El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

AGENDA
INVESTMENT COMMITTEE MEETING
OF THE EL CAMINO HOSPITAL BOARD
Monday, August 13, 2018 – 5:30 pm

El Camino Hospital | Conference Room A (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 – May 14, 2018 ***Information*** b. CFO Report Out – Finance Committee Open Session Materials c. Article of Interest d. Updated FY19 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.	**ROTATING TOPICS** a. Capital Markets Review & Portfolio Performance b. Tactical Asset Allocation Positioning & Market Outlook c. Investment Pacing Forecast **ATTACHMENT 6**	Antonio DiCosola & Chris Kuhlman, Pavilion Advisory Group		**information** **5:45 – 6:45**
7.	**EDUCATIONAL GOAL: INVESTING STRATEGY IN VOLATILE MARKETS** **ATTACHMENT 7**	Antonio DiCosola & Chris Kuhlman, Pavilion Advisory Group		**information** **6:45 – 7:15**
8.	**ADJOURN TO CLOSED SESSION**	Jeffrey Davis, MD Chair		**motion required** **7:15 – 7:16**
9.	**POTENTIAL CONFLICT OF INTEREST DISCLOSURES**	Jeffrey Davis, MD Chair		**7:16 – 7:17**

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
10.	**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 May, 2018	Jeffrey Davis, MD Chair		**motion required** **7:17 – 7:20**
11.	**ADJOURN TO OPEN SESSION**	Jeffrey Davis, MD Chair		**motion required** **7:20 – 7:21**
12.	**RECONVENE OPEN SESSION / REPORT OUT**	Jeffrey Davis, MD Chair		**7:21 – 7:22**
	To report any required disclosures regarding permissible actions taken during Closed Session.			
13.	**ADJOURNMENT**	Jeffrey Davis, MD Chair		**motion required** **7:22pm**

Important Dates:

FY19 Investment Committee Meetings

- 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, May 14, 2018
El Camino Hospital, 2500 Grant Road, Mountain View, California
Conference Room C

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

A quorum was present at the El Camino Hospital Investment Committee on Monday, May 14, 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 5:32pm	***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 March 12, 2018 Investment Committee Meeting. **Movant:** Nelson **Second:** Kalbach **Ayes:** Boone, Conover, Davis, Kalbach, Nelson, and Zoglin. **Abstentions:** None **Absent:** **Excused:** None **Recused:** None	*The Open Minutes of the March 12, 2018 Investment Committee Meeting were approved.*
5. REPORT ON BOARD ACTIONS	Chair Davis stated about the Compliance Committee sharing their work which was very educational for the Board. The Board also approved several Resolutions.	

Agenda Item	Comments/Discussion	Approvals/Action
6. 403(b) INVESTMENT PERFORMANCE	Brian Montanez, Multnomah Group reviewed to the Committee the 403(b) performance. Montanez reported on the Executive Summary, Market Commentary, Fund Scorecard, Performance review, U.S equity markets, T. Rowe price retirement funds, and Plan asset details Fidelity as further detailed in the submitted materials. Fund Action: Effective January 2, 2018 the New York Life Guaranteed Interest Account moved to a lower share class, increasing the yield by 25 basis points. 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. T. Rowe Price Equity Income: **S**cores 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 types 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 Benching: 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	

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<tr><th>Agenda Item</th><th>Comments/Discussion</th><th>Approvals/Action</th></tr>
<tr><td></td><td>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.

Mr. Montanez, Multnomah Group listed a few Market Commentary factors to the Committee:
1. U.S. Economic Expansion is the 3rd longest on record
2. The Fed hiked rates once again in March
3. A bumpy quarter for the U.S. Equity Markets
4. Emerging Markets outperformed developed Europe and developed Asia
5. Commodities were basically flat for the quarter

Mr. Montanez, Multnomah Group asked the Committee for feedback and a brief discussion ensued. Overall the Committee was pleased with the results.</td><td></td></tr>
<tr><td>7. CAPITAL MARKETS REVIEW & PORTFOLIO PERFORMANCE</td><td>Antonio DiCosola, Pavilion Advisory Group, presented a summary to the Investment Committee on Capital Markets, Scorecard, and Portfolio Performance.

Mr. DiCosola stated growth generally outperformed value during the First Quarter. The S&P 500 Index returned -0.8% and the 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. 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.

Mr. DiCosola, 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. DiCosola, reported that Investment performance for the first quarter and the surplus cash was 0.1% for the quarter and the benchmark is -0.6%. The cash balance plan was 0.4% with a benchmark of -0.6%. Manger</td><td></td></tr>
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2. Surplus Cash:
Mr. DiCosola, noted that 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.

3. Cash Balance Plan:
Mr. DiCosola, further reported that 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.

4. Hedge Funds:
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%).

Mr. DiCosola, Pavilion Advisory Group stated the Equity Outlook experienced their first negative quarter since 2015.</td><td></td></tr>
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Agenda Item	Comments/Discussion	Approvals/Action
	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 buybacks, and fiscal stimulus in the form of tax cuts. Pavilion Advisory asked the Committee for feedback and a brief discussion ensued.	
8. COMMITTEE CHAIR REVIEW	Mr. Hussain reported on the Committee Charter Review and asked for feedback and a brief discussion ensued. The Committee unanimously agreed no changes to the Charter Review.	***information***
9. ADJOURN TO CLOSE SESSION	**Motion:** To adjourn to close session at 6:35 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*** 6:35 pm ***was approved.***
10. AGENDA ITEM 13 RECONVENE OPEN SESSION	*Agenda Item 11 was conducted in closed session.* Chair Davis reported that the Closed Minutes of the March 12, 2018 Committee Closed Minutes were approved.	
11. AGENDA ITEM 14 ADJOURMENT	**Motion:** To adjourn the Investment Committee meeting at 6:39 pm. **Movant:** **Second:** **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 6:39 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) August 13, 2018
	Responsible party:	Iftikhar Hussain, CFO
	Action requested:	For Information
	Background: The Finance Committee meets 7 times per year. The Committee last met on July 30, 2018 and meets next on September 24, 2018	
	Summary and session objectives: To update the Investment Committee on the work of the Finance Committee. a. Reviewed year-end financial report. FY 18 was another banner year primarily driven by volume growth. Maintaining focus on cost structure remains important to reduce the loss on Medicare, our largest patient segment. The strong balance sheet positions us to complete the $500 million MV facility plan. b. The committee received education on Physician contract compliance. c. The committee reviewed information about El Camino Ambulatory Surgery Center(ECASC)	
	Proposed Board motion, if any: a. Recommended approval to the Board of the Palliative Care and Oncology medical director contracts	
	LIST OF ATTACHMENTS: The Finance Committee Open Session Materials may be accessed by clicking here.	

S&P Global
Ratings

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El Camino Hospital, California; General Obligation; Hospital; Joint Criteria

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El Camino Hospital, California; General Obligation; Hospital; Joint Criteria

Credit Profile		
El Camino Hosp rev bnds		
Long Term Rating	AA/Stable	Upgraded
El Camino Hospital District GO		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
California Hlth Facs Fincg Auth, California		
El Camino Hosp, California		
California Hlth Facs Fincg Auth (El Camino Hosp) HOSP		
Long Term Rating	AA/Stable	Upgraded
County of Santa Clara, California		
El Camino Hosp, California		
Series 2009A		
Unenhanced Rating	AA(SPUR)/Stable	Upgraded
Long Term Rating	AA+/A-1	Affirmed

Rationale

S&P Global Ratings raised its long-term rating and underlying rating (SPUR) two notches to 'AA' from 'A+' on El Camino Hospital (ECH), Calif.'s series 2017A and series 2015A revenue bonds. In addition, S&P Global Ratings affirmed its 'AA+/A-1' joint criteria rating on Santa Clara County, Calif.'s series 2009A variable-rate demand bonds (VRDBs), issued on behalf of ECH. Finally, S&P Global Ratings affirmed its 'AA' long-term rating and SPUR on ECH's series 2017 and 2006 general obligation (GO) bonds. The outlook, where applicable, is stable.

The joint criteria rating is based on a low correlation between El Camino Hospital and the letter of credit (LOC) provider, Wells Fargo Bank N.A. El Camino Hospital is a component of the El Camino Hospital District, which also includes the El Camino Hospital Foundation. The GO bonds are a general obligation of the district, payable from an unlimited ad valorem tax levied within the district's boundaries, and collected by Santa Clara County.

The raised rating on ECH's revenue bonds is based on application of the U.S. and Canadian Not-for-Profit Acute Care Health Care Organizations criteria, published on March 19, 2018. We view ECH's underlying credit quality as stable.

The 'AA' rating further reflects our view of ECH' s superior and improving financial performance and exceptional days' cash on hand. The rating is also based on our view of ECH's stable market position in a highly competitive market that includes larger integrated systems, favorable service area, and excellent economic characteristics resulting in a healthy payor mix. Furthermore, our rating incorporates the strength of the district's proven and ongoing tax-support, exemplified by the district's diverse tax base and growing assessed value (AV).

ECH has $749 million in capital plans covering the fiscal years of 2018-2022 that will be funded with a mix of cash flow, unrestricted reserves and 2017 debt with ongoing capital plans likely extending beyond that time period as management has indicated it has preliminary plans to replace ECH's Los Gatos campus due to seismic needs. As a result, we anticipate that ECH's liquidity and financial flexibility may weaken in the coming years as capital spending escalates although we expect management will utilize the remaining $191.6 million of its series 2017 bond proceeds (as of April 30, 2018) to support future capital spending. Thus, the upcoming capital spending's effect on ECH's balance sheet will depend, to an extent, on the organization's ability to navigate the challenges of the current health care operating environment while maintaining healthy cash flow to support capital spending.

Nevertheless, we believe that ECH is starting from a position of very healthy financial strength, and anticipate that it will be able to continue to absorb the cost of its capital plans and maintain a financial profile that is in line with the 'AA' rating. However, since the projects result in elevated spending that extends for several years, we will continue to assess their effect, if any, on ECH's credit profile as spending escalates and financing options are determined.

The rating further reflects our view of ECH's:

- Exceptional operating margins, resulting in actual debt service coverage of 6.00x in 2017;
- Abundant unrestricted reserves for the rating as calculated by 475 days' cash on hand;
- Considerable tax support through levies for GO bonds and operations; and
- Favorable economic fundamentals with above-average wealth and income indicators, resulting in a favorable payor mix as well as growing assessed valuations (AV) to cover future debt service payments.

Partly offsetting credit risks include:

- ECH's plans for significant capital expenditures over the next five years (and potentially longer depending on other project start times);
- Location in a highly competitive operating environment containing significantly larger health care providers and systems; and
- Moderate debt levels.

Outlook

The stable outlook reflects our view of ECH's currently very strong financial profile, as well as its favorable service-area characteristics. We expect ECH's management team will maintain stable operations for the next several years. Furthermore, we believe there is capacity for additional debt or a drawdown of internal reserves at the current rating level, although we will assess capital spending and debt plans as they are finalized.

Upside scenario

Given ECH's highly competitive operating environment and significant capital plans, we do not expect further upward movement in the rating during the two-year outlook period. Over the longer term and outside of the outlook period, we could consider such an action if the organization is able to successfully implement strategic initiatives, demonstrate success under changing sector dynamics, and absorb its higher capital spending while maintaining a very strong financial profile.

Downside scenario

We think that ECH has ample cushion at the current ratings, so a lower rating is not anticipated during the outlook period. However, while not anticipated, a material deterioration in operations, an overly aggressive additional debt issuance, or an erosion of the balance sheet (including unrestricted reserves below 250 unrestricted days' cash on hand) may lead to a negative outlook or lowered rating.

Enterprise Profile: Strong

Robust economic fundamentals and district tax support

ECH's two campuses are located in the heart of Silicon Valley. The district operates in Santa Clara County, where its taxing boundaries, and primary service area, include the cities of Mountain View, Los Altos, Los Altos Hills Sunnyvale, Cupertino, Campbell, and Los Gatos, as well as portions of San Jose, Saratoga, and Santa Clara.

We consider the economic fundamentals to be robust, with 1.27 million people in the primary service area (PSA) and projected growth in the county that exceeds national averages. Income indicators are also much stronger than national levels, and property values are significantly higher, in our opinion. The projected per capita personal income for the county is 175% of the nation, which we consider very strong and reflective of the deep and stable economic base. Furthermore, the local economy is a technology center. Technology employers within the district's boundaries include Google, Apple, Hewlett-Packard, Intel, and Facebook. The unemployment rate is also lower than both national and state averages.

The amount of ad valorem tax levied by the county to replay the district's GO bonds is based on the AV of taxable property in the district and the amount of debt service due on its GO funds. Total tax revenue received by ECH remain modest at just below 3%.

Overall, while the dependency on tax revenue is not significant, we view the area's growing AV and diversity of the taxpayer base to be supportive of the rating and we expect that this trend will continue. In 2017, the district refunded part of its outstanding series 2006 bonds, which resulted in increased assessed property values and reduced the tax rate from $12.90 per $100,000 of AV to $10.00 per $100,000 of current AV. The district's tax base encompasses most of the county and has been growing; district AV totaled $77 billion for fiscal 2017, which we consider extremely strong. The district estimates its AV will continue to increase in fiscal 2018. The taxpayer base is diverse in our view, as the top 10 taxpayers account for around 12% of total AV.

Market position and partnerships

Although ECH's PSA is broad and covers a sizeable population base, we consider it fragmented because of several prominent providers, including Kaiser Permanente, Good Samaritan Hospital, Stanford & Stanford Children's Hospital, Santa Clara Valley Medical Center, and O'Connor Hospital. Based on fiscal 2016 data, El Camino Hospital has 17.8% market share. Although the service area is highly competitive, ECH's market share has remained relatively stable for the past couple of years, and we believe with its investments, ECH is well positioned in Santa Clara County and the surrounding areas.

ECH has an affiliation agreement with Palo Alto Medical Foundation (PAMF), a Sutter Health System medical group with a presence throughout the peninsula. The affiliation strengthens ECH's business position, in our opinion, by building clinical programs, managing the risks associated with various programs, increasing physician integration, monitoring quality, and reducing redundancy. Moreover, ECH is also collaborating with PAMF to complete a market needs assessment with a goal to more efficiently serve the community and take advantage of market opportunities. In addition, ECH and PAMF have agreed to jointly develop new facilities in Silicon Valley's southern region.

Lastly, ECH has joint ventures with Pathways, which provides home care and hospice services to patients throughout the San Francisco Bay Area, and Satellite Dialysis, which manages dialysis-related assets.

Management and governance

Despite recent management turnover in the past several years, the chief financial officer has been with the organization for several years. Following the departure of ECH's chief executive officer (CEO) in 2016, a new CEO was hired in 2017. In addition, management indicates that they are looking to hire a new chief medical officer and chief operating officer. Overall, we view the management team as strategic in that they are making the appropriate investments to maintain and also grow ECH's business position.

The hospital district is governed by a five-member board, each of whom is elected to staggered, four-year terms. Elections are held every two years, alternating between two and three available positions. Any unplanned vacancies are filled by appointment.

Table 1

El Camino Hospital District, Calif.: Enterprise Statistics

	--Fiscal year ended June 30--		
	2017	**2016**	**2015**
PSA population	N.A	1,265,211	1,227,964
PSA market share (%)	N.A	17.80	17.80
Inpatient admissions	18,033	17,312	17,646
Equivalent inpatient admissions	31,035	29,178	30,063
Emergency visits	61,888	60,433	61,286
Inpatient surgeries	4,523	4,508	4,488
Outpatient surgeries	6,471	6,099	6,474
Medicare case mix index	1.83	1.81	1.80
FTE employees	2,507	2,510	2,452
Active physicians	1,411	1,411	1,103
Based on net/gross revenues	**Net**	**Net**	**Net**
Medicare (%)	25.30	24.60	24.40
Medicaid (%)	2.00	2.00	1.40
Commercial/Blues (%)	71.60	72.40	71.80

N/A--Not applicable. N.A.--Not available. Inpatient admissions exclude normal newborn, psychiatric, rehabilitation, and long-term care facility admissions.

Financial Profile: Very Strong

Very strong financial performance

ECH has a multi-year history of producing stable financial margins and cash flow and we expect this to continue. ECH's operating margins and net patient revenue increased in fiscal 2017 due to program development and an increase in utilization across various service lines, coupled with maintenance of an extremely healthy payor mix of over 70% commercial payors.

During the past few years, management has made considerable improvements in the revenue cycle, third-party negotiations, labor productivity, supply costs, and documentation. In addition, ECH benefitted from tax revenue of $25 million in fiscal 2017.

Cash flow, as measured by the EBIDA margin, is remarkable at 19%. Because of ECH's healthy EBIDA margins, actual debt service coverage is robust at nearly 6x in fiscal 2017, based on S&P Global Ratings' calculation method, which includes the current debt service for both GO and revenue bonds. Our actual debt service figure assumes $29.3 million, consisting of $24.3 million associated with revenue bonds and $5.0 million associated with GO bonds. The revenue bond debt service is level at about $30.9 million through final maturity in 2047. The GO bonds are capital appreciation bonds, so debt service increases each year, starting at $5.0 million in 2018, and then increasing to $18.2 million in fiscal 2037. We expect that, over time, the area's AV will continue to grow and that additional tax revenue will support ECH's debt service over time.

Management expects to finish fiscal 2018 with operating margins above budgeted expectations around 13%. We view this as achievable, given ECHs consistent operating performance, history of meeting operational goals, prudent expense management, and revenue growth initiatives.

Strong balance sheet, although metrics may diminish due to potential sizable capital plans

Despite heightened spending in recent years, ECH has continued to strengthen its balance sheet, which we already considered healthy. ECH has seen solid growth in its unrestricted liquidity on a days' cash on hand basis and attributes the growth in unrestricted reserves to the use of bond proceeds to support some of the capital spending coupled with strong operating results and cash flow.

Management has indicated that it has plans for significant capital spending ($749 million total investment) over the next five years, at both the Mountain View and Los Gatos campuses. Following the recently expanded North Drive parking garage project at the Mountain View campus, ECH's key projects at that campus (included in the above totals) include replacing its behavioral office building, demolishing the main tower of its replaced hospital building, and expanding its Women's Hospital. In addition, ECH will continue to construct, expand, remodel, renovate, and upgrade its Los Gatos campus. We expect these projects will result in considerable spending in the coming years that may reduce ECH's currently outstanding metrics depending on overall cash flow and project details as some of the above projects are still being finalized and sized.

Debt and liabilities

ECH maintains moderate debt levels following 2017's GO and revenue bond issuances. At this time, management does not plan to issue debt over the next two years; however, we will continue to monitor ECH's debt plans as capital spending will likely remain heightened for a number of years. ECH had $649 million in total long-term debt as of June 30, 2017. ECH's long-term debt includes: $131 million of GO bonds (series 2006 and series 2017 Capital Appreciation Bonds (CABs) and Current Interest Bonds (CIBs), and $494 million of revenue bonds (series 2009, series 2015A and series 2017A). ECH's GO bonds are secured by an unlimited ad valorem tax levied within the district's boundaries and collected by Santa Clara County. The series 2009 VRDBs are backed by a LOC provided by Wells Fargo Bank N.A. that is scheduled to expire in October 2019. ECH has one outstanding swap related to the series 2007 bonds on a $50 million notional value; the swap had a $7.6 million fair value liability as of June 30, 2017.

Table 2

El Camino Hospital District, Calif.: Financial Statistics

	--Fiscal year ended June 30--			--Medians for 'AA' rated stand-alone hospitals--
Financial performance	**2017**	**2016**	**2015**	**2016**
Net patient revenue ($000s)	832,573	772,173	746,645	1,508,559
Total operating revenue ($000s)	896,029	834,851	797,572	MNR
Total operating expenses ($000s)	791,328	769,975	720,547	MNR
Operating income ($000s)	104,701	64,876	77,025	MNR
Operating margin (%)	11.69	7.77	9.66	7.10
Net nonoperating income ($000s)	16,688	10,078	16,416	MNR
Excess income ($000s)	121,389	74,954	93,441	MNR
Excess margin (%)	13.30	8.87	11.48	9.40
Operating EBIDA margin (%)	17.81	14.95	16.53	13.50
EBIDA margin (%)	19.31	15.97	18.21	15.30
Net available for debt service ($000s)	176,265	134,896	148,216	291,930
Maximum annual debt service ($000s)	29,310	29,310	29,310	MNR
Maximum annual debt service coverage (x)	6.01	4.60	5.06	7.30
Operating lease-adjusted coverage (x)	5.17	4.02	4.84	6.10
Liquidity and financial flexibility				
Unrestricted reserves ($000s)	919,065	698,042	704,265	1,214,670
Unrestricted days' cash on hand	451.40	353.40	380.50	372.90
Unrestricted reserves/total long-term debt (%)	141.50	199.80	196.20	327.90
Unrestricted reserves/contingent liabilities (%)	1,838.10	1,396.10	1,408.50	719.80
Average age of plant (years)	11.20	10.00	10.70	10.80
Capital expenditures/depreciation and amortization (%)	233.50	178.10	180.50	164.90
Debt and liabilities				
Total long-term debt ($000s)	649,395	349,336	358,906	MNR
Long-term debt/capitalization (%)	31.40	21.90	23.20	19.00
Contingent liabilities ($000s)	50,000	50,000	50,000	MNR
Contingent liabilities/total long-term debt (%)	7.70	14.30	13.90	44.40
Debt burden (%)	3.21	3.47	3.60	2.10

Table 2

El Camino Hospital District, Calif.: Financial Statistics (cont.)				
Defined-benefit plan funded status (%)	116.73	111.67	112.88	81.80
Pro forma ratios				
Unrestricted reserves ($000s)	N/A	674,156	N/A	MNR
Total long-term debt ($000s)	N/A	615,551	N/A	MNR
Unrestricted days' cash on hand	N/A	341.30	N/A	MNR
Unrestricted reserves/total long-term debt (%)	N/A	109.50	N/A	MNR
Long-term debt/capitalization (%)	N/A	33.10	N/A	MNR

N/A--Not applicable. N.A.--Not available. MNR--Median not reported.

Credit Snapshot:

- Security: ECH's revenue bonds are secured by a pledge of gross revenue from the hospital, the sole member of the obligated group. The GO bonds are a general obligation of the district, payable from an unlimited ad valorem tax levied within the district's boundaries, and collected by Santa Clara County.
- Group rating methodology: The ratings are based on our view of ECH's group credit profile (GCP) and the obligated group's core status. Accordingly, we rate the bonds at the same level as the GCP. The analysis reflects the system as a whole.
- Organizational description: El Camino Hospital is a component of El Camino Hospital District, which also includes El Camino Hospital Foundation, CONCERN: Employee Assistance Program, El Camino Surgery Center LLC, and Silicon Valley Medical Development LLC. El Camino Hospital is a separate 501 (c)(3) that operates the district's health care assets, which include 443 beds in service on two campuses: Mountain View (300 licensed beds) and Los Gatos (143 licensed beds), which was acquired in 2009. Substantially, all of the consolidated assets are held at the hospital. The hospital generates most of the consolidated operating surplus.

Ratings Detail (As Of June 1, 2018)		
El Camino Hosp Dist GO rfdg bnds		
Long Term Rating	AA/Stable	Affirmed

Many issues are enhanced by bond insurance.

Moody's		S&P		Fitch		Rating description	
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term		
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime	Investment-grade
Aa1		AA+		AA+		High grade	
Aa2		AA		AA			
Aa3		AA−		AA−			
A1		A+	A-1	A+	F1	Upper medium grade	
A2		A		A			
A3	P-2	A−	A-2	A−	F2		
Baa1		BBB+		BBB+		Lower medium grade	
Baa2	P-3	BBB	A-3	BBB	F3		
Baa3		BBB−		BBB−			
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative	Non-investment grade AKA high-yield bonds
Ba2		BB		BB			
Ba3		BB−		BB−			
B1		B+		B+		Highly speculative	
B2		B		B			
B3		B−		B−			
Caa1		CCC+				Substantial risks	

FY 2019: Q1		
JULY – NO MEETING	**AUGUST 13, 2018 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 ▪ Educational Goal – Investment strategy in volatile markets ▪ CFO Report Out – Open Session Finance Committee Materials	N/A
FY 2019: Q2		
OCTOBER – NO MEETING	**NOVEMBER 12, 2018 Meeting**	**DECEMBER – NO MEETING**
October 24, 2018 – 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 2019: Q3		
JANUARY 28, 2019	**FEBRUARY - 11, 2019 Meeting**	**MARCH – NO MEETING**
Joint Finance Committee and Investment Committee meeting.	▪ Capital Markets Review and Portfolio Performance ▪ Tactical Asset Allocation Positioning and Market Outlook ▪ Asset Allocation Review and ERM Framework ▪ CFO Report Out – Open Session Finance Committee Materials ▪ Proposed FY 2020 Goals/Pacing Plan/Meeting Dates	
FY 2019: Q4		
APRIL – NO MEETING	**MAY 13, 2019 Meeting**	**JUNE – NO MEETING**
April 24, 2019 – 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 Goal ▪ Review status of FY19 Goals	N/A

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

	Item:	Report on ECH and ECHD Board Actions Investment Committee August 13, 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 a verbal report by the Chair of the Committee and/or Board members who also serve on the Committee.	
	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 June 2018 ECH and ECHD Board Actions	

ECH Board Actions*

1. June 13, 2018
   a. Approved the following Finance Committee Recommendations:
      i. FY 18 Period 9 and 10 Financials
      ii. Proposed FY19 ECH Capital and Operating Budget
      iii. $9.6 million Purchase of Enterprise Resource Planning System
      iv. Revised Charity Care Policy
      v. Medical Director Agreement Renewals
   b. Approved the following Governance Committee Recommendations:
      i. Guidelines for Communication with Staff
      ii. FY19 Board Goals
      iii. FY19 Master Calendar
      iv. FY19 Advisory Committee Goals
      v. Revised Governance, Compliance and Audit, and Executive Compensation Committee Charters
      vi. FY19 Slate of Advisory Committee Chairs and Members
   c. Approved the FY19 ECH Community Benefit Plan awarding a total of $3,565,000 in funding to 49 grantees
   d. Approved Revised Executive Compensation Policies in accordance with previously approved delegation of authority to the Executive Compensation Committee
   e. Approved FY19 Auxiliary Slate of Officers

ECHD Board Actions*

1. June 19, 2018
   a. Approved Proposed FY19 ECH Capital and Operating Budget, Consolidated, and ECHD Stand Alone Budget
   b. Approved ECHD FY 18 YTD Financials
   c. Allocated $6,174, 000 to the ECH Women's Hospital Expansion Project
   d. Approved the ECHD FY19 Community Benefit Plan – awarding $7,499,335 including awards to 54 grantees as well as sponshorships
   e. Approved Guidelines for Communication with Staff
   f. Appointed Neysa Fligor as the District Board's Liaison to the Community Benefit Advisory Council
   g. Appointed Julie Kiger as an advisor to the FY19 El Camino Hospital Board Member Election and Re-Election Ad Hoc Committee.
   h. Approved a District Director Vacancy Policy (identified as Alternative A in the Board materials)

*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.

