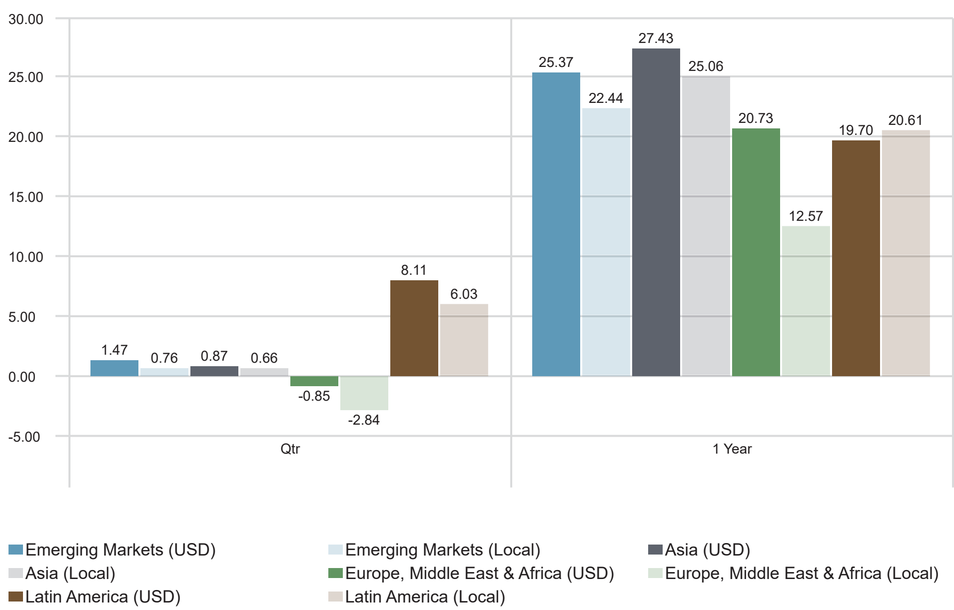
Developed Europe



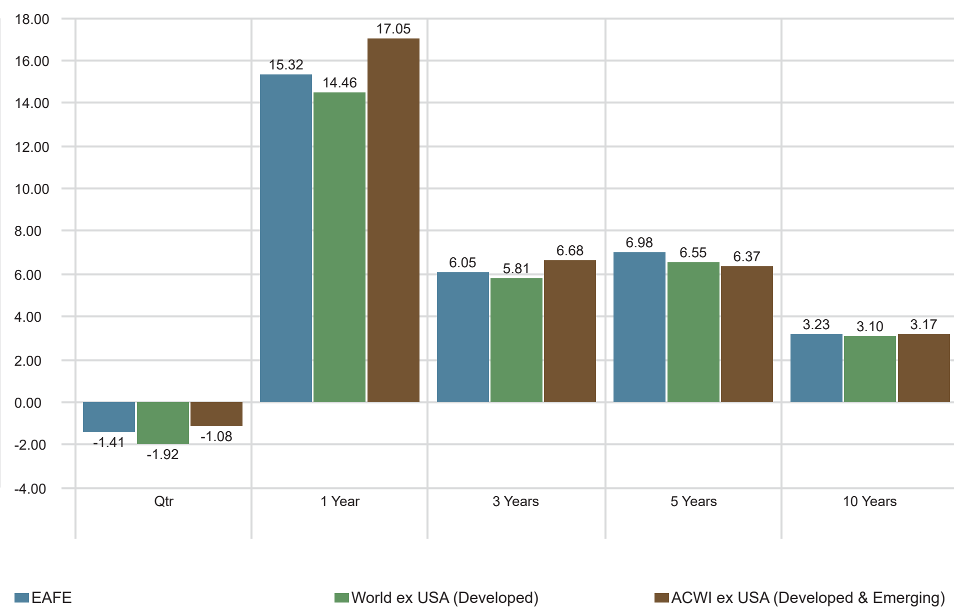
Developed Asia



Emerging Markets



International Benchmarks



As of 3/31/2018

Unpredictability of Asset Class Returns

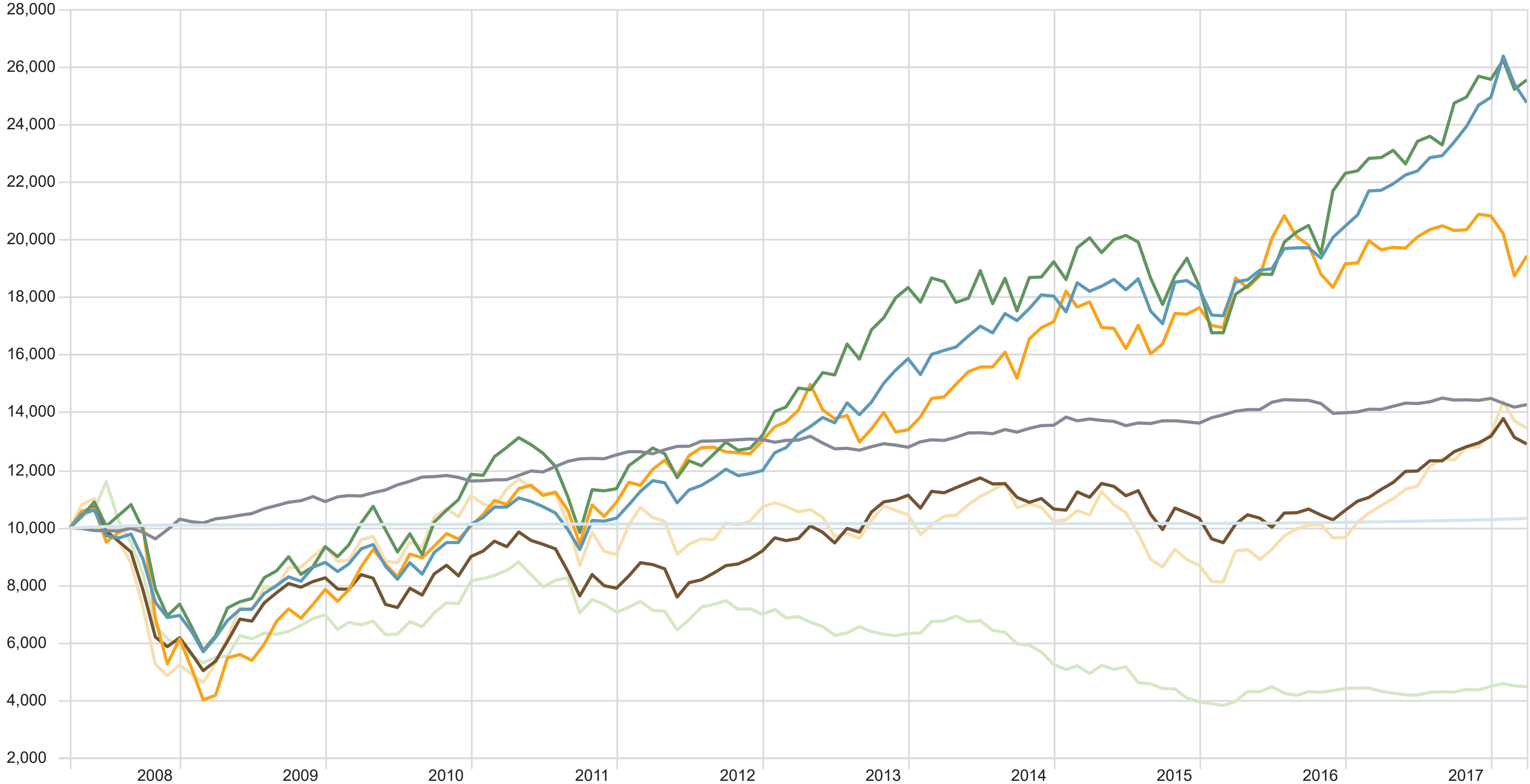
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD
Best	Intermediate Bonds 5.24	Emerging Market Stocks 78.51	REITs 27.95	REITs 8.28	REITs 19.70	U.S. Small Cap Stocks 38.82	REITs 28.03	REITs 2.83	U.S. Small Cap Stocks 21.31	Emerging Market Stocks 37.28	Emerging Market Stocks 1.42
	Cash 1.51	Developed Intl Stocks 33.67	U.S. Small Cap Stocks 26.85	Intermediate Bonds 7.84	Emerging Market Stocks 18.22	U.S. Large Cap Stocks 32.39	U.S. Large Cap Stocks 13.69	U.S. Large Cap Stocks 1.38	U.S. Large Cap Stocks 11.96	Developed Intl Stocks 24.21	Cash 0.41
	U.S. Small Cap Stocks -33.79	REITs 27.99	Emerging Market Stocks 18.88	U.S. Large Cap Stocks 2.11	Developed Intl Stocks 16.41	Developed Intl Stocks 21.02	Intermediate Bonds 5.97	Intermediate Bonds 0.55	Commodities 11.77	U.S. Large Cap Stocks 21.83	U.S. Small Cap Stocks -0.08
	Commodities -35.65	U.S. Small Cap Stocks 27.17	Commodities 16.83	Cash 0.06	U.S. Small Cap Stocks 16.35	REITs 2.86	U.S. Small Cap Stocks 4.89	Cash 0.05	Emerging Market Stocks 11.19	U.S. Small Cap Stocks 14.65	Commodities -0.40
	U.S. Large Cap Stocks -37.00	U.S. Large Cap Stocks 26.46	U.S. Large Cap Stocks 15.06	U.S. Small Cap Stocks -4.18	U.S. Large Cap Stocks 16.00	Cash 0.06	Cash 0.03	Developed Intl Stocks -3.04	REITs 8.63	REITs 8.67	U.S. Large Cap Stocks -0.76
	REITs -37.73	Commodities 18.91	Developed Intl Stocks 8.95	Developed Intl Stocks -12.21	Intermediate Bonds 4.21	Intermediate Bonds -2.02	Emerging Market Stocks -2.19	U.S. Small Cap Stocks -4.41	Developed Intl Stocks 2.75	Intermediate Bonds 3.54	Intermediate Bonds -1.46
	Developed Intl Stocks -43.56	Intermediate Bonds 5.93	Intermediate Bonds 6.54	Commodities -13.32	Cash 0.09	Emerging Market Stocks -2.60	Developed Intl Stocks -4.32	Emerging Market Stocks -14.92	Intermediate Bonds 2.65	Commodities 1.70	Developed Intl Stocks -2.04
Worst	Emerging Market Stocks -53.33	Cash 0.16	Cash 0.14	Emerging Market Stocks -18.42	Commodities -1.06	Commodities -9.52	Commodities -17.01	Commodities -24.66	Cash 0.34	Cash 0.97	REITs -6.66

- Cash
- U.S. Small Cap Stocks
- Emerging Market Stocks
- Intermediate Bonds
- REITs
- Commodities
- U.S. Large Cap Stocks
- Developed Intl Stocks

As of 3/31/2018

Growth of $10,000

Time Period: 4/1/2008 to 3/31/2018

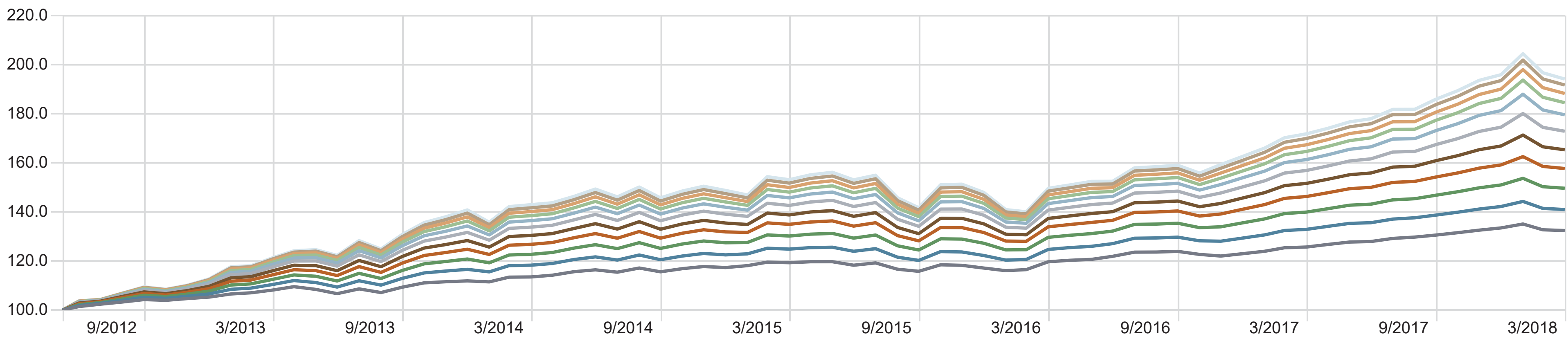


Cash	10,329.57	Intermediate Bonds	14,284.48	U.S. Large Cap Stocks	24,770.86
U.S. Small Cap Stocks	25,564.53	REITs	19,448.11	Developed Intl Stocks	12,913.65
Emerging Market Stocks	13,463.85	Commodities	4,480.38		

As of 3/31/2018

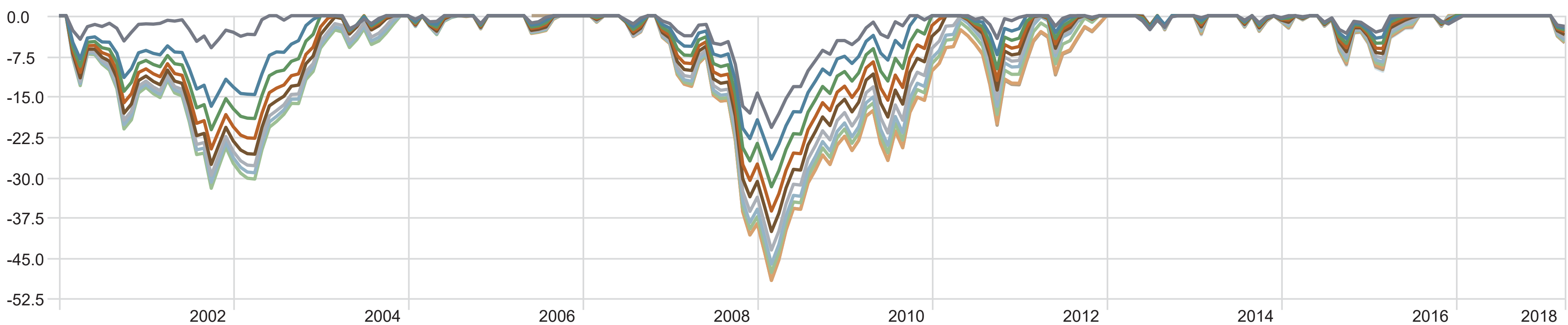
Target Date Investments

Growth of $100



S&P Target Date Retirement Income TR USD	132.4	S&P Target Date 2010 TR USD	141.0	S&P Target Date 2015 TR USD	149.7
S&P Target Date 2020 TR USD	157.7	S&P Target Date 2025 TR USD	165.3	S&P Target Date 2030 TR USD	172.9
S&P Target Date 2035 TR USD	179.6	S&P Target Date 2040 TR USD	184.5	S&P Target Date 2045 TR USD	188.3
S&P Target Date 2050 TR USD	191.8	S&P Target Date 2055+ TR USD	194.2		

Maximum Drawdown



S&P Target Date Retirement Income TR USD
S&P Target Date 2010 TR USD
S&P Target Date 2015 TR USD
S&P Target Date 2020 TR USD
S&P Target Date 2025 TR USD
S&P Target Date 2030 TR USD
S&P Target Date 2035 TR USD
S&P Target Date 2040 TR USD
S&P Target Date 2045 TR USD
S&P Target Date 2050 TR USD
S&P Target Date 2055+ TR USD

As of 3/31/2018

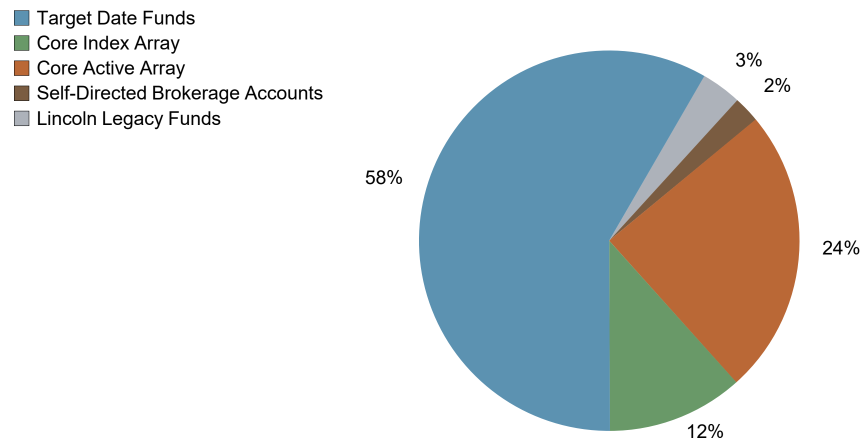
El Camino Hospital 403(b) Retirement Plan

Plan Asset Summary

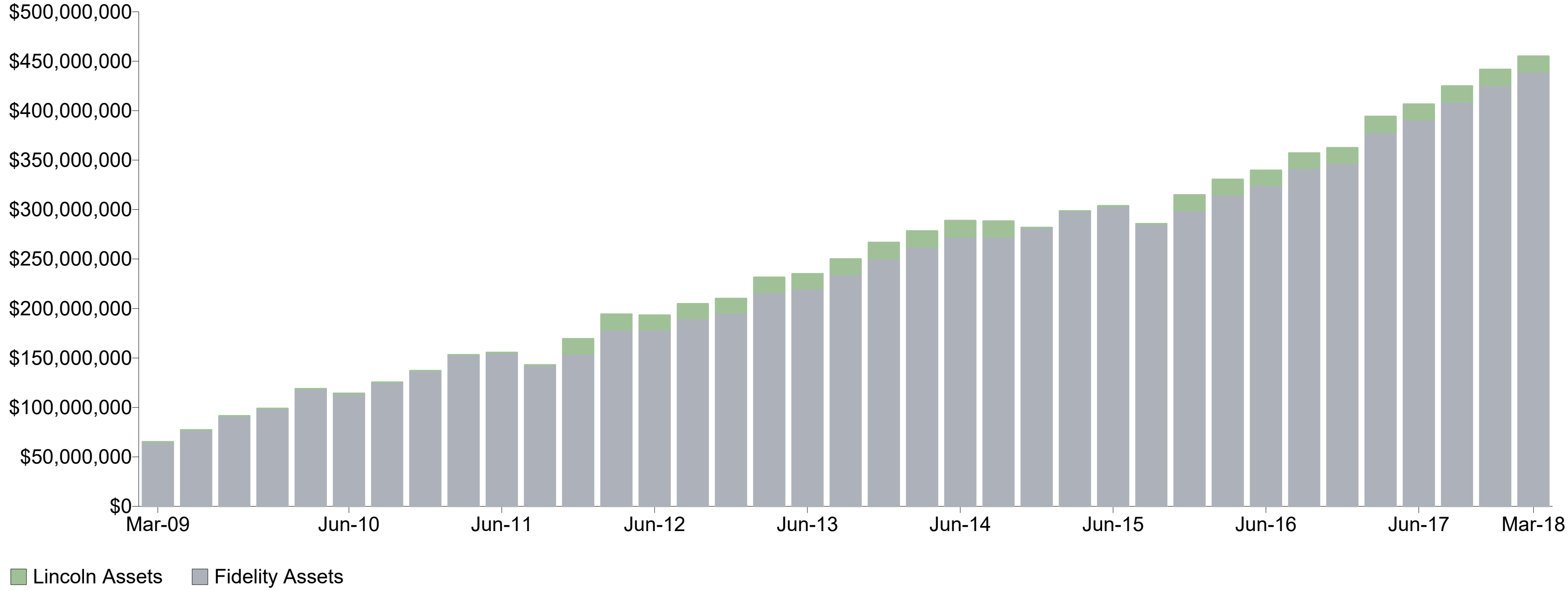
Assets by Investment Tier

Total Plan Assets	$455,088,947.90
Target Date Funds	$265,639,515.09
Core Index Array	$52,785,366.18
Core Active Array	$110,808,143.17
Self-Directed Brokerage Accounts	$10,137,680.43
Lincoln Legacy Funds	$15,718,243.03

Percentage Assets by Investment Tier



Growth of Assets



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As of March 29, 2018

Plan Asset Details - Fidelity

	Sep-17		Dec-17		Mar-18	
	Amount ($)	% of Total	Amount ($)	% of Total	Amount ($)	% of Total
Target Date Funds	**$245,807,608.02**	**60.10**	**$257,664,415.70**	**60.53**	**$265,639,515.09**	**60.46**
T. Rowe Price Retirement 2005	$4,426,091.70	1.08	$3,947,443.97	0.93	$3,909,246.11	0.89
T. Rowe Price Retirement 2010	$6,624,533.64	1.62	$6,695,428.74	1.57	$6,264,959.06	1.43
T. Rowe Price Retirement 2015	$19,925,178.06	4.87	$20,134,737.20	4.73	$18,872,315.44	4.30
T. Rowe Price Retirement 2020	$46,221,659.88	11.30	$48,170,461.73	11.32	$48,275,629.19	10.99
T. Rowe Price Retirement 2025	$30,203,988.06	7.38	$32,136,866.19	7.55	$34,225,556.43	7.79
T. Rowe Price Retirement 2030	$45,323,504.53	11.08	$48,148,420.38	11.31	$48,989,976.03	11.15
T. Rowe Price Retirement 2035	$28,832,121.38	7.05	$30,277,340.34	7.11	$32,155,003.55	7.32
T. Rowe Price Retirement 2040	$28,835,898.16	7.05	$30,152,740.16	7.08	$31,273,237.88	7.12
T. Rowe Price Retirement 2045	$19,476,425.23	4.76	$20,572,733.03	4.83	$22,488,137.12	5.12
T. Rowe Price Retirement 2050	$13,006,940.22	3.18	$14,169,979.03	3.33	$15,335,972.01	3.49
T. Rowe Price Retirement 2055	$1,970,176.40	0.48	$2,222,930.62	0.52	$2,702,140.15	0.62
T. Rowe Price Retirement 2060	$961,090.76	0.23	$1,035,334.31	0.24	$1,147,342.12	0.26
Core Index Array	**$48,526,579.84**	**11.86**	**$52,048,817.67**	**12.23**	**$52,785,366.18**	**12.01**
Fidelity US Bond Idx Prem	$1,897,805.45	0.46	$1,430,865.67	0.34	$1,512,012.92	0.34
Fidelity 500 Index Instl	$31,661,156.27	7.74	$34,799,981.85	8.17	$35,142,123.28	8.00
Fidelity Extended Market Idx Prem	$14,285,410.21	3.49	$14,898,662.64	3.50	$15,050,236.87	3.43
Fidelity Global Ex US Idx Prem	$682,207.91	0.17	$919,307.51	0.22	$1,080,993.11	0.25
Core Active Array	**$105,587,782.40**	**25.82**	**$106,221,148.64**	**24.95**	**$110,808,143.17**	**25.22**
NY Life GIA Net 10 ELCH 403b	$0.00	0.00	$0.00	0.00	$22,885,248.00	5.21
NY Life GIA Net 35 ELCH	$19,497,580.68	4.77	$17,868,719.90	4.20	$0.00	0.00
Principal Fixed Inc Guar-65bps	$4,433,383.70	1.08	$4,234,645.82	0.99	$0.00	0.00
Fidelity Govt Money Market	$13,672,173.46	3.34	$13,630,329.48	3.20	$14,192,928.06	3.23
Fidelity Total Bond Fund	$10,139,485.52	2.48	$10,789,814.64	2.53	$11,044,716.28	2.51
T. Rowe Price Equity Income	$6,267,051.11	1.53	$6,535,826.37	1.54	$6,281,197.66	1.43
JPMorgan Large Cap Growth R5	$23,013,980.85	5.63	$24,560,334.50	5.77	$27,070,656.14	6.16
Northern Small Cap Value	$8,745,682.40	2.14	$8,590,477.70	2.02	$8,271,345.01	1.88
Amer Beacon Stephens Sm Cap Gr Inst	$4,288,321.40	1.05	$4,360,132.26	1.02	$5,052,823.75	1.15
Cohen & Steers Instl Realty Shares	$4,667,715.08	1.14	$4,469,303.02	1.05	$4,050,907.93	0.92
Dodge & Cox International Stock	$787,846.76	0.19	$862,154.87	0.20	$990,366.65	0.23
American Funds EuroPacific Gr R4	$9,617,750.94	2.35	$9,700,575.25	2.28	$10,143,061.86	2.31
DFA Intl Small Company I	$456,810.50	0.11	$618,834.83	0.15	$824,891.83	0.19
Self-Directed Brokerage Accounts	**$9,093,993.12**	**2.22**	**$9,761,316.20**	**2.29**	**$10,137,680.43**	**2.31**
Fidelity Mutual Fund Window	$9,093,993.12	2.22	$9,761,316.20	2.29	$10,137,680.43	2.31
Total	**$409,015,963.38**	**100.00**	**$425,695,698.21**	**100.00**	**$439,370,704.87**	**100.00**

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As of March 29, 2018

Contribution and Withdrawal Summary - Fidelity

Quarter Ended	Contributions (1)	Withdrawals (2)	Earnings (3)	Ending Balance
12/31/2017	N/A	N/A	N/A	$425,695,698
03/31/2018	$10,843,071	($5,263,304)	$8,095,239	$439,370,705

(1) Contributions include all dollars into the plan, including cash flows attributable to loan repayments and contract transfers.
(2) Withdrawals include all dollars out of the plan, including loan principal outlays and contract transfers.
(3) Earnings are calculated based on the difference between the quarterly ending balances, adjusted for contributions and withdrawals for the period.
Information included in the tables above is intended for illustrative purposes only and not warranted to be accurate. Data is derived based on information provided by the plan's recordkeeper.
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As of March 29, 2018

Plan Asset Details - Lincoln Individual Contracts

	Sep-17		Dec-17		Mar-18	
	Amount ($)	% of Total	Amount ($)	% of Total	Amount ($)	% of Total
Fidelity Freedom 2035	$0.00	0.00	$71,483.63	0.45	$70,415.28	0.45
Lincoln Fixed Account	$4,082,036.54	25.74	$4,230,256.34	26.39	$4,183,835.36	26.62
LVIP Money Market Std	$1,608.78	0.01	$1,606.20	0.01	$1,605.69	0.01
Delaware VIP Diversified Income Std	$306,635.42	1.93	$269,934.53	1.68	$253,068.52	1.61
LVIP Delaware Bond Std	$349,564.96	2.20	$342,582.51	2.14	$334,847.93	2.13
LVIP SSgA Bond Index Svc	$645.42	0.00	$645.71	0.00	$634.19	0.00
PIMCO VIT Total Return Admin	$18,432.39	0.12	$18,392.82	0.11	$18,117.31	0.12
LVIP BlackRock Infl Protect Bd Std	$15,013.69	0.09	$15,123.67	0.09	$15,090.79	0.10
LVIP Global Income Std	$21,403.69	0.13	$21,363.50	0.13	$21,609.73	0.14
Delaware VIP High Yield Series Std	$22,747.12	0.14	$14,321.59	0.09	$9,956.50	0.06
LVIP Delaware Fdn Cons Alloc Std	$380,287.67	2.40	$388,832.45	2.43	$383,598.12	2.44
LVIP Protected Profile Growth Std	$90,594.52	0.57	$93,870.66	0.59	$92,922.36	0.59
LVIP Protected Profile Mod Std	$131,941.29	0.83	$132,904.70	0.83	$131,675.34	0.84
LVIP SSgA Gbl Tact Alloc RPM Std	$414.52	0.00	$428.34	0.00	$422.72	0.00
LVIP Delaware Fdn Aggr Alloc Std	$101,324.13	0.64	$102,584.73	0.64	$99,812.83	0.64
Delaware VIP Value Series Std	$301,557.47	1.90	$297,987.50	1.86	$293,997.11	1.87
LVIP BlackRock Eq Div Mgd Vol Std	$322,081.11	2.03	$646,329.71	4.03	$314,861.35	2.00
American Funds IS Growth-Income 2	$470,356.53	2.97	$494,911.40	3.09	$501,664.07	3.19
LVIP Dimensional US Core Eq 1 Std	$834,037.26	5.26	$826,106.57	5.15	$799,275.68	5.09
LVIP SSgA S&P 500 Index Std	$284,607.50	1.79	$275,628.52	1.72	$272,719.69	1.74
American Funds IS Growth 2	$1,314,656.62	8.29	$1,315,246.29	8.20	$1,306,573.60	8.31
Fidelity VIP Contrafund Svc	$1,620,952.20	10.22	$1,643,856.67	10.25	$1,611,289.57	10.25
Fidelity VIP Growth Svc	$61,864.73	0.39	$63,238.03	0.39	$347,268.60	2.21
LVIP Blended Large Gr Mgd Vol Std	$72,441.90	0.46	$76,615.80	0.48	$76,166.43	0.48
LVIP Delaware Social Awareness Std	$428,760.01	2.70	$440,302.69	2.75	$437,473.27	2.78
LVIP Delaware Special Opps Std	$808,783.21	5.10	$796,026.08	4.97	$767,590.18	4.88
Delaware VIP Smid Cap Gr Series Std	$1,417,973.77	8.94	$1,399,980.68	8.73	$1,382,488.23	8.80
LVIP Baron Growth Opportunities Svc	$224,347.07	1.41	$235,302.59	1.47	$237,804.87	1.51
LVIP T Rowe Price Struct Md Gr Std	$120,480.26	0.76	$123,139.72	0.77	$126,011.91	0.80
Delaware VIP Small Cap Val Ser Svc	$335,980.27	2.12	$297,883.80	1.86	$280,088.62	1.78
LVIP SSgA Small Cap Index Std	$10,064.46	0.06	$10,357.40	0.06	$3,420.51	0.02
Delaware VIP REIT Series Std	$155,540.97	0.98	$150,341.77	0.94	$131,285.16	0.84
MFS VIT Utilities Series Init	$126,445.72	0.80	$126,512.36	0.79	$124,007.79	0.79
LVIP Mondrian Intl Value Std	$163,481.38	1.03	$156,136.76	0.97	$142,712.86	0.91
American Funds IS International 2	$883,331.00	5.57	$868,525.10	5.42	$860,774.88	5.48
LVIP SSgA International Index Std	$292,931.14	1.85	$0.00	0.00	$0.00	0.00
LVIP SSgA International MgdVol Svc	$0.00	0.00	$0.00	0.00	$922.76	0.01
LVIP Vanguard Intl Eq ETF Svc	$17,706.34	0.11	$18,481.95	0.12	$18,427.48	0.12
LVIP SSgA Emerging Markets 100 Std	$2,773.18	0.02	$2,897.28	0.02	$2,942.00	0.02

This supplemental report is provided for informational purposes only and is not a substitute for the custodian's statement.

As of March 29, 2018

Plan Asset Details - Lincoln Individual Contracts

	Sep-17		Dec-17		Mar-18	
	Amount ($)	% of Total	Amount ($)	% of Total	Amount ($)	% of Total
Blackrock Global Alloc VI I	$16,963.58	0.11	$17,350.54	0.11	$17,237.54	0.11
AllianceBern VPS Gbl Thematic Gr B	$0.00	0.00	$0.00	0.00	$0.00	0.00
American Funds IS Global Growth 2	$45,055.29	0.28	$42,552.04	0.27	$43,626.20	0.28
LVIP Clarion Global Real Estate Std	$0.00	0.00	$0.00	0.00	$0.00	0.00
Total	**$15,855,823.11**	**100.00**	**$16,030,042.63**	**100.00**	**$15,718,243.03**	**100.00**

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As of March 29, 2018

Fund Scorecard

Fund	Asset Class	Investment Style (25%)	Expenses (20%)	Experience (10%)	Diversification (5%)	Manager Skill (20%)	Consistency (10%)	Risk (10%)	Peer Group Percentile Rank	Multnomah Group Evaluation
Fidelity Govt Money Market	Money Market-Taxable	●	▲	●	●	●	●	●	48	Satisfactory
Fidelity US Bond Idx Prem	Intermediate-term Bond	●	●	●	●	NA-Index	NA-Index	⯃	29	Satisfactory
Fidelity Total Bond Fund	Intermediate-term Bond	▲	●	●	●	●	●	⯃	16	Satisfactory
T. Rowe Price Equity Income	Large Value	●	●	⯃	●	⯃	⯃	▲	67	Satisfactory
Fidelity 500 Index Instl	Large Blend	●	●	●	●	NA-Index	NA-Index	●	6	Satisfactory
JPMorgan Large Cap Growth R5	Large Growth	▲	●	●	▲	●	●	⯃	12	Satisfactory
Fidelity Extended Market Idx Prem	Mid-Cap Blend	●	●	●	●	NA-Index	NA-Index	⯃	36	Satisfactory
Northern Small Cap Value	Small Value	●	●	●	●	●	▲	▲	11	Satisfactory
Amer Beacon Stephens Sm Cap Gr Inst	Small Growth	●	●	●	●	⯃	▲	▲	65	Recommend Removal
Dodge & Cox International Stock	Foreign Large Blend	⯃	●	●	●	●	●	⯃	12	Satisfactory
Fidelity Global Ex US Idx Prem	Foreign Large Blend	●	●	●	●	NA-Index	NA-Index	▲	15	Satisfactory
American Funds EuroPacific Gr R4	Foreign Large Growth	●	●	●	●	▲	●	●	13	Satisfactory
DFA Intl Small Company I	Foreign Small/Mid Blend	●	●	●	●	●	●	●	1	Satisfactory
Cohen & Steers Instl Realty Shares	Real Estate	▲	▲	●	⯃	●	●	●	14	Satisfactory

Grades are based on a Multnomah Group proprietary evaluation methodology. For a detailed explanation of the criteria please see the Evaluation Methodology section in the back of this report.

As of March 29, 2018

Fund Scorecard History

	Jun-17	Sep-17	Dec-17	Mar-18
Fidelity Govt Money Market	42	48	43	48
Fidelity US Bond Idx Prem	30	31	29	29
Fidelity Total Bond Fund	20	18	41	16
T. Rowe Price Equity Income	61	61	65	67
Fidelity 500 Index Instl	6	5	7	6
JPMorgan Large Cap Growth R5	58	53	44	12
Fidelity Extended Market Idx Prem	19	18	37	36
Northern Small Cap Value	1	1	5	11
Amer Beacon Stephens Sm Cap Gr Inst	63	62	65	65
Dodge & Cox International Stock	7	7	10	12
Fidelity Global Ex US Idx Prem	11	12	13	15
American Funds EuroPacific Gr R4	4	19	22	13
DFA Intl Small Company I	1	2	1	1
Cohen & Steers Instl Realty Shares	3	8	14	14

As of March 29, 2018

Performance Overview

	Qtr	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Expense Ratio (%)	Ticker
			Annualized Returns					
Target-Date 2060+								
T. Rowe Price Retirement 2060	0.41	0.41	14.87	8.60	N/A	N/A	0.74	TRRLX
S&P Target Date 2055+	-0.91	-0.91	13.00	8.24	9.87	NA		
Target-Date 2055								
T. Rowe Price Retirement 2055	0.39	0.39	14.78	8.61	10.60	8.15	0.74	TRRNX
S&P Target Date 2055+	-0.91	-0.91	13.00	8.24	9.87	NA		
Target-Date 2050								
T. Rowe Price Retirement 2050	0.45	0.45	14.97	8.65	10.63	8.17	0.74	TRRMX
S&P Target Date 2050	-0.94	-0.94	12.83	8.11	9.68	NA		
Target-Date 2045								
T. Rowe Price Retirement 2045	0.43	0.43	14.85	8.62	10.61	8.17	0.74	TRRKX
S&P Target Date 2045	-0.94	-0.94	12.50	7.88	9.38	6.89		
Target-Date 2040								
T. Rowe Price Retirement 2040	0.37	0.37	14.57	8.47	10.51	8.12	0.74	TRRDX
S&P Target Date 2040	-0.94	-0.94	12.07	7.61	9.07	6.83		
Target-Date 2035								
T. Rowe Price Retirement 2035	0.26	0.26	13.72	8.12	10.11	7.89	0.72	TRRJX
S&P Target Date 2035	-0.94	-0.94	11.31	7.21	8.64	6.64		
Target-Date 2030								
T. Rowe Price Retirement 2030	0.15	0.15	12.77	7.71	9.55	7.64	0.69	TRRCX
S&P Target Date 2030	-0.95	-0.95	10.19	6.62	8.02	6.39		
Target-Date 2025								
T. Rowe Price Retirement 2025	0.06	0.06	11.49	7.12	8.80	7.27	0.67	TRRHX
S&P Target Date 2025	-0.93	-0.93	9.03	6.01	7.34	6.12		
Target-Date 2020								
T. Rowe Price Retirement 2020	-0.09	-0.09	10.13	6.50	7.92	6.87	0.63	TRRBX
S&P Target Date 2020	-0.92	-0.92	7.80	5.33	6.63	5.77		
Target-Date 2015								
T. Rowe Price Retirement 2015	-0.27	-0.27	8.45	5.72	6.91	6.36	0.59	TRRGX
S&P Target Date 2015	-0.90	-0.90	6.95	4.76	5.87	5.35		
Target-Date 2000-2010								
T. Rowe Price Retirement 2005	-0.44	-0.44	6.53	4.72	5.33	5.52	0.58	TRRFX
T. Rowe Price Retirement 2010	-0.38	-0.38	7.22	5.13	5.95	5.81	0.57	TRRAX
S&P Target Date 2010	-0.87	-0.87	6.09	4.13	5.01	4.83		
Money Market-Taxable								
Fidelity Govt Money Market	0.25	0.25	0.71	0.27	0.17	0.26	0.42	SPAXX
BofA ML 3-Month T-Bill	0.35	0.35	1.11	0.53	0.34	0.34		

As of March 29, 2018

Performance Overview

	Qtr	YTD	Annualized Returns 1 Yr	3 Yrs	5 Yrs	10 Yrs	Expense Ratio (%)	Ticker
Stable Value								
NY Life GIA Net 10 ELCH 403b	0.54	0.54	N/A	N/A	N/A	N/A	0.10	
BofA ML 3-Month T-Bill	0.35	0.35	1.11	0.53	0.34	0.34		
Intermediate-term Bond								
Fidelity Total Bond Fund	-1.16	-1.16	1.63	2.12	2.50	4.68	0.45	FTBFX
Fidelity US Bond Idx Prem	-1.52	-1.52	1.01	1.11	1.71	3.48	0.04	FSITX
Barclays US Aggregate Bond	-1.46	-1.46	1.20	1.20	1.82	3.63		
Large Value								
T. Rowe Price Equity Income	-2.25	-2.25	9.94	8.51	9.66	7.57	0.66	PRFDX
Russell 1000 Value	-2.83	-2.83	6.95	7.88	10.78	7.78		
Large Blend								
Fidelity 500 Index Instl	-0.77	-0.77	13.96	10.75	13.27	9.46	0.03	FXSIX
S&P 500 Index	-0.76	-0.76	13.99	10.78	13.31	9.49		
Large Growth								
JPMorgan Large Cap Growth R5	5.21	5.21	30.25	13.80	16.40	11.79	0.54	JLGRX
Russell 1000 Growth	1.42	1.42	21.25	12.90	15.53	11.34		
Mid-Cap Blend								
Fidelity Extended Market Idx Prem	0.15	0.15	13.20	8.05	11.82	10.42	0.07	FSEVX
Russell Mid-Cap	-0.46	-0.46	12.20	8.01	12.09	10.21		
Small Value								
Northern Small Cap Value	-2.95	-2.95	3.76	7.18	10.38	9.33	1.01	NOSGX
Russell 2000 Value	-2.64	-2.64	5.13	7.87	9.96	8.61		
Small Growth								
Amer Beacon Stephens Sm Cap Gr Inst	6.79	6.79	21.81	8.77	10.19	10.27	1.10	STSIX
Russell 2000 Growth	2.30	2.30	18.63	8.77	12.90	10.95		
Foreign Large Blend								
Dodge & Cox International Stock	-2.14	-2.14	10.96	3.76	7.26	4.13	0.64	DODFX
Fidelity Global Ex US Idx Prem	-0.59	-0.59	16.92	6.35	5.92	N/A	0.10	FSGDX
MSCI AC World ex USA Large Cap	-1.10	-1.10	16.68	6.32	6.05	2.94		
Foreign Large Growth								
American Funds EuroPacific Gr R4	0.94	0.94	20.75	7.55	8.43	4.55	0.85	REREX
MSCI AC World ex USA Large Growth	-0.85	-0.85	20.36	7.25	6.97	3.58		
Foreign Small/Mid Blend								
DFA Intl Small Company I	-0.38	-0.38	19.70	11.86	10.32	6.16	0.53	DFISX
MSCI AC World ex USA Small Cap	-0.28	-0.28	21.03	10.79	8.95	5.89		
Real Estate								
Cohen & Steers Instl Realty Shares	-6.56	-6.56	-1.13	2.09	6.96	7.16	0.75	CSRIX
DJ US Select Real Estate Secs Index	-7.43	-7.43	-3.68	0.70	5.95	5.93		

As of March 29, 2018

Fund Fact Sheets

T. Rowe Price Equity Income

Benchmark: Russell 1000 Value

Peer Group: Large Value (1309)

Scorecard

Investment Style (25%)	
Expenses (20%)	
Experience (10%)	
Diversification (5%)	
Manager Skill (20%)	
Consistency (10%)	
Risk (10%)	
Peer Group Pct. Rank	67
Multnomah Group Evaluation	Satisfactory

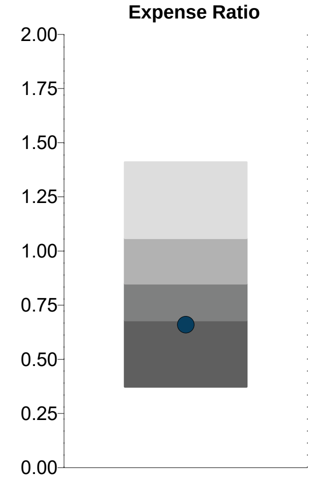
Portfolio Information

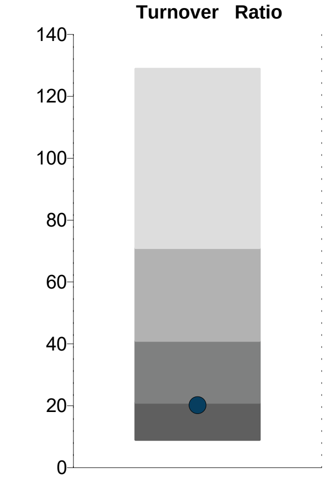
Morningstar Category	Large Value
Fund Family	T. Rowe Price
Manager Names	John D. Linehan
Manager Tenure	2.4
Ticker	PRFDX
Net Assets $MM	$21,193.00
% Assets in Top 10 Holdings	23.2
Total Number of Holdings	113
P/E Ratio	20.3
Avg Mkt Cap $MM	$67,197.80
Avg Eff Duration	NA
Avg Credit Quality	NA

Holdings

- JPMorgan Chase & Co / JPM / 3.88%
- Wells Fargo & Co / WFC / 2.84%
- Exxon Mobil Corp / XOM / 2.61%
- Morgan Stanley / MS / 2.19%
- Microsoft Corp / MSFT / 2.11%
- Verizon Communications Inc / VZ / 2.05%
- Johnson & Johnson / JNJ / 1.94%
- Total SA / FP / 1.93%
- DowDuPont Inc / DWDP / 1.86%
- Qualcomm Inc / QCOM / 1.83%

Expenses

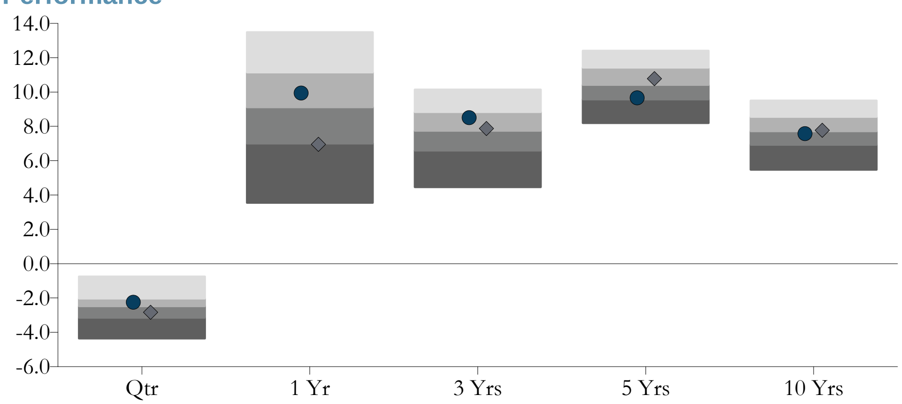




T. Rowe Price Equity Income

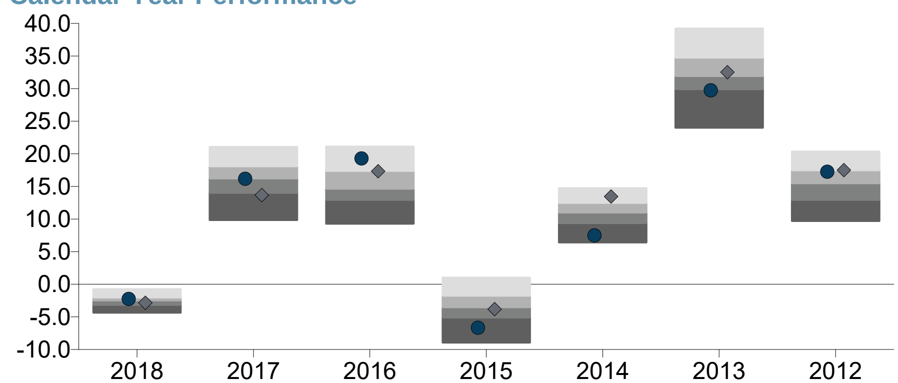
Expense Ratio	Turnover Ratio
0.66	20.20

Performance



Performance is annualized for periods greater than 12 months

Calendar Year Performance



● T. Rowe Price Equity Income ◆ Russell 1000 Value

	Qtr	1 Yr	3 Yrs	5 Yrs	10 Yrs
T. Rowe Price Equity Income	-2.25	9.94	8.51	9.66	7.57
Russell 1000 Value	-2.83	6.95	7.88	10.78	7.78
Large Value Average	-2.56	8.97	7.62	10.39	7.70
Peer Group Rank	37	39	33	73	56

	2018	2017	2016	2015	2014	2013	2012
T. Rowe Price Equity Income	-2.25	16.18	19.28	-6.66	7.49	29.75	17.25
Russell 1000 Value	-2.83	13.66	17.34	-3.83	13.45	32.53	17.51
Large Value Average	-2.56	15.98	14.96	-3.62	10.81	32.00	15.30
Peer Group Rank	37	51	12	88	91	77	28