Executive Summary

El Camino Hospital

2nd Quarter 2018

Pavilion Advisory Group Inc.
227 W. Monroe Street, Suite 2020
Chicago, IL 60606
Phone: 312-798-3200
Fax: 312-902-1984
www.pavilioncorp.com

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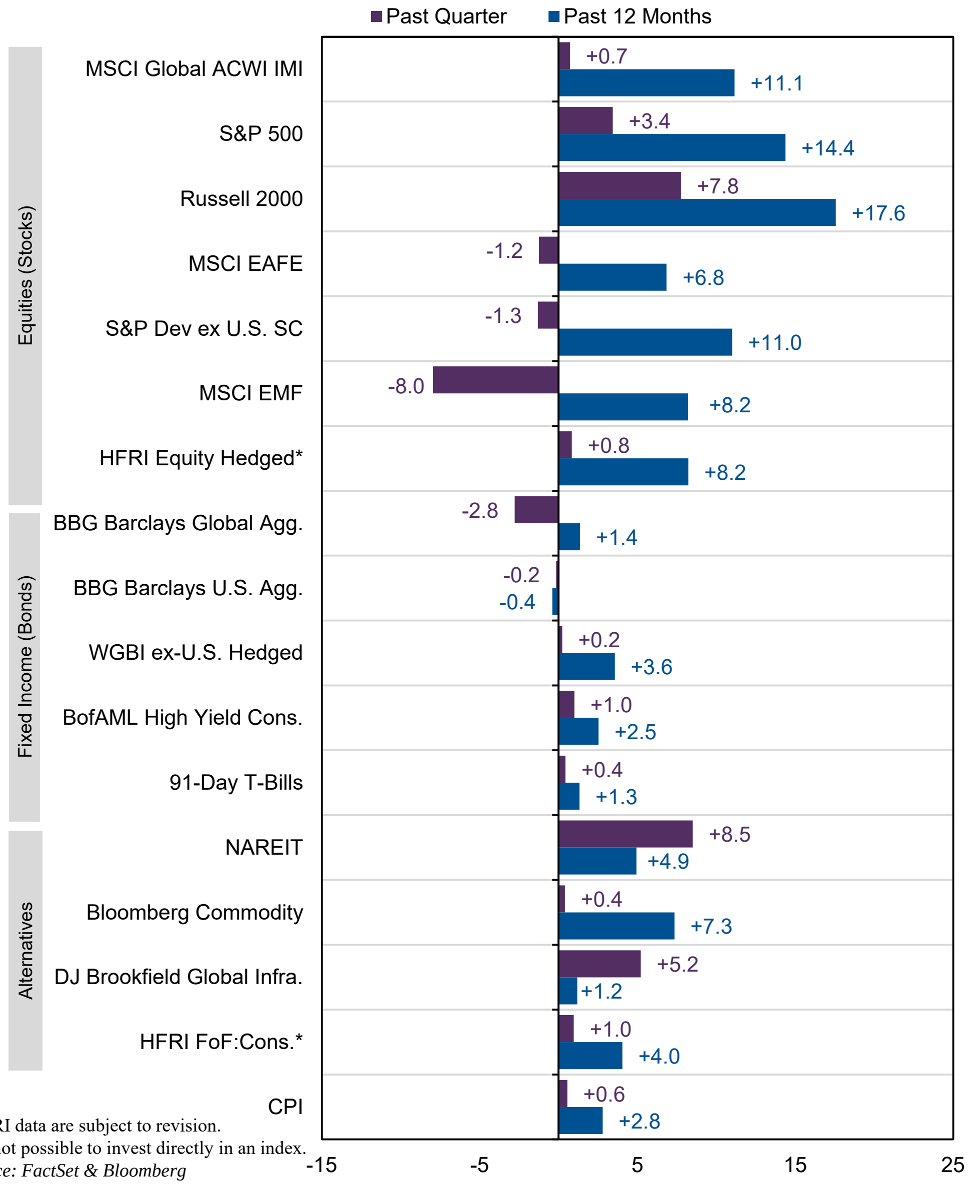
Capital Markets Review

Capital Markets Review

Summary

As of June 30, 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

Deviating risks

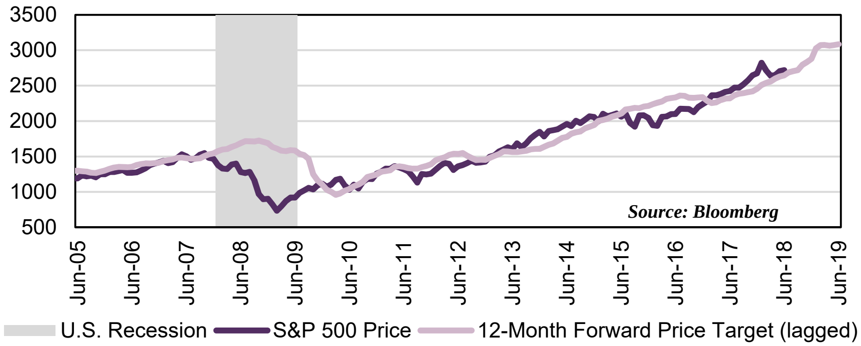
- The key themes during the quarter were economic growth divergences and asymmetrical exposure to trade conflicts. Global growth remains robust, but regional divergences have widened and weighed on equity market performance for several economies. Within the U.S., strong fundamentals helped drive second quarter and calendar year equity earnings expectations higher. This strength should continue to support risk assets near-term despite rising uncertainty.
- Trade tensions and political risks escalated during the second quarter, epitomized by the U.S. and China's tit-for-tat retaliatory tariff proclamations, which increased the probability of a full blown trade war and challenges to international supply chains. On July 6, the U.S. imposed a 25% tariff on $34 billion of Chinese goods and is considering the imposition of tariffs more than $200 billion of goods. Political risks intensified, as Italy's Eurosceptic leaders struggled to form a government, spurring risk aversion and flight-to-quality globally. Italy was not alone, as BREXIT negotiations continued to produce infighting, Germany's governing coalition threatened to breakup, and several emerging economies were confronted with inflationary pressures and currency devaluations.
- Global monetary policy continued along its gradual path to normalization through changes to rates and forward guidance, measures financial markets took in stride. While the Bank of England, the European Central Bank ("ECB"), and the Bank of Japan made no immediate changes to current policy, the ECB outlined further tapering of bond purchases and affirmed its dedication to hold rates at current levels through summer 2019. In May, the Federal Reserve's ("Fed") preferred measure of inflation reached 2.0% on a year-over-year basis, but policymakers remain confident that inflation will remain contained and made minor changes to forward guidance while raising rates 25 basis points in June. Two more rate increases are expected in the U.S. this year, one in September and one in December.
- For the sixth consecutive quarter, the U.S. yield curve flattened. While the 10-year Treasury yield rose only modestly during the quarter, the range extended from a high of 3.1% to a low of 2.7%, in the wake of the Italian shock. Increasing uncertainty and supply widened spreads across the spectrum of corporate and emerging market bonds. Emerging market debt, in particular, was hurt by a confluence of risks: rising yields, declining currencies, trade uncertainty, profit taking, and idiosyncratic risks.
- Growing trade tensions also hindered emerging market equities. Concerns regarding the impact to global supply chains put downward pressure on international equities with emerging markets bearing the brunt of the selloff. This ended five consecutive quarters of positive performance. An improving U.S. economic picture helped U.S. small caps climb +7.8% during the quarter, also benefiting from lower ties to global trade.
- While energy prices have been surging (+10.7% QTD and +34.7% 1-year), commodity prices overall rose a meager 40 basis points, as trade uncertainty hurt agriculture and industrial metals prices. Increasing energy costs also helped drive income instruments like MLPs, which rose +11.1% during the quarter.

Capital Markets Review

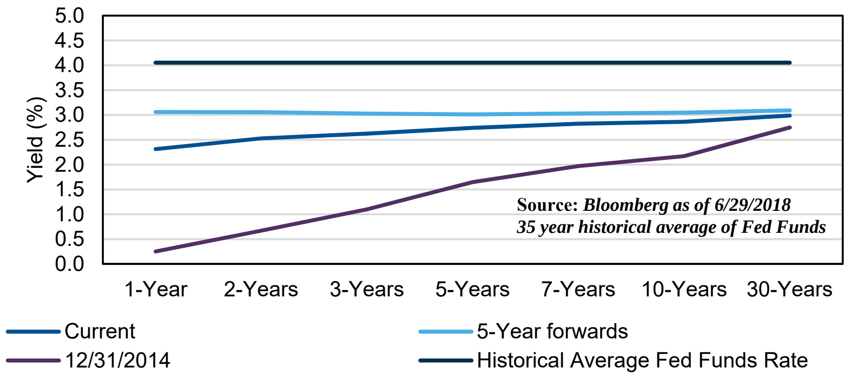
Asset Class Outlook

As of June 30, 2018

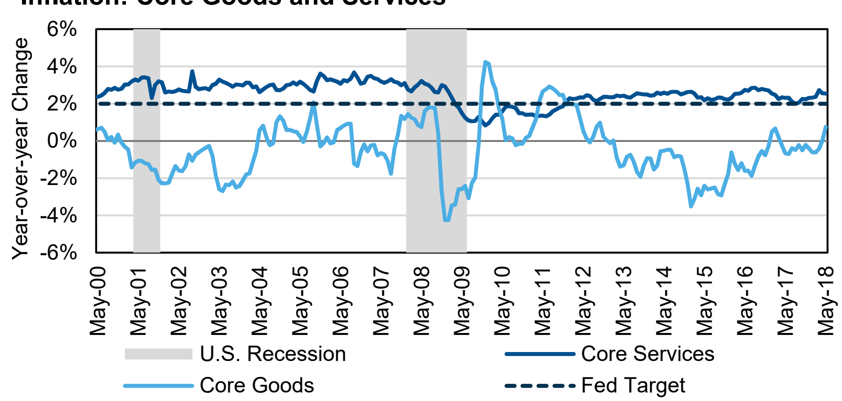
Absent a recession growth tracks expectations



Almost there?



Inflation: Core Goods and Services



Source: Bureau of Economic Analysis, FRED, & Pavilion Analysis

Equities

- Global growth remains above trend, supported by easy financial conditions, subdued inflation and consumer strength. The synchronized growth experienced in 2017, however, has broken down and regional risks have expanded. In 2018, bolstered by growth as well as tax cuts, S&P 500 Index earnings are expected to climb approximately 20%. While earnings growth is expected to slow to 10% in 2019, this represents a return to long-run sustainable trends, rather than a deteriorating economy (FactSet). In developed markets outside the U.S., fundamentals broadly remain intact, but growth has slowed. Emerging markets ("EM") continue to benefit from positive secular trends, such as a growing middle class. Current conditions are being further supported by easing credit access of financial institutions in the U.S. and globally. These easing standards are offsetting in part the gradual tightening of monetary accommodation. Although labor market advances have yet to translate into strong wage gains, robust growth has enabled consumers' balance sheets to improve significantly, reducing delinquencies and debt to service ratios. Trade and political risks continue to threaten fundamentals, feeding uncertainty and sparking bouts of market volatility. Thus far, the rising uncertainty has not been sufficient to stifle earnings and investment. These risks, however, have driven asymmetries of performance and expectations in select markets. As such, we recommend investing in markets with exposure to growth and avoiding uncompensated risks, such as those found in some developed market outside the U.S.

Fixed Income

- Continued normalization of monetary policy spurred headwinds for fixed income assets, muting performance for most sectors. In June, the Fed continued the normalization process, raising rates another 25 basis points. With seven increases since 2015, only four more hikes are needed before the Fed achieves its neutral target of 3%, suggesting most of the pain may be behind us and affirmed in the forward markets. As a result, we continue to view high quality duration as source of diversification and protection against unanticipated market sell offs, while lower quality credit provides little protection against late cycle risks. Internationally, rising rates, currency moves, and political risks have widened spreads in high risk regions, and while recent events have revived bad memories of past EM crises, circumstances have changed. EMs have grown reserves, allowed currencies to float, and reduced external public funding, even EM corporations are partially hedged through offshore revenues. These divergences internationally should produce fertile ground for nimble active managers to source opportunities.

Real Assets

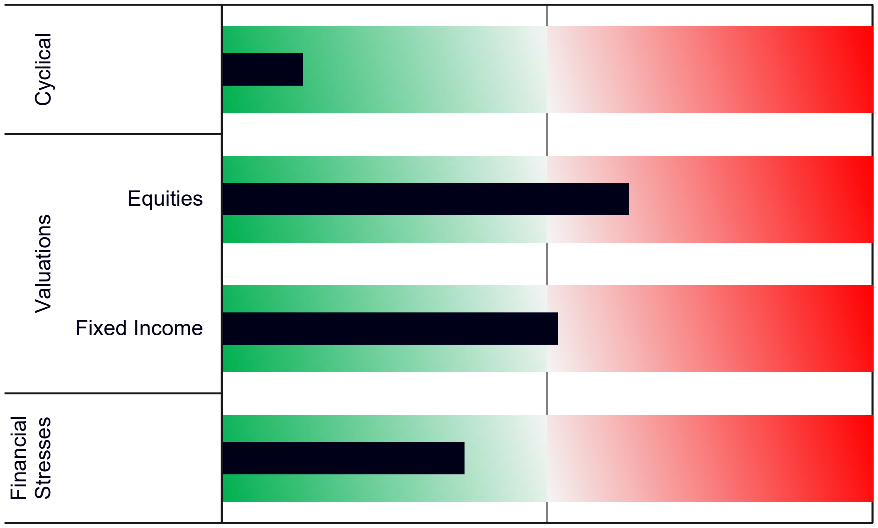
- Core inflation reached the Fed's 2% target in May, and likely will rise during the course of the next few quarters, but it continues to face headwinds in the form of demographics, technological innovation, as well as globalization. While any material deterioration in trade arrangements would put upward pressure on inflation, demand likely would slow with potentially adverse effects for real assets. 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 lower volatility profile than commodities.

Capital Markets Review

Key Market Risks

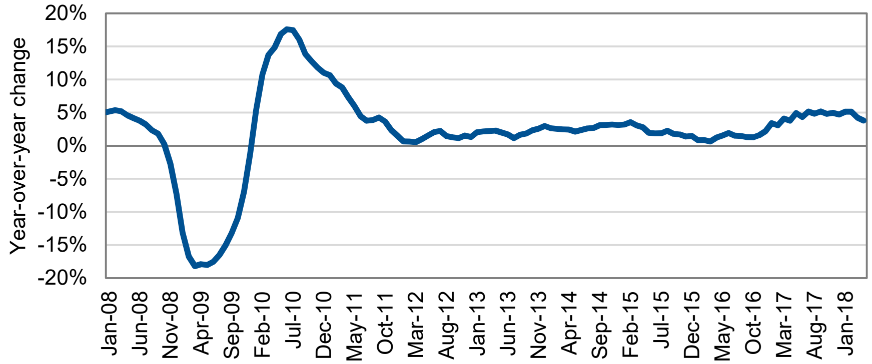
As of June 30, 2018

Current Risk Levels



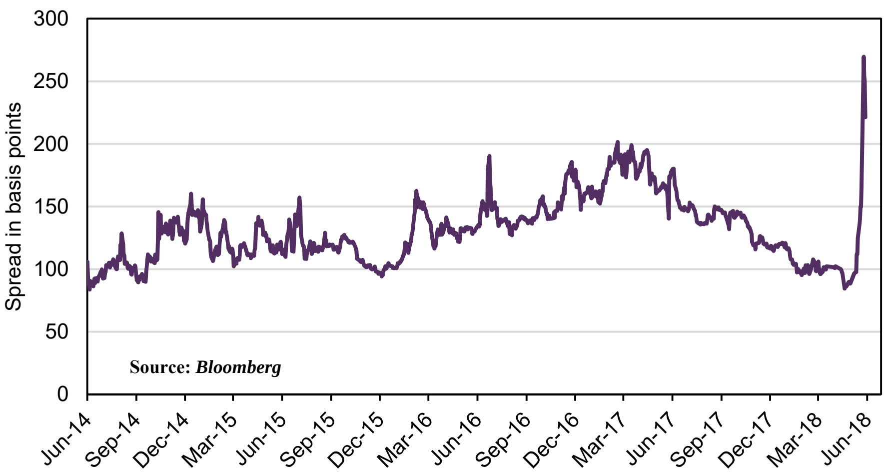
Source: Bloomberg, FactSet, Recession Alert, & Pavilion Analysis

World Trade Volumes



Source: Bloomberg, 3-Month Moving Average

Cost of Italian credit protection spikes



Cyclical risks remain benign while policy and trade tensions fester

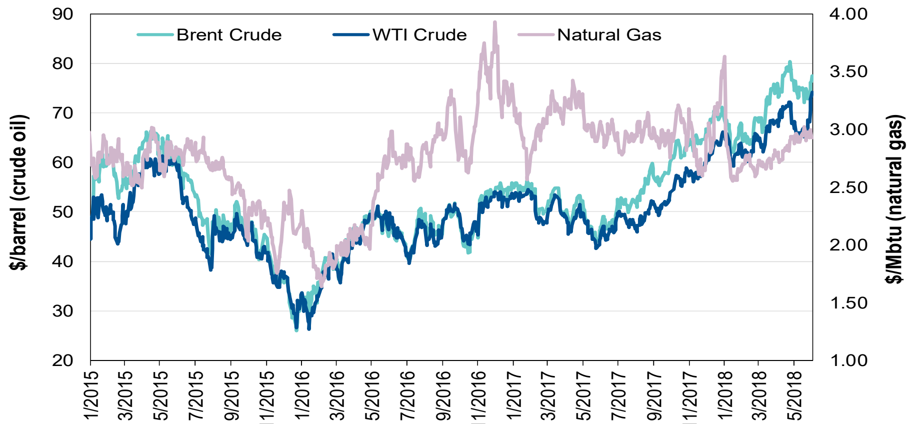
- **How much further for the Fed to go?** The Fed raised rates in June, with expectations for rate increases in September and December. These increases would bring the policy rate to within 50 basis points of the Fed's 3.00% target. The question is when will the tightening end? If the Treasury yield curve is steep, the market is signaling future policy rates will go higher. If the curve is inverted, markets are signaling policy rates will fall. If the yield curve is flat, the market is signaling that policy rates have reached a neutral level. With the current spread between the 2-year and 10-year Treasury yields falling to almost 30 basis points, the market appears to be suggesting rates are near a neutral level. Current conditions may warrant further rate increases, however tightening financial conditions eventually will weigh on the economy. While it may be several quarters before the impact of tightening financial conditions are felt, careful monitoring is warranted.
- **European risk continues to percolate:** While concerns over Greece have subsided, vulnerabilities to the European Union's ("EU") stability persist. This quarter saw a spike in Italian sovereign bond yields, as concerns of a potential default were elevated due to the appearance that the new coalition government may take an anti-EU slant. While an Italian default remains extremely unlikely, the ramifications would be significant with particular harm to European banks. The BREXIT vote celebrated its second anniversary, but negotiators remain at a significant distance from any agreement with uncertainty limiting U.K. investment. The bottom line is that European risk assets continue to deserve a higher risk premium.
- **Trade tensions, if they persist, will be a drag on growth:** While the absolute numbers around recently imposed and threatened tariffs are a relatively small part of global growth, the potential disruptions to established value chains and increased uncertainty could cause significant damage to future investment. While trade volumes have held up, the current headwinds represent a threat to enterprises and economies with significant trade exposure.

Capital Markets Review

Economy

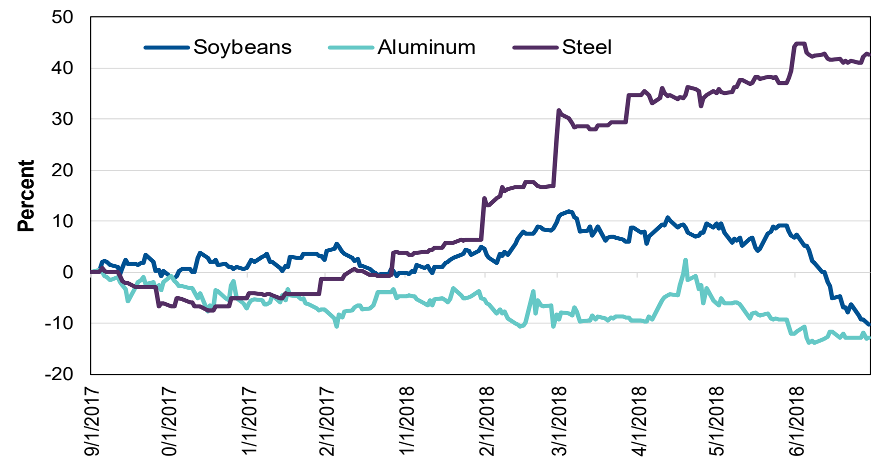
As of June 30, 2018

Energy Prices



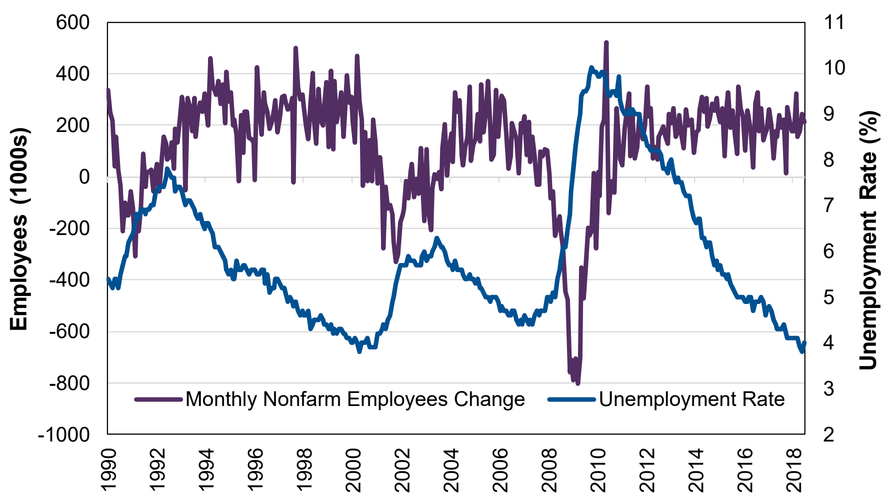
Source: Factset

Tariffs Affect Commodity Prices



Source: Factset

U.S. Employment Gains



Source: Bureau of Labor Statistics

Inflation and trade disputes juxtapose with strong domestic growth

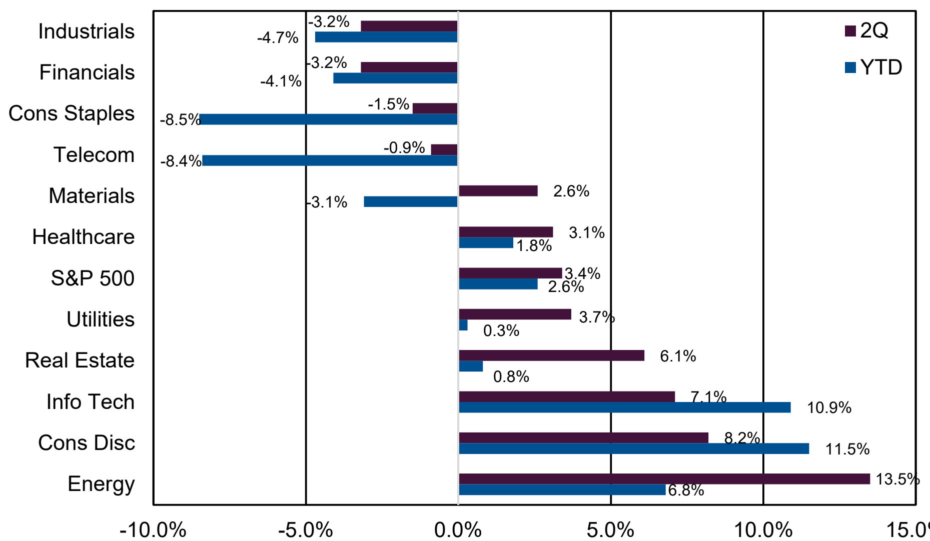
- The escalation of trade disagreements contributed to increased volatility in markets due to the potential for disruptions in global supply chains, as producers gauge the impact of rising import costs. Tariffs placed on imported goods can trigger inflation in a way that is not organically tied to growth, forcing policy makers to push interest rates higher prematurely. U.S. agricultural producers are likely to be hard hit by falling prices, as China's retaliatory tariff list included a significant number of farm products. Europe, Mexico and Canada also responded to U.S. tariffs by adding tariffs on a range of U.S. goods. Inflation in June hit a 6-year high of 2.8%, with the core index rising to 2.2%. Most estimates for second-quarter U.S. GDP growth fall in the range of 3% - 4%, strong by any measure.
- Energy prices rose significantly, reflecting global growth as well as supply challenges. Supply-side factors included OPEC oil production cuts, which could potentially be supplanted by other producers, a collapse in Venezuelan production and the imposition of sanctions against Iran. U.S. oil reserves continued to fall as economic growth increased demand. Natural gas prices were pushed upward by utility demand, following increased usage during a warmer than usual spring and increasing exports.
- The labor force continued to see more people return to work, marking 93 consecutive months of nonfarm employment growth. The tightness of labor supply varies by industry, with energy and construction exhibiting output hampered by the availability of skilled workers. In some industries, technology has been introduced which has limited the impact from a tighter labor market, resulting in slower wage growth in these sectors.

Capital Markets Review

Equities

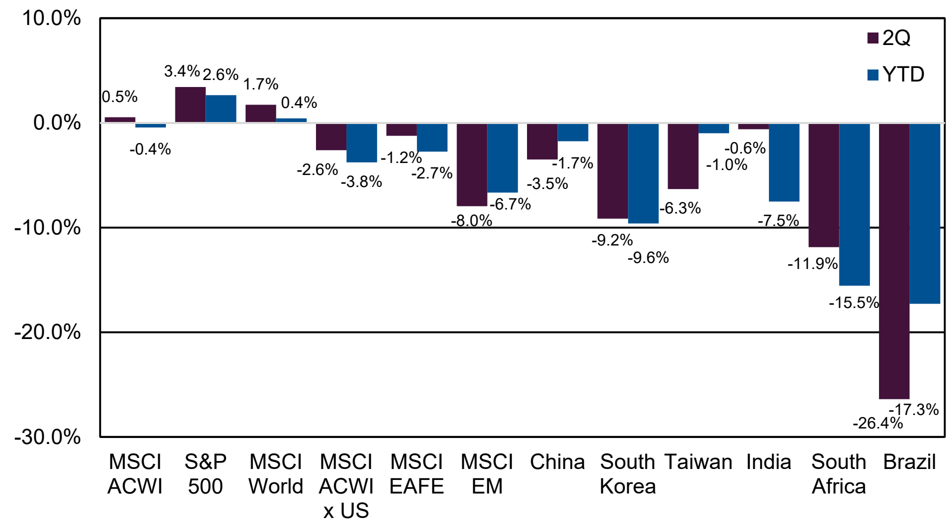
As of June 30, 2018

Second Quarter and YTD S&P 500 Sector Returns



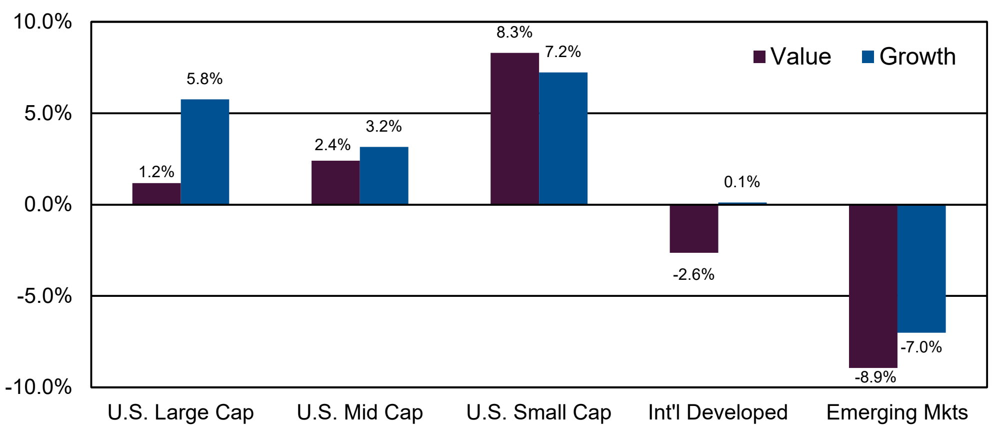
Source: FactSet, S&P

Second Quarter and YTD World and Emerging Market Equity Returns



Source: FactSet, MSCI

Growth Generally Outperformed Value During the Second Quarter



Source: FactSet

Growth continues to outperform while emerging markets struggle

- The S&P 500 Index returned +3.4% during the second quarter, bringing the first half return to +2.6%. Energy was the strongest sector during the quarter, followed by Consumer Discretionary, Information Technology, and Real Estate. Industrials and Financials were the weakest sectors during the quarter. For the first half of the year, Consumer Discretionary and Information Technology have been the best performing sectors while Consumer Staples and Telecom have been the weakest sectors.
- Developed market equity indices returned between -2.6% and +3.4% during the second quarter, with the S&P 500 the strongest at +3.4%. Emerging Market equities were more challenged during the second quarter, returning -8.0%, with Brazil particularly weak.
- The Growth style continued to outperform the Value style during the second quarter, with the exception of U.S. Small Cap. The most pronounced spread between Growth and Value was in U.S. Large Cap. In International Developed markets, Growth was just slightly positive while Value returns were negative. In Emerging Markets, Growth was negative but to a lesser extent than Value. U.S. Small Cap outperformed its U.S. Mid and Large Cap counterparts within both styles, but it was more pronounced for the Value style.

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Capital Markets Review

Fixed Income

As of June 30, 2018

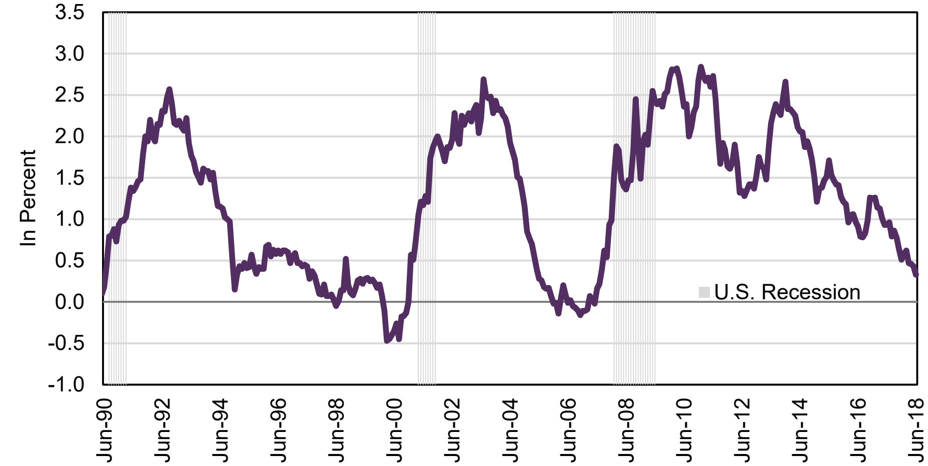
Duration – Adjusted Excess Returns to Treasuries (bps)

	2011	2012	2013	2014	2015	2016	2017	1Q18	2Q18
Aggregate	-114	226	93	10	-53	138	121	-31	-23
Agency	-25	166	1	10	-133	121	148	6	-15
MBS	-106	91	98	40	-5	-11	52	-39	15
ABS	52	246	24	53	44	95	92	-19	17
CMBS	47	841	97	108	-28	236	158	-7	0
Credit	-322	693	226	-18	-169	442	335	-68	-91
High Yield	-240	1394	923	-112	-577	1573	610	-17	96
EMD (USD)	-537	1503	-32	-120	3	880	627	-26	-242

Best Period | Second Best Period | Worst Period | Second Worst Period

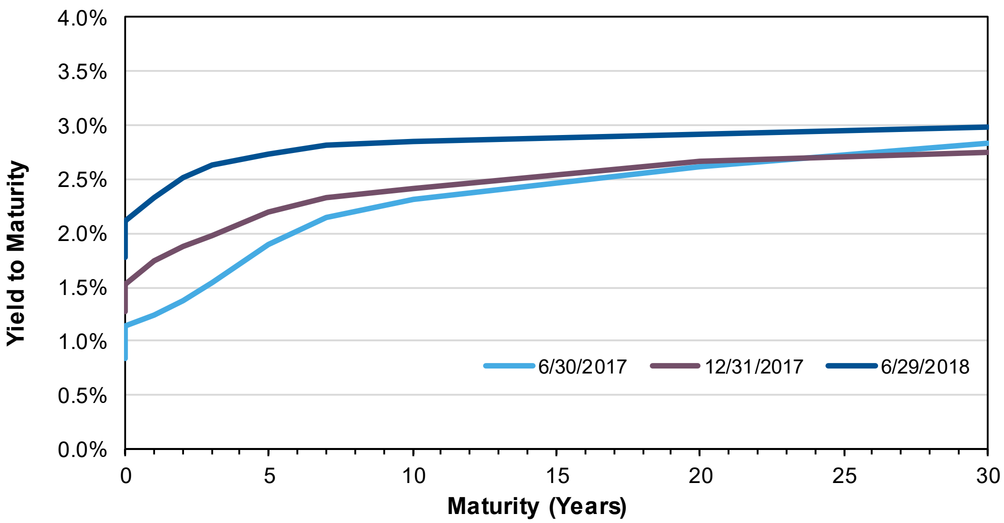
Source: Bloomberg

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 flattens as trade tensions rise

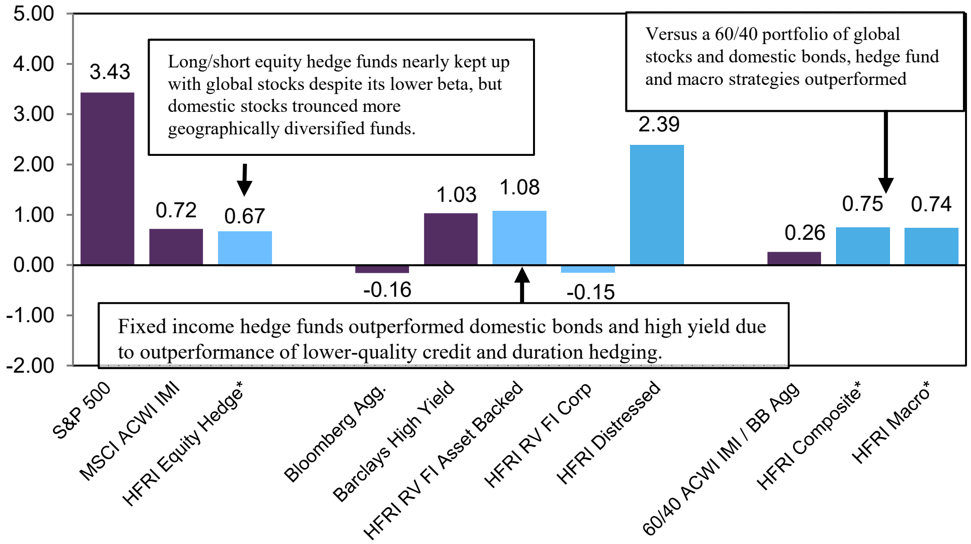
- The Fed raised rates 0.25% at the June Federal Open Market Committee meeting, setting the Federal Funds Rate target at 1.75% to 2.00%. Yields moved higher across the entire maturity spectrum and the curve continued its flattening trend. The bellwether 10-year U.S. Treasury reached 3.11% in mid-May as growth and inflation expectations increased, but retraced back to 2.85% by quarter-end amid the flight-to-quality. Escalating trade tensions put downward pressure on yields later in the quarter as the U.S. imposed 25% tariffs on imported steel and aluminum, creating concerns over future growth. The spread between 2-year and 10-year Treasuries narrowed to post crisis lows but is not yet signaling a near-term recession.
- Investment-grade ("IG") corporate spreads widened 14 basis points (" bps") in the quarter, to +123 bps, due primarily to supply/demand imbalances rather than deterioration in credit fundamentals. Foreign demand for IG corporates has moderated as currency hedging costs for overseas buyers have risen with a stronger U.S. dollar and higher short-term rates. High yield (+1.03%) outpaced investment grade (-0.98%) corporates, benefitting from light supply and a shorter duration.
- Structured products were insulated from trade tension-related weakness, and fared better than corporates during the quarter. Agency MBS (+0.24%) benefited from strong housing data and demand for high-quality bonds, which outweighed heavy supply in the space.
- Local currency emerging market debt (-10.42%) was the worst performer on the quarter as brewing trade conflicts erupted, and the U.S. dollar continued to soar. The WSJ Dollar Index (a basket of 16 currencies) jumped 5.1% in Q2, the first quarterly gain since 2016.

Capital Markets Review

Alternative Investments

As of June 30, 2018

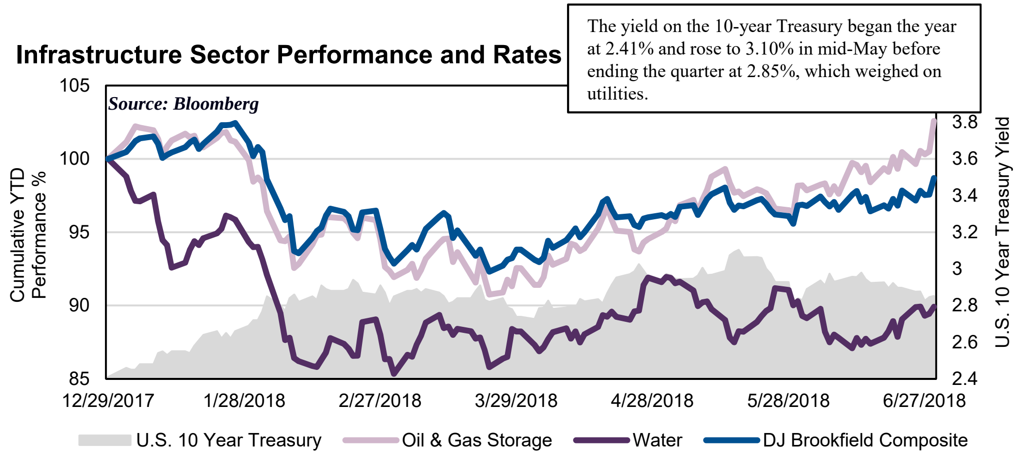
Hedge Funds vs Long-Only: Total Returns 2018 Q2



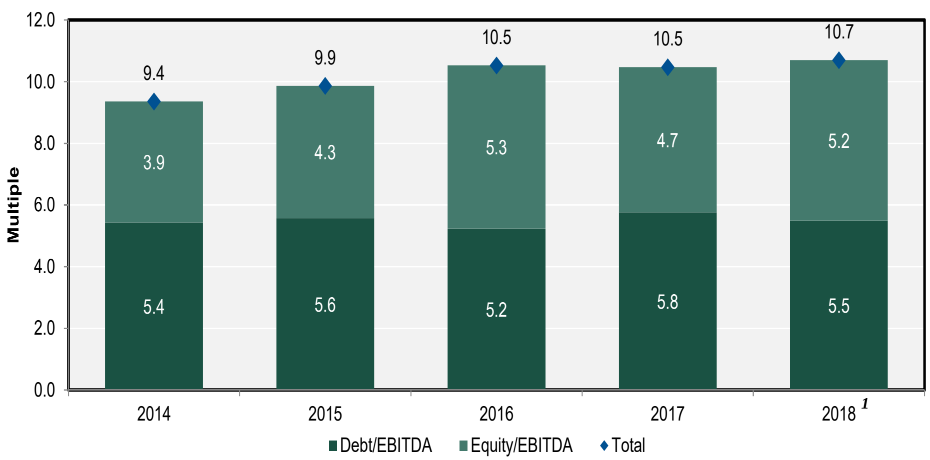
*Asset-weighted is used instead of fund-weighted, as it is available and more indicative of the universe.

Sources: Hedge Fund Research, FactSet

Infrastructure Sector Performance and Rates



U.S. Middle Market Median EV/EBITDA Multiples



Sources: S&P Capital IQ, PitchBook

[1] Through May 31, 2018

Global alternatives rise with risk assets

- **Hedge Funds:** Hedge funds generated mixed performance during the quarter. The growth bias of the universe was a boon, although international exposures was a strong headwind to performance. Mature quantitative funds with nuanced models did well during the quarter, but those with exposures to broad market "factors", such as value and momentum, incurred losses, while trend rebounded. Within long/short equity, crowded long positioning declined in late-April, and a reversal in momentum names hurt at the end of June. In all, alpha generation was relatively flat during the quarter for long-short equity funds, with funds that had long positioning in growth and domestic names outperforming those with long exposures to Asia, Latin America, and the technology sector. Fixed income funds were boosted by an outperformance of lower-quality credit and duration hedging. Record-making M&A deal volumes continue to support merger-oriented event-driven strategies, which was one of the strongest strategies in the quarter.
- **Real Assets:** Higher-yielding liquid real assets rebounded in the second quarter following a challenging start to 2018. Listed infrastructure rallied +5.2%. After the sell-off in the first quarter, oil & gas pipelines were the most significant contributor to second quarter performance. Broadly, we expect diversified infrastructure to perform well in a rising interest rate environment if economic growth also improves. That said, regulated utilities, such as water utilities, can be more sensitive to changes in interest rates due to their fixed long-term contracts and have struggled in the first half of 2018.
- **Private Capital Markets: U.S. Middle Market Valuation Update:** One sustaining trend over recent years is an increase in purchase price multiples within private equity. The price increase could be a possible explanation for the decrease in deal flow over the past nine quarters. Several factors could be contributing to the rise in purchase price multiples. One of the most impactful factors that could be creating upward pressure is the rise in public market comparable valuations. High public company valuations could be inflating the valuations of private company counterparts. Further, the low-cost debt environment and record fundraising levels, both of which have increased the competition for good deals, also could be contributing factors.

Capital Markets Review

Index Returns

As of June 30, 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	3.8	3.0	14.7	16.6	11.9	13.4	13.0	10.2
S&P 500	3.4	2.6	14.4	16.1	11.9	13.4	13.2	10.2
Russell 1000 Index	3.6	2.9	14.5	16.3	11.6	13.4	13.1	10.2
Russell 1000 Growth Index	5.8	7.3	22.5	21.5	15.0	16.4	14.9	11.8
Russell 1000 Value Index	1.2	-1.7	6.8	11.1	8.3	10.3	11.3	8.5
Russell Midcap Index	2.8	2.3	12.3	14.4	9.6	12.2	11.9	10.2
Russell Midcap Growth Index	3.2	5.4	18.5	17.8	10.7	13.4	12.2	10.5
Russell Midcap Value Index	2.4	-0.2	7.6	11.7	8.8	11.3	11.7	10.1
Russell 2000 Index	7.8	7.7	17.6	21.0	11.0	12.5	11.8	10.6
Russell 2000 Growth Index	7.2	9.7	21.9	23.1	10.6	13.6	12.5	11.2
Russell 2000 Value Index	8.3	5.4	13.1	18.8	11.2	11.2	11.1	9.9
International Equity Indices								
MSCI EAFE	-1.2	-2.7	6.8	13.4	4.9	6.4	4.9	2.8
MSCI EAFE Growth Index	0.1	-0.9	9.4	12.5	6.4	7.4	5.8	3.5
MSCI EAFE Value Index	-2.6	-4.6	4.3	14.2	3.3	5.4	3.9	2.2
MSCI EAFE Small Cap	-1.6	-1.3	12.4	17.7	10.1	11.3	8.4	6.8
MSCI AC World Index	0.5	-0.4	10.7	14.7	8.2	9.4	8.0	5.8
MSCI AC World ex US	-2.6	-3.8	7.3	13.7	5.1	6.0	3.8	2.5
MSCI Emerging Markets Index	-8.0	-6.7	8.2	15.7	5.6	5.0	1.4	2.3
Fixed Income Indices								
Blmbg. Barc. U.S. Aggregate	-0.2	-1.6	-0.4	-0.4	1.7	2.3	2.6	3.7
Blmbg. Barc. Intermed. U.S. Government/Credit	0.0	-1.0	-0.6	-0.4	1.2	1.6	1.9	3.1
Blmbg. Barc. U.S. Long Government/Credit	-1.4	-5.0	-0.8	-0.9	4.3	5.1	6.2	6.8
Blmbg. Barc. U.S. Corp: High Yield	1.0	0.2	2.6	7.5	5.5	5.5	6.3	8.2
ICE BofAML 3 Month U.S. T-Bill	0.5	0.8	1.4	0.9	0.7	0.4	0.3	0.4
Blmbg. Barc. U.S. TIPS	0.8	0.0	2.1	0.7	1.9	1.7	2.1	3.0
FTSE Non-U.S. World Government Bond	-5.1	-0.9	3.2	-1.0	3.7	1.0	-0.1	1.8
JPM EMBI Global Diversified (external currency)	-3.5	-5.2	-1.6	2.1	4.6	5.1	5.2	6.8
JPM GBI-EM Global Diversified (local currency)	-10.4	-6.4	-2.3	1.9	2.0	-1.4	-1.1	2.6
Real Asset Indices								
Bloomberg Commodity Index Total Return	0.4	0.0	7.3	0.2	-4.5	-6.4	-7.8	-9.0
Dow Jones Wilshire REIT	7.3	-0.7	1.6	-0.1	7.0	7.9	8.7	7.6

Returns for periods greater than one year are annualized.

Portfolio Review

El Camino Hospital Investment Committee Scorecard

June 30, 2018

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY18 Year-end Budget	Expectation Per Asset Allocation
Investment Performance		2Q 2018		Fiscal Year-to-date		5y 8m Since Inception (annualized)			2018
Surplus cash balance*		$942.9	--	--	--	--	--	$926.1	--
Surplus cash return	Green	1.3%	0.8%	6.9%	5.8%	5.7%	5.4%	1.9%	5.3%
Cash balance plan balance (millions)		$264.4	--	--	--	--	--	$257.1	--
Cash balance plan return	Green	2.0%	1.0%	8.9%	7.1%	8.1%	7.2%	6.0%	5.7%
403(b) plan balance (millions)		$464.6	--	--	--	--	--	--	--
Risk vs. Return		3-year				5y 8m Since Inception (annualized)			2018
Surplus cash Sharpe ratio	Green	0.99	0.96	--	--	1.30	1.24	--	0.43
Net of fee return	Green	5.3%	5.1%	--	--	5.7%	5.4%	--	5.3%
Standard deviation	Green	4.7%	4.6%	--	--	4.1%	4.0%	--	6.7%
Cash balance Sharpe ratio	Green	1.02	0.97	--	--	1.41	1.31	--	0.40
Net of fee return	Green	6.6%	5.9%	--	--	8.1%	7.2%	--	5.7%
Standard deviation	Green	5.8%	5.5%	--	--	5.4%	5.2%	--	8.1%
Asset Allocation		2Q 2018							
Surplus cash absolute variances to target	Green	7.2%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target	Green	6.1%	< 10%	--	--	--	--	--	--
Manager Compliance		2Q 2018							
Surplus cash manager flags	Green	20	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags	Green	22	< 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 (~$28 mm) and Concern (~$13 mm) assets. Budget adds back in current Foundation and Concern assets and backs out current debt reserve funds.

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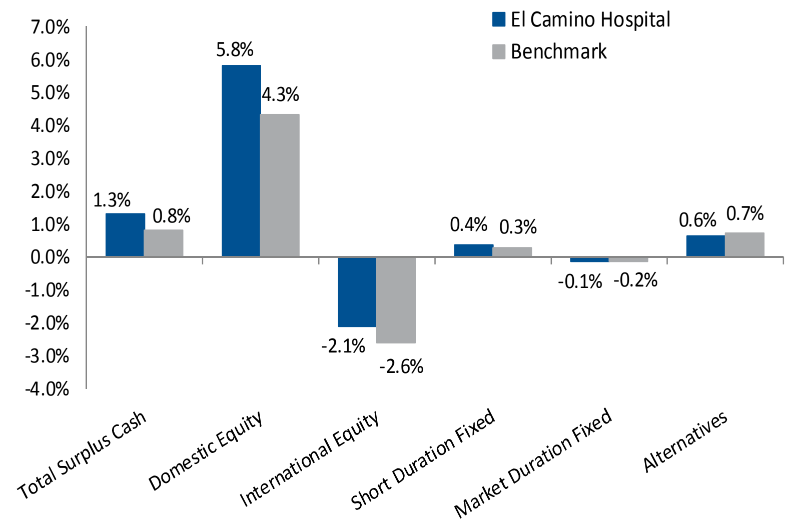
Total Surplus Cash Assets
As of June 30, 2018

	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)	**1,176,396,954**	**100.0**	**1.1**	**1.3**	**5.5**	**5.5**	**4.5**	**5.2**	**5.6**	**5.1**	**5y 8m**
Total Surplus Cash ex District / Debt Reserves (1)	**942,917,470**	**80.2**	**1.3**	**1.4**	**6.9**	**6.9**	**5.3**	**5.8**	**5.9**	**5.7**	**5y 8m**
Surplus Cash Total Benchmark			0.8	0.2	5.8	5.8	5.1	5.6	5.4	5.4	
Total Surplus Cash ex District / CONCERN / Debt Reserves (1)	**929,847,255**	**79.0**	**1.3**	**1.4**	**7.0**	**7.0**	**5.4**	**5.8**	**5.8**	**5.7**	**5y 8m**
Surplus Cash Total Benchmark			0.8	0.2	5.8	5.8	5.1	5.6	5.4	5.4	
Total CONCERN	**13,070,215**	**1.1**	**0.0**	**-1.3**	**-0.2**	**-0.2**	**-**	**-**	**-**	**1.4**	**2y 5m**
CONCERN Total Benchmark			-0.2	-1.6	-0.4	-0.4	-	-	-	1.3	
Met West Total Return Bond Plan - CONCERN	12,983,782	1.1	0.0	-1.3	-0.2	-0.2	1.6	2.5	-	1.5	2y 5m
Blmbg. Barc. U.S. Aggregate			-0.2	-1.6	-0.4	-0.4	1.7	2.3	3.7	1.3	
Cash Account - CONCERN	86,433	0.0	0.2	0.4	0.8	0.8	-	-	-	0.5	2y 5m
90 Day U.S. Treasury Bill			0.5	0.8	1.4	1.4	0.6	0.4	0.3	0.8	
District - Barrow Hanley	**35,735,204**	**3.0**	**0.3**	**0.0**	**0.0**	**0.0**	**0.5**	**0.6**	**1.4**	**0.5**	**5y 8m**
Blmbg. Barc. 1-3 Govt			0.2	0.1	0.0	0.0	0.4	0.6	1.3	0.5	
Total Debt Reserves	**197,744,280**	**16.8**	**0.5**	**0.9**	**1.6**	**1.6**	**0.9**	**-**	**-**	**0.9**	**3y 2m**
90 Day U.S. Treasury Bill			0.5	0.8	1.4	1.4	0.6	0.4	0.3	0.6	
Ponder Debt Reserves - 2015	10,299,634	0.9	0.5	0.9	1.4	1.4	0.9	-	-	0.8	3y 2m
90 Day U.S. Treasury Bill			0.5	0.8	1.4	1.4	0.6	0.4	0.3	0.6	
Ponder Debt Reserves - 2017	178,256,986	15.2	0.5	0.9	1.6	1.6	-	-	-	1.3	1y 4m
90 Day U.S. Treasury Bill			0.5	0.8	1.4	1.4	0.6	0.4	0.3	1.2	
Capitalized Interest 2017	9,187,660	0.8	0.5	0.9	1.6	1.6	-	-	-	1.3	1y 4m
90 Day U.S. Treasury Bill			0.5	0.8	1.4	1.4	0.6	0.4	0.3	1.2	

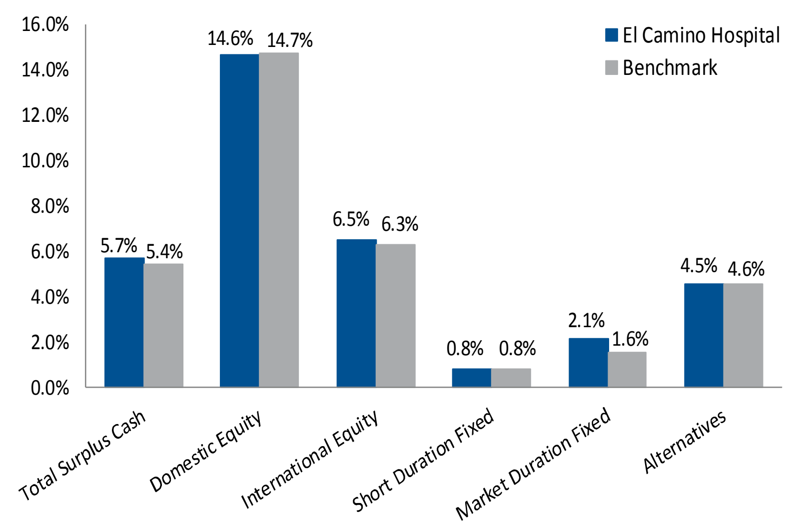
Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
(1) Includes Foundation assets.

Surplus Cash Executive Summary
Dashboard
As of June 30, 2018

Performance: Most Recent Quarter



Performance: Since Inception[1]



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

Asset Allocation

Manager	Total Assets ($, mil.)	Percent of Total	Target Allocation	Variance to Target	Target Range	Within Policy Range
Domestic Equity	$250.8	26.6%	25.0%	+ 1.6%	20-30%	Yes
International Equity	$138.0	14.6%	15.0%	- 0.4%	10-20%	Yes
Short-Duration Fixed	$109.3	11.6%	10.0%	+ 1.6%	8-12%	Yes
Market-Duration Fixed	$286.7	30.4%	30.0%	+ 0.4%	25-35%	Yes
Alternatives	$158.1	16.8%	20.0%	- 3.2%	17-23%	No
Total (X District)	**$942.9**	**100.0%**				

Portfolio Updates

Manager News/Issues

- The Surplus Cash Portfolio returned +1.3% for the quarter, outperforming its benchmark by 50 bps. Over the trailing one year period, the Portfolio returned +6.9%, outpacing the benchmark by approximately 110 bps.
- Relative outperformance during the quarter was driven by favorable manager results, particularly within the Domestic Equity Composite, which outperformed its benchmarks by 150 bps.
- Notable outperformers included large cap managers Touchstone Sands Large Cap Growth (+10.4%) and Barrow Hanley Large Cap Value (+5.0%), which outperformed their benchmarks by 460 and 380 bps, respectively. Small cap growth manager, Conestoga (+10.0%), outperformed its benchmark by 280 bps.