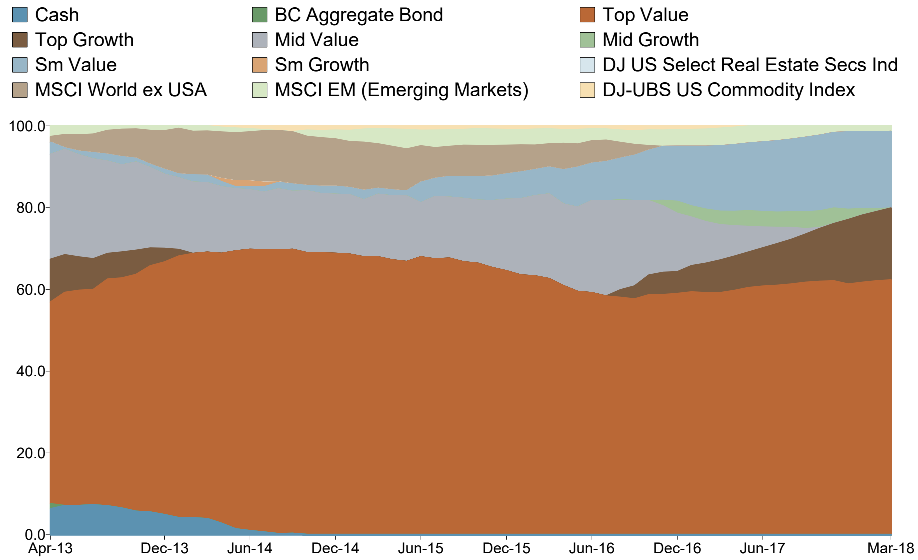
As of March 29, 2018

T. Rowe Price Equity Income

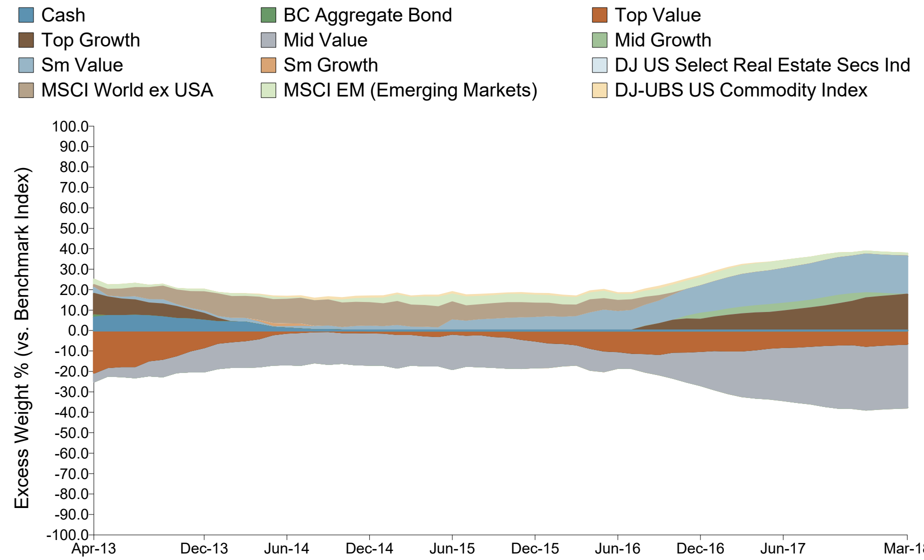
Benchmark: Russell 1000 Value

Peer Group: Large Value (1309)

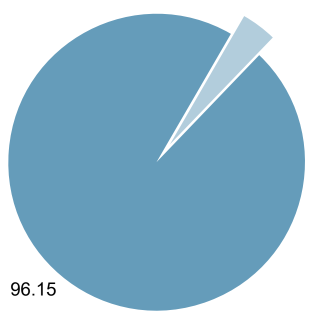
Global Asset Weightings



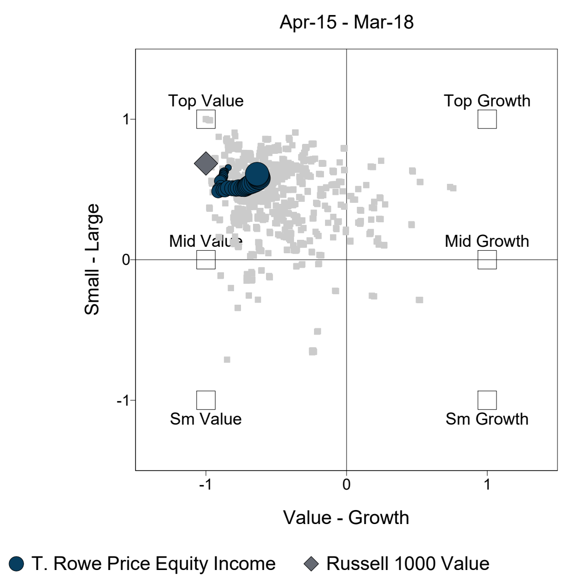
Asset Weightings in Excess of Russell 1000 Value



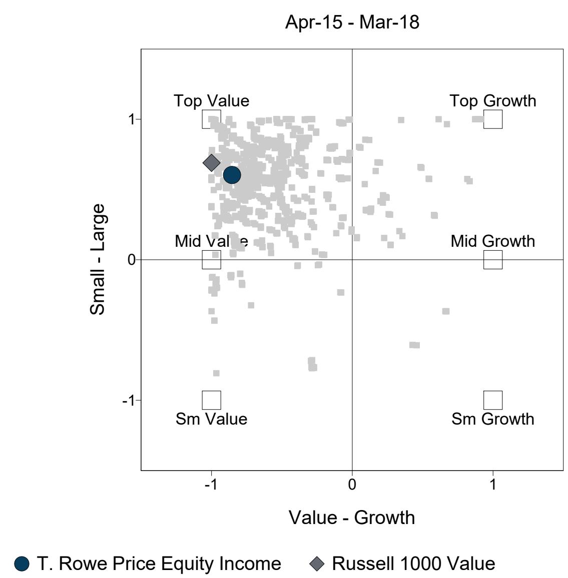
Predicted R-Squared



Rolling Style Map



Average Style Map



As of March 29, 2018

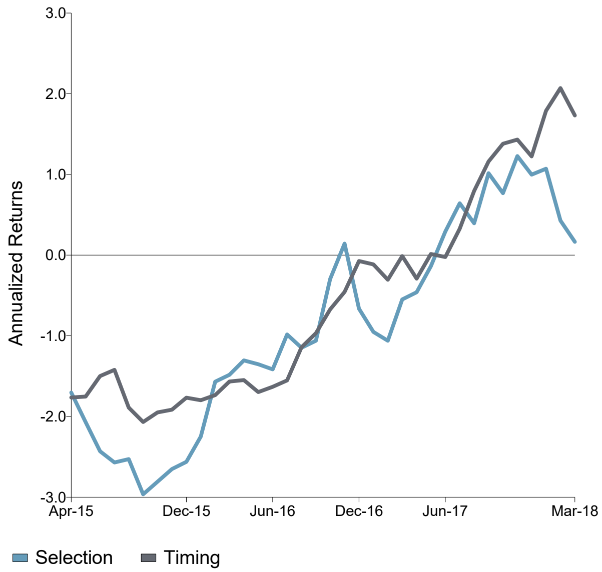
MULTNOMAHGROUP

T. Rowe Price Equity Income

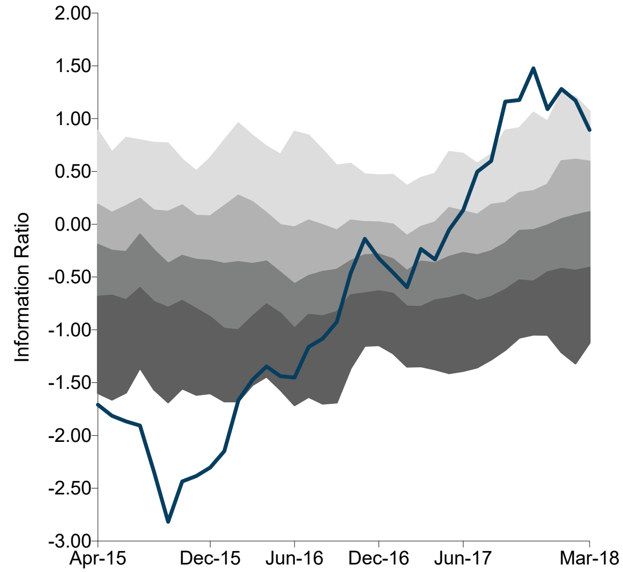
Benchmark: Russell 1000 Value

Peer Group: Large Value (1309)

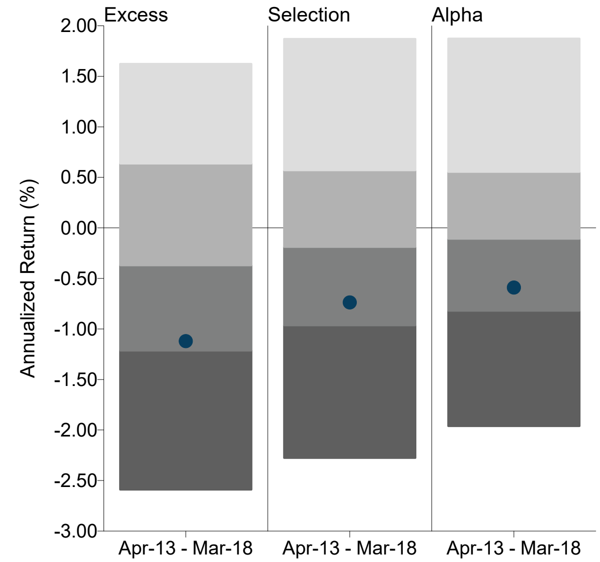
24M Rolling Selection & Timing Returns



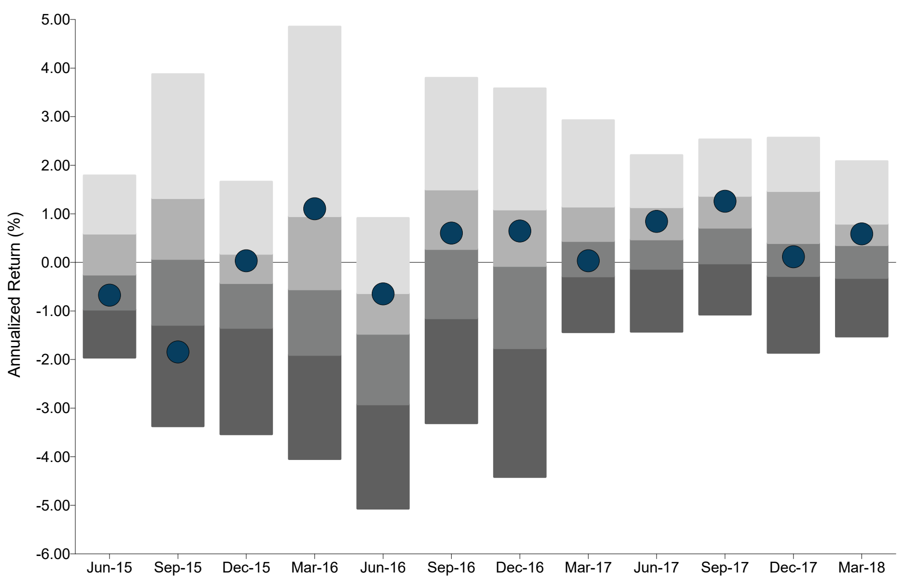
24M Rolling Information Ratio (Annualized)



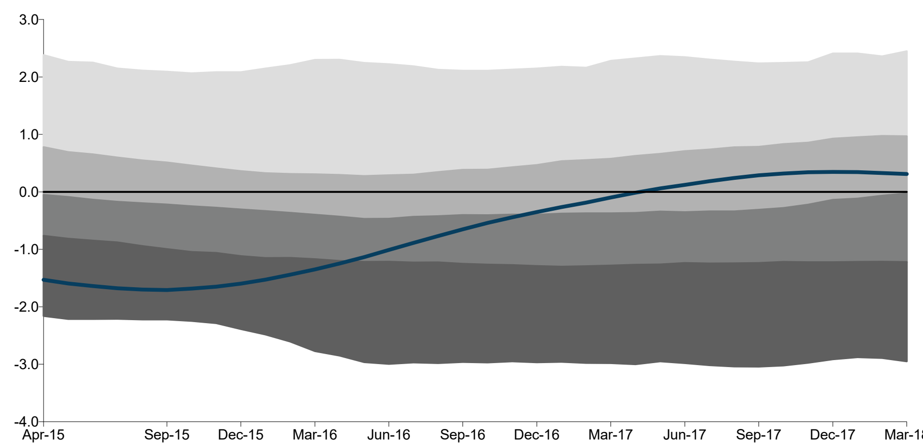
Manager Skill Metrics (Last 60M)



Excess Returns (Quarterly)



24M Rolling Alpha (Annualized)



USD, 36-month centered window; exp. weighted

	Qtr	6 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
T. Rowe Price Equity Income	-0.02	0.01	-0.02	0.15	-0.01	-0.59	0.03
Large Value Average	0.00	0.03	0.00	-0.01	-0.20	-0.07	0.06

As of March 29, 2018

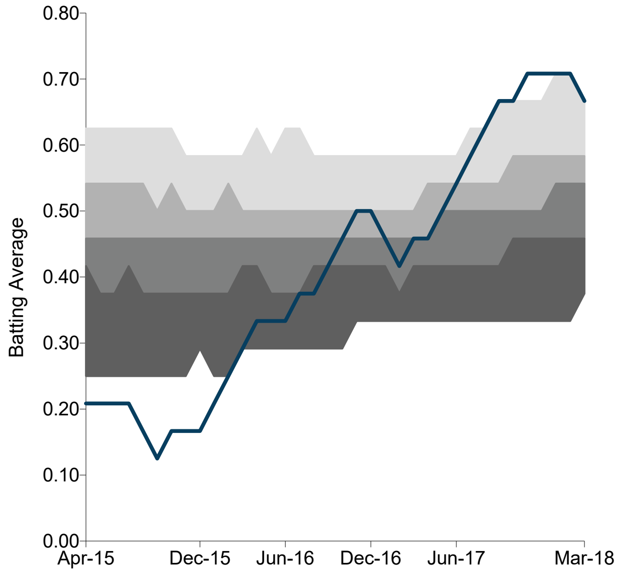
MULTNOMAHGROUP

T. Rowe Price Equity Income

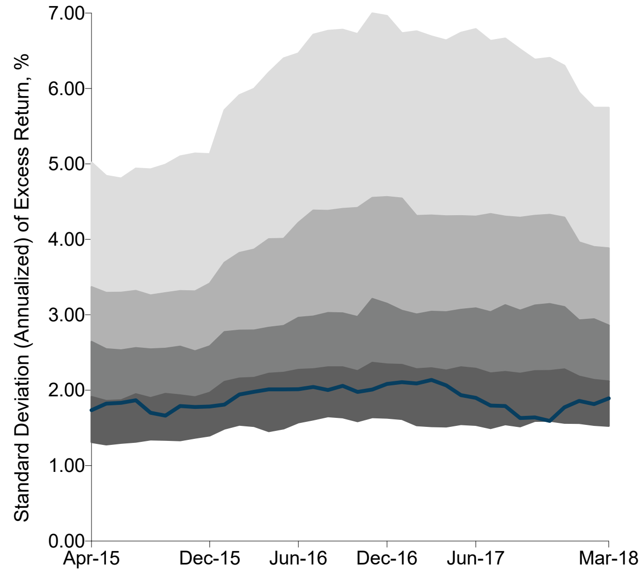
Benchmark: Russell 1000 Value

Peer Group: Large Value (1309)

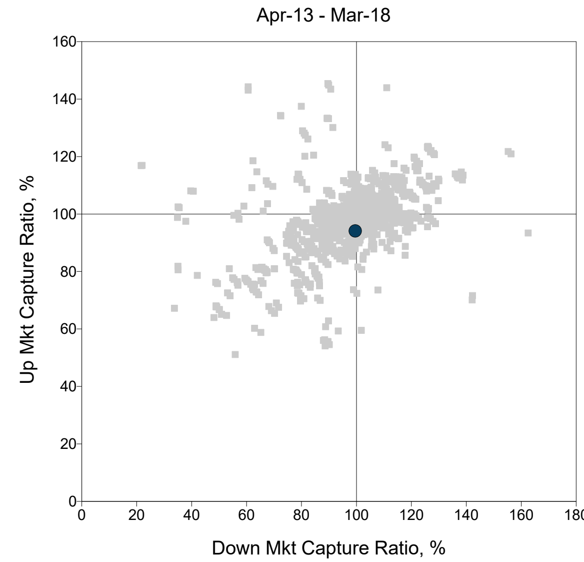
24M Rolling Batting Average



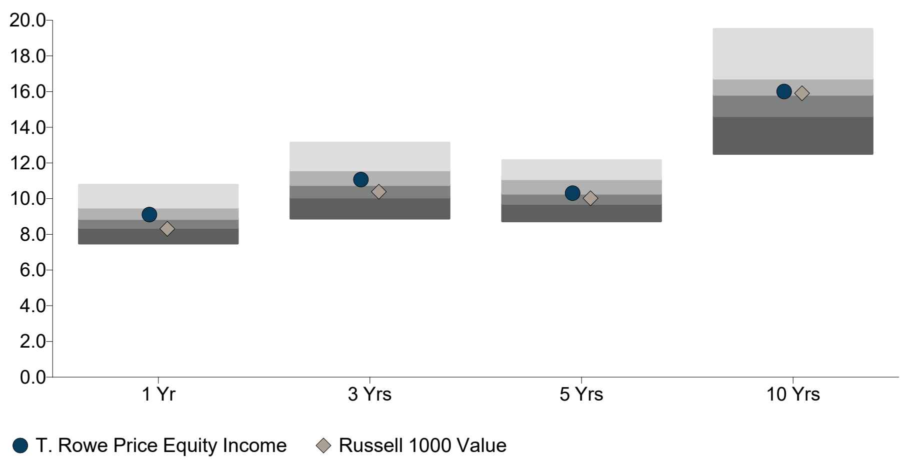
24M Rolling Tracking Error (Annualized)



Up Market vs. Down Market Capture Ratio

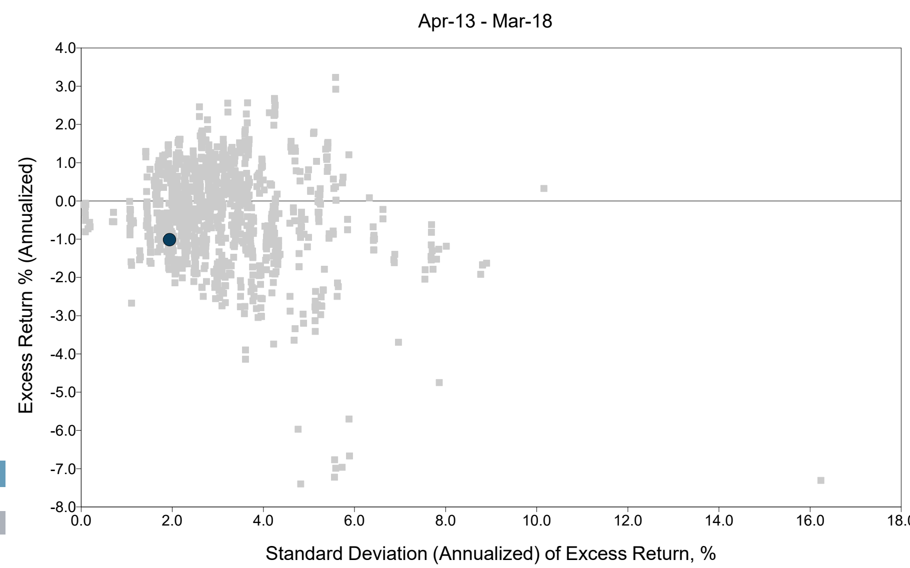


Risk (Annualized Standard Deviation)



	1 Yr	3 Yrs	5 Yrs	10 Yrs
T. Rowe Price Equity Income	9.11	11.07	10.31	16.00
Russell 1000 Value	8.31	10.39	10.02	15.91
Large Value Average	8.97	10.91	10.43	15.79

Active Return vs. Active Risk (Annualized)



As of March 29, 2018

Evaluation Methodology

The Multnomah Group has developed a proprietary evaluation methodology that analyzes funds within a given investment category utilizing seven distinct criteria. The table below describes the evaluation standards utilized and their weight in the overall score for each fund. For each category a fund is assigned a score based on the specific proprietary criteria for the given category. Individual category scores are summed to create a fund score and then funds are ranked based on their score to the funds in their peer group.

Evaluation Criteria	Weight	Description of Evaluation Process
Investment Style	25%	Funds are selected primarily to represent a specific asset class as a component within a structured portfolio. They are therefore evaluated to determine how effectively they adhere to that asset class and investment style. Each fund's adherence to its benchmark is evaluated on an absolute basis utilizing a rolling r-squared measure to evaluate how well the assigned benchmark explains the performance of the fund. A higher r-squared measure is indicative of a fund that tracks its assigned benchmark closely and therefore is appropriately categorized within the correct asset class. Each fund is also evaluated for how consistently it adheres to its investment style compared to the peer group. In order to measure this we compare the frequency and size of the changing style allocation to the peer group. Funds with fewer changes in style allocation are considered more consistent.
Expenses	20%	A fund is evaluated based on its stated expense ratio and its turnover ratio. Funds with lower expenses score higher as they create less of a drag on the net of fee performance experienced by the investor. Turnover ratio is utilized as a proxy for the undisclosed trading and market impact costs that a fund incurs for implementing the manager's investment strategy. Depending on the liquidity of the asset class and the fund's investment style, these costs may exceed the explicit costs included in the expense ratio. Both factors are weighted equally in determining a fund's score in this category.
Manager Experience	10%	Manager experience is evaluated based on the longest tenure of the portfolio manager(s). Managers with longer track records have increased experience, provide greater stability to the investment product, and make analysis of the investment product's historical performance more meaningful.
Diversification	5%	A fund is evaluated to determine whether it has sufficient diversification to be a suitable investment option for the investor. Diversification is measured by the total number of securities held by the portfolio as well as by the concentration of the portfolio's assets in its top ten holdings.
Manager Skill	20%	The primary reason for selecting a fund that is actively managed is the expectation that the manager will be able to add excess returns (alpha) relative to its benchmark index that are greater than the costs incurred by the manager in pursuit of those excess returns. A portfolio manager is able to add value through the security selection or market timing process. Security selection involves the manager identifying the individual securities within the given benchmark opportunity set that will generate the highest returns in the future while market timing involves the manager identifying those asset classes expected to over-/underperform and rotating the holdings of the portfolio into and out of those asset classes. A fund is evaluated for the value it has added through the security selection process, the overall value (alpha) its has added, as well as the efficiency and consistency (as measured by Information Ratio) with which it has added value. Active funds that have historically added value are evaluated relative to their peer group while funds with negative added value net of fees and index funds are unable to score any points in this category. As with other relative return measurements rolling period analysis is utilized to avoid the impact a single exceptional period may have on the analysis.
Consistency	10%	Evaluating active returns on a stand-alone basis is insufficient without determining whether the outcome was a result of random luck or a demonstration of consistent skill. We evaluate the efficiency of the manager to determine whether active returns a manager adds are consistent through time or a result of a few strong time periods. In order to measure this we calculate the Batting Average of the fund against its benchmark. Batting Average is a ratio measure that calculates the frequency of monthly positive excess returns for a fund out of the total possible number of months. The resulting average is a measure of how frequently the fund outperforms its given benchmark.
Risk	10%	Risk is measured by the volatility (as measured by standard deviation) of the portfolio relative to its peer group. Funds with lower standard deviations relative to their peers score higher while funds with higher volatility receive lower scores. As with other relative return measurements rolling period analysis is utilized to avoid the impact a single variant period may have on the analysis.

As of March 29, 2018

Definitions

Alpha – Alpha is used as a measure of the value added by a manager. It measures the difference between a portfolio's actual returns and its expected performance. A positive alpha implies value-added by the portfolio manager relative to the specified benchmark, given its level of market risk as measured by beta.

Average Credit Quality – An average of the credit quality of the bonds in the fund's portfolio. U.S. Government bonds carry the highest credit rating, while bonds issued by speculative companies usually carry the lowest credit ratings. Anything at or below BB is considered a high-yield or "junk" bond. A fund's average quality is a reflection of the amount of credit risk a fund is willing to incur.

Average Effective Duration – This is a measure of a fund's total interest rate sensitivity. Funds with higher durations are more sensitive to changes in interest rates than funds with lower effective durations.

Batting Average – The Batting Average measures the percentage frequency with which the manager has beaten the benchmark over time. Specifically it is the ratio between the number of months that the manager outperforms the benchmark and the total number of months in the time range.

Benchmark Index – A fund's benchmark index is a passive pool of securities that represents the asset class the fund targets. Indices are statistical measures and cannot be invested in directly.

Down Market Capture – The capture ratio calculates the portion of the benchmark performance that was captured by the fund under certain conditions. The down market capture is the average return of the portfolio calculated using only periods where the benchmark return is negative. A down market capture of less than 100% is considered desirable.

Excess Asset Weightings – This graph compares the asset allocation of the portfolio as shown in the Global Asset Weighting graph against the asset allocation of the benchmark index that the portfolio is compared with to show variances in style from the benchmark. The area above the x-axis represents asset classes that the portfolio has greater weight in than the benchmark and the area below the x-axis represents asset classes that the portfolio has less weight in than the benchmark.

Excess Returns – Excess return is the portfolio's return less the benchmark's return. It is the simplest form of performance evaluation and is used to determine whether the portfolio has outperformed its benchmark.

Expense Ratio – For a fund, operating costs, including management fees, expressed as a percentage of the fund's average net assets for a given time period. The expense ratio does not include brokerage costs and various other transaction costs that may also contribute to a fund's total expense.

Global Asset Weighting – The Global Asset Weighting graph displays the asset weighting of the fund over the past 10 years, or since inception if less than 10 years. The asset weighting is determined utilizing returns-based style analysis methodology. Returns-based style analysis is a statistical process of comparing the returns series of a portfolio against the returns series of a set of benchmarks representing various asset classes to determine which combination of asset classes creates a returns series that most closely matches the movements of the portfolio. This allows an investor to determine the effective mix of asset classes the fund held during various time periods. Depending on the fund being analyzed, the set of benchmark indices used will vary to provide greater detail within certain asset classes (i.e. for a fund invested primarily in domestic equities the analysis utilizes the four Russell large-small style indices as opposed to the broad Russell 3000 index).

Definitions

Information Ratio – The information ratio is the ratio of the excess returns of a portfolio divided by the tracking error (standard deviation of the excess returns) of the portfolio. It is an efficiency measure used to determine how consistently a manager has been able to add excess returns.

Manager Tenure – The number of years that the current portfolio manager has been managing the fund. For funds with more than one manager, the tenure for the longest manager is shown.

Morningstar Category – The Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings (portfolio statistics and compositions over the past three years). It is used to provide peer comparisons for funds with similar investment styles and holdings.

Net Assets $MM – The total assets in the fund or the specific share class of the fund shown expressed in millions of dollars.

P/E Ratio – The price/earnings ratio is a calculation of the portfolio's market value compared to the portfolio's share of the underlying stocks' earnings in aggregate. P/E ratio is a rough estimate of the growth/value exposure of the fund. Higher P/E ratios indicate greater growth exposure while lower ratios indicate greater value exposure.

Percentage of Assets in Top 10 Holdings – The sum of the assets in the fund's top 10 holdings as a percentage of the total assets in the portfolio. It is used as a measure of the risk of the fund as represented by its concentration in a limited number of holdings. A higher percentage indicates a fund has more of its assets invested in a fewer number of holdings and is thus less diversified than other funds with lower percentages.

Predicted R-Squared – R-squared is a statistical measure that represents the percentage of volatility in a portfolio's returns which can be explained by the volatility of the style indices. R-squared is used as the measure of the quality of fit of the regression that is shown in the Global Asset Weighting graph. R-squared values range from 0 to 100. An R-squared of 100% states that the movements of a portfolio are completely explained by the movements in the benchmark or style indices. A high R-squared indicates greater confidence in the regression analysis while a low R-squared means that the explanatory power of the measurements for the investment product are of limited value or significance.

Selection Returns – Selection return is the portfolio's return less the portfolio's Style Return. In this case the portfolio's style return is utilized as a proxy for the asset allocation position of the manager and enables the selection return series to be used as an indicator of a manager's security selection ability (whether or not the manager is adding value on top of the asset allocation exposures the manager has selected).

Sharpe Ratio – The Sharpe ratio is a risk/return metric which measures the fund's excess return per unit of total risk as measured by standard deviation. It is the ratio of the fund's geometric average returns in excess of the risk free rate to the standard deviation of the fund's returns in excess of the risk free rate.

Significance Level of Selection Returns – This graph compares the annualized selection returns of the portfolio against the significance level of the T-statistic for those selection returns. A higher significance level for the portfolio indicates a higher likelihood that the selection returns (either positive or negative) were not random. In other words, we learn if the return contribution from selection is due to a consistent pattern of stock selection decisions versus the benchmark, or if it's due to some random extreme selection return contributions during the period specified.

Standard Deviation – Standard deviation is a statistical measure of dispersion about a mean. It is used to measure the volatility of the returns over a given time period. For investors, it is used as a risk measure. Portfolios with higher standard deviation are more volatile and are considered more risky.

As of March 29, 2018

Definitions

Style Return – Style return utilizes the regression analysis shown in the Global Asset Weighting graph and is a calculated return series consisting of the product of portfolio's weight in each style index and the style index return. The style return represents the asset allocation decisions of a manager and is utilized in calculating the selection and timing returns.

Timing Return – Timing return is the portfolio's style return less the benchmark's style return. If the returns of the style index and the benchmark index differ, then the fund manager has structured the fund in a way that is different from the structure of the benchmark index. The timing return demonstrates whether the portfolio was over- or underweight in under- or outperforming segments of the market versus the benchmark.

Total Number of Holdings – The total number of securities held by the fund as of the last reporting date. It is used as a measure of the diversification of the fund. Those portfolios with fewer holdings are typically more concentrated and less diversified.

Tracking Error – Tracking error is the standard deviation of the excess return series for the portfolio. It is used to measure how well a fund is tracking its benchmark and it is particularly helpful when the fund's tracking error is compared with the tracking error of its peers. If the assigned benchmark is a good representation of the market, then the tracking error should be within a reasonable range. If tracking error is high due to stock specific or style factors, then the return contribution may not be what was expected from that particular investment.

Turnover Ratio – This is a measure of the fund's trading activity which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets. A turnover ratio of 100% or more does not necessarily suggest that all securities in the portfolio have been traded. In practical terms, the resulting percentage loosely represents the percentage of the portfolio's holdings that have changed over the past year. Funds with higher turnover ratios tend to have higher trading costs.

Up Market Capture - The Capture Ratio calculated the relative performance of the portfolio versus the benchmark performance that was captured by the fund under certain conditions. The up market capture is the average return of the portfolio calculated using only periods where the market return was positive. An up market capture of greater than 100% is considered desirable.

Disclosures

Multnomah Group is a registered investment adviser, registered with the Securities and Exchange Commission. Any information contained herein or on Multnomah Group's website is provided for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and, unless otherwise stated, are not guaranteed. Multnomah Group does not provide legal or tax advice.

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Fee Benchmarking

12/31/2017 Fee Benchmarking Report

El Camino Hospital 403(b) Retirement Plan

El Camino Hospital 403(b) Retirement Plan

The Employee Retirement Income Security Act of 1974 (ERISA) requires a subject retirement plan' responsible plan fiduciary to ensure that all fees paid out of plan assets are reasonable in light of the services being rendered. Plan sponsors are not required to purchase services from the lowest bidder, but they must be able to demonstrate a deliberative process by which the reasonableness of applicable fees is regularly considered.

The topic of fee reasonableness has become a critical Department of Labor focal point in the last several years, making it extremely important for plan sponsors to be able to clearly articulate the process by which fiduciaries conclude that all plan fees are reasonable considering relevant facts and circumstances. The concept of fee reasonableness has grown so pervasive that plan sponsors not subject to ERISA are also seeking to ensure fee reasonableness as a best practice.

Each year, Multnomah Group provides a plan specific fee benchmarking analysis to assist our clients in meeting the fee reasonableness standard. Multnomah Group uses proprietary market pricing data to determine the fee range specified in our analysis report. Our Peer Range is based on a plan's number of participants with an account balance, as well as the average account balance of the plan. It is Multnomah Group's estimate of the pricing a client would receive if they were to conduct a competitive vendor search process in the marketplace today. The peer range is an estimate, and does not factor in unique plan design issues or service requirements of a plan that may affect actual pricing. Ultimately, the best benchmarking is to conduct a periodic search process, requesting proposals for services from qualified vendors.

Our annual fee benchmarking analysis centers on investment management fees and plan services fees, which typically include services related to recordkeeping and administration, employee education and communications, compliance, and website and call center maintenance. Investment advisory, audit, and legal fees are outside the scope of Multnomah Group's fee benchmarking analysis.

Multnomah Group's goals in providing the annual fee benchmarking analysis to our clients are as follows:

1. Assist ERISA covered clients in meeting ERISA’s fee reasonableness standard, or assist ERISA exempt clients in maintaining fee reasonableness as a best practice, by providing meaningful comparison;
2. Assist clients in understanding applicable plan services fees by discussing the current fee structure;
3. Provide a discussion springboard for related topics such as the duty to prudently monitor the plan’s vendors; and,
4. Recommend potential next steps (e.g. renegotiate service provider fees and/or service levels, launch formal request for proposal process) depending upon whether current fees fall in or out of the benchmarked range.

Multnomah Group's disciplined manner of helping clients determine the reasonableness of fees helps to promote the likelihood of best possible outcomes for plan participants. Thorough documentation of this annual process is highly recommended. The annual Fee Benchmarking Analysis Report follows on the next pages.

Vendor	Assets	Participants	Total Plan Fees		=	Inv. Mgmt. Fees		+	Recordkeeping Fees	
Fidelity	$425,695,698.21	3,897	$2,147,927.82	(0.50%)		$1,789,403.82	(0.42%)		$358,524.00	(0.08%)
Total	**$425,695,698.21**		**$2,147,927.82**	**(0.50%)**		**$1,789,403.82**	**(0.42%)**		**$358,524.00**	**(0.08%)**

Plan Recordkeeping Fees

	Rate	Fees
Base Fee:	$0.00	$0.00
Participant Fees: (3897 participants)	$92.00	$358,524.00
Asset Based Fees:	0.00%	$0.00
Revenue Sharing:		$0.00
Fund Level Wrap Fees:		$0.00
Revenue Requirement:		$0.00
Total Recordkeeping Fees ($):		**$358,524.00**
Total Recordkeeping Fees (%):		**0.08%**
Fees Per Participant ($):		**$92.00**
Peer Group Range:		**$55-$90/part.**

3897 participants and $109,236.77 average account balance

Transaction Fees

	Rate	Vendor Range
Distribution Fee:	$0	$0 - $80
Loan Initiation Fee:	$50	$0 - $150
Loan Maintenance Fee:	$25	$0 - $50
Self-Directed Brokerage Account Fee:	N/A	$0 - $250

Fee Description

The plan is a fixed dollar fee arrangement of $92 per participant. This fee is offset at the plan level by the revenue generated by plan investments. Excess revenue is credited to the plan's revenue credit account. El Camino directs Fidelity to use these funds for plan administrative expenses or distributes it back to participants.

Investment Name	Assets	Investment Product Expense (%)	Revenue Sharing (%)	Net Investment Management Fee (%)	Net Investment Management Fee ($)
Amer Beacon Stephens Sm Cap Gr Inst	$4,360,132.26	1.10%	0.04%	1.06%	$46,217.40
American Funds EuroPacific Gr R4	$9,700,575.25	0.85%	0.35%	0.50%	$48,502.88
Cohen & Steers Instl Realty Shares	$4,469,303.02	0.75%	0.10%	0.65%	$29,050.47
DFA Intl Small Company I	$618,834.83	0.53%	0.00%	0.53%	$3,279.82
Dodge & Cox International Stock	$862,154.87	0.64%	0.10%	0.54%	$4,655.64
Fidelity 500 Index Instl	$34,799,981.85	0.03%	0.00%	0.03%	$10,439.99
Fidelity Extended Market Idx Prem	$14,898,662.64	0.07%	0.00%	0.07%	$10,429.06
Fidelity Global Ex US Idx Prem	$919,307.51	0.10%	0.00%	0.10%	$919.31
Fidelity Govt Money Market	$13,630,329.48	0.42%	0.20%	0.22%	$29,986.72
Fidelity Mutual Fund Window	$9,761,316.20	0.00%	0.00%	0.00%	$0.00
Fidelity Total Bond Fund	$10,789,814.64	0.45%	0.20%	0.25%	$26,974.54
Fidelity US Bond Idx Prem	$1,430,865.67	0.04%	0.00%	0.04%	$572.35
JPMorgan Large Cap Growth R5	$24,560,334.50	0.54%	0.10%	0.44%	$108,065.47
Northern Small Cap Value	$8,590,477.70	1.01%	0.40%	0.61%	$52,401.91
NY Life GIA Net 35 ELCH	$17,868,719.90	0.35%	0.25%	0.10%	$17,868.72
Principal Fixed Inc Guar-65bps	$4,234,645.82	0.65%	0.65%	0.00%	$0.00
T. Rowe Price Equity Income	$6,535,826.37	0.66%	0.15%	0.51%	$33,332.71
T. Rowe Price Retirement 2005	$3,947,443.97	0.58%	0.15%	0.43%	$16,974.01
T. Rowe Price Retirement 2010	$6,695,428.74	0.57%	0.15%	0.42%	$28,120.80
T. Rowe Price Retirement 2015	$20,134,737.20	0.59%	0.15%	0.44%	$88,592.84
T. Rowe Price Retirement 2020	$48,170,461.73	0.63%	0.15%	0.48%	$231,218.22
T. Rowe Price Retirement 2025	$32,136,866.19	0.67%	0.15%	0.52%	$167,111.70
T. Rowe Price Retirement 2030	$48,148,420.38	0.69%	0.15%	0.54%	$260,001.47
T. Rowe Price Retirement 2035	$30,277,340.34	0.72%	0.15%	0.57%	$172,580.84
T. Rowe Price Retirement 2040	$30,152,740.16	0.74%	0.15%	0.59%	$177,901.17
T. Rowe Price Retirement 2045	$20,572,733.03	0.74%	0.15%	0.59%	$121,379.12
T. Rowe Price Retirement 2050	$14,169,979.03	0.74%	0.15%	0.59%	$83,602.88
T. Rowe Price Retirement 2055	$2,222,930.62	0.74%	0.15%	0.59%	$13,115.29
T. Rowe Price Retirement 2060	$1,035,334.31	0.74%	0.15%	0.59%	$6,108.47
Totals:	**$425,695,698.21**			**0.42%**	**$1,789,403.82**

Investment Name	Assets	Revenue Sharing (%)	Revenue Sharing ($)	Fund Level Wrap Fee (%)	Fund Level Wrap Fee ($)
Amer Beacon Stephens Sm Cap Gr Inst	$4,360,132.26	0.04%	$1,744.05	0.00%	$0.00
American Funds EuroPacific Gr R4	$9,700,575.25	0.35%	$33,952.01	0.00%	$0.00
Cohen & Steers Instl Realty Shares	$4,469,303.02	0.10%	$4,469.30	0.00%	$0.00
DFA Intl Small Company I	$618,834.83	0.00%	$0.00	0.00%	$0.00
Dodge & Cox International Stock	$862,154.87	0.10%	$862.15	0.00%	$0.00
Fidelity 500 Index Instl	$34,799,981.85	0.00%	$0.00	0.00%	$0.00
Fidelity Extended Market Idx Prem	$14,898,662.64	0.00%	$0.00	0.00%	$0.00
Fidelity Global Ex US Idx Prem	$919,307.51	0.00%	$0.00	0.00%	$0.00
Fidelity Govt Money Market	$13,630,329.48	0.20%	$27,260.66	0.00%	$0.00
Fidelity Mutual Fund Window	$9,761,316.20	0.00%	$0.00	0.00%	$0.00
Fidelity Total Bond Fund	$10,789,814.64	0.20%	$21,579.63	0.00%	$0.00
Fidelity US Bond Idx Prem	$1,430,865.67	0.00%	$0.00	0.00%	$0.00
JPMorgan Large Cap Growth R5	$24,560,334.50	0.10%	$24,560.33	0.00%	$0.00
Northern Small Cap Value	$8,590,477.70	0.40%	$34,361.91	0.00%	$0.00
NY Life GIA Net 35 ELCH	$17,868,719.90	0.25%	$44,671.80	0.00%	$0.00
Principal Fixed Inc Guar-65bps	$4,234,645.82	0.65%	$27,525.20	0.00%	$0.00
T. Rowe Price Equity Income	$6,535,826.37	0.15%	$9,803.74	0.00%	$0.00
T. Rowe Price Retirement 2005	$3,947,443.97	0.15%	$5,921.17	0.00%	$0.00
T. Rowe Price Retirement 2010	$6,695,428.74	0.15%	$10,043.14	0.00%	$0.00
T. Rowe Price Retirement 2015	$20,134,737.20	0.15%	$30,202.11	0.00%	$0.00
T. Rowe Price Retirement 2020	$48,170,461.73	0.15%	$72,255.69	0.00%	$0.00
T. Rowe Price Retirement 2025	$32,136,866.19	0.15%	$48,205.30	0.00%	$0.00
T. Rowe Price Retirement 2030	$48,148,420.38	0.15%	$72,222.63	0.00%	$0.00
T. Rowe Price Retirement 2035	$30,277,340.34	0.15%	$45,416.01	0.00%	$0.00
T. Rowe Price Retirement 2040	$30,152,740.16	0.15%	$45,229.11	0.00%	$0.00
T. Rowe Price Retirement 2045	$20,572,733.03	0.15%	$30,859.10	0.00%	$0.00
T. Rowe Price Retirement 2050	$14,169,979.03	0.15%	$21,254.97	0.00%	$0.00
T. Rowe Price Retirement 2055	$2,222,930.62	0.15%	$3,334.40	0.00%	$0.00
T. Rowe Price Retirement 2060	$1,035,334.31	0.15%	$1,553.00	0.00%	$0.00
Totals:	**$425,695,698.21**	**0.15%**	**$617,287.41**	**0.00%**	**$0.00**

Appendix: Responsibilities for Monitoring Vendor Fees

Retirement plans subject to the Employee Retirement Income Security Act (ERISA) require the responsible plan fiduciary to evaluate the 408(b)(2) disclosures of "covered service providers" ("CSP") to avoid ERISA prohibited transactions. CSPs are required under ERISA 408(b)(2) to disclose fees and services to affected clients in relation to their obligations to understand and monitor plan expenses. Covered Service Providers include:

- ERISA fiduciary services providers to a covered plan or plan assets
- Registered Investment Advisers
- Recordkeepers and brokers for covered plans
- Most other providers who receive "indirect compensation" for providing services to covered plans (i.e., compensation from a source other than the plan or plan sponsor)

Department of Labor regulations issued under section 408(b)(2) require CSPs disclose to the responsible plan fiduciary detailed information regarding:

- The services provided;
- The direct and indirect compensation the provider expects to receive for its services to the plan;
- The provider's status as a fiduciary or Registered Investment Adviser with respect to a covered plan; and
- Compensation paid among related parties.

The mandatory disclosure is intended to provide transparency with respect to the services being performed and the compensation received, including forms of compensation that are sourced from participant investment returns. Once the responsible plan fiduciary receives their disclosures from the CSPs they have a set responsibility to evaluate the thoroughness of information provided by their vendors as well as the reasonableness of fees incurred. Those responsibilities require the responsible plan fiduciary to:

- Determine whether all required disclosures have been received;
- Evaluate the disclosures to ensure they are complete;
- If a disclosure is incomplete, request the missing information in writing and, if not received with 90 days, notify the DOL that the service provider has failed to make a complete disclosure, and terminate the arrangement; and
- If the disclosure is complete, evaluate it to determine whether the arrangement is reasonable.

Ultimately, the 408(b)(2) disclosure and review process is a critical step in assisting fiduciaries with (i) understanding the array of services provided to a covered plan by its service providers, and (ii) evaluating the reasonableness of fees incurred. With respect to the fiduciary's obligation to review the disclosures, the preamble to the DOL's 408(b)(2) regulation state; "Fiduciaries should be able to, at a minimum, compare the disclosures they receive from a covered service provider to the requirements of the regulation and form a reasonable belief that the required disclosures have been made."

The burden of demonstrating compliance with 408(b)(2) falls to both plan fiduciaries and CSPs. The Department of Labor is not required to demonstrate that a failure occurred. For these reasons, the review of 408(b)(2) disclosures from a plan's CSPs should be documented in the fiduciary records. Plan sponsors should note that 408(b)(2) disclosures are not necessarily an annual disclosure provided by CSPs; however, disclosures must be updated any time the required 408(b)(2) information changes or the fiduciary enters into a new agreement with the CSP. At these times, the fiduciary should consider whether the new arrangement is reasonable and document the decision.

The prior report is Multnomah Group's review of the costs associated with the recordkeeper as CSP to the Plan.

Executive Summary

El Camino Hospital

1st Quarter 2018

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PAVILION

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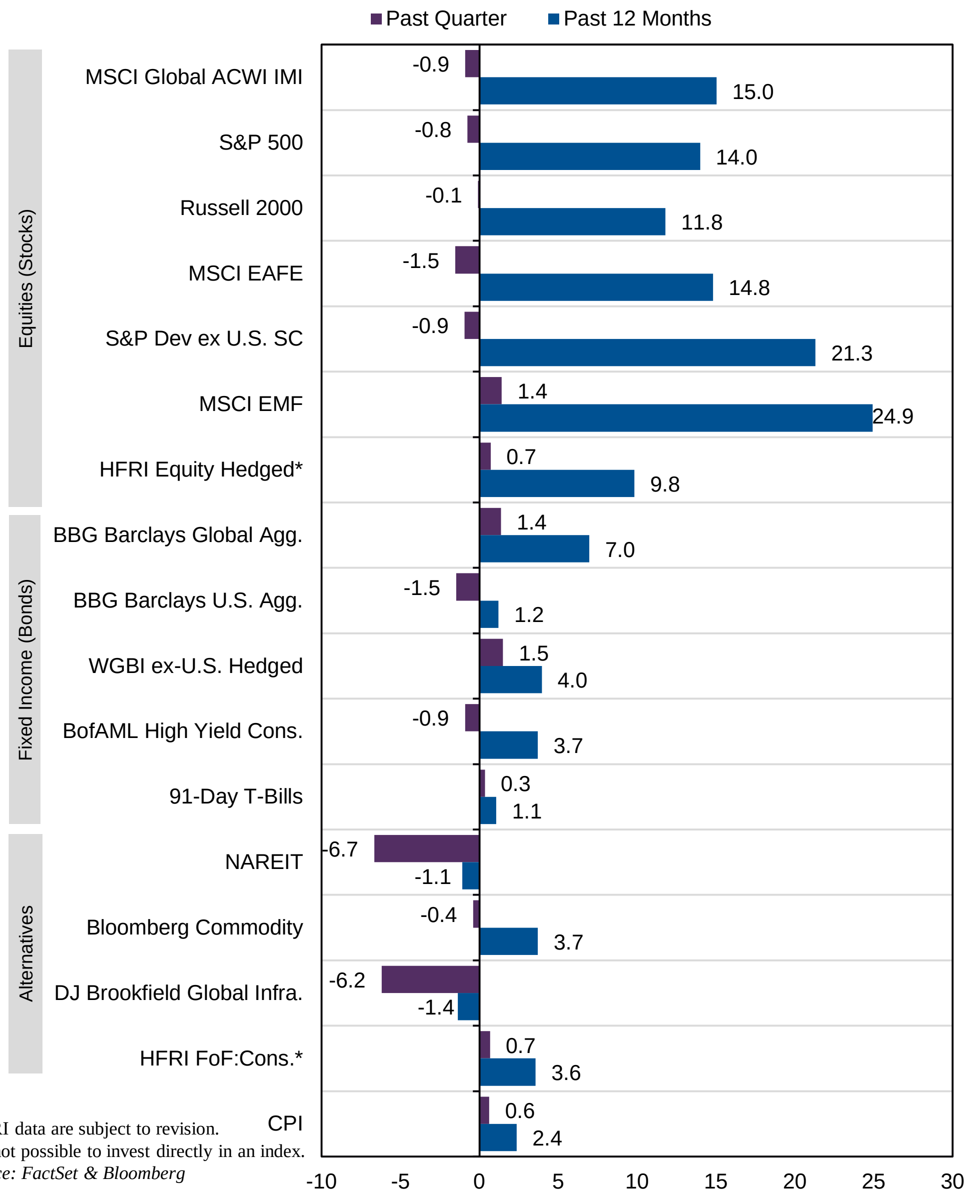
Capital Markets Review

Capital Markets Review

Summary

As of March 31, 2018

Performance: Past Quarter and Year (%)



*HFRI data are subject to revision.
It is not possible to invest directly in an index.
Source: FactSet & Bloomberg

Expanding uncertainty

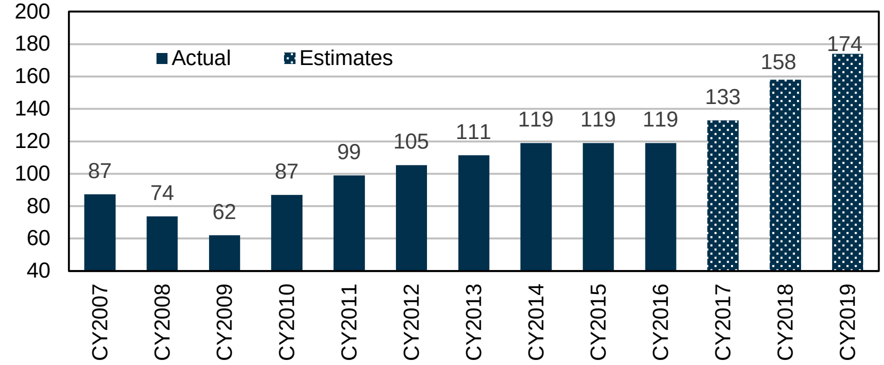
- Increased uncertainty propelled equity market volatility higher late in January and markets remained choppy through quarter end. The jump felt particularly pronounced as the S&P 500 Index experienced 23 trading days with a greater than 1% move in the first quarter compared to 2017's 8 trading days during the entire year. The equity market's volatility spike, however, had limited spill over into other asset classes, suggesting issues are not systemic.
- At the center of the uncertainty was political rhetoric, particularly trade policy. The tariffs proposed initially were unlikely to derail economic growth, but investors reacted to fears of a potential trade war and significant global supply chain disruptions. Technology companies were in the spotlight late in the quarter, as Facebook, Amazon, and Tesla, to name a few, faced challenges that could lead to regulation.
- Economic growth is intact, supported by the global recovery and fiscal stimulus domestically. Economic success is powering equity earnings with the S&P 500 Index posting double digit earnings growth in 2017, and the trend is expected to continue in the first quarter and 2018 per FactSet. One driver of this growth is healthy consumer balance sheets and sentiment, as debt to income levels remain low.
- Core inflation is approaching targets in most developed markets, allowing monetary policy makers to gradually reduce accommodation. Central bank guidance did not change materially in the quarter, and January's spike in rates reflected an alignment of markets and policymakers, rather than a significant change in policy. Consistent with these expectations, the Federal Open Market Committee ("FOMC") raised rates 25 basis points in March with little market disruption.
- For the fifth consecutive quarter, the U.S. yield curve flattened, and rising rates in January weighted heavily on quarterly returns within fixed income. Additionally, credit spreads generally widened, reflecting the increased uncertainty in the economic landscape and weighing on performance relative to similar duration Treasuries. Outside the U.S., local emerging debt benefitted from a weakening U.S. dollar.
- Emerging markets performance again represented a bright spot for equities. Also maintaining 2017's trend, the Growth styles outperformed the Value style even with technology stocks performing poorly in March, amid headline shocks. While not immune to the whipsaw market of the first quarter, small capitalization stocks performed better as trade policy was anticipated to have a lesser effect due to lower foreign revenues.
- The announcement of steel and aluminum tariffs in February hit commodity prices. Tariff escalations drew more sub-groups into the fray, particularly U.S. agriculture and livestock. Income-oriented strategies, like infrastructure, were hurt by a rising, flattening yield curve.

Capital Markets Review

Asset Class Outlook

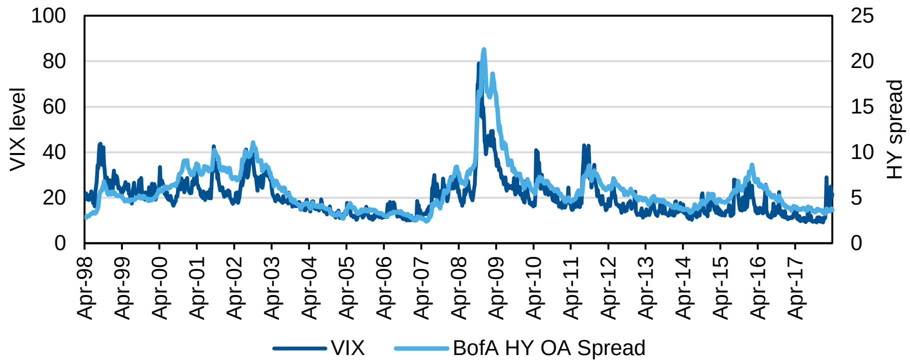
As of March 31, 2018

S&P 500 Calendar Year Bottom-Up EPS Actuals & Estimates



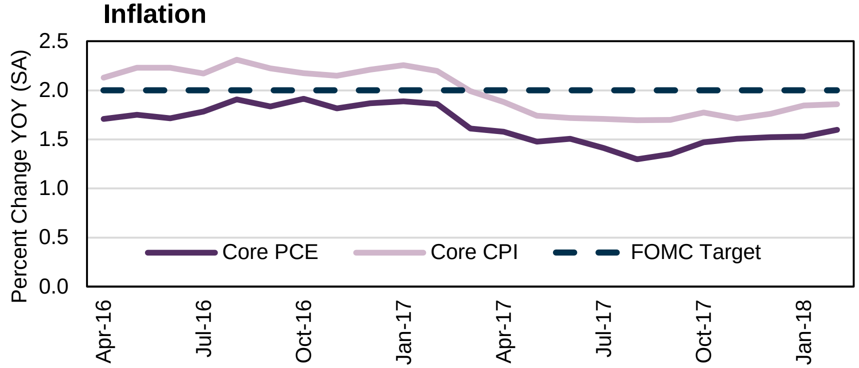
Source: FactSet as of April 10, 2018

Credit spreads lag volatility spike



Source: ***Federal Reserve FRED Data***

Inflation



Source: ***Federal Reserve FRED Data***

Equities

- Equity markets experienced their first negative quarter since 2015. Although returns were only slightly negative, there was a dramatic rise in volatility. The increase, while stark, moved volatility closer to long-run average levels from near record low levels during 2017. The shift in volatility reflects the increasing uncertainty surrounding Federal Reserve policy (will they move faster or slower?), the prospects for rising inflation, as well as evolving trade conflicts. Despite these challenges, tailwinds remain. Above trend growth, easy financial conditions, strong earnings growth, record levels of stock buy-backs (over $800 billion estimated) and fiscal stimulus in the form of tax cuts should provide an environment in which equity markets can provide positive though more volatile performance. And while emerging markets continue to enjoy strong growth, environments are a bit more challenging in ex-U.S. developed markets. The U.K. faces weaker growth and increasing Brexit uncertainty while the E.U. deals with the consequences of significant currency appreciation. And, while various valuation metrics may make U.S. equities appear expensive to foreign equities, a large portion of this differential can be explained by differences in earnings growth and sector weights (lower exposure to financials and industrials in the U.S. and higher technology exposure). Adjusting for these differences, valuations appear more symmetric.

Fixed Income

- With the exception of short-term assets such as Treasury Bills, fixed income markets posted negative returns for the quarter, partly reflecting policy makers continued moves to normalizing interest rates. Leading this process has been the Federal Reserve, which nudged rates up another 25 basis points during the quarter, maintaining the commitment to a gradual process. Quarterly projections that Federal Reserve officials provided suggest that as few as two more rate hikes may be necessary this year, with the process ending late in 2019 at a fed funds rate of 3%. Based upon forward markets, market participants anticipate a slightly more gradual pace of rate increases, anticipating a terminal 10-year Treasury rate of about 3%. With 10-year yields currently at about 2.8%, most of the pain from rate increases may be behind us. Credit markets, however, may have room to weaken. Credit spreads typically mimic moves in implied volatility in the equity markets as both reflect the level of uncertainty of future cash-flows. While credit spreads widened during the quarter, the move was significantly less than implied by recent equity market moves. Credit markets may struggle as spreads play catch-up to the increase in equity market volatility

Real Assets

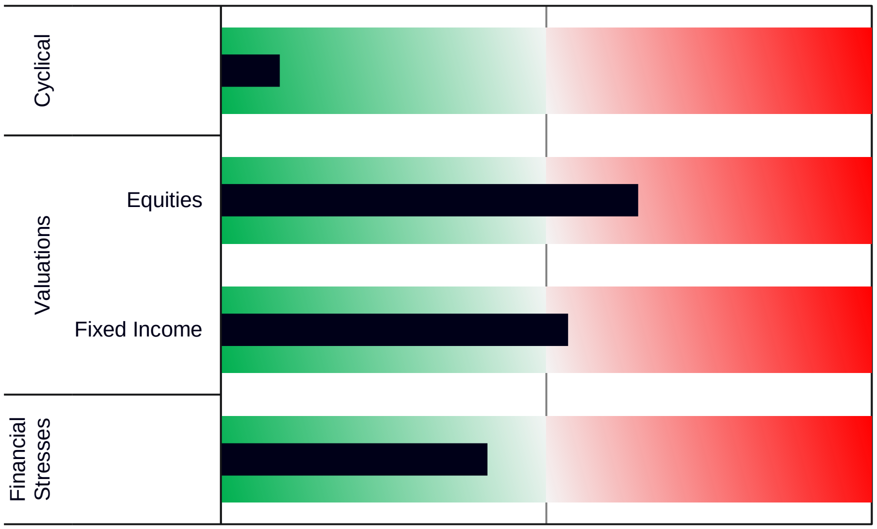
- Core inflation remains subdued; however, it is gradually increasing towards the Federal Reserve's 2% target. While inflation is likely to rise over the course of the next few quarters, it continues to face headwinds in the form of demographics, technological innovation, as well as globalization. While any material deterioration in trade arrangements would put upward pressure on inflation, those risks remain a considerable distance in the future. Although these conditions have created a difficult environment for real assets, we maintain our view that global listed infrastructure likely provides a diversifying income stream with a slightly lower volatility profile than commodities. We maintain a cautious view on REITs, due to historical correlations with long duration fixed income.

Capital Markets Review

Key Market Risks

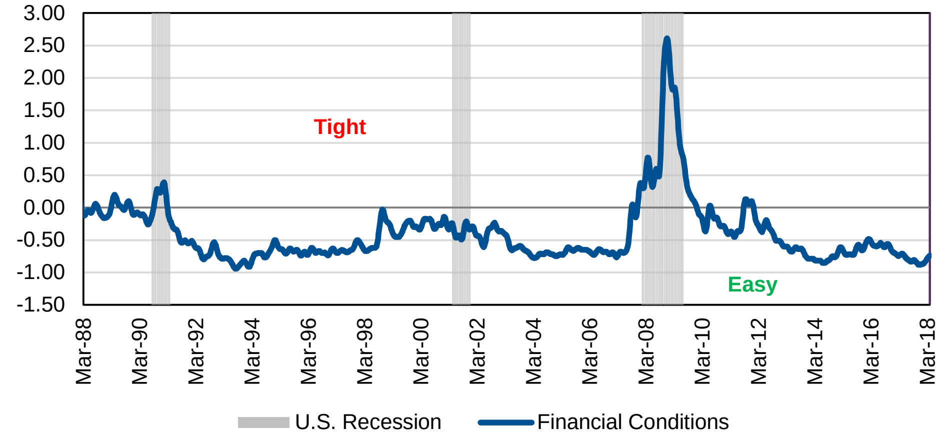
As of March 31, 2018

Current Risk Levels



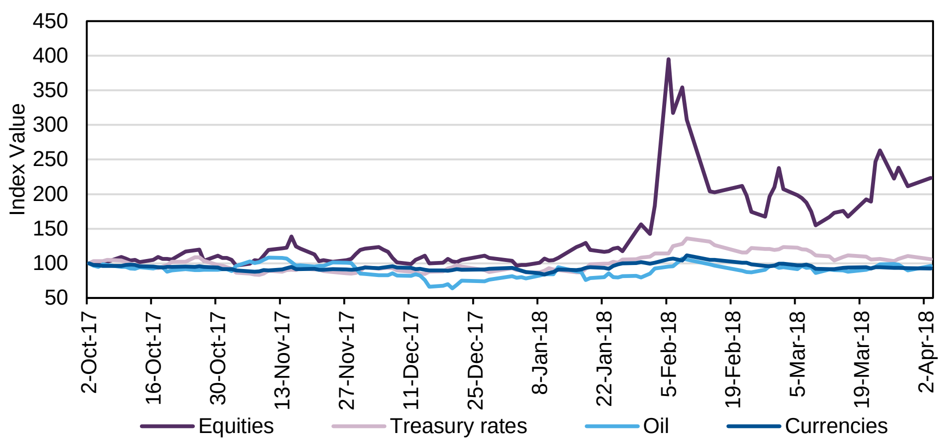
Source: Bloomberg, FactSet, Recession Alert, & Pavilion Analysis

Tightening financial conditions



Source: Federal Reserve FRED Data

Equity volatility the outlier



Source: ***Bloomberg***
Values indexed to 10/2/2017
Equities: VIX Index; Treasury Rates: Move Index; Oil: OVX Index; and Currencies: FXVIX Index

Cyclical risks appear benign while policy and trade tensions grow

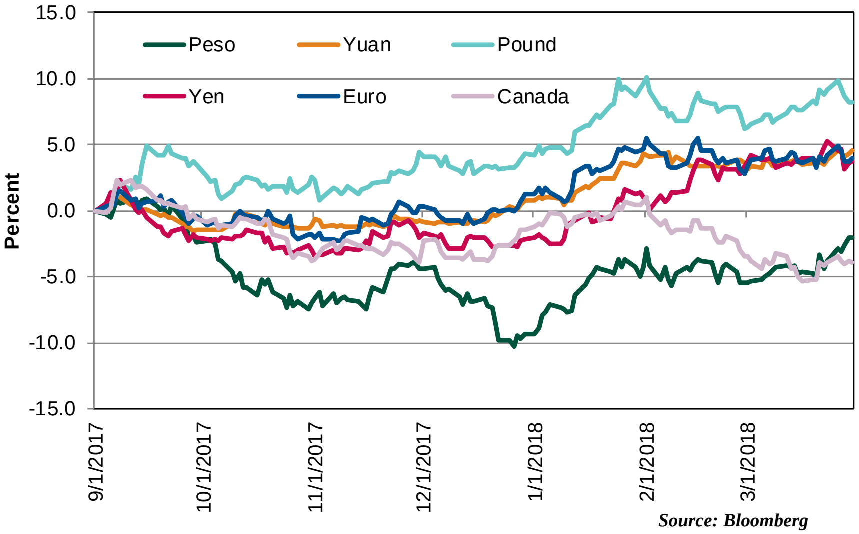
- **Can the Fed thread the needle?** Despite below target inflation and subdued wage growth, the Federal Reserve ("Fed") has been raising rates steadily for over a year. With inflation still low but rising and wage growth subdued, the question is whether the Fed is moving too quickly or too slowly? Will the Fed allow inflation to run a bit above target to spur wage growth or will they treat the target as a ceiling? Signs of rising wage growth contributed to the initial uptick in volatility during the quarter as investors anticipated a more aggressive Fed policy response. While those fears appear to have dissipated, financial conditions have begun to tighten in the last quarter and may cease being a tailwind by year end.
- **Will higher equity volatility infect other asset classes?** While equity market volatility spiked during the month, this spike was not reflected in other asset classes. While equity volatility is more of a coincident indicator than a leading indicator, synchronized increases in volatility have been better indicators of evolving stresses. All indications currently suggest that increased volatility is being driven largely by technical factors within equity markets. Careful monitoring of cross-asset volatilities will be important over the coming months.
- **Prospective tariffs and trade conflicts:** Recent trade tensions are reminiscent of the 2016 Brexit vote. While markets priced in immediate dire consequences, the impact on fundamentals remains further down the road. Similarly, the impact on near term growth from the trade conflicts appears to be modest. The real threat from an escalation in these conflicts is future inflationary pressures and reduced corporate margins as complex value chains are disrupted. The challenge for markets, and investors, will be differentiating between the real and apparent consequences of any conflict.

Capital Markets Review

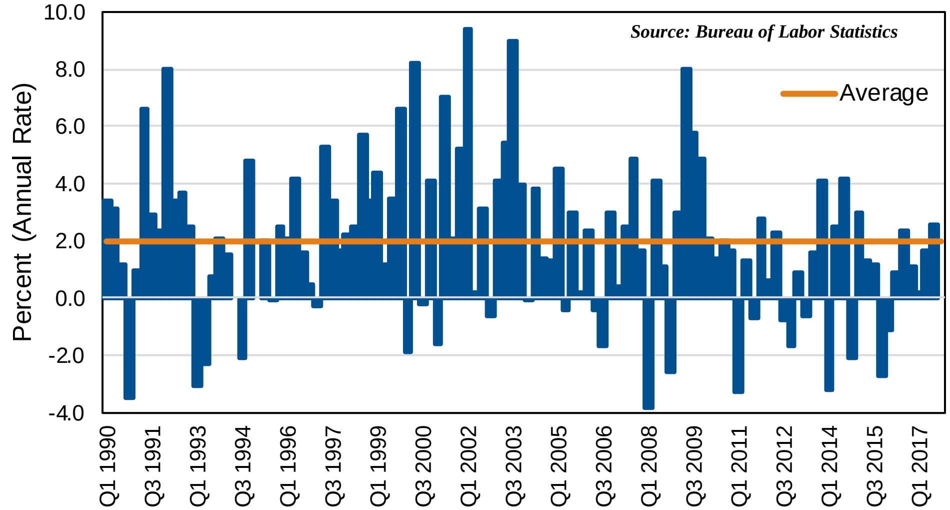
Economy

As of March 31, 2018

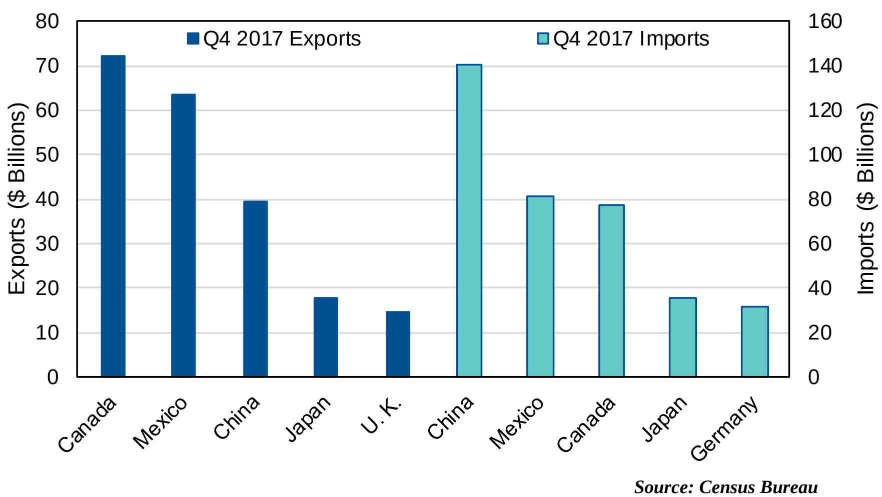
Currencies vs USD



Productivity Gains



Top Five U.S. Trading Partners



Trade tiff adds to volatility

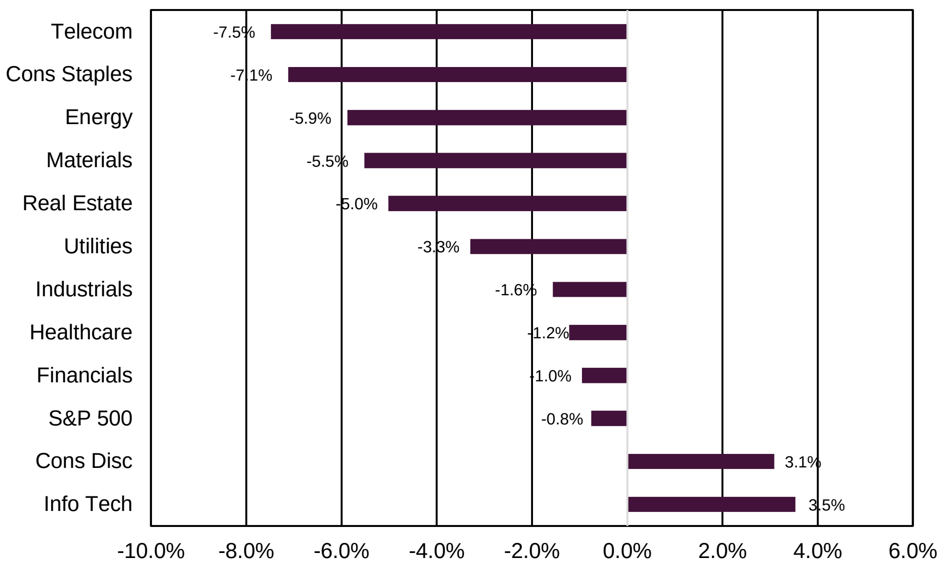
- Turbulence entered the markets during the first quarter as the reorganization of trade priorities and agreements under the Trump administration came to the forefront. The initial salvo was a tariff on steel and aluminum imports, which was then amended to exclude many countries not named China. The underlying focus of the trade disputes is China's trade barriers and bias toward its domestic producers in sectors that are susceptible to foreign competition. NAFTA renegotiations also have been ongoing, though in a tamer manner. These policy uncertainties have led to increased volatility, especially across equity markets.
- The Federal Reserve ushered in Jerome Powell as its new chairman. His manner is expected to be more direct than past leaders, although policy direction is not expected to vary significantly from expectations. The Fed Funds rate was raised by 25bps in March, with two more increases of 25bps forecast through 2018. The economy continued to add jobs at a strong pace and wages grew at the fastest pace since Q1 2011. If policy uncertainties remain escalated, job growth could slow as businesses await stability to implement expansion plans, which can lead to a weakening of economic factors.
- Canadian and Mexican currencies moved in relation to potential tariff/trade realignments, while others rose as investors moved out of the U.S. dollar and into other perceived to be undervalued. Earnings forecasts have become more muddled, given the recent policy uncertainties, though global growth is expected to remain strong.

Capital Markets Review

Equities

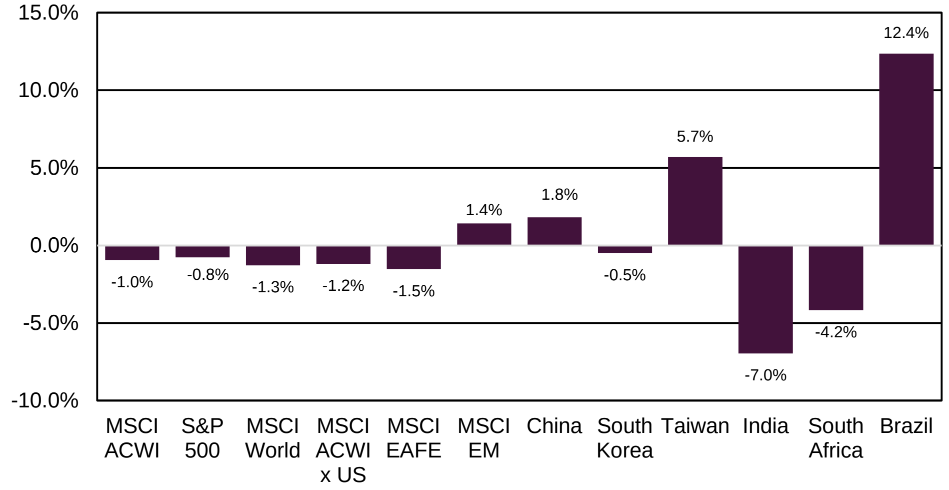
As of March 31, 2018

First Quarter S&P 500 Sector Returns



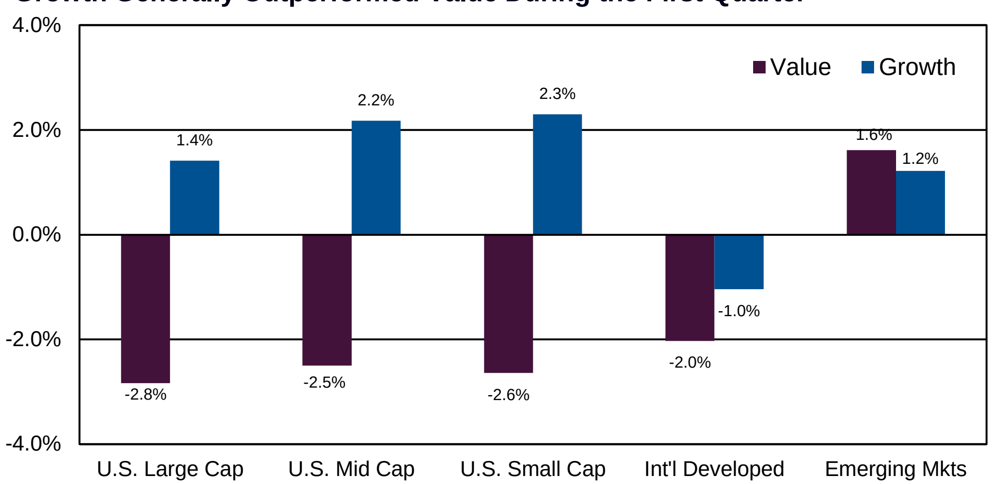
Source: FactSet, S&P

First Quarter World and Emerging Market Equity Returns



Source: FactSet, MSCI

Growth Generally Outperformed Value During the First Quarter



Source: FactSet, MSCI, Russell

Growth and emerging markets continue to outperform

- The S&P 500 Index returned -0.8% during the first quarter. Information Technology and Consumer Discretionary were the only sectors with positive returns while Telecom and Consumer Staples were the weakest sectors for the quarter, both down more than -7%.
- Developed market equity indices were down between -0.8% and -1.5% during the first quarter, with the S&P 500 Index down the least at -0.8%. Emerging Market equities were able to produce positive results, returning +1.4%, led by Brazil and Taiwan.
- The Growth style continued to outperform the Value style during the first quarter, with the exception of Emerging Markets. Within the U.S., Growth exhibited positive returns while Value was negative. In International Developed markets, Growth was negative but to a lesser extent than Value. Emerging Markets was the only segment to experience positive results within Value, which slightly edged out Growth. U.S. Large Cap Growth did not fare quite as well as U.S. Mid or Small Cap Growth. Within the Value style, size was fairly inconsequential.

Capital Markets Review

Fixed Income

As of March 31, 2018

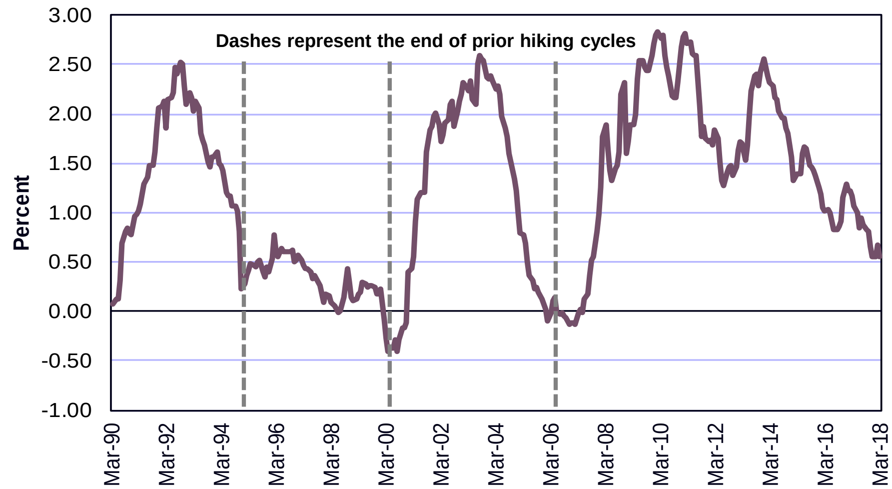
Duration – Adjusted Excess Returns to Treasuries (bps)

	2011	2012	2013	2014	2015	2016	2017	1Q18
Aggregate	-114	226	93	10	-53	138	121	-31
Agency	-25	166	1	10	-133	121	148	6
MBS	-106	91	98	40	-5	-11	52	-39
ABS	52	246	24	53	44	95	92	-19
CMBS	47	841	97	108	-28	236	158	-7
Credit	-322	693	226	-18	-169	442	335	-68
High Yield	-240	1394	923	-112	-577	1573	610	-17
EMD (USD)	-537	1503	-32	-120	3	880	627	-26

Best Period Second Best Period Worst Period Second Worst Period

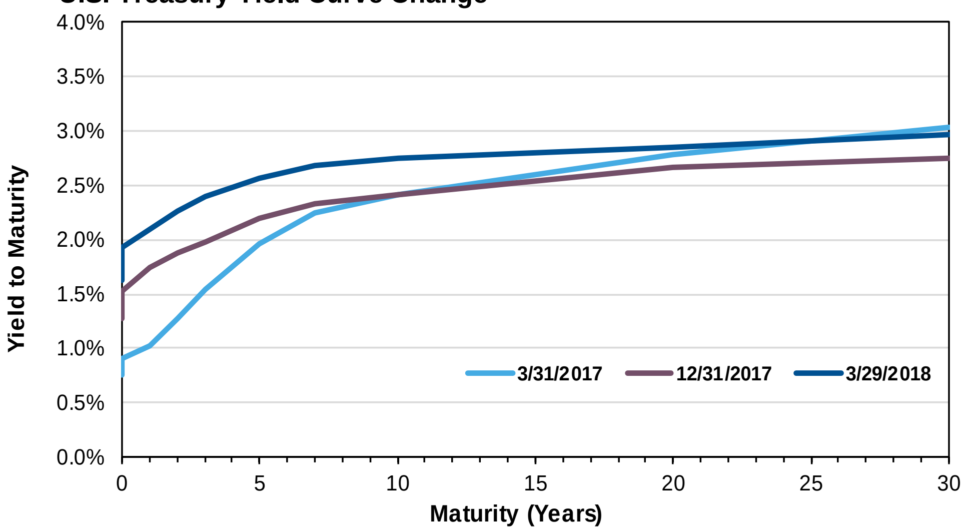
Source: Bloomberg

2 vs. 10 Year Treasury Curve Slope



Source: Federal Reserve Bank of St. Louis

U.S. Treasury Yield Curve Change



Source: US Dept. of The Treasury

Curve Flattening Continues Decade-Long Trend

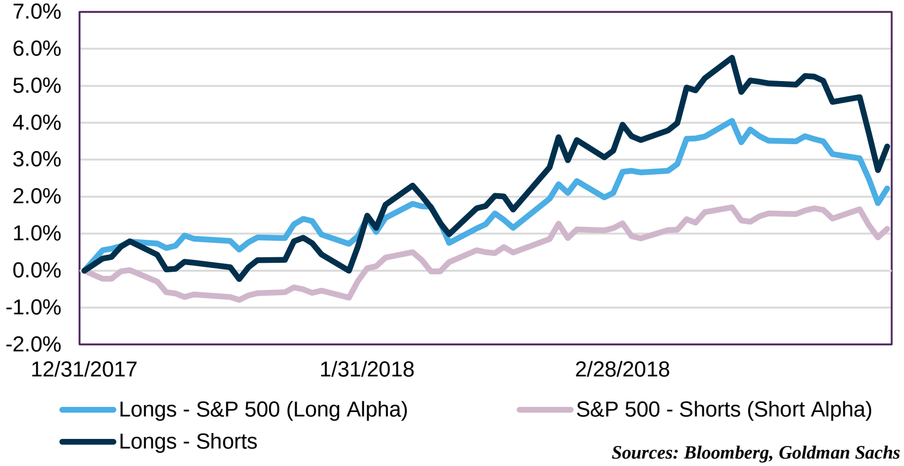
- The Federal Reserve ("Fed") raised rates 0.25% at the March FOMC meeting, setting the Federal Funds Rate target at 1.50% to 1.75%. The bellwether 10-year U.S. Treasury nearly reached 3.00% in mid-February as growth and inflation expectations increased, but retraced back to 2.74% by quarter-end amid a flight-to-quality. Yields moved higher across the entire maturity spectrum and the curve continued its flattening trend. Most spread sectors lagged Treasuries and generated negative total returns as rates rose and spreads widened. TIPS (-0.79%) outperformed nominal Treasuries (-1.19%) as breakeven inflation levels increased.
- Investment-grade corporate spreads widened 16 basis points, underperforming other spread sectors during the quarter. Technical pressure was a headwind due to waning demand amid increased currency hedging costs for foreign investors. High yield (-0.86%) outpaced investment-grade (-2.32%) corporates, benefitting from the higher carry and lower duration sensitivity. Bank loans provided attractive absolute returns (+1.44%), driven by rising LIBOR rates and strong investor demand.
- Structured products generally outpaced investment-grade credit due to lower spread volatility and insulation from the political trade rhetoric. Agency MBS (-1.19%) spreads widened a modest four basis points as the sector faces demand concerns given the pace of the Fed's balance sheet wind-down. ABS (-0.39%) provided some stability versus longer duration sectors, yet still trailed Treasuries on a duration-adjusted basis.
- Local currency emerging market debt (+4.44%) outpaced all fixed income segments during the quarter, driven by strong growth prospects, stable commodity prices, and a weaker U.S. Dollar.

Capital Markets Review

Alternative Investments

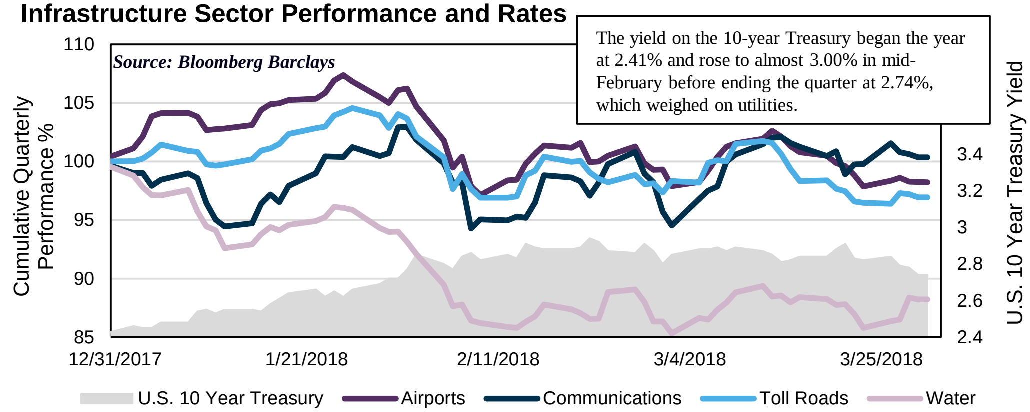
As of March 31, 2018

Goldman Sachs Hedge Fund VIP Stocks – Longs/Shorts vs. S&P 500 (2018 Q1)

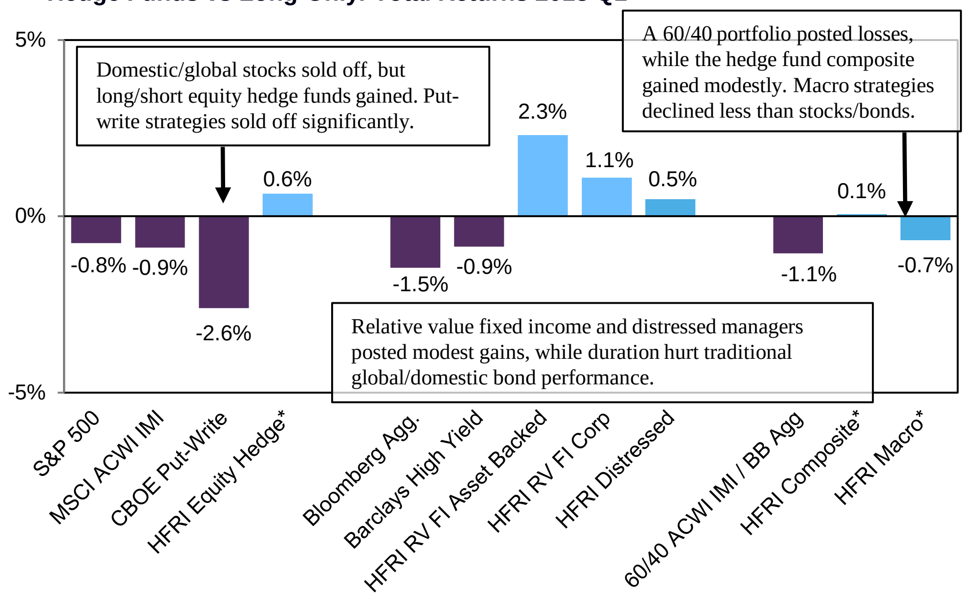


Sources: Bloomberg, Goldman Sachs

Infrastructure Sector Performance and Rates



Hedge Funds vs Long-Only: Total Returns 2018 Q1



*Asset-weighted is used instead of fund-weighted, as it is available and more indicative of the universe.

Sources: Hedge Fund Research, FactSet

Global alternatives rise with risk assets

- **Hedge Funds:** Hedge funds generated strong alpha during the quarter across nearly all strategies, illustrating the less-correlated nature of the return sources for these strategies. Equity long-short funds generated alpha both from long positions and short positions. Funds with long-biased exposures to growth equities, emerging markets, and the technology and healthcare sectors outperformed those without these exposures. Credit-oriented funds significantly outperformed IG and HY bonds due to a lack of duration, tactical hedging, and process-driven alpha. Structured product hedge funds were some of the strongest performers during the quarter. A robust financing environment and record amount of large announced acquisitions drove gains in merger arbitrage. Other diversified relative value strategies such as volatility arbitrage benefited from broad market dispersion. While volatility is generally good for macro strategies, performance was mixed across sub-strategies. Many discretionary macro managers profited from short interest rate and USD positions while CTAs suffered from the sharp trend reversal in equity markets.
- **Real Assets:** Higher-yielding liquid real assets struggled during the first quarter, with listed infrastructure down –5.5% and REITs down -6.7%. For listed infrastructure, the expectation of rising interest rates weighed on some subsectors such as water, which has longer-term fixed contractual agreements. Other listed infrastructure subsectors are expected to perform well in a rising interest rate environment as long as economic growth also improves. These subsectors, like toll roads, airports, and communication, often have explicit revenue escalators that benefit from cyclical upswings.
- **Private Capital Markets**: In 2017, 921 private equity funds reached a final close , securing over $453 billion in committed capital, which represents the largest amount of capital ever raised in any single year. 2017 was the second consecutive year in which annual fundraising surpassed $400 billion, an event that has only occurred once before (2007/2008). The private equity asset class accounted for 60% of all private capital raised in 2017, representing an increase from 57% in 2016. While H2 2017 distribution numbers are yet to be finalized, $233 billion was distributed to LPs in H1 2017, leaving reason to believe that 2017 will fall short of the $520 billion distributed to LPs in 2016.

Capital Markets Review

Index Returns

As of March 31, 2018

(Percentage Return)

	Quarter	Year To Date	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Domestic Equity Indices								
Dow Jones Wilshire 5000	-0.8	-0.8	13.7	16.0	10.5	13.1	12.4	9.6
S&P 500	-0.8	-0.8	14.0	15.6	10.8	13.3	12.7	9.5
Russell 1000 Index	-0.7	-0.7	14.0	15.7	10.4	13.2	12.6	9.6
Russell 1000 Growth Index	1.4	1.4	21.3	18.5	12.9	15.5	14.1	11.3
Russell 1000 Value Index	-2.8	-2.8	6.9	12.9	7.9	10.8	11.0	7.8
Russell Midcap Index	-0.5	-0.5	12.2	14.6	8.0	12.1	11.5	10.2
Russell Midcap Growth Index	2.2	2.2	19.7	16.9	9.2	13.3	11.9	10.6
Russell Midcap Value Index	-2.5	-2.5	6.5	13.0	7.2	11.1	11.2	9.8
Russell 2000 Index	-0.1	-0.1	11.8	18.8	8.4	11.5	10.4	9.8
Russell 2000 Growth Index	2.3	2.3	18.6	20.8	8.8	12.9	11.3	11.0
Russell 2000 Value Index	-2.6	-2.6	5.1	16.6	7.9	10.0	9.4	8.6
International Equity Indices								
MSCI EAFE	-1.5	-1.5	14.8	13.2	5.6	6.5	5.3	2.7
MSCI EAFE Growth Index	-1.0	-1.0	17.5	12.4	6.7	7.1	6.1	3.4
MSCI EAFE Value Index	-2.0	-2.0	12.2	14.1	4.3	5.8	4.4	2.0
MSCI EAFE Small Cap	0.2	0.2	23.5	17.1	12.3	11.1	8.7	6.5
MSCI AC World Index	-1.0	-1.0	14.8	14.9	8.1	9.2	7.9	5.6
MSCI AC World ex US	-1.2	-1.2	16.5	14.8	6.2	5.9	4.3	2.7
MSCI Emerging Markets Index	1.4	1.4	24.9	21.0	8.8	5.0	2.5	3.0
Fixed Income Indices								
Blmbg. Barc. U.S. Aggregate	-1.5	-1.5	1.2	0.8	1.2	1.8	2.9	3.6
Blmbg. Barc. Intermed. U.S. Government/Credit	-1.0	-1.0	0.4	0.4	0.9	1.2	2.3	2.9
Blmbg. Barc. U.S. Long Government/Credit	-3.6	-3.6	5.1	3.0	2.1	4.1	6.9	6.8
Blmbg. Barc. U.S. Corp: High Yield	-0.9	-0.9	3.8	9.9	5.2	5.0	6.3	8.3
BofA Merrill Lynch 3 Month U.S. T-Bill	0.4	0.4	1.1	0.7	0.5	0.3	0.3	0.3
Blmbg. Barc. U.S. TIPS	-0.8	-0.8	0.9	1.2	1.3	0.0	2.5	2.9
Citigroup Non-U.S. World Government Bond	4.4	4.4	12.9	3.7	5.0	1.4	1.2	1.8
JPM EMBI Global Diversified (external currency)	-1.7	-1.7	4.3	6.6	5.8	4.7	6.3	7.0
JPM GBI-EM Global Diversified (local currency)	4.4	4.4	13.0	9.2	5.4	-0.7	1.1	3.8
Real Asset Indices								
Bloomberg Commodity Index Total Return	-0.4	-0.4	3.7	6.2	-3.2	-8.3	-8.8	-7.7
Dow Jones Wilshire REIT	-7.5	-7.5	-3.6	-0.9	1.0	6.1	8.2	6.2

Returns for periods greater than one year are annualized.

Portfolio Review

El Camino Hospital Investment Committee Scorecard

March 31, 2018

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY18 Year-end Budget	Expectation Per Asset Allocation
Investment Performance		1Q 2018		Fiscal Year-to-date		5y 5m Since Inception (annualized)			2018
Surplus cash balance*		$874.8	--	--	--	--	--	$926.1	--
Surplus cash return		0.1%	-0.6%	5.5%	5.0%	5.7%	5.5%	1.9%	5.3%
Cash balance plan balance (millions)		$259.9	--	--	--	--	--	$257.1	--
Cash balance plan return		0.4%	-0.6%	6.7%	6.1%	8.1%	7.4%	6.0%	5.7%
403(b) plan balance (millions)		$455.1	--	--	--	--	--	--	--
Risk vs. Return		3-year				5y 5m Since Inception (annualized)			2018
Surplus cash Sharpe ratio		0.93	0.91	--	--	1.29	1.26	--	0.43
Net of fee return		4.9%	4.7%	--	--	5.7%	5.5%	--	5.3%
Standard deviation		4.8%	4.7%	--	--	4.1%	4.1%	--	6.7%
Cash balance Sharpe ratio		0.95	0.92	--	--	1.39	1.33	--	0.40
Net of fee return		6.0%	5.6%	--	--	8.1%	7.4%	--	5.7%
Standard deviation		5.9%	5.6%	--	--	5.5%	5.3%	--	8.1%
Asset Allocation		1Q 2018							
Surplus cash absolute variances to target		6.4%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target		4.9%	< 10%	--	--	--	--	--	--
Manager Compliance		1Q 2018							
Surplus cash manager flags		29	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		32	< 27 Green < 34 Yellow	--	--	--	--	--	--

*Excludes debt reserve funds (~$223 mm), District assets (~$33 mm), and balance sheet cash not in investable portfolio (~$133 mm). Includes Foundation (~$26 mm) and Concern (~$13 mm) assets. Budget adds back in current Foundation and Concern assets and backs out current debt reserve funds.

Total Surplus Cash Assets

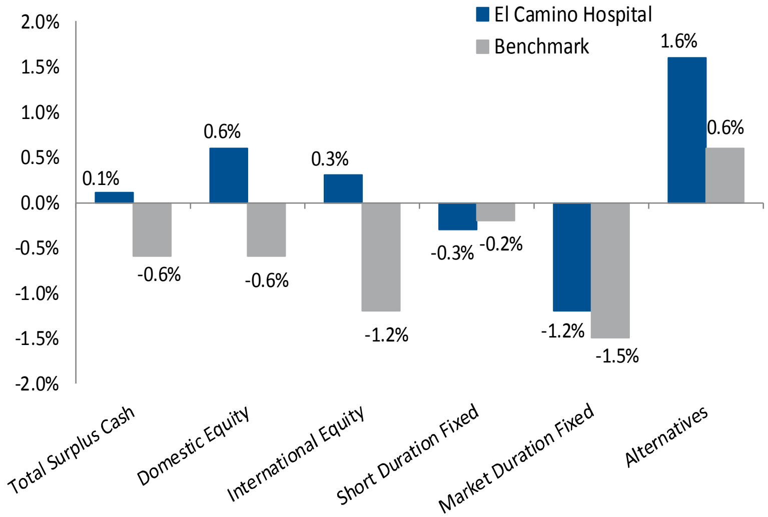
As of March 31, 2018

	Allocation		Performance(%)								
	Market Value ($)	%	Quarter	Year To Date	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Period
Total Surplus Cash (1)	**1,130,677,826**	**100.0**	**0.1**	**0.1**	**4.3**	**6.2**	**4.1**	**4.8**	**5.4**	**5.2**	**5y 5m**
Total Surplus Cash ex District / Debt Reserves (1)	**874,843,843**	**77.4**	**0.1**	**0.1**	**5.5**	**8.3**	**4.9**	**5.4**	**5.7**	**5.7**	**5y 5m**
Surplus Cash Total Benchmark			-0.6	-0.6	5.0	7.4	4.7	5.3	5.2	5.5	
Total Surplus Cash ex District / CONCERN / Debt Reserves (1)	**861,771,880**	**76.2**	**0.1**	**0.1**	**5.6**	**8.4**	**5.0**	**5.5**	**5.6**	**5.8**	**5y 5m**
Surplus Cash Total Benchmark			-0.6	-0.6	5.0	7.4	4.7	5.3	5.2	5.5	
Total CONCERN	**13,071,963**	**1.2**	**-1.3**	**-1.3**	**-0.2**	**1.2**	**-**	**-**	**-**	**1.6**	**2y 2m**
CONCERN Total Benchmark			-1.4	-1.4	-0.2	1.2	-	-	-	1.5	
Met West Total Return Bond Plan - CONCERN	12,985,730	1.1	-1.3	-1.3	-0.2	1.2	1.2	2.1	-	1.6	2y 2m
Blmbg. Barc. U.S. Aggregate			-1.5	-1.5	-0.2	1.2	1.2	1.8	3.6	1.5	
Cash Account - CONCERN	86,233	0.0	0.2	0.2	0.6	0.7	-	-	-	0.5	2y 2m
90 Day U.S. Treasury Bill			0.4	0.4	0.9	1.1	0.5	0.3	0.3	0.7	
District - Barrow Hanley	**33,322,201**	**2.9**	**-0.3**	**-0.3**	**-0.2**	**0.0**	**0.4**	**0.5**	**1.4**	**0.5**	**5y 5m**
Blmbg. Barc. 1-3 Govt			-0.1	-0.1	-0.2	0.0	0.4	0.5	1.2	0.5	
Total Debt Reserves	**222,511,782**	**19.7**	**0.4**	**0.4**	**1.1**	**1.3**	**-**	**-**	**-**	**0.8**	**2y 11m**
90 Day U.S. Treasury Bill			0.4	0.4	0.9	1.1	0.5	0.3	0.3	0.5	
Ponder Debt Reserves - 2015	15,780,670	1.4	0.4	0.4	0.9	1.1	-	-	-	0.8	2y 11m
90 Day U.S. Treasury Bill			0.4	0.4	0.9	1.1	0.5	0.3	0.3	0.5	
Ponder Debt Reserves - 2017	197,532,629	17.5	0.4	0.4	1.1	1.3	-	-	-	1.2	1y 1m
90 Day U.S. Treasury Bill			0.4	0.4	0.9	1.1	0.5	0.3	0.3	1.0	
Capitalized Interest 2017	9,198,483	0.8	0.4	0.4	1.2	1.3	-	-	-	1.2	1y 1m
90 Day U.S. Treasury Bill			0.4	0.4	0.9	1.1	0.5	0.3	0.3	1.0	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
(1) Includes Foundation assets.