Second Quarter Funding News/Issues

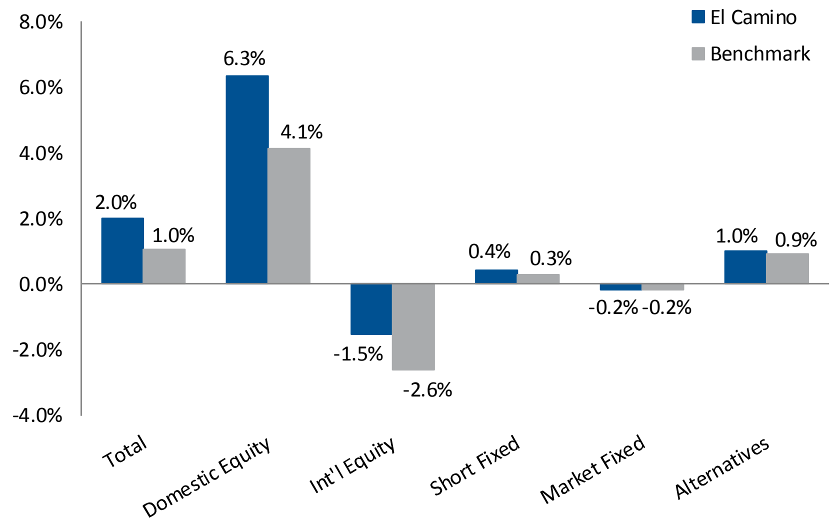
- Pavilion recommends a commitment to the Angelo Gordon Realty Value Fund X, a private real estate fund. The amount will range between $15.0 to $20.0 mm depending upon an updated pacing schedule.
- During the quarter, the Hospital added $55.0 mm to the portfolio as follows: $12.8 mm to MetWest Fixed Income, $12.0 mm to Dodge & Cox Fixed Income, $9.0 mm to Barrow Hanley Short-Term Fixed Income, $10.0 mm to the Direct Hedge Fund program, $4.0 mm to Harding Loevner Emerging Equity, $3.0 mm to Barrow Hanley Large Cap Value Equity, $1.0 mm to Sands Large Cap Growth Equity, and the remainder to cash.
- FirTree ($0.2 mm), Marathon ($0.3 mm), Walton Street Real Estate VII ($0.2 mm), and Oaktree Real Estate VI ($0.5 mm) made distributions, while Walton Street Real Estate VIII called $1.3 mm in capital.
- An additional $4.0 mm allocation from cash was made to the Direct Hedge Fund program on July 1, 2018.
- Northern Cross (Harbor International Fund) was replaced with Causeway International Value in April.

Cash Balance Plan Executive Summary

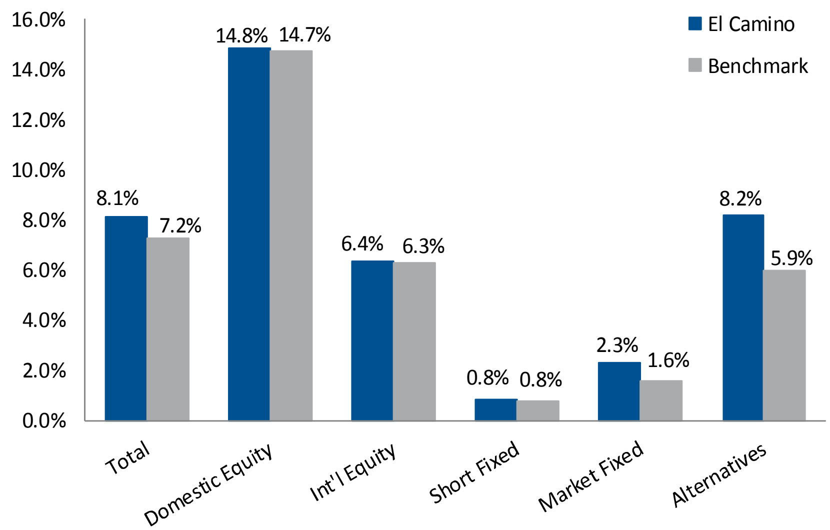
Dashboard

As of June 30, 2018

Performance: Most Recent Quarter



Performance: Since Inception[1]



Asset Allocation

Manager	Total Assets ($, mil.)	Percent of Total	Target Allocation	Variance to Target	Target Range	Within Policy Range
Domestic Equity	$ 92.2	34.9%	32.0%	+ 2.9%	27-37%	Yes
International Equity	$ 48.1	18.2%	18.0%	+ 0.2%	15-21%	Yes
Short-Duration Fixed	$ 11.6	4.4%	5.0%	- 0.6%	0-8%	Yes
Market-Duration Fixed	$ 65.5	24.8%	25.0%	- 0.2%	20-30%	Yes
Alternatives	$ 47.0	17.8%	20.0%	- 2.2%	17-23%	Yes
Total	**$264.4**	**100.0%**				

Portfolio Updates

Manager News/Issues

- The Cash Balance Plan returned +2.0% for the quarter, outperforming its benchmark by 100 bps. Over the trailing one year period, the Plan returned +8.9%, outpacing the benchmark by approximately 180 bps.
- Relative outperformance during the quarter was driven by favorable manager results, particularly within the Domestic and International Equity Composites, which outperformed their benchmarks by 220 and 110 bps, respectively.
- Notable outperformers included large cap managers Touchstone Sands Large Cap Growth (+10.4%) and Barrow Hanley Large Cap Value (+5.1%), which outperformed their benchmarks by 460 and 390 bps, respectively. Small cap growth manager, Conestoga (+10.0%), outperformed its benchmark by 280 bps.
- Within the Alternatives composite, hedge fund-of-funds manager Pointer Offshore outpaced the HFRI Fund of Funds Composite by 200 bps.

Second Quarter Funding News/Issues

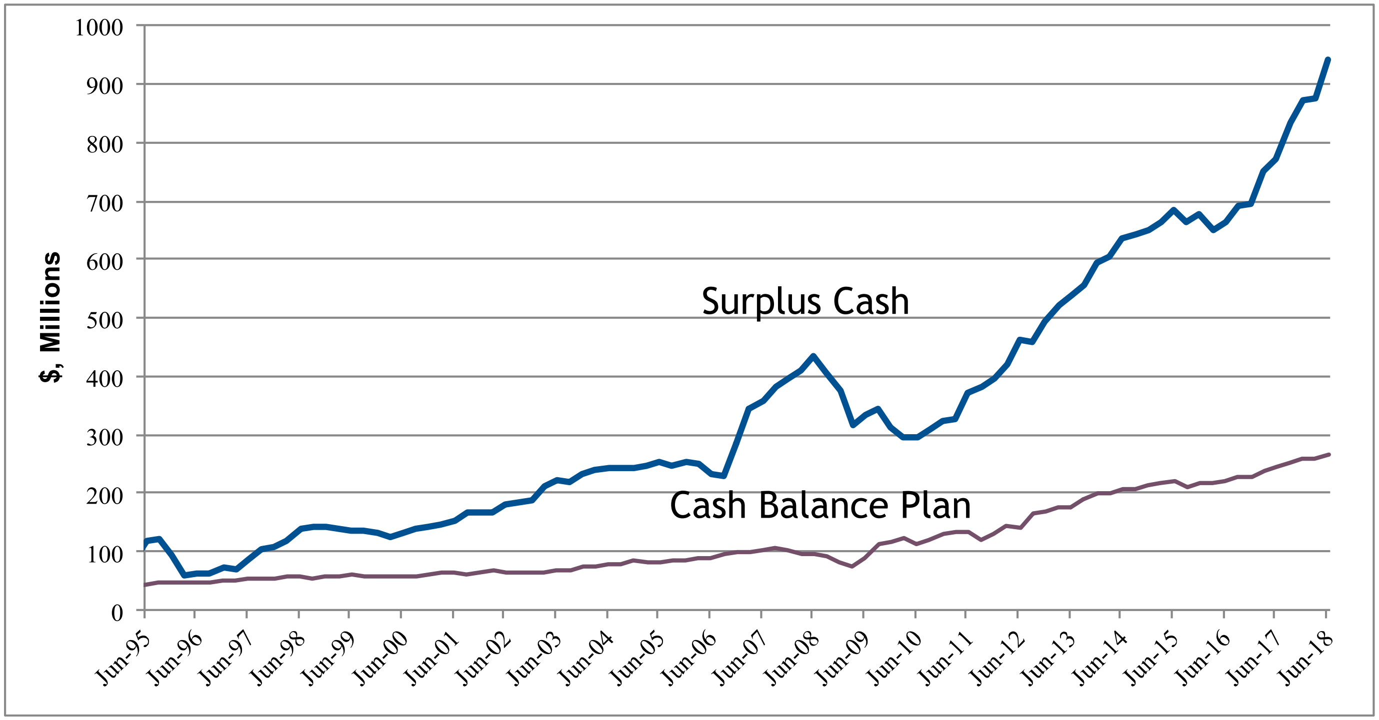
- Oaktree Real Estate VI distributed $0.4 million.
- Walton Street Real Estate Fund VII distributed $0.3 million.
- Walton Street Real Estate Fund VIII called $1.0 million in capital.
- Northern Cross (Harbor International Fund) was replaced with Causeway International Value in April.
- In May, a $2.6 million employer contribution took place and combined with $3.0 million cash for a total of $5.6 million invested in Barrow Hanley Short-Term Fixed Income.

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

Market Value Reconciliation

As of June 30, 2018

	Surplus Cash					Cash Balance Plan				
$ in Millions	**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	$55.0	$3.8	$3.8	$0.4	($0.8)	($1.4)
Income	$12.3	$12.6	$12.4	$14.2	$7.2	$3.4	$3.4	$3.4	$3.6	$1.7
Realized Gain/(Loss)	$10.4	$4.4	$7.1	$9.6	$6.4	$4.7	$4.7	$4.5	$2.2	$6.2
Unrealized Gain/(Loss)	$5.3	($18.0)	$15.1	$64.8	$2.1	$3.4	$2.6	$3.0	$26.2	($1.3)
Capital App/(Dep)	$27.9	($1.0)	$34.6	$88.6	$15.6	$11.5	$10.7	$10.9	$32.0	$6.5
End of Period Market Value	**$651.6**	**$677.5**	**$694.7**	**$872.3**	**$942.9**	**$213.7**	**$228.2**	**$228.1**	**$259.3**	**$264.4**
Return Net of Fees	4.4%	-0.2%	5.2%	11.8%	1.4%	5.6%	1.1%	4.9%	14.5%	2.5%



[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 June 30, 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	✔	✔	✔	✔	✔	✖	✖	✔
Causeway International Value - 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[CE]	✖	✔	✔	--	✔	✔	--	✔
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	Performance Compliance	Strong outperformance in 2017 and year-to-date are starting to offset the effect of strong style headwinds that Sands faced in 2016. Sands is only marginally behind the benchmark on a 3-year and 5-year basis. This is the type of rebound we would expect from Sands; it is a high tracking error strategy that will have periods of sharp underperformance at times, but over the long-term we expect Sands to outperform.
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.
Walter Scott Int'l (Dreyfus) - Both Plans	Qualitative Compliance	On June 19th, Walter Scott announced that Executive Chairman and Investment Executive team member Rodger Nisbet would be leaving in August after twenty-five years at the firm. Managing Director Jane Henderson will assume the role of interim Chair of the Board. Pavilion will continue to monitor the firm for any further notable departures or significant outflows. Members of the Global Equity Research Team will be onsite with Walter Scott later this year. At this time, we recommend clients retain Walter Scott.
Causeway International Value - Both Plans	Qualitative Compliance	At the end of the second quarter, Causeway announced it was expanding its investible universe of emerging markets stocks beyond South Korea and certain Chinese stocks. The firm's initial estimate is that stocks located in the market segment outside of those two countries will not likely result in more than a 5% aggregate weight of the total portfolio. There are no immediate plans to increase the maximum allowable exposure to EM within the strategy.

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

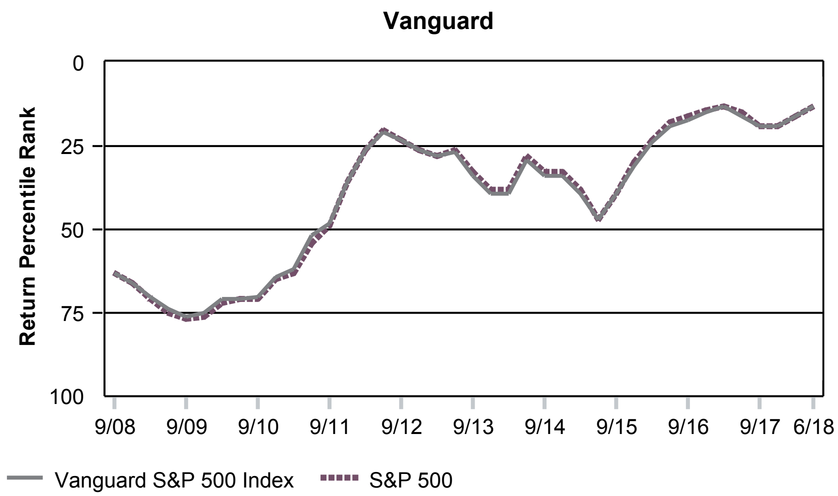
Compliance Checklist

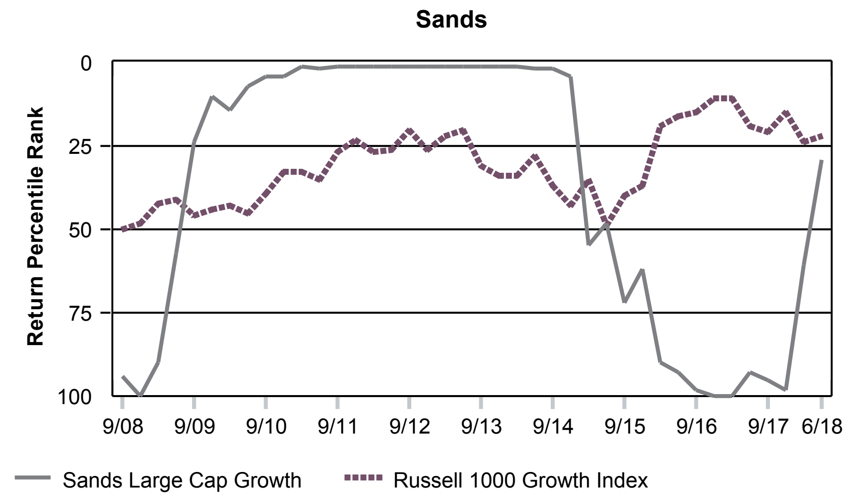
As of June 30, 2018

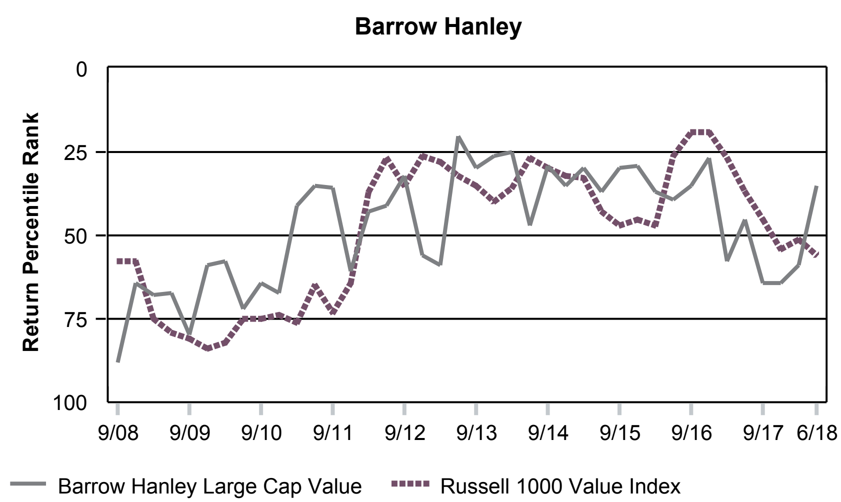
Portfolio	Score Factor	Comments
Harding Loevner Inst. Emerging Markets I - Both Plans	Qualitative Compliance	Effective July 2nd, Scott Crawshaw became a co-lead portfolio Manager on the strategy, replacing Rusty Johnson. Mr. Crawshaw has served as a paper portfolio manager on the strategy since 2014. Mr. Johnson continues to serve as an analyst of emerging market companies and will manage a paper portfolio. As a reminder, paper portfolios provide signals of timely investment opportunities for the co-lead PMs to consider as they manage the model portfolio. Harding Loevner made the co-lead PM assignment changes to provide Mr. Johnson flexibility to address a pressing health issue.
Barrow Hanley Short Fixed - Surplus Cash	Qualitative Compliance	In August 2018, BHMS announced David Hardin, Managing Director and Fixed Income Portfolio Manager, plans to retire effective January 31, 2019.
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.
Lighthouse Diversified - Pension	Qualitative Compliance	On July 1, 2018 Lighthouse officially acquired the assets of Mesirow Advanced Strategies. 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.

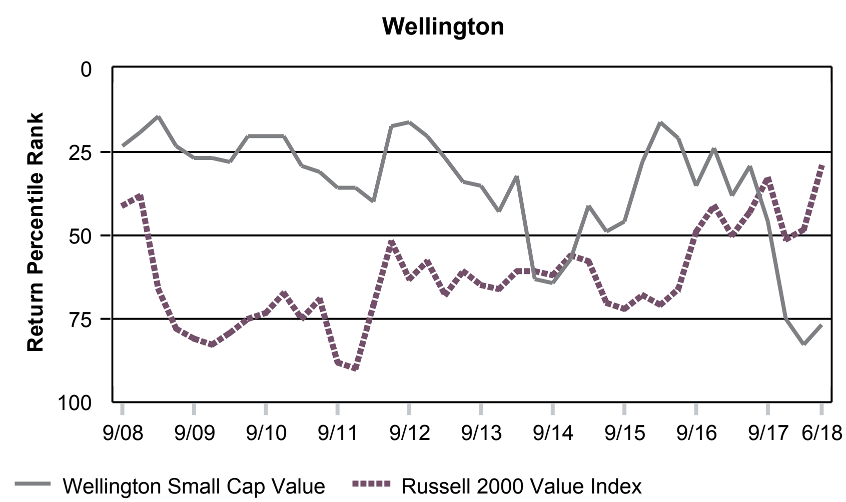
Performance compliance represents Pavilion's view on manager performance relative to Pavilion's expectations for performance, based primarily on manager investment philosophy and process. The three and five year return, rank and Sharpe ratio goals are as follows: the annualized return exceeds the benchmark's 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 June 30, 2018



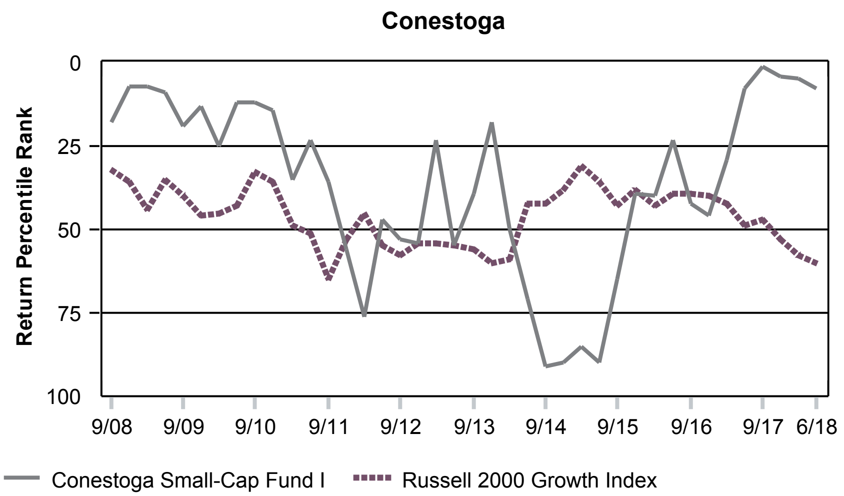


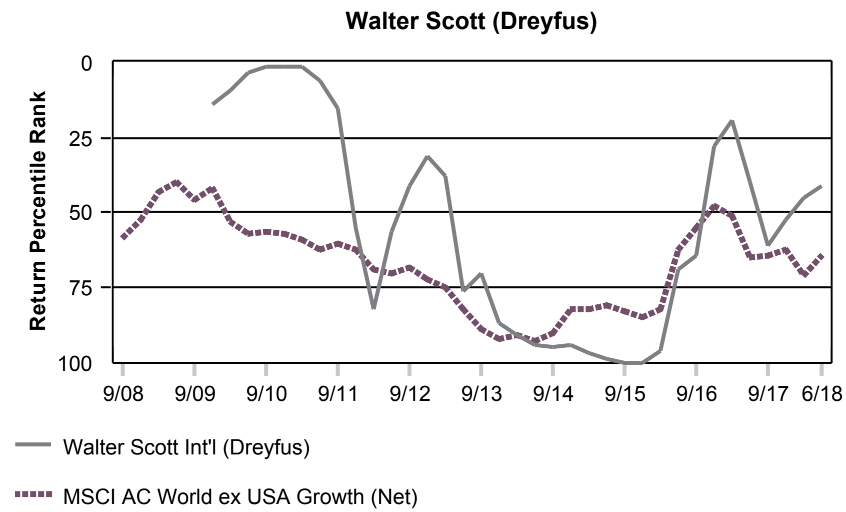


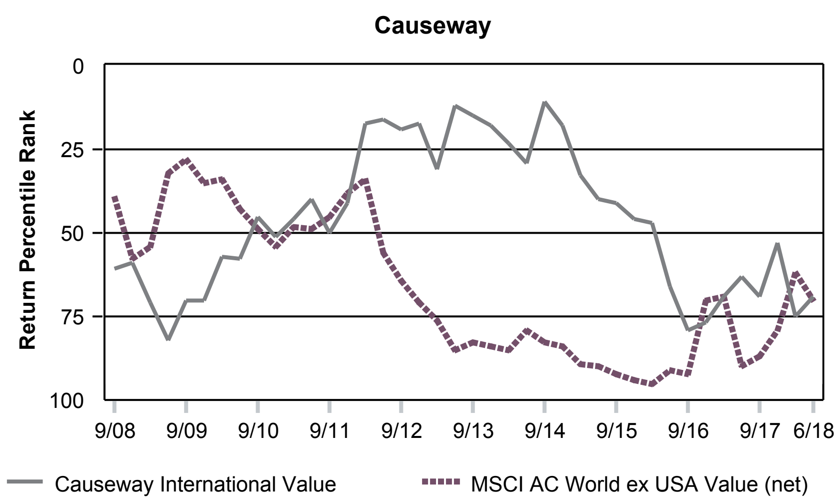


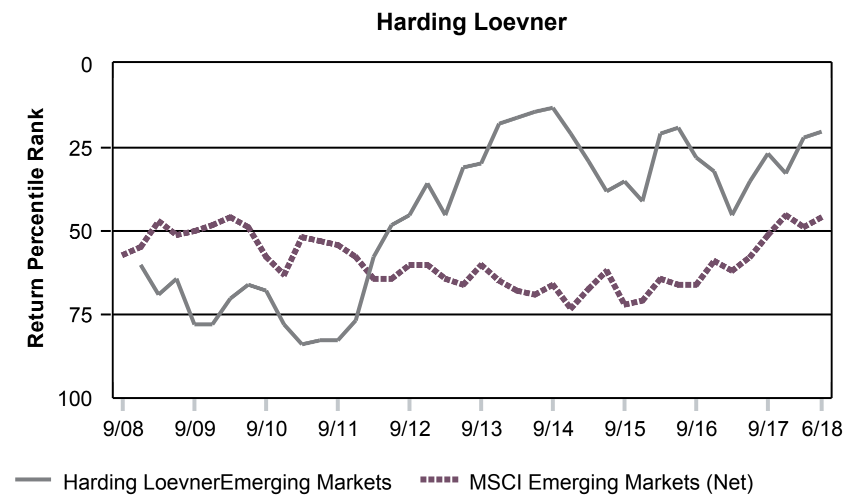
PAVIONE

Manager Performance Evaluation
Rolling 3 Year Rankings vs. Peers
As of June 30, 2018