Surplus Cash Executive Summary
Dashboard
As of March 31, 2017

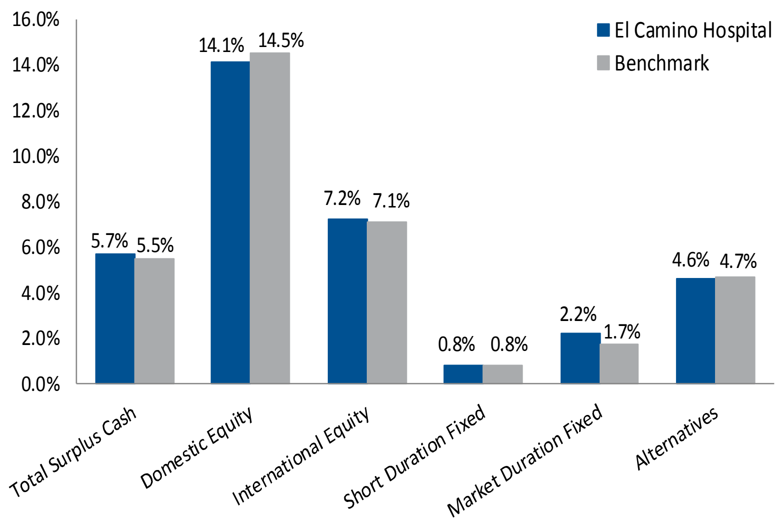
Performance: Most Recent Quarter



Asset Allocation

Manager	Total Assets ($, mil.)	Percent of Total	Target Allocation	Variance to Target	Target Range	Within Policy Range
Domestic Equity	$232.9	26.6%	25.0%	+ 1.6%	20-30%	Yes
International Equity	$137.5	15.7%	15.0%	+ 0.7%	10-20%	Yes
Short-Duration Fixed	$ 95.4	10.9%	10.0%	+ 0.9%	8-12%	Yes
Market-Duration Fixed	$262.1	30.0%	30.0%	- 0.0%	25-35%	Yes
Alternatives	$146.9	16.8%	20.0%	- 3.2%	17-23%	Yes
Total (X District)	**$874.8**	**100.0%**				

Performance: Since Inception[1]



[1] Reflects the date Pavilion's recommended portfolio was implemented (November 1, 2012).

Portfolio Updates

Manager News/Issues

- The Surplus Cash Portfolio returned +0.1% for the quarter, outperforming its benchmark by 70 bps. Over the trailing one year period, the Portfolio returned +8.3%, outpacing the benchmark by approximately 80 bps.
- Relative outperformance during the quarter was driven by manager results, particularly within the Domestic and International Equity Composites, which outperformed their benchmarks by 120 and 150 bps, respectively.
- Notable outperformers during the quarter include Touchstone Sands Large Cap Growth (+9.7%) and Harding Loevner Emerging Markets (+3.6%), which outperformed their benchmarks by 830 and 220 bps, respectively. The Direct Hedge Fund Program (+1.7%) also contributed to the relative outperformance during the quarter, outpacing the HFRI Fund of Funds Composite Index by 140 bps.

First Quarter Funding News/Issues

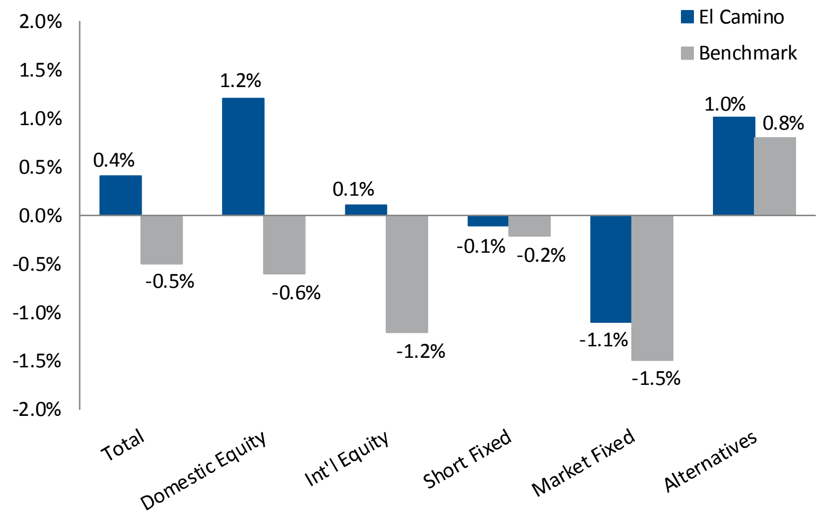
- $1.5 million was transferred into the portfolio to fixed income manager MetWest.
- $1.5 million was distributed from Brevan Howard (Macro hedge fund).
- $0.1 million was distributed from ESG (Equity hedge fund).
- $0.5 million was distributed from Luxor (Equity hedge fund).
- Oaktree Real Estate Opportunities Fund VI distributed $1.5 million.
- Walton Real Estate Fund VII distributed $0.5 million.
- In April, the Hospital added $29.3 million to the portfolio: $10.0 million to the Direct Hedge Fund portfolio, $5.0 million each to Dodge & Cox and MetWest fixed income, $7.0 million to Barrow Short Duration fixed income, $4.0 million to Harding Loevner Emerging Markets, $3.0 million to Barrow Hanley Large Cap Value, and $1.0 million to Sands Large Cap Growth. Existing cash was utilized as well.

Cash Balance Plan Executive Summary

Dashboard

As of March 31, 2018

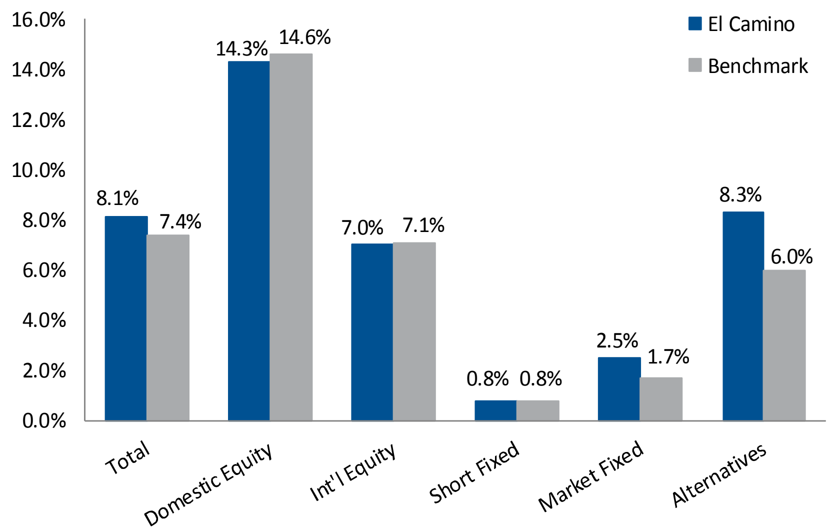
Performance: Most Recent Quarter



Asset Allocation

Manager	Total Assets ($, mil.)	Percent of Total	Target Allocation	Variance to Target	Target Range	Within Policy Range
Domestic Equity	$ 86.7	33.3%	32.0%	+ 1.3%	27-37%	Yes
International Equity	$ 49.0	18.9%	18.0%	+ 0.9%	15-21%	Yes
Short-Duration Fixed	$ 12.4	4.8%	5.0%	- 0.2%	0-8%	Yes
Market-Duration Fixed	$ 65.7	25.3%	25.0%	+ 0.3%	20-30%	Yes
Alternatives	$ 46.1	17.7%	20.0%	- 2.3%	17-23%	Yes
Total	**$259.9**	**100.0%**				

Performance: Since Inception[1]



Portfolio Updates

Manager News/Issues

- The Cash Balance Plan returned +0.4% for the quarter, outperforming its benchmark by 100 bps. Over the trailing one year period, the Plan returned +10.3%, outpacing the benchmark by approximately 150 bps.
- Relative outperformance during the quarter was driven by manager results, particularly within the Domestic and International Equity Composites, which outperformed their benchmarks by 180 and 130 bps, respectively.
- Notable outperformers during the quarter include Touchstone Sands Large Cap Growth (+9.7%) and Harding Loevner Emerging Markets (+3.6%), which outperformed their benchmarks by 830 and 220 bps, respectively. Hedge fund-of-funds manager Pointer Offshore was also a notable outperformer, outpacing the HFRI Fund of Funds Composite by 140 bps.

First Quarter Funding News/Issues

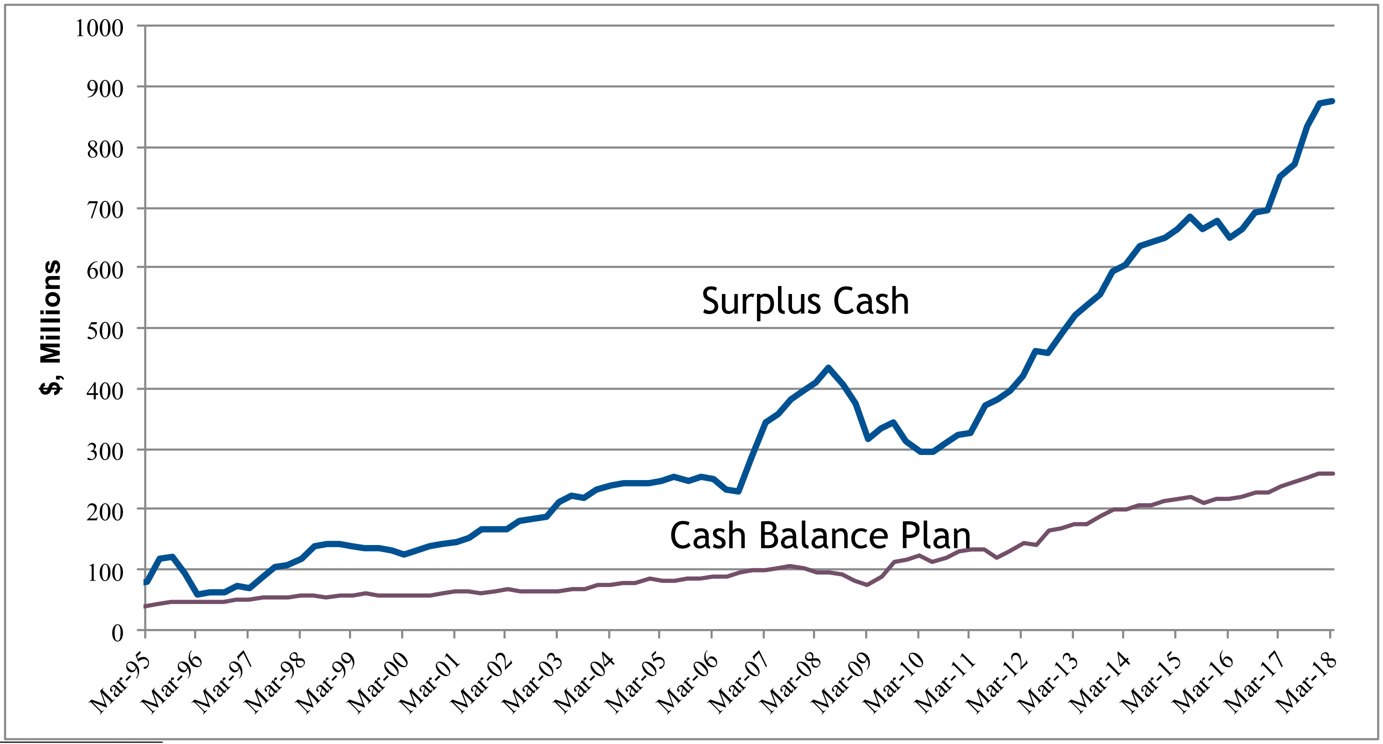
- In January a $2.6 million employer contribution was made and the portfolio was rebalanced by reducing Vanguard S&P 500 by $5.0 million and adding $2.0 million each to MetWest and Dodge & Cox and $3.6 million to Barrow Hanley Short Duration.
- Oaktree Real Estate Opportunities Fund VI distributed $0.9 million.
- Walton Street Real Estate Fund VII distributed $0.3 million.

[1] Reflects the date Pavilion's recommended portfolio was implemented (November 1, 2012).

Market Value Reconciliation

As of March 31, 2018

$ in Millions	Surplus Cash					Cash Balance Plan				
	2014	2015	2016	2017	YTD 2018	2014	2015	2016	2017	YTD 2018
Beginning Market Value	**$596.3**	**$651.6**	**$677.5**	**$694.7**	**$872.3**	**$198.3**	**$213.7**	**$216.8**	**$228.1**	**$259.3**
Net Cash Flow	$27.4	$27.0	($17.5)	$89.0	($0.4)	$3.8	$3.8	$0.4	($0.8)	($0.4)
Income	$12.3	$12.6	$12.4	$14.2	$3.4	$3.4	$3.4	$3.4	$3.6	$0.8
Realized Gain/(Loss)	$10.4	$4.4	$7.1	$9.6	($0.1)	$4.7	$4.7	$4.5	$2.2	$2.7
Unrealized Gain/(Loss)	$5.3	($18.0)	$15.1	$64.8	($0.3)	$3.4	$2.6	$3.0	$26.2	($2.4)
Capital App/(Dep)	$27.9	($1.0)	$34.6	$88.6	$3.0	$11.5	$10.7	$10.9	$32.0	$1.1
End of Period Market Value	**$651.6**	**$677.5**	**$694.7**	**$872.3**	**$874.8**	**$213.7**	**$228.2**	**$228.1**	**$259.3**	**$259.9**
Return Net of Fees	4.4%	-0.2%	5.2%	11.8%	0.1%	5.6%	1.1%	4.9%	14.5%	0.4%



[1] Beginning 8/1/2012, Surplus Cash market values represent the Surplus Cash portfolio excluding District assets, with $13.9 million of District assets shown as a cash outflow in the third quarter of 2012.

Performance Summary

Compliance Checklist

As of March 31, 2018

Fund Name	Qualitative Compliance	Performance Compliance	Short-Term 3 Year Return	3 Year Rank	3 Year Sharpe	Longer-Term 5 Year Return	5 Year Rank	5 Year Sharpe
Sands Large Cap Growth (Touchstone) - Both Plans	✔	✔	✖	✖	✖	✖	✖	✖
Barrow Hanley Large Cap Value - Surplus Cash	✔	✔	✖	✖	✖	✔	✔	✔
Barrow Hanley Large Cap Value - Pension	✔	✔	✖	✖	✖	✔	✔	✔
Wellington Small Cap Value - Surplus Cash	✔	✔	✖	✖	✖	✖	✖	✖
Wellington Small Cap Value - Pension	✔	✔	✖	✖	✖	✖	✖	✖
Conestoga Small-Cap Fund I - Both Plans	✔	✔	✔	✔	✔	✔	✔	✔
Walter Scott Int'l (Dreyfus) - Both Plans	✔	✔	✔	✔	✔	✖	✖	✔
Northern Cross Int'l (Harbor Int'l) - Both Plans	✔	✖	✖	✖	✖	✖	✖	✖
Harding Loevner Inst. Emerging Markets I - Both Plans	✔	✔	✔	✔	✔	✔	✔	✔
Barrow Hanley Short Fixed - Surplus Cash	✔	✔	✔	✖	✔	✔	✖	✖
Barrow Hanley Short Fixed - Pension	✔	✔	✖	✖	✖	✖	✖	✖
Dodge & Cox Fixed - Surplus Cash	✔	✔	✔	✔	✔	✔	✔	✔
Dodge & Cox Fixed - Pension	✔	✔	✔	✔	✔	✔	✔	✔
MetWest Fixed - Surplus Cash	✔	✔	✔	✖	✔	✖	✖	✔
Met West Fixed - Pension	✔	✔	✖	✖	✔	✔	✖	✔
Lighthouse Diversified - Pension	✖	✔	✔	--	✔	✔	--	✔
Pointer Offshore LTD - Pension[CE]	✔	✔	✔	--	✔	✔	--	✔

Legend	
✔	Goals met or no material change
✖	Goals not met or material changes

Portfolio	Score Factor	Comments
Sands Large Cap Growth (Touchstone) - Both Plans	Qualitative Compliance	In the fourth quarter, Tom Trentman was added as a co-PM to the strategy; he joins CIO Frank Sands, Jr., Mike Sramek, and Wes Johnston as PMs on the Select Growth strategy. Mr. Trentman will continue to act as co-sector head for the technology sector.
Sands Large Cap Growth (Touchstone) - Both Plans	Performance Compliance	Despite a relative rebound in calendar year 2017 and the first quarter of 2018, the strong style headwinds that Sands faced in 2016 continue to drag down the manager's 3-year and 5-year annualized returns. With the Russell 1000 Growth Index landing in the top quartile of the Large Cap Growth peer group, it has been a challenging bogey to beat over those periods. While the past few years have been driven by large factor swings within the Large Cap Growth market segment, we believe that skilled active managers focused on fundamentals will add alpha over time.
Wellington Small Cap Value - Surplus Cash	Performance Compliance	While we are disappointed with recent underperformance, Wellington has not performed outside of expectations. This is a quality-oriented value manager which we would expect to lag in a lower quality, growth-oriented market. 2016 was particularly challenging for the strategy to keep up, as the benchmark was up nearly 32%. We expect this manager to add value in down markets and believe that patience will be rewarded over the long-term.
Wellington Small Cap Value - Pension	Performance Compliance	While we are disappointed with recent underperformance, Wellington has not performed outside of expectations. This is a quality-oriented value manager which we would expect to lag in a lower quality, growth-oriented market. 2016 was particularly challenging for the strategy to keep up, as the benchmark was up nearly 32%. We expect this manager to add value in down markets and believe that patience will be rewarded over the long-term.

Performance compliance represents Pavilion's view on manager performance relative to Pavilion's expectations for performance, based primarily on manager investment philosophy and process. The three and five year return, rank and Sharpe ratio goals are as follows: the annualized return exceeds the benchmark's return, the manager's peer group rank is better than the 50th percentile, and the manager's Sharpe ratio exceeds the benchmark's.

Performance Summary

Compliance Checklist

As of March 31, 2018

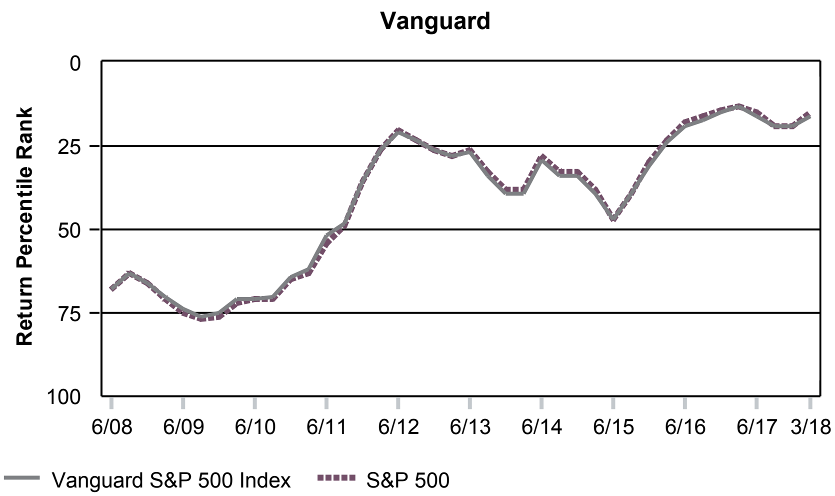
Portfolio	Score Factor	Comments
Walter Scott Int'l (Dreyfus) - Both Plans	Performance Compliance	Desptie strong performance in 2016 and 2017, Walter Scott has lagged the MSCI EAFE Growth Index over the past five years. 2013 and 2015, in particular, weigh on long term relative performance. 2013 was a difficult year for managers who have had a bias towards the more low volatility, consumer, predictable, dividend growing companies. The portfolio's underweight to European Financials, overweight Emerging Markets and underweight in Japan dragged performance down in 2013. Underperformance in 2015 was led by weak stock selection within Consumer Staples and in Japan as well as an overweight to Energy and Emerging Markets. As a reminder, this is a benchmark-agnostic, fundamentally-driven strategy that requires a long-term investment horizon, one that includes a full market cycle. The team is focused on companies that have sustainable growth profiles that are trading at reasonable valuations, which should outperform over a full market cycle, but tend to lag in robust bull markets like we have seen over the past few years, particularly in the back half of 2013.
Northern Cross Int'l (Harbor Int'l) - Both Plans	Performance Compliance	2017 marked the third out of the last five calendars years where the Harbor International Fund has trailed the MSCI ACWI ex. U.S. Index. While there have been a few positives over the last five years, from a regional stock selection perspective little has worked. The majority of the underperformance can be tied to a few broad factors. In 2013, Japan dramatically outpaced the broader benchmark, but Harbor was, and still is, significantly underweight the region. In 2014, U.K. stocks fell on macroeconomic and political concerns, and in 2015, an underweight in Japan and lagging stock selection again in the U.K. hurt performance. Outside of trailing stock selection in the Healthcare sector, Harbor's underperformance in 2016 was driven mainly by lagging performance in the fourth quarter. During the quarter, the U.S. elections supplied a boost to many interest-rate sensitive and cyclical stocks around the globe as investors viewed the election of President Trump as a potential boon in economic growth. The strategy's underweight to the cyclical areas of the market like Energy, Materials, and Industrials held back relative returns. This strategy has a slight value philosophy bias, which has been a headwind over the last few years. As a reminder, this team's focus on long-term returns will result in a portfolio that differs significantly from the MSCI ACWI ex. U.S. Index and style benchmark, resulting in a high tracking error portfolio.
MetWest Fixed - Surplus Cash	Qualitative Compliance	On December 27, 2017, the firm announced the completion of Nippon Life Insurance Company's acquisition of a minority stake in TCW.
MetWest Fixed - Surplus Cash	Performance Compliance	Over the past few years, TCW has held the view that investors are not being fairly compensated for holding corporate credit given valuations and what they perceive as weakening fundamentals. In addition, the team has been cautious on interest rate risk. The net result has been a defensively positioned portfolio that has trailed more aggressive peers as spreads grind tighter and interest rates remain relatively range bound. Going forward, we expect TCW to be in a positive position to deploy capital when the next bout of volatility arises.
Met West Fixed - Pension	Qualitative Compliance	On December 27, 2017, the firm announced the completion of Nippon Life Insurance Company's acquisition of a minority stake in TCW.
Met West Fixed - Pension	Performance Compliance	Over the past few years, TCW has held the view that investors are not being fairly compensated for holding corporate credit given valuations and what they perceive as weakening fundamentals. In addition, the team has been cautious on interest rate risk. The net result has been a defensively positioned portfolio that has trailed more aggressive peers as spreads grind tighter and interest rates remain relatively range bound. Going forward, we expect TCW to be in a positive position to deploy capital when the next bout of volatility arises.
Lighthouse Diversified - Pension	Qualitative Compliance	In March 2018, Lighthouse and Mesirow Financial announced the signing of a definitive agreement for Lighthouse to acquire the assets of Mesirow Advanced Strategies, and the acquisition is expected to be finalized in the next couple months. Pavilion's initial takeaway from early conversations with the managers is that the combination makes sense given the current industry environment. That said, uncertainties remain with the integration process, and we have placed the broader Lighthouse organization on "Watch" as a result. A more detailed memo is available upon request.

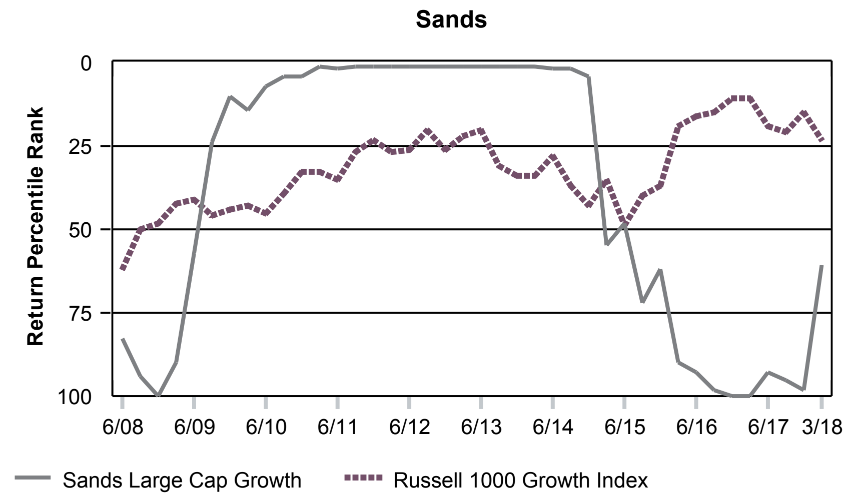
Performance compliance represents Pavilion's view on manager performance relative to Pavilion's expectations for performance, based primarily on manager investment philosophy and process. The three and five year return, rank and Sharpe ratio goals are as follows: the annualized return exceeds the benchmark's return, the manager's peer group rank is better than the 50th percentile, and the manager's Sharpe ratio exceeds the benchmark's.

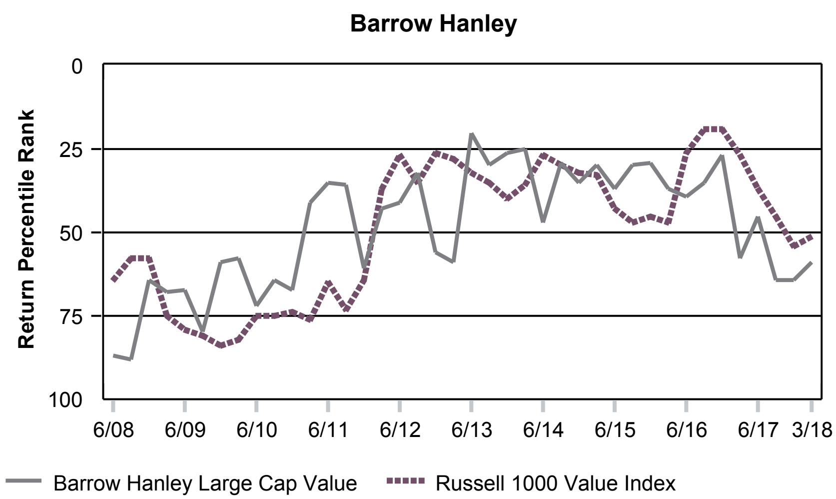
Manager Performance Evaluation

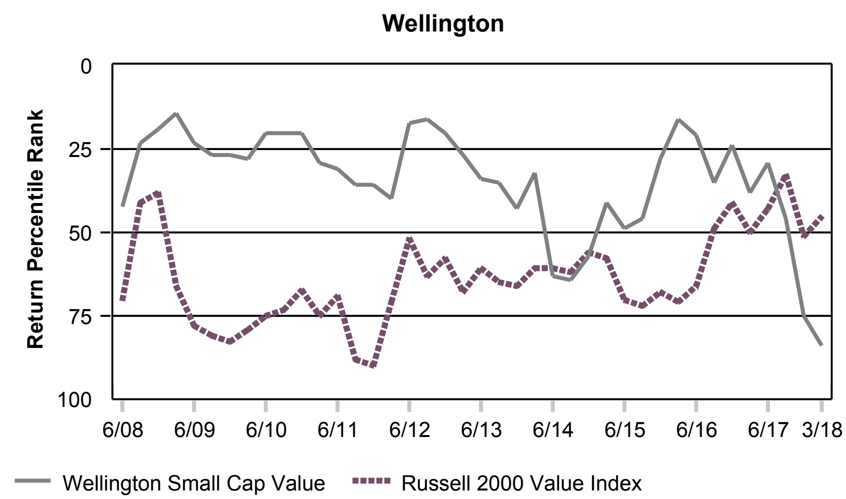
Rolling 3 Year Rankings vs. Peers

As of March 31, 2018





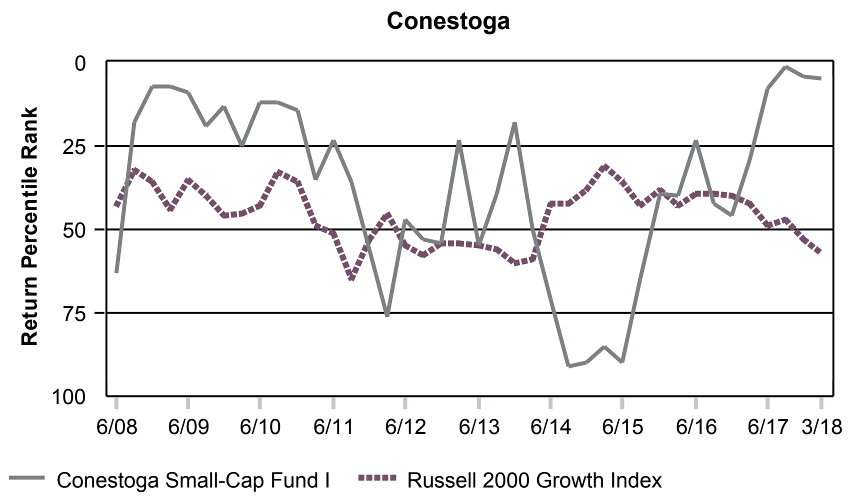


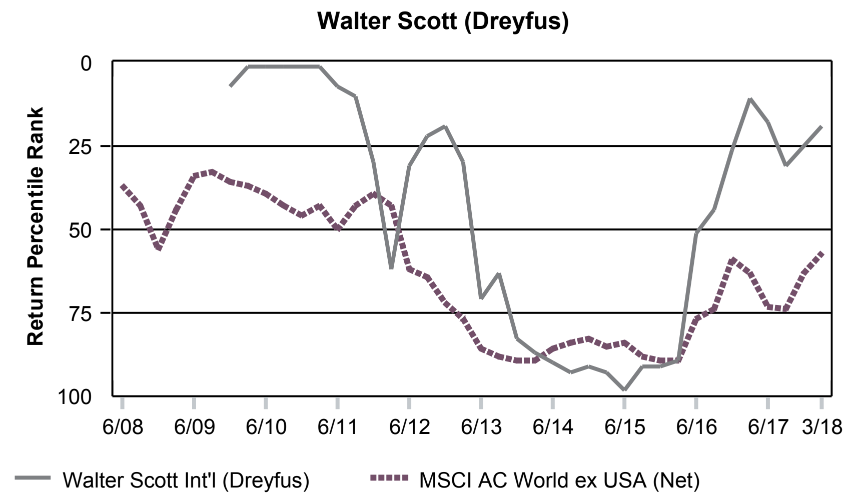


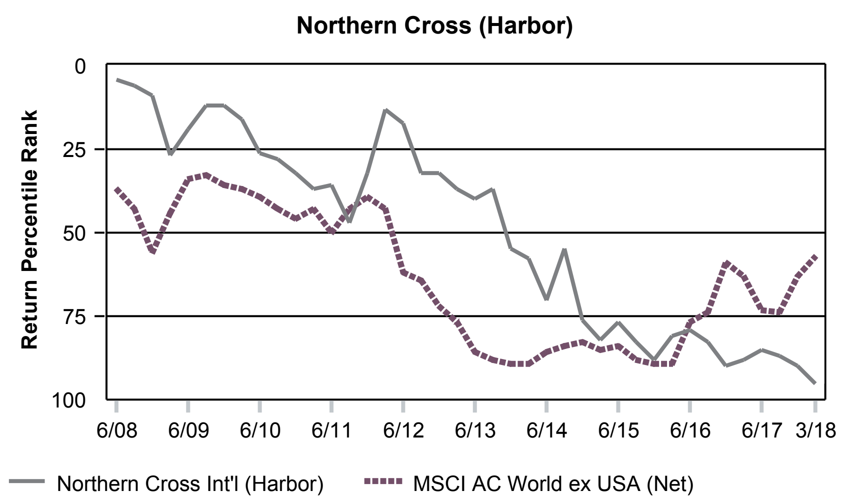
Manager Performance Evaluation

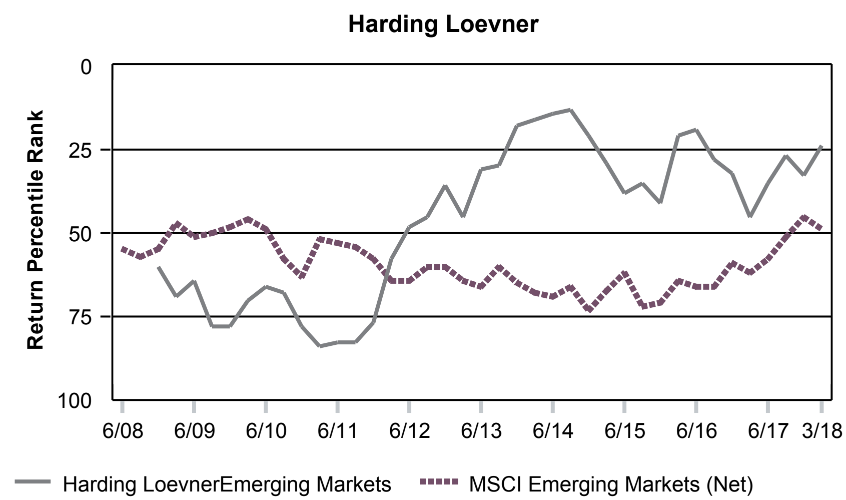
Rolling 3 Year Rankings vs. Peers

As of March 31, 2018





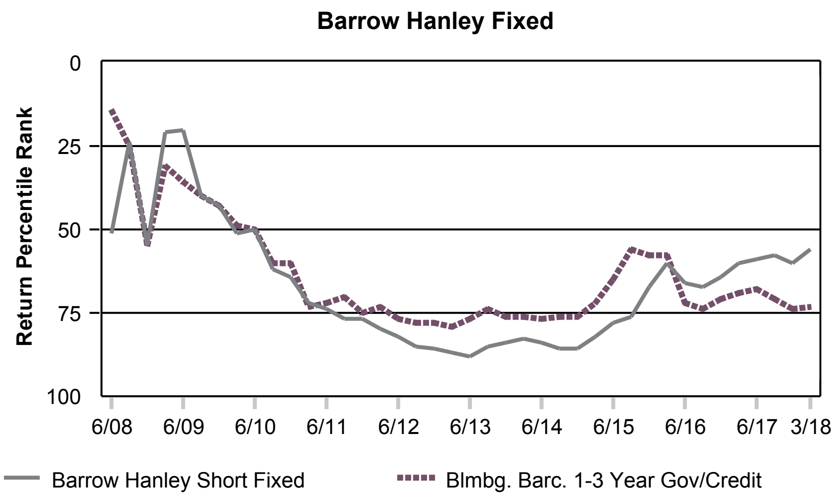


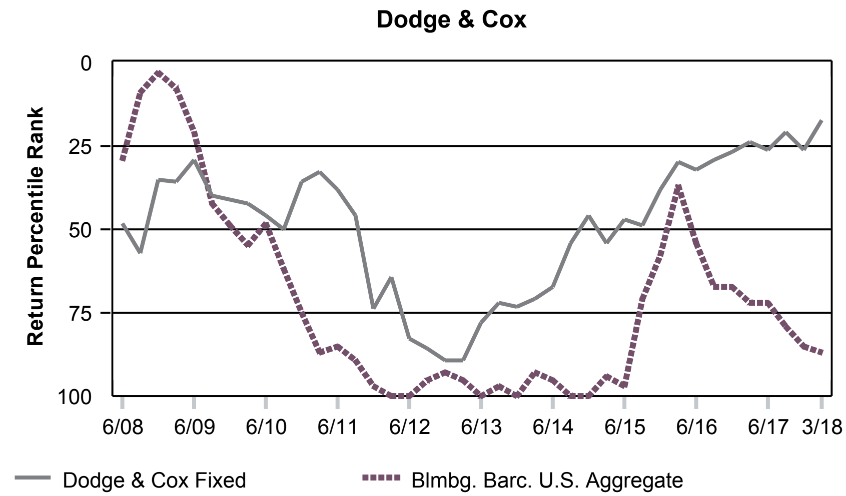


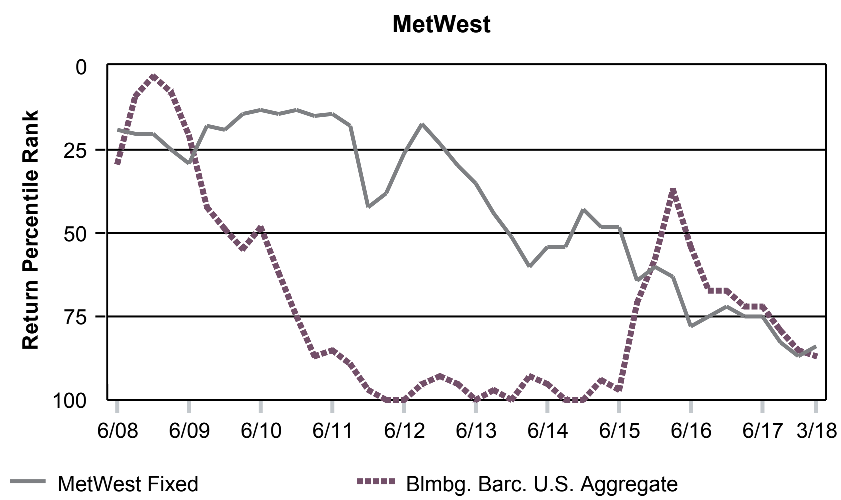
Manager Performance Evaluation

Rolling 3 Year Rankings vs. Peers

As of March 31, 2018





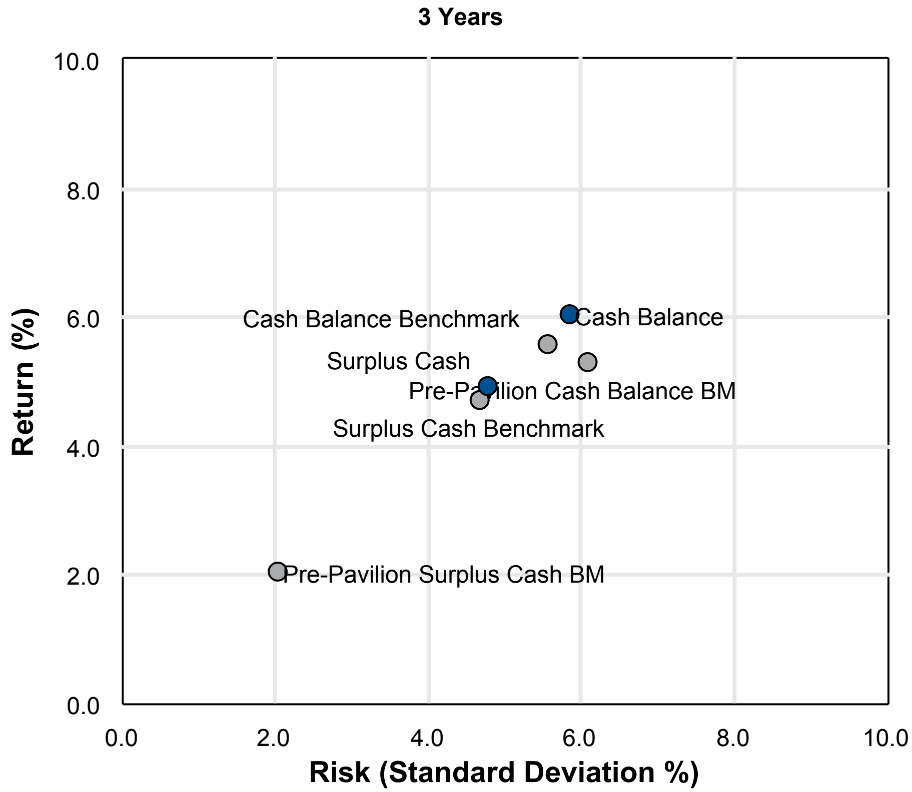


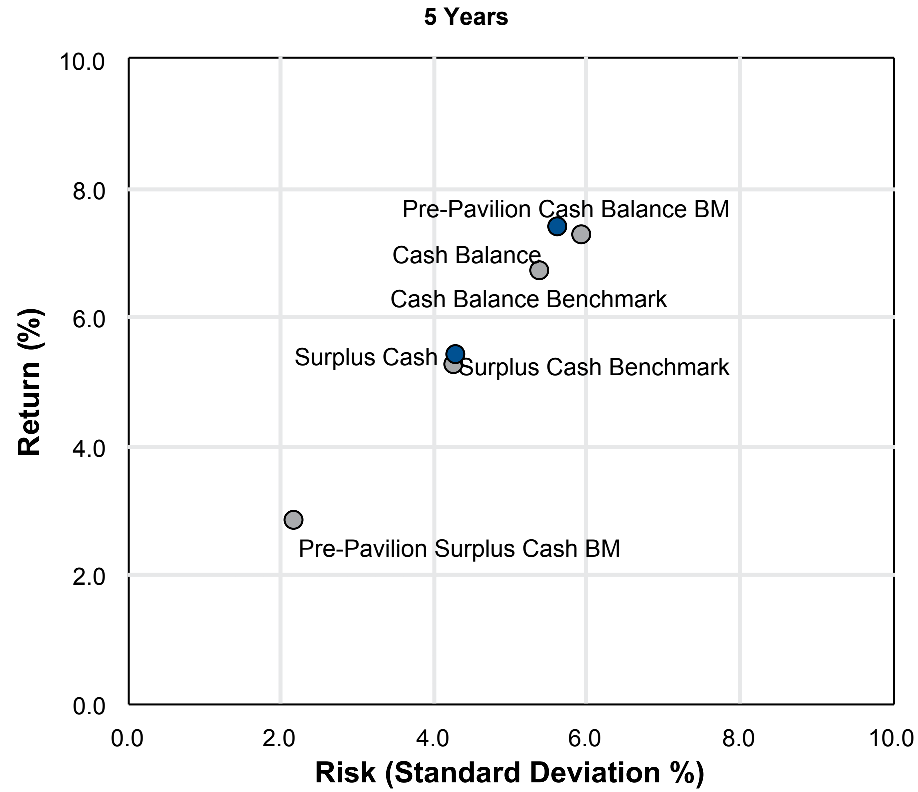
Performance Summary

Surplus Cash and Cash Balance Plan

Risk and Return Summary (Net of Fees)

As of March 31, 2018





Surplus Cash Portfolio ex District

Composite Asset Allocation & Performance

As of March 31, 2018

	Allocation		Performance(%)								
	Market Value ($)	%	Quarter	Year To Date	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Period
Total Surplus Cash X District	**874,843,843**	**100.0**	**0.1**	**0.1**	**5.5**	**8.3**	**4.9**	**5.4**	**5.7**	**5.7**	**5y 5m**
Surplus Cash Total Benchmark			-0.6	-0.6	5.0	7.4	4.7	5.3	5.2	5.5	
Pre-Pavilion Surplus Cash Total Benchmark			-1.3	-1.3	0.6	1.7	2.1	2.8	3.8	3.0	
Total Surplus Cash X District X Privates	**852,583,792**	**97.5**	**0.1**	**0.1**	**5.6**	**8.4**	**4.8**	**5.2**	**5.6**	**5.5**	**5y 5m**
Surplus Cash Total Benchmark x Privates			-0.7	-0.7	5.0	7.4	4.8	5.3	5.2	5.6	
Total Equity Composite	**370,414,379**	**42.3**	**0.5**	**0.5**	**10.5**	**15.9**	**8.9**	**10.5**	**8.0**	**11.9**	**5y 5m**
Total Equity Benchmark - Surplus			-0.8	-0.8	10.3	14.7	8.8	10.5	7.4	12.0	
Domestic Equity Composite	**232,911,700**	**26.6**	**0.6**	**0.6**	**11.3**	**15.3**	**10.0**	**12.6**	**9.1**	**14.1**	**5y 5m**
Domestic Equity Benchmark - Surplus			-0.6	-0.6	10.3	13.6	10.2	12.9	8.7	14.5	
Large Cap Equity Composite	191,051,890	21.8	0.9	0.9	11.8	15.9	10.1	13.2	9.4	14.6	5y 5m
Large Cap Equity Benchmark			-0.7	-0.7	10.6	14.0	10.6	13.2	8.8	14.6	
Small Cap Equity Composite	41,859,810	4.8	-1.0	-1.0	9.0	12.7	9.4	10.8	-	12.5	5y 5m
Small Cap Equity Benchmark			-0.2	-0.2	9.0	11.7	8.4	11.5	9.8	13.8	
International Equity Composite	**137,502,679**	**15.7**	**0.3**	**0.3**	**9.3**	**16.9**	**6.9**	**6.0**	**-**	**7.2**	**5y 5m**
MSCI AC World ex USA (Net)			-1.2	-1.2	10.2	16.5	6.2	5.9	2.7	7.1	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Surplus Cash Portfolio ex District

Composite Asset Allocation & Performance

As of March 31, 2018

	Allocation		Performance(%)								
	Market Value ($)	%	Quarter	Year To Date	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Period
Total Fixed Income Composite	**357,545,767**	**40.9**	**-1.0**	**-1.0**	**0.0**	**1.2**	**1.6**	**1.9**	**3.5**	**1.8**	**5y 5m**
Total Fixed Income Benchmark - Surplus			-1.1	-1.1	-0.2	1.0	1.1	1.6	3.1	1.5	
Short Duration Fixed Income Composite	**95,423,380**	**10.9**	**-0.3**	**-0.3**	**-0.1**	**0.2**	**0.8**	**0.8**	**2.4**	**0.8**	**5y 5m**
Short Duration Fixed Income Benchmark - Surplus			-0.2	-0.2	-0.1	0.2	0.7	0.8	2.3	0.8	
Market Duration Fixed Income Composite	**262,122,387**	**30.0**	**-1.2**	**-1.2**	**0.1**	**1.6**	**1.9**	**2.3**	**4.8**	**2.2**	**5y 5m**
Blmbg. Barc. U.S. Aggregate			-1.5	-1.5	-0.2	1.2	1.2	1.8	3.6	1.7	
Total Alternatives Composite	**146,883,697**	**16.8**	**1.6**	**1.6**	**6.8**	**7.2**	**3.2**	**-**	**-**	**4.6**	**4y 11m**
Total Alternatives Benchmark - Surplus			0.6	0.6	4.9	6.0	3.6	-	-	4.7	
Real Estate Composite	**22,260,051**	**2.5**	**0.7**	**0.7**	**2.5**	**5.1**	**7.6**	**-**	**-**	**10.3**	**4y 7m**
NCREIF Property Index			1.7	1.7	5.3	7.1	8.7	10.0	6.1	9.9	
Hedge Fund Composite	**124,623,646**	**14.2**	**1.7**	**1.7**	**7.9**	**7.6**	**1.9**	**-**	**-**	**3.3**	**4y 11m**
HFRI Fund of Funds Composite Index			0.3	0.3	4.7	5.6	1.9	3.4	1.6	3.3	

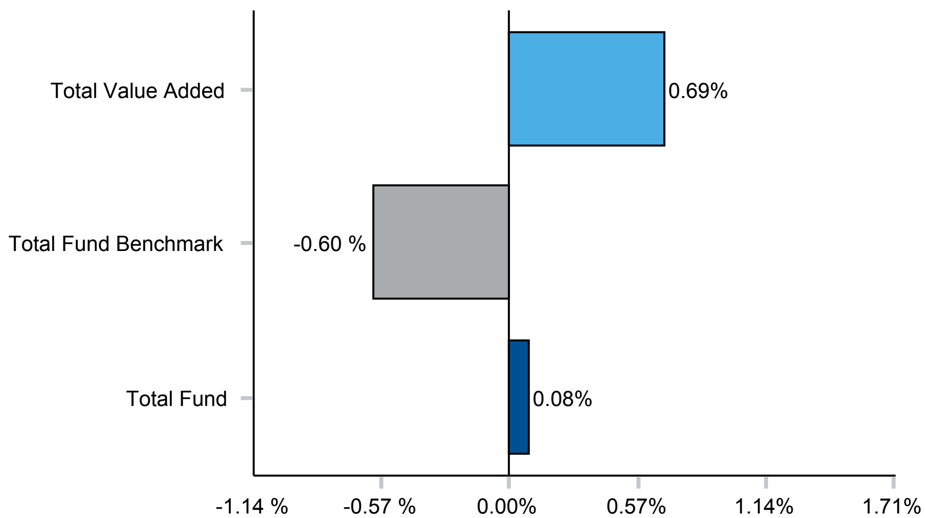
Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Surplus Cash Portfolio ex District

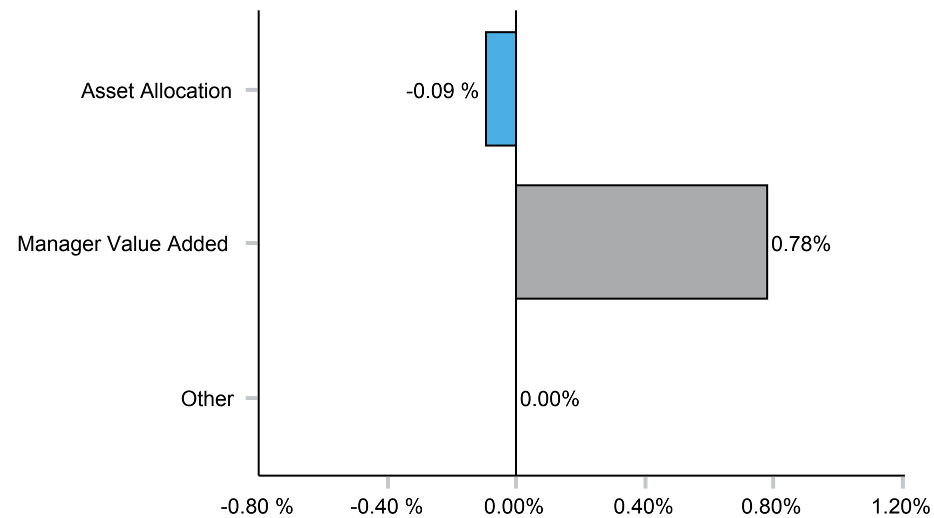
Attribution Analysis

1 Quarter Ending March 31, 2018

Total Fund Performance

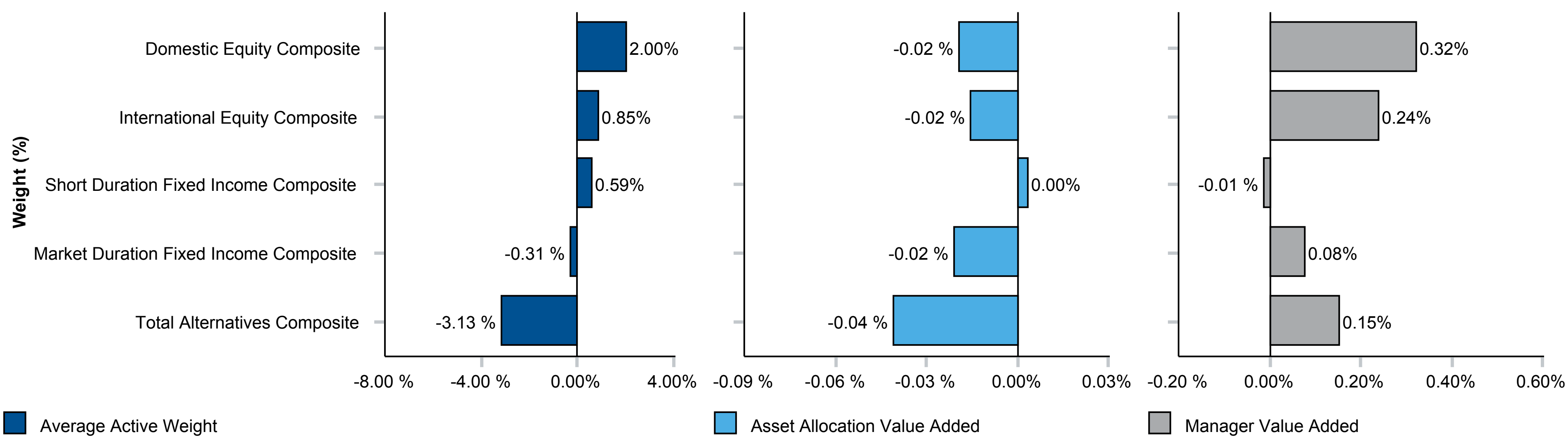


Total Value Added:0.69%



Total Asset Allocation:-0.09 %

Total Manager Value Added:0.78%



"Other" includes the effects of all other factors on the Fund's relative return, including rebalancing and other trading activity.