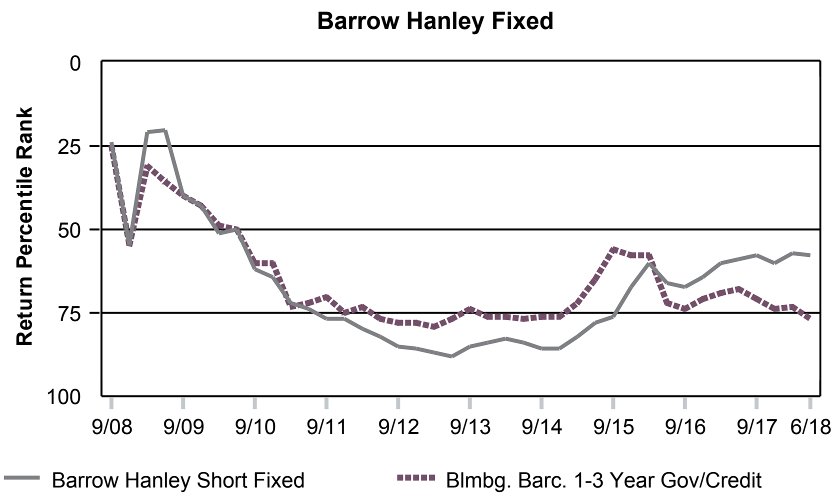


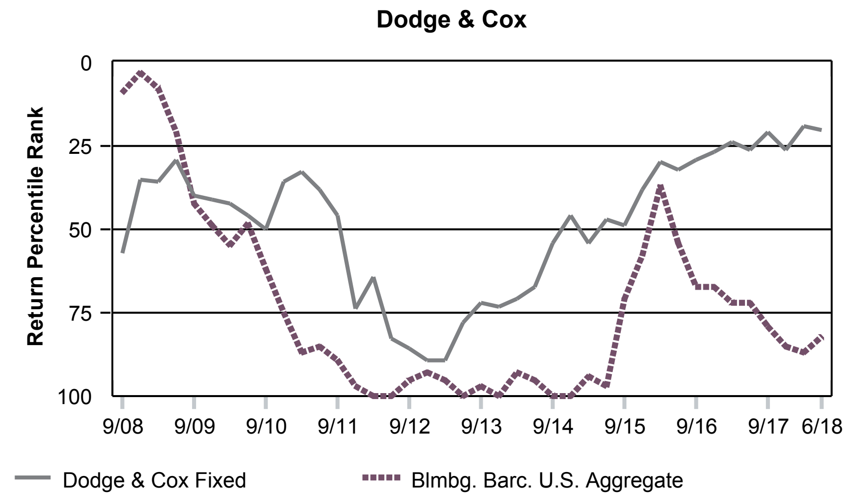


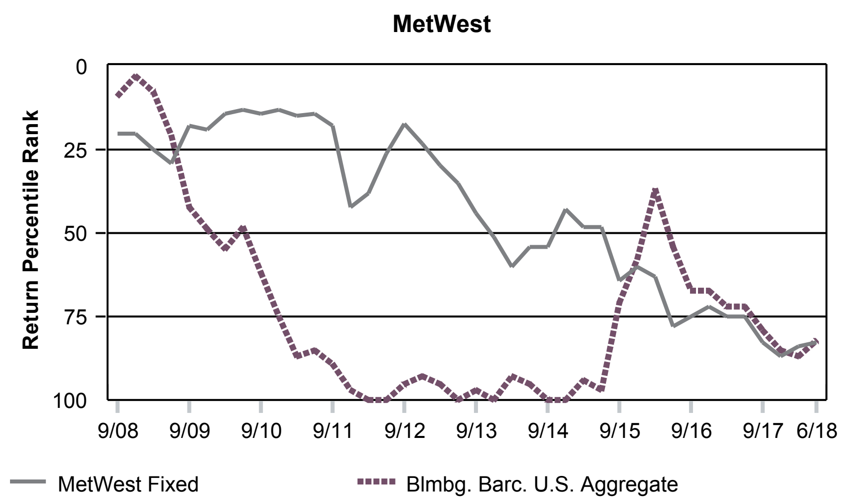
Manager Performance Evaluation

Rolling 3 Year Rankings vs. Peers

As of June 30, 2018

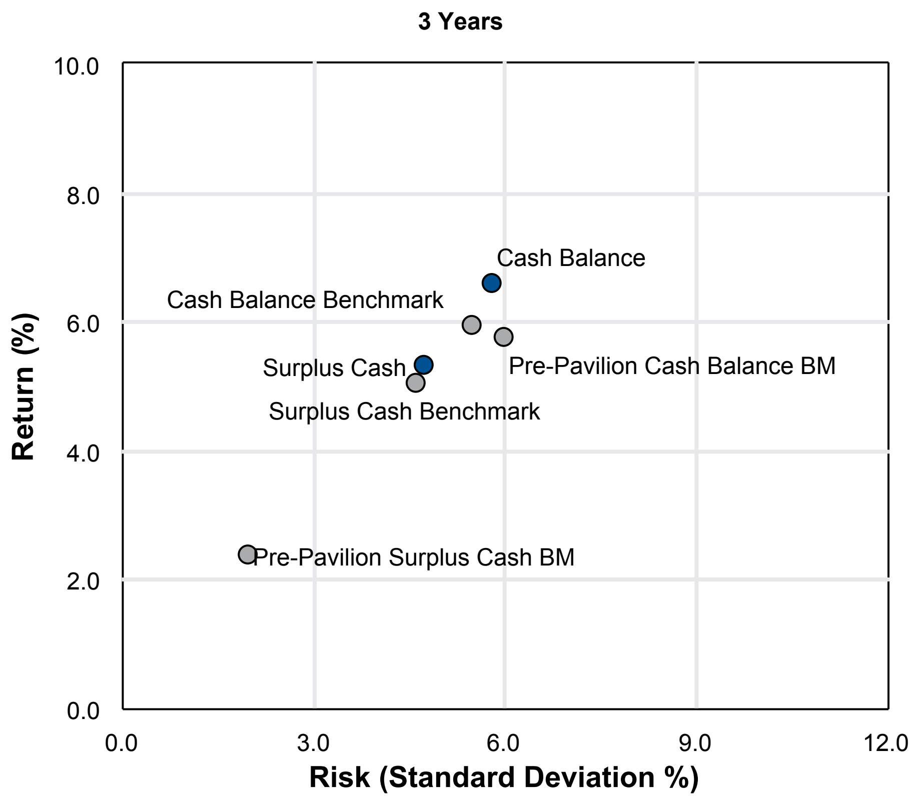


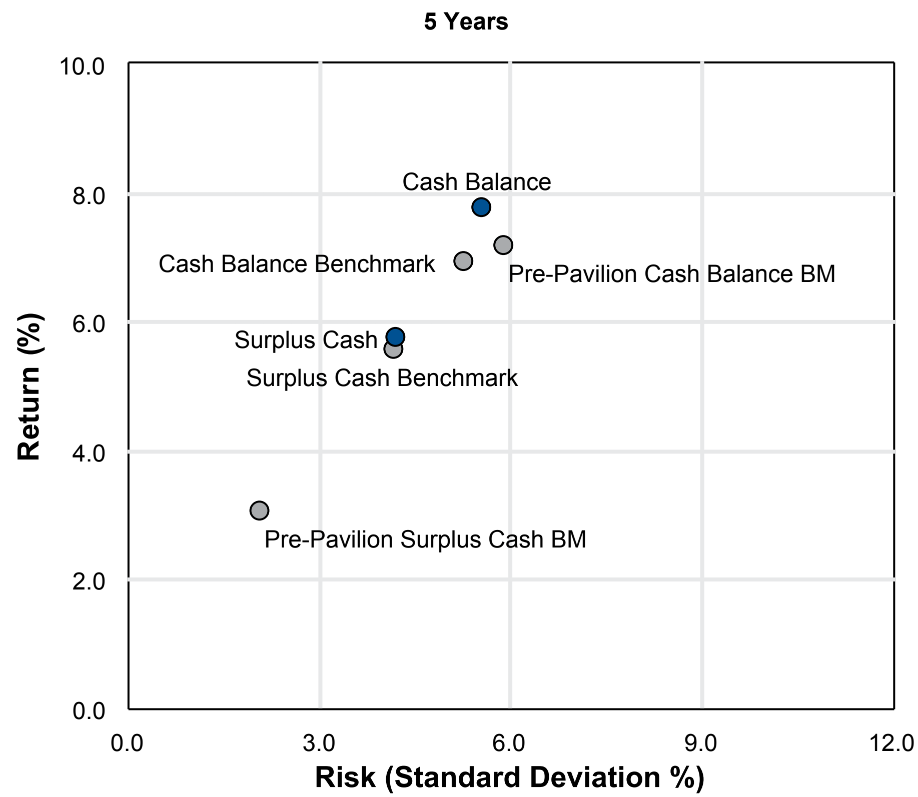




Performance Summary

Surplus Cash and Cash Balance Plan
Risk and Return Summary (Net of Fees)
As of June 30, 2018





Surplus Cash Portfolio ex District

Composite Asset Allocation & Performance

As of June 30, 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	**942,917,470**	**100.0**	**1.3**	**1.4**	**6.9**	**6.9**	**5.3**	**5.8**	**5.9**	**5.7**	**5y 8m**
Surplus Cash Total Benchmark			0.8	0.2	5.8	5.8	5.1	5.6	5.4	5.4	
Pre-Pavilion Surplus Cash Total Benchmark			0.2	-1.1	0.8	0.8	2.4	3.1	4.0	2.9	
Total Surplus Cash X District X Privates	**919,819,867**	**97.6**	**1.3**	**1.4**	**7.0**	**7.0**	**5.3**	**5.6**	**5.9**	**5.5**	**5y 8m**
Surplus Cash Total Benchmark x Privates			0.8	0.1	5.8	5.8	5.1	5.6	5.5	5.4	
Total Equity Composite	**388,800,834**	**41.2**	**2.8**	**3.4**	**13.7**	**13.7**	**9.6**	**10.7**	**8.6**	**11.9**	**5y 8m**
Total Equity Benchmark - Surplus			1.7	0.9	12.1	12.1	9.2	10.7	8.2	11.7	
Domestic Equity Composite	**250,776,232**	**26.6**	**5.8**	**6.4**	**17.7**	**17.7**	**11.8**	**13.0**	**10.1**	**14.6**	**5y 8m**
Domestic Equity Benchmark - Surplus			4.3	3.7	15.1	15.1	11.7	13.2	9.8	14.7	
Large Cap Equity Composite	205,084,370	21.7	5.1	6.1	17.5	17.5	11.8	13.6	10.3	14.9	5y 8m
Large Cap Equity Benchmark			3.4	2.7	14.4	14.4	11.8	13.4	9.7	14.6	
Small Cap Equity Composite	45,691,862	4.8	9.0	8.0	18.9	18.9	11.8	11.5	-	13.7	5y 8m
Small Cap Equity Benchmark			7.8	7.6	17.4	17.4	11.0	12.5	10.6	14.7	
International Equity Composite	**138,024,601**	**14.6**	**-2.1**	**-1.8**	**7.0**	**7.0**	**5.8**	**6.1**	**-**	**6.5**	**5y 8m**
MSCI AC World ex USA (Net)			-2.6	-3.8	7.3	7.3	5.1	6.0	2.5	6.3	

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

Composite Asset Allocation & Performance

As of June 30, 2018

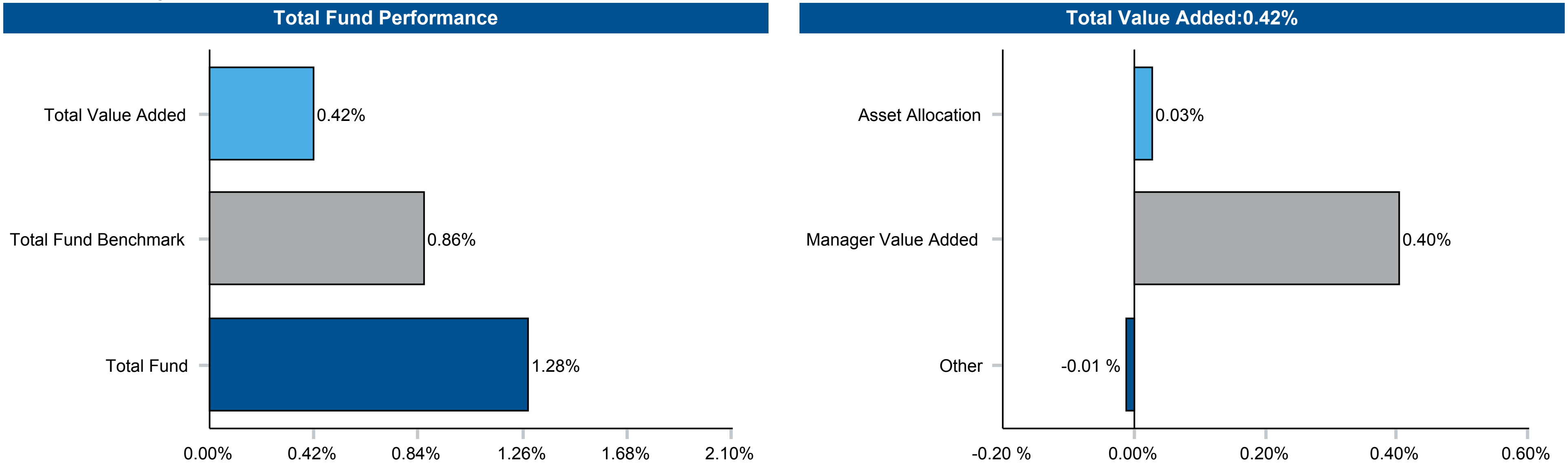
	Allocation		Performance(%)								
	Market Value ($)	%	Quarter	Year To Date	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Period
Total Fixed Income Composite	**395,980,018**	**42.0**	**0.0**	**-1.0**	**0.0**	**0.0**	**1.9**	**2.2**	**3.5**	**1.8**	**5y 8m**
Total Fixed Income Benchmark - Surplus			0.0	-1.2	-0.2	-0.2	1.5	1.9	3.2	1.4	
Short Duration Fixed Income Composite	**109,261,987**	**11.6**	**0.4**	**0.0**	**0.2**	**0.2**	**0.9**	**0.9**	**2.5**	**0.8**	**5y 8m**
Short Duration Fixed Income Benchmark - Surplus			0.3	0.1	0.2	0.2	0.7	0.8	2.5	0.8	
Market Duration Fixed Income Composite	**286,718,031**	**30.4**	**-0.1**	**-1.3**	**0.0**	**0.0**	**2.2**	**2.7**	**4.8**	**2.1**	**5y 8m**
Blmbg. Barc. U.S. Aggregate			-0.2	-1.6	-0.4	-0.4	1.7	2.3	3.7	1.6	
Total Alternatives Composite	**158,136,618**	**16.8**	**0.6**	**2.4**	**7.7**	**7.7**	**3.1**	**4.8**	**-**	**4.5**	**5y 2m**
Total Alternatives Benchmark - Surplus			0.7	1.4	5.6	5.6	3.5	4.9	-	4.6	
Real Estate Composite	**23,097,603**	**2.4**	**-0.1**	**1.8**	**3.6**	**3.6**	**6.1**	**-**	**-**	**10.0**	**4y 10m**
NCREIF Property Index			1.8	3.5	7.2	7.2	8.3	9.8	6.2	9.7	
Hedge Fund Composite	**135,039,015**	**14.3**	**0.7**	**2.5**	**8.7**	**8.7**	**2.1**	**3.5**	**-**	**3.3**	**5y 2m**
HFRI Fund of Funds Composite Index			0.4	0.7	5.1	5.1	1.9	3.5	1.4	3.2	

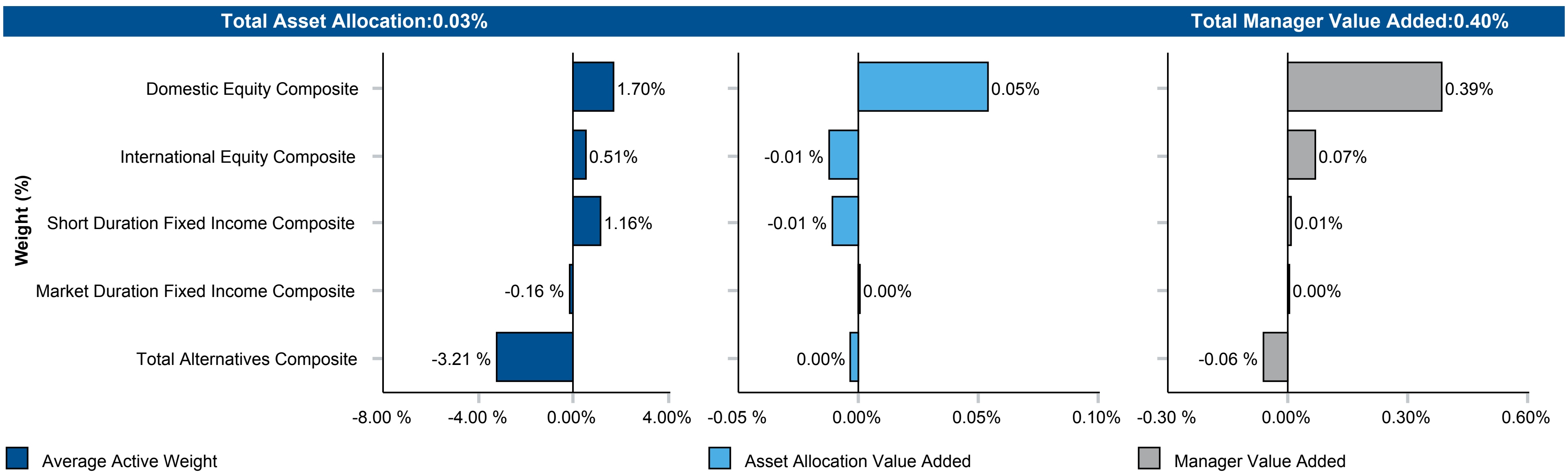
Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

Surplus Cash Portfolio ex District

Attribution Analysis

1 Quarter Ending June 30, 2018





"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 June 30, 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	121,911,913	12.9	3.4 (25)	2.6 (29)	14.3 (32)	14.3 (32)	11.9 (14)	13.4 (24)	10.2 (28)	14.6 (-)	5y 8m
S&P 500			3.4 (25)	2.6 (29)	14.4 (32)	14.4 (32)	11.9 (14)	13.4 (23)	10.2 (28)	14.6 (-)	
eV Large Cap Core Median			*2.4*	*1.4*	*12.8*	*12.8*	*10.0*	*12.3*	*9.5*	-	
Sands Large Cap Growth (Touchstone)	42,870,060	4.5	10.4 (1)	21.1 (1)	33.9 (1)	33.9 (1)	14.2 (30)	16.1 (38)	13.7 (5)	16.8 (-)	5y 8m
Russell 1000 Growth Index			5.8 (42)	7.3 (56)	22.5 (45)	22.5 (45)	15.0 (23)	16.4 (34)	11.8 (24)	16.9 (-)	
eV Large Cap Growth Median			*5.5*	*8.0*	*21.8*	*21.8*	*13.1*	*15.3*	*10.9*	-	
Barrow Hanley Large Cap Value	40,302,398	4.3	5.0 (2)	3.0 (3)	12.1 (18)	12.1 (18)	9.0 (36)	11.2 (36)	9.4 (33)	9.2 (-)	17y 11m
Russell 1000 Value Index			1.2 (63)	-1.7 (65)	6.8 (78)	6.8 (78)	8.3 (57)	10.3 (57)	8.5 (57)	7.1 (-)	
eV Large Cap Value Median			*1.6*	*-1.0*	*9.3*	*9.3*	*8.5*	*10.7*	*8.7*	-	
Small-Cap Equity											
Wellington Small Cap Value	22,046,465	2.3	8.0 (17)	3.5 (47)	10.4 (67)	10.4 (67)	7.7 (78)	10.4 (64)	10.9 (36)	12.6 (-)	5y 8m
Russell 2000 Value Index			8.3 (16)	5.4 (24)	13.1 (39)	13.1 (39)	11.2 (30)	11.2 (47)	9.9 (60)	13.3 (-)	
eV Small Cap Value Median			*5.4*	*3.2*	*11.6*	*11.6*	*9.6*	*11.1*	*10.3*	-	
Conestoga Small Cap Growth	23,645,397	2.5	10.0 (36)	12.4 (48)	28.0 (29)	28.0 (29)	18.1 (9)	16.1 (18)	13.6 (17)	27.2 (-)	2y
Russell 2000 Growth Index			7.2 (70)	9.7 (66)	21.9 (61)	21.9 (61)	10.6 (61)	13.6 (51)	11.2 (55)	23.1 (-)	
eV Small Cap Growth Median			*8.6*	*12.2*	*23.7*	*23.7*	*11.6*	*13.7*	*11.6*	*23.7*	
International Equity											
Causeway International Value	50,196,463	5.3	-2.0 (34)	-5.7 (80)	5.9 (32)	5.9 (32)	3.6 (70)	5.5 (69)	4.0 (37)	-4.2 (-)	0y 2m
MSCI AC World ex USA (Net)			-2.6 (54)	-3.8 (38)	7.3 (19)	7.3 (19)	5.1 (30)	6.0 (52)	2.5 (73)	-4.1 (-)	
MSCI AC World ex USA Value (net)			-3.8 (80)	-5.3 (71)	4.6 (57)	4.6 (57)	3.5 (71)	4.8 (84)	2.0 (79)	-6.2 (-)	
Custom Non US Diversified Value Median			*-2.4*	*-4.1*	*5.0*	*5.0*	*4.3*	*6.1*	*3.4*	-	
Walter Scott Int'l (Dreyfus)	57,246,880	6.1	0.8 (30)	0.3 (45)	10.0 (65)	10.0 (65)	8.3 (42)	6.8 (88)	5.3 (41)	6.9 (-)	5y 8m
MSCI AC World ex USA (Net)			-2.6 (89)	-3.8 (96)	7.3 (89)	7.3 (89)	5.1 (87)	6.0 (97)	2.5 (91)	6.3 (-)	
MSCI AC World ex USA Growth (Net)			-1.4 (72)	-2.3 (81)	9.9 (66)	9.9 (66)	6.6 (65)	7.2 (80)	3.0 (84)	7.5 (-)	
Custom Non US Diversified Growth Median			*-0.5*	*-0.1*	*11.8*	*11.8*	*7.8*	*8.3*	*4.8*	-	
Harding Loevner Emerging Markets	30,581,258	3.2	-7.6 (36)	-4.3 (12)	8.5 (31)	8.5 (31)	7.7 (21)	6.7 (20)	3.3 (41)	13.6 (-)	2y 10m
MSCI Emerging Markets (Net)			-8.0 (40)	-6.7 (43)	8.2 (34)	8.2 (34)	5.6 (47)	5.0 (49)	2.3 (59)	12.4 (-)	
eV International Emerging Equity Median			*-8.6*	*-7.0*	*6.8*	*6.8*	*5.4*	*4.9*	*2.6*	-	

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 June 30, 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	96,508,350	10.2	0.4 (33)	0.0 (62)	0.2 (73)	0.2 (73)	0.9 (59)	0.9 (69)	1.6 (81)	4.6 (-)	27y 3m
Blmbg. Barc. 1-3 Year Gov/Credit			0.3 (67)	0.1 (55)	0.2 (72)	0.2 (72)	0.7 (78)	0.8 (77)	1.7 (79)	4.1 (-)	
eV US Short Fixed Income Median			*0.3*	*0.1*	*0.5*	*0.5*	*1.0*	*1.2*	*2.2*	-	
Cash Composite	12,753,637	1.4	-0.3	-0.1	0.4	0.4	0.3	0.3	-	0.0	5y 8m
90 Day U.S. Treasury Bill			0.5	0.8	1.4	1.4	0.6	0.4	0.3	0.4	
Market Duration Fixed Income											
Dodge & Cox Fixed	142,613,904	15.1	-0.3 (49)	-1.3 (27)	0.2 (38)	0.2 (38)	2.8 (21)	3.3 (31)	4.9 (41)	2.6 (-)	5y 8m
Blmbg. Barc. U.S. Aggregate			-0.2 (36)	-1.6 (54)	-0.4 (79)	-0.4 (79)	1.7 (83)	2.3 (87)	3.7 (99)	1.6 (-)	
eV Core Plus Fixed Income Median			*-0.3*	*-1.6*	*0.1*	*0.1*	*2.4*	*2.9*	*4.7*	-	
MetWest Fixed	131,120,346	13.9	0.0 (22)	-1.4 (32)	-0.3 (73)	-0.3 (73)	1.7 (84)	2.2 (89)	5.3 (27)	1.7 (-)	5y 8m
Blmbg. Barc. U.S. Aggregate			-0.2 (36)	-1.6 (54)	-0.4 (79)	-0.4 (79)	1.7 (83)	2.3 (87)	3.7 (99)	1.6 (-)	
eV Core Plus Fixed Income Median			*-0.3*	*-1.6*	*0.1*	*0.1*	*2.4*	*2.9*	*4.7*	-	
Met West Total Return Bond Plan - CONCERN	12,983,782	1.4	0.0 (22)	-1.3 (27)	-0.2 (71)	-0.2 (71)	1.6 (85)	2.5 (75)	-	1.5 (-)	2y 5m
Blmbg. Barc. U.S. Aggregate			-0.2 (36)	-1.6 (54)	-0.4 (79)	-0.4 (79)	1.7 (83)	2.3 (87)	3.7 (99)	1.3 (-)	
eV Core Plus Fixed Income Median			*-0.3*	*-1.6*	*0.1*	*0.1*	*2.4*	*2.9*	*4.7*	-	
Real Estate											
Oaktree Real Estate Opportunities Fund VI	8,415,777	0.9	0.0	1.9	5.8	5.8	4.2	-	-	8.2	4y 10m
NCREIF Property Index			1.8	3.5	7.2	7.2	8.3	9.8	6.2	9.7	
Walton Street Real Estate Fund VII, L.P.	8,484,085	0.9	0.0	1.5	5.0	5.0	9.3	-	-	15.4	4y 8m
NCREIF Property Index			1.8	3.5	7.2	7.2	8.3	9.8	6.2	9.7	
Walton Street Real Estate Fund VIII, L.P.	6,197,741	0.7	-0.5	2.2	9.3	9.3	-	-	-	15.5	1y 1m
NCREIF Property Index			1.8	3.5	7.2	7.2	8.3	9.8	6.2	7.2	
Hedge Funds											
Hedge Fund Composite	135,039,015	14.3	0.7	2.5	8.7	8.7	2.1	3.5	-	3.3	5y 2m
HFRI Fund of Funds Composite Index			0.4	0.7	5.1	5.1	1.9	3.5	1.4	3.2	

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 June 30, 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	942,917,470	100.0	1.3	1.4	6.9	6.9	5.3	5.8	5.9	5.7	5y 8m
Total Surplus Cash Benchmark			0.8	0.2	5.8	5.8	5.1	5.6	5.4	5.4	
Pre-Pavilion Total Surplus Cash Benchmark			0.2	-1.1	0.8	0.8	2.4	3.1	4.0	2.9	

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 June 30, 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	**264,422,335**	**100.0**	**2.0**	**2.5**	**8.9**	**8.9**	**6.6**	**7.8**	**7.5**	**8.1**	**5y 8m**
Total Cash Balance Plan Benchmark			1.0	0.4	7.1	7.1	5.9	6.9	6.4	7.2	
Pre-Pavilion Total Cash Balance Plan Benchmark			0.6	-1.6	3.9	3.9	5.7	7.2	6.9	8.1	
Total Cash Balance Plan X Private Structures	**249,940,264**	**94.5**	**2.1**	**2.5**	**9.2**	**9.2**	**6.6**	**7.5**	**7.4**	**7.9**	**5y 8m**
Cash Balance Plan Total X Privates Benchmark			0.9	0.2	7.1	7.1	5.8	6.8	6.3	7.1	
Total Equity Composite	**140,258,376**	**53.0**	**3.5**	**4.3**	**14.6**	**14.6**	**9.7**	**10.8**	**8.3**	**11.8**	**5y 8m**
Total Equity Benchmark			1.7	0.8	12.2	12.2	9.3	10.7	8.1	11.7	
Domestic Equity Composite	**92,186,681**	**34.9**	**6.3**	**7.6**	**19.0**	**19.0**	**12.0**	**13.4**	**10.0**	**14.8**	**5y 8m**
Domestic Equity Benchmark			4.1	3.5	14.9	14.9	11.7	13.3	9.8	14.7	
Large Cap Equity Composite	76,674,802	29.0	5.8	7.5	18.9	18.9	12.0	13.8	10.1	15.0	5y 8m
Large Cap Equity Benchmark			3.4	2.7	14.4	14.4	11.8	13.4	9.7	14.6	
Small Cap Equity Composite	15,511,879	5.9	9.0	8.0	18.8	18.8	11.8	11.4	-	13.6	5y 8m
Small Cap Equity Benchmark			7.8	7.6	17.4	17.4	11.0	12.5	10.6	14.7	
International Equity Composite	**48,071,695**	**18.2**	**-1.5**	**-1.4**	**7.1**	**7.1**	**5.6**	**5.9**	**-**	**6.4**	**5y 8m**
MSCI AC World ex USA (Net)			-2.6	-3.8	7.3	7.3	5.1	6.0	2.5	6.3	

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.

Cash Balance Plan

Composite Asset Allocation & Performance

As of June 30, 2018

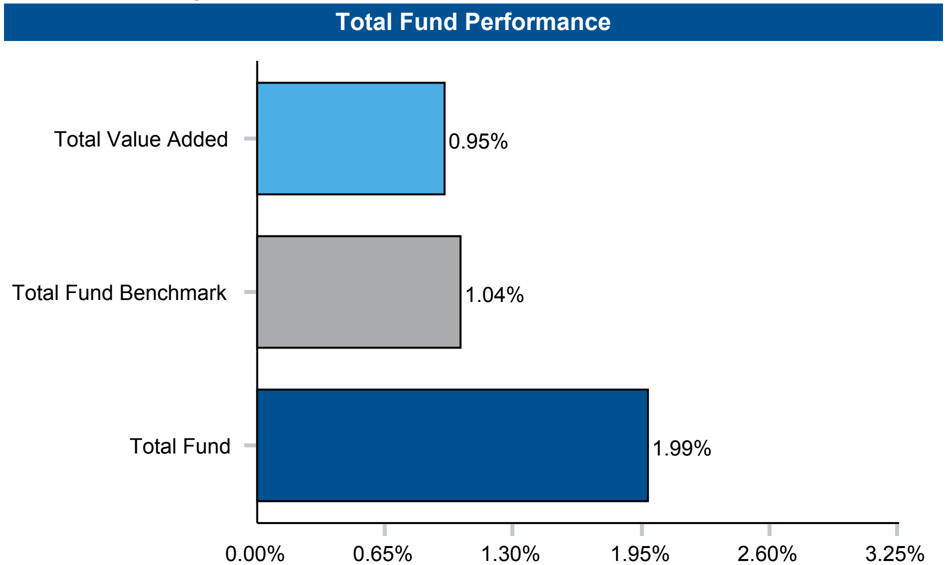
	Allocation		Performance(%)								
	Market Value ($)	%	Quarter	Year To Date	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Period
Total Fixed Income Composite	**77,149,108**	**29.2**	**-0.1**	**-1.0**	**0.2**	**0.2**	**2.0**	**2.3**	**4.8**	**2.0**	**5y 8m**
Total Fixed Income Benchmark			-0.1	-1.3	-0.3	-0.3	1.4	1.9	3.6	1.3	
Short Duration Fixed Income Composite	**11,609,618**	**4.4**	**0.4**	**0.3**	**0.5**	**0.5**	**1.0**	**0.9**	**-**	**0.8**	**5y 8m**
Short Duration Fixed Income Benchmark			0.3	0.1	0.2	0.2	0.7	0.8	0.6	0.8	
Market Duration Fixed Income Composite	**65,539,490**	**24.8**	**-0.2**	**-1.3**	**0.1**	**0.1**	**2.1**	**2.8**	**5.0**	**2.3**	**5y 8m**
Blmbg. Barc. U.S. Aggregate			-0.2	-1.6	-0.4	-0.4	1.7	2.3	3.7	1.6	
Total Alternatives Composite	**47,014,850**	**17.8**	**1.0**	**2.5**	**6.7**	**6.7**	**4.8**	**8.4**	**-**	**8.2**	**5y 8m**
Total Alternatives Benchmark			0.9	1.6	5.8	5.8	4.0	5.5	-	5.9	
Hedge Fund of Fund Composite	**32,532,780**	**12.3**	**1.5**	**2.8**	**8.3**	**8.3**	**4.0**	**6.9**	**-**	**7.0**	**5y 8m**
HFRI Fund of Funds Composite Index			0.4	0.7	5.1	5.1	1.9	3.5	1.4	3.9	
Real Estate Composite	**14,482,070**	**5.5**	**-0.1**	**1.9**	**3.6**	**3.6**	**6.0**	**11.0**	**-**	**9.9**	**5y 6m**
NCREIF Property Index			1.8	3.5	7.2	7.2	8.3	9.8	6.2	9.9	

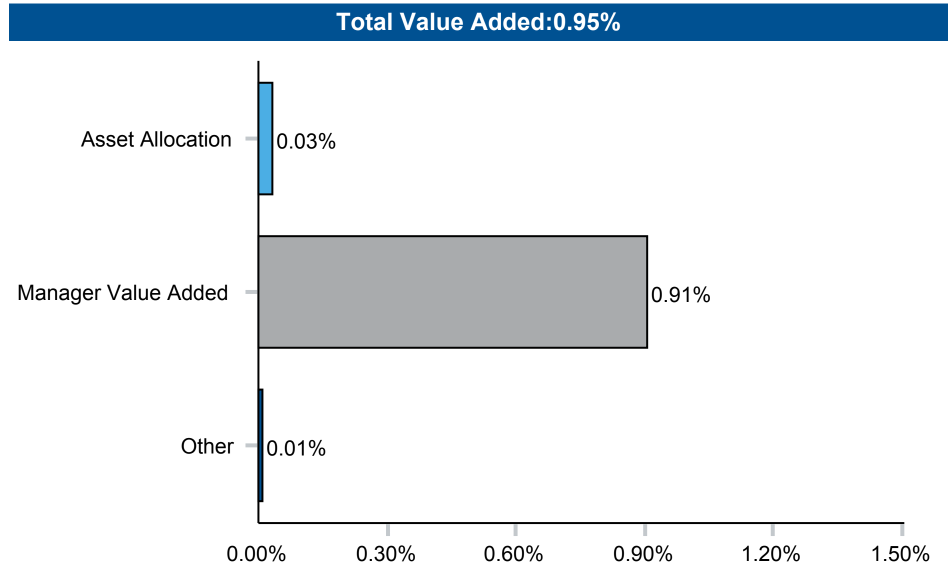
Returns are expressed as percentages and are net of investment management fees. Returns for periods greater than one year are annualized.
Peer group percentile ranks are shown in parentheses.

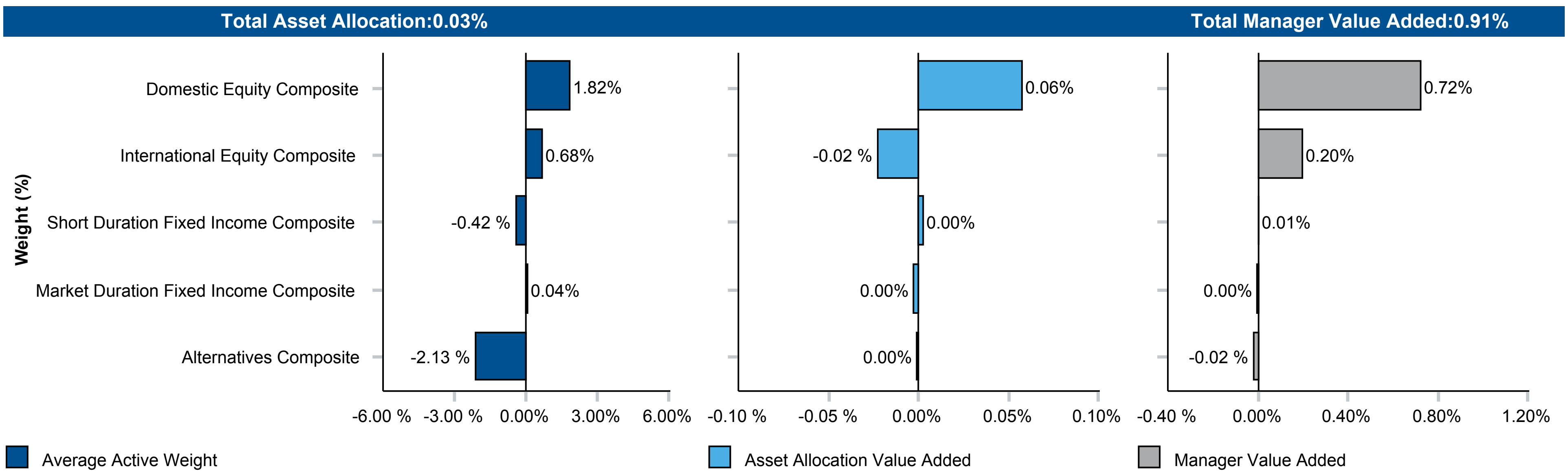
Cash Balance Plan

Attribution Analysis

1 Quarter Ending June 30, 2018







"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 June 30, 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	35,418,822	13.4	3.4 (25)	2.6 (29)	14.3 (32)	14.3 (32)	11.9 (14)	13.4 (24)	10.2 (28)	14.6 (-)	5y 8m
S&P 500			3.4 (25)	2.6 (29)	14.4 (32)	14.4 (32)	11.9 (14)	13.4 (23)	10.2 (28)	14.6 (-)	
eV Large Cap Core Median			*2.4*	*1.4*	*12.8*	*12.8*	*10.0*	*12.3*	*9.5*	-	
Sands Large Cap Growth (Touchstone)	22,376,630	8.5	10.4 (1)	21.1 (1)	33.9 (1)	33.9 (1)	14.2 (30)	16.1 (38)	13.7 (5)	16.8 (-)	5y 8m
Russell 1000 Growth Index			5.8 (42)	7.3 (56)	22.5 (45)	22.5 (45)	15.0 (23)	16.4 (34)	11.8 (24)	16.9 (-)	
eV Large Cap Growth Median			*5.5*	*8.0*	*21.8*	*21.8*	*13.1*	*15.3*	*10.9*	-	
Barrow Hanley Large Cap Value	18,879,350	7.1	5.1 (1)	3.2 (2)	12.5 (15)	12.5 (15)	9.3 (31)	11.5 (26)	9.5 (29)	13.5 (-)	5y 8m
Russell 1000 Value Index			1.2 (63)	-1.7 (65)	6.8 (78)	6.8 (78)	8.3 (57)	10.3 (57)	8.5 (57)	12.3 (-)	
eV Large Cap Value Median			*1.6*	*-1.0*	*9.3*	*9.3*	*8.5*	*10.7*	*8.7*	-	
Small-Cap Equity											
Wellington Small Cap Value	7,432,894	2.8	8.0 (17)	3.5 (47)	10.2 (69)	10.2 (69)	7.6 (79)	10.4 (65)	10.9 (38)	12.6 (-)	5y 8m
Russell 2000 Value Index			8.3 (16)	5.4 (24)	13.1 (39)	13.1 (39)	11.2 (30)	11.2 (47)	9.9 (60)	13.3 (-)	
eV Small Cap Value Median			*5.4*	*3.2*	*11.6*	*11.6*	*9.6*	*11.1*	*10.3*	-	
Conestoga Small Cap Growth	8,078,985	3.1	10.0 (36)	12.4 (48)	28.0 (29)	28.0 (29)	18.1 (9)	16.1 (18)	13.6 (17)	27.2 (-)	2y
Russell 2000 Growth Index			7.2 (70)	9.7 (66)	21.9 (61)	21.9 (61)	10.6 (61)	13.6 (51)	11.2 (55)	23.1 (-)	
eV Small Cap Growth Median			*8.6*	*12.2*	*23.7*	*23.7*	*11.6*	*13.7*	*11.6*	*23.7*	
International Equity											
Causeway International Value	19,331,908	7.3	-2.0 (34)	-5.7 (80)	5.9 (32)	5.9 (32)	3.6 (70)	5.5 (69)	4.0 (37)	-4.2 (-)	0y 2m
MSCI AC World ex USA (Net)			-2.6 (54)	-3.8 (38)	7.3 (19)	7.3 (19)	5.1 (30)	6.0 (52)	2.5 (73)	-4.1 (-)	
MSCI AC World ex USA Value (net)			-3.8 (80)	-5.3 (71)	4.6 (57)	4.6 (57)	3.5 (71)	4.8 (84)	2.0 (79)	-6.2 (-)	
Custom Non US Diversified Value Median			*-2.4*	*-4.1*	*5.0*	*5.0*	*4.3*	*6.1*	*3.4*	-	
Walter Scott Int'l (Dreyfus)	21,900,676	8.3	0.8 (30)	0.3 (45)	10.0 (65)	10.0 (65)	8.3 (42)	6.8 (88)	5.3 (41)	6.9 (-)	5y 8m
MSCI AC World ex USA (Net)			-2.6 (89)	-3.8 (96)	7.3 (89)	7.3 (89)	5.1 (87)	6.0 (97)	2.5 (91)	6.3 (-)	
MSCI AC World ex USA Growth (Net)			-1.4 (72)	-2.3 (81)	9.9 (66)	9.9 (66)	6.6 (65)	7.2 (80)	3.0 (84)	7.5 (-)	
Custom Non US Diversified Growth Median			*-0.5*	*-0.1*	*11.8*	*11.8*	*7.8*	*8.3*	*4.8*	-	
Harding Loevner Inst. Emerging Markets I	6,839,111	2.6	-7.6 (36)	-4.3 (12)	8.5 (31)	8.5 (31)	7.7 (21)	6.7 (20)	3.3 (41)	14.0 (-)	1y 8m
MSCI Emerging Markets (Net)			-8.0 (40)	-6.7 (43)	8.2 (34)	8.2 (34)	5.6 (47)	5.0 (49)	2.3 (59)	13.0 (-)	
eV International Emerging Equity Median			*-8.6*	*-7.0*	*6.8*	*6.8*	*5.4*	*4.9*	*2.6*	-	

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 June 30, 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	10,552,053	4.0	0.4 (28)	0.1 (50)	0.2 (75)	0.2 (75)	0.7 (76)	0.8 (83)	1.6 (84)	0.7 (-)	5y 8m
Blmbg. Barc. 1-3 Year Gov/Credit			0.3 (67)	0.1 (55)	0.2 (72)	0.2 (72)	0.7 (78)	0.8 (77)	1.7 (79)	0.8 (-)	
eV US Short Fixed Income Median			*0.3*	*0.1*	*0.5*	*0.5*	*1.0*	*1.2*	*2.2*	-	
Cash Composite	1,057,566	0.4	0.4	0.8	1.4	1.4	2.2	2.2	-	2.0	5y 8m
90 Day U.S. Treasury Bill			0.5	0.8	1.4	1.4	0.6	0.4	0.3	0.4	
Market Duration Fixed Income											
Dodge & Cox Income Fund	32,850,917	12.4	-0.3 (56)	-1.2 (22)	0.4 (28)	0.4 (28)	2.6 (33)	3.1 (41)	4.9 (44)	6.6 (-)	29y 6m
Blmbg. Barc. U.S. Aggregate			-0.2 (36)	-1.6 (54)	-0.4 (79)	-0.4 (79)	1.7 (83)	2.3 (87)	3.7 (99)	6.1 (-)	
eV Core Plus Fixed Income Median			*-0.3*	*-1.6*	*0.1*	*0.1*	*2.4*	*2.9*	*4.7*	-	
Met West Total Return Fund Pl	32,688,573	12.4	0.0 (22)	-1.3 (26)	-0.2 (71)	-0.2 (71)	1.6 (91)	2.5 (80)	5.5 (22)	2.1 (-)	5y 8m
Blmbg. Barc. U.S. Aggregate			-0.2 (36)	-1.6 (54)	-0.4 (79)	-0.4 (79)	1.7 (83)	2.3 (87)	3.7 (99)	1.6 (-)	
eV Core Plus Fixed Income Median			*-0.3*	*-1.6*	*0.1*	*0.1*	*2.4*	*2.9*	*4.7*	-	
Hedge Fund of Funds											
Lighthouse Diversified[CE]	16,571,037	6.3	0.7	1.4	4.5	4.5	2.6	5.3	3.2	5.5	5y 8m
HFRI Fund of Funds Composite Index			0.4	0.7	5.1	5.1	1.9	3.5	1.4	3.9	
Pointer Offshore LTD[CE]	15,961,743	6.0	2.4	4.2	12.7	12.7	5.6	8.7	6.6	8.9	5y 6m
HFRI Fund of Funds Composite Index			0.4	0.7	5.1	5.1	1.9	3.5	1.4	3.8	
Real Estate											
Oaktree RE Opportunities Fund VI	4,911,484	1.9	0.0	2.0	5.8	5.8	4.0	9.4	-	8.6	5y 5m
NCREIF Property Index			1.8	3.5	7.2	7.2	8.3	9.8	6.2	9.9	
Walton Street Real Estate Fund VII, L.P.	4,803,093	1.8	0.0	1.6	5.1	5.1	9.4	14.5	-	14.5	5y
NCREIF Property Index			1.8	3.5	7.2	7.2	8.3	9.8	6.2	9.8	
Walton Street Real Estate Fund VIII, L.P.	4,767,493	1.8	-0.5	2.2	9.3	9.3	-	-	-	15.5	1y 1m
NCREIF Property Index			1.8	3.5	7.2	7.2	8.3	9.8	6.2	7.2	
Total Plan											
Total Cash Balance Plan	264,422,335	100.0	2.0	2.5	8.9	8.9	6.6	7.8	7.5	8.1	5y 8m
Total Cash Balance Plan Benchmark			1.0	0.4	7.1	7.1	5.9	6.9	6.4	7.2	
Pre-Pavilion Total Cash Balance Plan Benchmark			0.6	-1.6	3.9	3.9	5.7	7.2	6.9	8.1	

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.

Private Real Estate Summary
As of June 30, 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	$8.4	$11.1	$19.5	8.5%	1.4	0.8
Walton Street RE Fund VII	2012	$14.0	$11.5	$7.9	$8.5	$8.7	$17.2	13.0%	1.5	0.8
Walton Street RE Fund VIII	2017	$13.0	$4.3	$8.7	$6.2	$0.0	$6.2	14.4%	1.4	0.0
Total		$41.0	$29.8	$19.8	$23.1	$19.8	$42.9		1.4	0.7
Cash Balance										
Oaktree RE Opportunities VI	2012	$8.4	$8.4	$1.9	$4.9	$6.9	$11.9	8.3%	1.4	0.8
Walton Street RE Fund VII	2012	$8.4	$6.9	$4.7	$4.8	$5.3	$10.1	13.4%	1.5	0.8
Walton Street RE Fund VIII	2017	$10.0	$3.3	$6.7	$4.8	$0.0	$4.8	21.8%	1.4	0.0
Total		$26.8	$18.6	$13.3	$14.5	$12.2	$26.7		1.4	0.7

[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

Asset Class Diversification

Surplus Cash Investment Program Structure

As of June 30, 2018

Manager	Asset Class/Type	Total Assets ($, mil.)	Percent of Total	Target Allocation	Weighting Relative to Target	Target Range
Large-Cap Domestic Equity		**$205.1**	**21.7%**	**20.0%**	**+ 1.7%**	**20-30%**
Vanguard S&P 500 Index	Large-Cap Index	$121.9	12.9%	10.0%	+ 2.9%	
Sands	Large-Cap Growth	$ 42.9	4.5%	5.0%	- 0.5%	
Barrow Hanley	Large-Cap Value	$ 40.3	4.3%	5.0%	- 0.7%	
Small-Cap Domestic Equity		**$ 45.7**	**4.8%**	**5.0%**	**- 0.2%**	
Conestoga	Small-Cap Growth	$ 23.6	2.5%	2.5%	+ 0.0%	
Wellington	Small-Cap Value	$ 22.0	2.3%	2.5%	- 0.2%	
International Equity		**$138.0**	**14.6%**	**15.0%**	**- 0.4%**	**10-20%**
Causeway	International Value	$ 50.2	5.3%			
Walter Scott	International Growth	$ 57.2	6.1%			
Harding Loevner	Emerging	$ 30.6	3.2%			
Short-Duration Fixed Income		**$109.3**	**11.6%**	**10.0%**	**+ 1.6%**	**8-12%**
Barrow Hanley	Short Duration	$ 96.5	10.2%			
Cash	Money Market	$ 12.8	1.4%			
Market-Duration Fixed Income		**$286.7**	**30.4%**	**30.0%**	**+ 0.4%**	**25-35%**
Dodge & Cox	Market Duration	$142.6	15.1%	15.0%	+ 0.1%	
MetWest	Market Duration	$144.1	15.3%	15.0%	+ 0.3%	
Alternatives		**$158.1**	**16.8%**	**20.0%**	**- 3.2%**	**17-23%**
Oaktree RE Opps VI	Real Estate	$ 8.4	0.9%			
Walton Street RE VII	Real Estate	$ 8.5	0.9%			
Walton Street RE VIII	Real Estate	$ 6.2	0.7%			
Direct Hedge Fund Composite	Hedge Fund	$135.0	14.3%			
Total (X District)		**$942.9**	**100.0%**			
District Assets - Barrow Hanley	Short Duration	$ 35.7				
Debt Reserves - Ponder	Short Duration	$197.7				
Total Surplus Cash		**$1,176.4**				

*Totals may not add due to rounding.

Liquidity Schedule

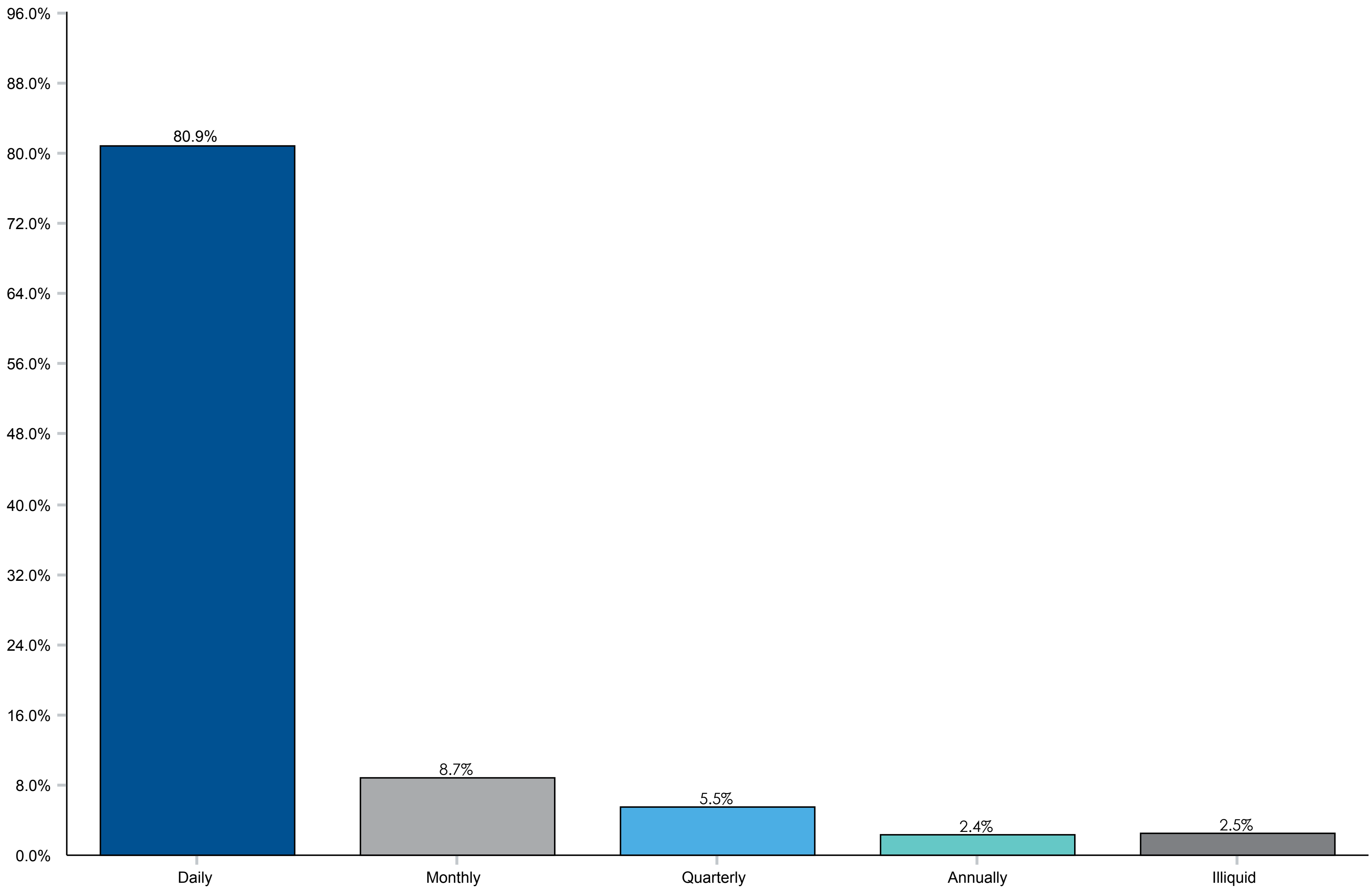
As of June 30, 2018

Investments	Market Value ($)	Daily ($)	Monthly ($)	Quarterly ($)	Annually ($)	Illiquid ($)	Withdrawals	Notes
Vanguard S&P 500 Index	121,911,913	121,911,913	--	--	--	--	Daily	Daily, No Lock-Up
Sands Large Cap Growth (Touchstone)	42,870,060	42,870,060	--	--	--	--	Daily	Daily, No Lock-Up
Barrow Hanley Large Cap Value	40,302,398	40,302,398	--	--	--	--	Daily	Daily, No Lock-Up
Wellington Small Cap Value	22,046,465	--	22,046,465	--	--	--	Monthly	10 Day Notice
Conestoga Small-Cap Fund I	23,645,397	23,645,397	--	--	--	--	Daily	Daily, No Lock-Up
Walter Scott Int'l (Dreyfus)	57,246,880	57,246,880	--	--	--	--	Daily	Daily, No Lock-Up
Causeway International Value	50,196,463	50,196,463	--	--	--	--	Daily	Daily, No Lock-Up
Harding Loevner Inst. Emerging Markets I	30,581,258	30,581,258	--	--	--	--	Daily	Daily, No Lock-Up
Barrow Hanley Short Fixed	96,508,350	96,508,350	--	--	--	--	Daily	Daily, No Lock-Up
Cash Account	2,866,821	2,866,821	--	--	--	--	Daily	Daily, No Lock-Up
Cash Account - CONCERN	86,433	86,433	--	--	--	--	Daily	Daily, No Lock-Up
Hedge Funds Cash	9,800,383	9,800,383	--	--	--	--	Daily	Daily, No Lock-Up
Dodge & Cox Fixed	142,613,904	142,613,904	--	--	--	--	Daily	Daily, No Lock-Up
MetWest Fixed	131,120,346	131,120,346	--	--	--	--	Daily	Daily, No Lock-Up
Met West Total Return Bond Plan - CONCERN	12,983,782	12,983,782	--	--	--	--	Daily	Daily, No Lock-Up
Oaktree Capital Management RE Opportunities Fund VI	8,415,777	--	--	--	--	8,415,777	Illiquid	Illiquid
Walton Street Real Estate Fund VII, L.P.	8,484,085	--	--	--	--	8,484,085	Illiquid	Illiquid
Walton Street Real Estate Fund VIII, L.P.	6,197,741	--	--	--	--	6,197,741	Illiquid	Illiquid
Blackrock The 32 Capital Fund, Ltd.[CE]	6,208,667	--	6,208,667	--	--	--	Monthly	30 Day Notice, No Lock-Up
Bloom Tree Offshore Fund Ltd.	9,712,388	--	--	9,712,388	--	--	Quarterly	45 Day Notice, No Lock-Up
Capeview Azri 2X Fund USD B - U[CE]	3,983,959	--	3,983,959	--	--	--	Monthly	30 Day Notice, No Lock-Up
Capeview Azri Fund USD B – UV	6,444,087	--	--	6,444,087	--	--	Quarterly	30 Day Notice, 2.5% Redemption Penalty
Chatham Asset High Yield Offshore Fund, Ltd	10,166,701	--	--	10,166,701	--	--	Quarterly	45 Day Notice, 20% Fund level gate
DK Distressed Opportunities International, Ltd.[CE]	10,862,875	--	--	--	10,862,875	--	Annually	90 Day Notice, No Lock-Up
EMSO Saguaro, Ltd.	10,199,777	--	10,199,777	--	--	--	Monthly	60 Day Notice, 15% Fund level gate
Fir Tree International Value Fund (Non-US), L.P.[CE]	579,487	--	--	--	579,487	--	Annually	Redemption in Progress
Indus Japan Fund Ltd.	10,372,232	--	--	10,372,232	--	--	Quarterly	30 Day Notice, No Lock-up
Luxor Capital Partners Offshore, Ltd.[CE]	862,847	--	--	862,847	--	--	Quarterly	Redemption in Progress
Marshall Wace Eureka Fund Class B2[CE]	10,201,371	--	10,201,371	--	--	--	Monthly	30 Day Notice, No Lock-Up
Moore Macro Managers Fund[CE]	6,661,323	--	--	6,661,323	--	--	Quarterly	60 Day Notice, No Lock-Up
Pine River Fund Ltd.[CE]	111,446	--	--	111,446	--	--	Quarterly	Redemption in Progress
Renaissance RIDGE	9,205,554	--	9,205,554	--	--	--	Monthly	Monthly with 45 Days Notice
Robeco Transtrend Diversified Fund LLC	10,520,526	--	10,520,526	--	--	--	Monthly	5 Day Notice, No Lock-Up
Stone Milliner Macro Inc Class A NI	10,071,073	--	10,071,073	--	--	--	Monthly	60 Day Notice, 25% Master Fund level gate
Tiger Eye Fund, Ltd.	7,865,933	--	--	7,865,933	--	--	Quarterly	60 Day Notice, 1% Penalty within First Year
York Credit Opportunities Unit Trust[CE]	11,008,770	--	--	--	11,008,770	--	Annually	60 Day Notice, No Lock-Up
Total ($)	**942,917,470**	**762,734,387**	**82,437,392**	**52,196,957**	**22,451,132**	**23,097,603**		
Total (%)	**100.0**	**80.9**	**8.7**	**5.5**	**2.4**	**2.5**		