Surplus Cash Portfolio ex District

Manager Asset Allocation & Performance

As of March 31, 2018

	Allocation		Performance(%)								
	Market Value ($)	%	Quarter	Year To Date	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Period
Large-Cap Equity											
Vanguard S&P 500 Index	117,869,958	13.5	-0.8 (52)	-0.8 (52)	10.6 (53)	14.0 (52)	10.8 (17)	13.3 (26)	9.5 (40)	14.6 (-)	5y 5m
S&P 500			-0.8 (51)	-0.8 (51)	10.6 (53)	14.0 (51)	10.8 (16)	13.3 (26)	9.5 (40)	14.6 (-)	
eV Large Cap Core Median			*-0.7*	*-0.7*	*10.7*	*14.1*	*9.3*	*12.4*	*9.1*	-	
Sands Large Cap Growth (Touchstone)	37,800,726	4.3	9.7 (1)	9.7 (1)	21.3 (8)	29.9 (7)	10.5 (62)	14.1 (59)	13.1 (3)	15.5 (-)	5y 5m
Russell 1000 Growth Index			1.4 (69)	1.4 (69)	15.8 (47)	21.3 (55)	12.9 (24)	15.5 (31)	11.3 (26)	16.5 (-)	
eV Large Cap Growth Median			*2.7*	*2.7*	*15.7*	*21.7*	*11.2*	*14.6*	*10.4*	-	
Barrow Hanley Large Cap Value	35,381,206	4.0	-1.9 (37)	-1.9 (37)	6.8 (61)	9.4 (57)	7.5 (60)	11.3 (49)	8.5 (42)	9.1 (-)	17y 8m
Russell 1000 Value Index			-2.8 (66)	-2.8 (66)	5.5 (73)	6.9 (81)	7.9 (52)	10.8 (56)	7.8 (62)	7.1 (-)	
eV Large Cap Value Median			*-2.4*	*-2.4*	*7.7*	*9.8*	*7.9*	*11.2*	*8.2*	-	
Small-Cap Equity											
Wellington Small Cap Value	20,358,569	2.3	-4.2 (91)	-4.2 (91)	2.2 (88)	1.1 (95)	5.3 (85)	9.2 (77)	10.2 (35)	11.7 (-)	5y 5m
Russell 2000 Value Index			-2.6 (64)	-2.6 (64)	4.4 (75)	5.1 (69)	7.9 (46)	10.0 (65)	8.6 (78)	12.3 (-)	
eV Small Cap Value Median			*-2.1*	*-2.1*	*6.5*	*7.1*	*7.7*	*10.6*	*9.6*	-	
Conestoga Small Cap Growth	21,501,241	2.5	2.2 (59)	2.2 (59)	16.4 (30)	26.5 (18)	15.7 (6)	14.4 (25)	12.6 (19)	24.7 (-)	1y 9m
Russell 2000 Growth Index			2.3 (58)	2.3 (58)	13.6 (55)	18.6 (56)	8.8 (58)	12.9 (53)	11.0 (56)	21.9 (-)	
eV Small Cap Growth Median			*2.9*	*2.9*	*14.3*	*20.2*	*9.3*	*13.1*	*11.2*	-	
International Equity											
Walter Scott Int'l (Dreyfus)	56,819,436	6.5	-0.4 (39)	-0.4 (39)	9.2 (53)	17.1 (44)	8.2 (20)	5.8 (85)	5.5 (14)	7.1 (-)	5y 5m
MSCI AC World ex USA (Net)			-1.2 (60)	-1.2 (60)	10.2 (41)	16.5 (49)	6.2 (58)	5.9 (83)	2.7 (82)	7.1 (-)	
Custom Non US Diversified All Median			*-0.8*	*-0.8*	*9.5*	*16.4*	*6.5*	*7.3*	*3.7*	-	
Northern Cross Int'l (Harbor)	51,620,769	5.9	-0.6 (45)	-0.6 (45)	5.3 (91)	12.4 (88)	3.7 (96)	4.7 (96)	2.8 (79)	6.1 (-)	5y 5m
MSCI AC World ex USA (Net)			-1.2 (60)	-1.2 (60)	10.2 (41)	16.5 (49)	6.2 (58)	5.9 (83)	2.7 (82)	7.1 (-)	
Custom Non US Diversified All Median			*-0.8*	*-0.8*	*9.5*	*16.4*	*6.5*	*7.3*	*3.7*	-	
Harding Loevner Emerging Markets	29,062,474	3.3	3.6 (11)	3.6 (11)	17.5 (43)	25.5 (34)	10.7 (25)	7.2 (18)	4.1 (42)	18.6 (-)	2y 7m
MSCI Emerging Markets (Net)			1.4 (52)	1.4 (52)	17.6 (43)	24.9 (38)	8.8 (50)	5.0 (57)	3.0 (68)	17.3 (-)	
eV International Emerging Equity Median			*1.5*	*1.5*	*16.7*	*23.7*	*8.8*	*5.3*	*3.6*	-	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Surplus Cash Portfolio ex District

Manager Asset Allocation & Performance

As of March 31, 2018

	Allocation		Performance(%)								
	Market Value ($)	%	Quarter	Year To Date	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Period
Short Duration Fixed Income											
Barrow Hanley Short Fixed	87,106,482	10.0	-0.4 (76)	-0.4 (76)	-0.2 (80)	0.2 (85)	0.8 (57)	0.8 (66)	1.5 (82)	4.6 (-)	27y
Blmbg. Barc. 1-3 Year Gov/Credit			-0.2 (43)	-0.2 (43)	-0.1 (73)	0.2 (81)	0.7 (74)	0.8 (70)	1.6 (82)	4.1 (-)	
eV US Short Fixed Income Median			*-0.2*	*-0.2*	*0.1*	*0.6*	*0.9*	*0.9*	*2.1*	-	
Cash Composite	8,316,898	1.0	0.2	0.2	0.6	0.7	0.4	0.3	-	0.1	5y 5m
90 Day U.S. Treasury Bill			0.4	0.4	0.9	1.1	0.5	0.3	0.3	0.3	
Market Duration Fixed Income											
Dodge & Cox Fixed	130,896,360	15.0	-1.0 (19)	-1.0 (19)	0.5 (30)	2.1 (46)	2.5 (18)	2.9 (22)	4.9 (39)	2.8 (-)	5y 5m
Blmbg. Barc. U.S. Aggregate			-1.5 (77)	-1.5 (77)	-0.2 (89)	1.2 (91)	1.2 (88)	1.8 (88)	3.6 (97)	1.7 (-)	
eV Core Plus Fixed Income Median			*-1.3*	*-1.3*	*0.3*	*2.0*	*1.9*	*2.4*	*4.7*	-	
MetWest Fixed	118,240,296	13.5	-1.4 (61)	-1.4 (61)	-0.2 (90)	1.2 (92)	1.3 (85)	1.8 (91)	5.1 (34)	1.8 (-)	5y 5m
Blmbg. Barc. U.S. Aggregate			-1.5 (77)	-1.5 (77)	-0.2 (89)	1.2 (91)	1.2 (88)	1.8 (88)	3.6 (97)	1.7 (-)	
eV Core Plus Fixed Income Median			*-1.3*	*-1.3*	*0.3*	*2.0*	*1.9*	*2.4*	*4.7*	-	
Met West Total Return Bond Plan - CONCERN	12,985,730	1.5	-1.3 (48)	-1.3 (48)	-0.2 (87)	1.2 (92)	1.2 (89)	2.1 (76)	-	1.6 (-)	2y 2m
Blmbg. Barc. U.S. Aggregate			-1.5 (77)	-1.5 (77)	-0.2 (89)	1.2 (91)	1.2 (88)	1.8 (88)	3.6 (97)	1.5 (-)	
eV Core Plus Fixed Income Median			*-1.3*	*-1.3*	*0.3*	*2.0*	*1.9*	*2.4*	*4.7*	-	
Real Estate											
Oaktree Real Estate Opportunities Fund VI	8,923,623	1.0	1.9	1.9	5.8	6.2	5.5	-	-	8.7	4y 7m
NCREIF Property Index			1.7	1.7	5.3	7.1	8.7	10.0	6.1	9.9	
Walton Street Real Estate Fund VII, L.P.	8,584,391	1.0	0.0	0.0	3.4	7.3	11.5	-	-	16.0	4y 5m
NCREIF Property Index			1.7	1.7	5.3	7.1	8.7	10.0	6.1	9.8	
Walton Street Real Estate Fund VIII, L.P.	4,752,037	0.5	-0.4	-0.4	6.6	-	-	-	-	14.0	0y 10m
NCREIF Property Index			1.7	1.7	5.3	7.1	8.7	10.0	6.1	5.9	
Hedge Funds											
Hedge Fund Composite	124,623,646	14.2	1.7	1.7	7.9	7.6	1.9	-	-	3.3	4y 11m
HFRI Fund of Funds Composite Index			0.3	0.3	4.7	5.6	1.9	3.4	1.6	3.3	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Surplus Cash Portfolio ex District

Manager Asset Allocation & Performance

As of March 31, 2018

	Allocation		Performance(%)								
	Market Value ($)	%	Quarter	Year To Date	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Period
Total Plan											
Total Surplus Cash X District	874,843,843	100.0	0.1	0.1	5.5	8.3	4.9	5.4	5.7	5.7	5y 5m
Total Surplus Cash Benchmark			-0.6	-0.6	5.0	7.4	4.7	5.3	5.2	5.5	
Pre-Pavilion Total Surplus Cash Benchmark			-1.3	-1.3	0.6	1.7	2.1	2.8	3.8	3.0	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Cash Balance Plan

Composite Asset Allocation & Performance

As of March 31, 2018

	Allocation		Performance(%)								
	Market Value ($)	%	Quarter	Year To Date	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Period
Total Cash Balance Plan	**259,928,708**	**100.0**	**0.4**	**0.4**	**6.7**	**10.3**	**6.0**	**7.4**	**6.9**	**8.1**	**5y 5m**
Total Cash Balance Plan Benchmark			-0.6	-0.6	6.1	8.8	5.6	6.7	5.9	7.4	
Pre-Pavilion Total Cash Balance Plan Benchmark			-2.2	-2.2	3.3	4.7	5.3	7.3	6.4	8.3	
Total Cash Balance Plan X Private Structures	**245,838,517**	**94.6**	**0.4**	**0.4**	**7.0**	**10.6**	**5.9**	**7.1**	**6.8**	**7.9**	**5y 5m**
Cash Balance Plan Total X Privates Benchmark			-0.7	-0.7	6.1	8.8	5.4	6.5	5.9	7.2	
Total Equity Composite	**135,701,102**	**52.2**	**0.8**	**0.8**	**10.7**	**16.1**	**8.7**	**10.3**	**7.4**	**11.7**	**5y 5m**
Total Equity Benchmark			-0.8	-0.8	10.3	14.7	8.9	10.5	7.3	11.9	
Domestic Equity Composite	**86,674,507**	**33.3**	**1.2**	**1.2**	**11.9**	**16.1**	**9.9**	**12.8**	**8.7**	**14.3**	**5y 5m**
Domestic Equity Benchmark			-0.6	-0.6	10.4	13.7	10.3	13.0	8.7	14.6	
Large Cap Equity Composite	72,460,669	27.9	1.6	1.6	12.4	16.7	10.0	13.2	8.9	14.6	5y 5m
Large Cap Equity Benchmark			-0.7	-0.7	10.6	14.0	10.6	13.2	8.8	14.6	
Small Cap Equity Composite	14,213,839	5.5	-1.0	-1.0	9.0	12.7	9.3	10.8	-	12.5	5y 5m
Small Cap Equity Benchmark			-0.2	-0.2	9.0	11.7	8.4	11.5	9.8	13.8	
International Equity Composite	**49,026,595**	**18.9**	**0.1**	**0.1**	**8.7**	**16.3**	**6.5**	**5.7**	**-**	**7.0**	**5y 5m**
MSCI AC World ex USA (Net)			-1.2	-1.2	10.2	16.5	6.2	5.9	2.7	7.1	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Cash Balance Plan

Composite Asset Allocation & Performance

As of March 31, 2018

	Allocation		Performance(%)								
	Market Value ($)	%	Quarter	Year To Date	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Period
Total Fixed Income Composite	**78,099,987**	**30.0**	**-0.9**	**-0.9**	**0.3**	**1.6**	**1.6**	**2.0**	**4.7**	**2.1**	**5y 5m**
Total Fixed Income Benchmark			-1.3	-1.3	-0.2	0.9	1.0	1.5	3.5	1.4	
Short Duration Fixed Income Composite	**12,446,151**	**4.8**	**-0.1**	**-0.1**	**0.0**	**0.8**	**0.9**	**0.8**	**-**	**0.8**	**5y 5m**
Short Duration Fixed Income Benchmark			-0.2	-0.2	-0.1	0.2	0.7	0.8	0.6	0.8	
Market Duration Fixed Income Composite	**65,653,836**	**25.3**	**-1.1**	**-1.1**	**0.3**	**1.7**	**1.7**	**2.4**	**4.9**	**2.5**	**5y 5m**
Blmbg. Barc. U.S. Aggregate			-1.5	-1.5	-0.2	1.2	1.2	1.8	3.6	1.7	
Total Alternatives Composite	**46,127,619**	**17.7**	**1.0**	**1.0**	**5.1**	**7.2**	**5.2**	**8.2**	**-**	**8.3**	**5y 5m**
Total Alternatives Benchmark			0.8	0.8	4.9	6.1	4.1	5.6	-	6.0	
Hedge Fund of Fund Composite	**32,037,428**	**12.3**	**1.2**	**1.2**	**6.6**	**8.2**	**3.8**	**6.7**	**-**	**7.1**	**5y 5m**
HFRI Fund of Funds Composite Index			0.3	0.3	4.7	5.6	1.9	3.4	1.6	4.0	
Real Estate Composite	**14,090,191**	**5.4**	**0.6**	**0.6**	**2.3**	**5.1**	**7.4**	**10.9**	**-**	**10.2**	**5y 3m**
NCREIF Property Index			1.7	1.7	5.3	7.1	8.7	10.0	6.1	10.0	

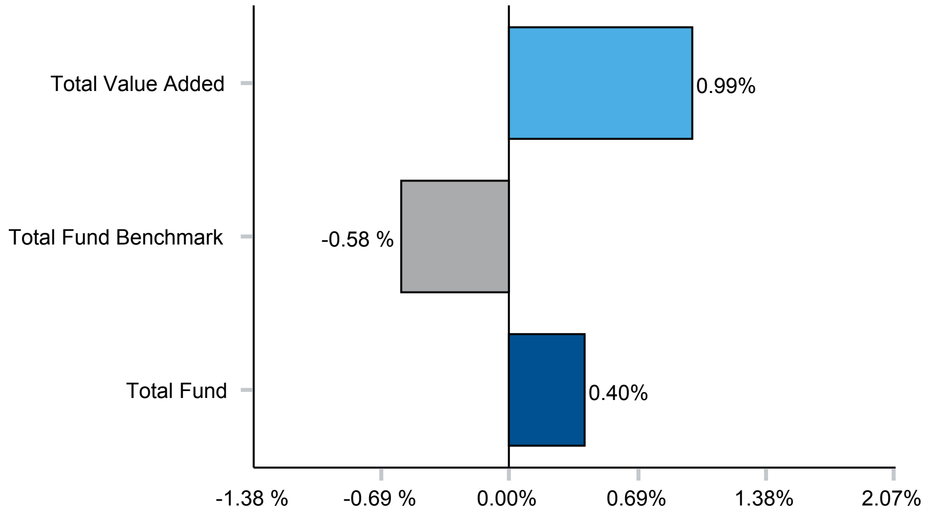
Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Cash Balance Plan

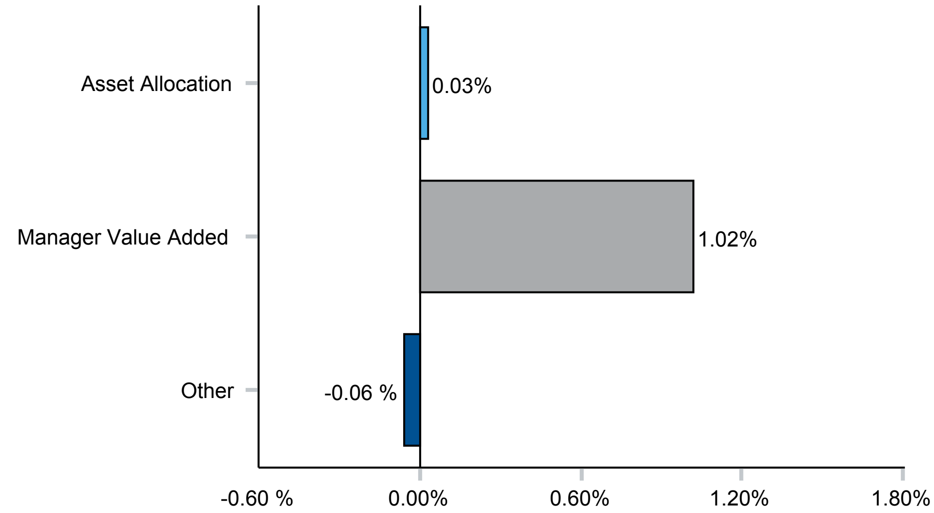
Attribution Analysis

1 Quarter Ending March 31, 2018

Total Fund Performance

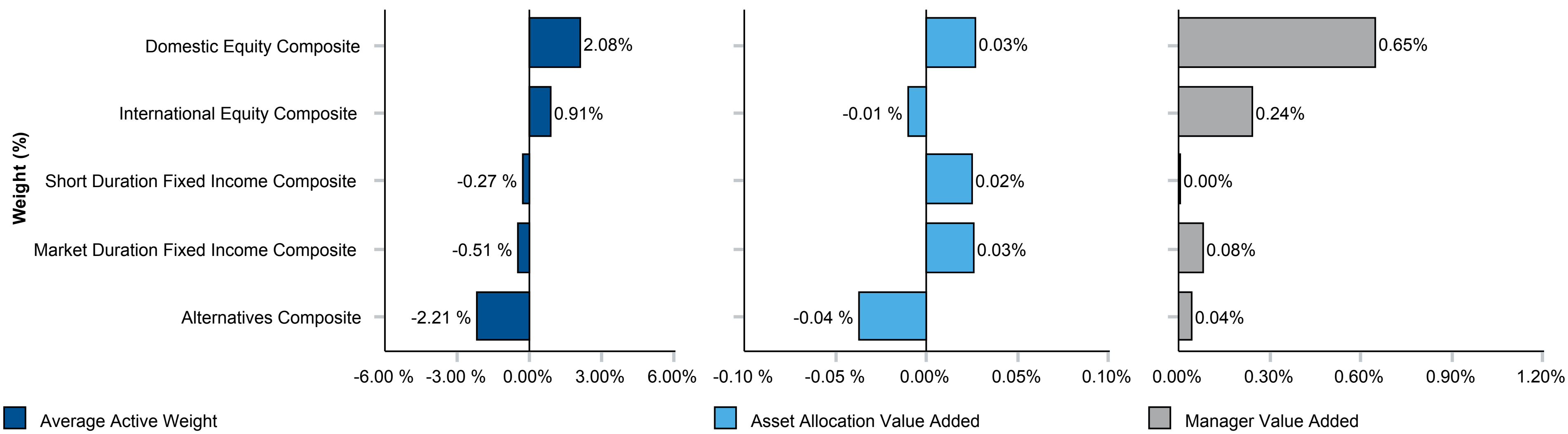


Total Value Added:0.99%



Total Asset Allocation:0.03%

Total Manager Value Added:1.02%



"Other" includes the effects of all other factors on the Fund's relative return, including rebalancing and other trading activity.

Cash Balance Plan

Manager Asset Allocation & Performance

As of March 31, 2018

	Allocation		Performance(%)								
	Market Value ($)	%	Quarter	Year To Date	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Period
Large-Cap Equity											
Vanguard Institutional Index Fund	34,244,521	13.2	-0.8 (52)	-0.8 (52)	10.5 (53)	14.0 (52)	10.7 (17)	13.3 (27)	9.5 (40)	14.6 (-)	5y 5m
S&P 500			-0.8 (51)	-0.8 (51)	10.6 (53)	14.0 (51)	10.8 (16)	13.3 (26)	9.5 (40)	14.6 (-)	
eV Large Cap Core Median			*-0.7*	*-0.7*	*10.7*	*14.1*	*9.3*	*12.4*	*9.1*	-	
Sands Large Cap Growth (Touchstone)	20,267,321	7.8	9.7 (1)	9.7 (1)	21.3 (8)	29.9 (7)	10.5 (62)	14.1 (59)	13.1 (3)	15.5 (-)	5y 5m
Russell 1000 Growth Index			1.4 (69)	1.4 (69)	15.8 (47)	21.3 (55)	12.9 (24)	15.5 (31)	11.3 (26)	16.5 (-)	
eV Large Cap Growth Median			*2.7*	*2.7*	*15.7*	*21.7*	*11.2*	*14.6*	*10.4*	-	
Barrow Hanley Large Cap Value	17,948,827	6.9	-1.8 (34)	-1.8 (34)	7.0 (59)	9.7 (53)	7.7 (55)	11.6 (42)	8.6 (39)	13.1 (-)	5y 5m
Russell 1000 Value Index			-2.8 (66)	-2.8 (66)	5.5 (73)	6.9 (81)	7.9 (52)	10.8 (56)	7.8 (62)	12.7 (-)	
eV Large Cap Value Median			*-2.4*	*-2.4*	*7.7*	*9.8*	*7.9*	*11.2*	*8.2*	-	
Small-Cap Equity											
Wellington Small Cap Value	6,867,453	2.6	-4.2 (91)	-4.2 (91)	2.1 (88)	0.9 (96)	5.2 (85)	9.1 (78)	10.1 (36)	11.6 (-)	5y 5m
Russell 2000 Value Index			-2.6 (64)	-2.6 (64)	4.4 (75)	5.1 (69)	7.9 (46)	10.0 (65)	8.6 (78)	12.3 (-)	
eV Small Cap Value Median			*-2.1*	*-2.1*	*6.5*	*7.1*	*7.7*	*10.6*	*9.6*	-	
Conestoga Small Cap Growth	7,346,385	2.8	2.2 (59)	2.2 (59)	16.4 (30)	26.5 (18)	15.7 (6)	14.4 (25)	12.6 (19)	24.7 (-)	1y 9m
Russell 2000 Growth Index			2.3 (58)	2.3 (58)	13.6 (55)	18.6 (56)	8.8 (58)	12.9 (53)	11.0 (56)	21.9 (-)	
eV Small Cap Growth Median			*2.9*	*2.9*	*14.3*	*20.2*	*9.3*	*13.1*	*11.2*	-	
International Equity											
Walter Scott Int'l (Dreyfus)	21,737,151	8.4	-0.4 (39)	-0.4 (39)	9.2 (53)	17.1 (44)	8.2 (20)	5.8 (85)	5.5 (14)	7.1 (-)	5y 5m
MSCI AC World ex USA (Net)			-1.2 (60)	-1.2 (60)	10.2 (41)	16.5 (49)	6.2 (58)	5.9 (83)	2.7 (82)	7.1 (-)	
Custom Non US Diversified All Median			*-0.8*	*-0.8*	*9.5*	*16.4*	*6.5*	*7.3*	*3.7*	-	
Northern Cross Int'l (Harbor)	19,884,621	7.7	-0.6 (45)	-0.6 (45)	5.3 (91)	12.4 (88)	3.7 (96)	4.7 (96)	2.8 (79)	6.1 (-)	5y 5m
MSCI AC World ex USA (Net)			-1.2 (60)	-1.2 (60)	10.2 (41)	16.5 (49)	6.2 (58)	5.9 (83)	2.7 (82)	7.1 (-)	
Custom Non US Diversified All Median			*-0.8*	*-0.8*	*9.5*	*16.4*	*6.5*	*7.3*	*3.7*	-	
Harding Loevner Inst. Emerging Markets I	7,404,823	2.8	3.6 (11)	3.6 (11)	17.5 (43)	25.5 (34)	10.7 (25)	7.2 (18)	4.1 (42)	23.4 (-)	1y 5m
MSCI Emerging Markets (Net)			1.4 (52)	1.4 (52)	17.6 (43)	24.9 (38)	8.8 (50)	5.0 (57)	3.0 (68)	22.4 (-)	
eV International Emerging Equity Median			*1.5*	*1.5*	*16.7*	*23.7*	*8.8*	*5.3*	*3.6*	-	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Cash Balance Plan

Manager Asset Allocation & Performance

As of March 31, 2018

	Allocation		Performance(%)								
	Market Value ($)	%	Quarter	Year To Date	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Period
Short Duration Fixed Income											
Barrow Hanley Short Fixed	8,301,774	3.2	-0.3 (59)	-0.3 (59)	-0.2 (84)	0.1 (89)	0.6 (79)	0.6 (82)	1.5 (85)	0.7 (-)	5y 5m
Blmbg. Barc. 1-3 Year Gov/Credit			-0.2 (43)	-0.2 (43)	-0.1 (73)	0.2 (81)	0.7 (74)	0.8 (70)	1.6 (82)	0.8 (-)	
eV US Short Fixed Income Median			*-0.2*	*-0.2*	*0.1*	*0.6*	*0.9*	*0.9*	*2.1*	-	
Cash Composite	4,144,377	1.6	0.3	0.3	1.0	3.4	2.8	2.1	-	2.0	5y 5m
90 Day U.S. Treasury Bill			0.4	0.4	0.9	1.1	0.5	0.3	0.3	0.3	
Market Duration Fixed Income											
Dodge & Cox Income Fund	32,960,357	12.7	-0.9 (14)	-0.9 (14)	0.7 (20)	2.2 (38)	2.3 (26)	2.8 (28)	4.9 (41)	6.7 (-)	29y 3m
Blmbg. Barc. U.S. Aggregate			-1.5 (77)	-1.5 (77)	-0.2 (89)	1.2 (91)	1.2 (88)	1.8 (88)	3.6 (97)	6.2 (-)	
eV Core Plus Fixed Income Median			*-1.3*	*-1.3*	*0.3*	*2.0*	*1.9*	*2.4*	*4.7*	-	
Met West Total Return Fund Pl	32,693,479	12.6	-1.3 (48)	-1.3 (48)	-0.2 (87)	1.1 (96)	1.1 (92)	2.0 (80)	5.3 (23)	2.2 (-)	5y 5m
Blmbg. Barc. U.S. Aggregate			-1.5 (77)	-1.5 (77)	-0.2 (89)	1.2 (91)	1.2 (88)	1.8 (88)	3.6 (97)	1.7 (-)	
eV Core Plus Fixed Income Median			*-1.3*	*-1.3*	*0.3*	*2.0*	*1.9*	*2.4*	*4.7*	-	
Hedge Fund of Funds											
Lighthouse Diversified	16,462,283	6.3	0.8	0.8	3.8	4.3	2.5	5.3	3.3	5.6	5y 5m
HFRI Fund of Funds Composite Index			0.3	0.3	4.7	5.6	1.9	3.4	1.6	4.0	
Pointer Offshore LTD[CE]	15,575,145	6.0	1.7	1.7	10.0	12.8	5.4	8.3	6.7	8.8	5y 3m
HFRI Fund of Funds Composite Index			0.3	0.3	4.7	5.6	1.9	3.4	1.6	3.9	
Real Estate											
Oaktree RE Opportunities Fund VI	5,294,390	2.0	2.0	2.0	5.8	6.3	5.3	9.5	-	9.0	5y 2m
NCREIF Property Index			1.7	1.7	5.3	7.1	8.7	10.0	6.1	10.0	
Walton Street Real Estate Fund VII, L.P.	5,140,388	2.0	0.0	0.0	3.4	7.3	11.6	-	-	15.0	4y 9m
NCREIF Property Index			1.7	1.7	5.3	7.1	8.7	10.0	6.1	9.9	
Walton Street Real Estate Fund VIII, L.P.	3,655,413	1.4	-0.4	-0.4	6.6	-	-	-	-	14.0	0y 10m
NCREIF Property Index			1.7	1.7	5.3	7.1	8.7	10.0	6.1	5.9	
Total Plan											
Total Cash Balance Plan	259,928,708	100.0	0.4	0.4	6.7	10.3	6.0	7.4	6.9	8.1	5y 5m
Total Cash Balance Plan Benchmark			-0.6	-0.6	6.1	8.8	5.6	6.7	5.9	7.4	
Pre-Pavilion Total Cash Balance Plan Benchmark			-2.2	-2.2	3.3	4.7	5.3	7.3	6.4	8.3	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Private Real Estate Summary
As of March 31, 2018 ($ in Millions)

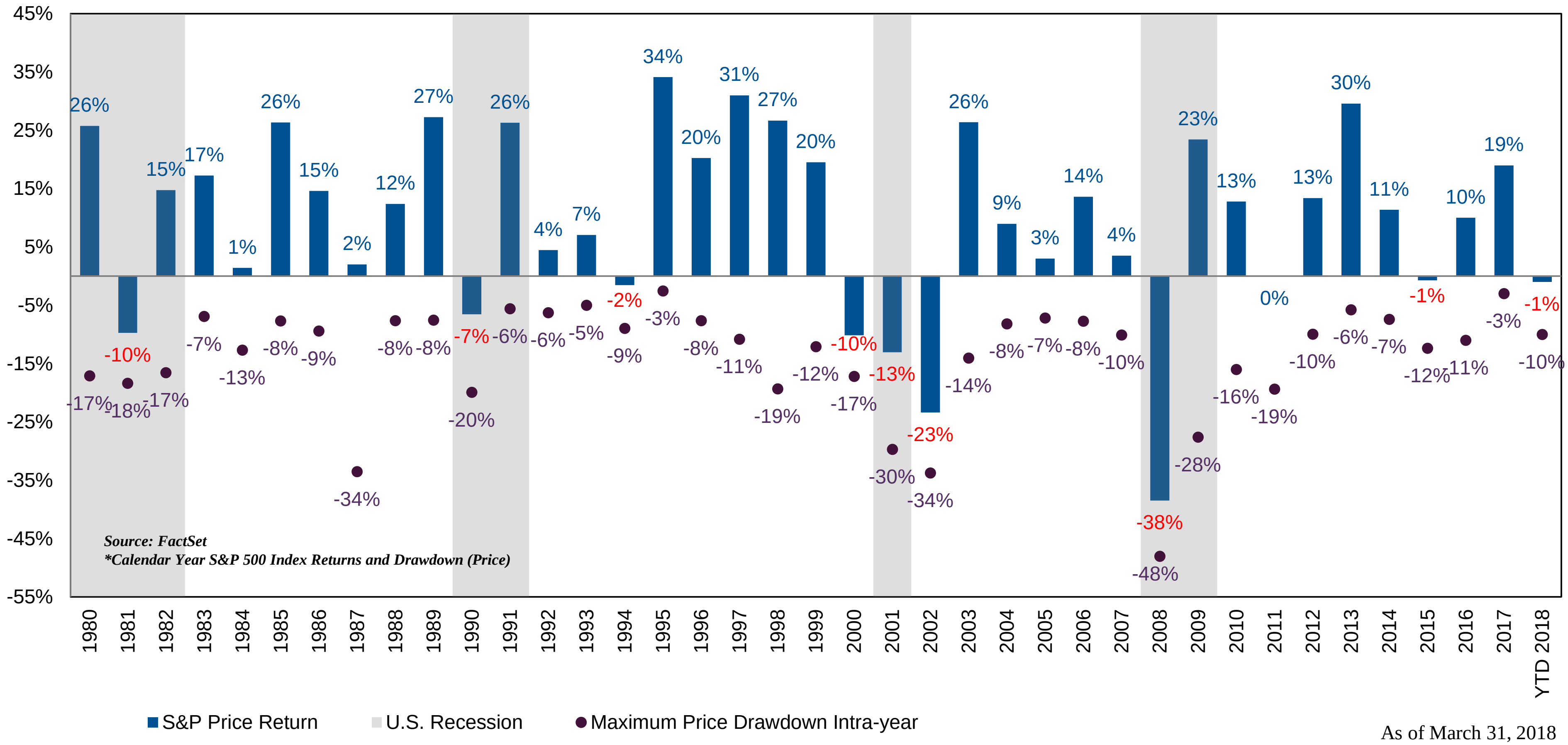
Partnership	Vintage Year	Committed Capital	Paid-in Capital	Unfunded Commitment	Market Value[1]	Distributions	Total Value	Net IRR[2]	TV / PI	D / PI
Surplus Cash										
Oaktree RE Opportunities VI	2012	$14.0	$14.0	$3.2	$8.9	$10.4	$19.4	9.0%	1.4	0.7
Walton Street RE Fund VII	2012	$14.0	$11.5	$8.0	$8.6	$6.2	$14.8	14.4%	1.3	0.5
Walton Street RE Fund VIII	2017	$13.0	$4.2	$8.7	$4.8	$0.0	$4.8	16.2%	1.1	0.0
Total		$41.0	$29.7	$19.9	$22.3	$16.6	$38.9		1.3	0.6
Cash Balance										
Oaktree RE Opportunities VI	2012	$8.4	$8.4	$1.9	$5.3	$6.6	$11.9	8.7%	1.4	0.8
Walton Street RE Fund VII	2012	$8.4	$6.9	$4.8	$5.1	$3.7	$8.9	14.8%	1.3	0.5
Walton Street RE Fund VIII	2017	$10.0	$3.3	$6.7	$3.7	$0.0	$3.7	16.2%	1.1	0.0
Total		$26.8	$18.6	$13.4	$14.1	$10.3	$24.4		1.3	0.6

[1] If a market value has not yet been released for a particular fund, the previous quarter's value is adjusted according to subsequent contributions and distributions.
[2] Net IRR is through the previous quarter end.

Asset Class Diversification

Equity Market Declines Are Common

Equity Market Corrections, Declines of Approximately 10% Peak to Trough, Occur Nearly Every Year



As of March 31, 2018

Bear Markets, Equity Market Declines of Approximately 20% or More, Typically Occur Near Economic Recessions

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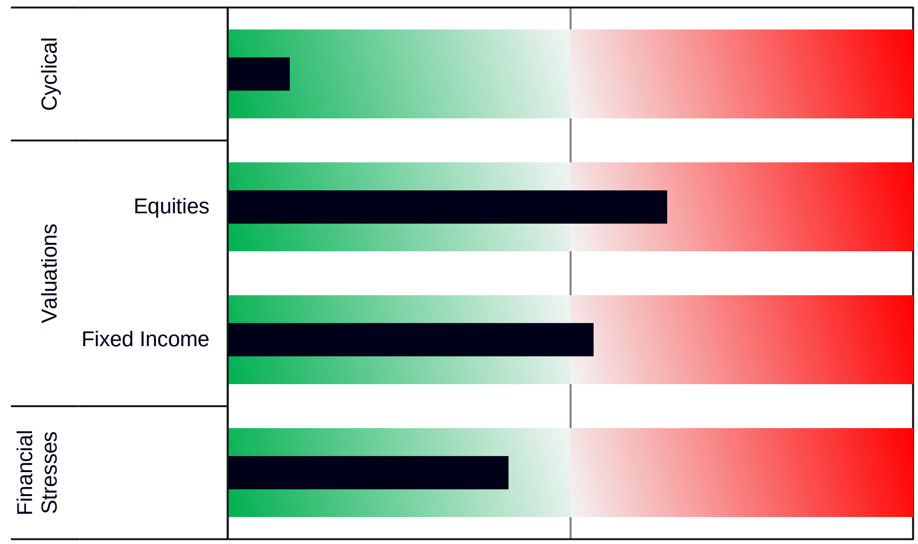
Where Are We Now: Cyclical Risks Remain Low

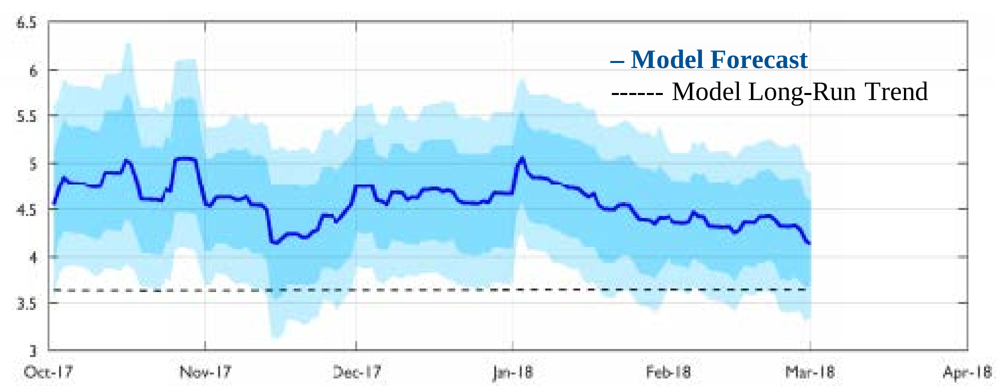
- Cyclical risks and financial stresses appear very low, reflecting a key reason why we believe that risk assets should continue to perform in coming quarters.
- Global monetary accommodation, however, is coming to an end with the U.S. leading the way. Europe, the U.K., Canada, and Japan have all signaled intentions to normalize monetary policy.
- Equity, fixed income, and real estate valuations are full.
- Full valuations, shifting monetary policy, trade frictions, and the potential for policy mistakes have shifted the volatility regime. Investor sentiment and excessive risk-taking behavior is likely to turn. This is a good time to evaluate and potentially reposition portfolios to avoid uncompensated risks.

Current Risk Levels



Source: Bloomberg, FactSet, Recession Alert, & Pavilion Analysis

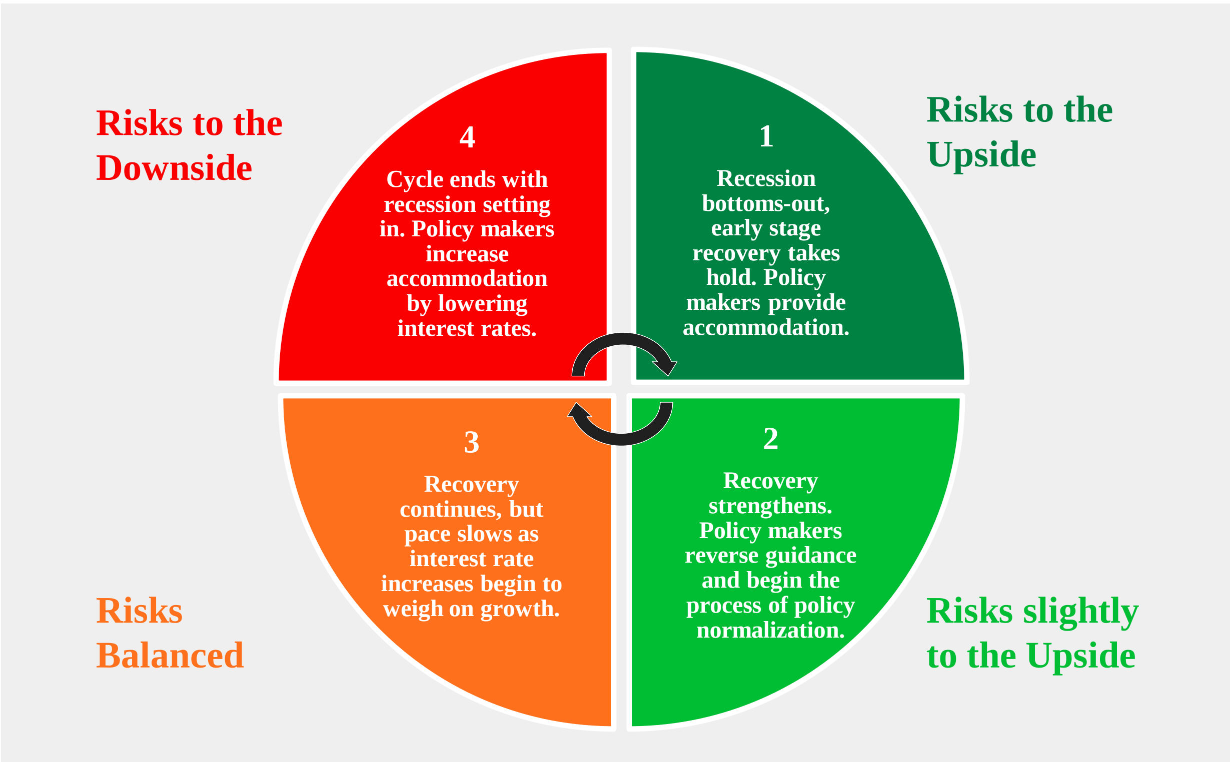
Real World GDP Growth



Source: Fulcrum Asset Management

Tracking The Cycle: Rising Volatility

The business cycle remains intact with a low probability of a recession.
These conditions suggest risk assets can continue to provide positive returns.



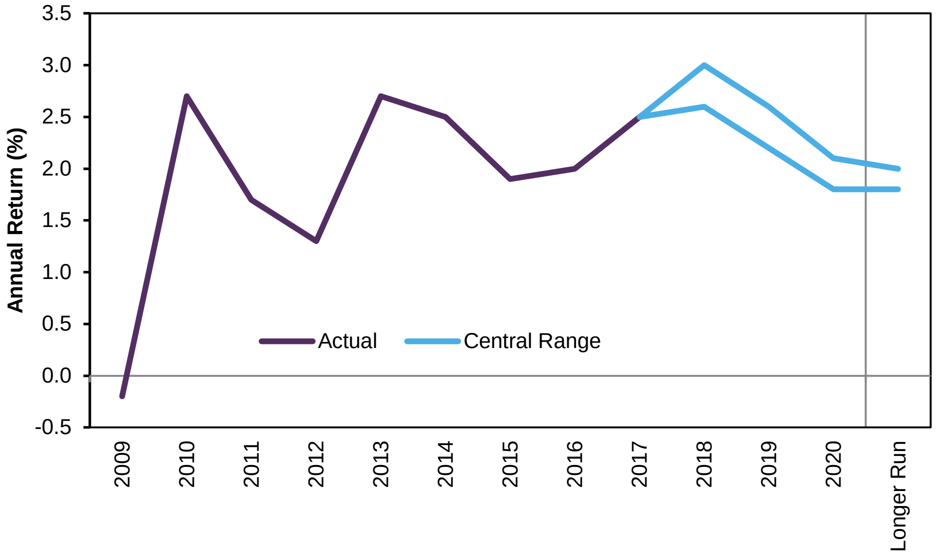
Current Broad Market Indicators:

- Global growth: **positive, above trend**
- Inflation risks: **low likely rising**
- Accommodation: **positive but declining**
- Interest rates: **rising gradually, yield curve flattening**
- Volatility: **rising**
- Valuations: **full**
- Earnings: **improving**

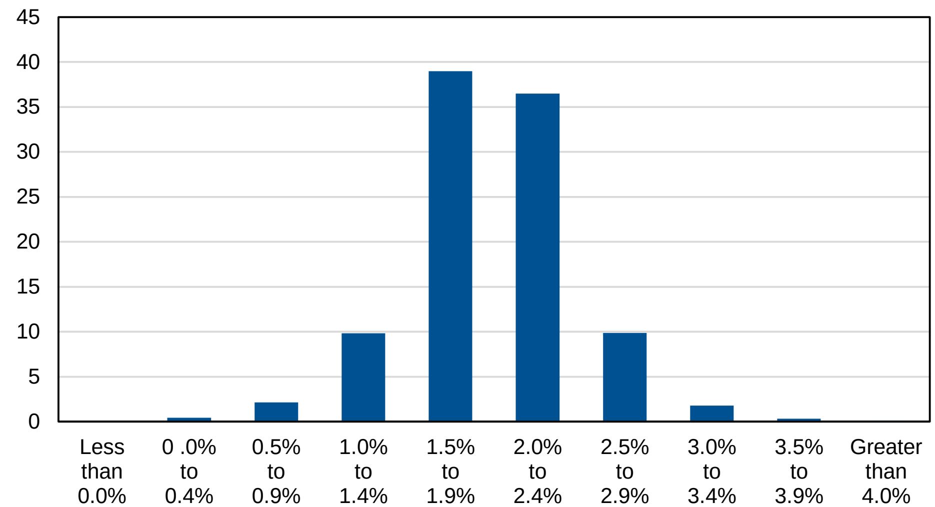
The business cycle continues to age and is likely transitioning from the second to third stage.