Liquidity Schedule

As of June 30, 2018

Liquidity of Total Portfolio



PAVILION

Asset Class Diversification

Cash Balance Plan Investment Program Structure

As of June 30, 2018

Manager	Asset Class/Type	Total Assets ($, mil.)	Percent of Total	Target Allocation	Weighting Relative to Target	Target Range
Large-Cap Domestic Equity		**$ 76.7**	**29.0%**	**27.0%**	**+ 2.0%**	**27-37%**
Vanguard S&P 500 Index	Large-Cap Index	$ 35.4	13.4%	13.5%	- 0.1%	
Sands	Large-Cap Growth	$ 22.4	8.5%	6.8%	+ 1.7%	
Barrow Hanley	Large-Cap Value	$ 18.9	7.1%	6.8%	+ 0.3%	
Small-Cap Domestic Equity		**$ 15.5**	**5.9%**	**5.0%**	**+ 0.9%**	
Conestoga	Small-Cap Growth	$ 8.1	3.1%	2.5%	+ 0.6%	
Wellington	Small-Cap Value	$ 7.4	2.8%	2.5%	+ 0.3%	
International Equity		**$ 48.1**	**18.2%**	**18.0%**	**+ 0.2%**	**15-21%**
Causeway	International Value	$ 19.3	7.3%			
Walter Scott	International Growth	$ 21.9	8.3%			
Harding Loevner	Emerging Markets	$ 6.8	2.6%			
Short-Duration Fixed Income		**$ 11.6**	**4.4%**	**5.0%**	**- 0.6%**	**0-8%**
Barrow Hanley	Short Duration	$ 10.6	4.0%			
Cash	Money Market	$ 1.1	0.4%			
Market-Duration Fixed Income		**$ 65.5**	**24.8%**	**25.0%**	**- 0.2%**	**20-30%**
Dodge & Cox	Market Duration	$ 32.9	12.4%	12.5%	- 0.1%	
MetWest	Market Duration	$ 32.7	12.4%	12.5%	- 0.1%	
Alternatives		**$ 47.0**	**17.8%**	**20.0%**	**- 2.2%**	**17-23%**
Lighthouse	HFOF	$ 16.6	6.3%			
Pointer	HFOF	$ 16.0	6.0%			
Oaktree RE Opps VI	Real Estate	$ 4.9	1.9%			
Walton Street RE VII	Real Estate	$ 4.8	1.8%			
Walton Street RE VIII	Real Estate	$ 4.8	1.8%			
Total		**$264.4**	**100.0%**			

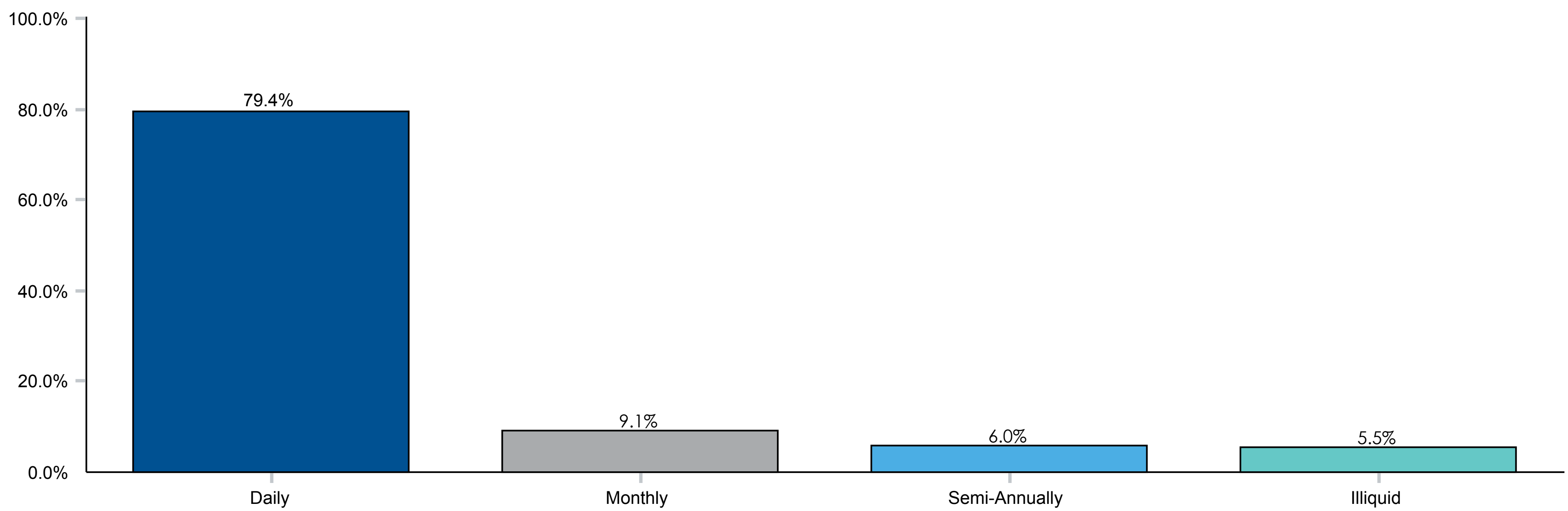
*Totals may not add due to rounding.

Liquidity Schedule - Cash Balance

As of June 30, 2018

Investments	Market Value ($)	Daily ($)	Monthly ($)	Semi-Annually ($)	Illiquid ($)	Contributions	Withdrawals	Notes
Vanguard Institutional Index Fund	35,418,822	35,418,822	--	--	--	Daily	Daily	Daily, No Lock-Up
Sands Large Cap Growth (Touchstone)	22,376,630	22,376,630	--	--	--	Daily	Daily	Daily, No Lock-Up
Barrow Hanley Large Cap Value	18,879,350	18,879,350	--	--	--	Daily	Daily	Daily, No Lock-Up
Conestoga Small-Cap Fund I	8,078,985	8,078,985	--	--	--	Daily	Daily	Daily, No Lock-Up
Wellington Small Cap Value	7,432,894	--	7,432,894	--	--	Monthly	Monthly	Monthly, 10 Day Notice
Causeway International Value	19,331,908	19,331,908	--	--	--	Daily	Daily	Daily, No Lock-Up
Walter Scott Int'l (Dreyfus)	21,900,676	21,900,676	--	--	--	Daily	Daily	Daily, No Lock-Up
Harding Loevner Inst. Emerging Markets I	6,839,111	6,839,111	--	--	--	Daily	Daily	Daily, No Lock-Up
Barrow Hanley Short Fixed	10,552,053	10,552,053	--	--	--	Daily	Daily	Daily, No Lock-Up
Cash Account	1,057,541	1,057,541	--	--	--	Daily	Daily	Daily, No Lock-Up
Dodge & Cox Income Fund	32,850,917	32,850,917	--	--	--	Daily	Daily	Daily, No Lock-Up
Met West Total Return Fund Pl	32,688,573	32,688,573	--	--	--	Daily	Daily	Daily, No Lock-Up
Lighthouse Diversified[CE]	16,571,037	--	16,571,037	--	--	Monthly	Monthly	90 Day Notice
Pointer Offshore LTD[CE]	15,961,743	--	--	15,961,743	--	Semi-Annually	Semi-Annually	Notice by Mar 15/Sept 15
Oaktree RE Opportunities Fund V	4,911,484	--	--	--	4,911,484	Illiquid	Illiquid	Illiquid
Walton Street Real Estate Fund VII, L.P.	4,803,093	--	--	--	4,803,093	Illiquid	Illiquid	Illiquid
Walton Street Real Estate Fund VIII, L.P.	4,767,493	--	--	--	4,767,493	Illiquid	Illiquid	Illiquid
Total ($)	**264,422,310**	**209,974,565**	**24,003,931**	**15,961,743**	**14,482,070**			
Total (%)	**100.0**	**79.4**	**9.1**	**6.0**	**5.5**			

Liquidity of Total Portfolio



Surplus Cash Equity Portfolio Characteristics

Surplus Cash Equity Composite vs. MSCI AC World IMI

As of June 30, 2018

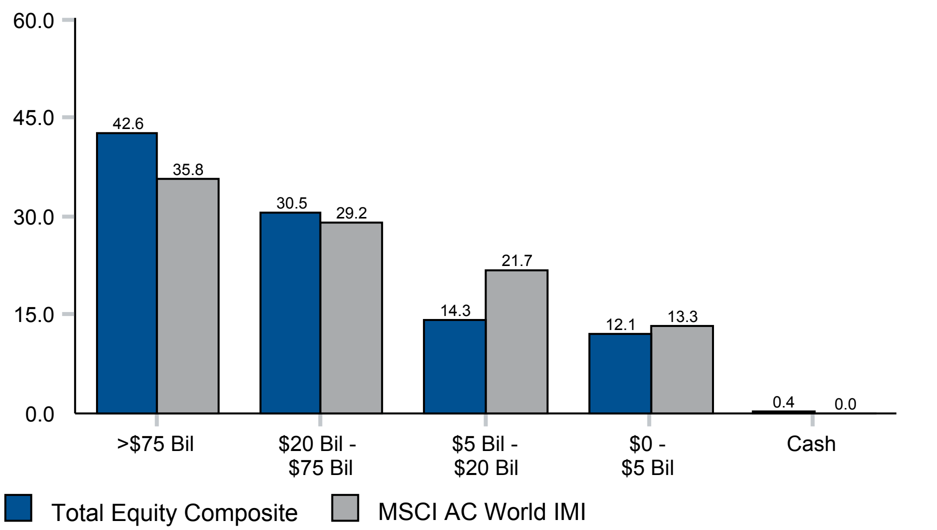
Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap ($M)	146,237	121,003
Median Mkt. Cap ($M)	18,096	1,738
Price/Earnings ratio	20.5	17.2
Price/Book ratio	3.3	2.7
5 Yr. EPS Growth Rate (%)	14.7	13.4
Current Yield (%)	1.9	2.4
Debt to Equity	0.2	1.0
Number of Stocks	820	8,909
Beta (5 Years, Monthly)	0.97	1.00
Consistency (5 Years, Monthly)	50.00	0.00
Sharpe Ratio (5 Years, Monthly)	1.04	0.98
Information Ratio (5 Years, Monthly)	0.25	-
Up Market Capture (5 Years, Monthly)	99.56	100.00
Down Market Capture (5 Years, Monthly)	93.61	100.00

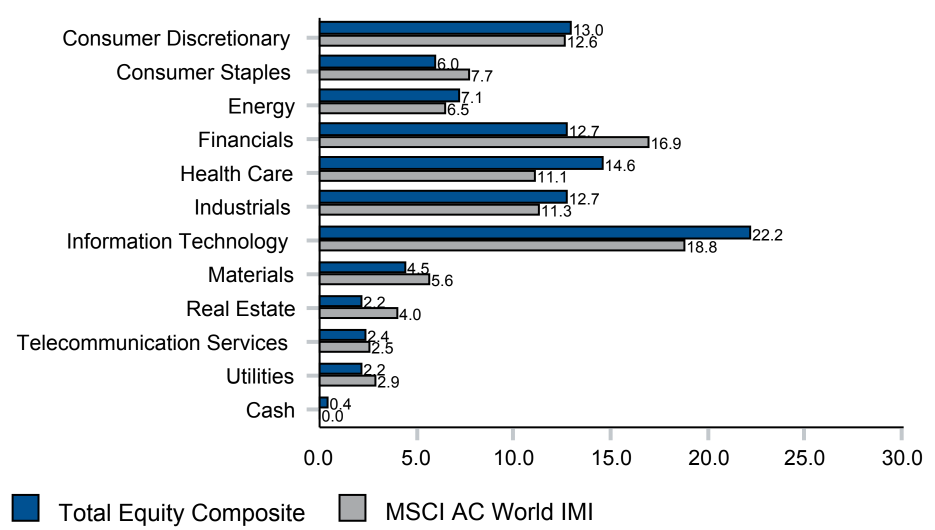
Top Ten Equity Holdings

	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Amazon.com Inc	1.9	1.3	0.6	17.4
Microsoft Corp	1.3	1.4	-0.1	8.5
Facebook Inc	1.3	0.9	0.4	21.6
Apple Inc	1.2	1.8	-0.6	10.8
Netflix Inc	1.1	0.3	0.8	32.5
Visa Inc	1.1	0.5	0.6	10.9
Alphabet Inc	0.9	0.6	0.3	8.9
Alibaba Group Holding Ltd	0.9	0.4	0.5	1.1
Salesforce.com Inc.	0.9	0.2	0.7	17.3
JPMorgan Chase & Co	0.8	0.7	0.1	-4.8
% of Portfolio	11.4	8.1	3.3	

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 June 30, 2018

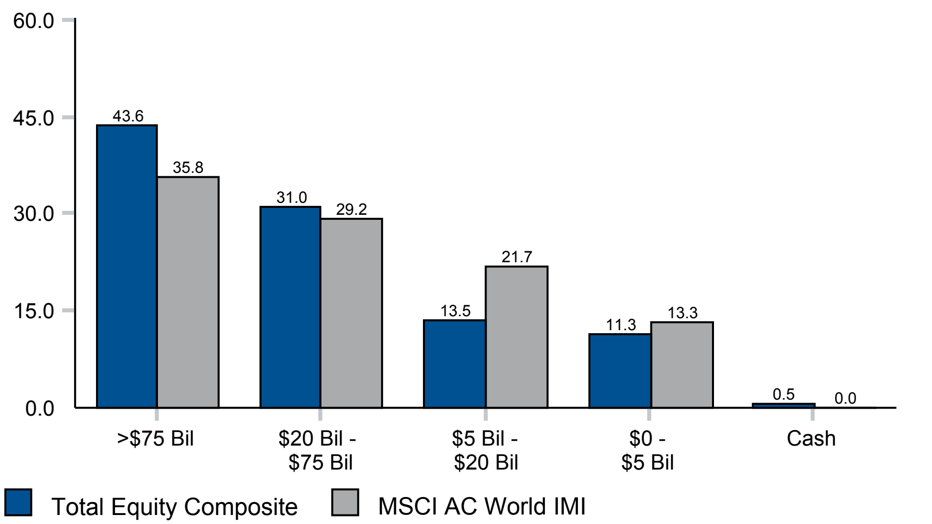
Portfolio Characteristics

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap ($M)	142,046	121,003
Median Mkt. Cap ($M)	18,096	1,738
Price/Earnings ratio	21.0	17.2
Price/Book ratio	3.4	2.7
5 Yr. EPS Growth Rate (%)	15.9	13.4
Current Yield (%)	1.8	2.4
Debt to Equity	0.1	1.0
Number of Stocks	820	8,909
Beta (5 Years, Monthly)	0.97	1.00
Consistency (5 Years, Monthly)	50.00	0.00
Sharpe Ratio (5 Years, Monthly)	1.04	0.98
Information Ratio (5 Years, Monthly)	0.28	-
Up Market Capture (5 Years, Monthly)	100.40	100.00
Down Market Capture (5 Years, Monthly)	94.95	100.00

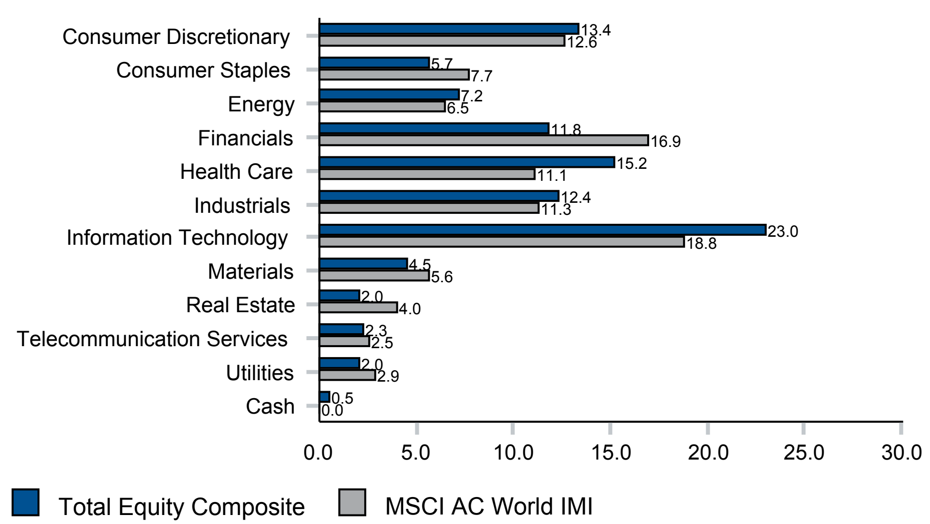
Top Ten Equity Holdings

	Portfolio Weight (%)	Benchmark Weight (%)	Active Weight (%)	Quarterly Return (%)
Amazon.com Inc	2.2	1.3	0.9	17.4
Netflix Inc	1.4	0.3	1.1	32.5
Facebook Inc	1.4	0.9	0.5	21.6
Visa Inc	1.3	0.5	0.8	10.9
Microsoft Corp	1.2	1.4	-0.2	8.5
Alibaba Group Holding Ltd	1.2	0.4	0.8	1.1
Salesforce.com Inc.	1.2	0.2	1.0	17.3
Alphabet Inc	1.1	0.6	0.5	8.9
Apple Inc	1.0	1.8	-0.8	10.8
Baidu Inc	1.0	0.1	0.9	8.9
% of Portfolio	13.0	7.5	5.5	

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.

Surplus Cash Equity Portfolio - Country/Region Allocation

Surplus Cash Equity Composite vs. MSCI AC World IMI

As of June 30, 2018

	Total Equity Composite	MSCI AC World IMI
Canada	1.5	3.2
United States	59.8	51.5
Australia	0.6	2.2
Hong Kong	4.2	2.5
New Zealand	0.0	0.1
Singapore	0.0	0.5
Pacific ex Japan	**4.8**	**5.3**
Japan	5.3	8.1
Austria	0.0	0.1
Belgium	0.0	0.4
Bermuda	0.5	0.3
Denmark	1.0	0.5
Finland	0.3	0.4
France	2.6	3.0
Germany	2.3	2.9
Ireland	1.5	1.2
Italy	0.2	0.8
Netherlands	1.0	1.8
Norway	0.0	0.3
Portugal	0.0	0.1
Spain	0.5	1.0
Sweden	0.1	1.0
Switzerland	3.4	2.7
Europe ex UK	**13.5**	**16.3**
United Kingdom	6.3	5.4
Israel	0.0	0.2
Middle East	**0.0**	**0.2**
Developed Markets	**91.2**	**90.1**

	Total Equity Composite	MSCI AC World IMI
China	2.6	1.9
India	0.4	1.1
Indonesia	0.2	0.2
Korea	1.0	1.7
Malaysia	0.0	0.3
Philippines	0.0	0.1
Taiwan	1.1	1.4
Thailand	0.1	0.3
EM Asia	**5.4**	**7.0**
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	**0.8**	**0.7**
Brazil	0.4	0.6
Cayman Islands	0.0	0.0
Chile	0.1	0.1
Colombia	0.1	0.1
Mexico	0.3	0.3
Peru	0.0	0.0
Virgin Islands	0.0	0.0
EM Latin America	**0.9**	**1.2**
Egypt	0.0	0.0
Qatar	0.0	0.1
South Africa	0.5	0.7
United Arab Emirates	0.1	0.1
EM Mid East+Africa	**0.7**	**0.9**
Emerging Markets	**7.7**	**9.7**
Frontier Markets	**0.1**	**0.0**
Cash	0.4	0.0
Other	0.5	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 June 30, 2018

	Total Equity Composite	MSCI AC World IMI
Canada	1.5	3.2
United States	60.5	51.5
Australia	0.7	2.2
Hong Kong	3.7	2.5
New Zealand	0.0	0.1
Singapore	0.0	0.5
Pacific ex Japan	**4.3**	**5.3**
Japan	5.6	8.1
Austria	0.0	0.1
Belgium	0.0	0.4
Bermuda	0.4	0.3
Denmark	1.1	0.5
Finland	0.3	0.4
France	2.8	3.0
Germany	2.5	2.9
Ireland	1.6	1.2
Italy	0.3	0.8
Netherlands	1.0	1.8
Norway	0.0	0.3
Portugal	0.0	0.1
Spain	0.5	1.0
Sweden	0.1	1.0
Switzerland	3.5	2.7
Europe ex UK	**14.1**	**16.3**
United Kingdom	6.7	5.4
Israel	0.0	0.2
Middle East	**0.0**	**0.2**
Developed Markets	**92.8**	**90.1**

	Total Equity Composite	MSCI AC World IMI
China	2.7	1.9
India	0.3	1.1
Indonesia	0.1	0.2
Korea	0.7	1.7
Malaysia	0.0	0.3
Philippines	0.0	0.1
Taiwan	0.9	1.4
Thailand	0.1	0.3
EM Asia	**4.8**	**7.0**
Czech Republic	0.1	0.0
Greece	0.0	0.0
Hungary	0.0	0.0
Poland	0.0	0.1
Russia	0.3	0.4
Turkey	0.0	0.1
EM Europe	**0.5**	**0.7**
Brazil	0.3	0.6
Cayman Islands	0.0	0.0
Chile	0.1	0.1
Colombia	0.1	0.1
Mexico	0.2	0.3
Peru	0.0	0.0
Virgin Islands	0.0	0.0
EM Latin America	**0.5**	**1.2**
Egypt	0.0	0.0
Qatar	0.0	0.1
South Africa	0.3	0.7
United Arab Emirates	0.1	0.1
EM Mid East+Africa	**0.4**	**0.9**
Emerging Markets	**6.2**	**9.7**
Frontier Markets	**0.1**	**0.0**
Cash	0.5	0.0
Other	0.4	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 June 30, 2018

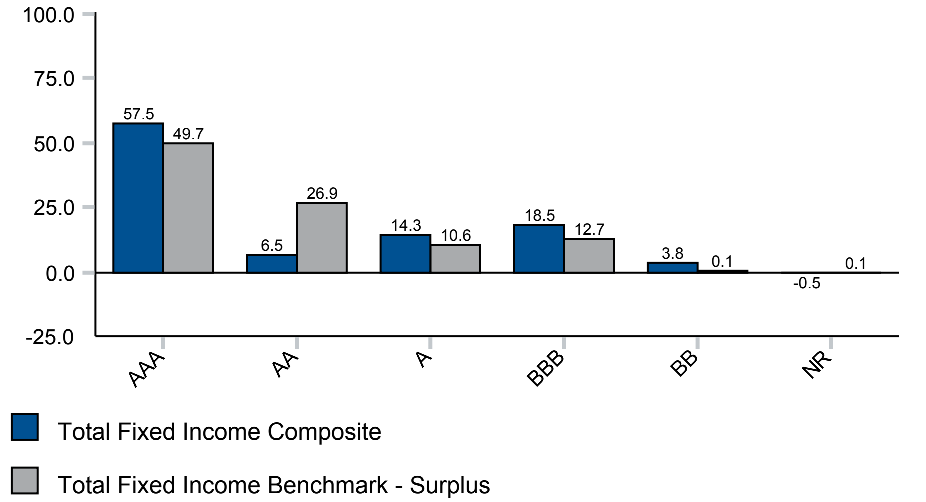
Portfolio Characteristics

	Portfolio	Benchmark
Effective Duration	4.5	5.2
Avg. Maturity	6.3	6.7
Avg. Quality	AA	AA+
Yield To Maturity (%)	3.4	3.2

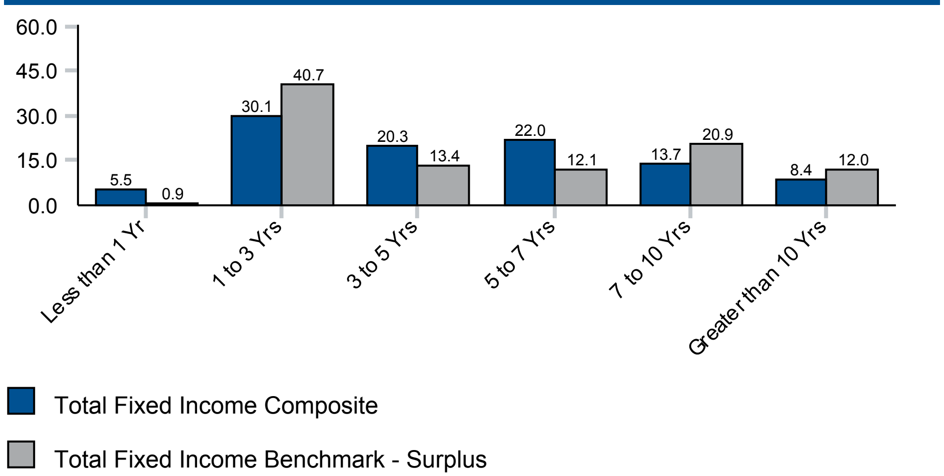
Historical Statistics - 5 Years

	Up Market Capture	Down Market Capture	Maximum Drawdown
Total Fixed Income Composite	90.4	68.3	-1.7
Total Fixed Income Benchmark - Surplus	100.0	100.0	-2.6