PAVILION

Summary Outlook



Source: Federal Reserve March Projections



Source: Survey of Professional Forecasters, Federal Reserve of Philadelphia

Summary	Themes & Implementation	Key Risks
▪ Uncertainty has increased. Concerns over future monetary policy, trade policy, and political turmoil have spooked the markets. ▪ Economic and earnings growth remain strong with monetary policy and inflation unlikely to produce abnormal risks. ▪ While the current stage of the economic cycle may persist for several quarters if not years, investors should review portfolio positioning to insure an ability to weather future volatility.	▪ Game plan: - Liquidity: provide flexibility to manage exposures and cash flows - Diversification: protect capital during future bouts of volatility - Volatility: reduce sensitivity to momentum while evaluating dynamic strategies ▪ Maintain U.S./Emerging Markets equity barbell ▪ Evaluate the equity structure to assure portfolio characteristics are suitable for normalized volatility ▪ Reduce corporate credit spread duration exposure	Catalysts of further volatility spikes ▪ Central bank policy misstep ▪ Trade policy disruption ▪ International conflict ▪ Governmental shock

Equity Outlook

Summary

Equity markets experienced their first negative quarter since 2015. The increase in volatility, while stark, was closer to long-run levels. The shift in volatility reflects the increased uncertainty surrounding monetary policy, inflation, and trade conflicts. Despite these challenges, equity performance should be supported by above trend growth, easy financial conditions, strong earnings growth, record levels of stock buy-backs, and fiscal stimulus in the form of tax cuts.

Themes & Implementation

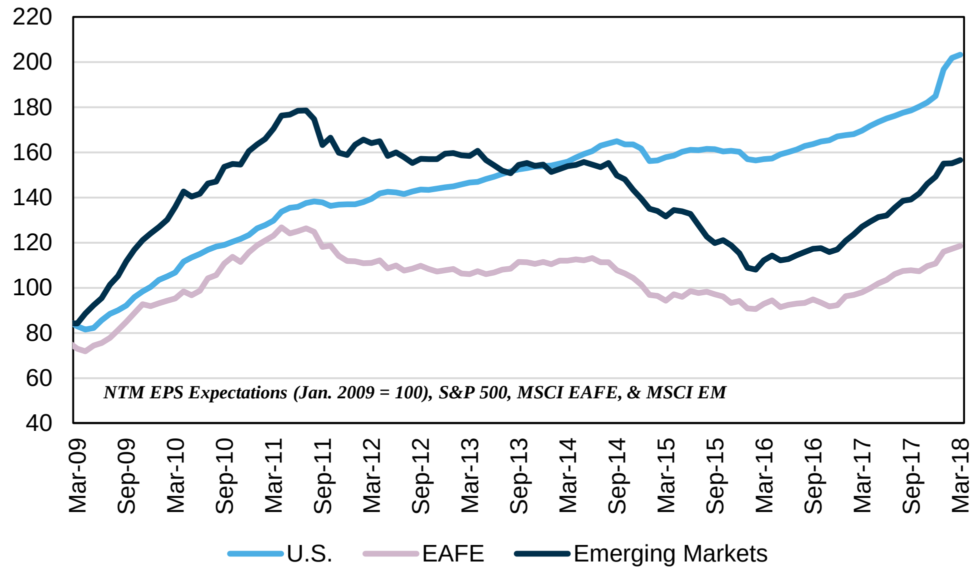
Normalized Volatility	Evaluate overall equity portfolio beta, concentration, and up/down market capture to assure appropriate levels of downside protection.
Uneven Regional Risks	Developed international markets, in particular Europe, have and will face challenges, as countries within the region have experienced an uneven recovery since the financial crisis.
Emerging Market Opportunities	Economic growth and stability, improved ROE and earnings combined with favorable valuations have enhanced the prospects for emerging markets. We recommend an overweight to emerging markets equity (higher beta) be balanced with an emphasis on U.S. equities (lower beta) to control risk exposures.

Key Risks

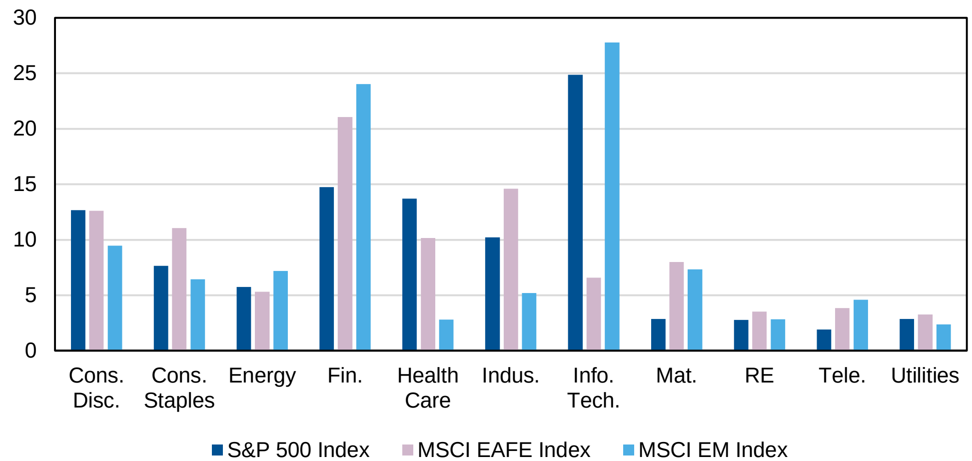
Policy Misstep	As central banks shift guidance and policy towards the removal of accommodation, the risk is that they move too quickly. The European Central Bank may have the most difficult task, given the still uneven recovery in Europe.

Earnings Growth Accelerating Globally

U.S. Demonstrating Steadiest Growth While Emerging Markets Demonstrating Strongest Acceleration



Nearly Half of Emerging Markets Index is Represented by IT and Financials; EAFE is Very Underweight IT and Heavy Financials and Industrials



Source: FactSet as of 3/31/2018

U.S. Equity & Emerging Market Equity Barbell

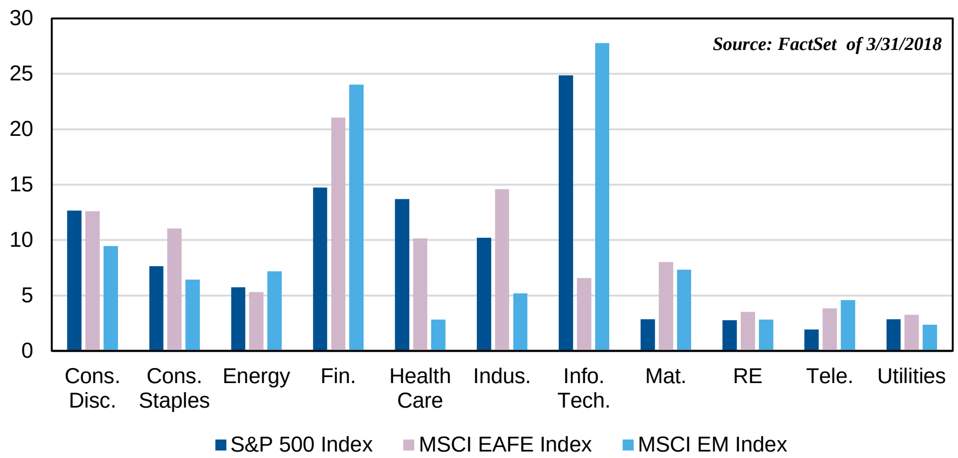
- Global earnings growth is expected to be solidly in the double digits for 2018.
- Not all regions reflect equal risks, so investors should seek maximum exposure to global growth while managing overall equity portfolio volatility.
- While various valuation metrics may make U.S. equities appear expensive to foreign equities, a large portion of this differential can be explained by differences in earnings growth and sector weights (lower exposure to financials and industrials in the U.S. and higher technology exposure). Adjusting for these differences, valuations appear more symmetric.

Emerging Markets and U.S. Most Reasonable Valuations Relative to Growth Rates

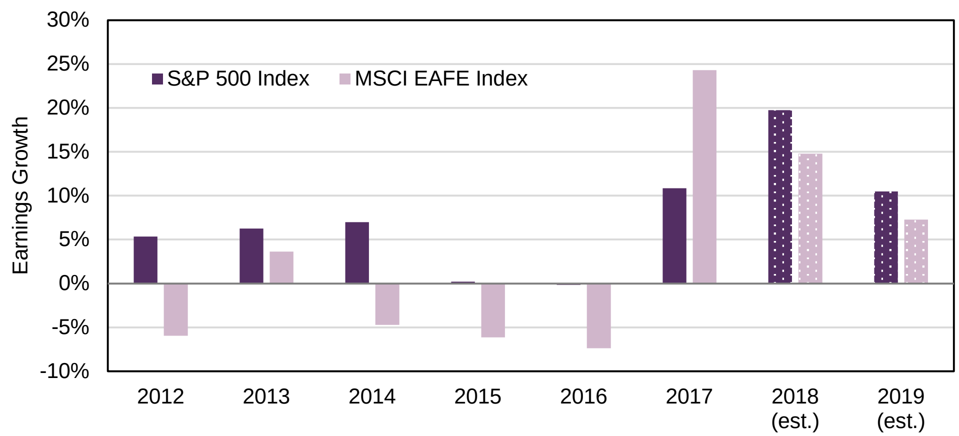
	12 Mo Fwd P/E	IBE S 2018 EPS Growth	PEG Ratio
ACWI	17.2	11.7	1.47
Developed	17.9	11.3	1.58
U.S.	19.5	15.2	1.28
Canada	15.9	9.0	1.77
Europe	15.9	9.4	1.69
U.K.	15.0	7.3	2.05
Japan	16.1	6.6	2.44
Australia	16.4	4.6	3.57
Hong Kong	17.3	7.8	2.22
Emerging	13.5	13.4	1.01

Source: BofA, 1/18/2018

Nearly Half of Emerging Markets Index is Represented by IT and Financials; EAFE is Very Underweight IT and Heavy Financials and Industrials



S&P 500 and EAFE Growth: Annual Earnings Expected to be Stronger in the U.S. in 2018

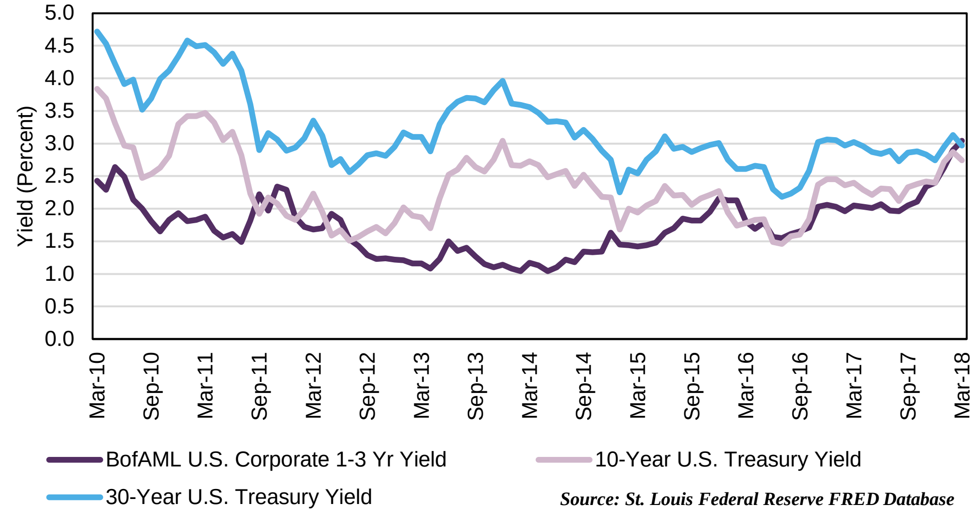


Source: FactSet of 3/29/2018

Fixed Income Outlook

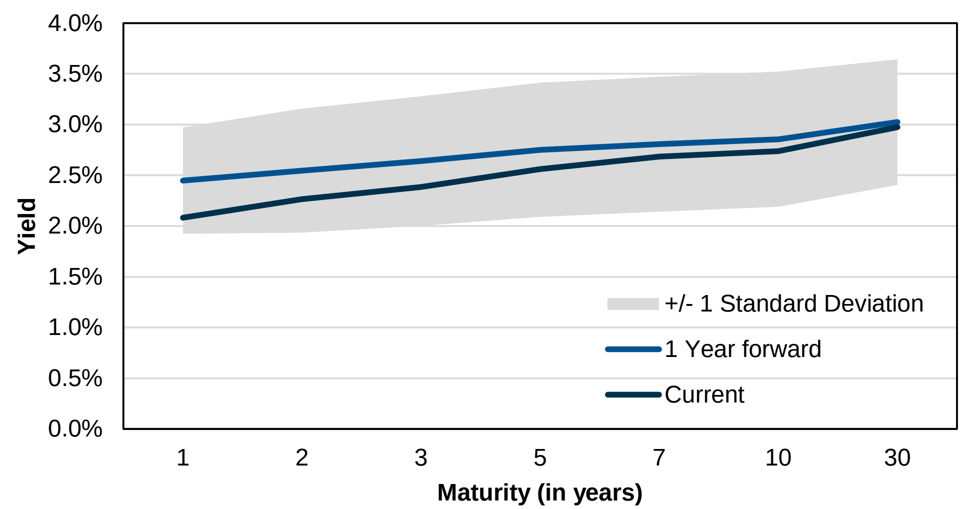
Summary	
Despite low yield levels, high quality fixed income continues to provide investors with some diversification benefits and return opportunities.	
Themes & Implementation	
Selective Carry Positions	The securitized markets tied to U.S. housing and the consumer are providing managers with attractive value add opportunities and diversified income streams.
Emerging Markets Strengthening	Improving global growth conditions and attractive yields have made emerging market debt an appealing investment with upside potential for currency moves. Selectivity is becoming more important with the expectation of monetary policy shifts.
Short Term Yield	Rising interest rates at the front end of the curve have made money market and short-term funds a more attractive destination for liquidity needs. Short-term credit yields now match long-term Treasuries, providing portfolio ballast with low interest rate risk while investors wait for more attractive entry points.
Key Risks	
Central Bank Policy	Improving economic conditions have motivated central bankers in the U.K., Japan, Canada, and the E.U. to contemplate the prospects for monetary policy normalization. While the goal is to reduce accommodation without derailing growth, sharp changes in guidance likely would result in spiking correlations between risk (equity) and defensive assets (fixed income).

Rising Short-Term Yields



Source: St. Louis Federal Reserve FRED Database

U.S. Rates and Expectations



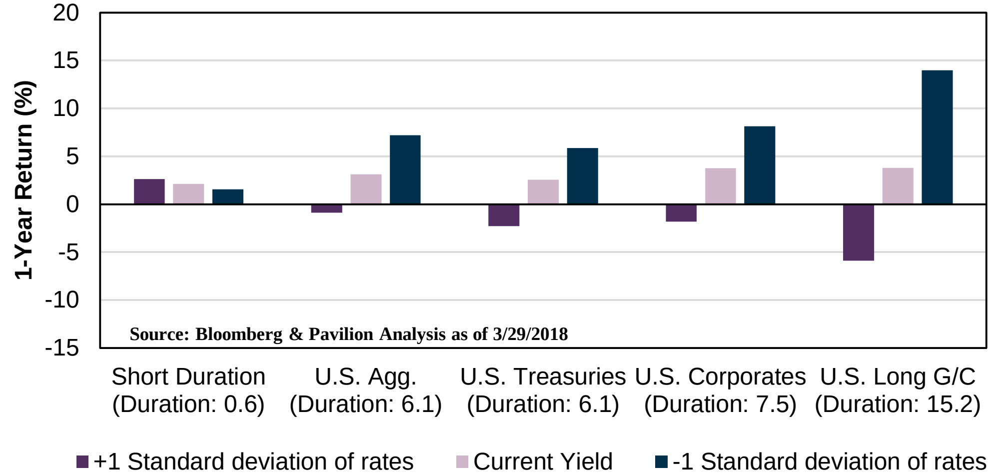
Source: U.S. Treasury & Bloomberg as of March 29, 2018

Ensure Proper Diversification

- Fixed income returns are highly correlated with starting yields. At current interest rate levels, fixed income returns are expected to be very modest, even if interest rates remain unchanged.
- Subdued inflation likely will keep interest rates in check. As a result, we do not expect fixed income returns to be significantly negative.
- Spreads on investment grade credit and high yield bonds are at very tight levels and could widen in a risk-off environment providing investors with less protection than expected.
- Spreads on emerging market debt offer some value add opportunities, but are relatively narrow as well.
- Diversification sources should be liquid enabling the portfolio to be repositioned and cash flow obligations met.
- When equity market returns are negative, fixed income returns tend to be positive (right chart). This relationship may be slightly different going forward, given today's low rate environment. Based on our LTCMAs*, we estimate a 6% probability of both fixed income and equity returns being negative during a 12-month period. Nonetheless, it appears that fixed income continues to provide important diversification benefits.

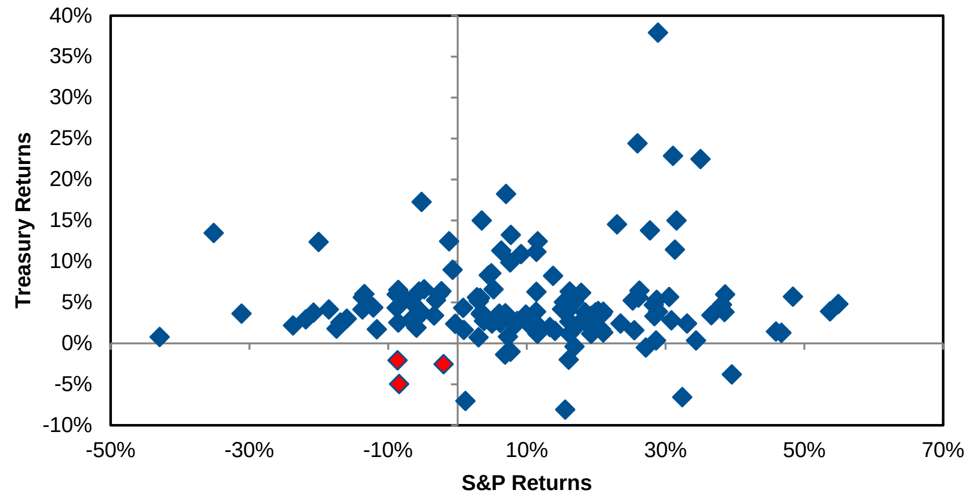
***LTCMA: Long-term Capital Market Assumptions**
Assumes a normal distribution

Hypothetical 1 Year Fixed Income Return



Equity & Treasury Returns Since 1871

Historically, it has been uncommon for equity <u>and</u> bond returns to both be negative but changes in liquidity conditions and interest rates may test these historical relationships



Source: Shiller & Pavilion Analysis

For illustrative purposes only. Past performance is no guarantee of future results.

Real Assets Outlook

Summary

Inflationary risks remain muted, as a multitude of factors weigh on overall price levels. As a result, risk assets, like equities, should defend portfolios from small increases in inflation.

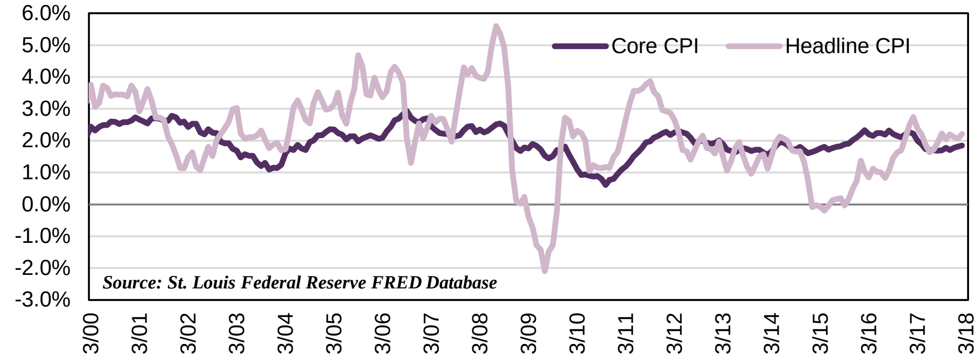
Themes & Implementation

Economic Growth	We expect continued strong economic growth. Real assets are expected to have a modest tailwind from earnings growth, somewhat offset by a modest valuation headwind from rising discount rates.
Diversified Earnings	Inflation-linked allocations with economic growth drivers represent a balance between return diversification and inflation protection.
Subdued Inflation	With inflation unlikely to spike, assets that provide protection against unexpected inflation, like commodities and natural resource equities, are likely to be constrained.

Key Risks

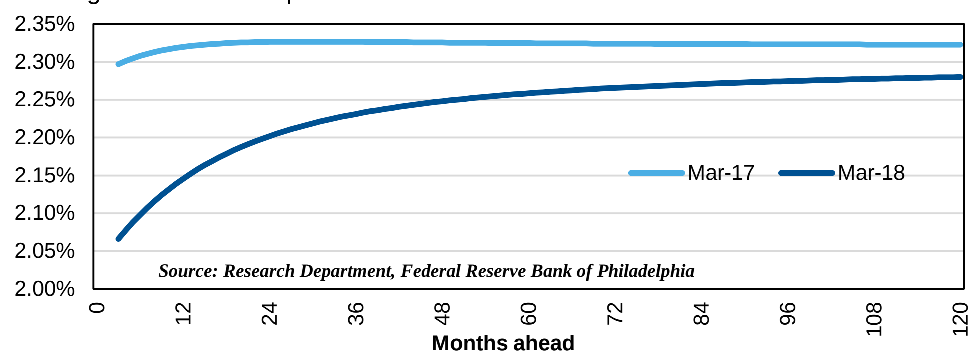
Geopolitical Tensions	While the U.S. has increased oil production, tensions in the Middle East and OPEC decisions still significantly influence price moves.
Trade Policy	The introduction of tariffs on steel and aluminum imports during the first quarter reignited trade war concerns. The full impact is not yet known. Tariffs are not being implemented uniformly across countries, while rhetoric between the U.S. and China has escalated, as potential tariffs have expanded beyond steel and aluminum.

Year-Over-Year U.S. Inflation

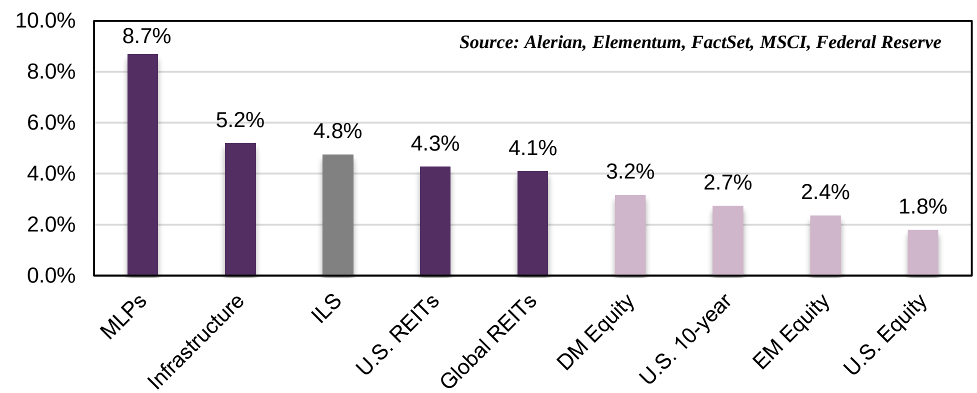


Term Structure of Inflation Expectations

Average Annualized Expected CPI Inflation

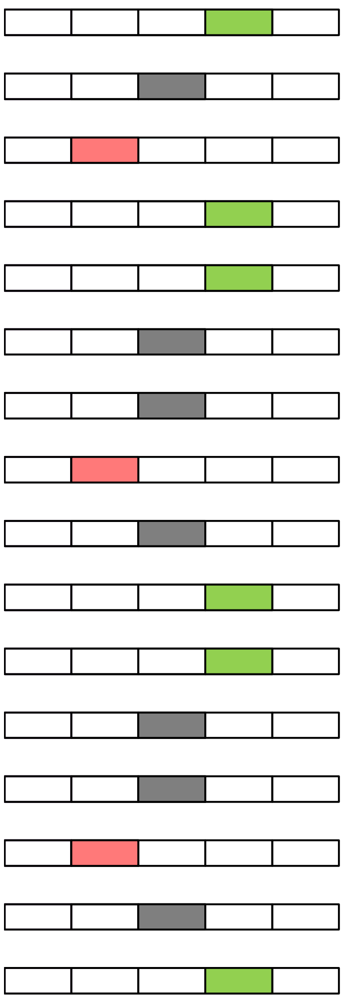


Asset Class Yields



Asset Class Outlooks

Near-Term View



	LT Return*	Qualitative Assessment
U.S. Large Cap Equity	6.5%	▪ Overweight U.S. and emerging market equities while underweighting developed ex-U.S. equities. This provides maximum exposure to global growth while managing overall equity portfolio volatility and reducing currency risk. ▪ Up/down market risks have shifted. Evaluate allocations to index funds, types of index funds used, as well as the types of active managers in the investment program with the goal of reducing exposure to the momentum factor and controlling overall equity portfolio beta.
U.S. Small Cap Equity	7.5%	
Developed Int'l Equity	6.9%	
Emerging Markets	8.1%	
Private Equity	9.8%	
Long/Short Equity	4.7%	
Bonds – Core (US)	2.9%	▪ Rising interest rates in the front end of the curve have made money market and short-term funds a more attractive destination for liquidity needs, as short-term credit yields now match long-term Treasuries. ▪ Improving global growth combined with attractive relative yields have made emerging market debt an appealing investment with upside potential from currency moves. As with other spread product, however, historically narrow spreads should give pause to investors for whom equity investments are an option. ▪ For long-term investors with an ability to sacrifice liquidity for yield pick-up, private credit provides an attractive opportunity. Select opportunities still exist for top quality managers possessing broad credit platforms that can focus on off-market transactions.
Bonds – Core (Non-Dollar)	2.7%	
Bonds – Spread Sectors	3.5%	
Bonds – Emerging Markets	4.3%	
Long/Short Fixed Income	4.5%	
Distressed	7.5%	
Diversified Hedge Funds	4.7/5.0%	▪ Opportunities exist for nimble, specialized multi-strategy and diversifying strategies.
Real Assets – Commodities	5.0%	▪ Inflationary risks remain muted. To become a more elevated risk, the emergence of stronger growth likely is required. As a result, investors should receive near-term inflation protection from equity positions. ▪ Strategies with income and some sensitivity to inflation, however, offer opportunities.
Real Assets – Real Estate	6.0%	
Real Assets – Infrastructure	5.9%	

****Represents 2018 PAG Asset Allocation Assumptions published in January 2018***

Growth Remains Strong

While global growth may have peaked in the first quarter, levels for Composite Purchasing Managers Indices suggest it remains strong across virtually all economic regions.

	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Global	51.4	51.4	51.0	51.1	51.6	51.6	51.8	53.1	53.3	53.5	53.8	53.5	53.8	53.7	53.8	53.6	53.5	53.9	53.8	54.0	54.0	54.3	54.6	54.8	53.3
Developed	51.7	51.9	51.5	51.5	51.6	51.7	51.9	53.7	54.0	54.1	54.6	54.1	54.3	54.4	54.4	54.5	54.4	54.6	54.6	55.0	54.8	54.8	54.9	55.4	53.6
Emerging	50.6	50.0	49.6	50.1	51.5	51.4	51.2	51.9	51.6	52.0	51.9	52.1	52.5	52.0	52.2	51.5	51.4	52.1	51.9	51.5	51.9	53.0	53.6	53.3	52.3
U.S.	51.3	52.4	50.9	51.2	51.8	51.5	52.3	54.9	54.9	54.1	55.8	54.1	53.0	53.2	53.6	53.9	54.6	55.3	54.8	55.2	54.5	54.1	53.8	55.8	54.2
Canada*	51.5	52.2	52.1	51.8	51.9	51.1	50.3	51.1	51.5	51.8	53.5	54.7	55.5	55.9	55.1	54.7	55.5	54.6	55.0	54.3	54.4	54.7	55.9	55.6	55.7
U.K.	53.6	52.1	53.2	52.6	47.5	53.4	53.9	54.7	55.3	56.5	55.1	53.9	54.9	56.2	54.3	53.9	54.1	54.0	54.1	55.8	54.9	54.8	53.4	54.5	52.5
Euro Zone	53.1	53.0	53.1	53.1	53.2	52.9	52.6	53.3	53.9	54.4	54.4	56.0	56.4	56.8	56.8	56.3	55.7	55.7	56.7	56.0	57.5	58.1	58.8	57.1	55.2
Germany	54.0	53.6	54.5	54.4	55.3	53.3	52.8	55.1	55.0	55.2	54.8	56.1	57.1	56.7	57.4	56.4	54.7	55.8	57.7	56.6	57.3	58.9	59.0	57.6	55.1
France	50.0	50.2	50.9	49.6	50.1	51.9	52.7	51.6	51.4	53.1	54.1	55.9	56.8	56.6	56.9	56.6	55.6	55.2	57.1	57.4	60.3	59.6	59.6	57.3	56.3
Italy	52.4	53.1	50.8	52.6	52.2	51.9	51.1	51.1	53.4	52.9	52.8	54.8	54.2	56.8	55.2	54.5	56.2	55.8	54.3	53.9	56.0	56.5	59.0	56.0	53.5
Spain	55.1	55.2	54.8	55.7	53.7	54.8	54.1	54.4	55.2	55.5	54.7	57.0	56.8	57.3	57.2	57.7	56.7	55.3	56.4	55.1	55.2	55.4	56.7	57.1	55.8
Greece*	49.0	49.7	48.4	50.4	48.7	50.4	49.2	48.6	48.3	49.3	46.6	47.7	46.7	48.2	49.6	50.5	50.5	52.2	52.8	52.1	52.2	53.1	55.2	56.1	55.0
Ireland	60.7	58.1	59.1	59.2	56.5	56.9	54.8	54.0	55.5	58.4	59.3	57.8	56.9	58.7	58.7	58.0	57.0	58.2	57.6	56.0	57.7	60.2	59.0	56.8	53.7
Australia	58.1	53.4	51.0	51.8	56.4	46.9	49.8	50.9	54.2	55.4	51.2	59.3	57.5	59.2	54.8	55.0	56.0	59.8	54.2	51.1	57.3	56.2	58.7	57.5	63.1
Japan	49.9	48.9	49.2	49.0	50.1	49.8	48.9	51.3	52.0	52.8	52.3	52.2	52.9	52.6	53.4	52.9	51.8	51.9	51.7	53.4	52.2	52.2	52.8	52.2	51.3
China	51.3	50.8	50.5	50.3	51.9	51.8	51.4	52.9	52.9	53.5	52.2	52.6	52.1	51.2	51.5	51.1	51.9	52.4	51.4	51.0	51.6	53.0	53.7	53.3	51.8
Indonesia*	50.6	50.9	50.6	51.9	48.4	50.4	50.9	48.7	49.7	49.0	50.4	49.3	50.5	51.2	50.6	49.5	48.6	50.7	50.4	50.1	50.4	49.3	49.9	51.4	50.7
S. Korea*	49.5	50.0	50.1	50.5	50.1	48.6	47.6	48.0	48.0	49.4	49.0	49.2	48.4	49.4	49.2	50.1	49.1	49.9	50.6	50.2	51.2	49.9	50.7	50.3	49.1
Taiwan*	51.1	49.7	48.5	50.5	51.0	51.8	52.2	52.7	54.7	56.2	55.6	54.5	56.2	54.4	53.1	53.3	53.6	54.3	54.2	53.6	56.3	56.6	56.9	56.0	55.3
India	54.3	52.8	50.9	51.1	52.4	54.6	52.4	55.4	49.1	47.6	49.4	50.7	52.3	51.3	52.5	52.7	46.0	49.0	51.1	51.3	50.3	53.0	52.5	49.7	50.8
Brazil	40.8	39.0	38.3	42.3	46.4	44.4	46.1	44.9	45.3	45.2	44.7	46.6	48.7	50.4	50.4	48.5	49.4	49.6	51.1	49.5	48.9	48.8	50.7	53.1	51.5
Mexico*	53.2	52.4	53.6	51.1	50.6	50.9	51.9	51.8	51.1	50.2	50.8	50.6	51.5	50.7	51.2	52.3	51.2	52.2	52.8	49.2	52.4	51.7	52.6	51.6	52.4
Russia	50.8	51.3	51.2	53.5	53.5	52.9	53.1	53.7	55.8	56.6	58.3	55.4	56.3	55.3	56.0	54.8	53.4	54.2	54.8	53.2	56.3	56.0	54.8	55.2	53.2

* indicates manufacturing PMI data

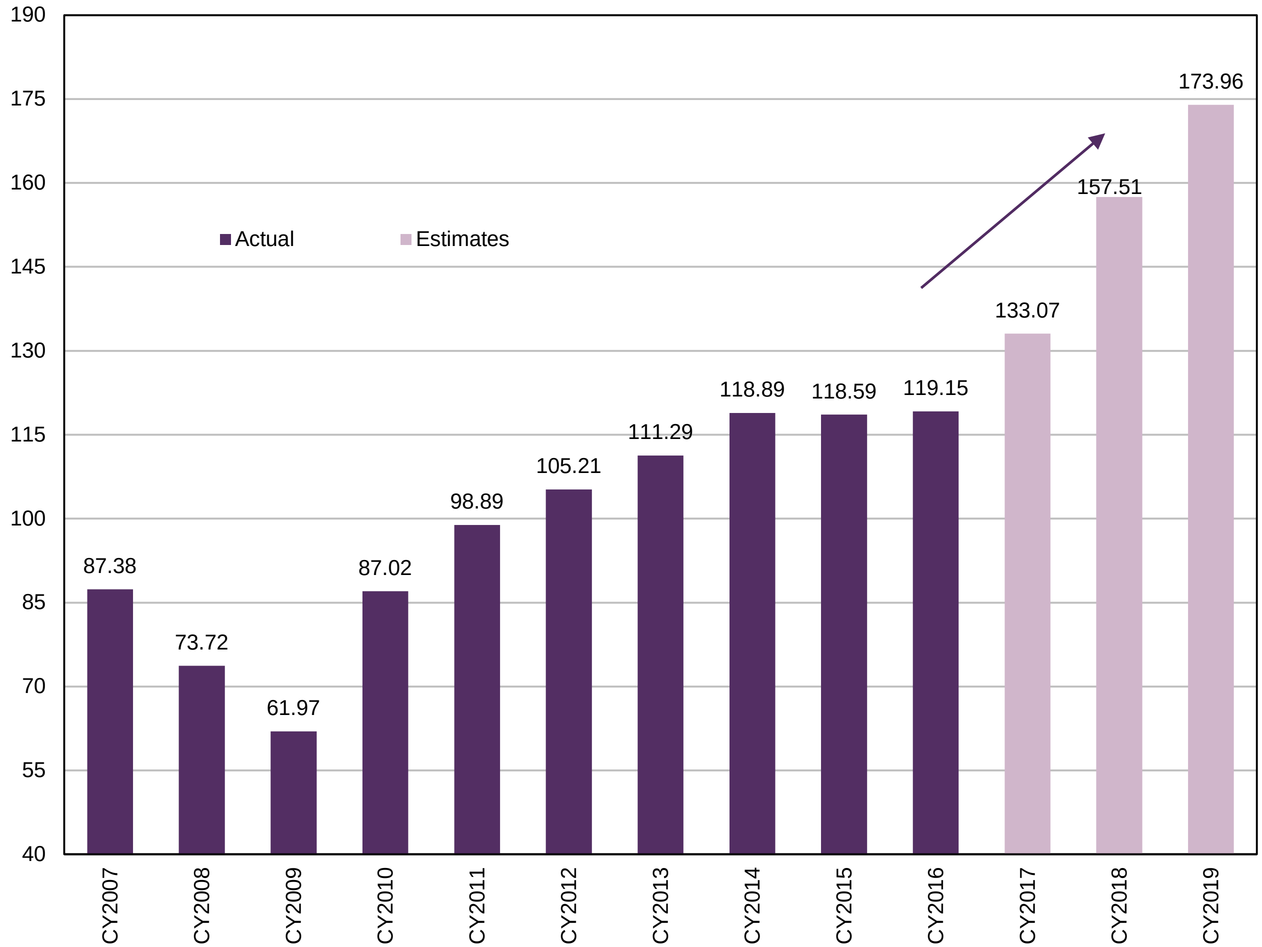
Key	Contraction	Expansion

Source: *Bloomberg, JP Morgan*

Earnings Growth Accelerating

- U.S. earnings are expected to maintain a pace of double digit growth – approximately 18% growth in 2018 and 10% in 2019.
- Earnings continue to be supported by economic strength.
- Tax cuts will provide further support.
- While increased uncertainty tends to have a dampening effect on valuations, it is likely to be offset by strong cash-flows and earnings repatriation, which are expected to result in record levels of share buy-backs (+ $800 billion).

S&P 500 Calendar Year Bottom-Up EPS Actuals & Estimates



Source: *FactSet as of 4/6/2018*

Interest Rates Rising, But Only Gradually

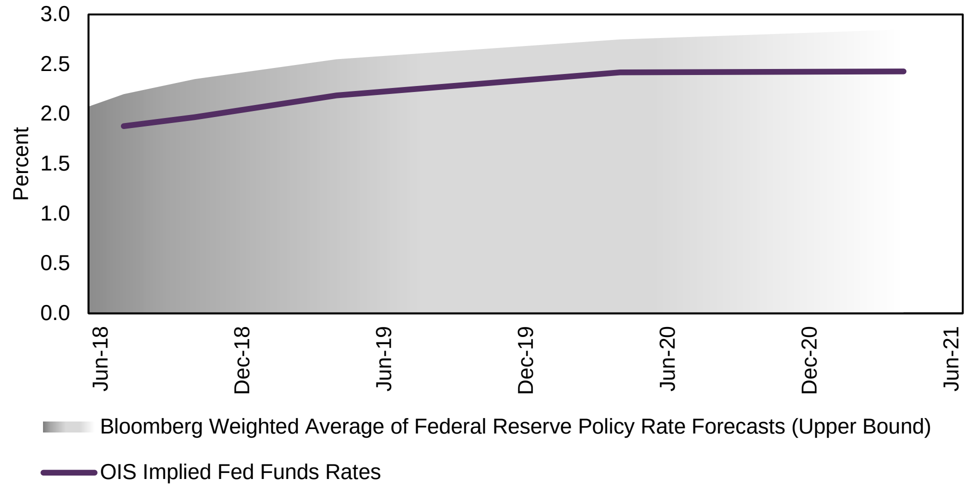
- Since beginning the process in 2015, the Federal Open Market Committee ("FOMC") has raised rates six times, including a 25 basis point increase in March 2018. The pace of rate increases has been very gradual and is expected to remain so.

- Based on their own forecast, FOMC officials anticipate achieving a neutral policy rate of about 3% near the end of 2019 (see the shaded area). Market participants are expecting an even more gradual pace (see the dark line). Regardless of the differences, consensus is for a continuation of gradual increases.

- Given the gradual pace of increases, market participants expect the Treasury curve to flatten with yields likely to remain below 3.25% five years from now.

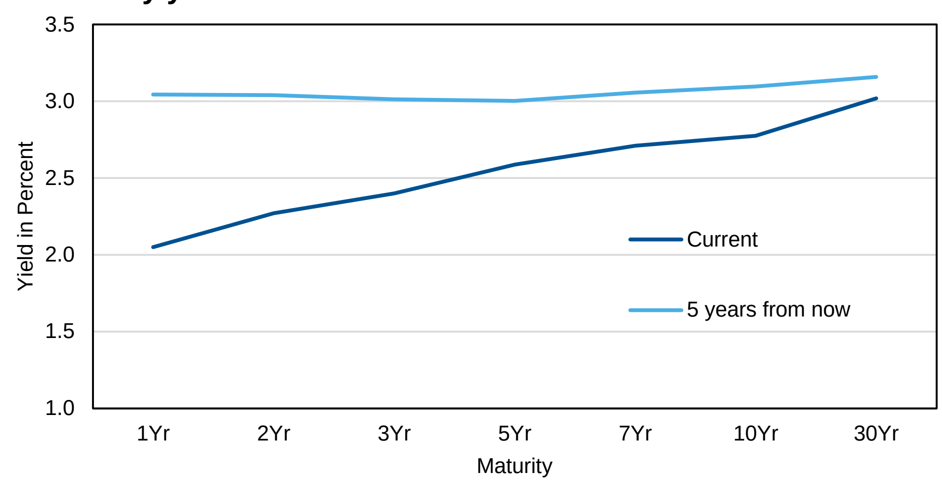
- Interest rate increases of the magnitude anticipated by forward markets may create headwinds for risk assets but alone are unlikely to create dislocations.

Potential Fed Funds Rates



Source: *Bloomberg*

Treasury yields now vs. the future

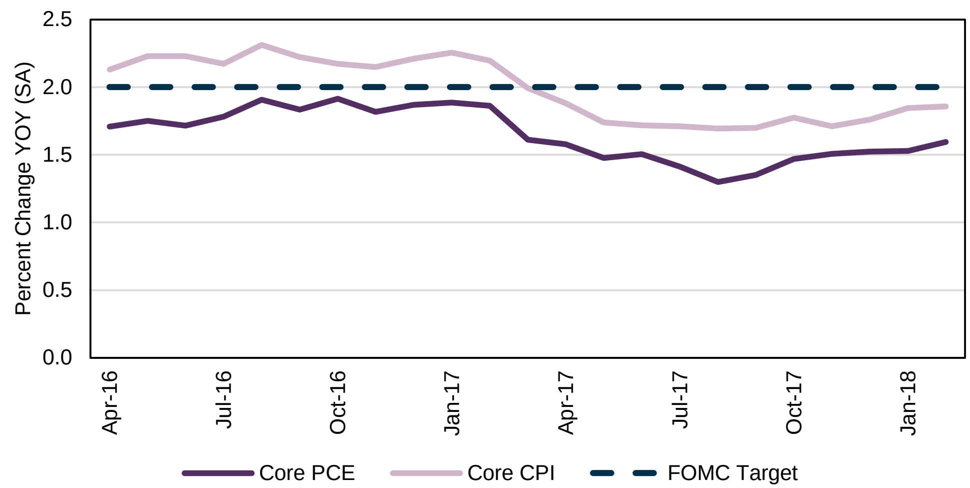


Source: *Bloomberg as of 4/6/2018*

Inflation Rising, But Facing Headwinds

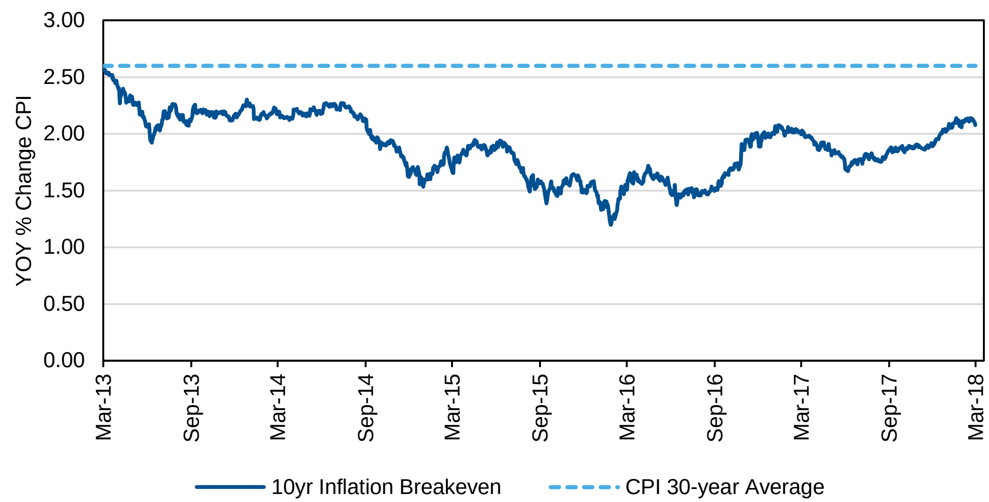
- While rising from recent low levels, inflation remains subdued across developed markets as well as in most emerging markets.
- In the U.S., measures of core inflation, the most reliable predictors of near-term inflation trends, are nearing the Fed's target rate of 2%.
- These projections are echoed in market based measures of expected inflation. Rates implied in the U.S. Treasury market suggest inflation, as measured by CPI, will average about 2% over the next 10 years.
- Wage growth amid a tight labor market have raised inflation concerns; however, at 2.7%, wage growth remains low. Additionally, correlations between wage growth and inflation have been weak since the 1990s.
- In developed markets, globalization, technological innovation, and demographics have contributed to headwinds to inflation. These headwinds should allow policy makers to remain patient as they pursue policy normalization.

Inflation



Source: ***St. Louis Federal Reserve FRED Database***

Inflation expected to remain subdued

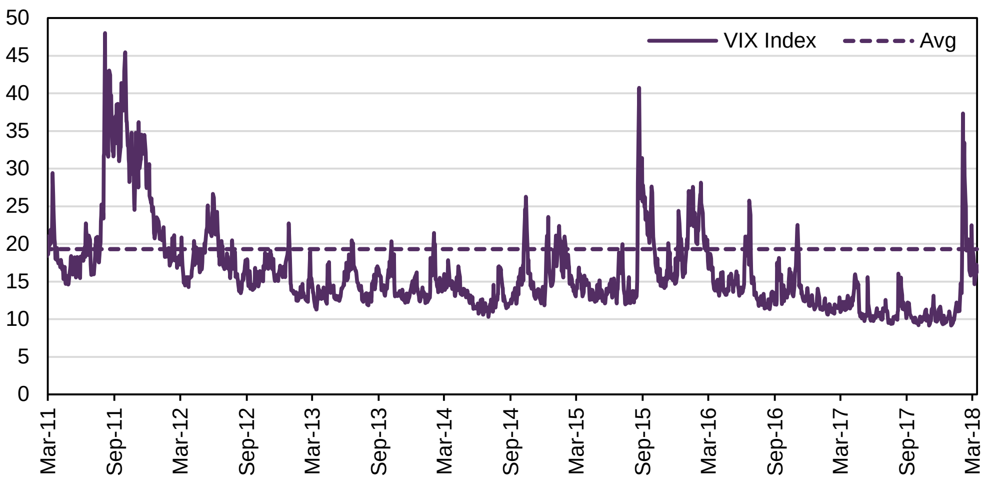


Source: ***Bloomberg***

Uncertainty Pushed Volatility Higher

- Strong growth combined with little economic uncertainty drove volatility to historic low levels in 2017.
- Increasing uncertainty over economic policies, ranging from potential for trade disruptions to central bank actions, have caused volatility to move higher in 2018.

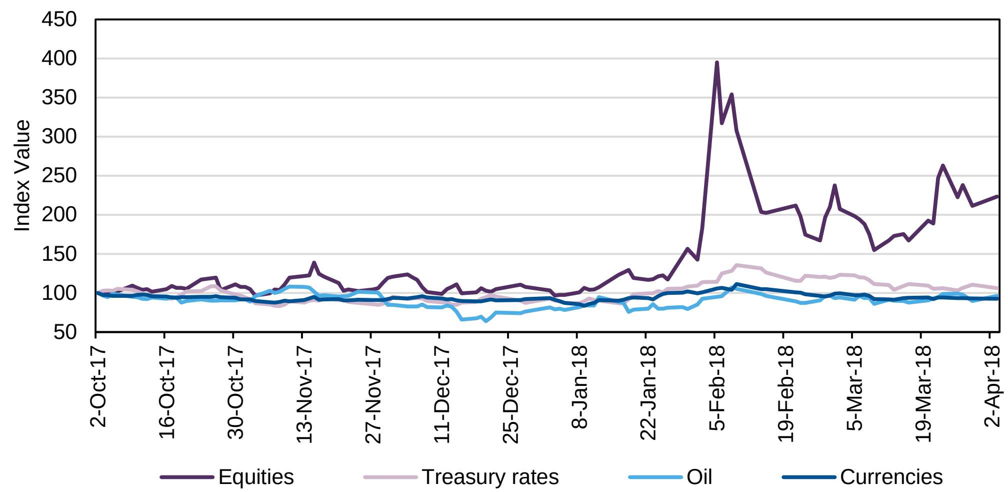
VIX Index - implied equity market volatility off historic lows



Source: *Bloomberg*

- The move higher in volatility has been most acute in equity markets; volatility across other asset classes has remained more subdued.
- While moves have been abrupt, equity market volatility has simply reverted to levels more consistent with longer-term averages.
- The increase in volatility is consistent with the later stages of the business cycle.

Equity market volatility the outlier



Source: *Bloomberg*
Values indexed to 10/2/2017
Equities: VIX Index; Treasury Rates: Move Index; Oil: OVX Index; and Currencies: FXVIX Index

Asset Class Diversification

Surplus Cash Investment Program Structure

As of March 31, 2018

Manager	Asset Class/Type	Total Assets ($, mil.)	Percent of Total	Target Allocation	Weighting Relative to Target	Target Range
Large-Cap Domestic Equity		**$191.1**	**21.8%**	**20.0%**	**+ 1.8%**	**20-30%**
Vanguard S&P 500 Index	Large-Cap Index	$117.9	13.5%	10.0%	+ 3.5%	
Sands	Large-Cap Growth	$ 37.8	4.3%	5.0%	- 0.7%	
Barrow Hanley	Large-Cap Value	$ 35.4	4.0%	5.0%	- 1.0%	
Small-Cap Domestic Equity		**$ 41.9**	**4.8%**	**5.0%**	**- 0.2%**	
Conestoga	Small-Cap Growth	$ 21.5	2.5%	2.5%	- 0.0%	
Wellington	Small-Cap Value	$ 20.4	2.3%	2.5%	- 0.2%	
International Equity		**$137.5**	**15.7%**	**15.0%**	**+ 0.7%**	**10-20%**
Walter Scott	Developed and Emerging	$ 56.8	6.5%			
Harbor	Developed and Emerging	$ 51.6	5.9%			
Harding Loevner	Emerging	$ 29.1	3.3%			
Short-Duration Fixed Income		**$ 95.4**	**10.9%**	**10.0%**	**+ 0.9%**	**8-12%**
Barrow Hanley	Short Duration	$ 87.1	10.0%			
Cash	Money Market	$ 8.3	1.0%			
Market-Duration Fixed Income		**$262.1**	**30.0%**	**30.0%**	**- 0.0%**	**25-35%**
Dodge & Cox	Market Duration	$130.9	15.0%	15.0%	- 0.0%	
MetWest	Market Duration	$131.2	15.0%	15.0%	- 0.0%	
Alternatives		**$146.9**	**16.8%**	**20.0%**	**- 3.2%**	**17-23%**
Oaktree RE Opps VI	Real Estate	$ 8.9	1.0%			
Walton Street RE VII	Real Estate	$ 8.6	1.0%			
Walton Street RE VIII	Real Estate	$ 4.8	0.5%			
Direct Hedge Fund Composite	Hedge Fund	$124.6	14.2%			
Total (X District)		**$874.8**	**100.0%**			
District Assets - Barrow Hanley	Short Duration	$ 33.3				
Debt Reserves - Ponder	Short Duration	$222.5				
Total Surplus Cash		**$1,130.7**				

*Totals may not add due to rounding.

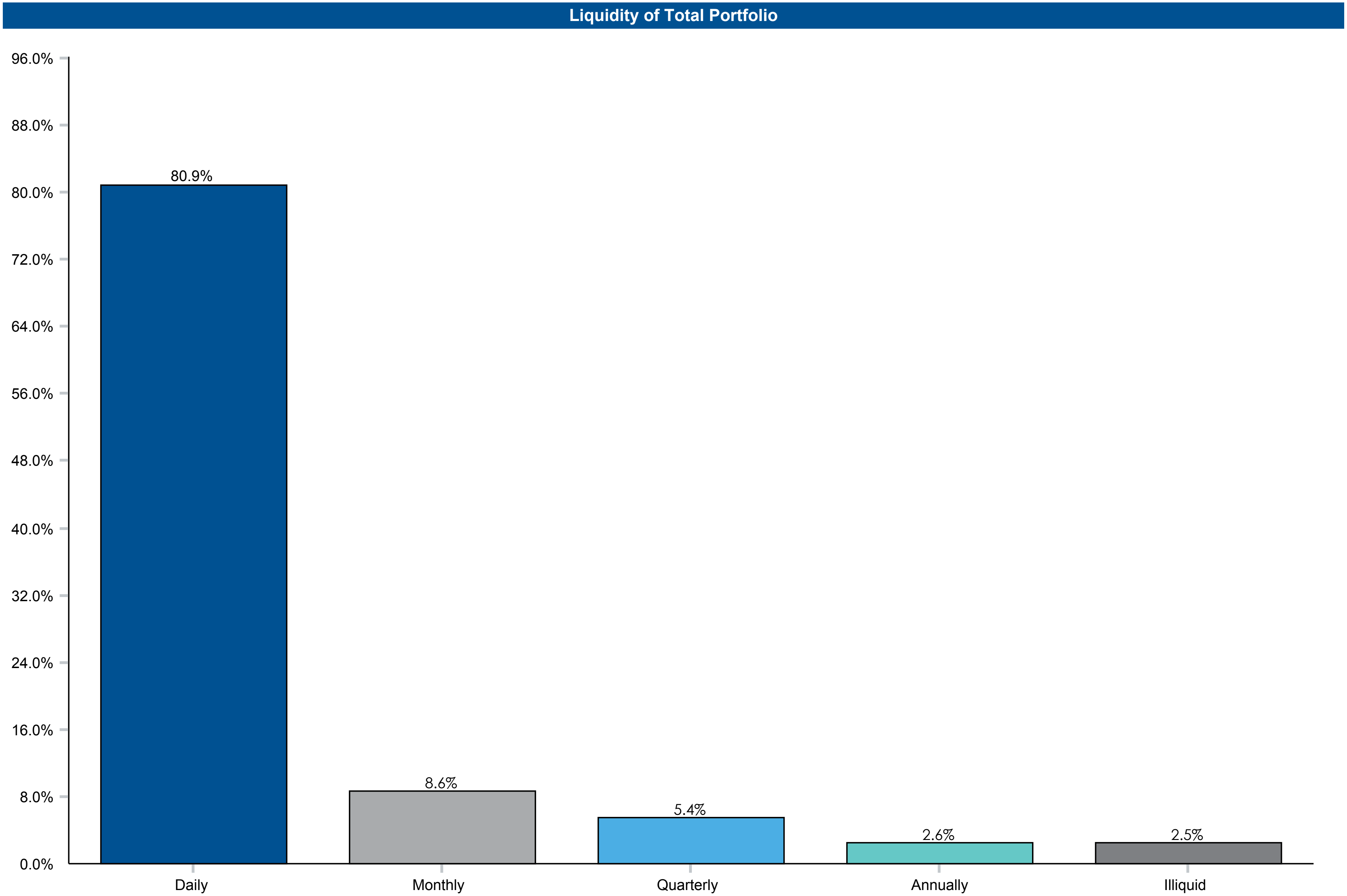
Liquidity Schedule

As of March 31, 2018

Investments	Market Value ($)	Daily ($)	Monthly ($)	Quarterly ($)	Annually ($)	Illiquid ($)	Withdrawals	Notes
Vanguard S&P 500 Index	117,869,958	117,869,958	--	--	--	--	Daily	Daily, No Lock-Up
Sands Large Cap Growth (Touchstone)	37,800,726	37,800,726	--	--	--	--	Daily	Daily, No Lock-Up
Barrow Hanley Large Cap Value	35,381,206	35,381,206	--	--	--	--	Daily	Daily, No Lock-Up
Wellington Small Cap Value	20,358,569	--	20,358,569	--	--	--	Monthly	10 Day Notice
Conestoga Small-Cap Fund I	21,501,241	21,501,241	--	--	--	--	Daily	Daily, No Lock-Up
Walter Scott Int'l (Dreyfus)	56,819,436	56,819,436	--	--	--	--	Daily	Daily, No Lock-Up
Northern Cross Int'l (Harbor)	51,620,769	51,620,769	--	--	--	--	Daily	Daily, No Lock-Up
Harding Loevner Inst. Emerging Markets I	29,062,474	29,062,474	--	--	--	--	Daily	Daily, No Lock-Up
Barrow Hanley Short Fixed	87,106,482	87,106,482	--	--	--	--	Daily	Daily, No Lock-Up
Cash Account	4,540,054	4,540,054	--	--	--	--	Daily	Daily, No Lock-Up
Cash Account - CONCERN	86,233	86,233	--	--	--	--	Daily	Daily, No Lock-Up
Hedge Funds Cash	3,690,611	3,690,611	--	--	--	--	Daily	Daily, No Lock-Up
Dodge & Cox Fixed	130,896,360	130,896,360	--	--	--	--	Daily	Daily, No Lock-Up
MetWest Fixed	118,240,296	118,240,296	--	--	--	--	Daily	Daily, No Lock-Up
Met West Total Return Bond Plan - CONCERN	12,985,730	12,985,730	--	--	--	--	Daily	Daily, No Lock-Up
Oaktree Capital Management RE Opportunities Fund VI	8,923,623	--	--	--	--	8,923,623	Illiquid	Illiquid
Walton Street Real Estate Fund VII, L.P.	8,584,391	--	--	--	--	8,584,391	Illiquid	Illiquid
Walton Street Real Estate Fund VIII, L.P.	4,752,037	--	--	--	--	4,752,037	Illiquid	Illiquid
Blackrock The 32 Capital Fund, Ltd.	6,013,324	--	6,013,324	--	--	--	Monthly	30 Day Notice, No Lock-Up
Bloom Tree Offshore Fund Ltd.	7,410,073	--	--	7,410,073	--	--	Quarterly	45 Day Notice, No Lock-Up
Capeview Azri 2X Fund USD B - U	3,876,655	--	3,876,655	--	--	--	Monthly	30 Day Notice, No Lock-Up
Capeview Azri Fund USD B – UV	6,345,295	--	--	6,345,295	--	--	Quarterly	30 Day Notice, 2.5% Redemption Penalty
Chatham Asset High Yield Offshore Fund, Ltd	10,072,288	--	--	10,072,288	--	--	Quarterly	45 Day Notice, 20% Fund level gate
DK Distressed Opportunities International, Ltd.	10,577,018	--	--	--	10,577,018	--	Annually	90 Day Notice, No Lock-Up
EMSO Saguaro, Ltd.	10,603,703	--	10,603,703	--	--	--	Monthly	60 Day Notice, 15% Fund level gate
Fir Tree International Value Fund (Non-US), L.P.[CE]	776,410	--	--	--	776,410	--	Annually	Redemption in Progress
Indus Japan Fund Ltd.	8,247,081	--	--	8,247,081	--	--	Quarterly	30 Day Notice, No Lock-up
Luxor Capital Partners Offshore, Ltd.	864,625	--	--	864,625	--	--	Quarterly	Redemption in Progress
Marathon Special Opportunity Fund Ltd.[CE]	267,998	--	--	--	267,998	--	Annually	Redemption in Progress
Marshall Wace Eureka Fund Class B2	10,042,948	--	10,042,948	--	--	--	Monthly	30 Day Notice, No Lock-Up
Moore Macro Managers Fund[CE]	6,680,791	--	--	6,680,791	--	--	Quarterly	60 Day Notice, No Lock-Up
Pine River Fund Ltd.[CE]	172,138	--	--	172,138	--	--	Quarterly	Redemption in Progress
Renaissance RIDGE	9,076,782	--	9,076,782	--	--	--	Monthly	Monthly with 45 Days Notice
Robeco Transtrend Diversified Fund LLC	10,070,271	--	10,070,271	--	--	--	Monthly	5 Day Notice, No Lock-Up
Stone Milliner Macro Inc Class A NI	5,084,102	--	5,084,102	--	--	--	Monthly	60 Day Notice, 25% Master Fund level gate
Tiger Eye Fund, Ltd.	7,617,711	--	--	7,617,711	--	--	Quarterly	60 Day Notice, 1% Penalty within First Year
York Credit Opportunities Unit Trust	10,824,435	--	--	--	10,824,435	--	Annually	60 Day Notice, No Lock-Up
Total ($)	**874,843,843**	**707,601,577**	**75,126,354**	**47,410,001**	**22,445,861**	**22,260,051**		
Total (%)	**100.0**	**80.9**	**8.6**	**5.4**	**2.6**	**2.5**		

Liquidity Schedule

As of March 31, 2018



Asset Class Diversification

Cash Balance Plan Investment Program Structure

As of March 31, 2018

Manager	Asset Class/Type	Total Assets ($, mil.)	Percent of Total	Target Allocation	Weighting Relative to Target	Target Range
Large-Cap Domestic Equity		**$ 72.5**	**27.9%**	**27.0%**	**+ 0.9%**	**27-37%**
Vanguard S&P 500 Index	Large-Cap Index	$ 34.2	13.2%	13.5%	- 0.3%	
Sands	Large-Cap Growth	$ 20.3	7.8%	6.8%	+ 1.0%	
Barrow Hanley	Large-Cap Value	$ 17.9	6.9%	6.8%	+ 0.1%	
Small-Cap Domestic Equity		**$ 14.2**	**5.5%**	**5.0%**	**+ 0.5%**	
Conestoga	Small-Cap Growth	$ 7.3	2.8%	2.5%	+ 0.3%	
Wellington	Small-Cap Value	$ 6.9	2.6%	2.5%	+ 0.1%	
International Equity		**$ 49.0**	**18.9%**	**18.0%**	**+ 0.9%**	**15-21%**
Walter Scott	Developed and Emerging	$ 21.7	8.4%			
Harbor	Developed and Emerging	$ 19.9	7.7%			
Harding Loevner	Emerging Markets	$ 7.4	2.8%			
Short-Duration Fixed Income		**$ 12.4**	**4.8%**	**5.0%**	**- 0.2%**	**0-8%**
Barrow Hanley	Short Duration	$ 8.3	3.2%			
Cash	Money Market	$ 4.1	1.6%			
Market-Duration Fixed Income		**$ 65.7**	**25.3%**	**25.0%**	**+ 0.3%**	**20-30%**
Dodge & Cox	Market Duration	$ 33.0	12.7%	12.5%	+ 0.2%	
MetWest	Market Duration	$ 32.7	12.6%	12.5%	+ 0.1%	
Alternatives		**$ 46.1**	**17.7%**	**20.0%**	**- 2.3%**	**17-23%**
Lighthouse	HFOF	$ 16.5	6.3%			
Pointer	HFOF	$ 15.6	6.0%			
Oaktree RE Opps VI	Real Estate	$ 5.3	2.0%			
Walton Street RE VII	Real Estate	$ 5.1	2.0%			
Walton Street RE VIII	Real Estate	$ 3.7	1.4%			
Total		**$259.9**	**100.0%**			

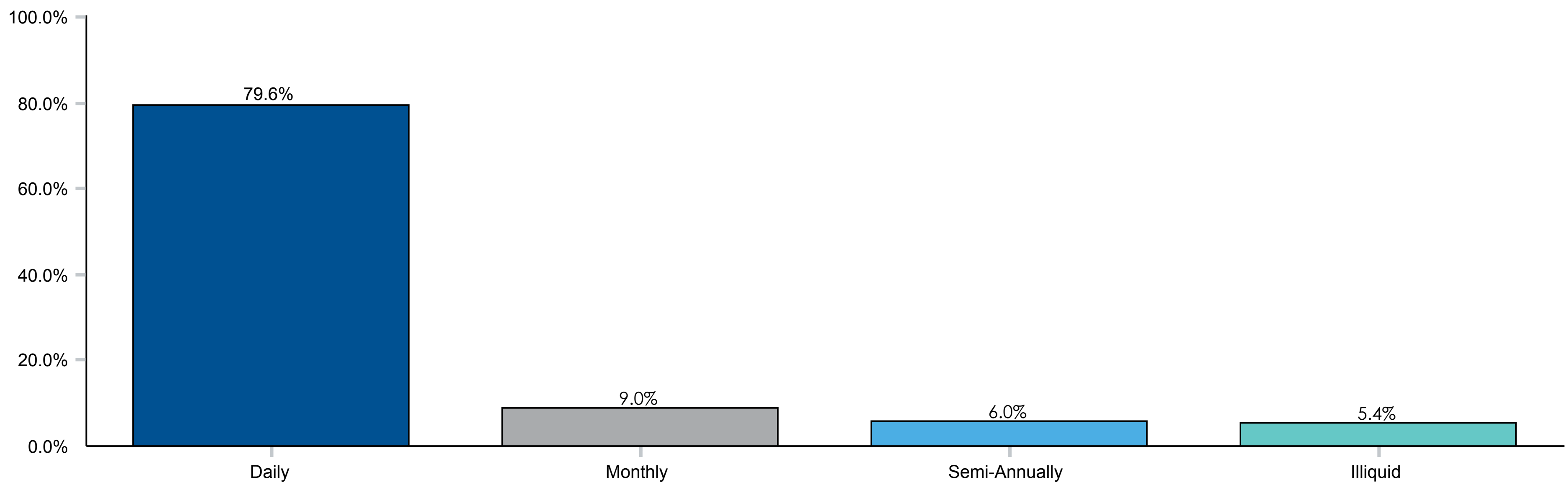
*Totals may not add due to rounding.

Liquidity Schedule - Cash Balance

As of March 31, 2018

Investments	Market Value ($)	Daily ($)	Monthly ($)	Semi-Annually ($)	Illiquid ($)	Contributions	Withdrawals	Notes
Barrow Hanley Large Cap Value	17,949	17,949	--	--	--	Daily	Daily	Daily, No Lock-Up
Sands Large Cap Growth (Touchstone)	20,267	20,267	--	--	--	Daily	Daily	Daily, No Lock-Up
Vanguard Institutional Index Fund	34,245	34,245	--	--	--	Daily	Daily	Daily, No Lock-Up
Wellington Small Cap Value	6,867	--	6,867	--	--	Monthly	Monthly	Monthly, 10 Day Notice
Conestoga Small-Cap Fund I	7,346	7,346	--	--	--	Daily	Daily	Daily, No Lock-Up
Walter Scott Int'l (Dreyfus)	21,737	21,737	--	--	--	Daily	Daily	Daily, No Lock-Up
Northern Cross Int'l (Harbor)	19,885	19,885	--	--	--	Daily	Daily	Daily, No Lock-Up
Harding Loevner Inst. Emerging Markets I	7,405	7,405	--	--	--	Daily	Daily	Daily, No Lock-Up
Barrow Hanley Short Fixed	8,302	8,302	--	--	--	Daily	Daily	Daily, No Lock-Up
Cash Account	4,128	4,128	--	--	--	Daily	Daily	Daily, No Lock-Up
Disbursement Account	16	16	--	--	--	Daily	Daily	Daily, No Lock-Up
Dodge & Cox Income Fund	32,960	32,960	--	--	--	Daily	Daily	Daily, No Lock-Up
Met West Total Return Fund Pl	32,693	32,693	--	--	--	Daily	Daily	Daily, No Lock-Up
Lighthouse Diversified	16,462	--	16,462	--	--	Monthly	Monthly	90 Day Notice
Pointer Offshore LTD[CE]	15,575	--	--	15,575	--	Semi-Annually	Semi-Annually	Notice by Mar 15/Sept 15
Oaktree RE Opportunities Fund V	5,294	--	--	--	5,294	Illiquid	Illiquid	Illiquid
Walton Street Real Estate Fund VII, L.P.	5,140	--	--	--	5,140	Illiquid	Illiquid	Illiquid
Walton Street Real Estate Fund VIII, L.P.	3,655	--	--	--	3,655	Illiquid	Illiquid	Illiquid
Total ($)	**259,929**	**206,934**	**23,330**	**15,575**	**14,090**			
Total (%)	**100.0**	**79.6**	**9.0**	**6.0**	**5.4**			

Liquidity of Total Portfolio



PAVILION

Surplus Cash Equity Portfolio Characteristics

Surplus Cash Equity Composite vs. MSCI AC World IMI

As of March 31, 2018

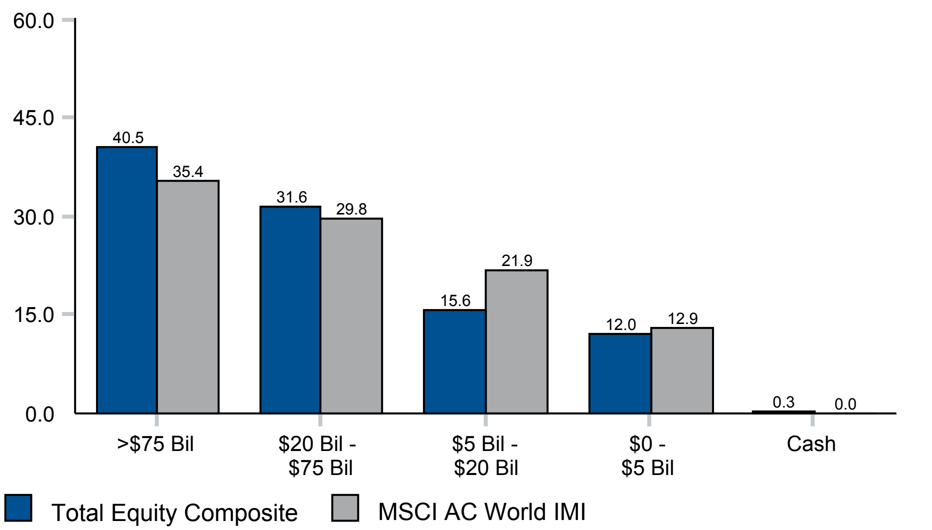
Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap ($M)	121,973	112,329
Median Mkt. Cap ($M)	17,514	1,774
Price/Earnings ratio	22.2	17.5
Price/Book ratio	3.3	2.7
5 Yr. EPS Growth Rate (%)	14.5	12.5
Current Yield (%)	1.8	2.4
Debt to Equity	0.9	0.6
Number of Stocks	820	8,593
Beta (5 Years, Monthly)	0.96	1.00
Consistency (5 Years, Monthly)	50.00	1.00
Sharpe Ratio (5 Years, Monthly)	1.02	0.95
Information Ratio (5 Years, Monthly)	0.25	-
Up Market Capture (5 Years, Monthly)	97.59	-
Down Market Capture (5 Years, Monthly)	89.79	-

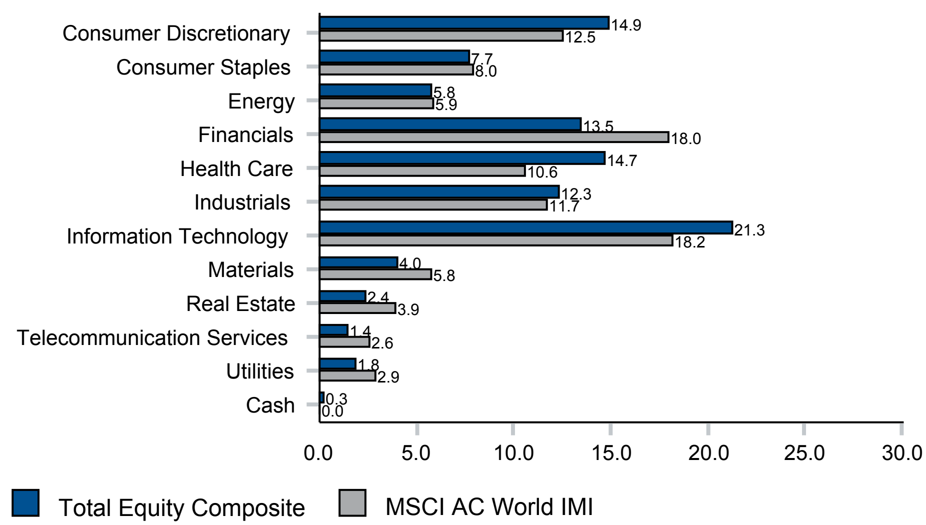
Top Ten Equity Holdings

	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Amazon.com Inc	1.7	1.1	0.6	23.8
Microsoft Corp	1.2	1.3	-0.1	7.2
Apple Inc	1.2	1.6	-0.4	-0.5
Alibaba Group Holding Ltd	1.1	0.4	0.7	6.4
Facebook Inc	1.1	0.7	0.4	-9.4
Visa Inc	1.1	0.4	0.7	5.1
Las Vegas Sands Corp	1.0	0.1	0.9	4.5
Alphabet Inc	0.9	0.6	0.3	-1.5
Netflix Inc	0.9	0.2	0.7	53.9
JPMorgan Chase & Co	0.9	0.7	0.2	3.4
% of Portfolio	11.1	7.1	4.0	

Distribution of Market Capitalization (%)



Sector Weights (%)



Equity composite holdings are a consolidation of the underlying manager exposures weighted by the ending market value. Cash holdings for certain managers may not be included.

Cash Balance Plan Equity Portfolio Characteristics

Cash Balance Plan Equity Composite vs. MSCI AC World IMI

As of March 31, 2018

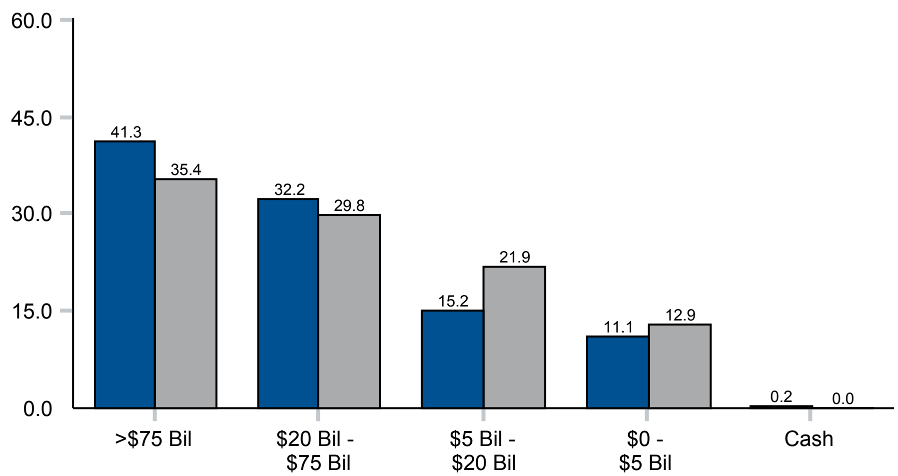
Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap ($M)	122,380	112,329
Median Mkt. Cap ($M)	17,514	1,774
Price/Earnings ratio	22.7	17.5
Price/Book ratio	3.4	2.7
5 Yr. EPS Growth Rate (%)	15.3	12.5
Current Yield (%)	1.7	2.4
Debt to Equity	0.8	0.6
Number of Stocks	819	8,593
Beta (5 Years, Monthly)	0.97	1.00
Consistency (5 Years, Monthly)	50.00	1.00
Sharpe Ratio (5 Years, Monthly)	1.00	0.95
Information Ratio (5 Years, Monthly)	0.19	-
Up Market Capture (5 Years, Monthly)	98.22	-
Down Market Capture (5 Years, Monthly)	92.81	-

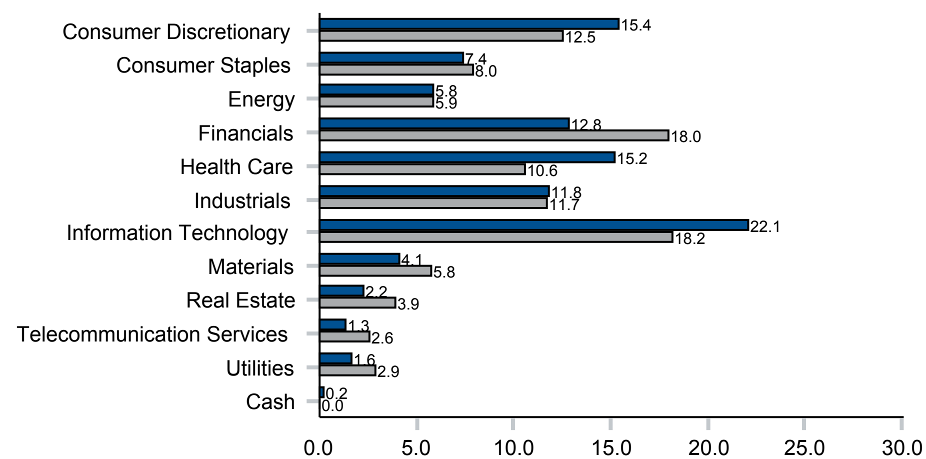
Top Ten Equity Holdings

	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Amazon.com Inc	2.0	1.1	0.9	23.8
Alibaba Group Holding Ltd	1.4	0.4	1.0	6.4
Visa Inc	1.4	0.4	1.0	5.1
Facebook Inc	1.2	0.7	0.5	-9.4
Microsoft Corp	1.1	1.3	-0.2	7.2
Netflix Inc	1.1	0.2	0.9	53.9
Las Vegas Sands Corp	1.1	0.1	1.0	4.5
Salesforce.com Inc.	1.1	0.2	0.9	13.8
Alphabet Inc	1.0	0.6	0.4	-1.5
Adobe Systems Inc	1.0	0.2	0.8	23.3
% of Portfolio	12.4	5.2	7.2	

Distribution of Market Capitalization (%)



Sector Weights (%)



Equity composite holdings are a consolidation of the underlying manager exposures weighted by the ending market value. Cash holdings for certain managers may not be included.

PAVILION

Surplus Cash Equity Portfolio - Country/Region Allocation

Surplus Cash Equity Composite vs. MSCI AC World IMI

As of March 31, 2018

	Total Equity Composite	MSCI AC World IMI
Canada	0.5	3.0
United States	60.8	49.7
Australia	0.6	2.1
Hong Kong	3.4	2.6
New Zealand	0.0	0.1
Singapore	0.1	0.7
Pacific ex Japan	**4.1**	**5.5**
Japan	5.6	8.5
Austria	0.1	0.1
Belgium	0.0	0.4
Bermuda	0.5	0.3
Denmark	1.3	0.6
Finland	0.3	0.4
France	4.1	3.0
Germany	2.2	3.0
Ireland	1.8	1.2
Italy	0.2	0.8
Netherlands	0.9	1.8
Norway	0.1	0.3
Portugal	0.0	0.1
Spain	0.6	1.0
Sweden	0.4	1.0
Switzerland	3.0	2.8
Europe ex UK	**15.4**	**16.9**
United Kingdom	3.9	5.4
Israel	0.2	0.2
Middle East	**0.2**	**0.2**
Developed Markets	**90.6**	**89.3**

	Total Equity Composite	MSCI AC World IMI
China	2.3	1.9
India	0.5	1.1
Indonesia	0.2	0.3
Korea	0.8	1.9
Malaysia	0.0	0.3
Philippines	0.0	0.1
Taiwan	1.2	1.5
Thailand	0.1	0.3
EM Asia	**5.1**	**7.3**
Czech Republic	0.1	0.0
Greece	0.0	0.0
Hungary	0.1	0.0
Poland	0.1	0.1
Russia	0.5	0.4
Turkey	0.1	0.1
EM Europe	**0.9**	**0.8**
Brazil	0.6	0.9
Cayman Islands	0.0	0.0
Chile	0.1	0.1
Colombia	0.8	0.0
Mexico	0.4	0.4
Peru	0.0	0.0
Virgin Islands	0.0	0.0
EM Latin America	**2.0**	**1.4**
Egypt	0.0	0.0
Qatar	0.0	0.1
South Africa	0.5	0.8
United Arab Emirates	0.1	0.1
EM Mid East+Africa	**0.7**	**1.0**
Emerging Markets	**8.6**	**10.5**
Frontier Markets	**0.2**	**0.0**
Cash	0.3	0.0
Other	0.4	0.2
Total	**100.0**	**100.0**

Cash Balance Plan Equity Portfolio - Country/Region Allocation

Cash Balance Plan Equity Composite vs. MSCI AC World IMI

As of March 31, 2018

	Total Equity Composite	MSCI AC World IMI
Canada	0.5	3.0
United States	61.3	49.7
Australia	0.6	2.1
Hong Kong	3.0	2.6
New Zealand	0.0	0.1
Singapore	0.1	0.7
Pacific ex Japan	**3.7**	**5.5**
Japan	5.9	8.5
Austria	0.1	0.1
Belgium	0.0	0.4
Bermuda	0.6	0.3
Denmark	1.3	0.6
Finland	0.3	0.4
France	4.4	3.0
Germany	2.3	3.0
Ireland	1.9	1.2
Italy	0.2	0.8
Netherlands	0.9	1.8
Norway	0.1	0.3
Portugal	0.0	0.1
Spain	0.6	1.0
Sweden	0.4	1.0
Switzerland	3.1	2.8
Europe ex UK	**16.2**	**16.9**
United Kingdom	4.1	5.4
Israel	0.2	0.2
Middle East	**0.2**	**0.2**
Developed Markets	**91.9**	**89.3**

	Total Equity Composite	MSCI AC World IMI
China	2.5	1.9
India	0.4	1.1
Indonesia	0.1	0.3
Korea	0.5	1.9
Malaysia	0.0	0.3
Philippines	0.0	0.1
Taiwan	1.0	1.5
Thailand	0.1	0.3
EM Asia	**4.7**	**7.3**
Czech Republic	0.1	0.0
Greece	0.0	0.0
Hungary	0.1	0.0
Poland	0.1	0.1
Russia	0.4	0.4
Turkey	0.1	0.1
EM Europe	**0.6**	**0.8**
Brazil	0.5	0.9
Cayman Islands	0.0	0.0
Chile	0.1	0.1
Colombia	0.8	0.0
Mexico	0.4	0.4
Peru	0.0	0.0
Virgin Islands	0.0	0.0
EM Latin America	**1.7**	**1.4**
Egypt	0.0	0.0
Qatar	0.0	0.1
South Africa	0.3	0.8
United Arab Emirates	0.1	0.1
EM Mid East+Africa	**0.5**	**1.0**
Emerging Markets	**7.5**	**10.5**
Frontier Markets	**0.1**	**0.0**
Cash	0.2	0.0
Other	0.3	0.2
Total	**100.0**	**100.0**

Surplus Cash Fixed Income Portfolio Characteristics

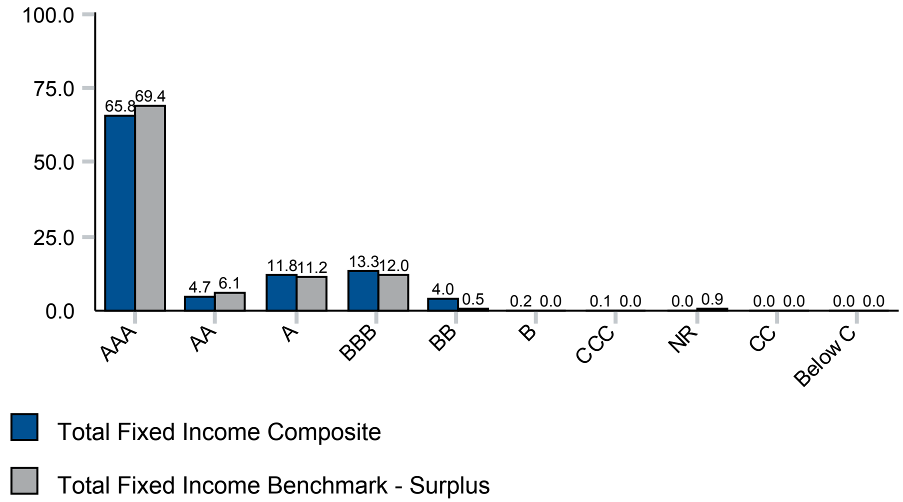
Surplus Cash Fixed Income Composite vs. Total Fixed Income Benchmark - Surplus

As of March 31, 2018

Portfolio Characteristics

	Portfolio	Benchmark
Effective Duration	4.5	5.2
Avg. Maturity	6.3	6.7
Avg. Quality	AA	AA+
Yield To Maturity (%)	3.2	3.0

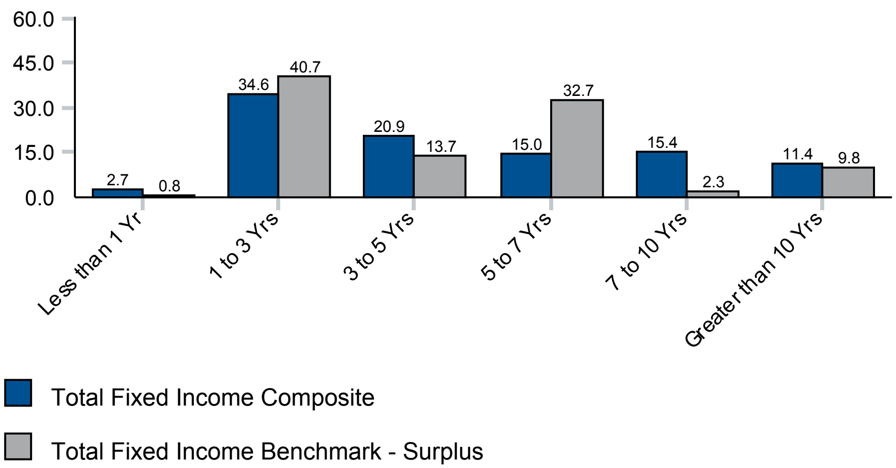
Credit Quality Distribution (%)



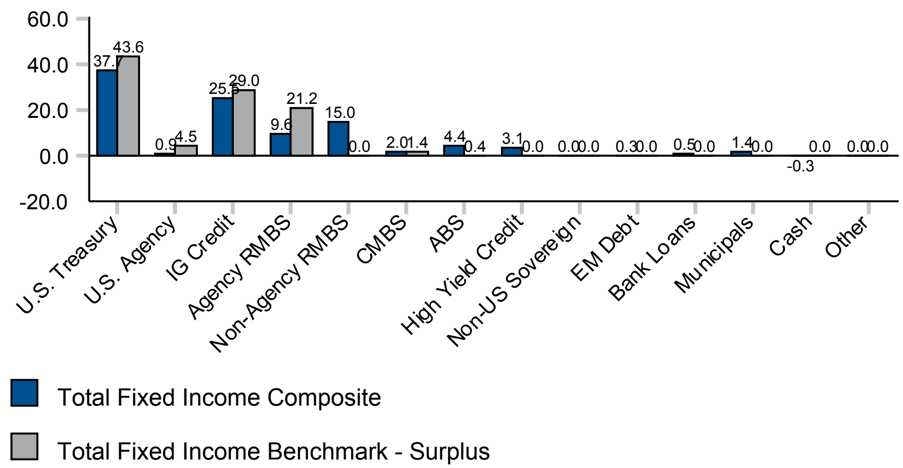
Historical Statistics - 5 Years

	Up Market Capture	Down Market Capture	Maximum Drawdown
Total Fixed Income Composite	90.6	72.3	-2.2
Total Fixed Income Benchmark - Surplus	100.0	100.0	-2.6

Maturity Distribution (%)



Sector Distribution (%)



Cash Balance Fixed Income Portfolio Characteristics

Cash Balance Fixed Income Composite vs. Total Fixed Income Benchmark

As of March 31, 2018

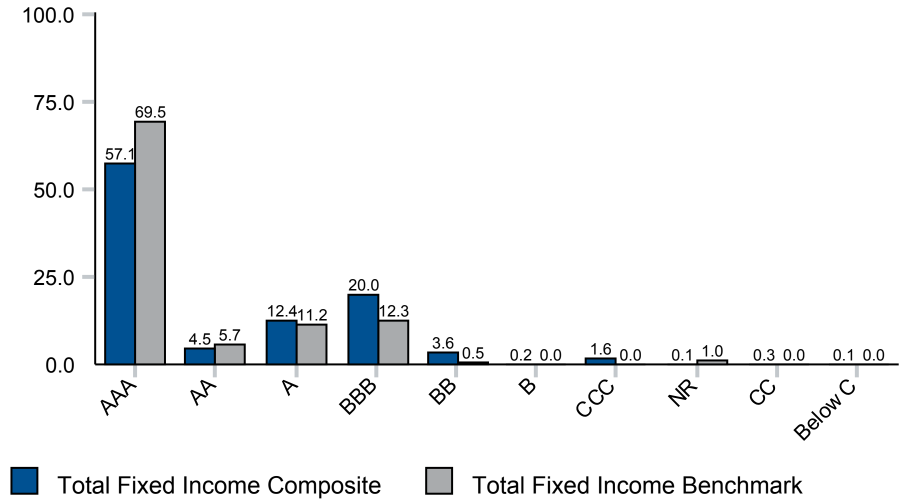
Portfolio Characteristics

	Portfolio	Benchmark
Effective Duration	4.8	5.6
Avg. Maturity	7.0	7.2
Avg. Quality	AA	AA+
Yield To Maturity (%)	3.2	2.5

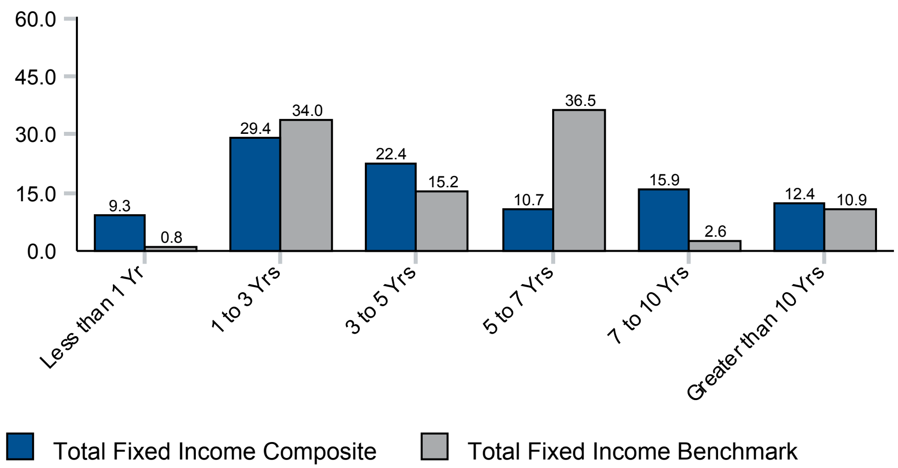
Historical Statistics - 5 Years

	Up Market Capture	Down Market Capture	Maximum Drawdown
Total Fixed Income Composite	100.5	79.1	-2.2
Total Fixed Income Benchmark	100.0	100.0	-2.7

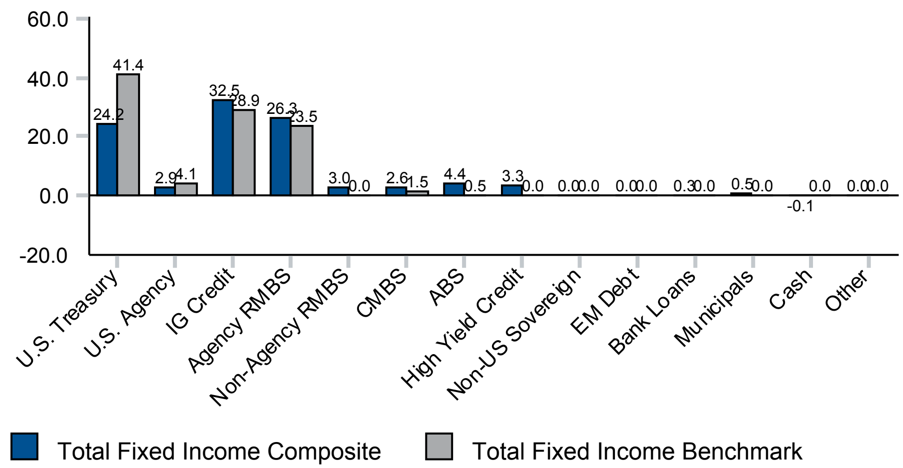
Credit Quality Distribution (%)



Maturity Distribution (%)



Sector Distribution (%)



Direct Hedge Fund Portfolio

Surplus Cash Hedge Fund Portfolio Executive Summary

Portfolio Update - First Quarter 2018

The *Hedge Fund Portfolio* (the "Portfolio") returned +1.7% during the first quarter of 2018, outperforming the HFRI Fund of Funds Composite Index by +1.4%. Three of the Portfolio's four strategies delivered positive absolute returns (with the exception of the Macro strategy, -0.4%), with all strategies outperforming their respective underlying reference index (Equity +2.1%, Credit +1.9%, Macro +1.0%, and Relative Value +2.4%).

Strategy	Q1 Absolute Performance	12-month Absolute Performance	Strategy Commentary	Manager Performance Q1 Contributors/Detractors		
Equity Long / Short	+	+	With increased market volatility and stock dispersion, long/short equity managers generally performed positively during the quarter. *CapeView*'s short positions in the technology and consumer/retail sectors generated strong performance, while nearly all of *Marshall Wace*'s sub-strategies gained.	+	CapeView 2x	+7.0%
				+	Marshall Wace	+3.9%
				+	CapeView 1x	+3.5%
				-	Indus	-1.6%
				-		
				-		
Credit	+	+	*Chatham* increased on good performance from some of its large bond positions and from trading around portfolio hedges. *DK*'s performance was boosted by positions in healthcare and energy, as well as from Puerto Rican bonds. *York* had successful positions in energy and retail companies.	+	Chatham	+3.0%
				+	DK	+2.9%
				+	York	+1.5%
				-		
				-		
				-		
Macro	-	+	Developed markets discretionary managers *Moore* and *Stone Milliner* gained from positions in interest rates, fixed income and FX markets. Systematic macro manager *BP Transtrend* suffered from losses in equity and energy markets.	+	Moore	+2.8%
				+	Stone Milliner	+1.9%
				+	Emso	+1.3%
				-	BP Transtrend	-5.0%
				-		
				-		
Relative Value	+	+	*BlackRock 32* performed strongly driven by signals in its Emerging Markets and Global Small Cap sleeves, while systematic manager *Renaissance* added to performance with gains from trading in technology and healthcare stocks.	+	BlackRock 32	+4.8%
				+	Renaissance	+2.0%
				+		
				-		
				-		
				-		

Investment Activity

Redemptions already in progress and proceeds received are summarized in the table below:

Fund	Strategy	Redemption details	Redemption Status	Redemption Proceeds
Luxor Capital Partners Offshore, Ltd.	Equity	Redemption submitted as of June 30, 2017.	In progress	*Partial proceeds of $0.5 million received from the SPV during the quarter. Remaining amount continues to be held into liquidating special purpose vehicle (no timeline available) or held back until completion of the 2017 annual audit.*
Pine River Fund Ltd.	Relative Value	Redemption submitted starting on December 31, 2016. Pine River has suspended redemptions and is currently liquidating the Pine River fund.	In progress	*Distributions from the liquidation were received in January. Other distributions are expected in the next few months.*
Fir Tree International Value Fund (USTE), L.P.	Relative Value	Redemption for second investment tranche was requested as of November 30, 2017.	In progress	*Proceeds for the second investment tranche ($1.2 million) were received in December 2017. Remaining amount relates to non-marketable positions which will be sold over time and a small amount held back until completion of annual audit in early 2018.*
Marathon Special Opportunity Fund Ltd.	Credit	Redemption submitted for June 30, 2017.	In progress	*Proceeds of $5.1 million received in August 2017. Remaining proceeds held back until completion of annual audit in early 2018.*

Recommendations or Action Items

On May 1, 2018, $10 million in excess cash was reinvested into existing hedge fund managers to increase the overall allocation back to the 15% target. The $10 million was spread out via the following contributions: $5 million to Stone Milliner (Macro), $3 million to Bloom Tree (Equity), and $2 million to Indus (Equity). As further cash flows come in, Pavilion is working with El Camino management to approve and implement any required changes.

Direct Hedge Fund Portfolio Asset Allocation & Performance

As of March 31, 2018

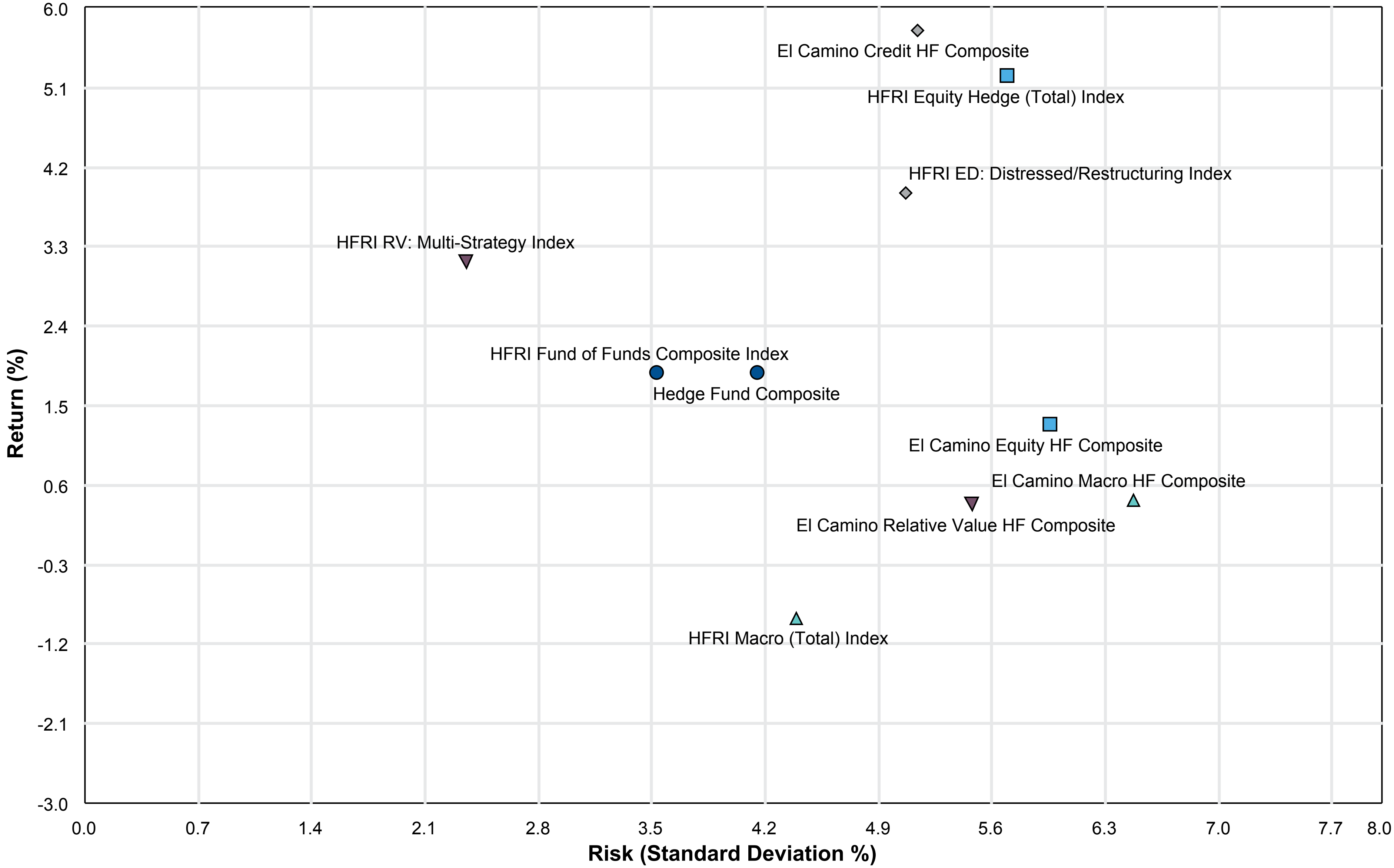
	Allocation		Performance(%)						
	Market Value ($)	%	Quarter	Year To Date	Fiscal YTD	1 Year	3 Years	Since Invested	Inception Period
Hedge Fund Composite	**124,623,646**	**100.0**	**1.7**	**1.7**	**7.9**	**7.6**	**1.9**	**3.3**	**4y 11m**
HFRI Fund of Funds Composite Index			0.3	0.3	4.7	5.6	1.9	3.3	
El Camino HF Composite Benchmark			0.1	0.1	4.4	5.3	3.3	3.9	
Equity HF Composite	**44,404,387**	**35.6**	**2.5**	**2.5**	**10.4**	**12.3**	**1.3**	**3.1**	**4y 11m**
HFRI Equity Hedge (Total) Index			0.4	0.4	7.4	9.5	5.2	5.7	
Credit HF Composite	**31,741,739**	**25.5**	**2.4**	**2.4**	**8.6**	**10.2**	**5.7**	**6.1**	**4y 11m**
HFRI ED: Distressed/Restructuring Index			0.5	0.5	3.6	4.1	3.9	3.8	
Macro HF Composite	**32,438,866**	**26.0**	**-0.4**	**-0.4**	**4.9**	**0.3**	**0.4**	**1.9**	**4y 11m**
HFRI Macro (Total) Index			-1.4	-1.4	1.5	0.8	-0.9	0.7	
Relative Value HF Composite	**16,038,654**	**12.9**	**2.8**	**2.8**	**6.9**	**5.5**	**0.4**	**2.4**	**4y 11m**
HFRI RV: Multi-Strategy Index			0.4	0.4	2.1	2.6	3.1	3.6	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
The El Camino HF Composite Benchmark consists of 40% HFRI Equity Hedge (Total) Index, 20% HFRI ED: Distressed/Restructuring Index, 20% HFRI Macro (Total) Index, and 20% HFRI RV: Multi-Strategy Index.

Direct Hedge Fund Portfolio

Risk and Return Summary (Net of Fees)

3 Years Ending March 31, 2018



Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.

Direct Hedge Fund Portfolio Risk Statistics

As of March 31, 2018

	Since Inception Return	Since Inception Standard Deviation	Since Inception Maximum Drawdown	Since Inception Best Quarter	Since Inception Worst Quarter	Since Inception Sharpe Ratio	Since Inception Sortino Ratio	Inception Period
Total Portfolio								
Hedge Fund Composite	3.3	3.9	-9.5	4.9	-5.7	0.8	1.2	4y 11m
HFRI Fund of Funds Composite Index	3.3	3.4	-7.6	3.7	-4.2	0.9	1.3	
Equity Long/Short								
El Camino Equity HF Composite	3.1	5.3	-14.3	5.7	-8.1	0.6	0.8	4y 11m
HFRI Equity Hedge (Total) Index	5.7	5.4	-10.3	6.0	-6.3	1.0	1.6	
Credit								
El Camino Credit HF Composite	6.1	5.3	-18.5	7.0	-6.6	1.1	1.8	4y 11m
HFRI ED: Distressed/Restructuring Index	3.8	4.9	-17.5	7.4	-6.4	0.7	1.1	
Macro								
El Camino Macro HF Composite	1.9	6.3	-7.4	7.9	-4.8	0.3	0.4	4y 11m
HFRI Macro (Total) Index	0.7	4.1	-4.4	5.1	-3.5	0.1	0.2	
Relative Value								
El Camino Relative Value HF Composite	2.4	4.9	-13.8	5.3	-8.1	0.4	0.7	4y 11m
HFRI RV: Multi-Strategy Index	3.6	2.2	-4.2	2.9	-2.4	1.5	2.7	

Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.

Asset Class Diversification
Hedge Fund Portfolio
As of March 31, 2018

Manager	Asset Class/Type	Total Assets ($, mil.)	Percent of Total	Target Allocation	Weighting Relative to Target
Equity Hedge Funds		**$ 44.4**	**35.7%**	**40.0%**	**- 4.3%**
Luxor	Event Driven Equity	$ 0.9	0.7%		
CapeView 1x	European Equity	$ 6.3	5.1%		
CapeView 2x	European Equity	$ 3.9	3.1%		
Bloom Tree	Global Equity	$ 7.4	5.9%		
Marshall Wace Eureka	Global Equity	$ 10.0	8.1%		
Tiger Eye	US Equity	$ 7.6	6.1%		
Indus Japan	Japanese Equity	$ 8.2	6.6%		
Credit Hedge Funds		**$ 31.7**	**25.4%**	**20.0%**	**+ 5.4%**
Davidson Kempner	Distressed Credit	$ 10.6	8.5%		
York	Multi-Strategy Credit	$ 10.8	8.7%		
Marathon	Multi-Strategy Credit	$ 0.3	0.2%		
Chatham Asset	High Yield	$ 10.0	8.0%		
Macro Hedge Funds		**$ 32.4**	**26.0%**	**20.0%**	**+ 6.0%**
BP Transtrend	Systematic Macro	$ 10.1	8.1%		
Moore	Discretionary Macro	$ 6.7	5.4%		
Stone Milliner	Discretionary Macro	$ 5.1	4.1%		
EMSO Saguaro	Discretionary Macro	$ 10.6	8.5%		
Relative Value Hedge Funds		**$ 16.0**	**12.9%**	**20.0%**	**- 7.1%**
BlackRock 32 Capital	Quantitative Market Neutral	$ 6.0	4.8%		
Fir Tree	Multi-Strategy	$ 0.8	0.6%		
Pine River	Multi-Strategy	$ 0.2	0.1%		
Renaissance RIDGE	Multi-Strategy	$ 9.1	7.3%		
Total Hedge Fund Portfolio		**$124.6**	**100.0%**		

*Totals may not add due to rounding.

Direct Hedge Fund Performance Summary

As of March 31, 2018

	Quarter	Year To Date	Fiscal YTD	1 Year	3 Years	5 Years	Since Invested	2017	2016	2015	2014	2013	2012	Inception Period
Total Portfolio														
Hedge Fund Composite	1.7	1.7	7.9	7.6	1.9	-	3.3	7.2	1.0	-1.6	2.2	-	-	4y 11m
HFRI Fund of Funds Composite Index	0.3	0.3	4.7	5.6	1.9	3.4	3.3	7.8	0.5	-0.3	3.4	9.0	4.8	
El Camino HF Composite Benchmark	0.1	0.1	4.4	5.3	3.3	4.0	3.9	7.7	6.7	-2.1	2.2	9.9	6.6	
Equity Long/Short														
Equity HF Composite	2.5	2.5	10.4	12.3	1.3	-	3.1	12.1	-8.0	2.0	-0.4	-	-	4y 11m
HFRI Equity Hedge (Total) Index	0.4	0.4	7.4	9.5	5.2	5.7	5.7	13.3	5.5	-1.0	1.8	14.3	7.4	
Bloom Tree Offshore Fund, Ltd.	2.5	2.5	3.4	6.1	3.1	4.6	4.5	8.6	-3.8	6.3	3.0	12.8	13.7	4y
HFRI Equity Hedge (Total) Index	0.4	0.4	7.4	9.5	5.2	5.7	4.6	13.3	5.5	-1.0	1.8	14.3	7.4	
CapeView Azri Fund Limited	3.5	3.5	9.5	8.9	2.5	4.5	4.5	7.6	-8.3	9.8	4.6	11.4	5.8	4y 9m
HFRI Equity Hedge (Total) Index	0.4	0.4	7.4	9.5	5.2	5.7	6.0	13.3	5.5	-1.0	1.8	14.3	7.4	
CapeView Azri 2X Fund	7.0	7.0	20.7	19.3	5.4	9.7	9.7	16.2	-15.9	21.6	9.8	24.4	12.7	4y 9m
HFRI Equity Hedge (Total) Index	0.4	0.4	7.4	9.5	5.2	5.7	6.0	13.3	5.5	-1.0	1.8	14.3	7.4	
Indus Japan Fund Ltd.	-1.6	-1.6	13.6	17.5	2.5	8.7	5.1	21.6	-7.5	1.8	6.3	45.0	8.1	4y 4m
HFRI Equity Hedge (Total) Index	0.4	0.4	7.4	9.5	5.2	5.7	4.8	13.3	5.5	-1.0	1.8	14.3	7.4	
Marshall Wace Eureka Fund Class B2	3.9	3.9	10.1	13.8	7.9	9.8	9.2	12.0	1.3	11.7	8.1	21.1	7.0	0y 8m
HFRI Equity Hedge (Total) Index	0.4	0.4	7.4	9.5	5.2	5.7	5.9	13.3	5.5	-1.0	1.8	14.3	7.4	
Tiger Eye Fund, Ltd.	3.4	3.4	13.3	16.3	2.8	8.0	4.4	17.9	-5.0	-2.0	3.9	37.7	17.7	4y
HFRI Equity Hedge (Total) Index	0.4	0.4	7.4	9.5	5.2	5.7	4.6	13.3	5.5	-1.0	1.8	14.3	7.4	

Returns are expressed as percentages. Returns for periods greater than one year are annualized. From May 1, 2013, results shown are El Camino Hedge Fund Portfolio returns. Returns for CapeView Azri 2x Fund prior to October 2010 are those of CapeView Azri Fund Limited; returns for BP Transtrend Diversified Fund, LLC prior to April 2008 are those of the Transtrend Diversified Trend Program Enhanced Risk (USD) Fund.

Direct Hedge Fund Performance Summary

As of March 31, 2018

	Quarter	Year To Date	Fiscal YTD	1 Year	3 Years	5 Years	Since Invested	2017	2016	2015	2014	2013	2012	Inception Period
Credit														
Credit HF Composite	2.4	2.4	8.6	10.2	5.7	-	6.1	9.9	14.7	-8.2	2.8	-	-	4y 11m
HFRI ED: Distressed/Restructuring Index	*0.5*	*0.5*	*3.6*	*4.1*	*3.9*	*4.0*	*3.8*	*6.3*	*15.1*	*-8.1*	*-1.4*	*14.0*	*10.1*	
Chatham Asset High Yield Offshore Fund, Ltd	3.0	3.0	10.9	13.3	14.1	12.1	9.5	13.5	24.3	5.6	5.5	12.5	11.5	0y 8m
HFRI ED: Distressed/Restructuring Index	0.5	0.5	3.6	4.1	3.9	4.0	2.8	6.3	15.1	-8.1	-1.4	14.0	10.1	
DK Distressed Opportunities International (Cayman) Ltd.	2.9	2.9	7.0	9.0	9.0	8.8	8.3	9.5	21.4	-6.2	3.2	21.7	13.5	4y 11m
HFRI ED: Distressed/Restructuring Index	0.5	0.5	3.6	4.1	3.9	4.0	3.8	6.3	15.1	-8.1	-1.4	14.0	10.1	
York Credit Opportunities Unit Trust	1.5	1.5	9.1	12.8	2.5	4.4	4.2	12.5	4.1	-7.9	3.4	15.6	18.9	4y 11m
HFRI ED: Distressed/Restructuring Index	0.5	0.5	3.6	4.1	3.9	4.0	3.8	6.3	15.1	-8.1	-1.4	14.0	10.1	
Macro														
Macro HF Composite	-0.4	-0.4	4.9	0.3	0.4	-	1.9	0.1	5.0	1.0	7.7	-	-	4y 11m
HFRI Macro (Total) Index	-1.4	-1.4	1.5	0.8	-0.9	0.9	0.7	2.2	1.0	-1.3	5.6	-0.4	-0.1	
BP Transtrend Diversified Fund LLC	-5.0	-5.0	7.4	-2.6	-1.0	4.0	3.3	1.4	8.2	-1.1	18.9	0.6	1.2	4y 11m
HFRI Macro (Total) Index	-1.4	-1.4	1.5	0.8	-0.9	0.9	0.7	2.2	1.0	-1.3	5.6	-0.4	-0.1	
EMSO Saguaro, Ltd.	1.3	1.3	4.6	5.9	8.4	6.0	4.0	7.7	10.2	6.2	2.6	2.7	17.1	0y 8m
HFRI Macro (Total) Index	-1.4	-1.4	1.5	0.8	-0.9	0.9	0.9	2.2	1.0	-1.3	5.6	-0.4	-0.1	
Moore Macro Managers Fund Ltd.[CE]	2.8	2.8	5.9	3.3	1.1	4.0	2.7	0.6	0.0	3.1	5.4	13.4	8.9	4y
HFRI Macro (Total) Index	-1.4	-1.4	1.5	0.8	-0.9	0.9	1.6	2.2	1.0	-1.3	5.6	-0.4	-0.1	
Stone Milliner Macro Fund Inc.	1.9	1.9	-0.4	-2.0	0.6	5.3	1.1	-5.5	4.9	5.7	14.3	11.2	8.1	3y 1m
HFRI Macro (Total) Index	-1.4	-1.4	1.5	0.8	-0.9	0.9	-0.7	2.2	1.0	-1.3	5.6	-0.4	-0.1	

Returns are expressed as percentages. Returns for periods greater than one year are annualized. From May 1, 2013, results shown are El Camino Hedge Fund Portfolio returns. Returns for CapeView Azri 2x Fund prior to October 2010 are those of CapeView Azri Fund Limited; returns for BP Transtrend Diversified Fund, LLC prior to April 2008 are those of the Transtrend Diversified Trend Program Enhanced Risk (USD) Fund.

Direct Hedge Fund Performance Summary

As of March 31, 2018

	Quarter	Year To Date	Fiscal YTD	1 Year	3 Years	5 Years	Since Invested	2017	2016	2015	2014	2013	2012	Inception Period
Relative Value														
Relative Value HF Composite	2.8	2.8	6.9	5.5	0.4	-	2.4	4.5	-0.4	-4.0	1.6	-	-	4y 11m
HFRI RV: Multi-Strategy Index	0.4	0.4	2.1	2.6	3.1	3.9	3.6	4.1	6.4	0.7	3.4	7.9	8.2	
(BlackRock) The 32 Capital Fund, Ltd.	4.8	4.8	9.3	7.4	0.9	2.6	5.5	7.4	-11.4	8.6	-0.3	7.1	8.9	1y 8m
HFRI EH: Equity Market Neutral Index	0.9	0.9	5.0	4.6	3.6	3.9	4.2	4.9	2.2	4.3	3.1	6.5	3.0	
Renaissance RIDGE	2.0	2.0	3.3	10.0	16.1	13.3	0.9	12.4	13.3	25.6	17.0	7.7	5.1	0y 5m
HFRI EH: Equity Market Neutral Index	0.9	0.9	5.0	4.6	3.6	3.9	1.8	4.9	2.2	4.3	3.1	6.5	3.0	

Returns are expressed as percentages. Returns for periods greater than one year are annualized. From May 1, 2013, results shown are El Camino Hedge Fund Portfolio returns. Returns for CapeView Azri 2x Fund prior to October 2010 are those of CapeView Azri Fund Limited; returns for BP Transtrend Diversified Fund, LLC prior to April 2008 are those of the Transtrend Diversified Trend Program Enhanced Risk (USD) Fund.

Appendix

Appendix
Benchmark Descriptions
As of March 31, 2018

Surplus Cash

Surplus Cash Total Benchmark
Beginning March 2015, the Surplus Cash Total Benchmark consists of 40% Total Equity Benchmark - Surplus, 30% Barclays Capital Aggregate, 10% Short Duration Fixed Income Benchmark - Surplus, and 20% Total Alternatives Benchmark - Surplus. From April 2014 to February 2015, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 10% Short Duration Fixed Income Benchmark - Surplus, and 20% Total Alternatives Benchmark - Surplus. From August 2013 to March 2014, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 20% Short Duration Fixed Income Benchmark - Surplus, and 10% Total Alternatives Benchmark - Surplus. During July 2013, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 21% Short Duration Fixed Income Benchmark - Surplus, and 9% Total Alternatives Benchmark - Surplus. From May 2013 to June 2013, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 22% Short Duration Fixed Income Benchmark - Surplus, and 8% HFRI Fund of Funds Composite Index. From November 2012 to April 2013, the Surplus Cash Total Benchmark consists of 30% Total Equity Benchmark - Surplus and 70% Total Fixed Income Benchmark - Surplus. From January 2007 to October 2012, the Surplus Cash Total Benchmark consisted of 15% Total Equity Benchmark - Surplus and 85% Total Fixed Income Benchmark - Surplus. From August 2000 to December 2006, the Surplus Cash Total Benchmark consisted of 2% Total Equity Benchmark - Surplus and 98% Total Fixed Income Benchmark - Surplus. From April 1991 to July 2000, the Surplus Cash Total Benchmark consisted of 100% Total Fixed Income Benchmark - Surplus.

Surplus Cash Total Benchmark X Privates
Beginning March 2015 the Surplus Cash Total Benchmark consists of 42.1% Total Equity Benchmark - Surplus, 31.6% Barclays Capital Aggregate, 10.5% Short Duration Fixed Income Benchmark - Surplus, and 15.8% Total Alternatives Benchmark - Surplus. From April 2014 to February 2015 the Surplus Cash Total Benchmark consisted of 31.6% Total Equity Benchmark - Surplus, 42.1% Barclays Capital Aggregate, 10.5% Short Duration Fixed Income Benchmark - Surplus, and 15.8% Total Alternatives Benchmark - Surplus. From August 2013 to March 2014, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 20% Short Duration Fixed Income Benchmark - Surplus, and 10% Total Alternatives Benchmark - Surplus. During July 2013, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 21% Short Duration Fixed Income Benchmark - Surplus, and 9% Total Alternatives Benchmark - Surplus. From May 2013 to June 2013, the Surplus Cash Total Benchmark consisted of 30% Total Equity Benchmark - Surplus, 40% Barclays Capital Aggregate, 22% Short Duration Fixed Income Benchmark - Surplus, and 8% HFRI Fund of Funds Composite Index. From November 2012 to April 2013, the Surplus Cash Total Benchmark consists of 30% Total Equity Benchmark - Surplus and 70% Total Fixed Income Benchmark - Surplus. From January 2007 to October 2012, the Surplus Cash Total Benchmark consisted of 15% Total Equity Benchmark - Surplus and 85% Total Fixed Income Benchmark - Surplus. From August 2000 to December 2006, the Surplus Cash Total Benchmark consisted of 2% Total Equity Benchmark - Surplus and 98% Total Fixed Income Benchmark - Surplus. From April 1991 to July 2000, the Surplus Cash Total Benchmark consisted of 100% Total Fixed Income Benchmark - Surplus.

Pre-Pavilion Surplus Cash Total Benchmark
Beginning January 2007, the Pre-Pavilion Surplus Cash Total Benchmark consists of 15% Total Equity Benchmark - Surplus and 85% Total Fixed Income Benchmark - Surplus. From August 2000 to December 2006, the Pre-Pavilion Surplus Cash Total Benchmark consisted of 2% Total Equity Benchmark - Surplus and 98% Total Fixed Income Benchmark - Surplus. From April 1991 to July 2000, the Pre-Pavilion Surplus Cash Total Benchmark consisted of 100% Total Fixed Income Benchmark - Surplus.

Total Equity Benchmark - Surplus
Beginning March 2015, the Total Equity Benchmark - Surplus consists of 50% Large Cap Equity Benchmark, 12.5% Small Cap Equity Benchmark, and 37.5% MSCI AC World ex USA (Net). From November 2012 to February 2015, the Total Equity Benchmark - Surplus consisted of 50% Large Cap Equity Benchmark, 16.67% Small Cap Equity Benchmark, and 33.33% MSCI AC World ex USA (Net). From April 1991 to October 2012, the Total Equity Benchmark - Surplus consisted of 100% Large Cap Equity Benchmark.

Domestic Equity Benchmark - Surplus
Beginning March 2015, the Domestic Equity Benchmark - Surplus consists of 80% Large Cap Equity Benchmark and 20% Small Cap Equity Benchmark. From November 2012 to February 2015, the Domestic Equity Benchmark - Surplus consisted of 75% Large Cap Equity Benchmark and 25% Small Cap Equity Benchmark. From April 1991 to October 2012, the Domestic Equity Benchmark - Surplus consisted of 100% Large Cap Equity Benchmark.

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Benchmark Descriptions
As of March 31, 2018

Large Cap Equity Benchmark
Beginning November 2012, the Large Cap Equity Benchmark consists of 25% Russell 1000 Value Index, 25% Russell 1000 Growth Index, and 50% S&P 500 Index. From April 1991 to October 2012, the Large Cap Equity Benchmark consisted of 100% Russell 1000 Value Index.

Small Cap Equity Benchmark
Beginning November 2012, the Small Cap Equity Benchmark consists of 50% Russell 2000 Growth Index and 50% Russell 2000 Value Index.

Total Fixed Income Benchmark - Surplus
Beginning March 2015, the Total Fixed Income Benchmark - Surplus consists of 75% Barclays Capital Aggregate and 25% Short Duration Fixed Income Benchmark - Surplus. From April 2014 to February 2015, the Total Fixed Income Benchmark - Surplus consisted of 80% Barclays Capital Aggregate and 20% Short Duration Fixed Income Benchmark - Surplus. From August 2013 to March 2014, the Total Fixed Income Benchmark - Surplus consisted of 66.67% Barclays Capital Aggregate and 33.33% Short Duration Fixed Income Benchmark - Surplus. During July 2013, the Total Fixed Income Benchmark - Surplus consisted of 65.57% Barclays Capital Aggregate and 34.43% Short Duration Fixed Income Benchmark - Surplus. From May 2013 to June 2013, the Total Fixed Income Benchmark - Surplus consisted of 64.52% Barclays Capital Aggregate and 35.48% Short Duration Fixed Income Benchmark - Surplus. From November 2012 to April 2013, the Total Fixed Income Benchmark - Surplus consisted of 57.14% Barclays Capital Aggregate and 42.86% Short Duration Fixed Income Benchmark - Surplus. From January 2007 to October 2012, the Total Fixed Income Benchmark - Surplus consisted of 40% Barclays Capital Aggregate and 60% Short Duration Fixed Income Benchmark - Surplus. From April 1991 to December 2006, the Total Fixed Income Benchmark - Surplus consisted of 100% Short Duration Fixed Income Benchmark - Surplus.

Short Duration Fixed Income Benchmark - Surplus
Beginning in November 2012, the Short Duration Fixed Income Benchmark - Surplus consists of 100% Barclays Capital 1-3 Year Gov't/Credit. From January 2007 to October 2012, the Short Duration Fixed Income Benchmark - Surplus consisted of 66.67% Barclays Capital Intermediate Aggregate and 33.33% Barclays Capital Gov't 1-3 Year. From May 2001 to December 2006, the Short Duration Fixed Income Benchmark - Surplus consisted of 84.69% Barclays Capital Intermediate Aggregate and 15.31% Barclays Capital Gov't 1-3 Year. From April 1991 to April 2001, the Short Duration Fixed Income Benchmark - Surplus consisted of 100% Barclays Capital Gov't 1-3 Year.

Total Alternatives Benchmark - Surplus
Beginning April 2014 the Total Alternatives Benchmark - Surplus consists of 75% HFRI Fund of Funds Composite Index and 25% NCREIF Property Index. From May 2013 to March 2014, the Total Alternatives Benchmark - Surplus consisted of 100% HFRI Fund of Funds Composite Index.

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Benchmark Descriptions

As of March 31, 2018

Cash Balance Plan

Cash Balance Plan Total Benchmark

Beginning July 2017, the Cash Balance Plan Total Benchmark consists of 50% Total Equity Benchmark, 30% Total Fixed Income Benchmark, and 20% Alternatives Benchmark. From January 2013 to June 2017, the Cash Balance Plan Total Benchmark consisted of 50% Total Equity Benchmark, 35% Total Fixed Income Benchmark, and 15% Alternatives Benchmark. From November 2012 to December 2012, the Cash Balance Plan Total Benchmark consisted of 50% Total Equity Benchmark, 45% Total Fixed Income Benchmark, and 5% Alternatives Benchmark. From October 1990 to October 2012, the Cash Balance Plan Total Benchmark consisted of 60% Russell 1000 Value Index and 40% Barclays Capital Aggregate.

Cash Balance Plan Total X Privates Benchmark

Beginning July 2017, the Cash Balance Plan Total Benchmark X Privates consists of 33.68% Domestic Equity Benchmark, 18.95% MSCI AC World ex USA Net, 26.31% Barclays Capital Aggregate, 5.27% Short Duration Fixed Income Benchmark, and 15.79% HFRI FOF Composite. From January 2013 to June 2017, the Cash Balance Plan Total Benchmark X Privates consisted of 33.68% Domestic Equity Benchmark, 18.95% MSCI AC World ex USA Net, 26.31% Barclays Capital Aggregate, 10.53% Short Duration Fixed Income Benchmark, and 10.53% HFRI FOF Composite. From November 2012 to December 2012, the Cash Balance Plan Total Benchmark X Privates consisted of 50% Total Equity Benchmark, 45% Total Fixed Income Benchmark, and 5% HFRI FOF Composite. From October 1990 to October 2012, the Cash Balance Plan Total Benchmark X Privates consisted of 60% Russell 1000 Value Index and 40% Barclays Capital Aggregate.

Pre-Pavilion Cash Balance Plan Total Benchmark

Beginning October 1990, the Cash Balance Plan Total Benchmark consists of 60% Russell 1000 Value Index and 40% Barclays Capital Aggregate.

Total Equity Benchmark

Beginning November 2012, the Total Equity Benchmark consists of 54% Large Cap Equity Benchmark, 10% Small Cap Equity Benchmark, and 36% MSCI AC World ex USA (Net). From October 1990 to October 2012, the Total Equity Benchmark consisted of 100% Large Cap Equity Benchmark.

Domestic Equity Benchmark

Beginning November 2012, the Domestic Equity Benchmark consists of 84.38% Large Cap Equity Benchmark and 15.62% Small Cap Equity Benchmark. From October 1990 to October 2012, the Domestic Equity Benchmark consisted of 100% Large Cap Equity Benchmark.

Large Cap Equity Benchmark

Beginning November 2012, the Large Cap Equity Benchmark consists of 25% Russell 1000 Value Index, 25% Russell 1000 Growth Index, and 50% S&P 500 Index. From October 1990 to October 2012, the Large Cap Equity Benchmark consisted of 100% Russell 1000 Value Index.

Small Cap Equity Benchmark

Beginning November 2012, the Small Cap Equity Benchmark consists of 50% Russell 2000 Growth Index and 50% Russell 2000 Value Index.

Total Fixed Income Benchmark

Beginning July 2017, the Total Fixed Income Benchmark consists of 83.3333% Barclays Capital Aggregate and 16.6667% Short Duration Fixed Income Benchmark. From January 2013 to June 2017, the Total Fixed Income Benchmark consisted of 71.43% Barclays Capital Aggregate and 28.57% Short Duration Fixed Income Benchmark. From November 2012 to December 2012, the Total Fixed Income Benchmark consists of 55.56% Barclays Capital Aggregate and 44.44% Short Duration Fixed Income Benchmark. From October 1990 to October 2012, the Total Fixed Income Benchmark consisted of 100% Barclays Aggregate.

Short Duration Fixed Income Benchmark

Beginning November 2012, the Short Duration Fixed Income Benchmark consists of 100% Barclays Capital 1-3 Year Gov't/Credit. From October 1990 to October 2012, the Short Duration Fixed Income Benchmark

Appendix
Benchmark Descriptions
As of March 31, 2018

consisted of 100% 90 Day U.S. Treasury Bills.

Total Alternatives Benchmark
Beginning January 2013, the Alternatives Benchmark consists of 66.67% HFRI Fund of Funds Composite Index and 33.33% NCREIF Property Index. From November 2012 to December 2012, the Alternatives Benchmark consisted of 100% HFRI Fund of Funds Composite Index.

Glossary of Terms for Scorecard

Key Performance Indicator	Definition / Explanation
Investment Performance	
Surplus cash balance (millions) Surplus cash return Cash balance plan balance (millions) Cash balance plan return	Investment performance for the Surplus Cash portfolio was 70 bps ahead of the benchmark for the quarter with a +0.1% return. The portfolio has outgained its benchmark by 20 bps per annum since inception (Nov. 1, 2012) with a return of +5.7% annualized. The assets within the Surplus Cash account excluding debt reserves, balance sheet cash and District assets, but including Foundation and Concern assets ended the quarter at $874.8 million, slightly higher than the beginning of the quarter due to modest investment performance. The fiscal year 2018 plan has a projected balance at fiscal year end of $926.1 million. The Cash Balance Plan's performance outgained its benchmark by 100 bps for the quarter with a return of +0.4% and has outperformed its benchmark since inception. The since inception annualized return stands at +8.3%, 70 basis points ahead of its benchmark per year. The assets within the Cash Balance Plan ended the quarter at $259.9 million. The expected amount for fiscal year 2018 is $257.1 million.
403(b) plan balance (millions)	The 403(b) balance has continued to rise and now stands at $455.1 million, an increase of $13.4 million or 3.0% over the December 31, 2017 value.
Risk vs. Return	
Surplus cash 3-year Sharpe ratio 3-year return 3-year standard deviation Cash balance 3-year Sharpe ratio 3-year return 3-year standard deviation	The Sharpe ratio is the excess return of an investment over the risk free rate (US Treasuries) generated per unit of risk (standard deviation) taken to obtain that return. The higher the value, the better the risk-adjusted return. It is important to view returns in this context because it takes into account the risk associated with a particular return rather than simply focusing on the absolute level of return. Sharpe ratio = (actual return - risk free rate) / standard deviation The Surplus Cash portfolio's 3-year Sharpe ratio was slightly above that of its benchmark, but more than double the expected Sharpe ratio modeled. This was more so due to very little volatility over the period with returns similar to what was modeled. The Cash Balance Plan's 3-year Sharpe ratio exceeded modeling expectations and was slightly above its benchmark. Both accounts have demonstrated strong risk-adjusted returns since inception.
Asset Allocation	
Surplus cash absolute variances to target Cash balance absolute variances to target	This represents the sum of the absolute differences between the portfolio's allocations to various asset classes and the target benchmark's allocations to those asset classes. The higher the number, the greater the portfolio's allocations deviate from the target benchmark's allocations, indicating a higher possibility for the portfolio's risk and return characteristics to differ from the Board's expectations. The threshold for an alert "yellow" status is set at 10% and the threshold for more severe "red" status is set at 20%. Both portfolios are below the 10% threshold as the private real estate managers are fully invested.
Manager Compliance	
Surplus cash manager flags Cash balance plan manager flags	This section represents how individual investment managers have fared and draws attention to elevated concerns regarding performance and risk-adjusted performance all at the individual manager level. The number of flags are aggregated and a percentage of the total is used to highlight an alert "yellow" status (40% of the flags) and a more severe "red" status (50%). In total there are 60 potential flags for the Surplus Cash account and 68 for the Cash Balance Plan. Currently, both accounts are in the threshold for alert status. Active managers have performed well over the last several quarters; however, have struggled over the 3 and 5 year periods placing both plans in alert status.

Hedge Fund Strategy Definitions

The **Equity Strategy** is comprised of Equity Long/Short strategies. Equity hedge strategies typically have a directional bias (long or short) and trade in equities and equity-related derivatives. Managers seek to buy undervalued equities with improving fundamentals and short overvalued equities with deteriorating fundamentals.

Trade Example: Long a basket of energy stocks and short a basket of consumer electronics stocks.

The **Credit Strategy** is comprised of Distressed Securities, Credit Long/Short, Emerging Market Debt and Credit Event Driven. Credit strategies typically have a directional bias and involve the purchase of various types of debt, equity, trade claims and fixed income securities. Hedging using various instruments such as Credit Default swaps is frequently employed.

Trade Example: Buying the distressed bonds of a company which has defaulted and participating in the corporate restructuring.

The **Macro Strategy** consists of Global Macro, Managed Futures, Commodities and Currencies. Macro strategies usually have a directional bias (which can be either long or short) and involve the purchase of a variety of securities and/or derivatives related to major markets. Managed futures strategies trade similar instruments but are typically implemented by computerized systems.

Trade Example: Long the US Dollar and short the Japanese Yen.

The **Relative Value Strategy** typically does not display a distinct directional bias. Relative Value encompasses a range of strategies covering different asset classes. Arbitrage strategies focus on capturing movements or anomalies in the price spreads between related or similar instruments. The rationale for Arbitrage trades is the ultimate convergence of the market price relationship to a known, theoretical or equilibrium relationship.

Trade Example: Long the stock of a merger bid target and short the stock of the acquirer.

Statistical Definitions
Risk Statistics
As of March 31, 2018

Statistics		Definition
Alpha	-	A measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta. It is a measure of the portfolio's historical performance not explained by movements of the market, or a portfolio's non-systematic return.
Best Quarter	-	The best of rolling 3 months(or 1 quarter) cumulative return.
Beta	-	A measure of the sensitivity of a portfolio to the movements in the market. It is a measure of a portfolio's non-diversifiable or systematic risk.
Consistency	-	The percentage of quarters that a product achieved a rate of return higher than that of its benchmark. The higher the consistency figure, th more value a manager has contributed to the product's performance.
Downside Risk	-	A measure similar to standard deviation, but focuses only on the negative movements of the return series. It is calculated by taking the standard deviation of the negative set of returns. The higher the factor, the riskier the product.
Excess Return	-	Arithmetic difference between the managers return and the risk-free return over a specified time period.
Information Ratio	-	Measured by dividing the active rate of return by the tracking error. The higher the Information Ratio, the more value-added contribution by the manager.
Maximum Drawdown	-	The drawdown is defined as the percent retrenchment from a fund's peak value to the fund's valley value. It is in effect from the time the fund's retrenchment begins until a new fund high is reached. The maximum drawdown encompasses both the period from the fund's peak to the fund's valley (length), and the time from the fund's valley to a new fund high (recovery). It measures the largest percentage drawdown that has occurred in any fund's data record.
Return	-	Compounded rate of return for the period.
Sharpe Ratio	-	Represents the excess rate of return over the risk free return divided by the standard deviation of the excess return. The result is the absolute rate of return per unit of risk. The higher the value, the better the product's historical risk-adjusted performance.
Sortino Ratio	-	A ratio developed by Frank A. Sortino to differentiate between good and bad volatility in the Sharpe ratio. This differentiation of upwards and downwards volatility allows the calculation to provide a risk-adjusted measure of a security or fund's performance without penalizing it for upward price changes.
Standard Deviation	-	A statistical measure of the range of a portfolio's performance, the variability of a return around its average return over a specified time period.
Tracking Error	-	A measure of the standard deviation of a portfolio's performance relative to the performance of an appropriate market benchmark.
Worst Quarter	-	The worst of rolling 3 months(or 1 quarter) cumulative return.

Important Information – Peer Universe Change

Over the past year, Pavilion Advisory Group Inc. conducted a study to determine the most appropriate investment manager peer universes to use for the preparation of performance and manager search reports for clients. We analyzed a variety of options focusing on the following qualities:

- Robustness of Market Segment Universes
  - *The universe provider must offer an ample number of universe categories to select from, and universes must be large enough to constitute a proper sample size.*
- Institutional Quality Mandates
  - *Ensure that universes are a proper representation of our clients' opportunity set.*
- Alignment
  - *Universes should be accessible for timely manager evaluation, screening and performance evaluation.*
- Net of Investment Manager Fee Universe Availability
  - *Peer ranks should reflect the impact of management fees.*

Solution: eVestment Net of Fee Universes

- Robust third-party database, widely used by investment industry for manager research and well-populated by managers
- High membership counts versus other net-only universe options such as Investment Metrics or Lipper
- Institutionally focused universes consist of separate account composites, institutional pooled fund vehicles and mutual funds – universes do not include listings for multiple share classes
- Relative to mutual fund-only universes, eVestment peer groups may lead to less favorable rankings for client managers due to lower average fees of the underlying universe constituents

We believe eVestment is the right solution for our clients at this time, however, it is not perfect. As with any peer group universe, there are some strategies that will not fit exactly into any one category. In these cases, Pavilion has closely examined portfolio characteristics, and selected the group we believe represents the right fit. In the preparation of performance and manager search reports for clients, Pavilion relies on the use of third parties. While we believe our sources to be reliable, we cannot be liable for third-party errors or omissions.

Custom Peer Group Universe

Description

As of March 31, 2018

- ***Custom Non US Diversified All:*** The Custom Non US Diversified All universe is a custom universe that includes the eVestment Alliance Non-US Diversified Equity universe excluding all strategies included in the eVestment Alliance Non-US Diversified Small Cap Equity universe. The eVestment Alliance Non-US Diversified Equity universe is made up of all Non-US Diversified (EAFE and ACWI ex-US) Equity products inclusive of all style, capitalization, and strategy approaches. The eVestment Alliance Non-US Diversified Small Cap Equity universe consists of actively-managed Non-US Diversified (EAFE and ACWI ex-US) Equity products that primarily invest in small capitalization stocks regardless of the style (growth, value or core) focus.
- ***Custom Non US Diversified Core:*** The Custom Non US Diversified Core universe is a custom universe that includes the eVestment Alliance Non-US Diversified Core Equity universe excluding all strategies included in the eVestment Alliance Non-US Diversified Small Cap Equity universe. The eVestment Alliance Non-US Diversified Core Equity universe is made up of all actively-managed Non-US Diversified (EAFE and ACWI ex-US) Equity products that primarily invest in a mixture of growth and value stocks. This universe is inclusive of Non-US Diversified Equity strategies regardless of market capitalization. The eVestment Alliance Non-US Diversified Small Cap Equity universe consists of actively-managed Non-US Diversified (EAFE and ACWI ex-US) Equity products that primarily invest in small capitalization stocks regardless of the style (growth, value or core) focus.
- ***Custom Non US Diversified Growth:*** The Custom Non US Diversified Growth universe is a custom universe that includes the eVestment Alliance Non-US Diversified Growth Equity universe excluding all strategies included in the eVestment Alliance Non-US Diversified Small Cap Equity universe. The eVestment Alliance Non-US Diversified Growth Equity universe is made up of all actively-managed Non-US Diversified (EAFE and ACWI ex-US) Equity products that primarily invest in stocks that are expected to have an above-average capital appreciation rate relative to the market. This universe is inclusive of Non-US Diversified Equity strategies regardless of market capitalization. The eVestment Alliance Non-US Diversified Small Cap Equity universe consists of actively-managed Non-US Diversified (EAFE and ACWI ex-US) Equity products that primarily invest in small capitalization stocks regardless of the style (growth, value or core) focus.
- ***Custom Non US Diversified Value:*** The Custom Non US Diversified Value universe is a custom universe that includes the eVestment Alliance Non-US Diversified Value Equity universe excluding all strategies included in the eVestment Alliance Non-US Diversified Small Cap Equity universe. The eVestment Alliance Non-US Diversified Value Equity universe is made up of all actively-managed Non-US Diversified (EAFE and ACWI ex-US) Equity products that primarily invest in stocks that may be trading at lower prices lower than their fundamental or intrinsic value. This universe is inclusive of Non-US Diversified Equity strategies regardless of market capitalization. The eVestment Alliance Non-US Diversified Small Cap Equity universe consists of actively-managed Non-US Diversified (EAFE and ACWI ex-US) Equity products that primarily invest in small capitalization stocks regardless of the style (growth, value or core) focus.

Disclosures

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Performance returns for period longer than one year are annualized. Returns are shown net of investment manager fees assessed by third party managers or funds, as applicable, unless otherwise denoted and generally include the effect of all cash flows (e.g., earnings, distributions). In addition, accounts may incur other transactions costs such as brokerage commissions, custodial costs and other expenses which are not denoted in this report and may not be reflected in the performance returns. Mutual fund returns assume reinvestment of all distributions at net asset value (NAV) and deduction of fund expenses. Report totals may not sum due to rounding. It is important to note that performance results do not reflect the deduction of any investment advisory fees you pay to Pavilion, therefore, performance results would be reduced by these investment advisory fees. Note, however, certain client reports may reflect the deduction of Pavilion's investment advisory fee. Information about Pavilion's investment advisory fees is available in the firm's Form ADV Part 2A, available upon request.

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Disclosures

In the course of Pavilion's performance reconciliation process, Pavilion may uncover significant pricing differences between your investment managers and the values of the custodian on a security by security basis and may adjust the custodian valuation, if the manager's price is closer to a third party pricing source (FactSet, Bloomberg, Bondedge). If a third party price is unavailable, Pavilion uses the more conservative price. For other identified valuation errors, Pavilion alerts the custodian about any issues and will report as representative a market value for the portfolio as possible. You should carefully review your custodial statements or other statement(s) of record from the manager and report any discrepancies to your qualified custodian or applicable manager.

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Investment Committee Charter

Purpose

The purpose of the Investment Committee is to develop and recommend to the El Camino Hospital (ECH) Board of Directors ("Board") the organization's investment policies, maintain current knowledge of the management and investment of the invested funds of the hospital and its pension plan(s), provide guidance to management in its investment management role, and provide oversight of the allocation of the investment assets.

Authority

All governing authority for ECH resides with the Hospital Board except that which may be lawfully delegated to a specific Board committee or subcommittee. All of the recommendations of the Committee flow to the El Camino Hospital Board for action. Reports of the Committee will be provided to the subsequently scheduled Board meeting. The Committee has the authority to recommend one or more investment managers for the hospital, monitor the performance of such investment managers, and monitor adherence to the investment policies of the hospital.

Voting members of the Committee shall include the directors assigned to the Committee and external (non-director) members appointed to the Committee.

The Committee, by resolution, may adopt a temporary advisory committee (ad hoc) of less than a quorum of the members of the Committee. The resolution shall state the total number of members, the number of board members to be appointed, and the specific task or assignment to be considered by the advisory committee.

Membership

The Investment Committee shall be comprised of at least 2 Hospital Board members. The Chair of the Committee shall be appointed by the Board Chair, subject to approval by the Board. All members of the Committee shall be eligible to serve as Chair of the Committee.

The Committee may also include 2- 4 external (non-director) members with expertise in areas such as finance, banking, and investment management.

All Committee members shall be appointed by the Board Chair, subject to approval by the Board, for a term of one year expiring on June 30th each year, renewable annually.

It shall be within the discretion of the Chair of the Committee to appoint a Vice-Chair from among the members of the Committee. If the Chair of the Committee is not a Hospital Board member, the Vice-Chair must be a Hospital Board member. All members of the Committee must be independent with no conflict of interest regarding hospital investments. Should there be a potential conflict, the determination regarding independence shall follow the criteria approved by the Board.

Staff Support and Participation

The CFO shall serve as the primary staff support to the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair's consideration. Additional members of the management team may participate in the Committee meetings as deemed necessary.

General Responsibilities

The Committee's primary role is to provide oversight and to advise the management team and the Board on matters pertaining to this Committee. With input from the Committee, the management team shall work with its investment advisor(s) to develop dashboard metrics that will be used to measure and track investment performance for the Committee's review and subsequent approval by the Board. It is the management team's responsibility to develop and provide the Committee with reports, plans, assessments, and other pertinent materials to inform, educate, and update the Committee, thereby allowing Committee members to engage in meaningful, data-driven discussions. The Committee is responsible for ensuring that performance metrics are being met to the Board's expectations and that the Board is apprised of any deviations therefrom.

Specific Duties

The specific duties of the Investment Committee include the following:

A. Investment

- Review and recommend for approval by the Board the investment policies for corporate assets and Cash Balance Plan assets.
- Review and make recommendations to the Board regarding the selection of an independent investment advisor. The Board will appoint the investment advisor, and management, in consultation with the Committee, will appoint the investment managers.
- Monitor the performance of the investment managers through reports from the independent investment advisor, and make recommendations for change when appropriate.
- Monitor investment allocations and make recommendations to the Board if assets are managed inconsistently with approved investment policies.
- Monitor the financial stability and safety of the institutions which have custody of the Hospital's assets, and make recommendations for change when appropriate.
- Monitor the investment performance of the specific investment vehicles made available to employees through their 403(b) Retirement Plan.

- Review recommendations from the Retirement Plan Administrative Committee (RPAC) regarding the selection of an independent investment advisor for the employees' 403(b) Retirement Plan and make recommendations to the Board. The Board will appoint the investment advisor, and the RPAC will monitor, select, and replace the Core investment choices.

B. Ongoing Education

- Endorse and encourage Investment Committee education and dialog relative to the work of the Committee.

Committee Effectiveness

The Committee is responsible for establishing its annual goals, objectives and work plan in alignment with the Board and Hospital's strategic goals. The Committee shall be focused on continuous improvement with regard to its processes, procedures, materials, and meetings, and other functions to enhance its contribution to the full Board.

Meetings and Minutes

The Committee shall meet at least once per quarter. The Committee Chair, in collaboration with hospital management, shall determine the frequency of meetings based on the Committee's annual goals and work plan, and the operating needs of the organization. Minutes shall be kept by the assigned staff and shall be delivered to all members of the Committee. Minutes may be approved via email by unanimous consent of those attending the meeting, or by majority vote at regular meetings, as determined by the Committee Chair. The approved minutes shall be forwarded to the Board for review and approval.

Meetings and actions of all advisory committees of the Board shall be governed by, and held and taken in accordance with, the provisions of Article VI of the Bylaws, concerning meetings and actions of directors. Special meetings of committees may also be called by resolution of the Board or by the Committee Chair. Notice of special meetings of advisory committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of the Committee. Notice of any special meetings of the Committee requires a 24 hour notice.

Approved as Revised: November 12, 2014, June 10, 2015