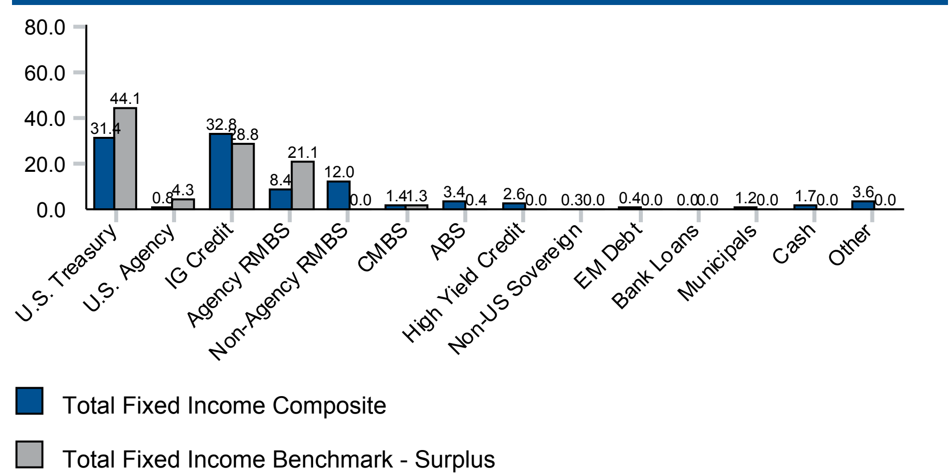
Credit Quality Distribution (%)



Maturity Distribution (%)



Sector Distribution (%)



Cash Balance Fixed Income Portfolio Characteristics

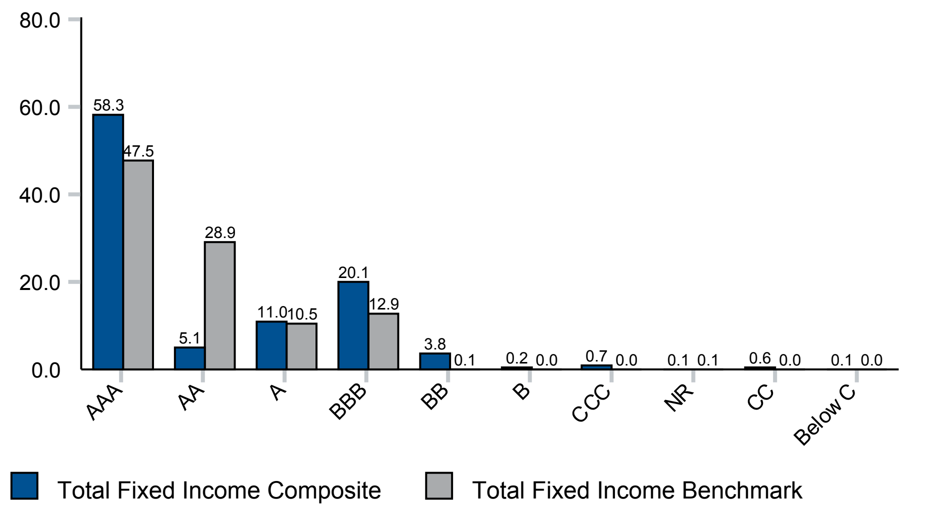
Cash Balance Fixed Income Composite vs. Total Fixed Income Benchmark

As of June 30, 2018

Portfolio Characteristics

	Portfolio	Benchmark
Effective Duration	4.7	5.6
Avg. Maturity	6.9	7.2
Avg. Quality	AA	AA-
Yield To Maturity (%)	3.4	3.2

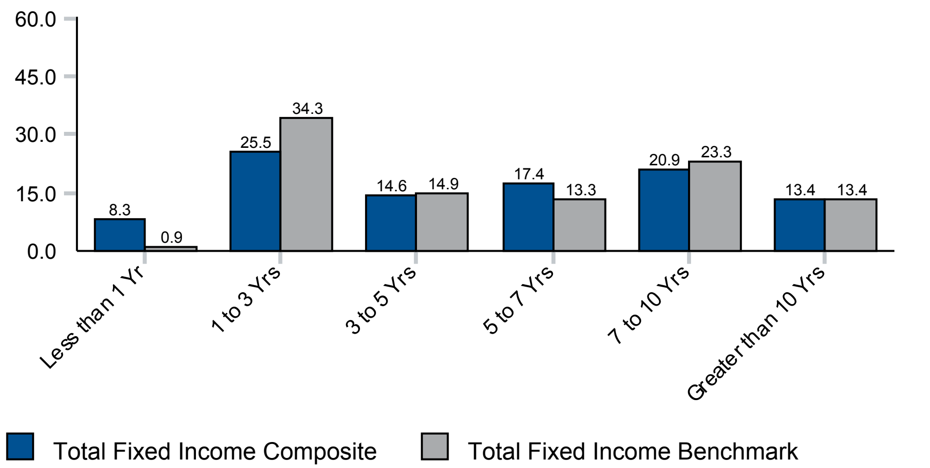
Credit Quality Distribution (%)



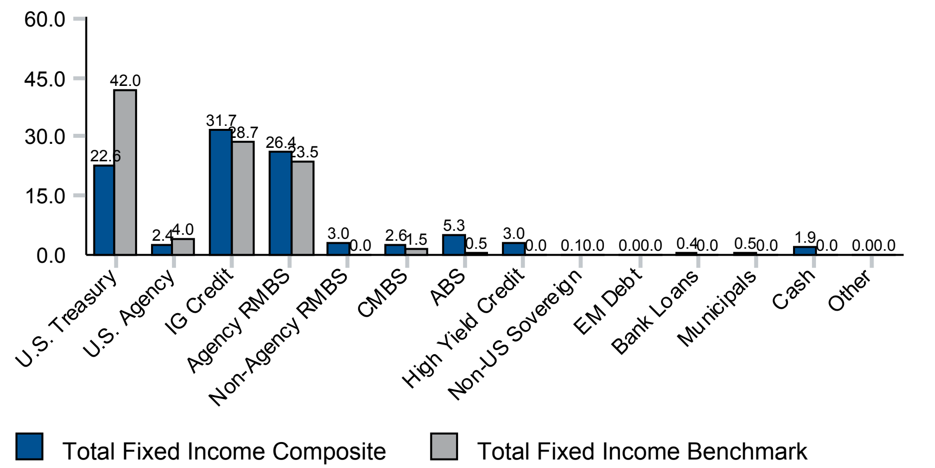
Historical Statistics - 5 Years

	Up Market Capture	Down Market Capture	Maximum Drawdown
Total Fixed Income Composite	99.5	75.7	-2.0
Total Fixed Income Benchmark	100.0	100.0	-2.5

Maturity Distribution (%)



Sector Distribution (%)



Direct Hedge Fund Portfolio

Surplus Cash Hedge Fund Portfolio Executive Summary

Portfolio Update - Second Quarter 2018

The Surplus Cash Direct Hedge Fund Portfolio (the "Portfolio") returned +0.7% during the second quarter, outperforming the HFRI Fund of Funds Composite Index by 0.3%. Each of the Portfolio's four strategies delivered positive absolute returns. Relative Value (+2.0%) and Credit (+1.8%) delivered strong gains while Macro (+0.2%) and Equity (+0.1%) made a small contribution. The Macro and Relative Value composites outperformed their reference indices by +0.3%, and +1.1% while Credit and Equity underperformed their reference indices by -0.9% and -0.8%, respectively.

Strategy	2Q18 Absolute Performance	12-month Absolute Performance	Strategy Commentary	Manager Performance Q2 Contributors/Detractors		
Equity Long / Short	+	+	*Tiger Eye* and *CapeView*'s positions in the consumer sector generated strong performance while *Marshall Wace*'s TOPS market neutral equity sub-strategy led their performance. *Bloom Tree*'s short theme on passive electronic components was responsible for most of the underperformance in the quarter.	+	Tiger Eye	+3.3%
				+	CapeView 2x	+2.8%
				+	MW/CapeView	+1.6%
				-	Bloom Tree	-6.8%
Credit	+	+	*Davidson Kempner (DK)* had successful debt and equity positions in telecommunications, utilities and healthcare, while *York* delivered positive returns largely from its energy-related equities. *Chatham* increased on good performance from some of its large debt and equity positions.	+	DK	+2.7%
				+	York	+1.7%
				+	Chatham	+0.9%
				-		
Macro	+	+	Systematic macro manager *BP Transtrend* rebounded from last quarter driven by positions in interest rates and energy markets. Emerging markets discretionary manager *Emso* sustained losses in fixed income positions in a number of markets, including Argentina, Brazil, South Africa, Russia and Peru.	+	BP Transtrend	+4.5%
				+	Stone Milliner	+0.2%
				-	Emso	-3.8%
				-	Moore	-0.4%
Relative Value	+	+	Systematic manager *BlackRock 32*'s positive performance was mostly driven by earnings quality signals across its Global Large and Small Cap sleeves, while the other systematic manager, *Renaissance,* added to performance with gains from trading in international signals in the financial and technology sectors.	+	BlackRock 32	+3.2%
				+	Renaissance	+1.4%
				-		

PAVION

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	*Remaining amount continues to be held in liquidating special purpose vehicle (no timeline available).*
Pine River Fund Ltd.	Relative Value	Redemption submitted starting on December 31, 2016. Pine River is currently liquidating the fund.	In progress	*Further distributions are expected over time as the fund's liquidation process continues.*
Fir Tree International Value Fund (USTE), L.P.	Relative Value	Redemption for second investment were requested as of November 30, 2017.	In progress	*Remaining amount relates to non-marketable positions which will be sold over time.*

On May 1, 2018, $10 million in cash from redemptions was reinvested into existing hedge fund managers:

- An additional allocation of $3 million was made to Bloom Tree Offshore Fund, Ltd. (Equity Long/Short).
- An additional allocation of $2 million was made to Indus Japan Fund Ltd. (Equity Long/Short).
- An additional allocation of $5 million was made to Stone Milliner Macro Fund Inc. (Macro).

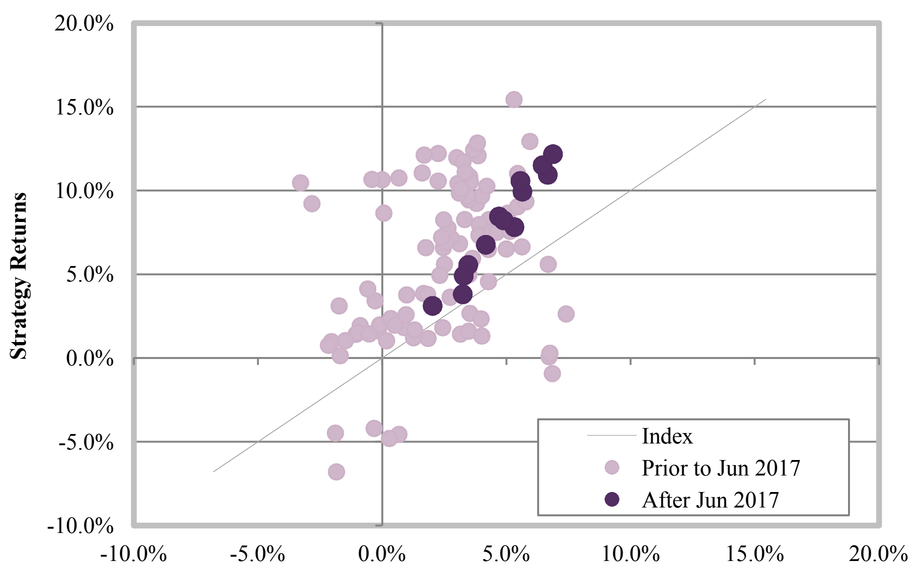
On July 1, 2018, $4 million of excess cash was reinvested in existing manager Moore Macro Managers Fund, Ltd. (Macro).

Recommendations or Action Items
Pavilion recommends an initial $5.0 million allocation to the Carlson Black Diamond Arbitrage Fund within the Relative Value Hedge Fund portfolio. Excess cash will be utilized to fund the allocation. Pavilion is also reviewing exposures to The BlackRock 32 Capital Fund Ltd. and Tiger Eye Fund Ltd. and will work with El Camino management to approve and implement any required changes.

Carlson Black Diamond Arbitrage

- **Category:** Relative Value – Event/Merger Arbitrage
- **Firm/Strategy:** Carlson Capital, L.P. ("Carlson", the "Firm") was founded in 1993 by Clint Carlson, a well-regarded member of the hedge fund industry. Black Diamond Arbitrage Ltd. (the "Fund") is the single-strategy fund dedicated to Carlson's event-driven strategy which centers on investing in securities of companies facing a major corporate event. The onshore feeder of the strategy has a track record dating back to 1998, with the Fund (offshore feeder) launching in February 2000. Mergers and acquisitions are the primary focus of the Fund's strategy, but other corporate events such as restructurings, spin-offs, and significant litigation can also be exploited.
- **Pavilion Evaluation:** Carlson's event driven team has worked together for 10+ years over many market cycles. Throughout the Fund's long track record, it has exhibited low beta to traditional equity and credit markets and notably has not experienced a calendar year with negative performance, to date. We believe the Fund is a good candidate for investors looking for a merger arbitrage/special situations fund with very low market correlation run by a seasoned investment team and where the firm's principal and employees have significant (10%) capital invested alongside external investors.

Rolling 1-Year Returns



Return of HFRI ED: Merger Arbitrage Index

Returns (Net of Fees) As of 6/30/18	1-yr	3-yr	5-yr	10-yr	10-yr Std. Deviation
Carlson Black Diamond Arbitrage	**5.6%**	**9.4%**	**8.4%**	**5.9%**	**5.2%**
HFRI ED: Merger Arbitrage Index	3.5%	3.6%	3.8%	3.6%	2.6%

Past performance does not guarantee future results.

As of 6/30/18	Carlson Black Diamond Arb
Total Firm AUM:	$8.5 B
Total Strategy/Product AUM:	$4.5 B / $530 M
Liquidity Terms:	Monthly with 45 days' written notice
Management Fee:	Series A: 1% Series B: 0.75% *(minimum $100 M investment)*
Performance Fee:	20.0% of Profits
Typical Leverage:	1.45x
Approved by Pavilion:	Yes
Auditor:	Deloitte
Administrator:	Citco Fund Services
Firm / Strategy Inception Date:	1993 / 1998

Direct Hedge Fund Portfolio Asset Allocation & Performance

As of June 30, 2018

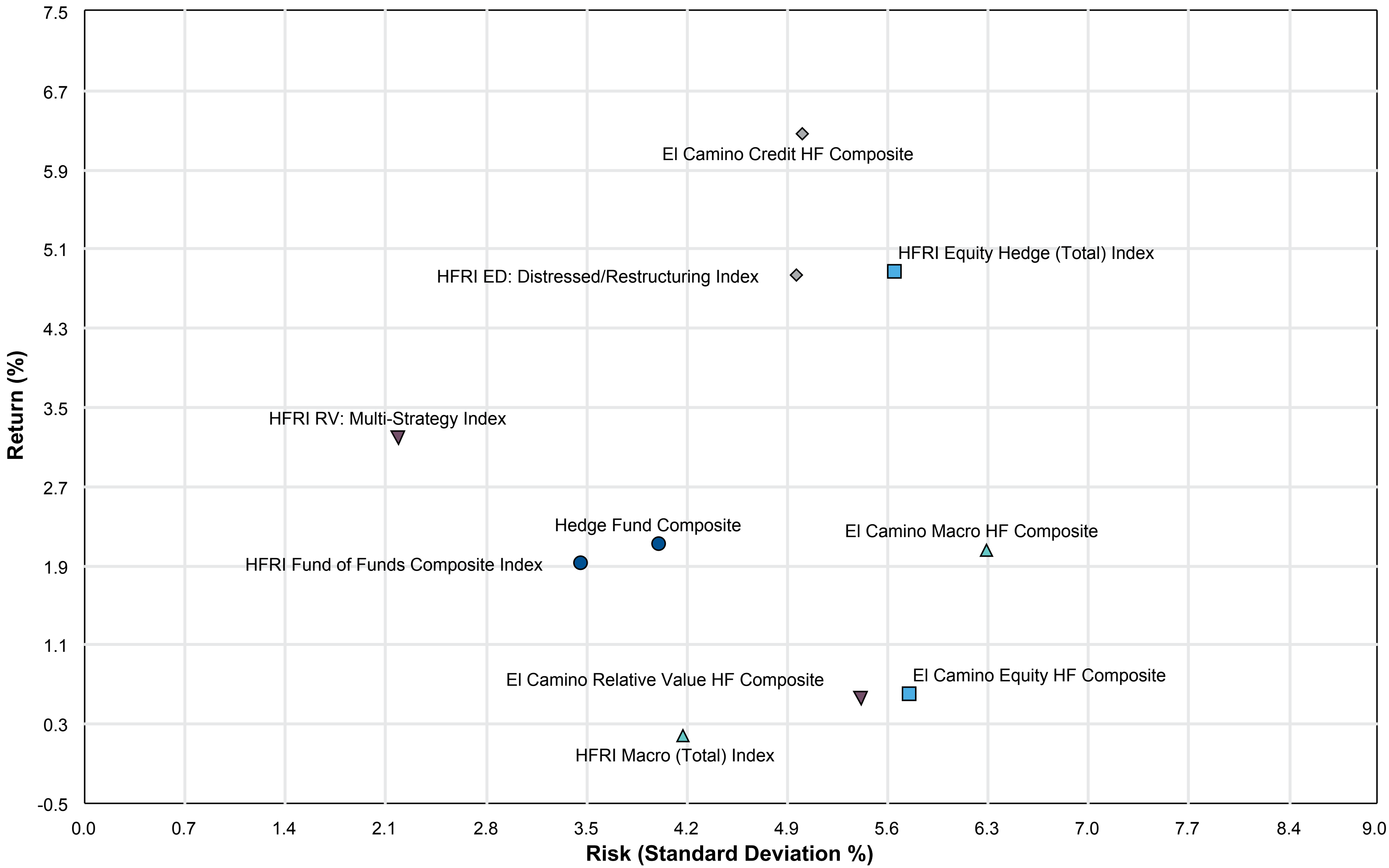
	Allocation		Performance(%)						
	Market Value ($)	%	Quarter	Year To Date	Fiscal YTD	1 Year	3 Years	Since Invested	Inception Period
Hedge Fund Composite	**135,039,015**	**100.0**	**0.7**	**2.5**	**8.7**	**8.7**	**2.1**	**3.3**	**5y 2m**
HFRI Fund of Funds Composite Index			0.4	0.7	5.1	5.1	1.9	3.2	
El Camino HF Composite Benchmark			1.0	1.0	5.4	5.4	3.6	3.9	
Equity HF Composite	**49,442,817**	**36.6**	**0.1**	**2.6**	**10.5**	**10.5**	**0.6**	**3.0**	**5y 2m**
HFRI Equity Hedge (Total) Index			0.9	1.2	8.3	8.3	4.9	5.6	
Credit HF Composite	**32,038,346**	**23.7**	**1.8**	**4.2**	**10.6**	**10.6**	**6.3**	**6.1**	**5y 2m**
HFRI ED: Distressed/Restructuring Index			2.7	3.0	6.1	6.1	4.8	4.1	
Macro HF Composite	**37,452,698**	**27.7**	**0.2**	**-0.2**	**5.1**	**5.1**	**2.1**	**1.8**	**5y 2m**
HFRI Macro (Total) Index			-0.1	-1.7	1.2	1.2	0.2	0.6	
Relative Value HF Composite	**16,105,154**	**11.9**	**2.0**	**4.8**	**9.0**	**9.0**	**0.5**	**2.7**	**5y 2m**
HFRI RV: Multi-Strategy Index			0.9	1.3	3.1	3.1	3.2	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 June 30, 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 June 30, 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	3.8	-9.5	4.9	-5.7	0.8	1.2	5y 2m
HFRI Fund of Funds Composite Index	3.2	3.3	-7.6	3.7	-4.2	0.8	1.3	
Equity Long/Short								
El Camino Equity HF Composite	3.0	5.2	-14.3	5.7	-8.1	0.5	0.8	5y 2m
HFRI Equity Hedge (Total) Index	5.6	5.3	-10.3	6.0	-6.3	1.0	1.6	
Credit								
El Camino Credit HF Composite	6.1	5.2	-18.5	7.0	-6.6	1.1	1.8	5y 2m
HFRI ED: Distressed/Restructuring Index	4.1	4.8	-17.5	7.4	-6.4	0.8	1.2	
Macro								
El Camino Macro HF Composite	1.8	6.2	-7.4	7.9	-4.8	0.3	0.4	5y 2m
HFRI Macro (Total) Index	0.6	4.1	-4.4	5.1	-4.0	0.1	0.1	
Relative Value								
El Camino Relative Value HF Composite	2.7	4.9	-13.8	5.3	-8.1	0.5	0.7	5y 2m
HFRI RV: Multi-Strategy Index	3.6	2.1	-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 June 30, 2018

Manager	Asset Class/Type	Total Assets ($, mil.)	Percent of Total	Target Allocation	Weighting Relative to Target
Equity Hedge Funds		**$ 49.4**	**36.6%**	**40.0%**	**- 3.4%**
Luxor	Event Driven Equity	$ 0.9	0.6%		
CapeView 1x	European Equity	$ 6.4	4.8%		
CapeView 2x	European Equity	$ 4.0	3.0%		
Bloom Tree	Global Equity	$ 9.7	7.2%		
Marshall Wace Eureka	Global Equity	$ 10.2	7.6%		
Tiger Eye	US Equity	$ 7.9	5.8%		
Indus Japan	Japanese Equity	$ 10.4	7.7%		
Credit Hedge Funds		**$ 32.0**	**23.7%**	**20.0%**	**+ 3.7%**
Davidson Kempner	Distressed Credit	$ 10.9	8.0%		
York	Multi-Strategy Credit	$ 11.0	8.2%		
Chatham Asset	High Yield	$ 10.2	7.5%		
Macro Hedge Funds		**$ 37.5**	**27.7%**	**20.0%**	**+ 7.7%**
BP Transtrend	Systematic Macro	$ 10.5	7.8%		
Moore	Discretionary Macro	$ 6.7	4.9%		
Stone Milliner	Discretionary Macro	$ 10.1	7.5%		
EMSO Saguaro	Discretionary Macro	$ 10.2	7.6%		
Relative Value Hedge Funds		**$ 16.1**	**11.9%**	**20.0%**	**- 8.1%**
BlackRock 32 Capital	Quantitative Market Neutral	$ 6.2	4.6%		
Renaissance RIDGE	Quantitative Market Neutral	$ 9.2	6.8%		
Fir Tree	Multi-Strategy	$ 0.6	0.4%		
Pine River	Multi-Strategy	$ 0.1	0.1%		
Total Hedge Fund Portfolio		**$135.0**	**100.0%**		

*Totals may not add due to rounding.

Direct Hedge Fund Performance Summary

As of June 30, 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	0.7	2.5	8.7	8.7	2.1	3.5	3.3	7.2	1.0	-1.6	2.2	-	-	5y 2m
HFRI Fund of Funds Composite Index	0.4	0.7	5.1	5.1	1.9	3.5	3.2	7.8	0.5	-0.3	3.4	9.0	4.8	
El Camino HF Composite Benchmark	1.0	1.0	5.4	5.4	3.6	4.2	3.9	7.7	6.7	-2.1	2.2	9.9	6.6	
Equity Long/Short														
Equity HF Composite	0.1	2.6	10.5	10.5	0.6	2.8	3.0	12.1	-8.0	2.0	-0.4	-	-	5y 2m
HFRI Equity Hedge (Total) Index	0.9	1.2	8.3	8.3	4.9	5.8	5.6	13.3	5.5	-1.0	1.8	14.3	7.4	
Bloom Tree Offshore Fund, Ltd.	-6.8	-4.5	-3.6	-3.6	0.2	3.3	2.5	8.6	-3.8	6.3	3.0	12.8	13.7	4y 3m
HFRI Equity Hedge (Total) Index	0.9	1.2	8.3	8.3	4.9	5.8	4.5	13.3	5.5	-1.0	1.8	14.3	7.4	
CapeView Azri Fund Limited	1.6	5.1	11.2	11.2	2.3	4.6	4.6	7.6	-8.3	9.8	4.6	11.4	5.8	5y
HFRI Equity Hedge (Total) Index	0.9	1.2	8.3	8.3	4.9	5.8	5.8	13.3	5.5	-1.0	1.8	14.3	7.4	
CapeView Azri 2X Fund[CE]	2.8	10.0	24.1	24.1	4.7	9.8	9.8	16.2	-15.9	21.6	9.8	24.4	12.7	5y
HFRI Equity Hedge (Total) Index	0.9	1.2	8.3	8.3	4.9	5.8	5.8	13.3	5.5	-1.0	1.8	14.3	7.4	
Indus Japan Fund Ltd.	1.0	-0.6	14.7	14.7	1.8	6.8	5.1	21.6	-7.5	1.8	6.3	45.0	8.1	4y 7m
HFRI Equity Hedge (Total) Index	0.9	1.2	8.3	8.3	4.9	5.8	4.7	13.3	5.5	-1.0	1.8	14.3	7.4	
Marshall Wace Eureka Fund Class B2[CE]	1.6	5.6	11.8	11.8	7.4	9.1	10.9	12.0	1.3	11.7	8.1	21.1	7.0	0y 11m
HFRI Equity Hedge (Total) Index	0.9	1.2	8.3	8.3	4.9	5.8	6.7	13.3	5.5	-1.0	1.8	14.3	7.4	
Tiger Eye Fund, Ltd.	3.3	6.8	17.0	17.0	4.1	7.7	4.9	17.9	-5.0	-2.0	3.9	37.7	17.7	4y 3m
HFRI Equity Hedge (Total) Index	0.9	1.2	8.3	8.3	4.9	5.8	4.5	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 June 30, 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	1.8	4.2	10.6	10.6	6.3	6.1	6.1	9.9	14.7	-8.2	2.8	-	-	5y 2m
HFRI ED: Distressed/Restructuring Index	*2.7*	*3.0*	*6.1*	*6.1*	*4.8*	*4.1*	*4.1*	*6.3*	*15.1*	*-8.1*	*-1.4*	*14.0*	*10.1*	
Chatham Asset High Yield Offshore Fund, Ltd	0.9	4.0	11.9	11.9	14.4	11.7	10.5	13.5	24.3	5.6	5.5	12.5	11.5	0y 11m
HFRI ED: Distressed/Restructuring Index	2.7	3.0	6.1	6.1	4.8	4.1	5.3	6.3	15.1	-8.1	-1.4	14.0	10.1	
DK Distressed Opportunities International (Cayman) Ltd.[CE]	2.7	5.7	9.9	9.9	9.4	8.3	8.4	9.5	21.4	-6.2	3.2	21.7	13.5	5y 2m
HFRI ED: Distressed/Restructuring Index	2.7	3.0	6.1	6.1	4.8	4.1	4.1	6.3	15.1	-8.1	-1.4	14.0	10.1	
York Credit Opportunities Unit Trust[CE]	1.7	3.2	11.0	11.0	3.1	4.4	4.3	12.5	4.1	-7.9	3.4	15.6	18.9	5y 2m
HFRI ED: Distressed/Restructuring Index	2.7	3.0	6.1	6.1	4.8	4.1	4.1	6.3	15.1	-8.1	-1.4	14.0	10.1	
Macro														
Macro HF Composite	0.2	-0.2	5.1	5.1	2.1	2.9	1.8	0.1	5.0	1.0	7.7	-	-	5y 2m
HFRI Macro (Total) Index	-0.1	-1.7	1.2	1.2	0.2	1.2	0.6	2.2	1.0	-1.3	5.6	-0.4	-0.1	
BP Transtrend Diversified Fund LLC	4.5	-0.8	12.2	12.2	5.4	5.5	4.0	1.4	8.2	-1.1	18.9	0.6	1.2	5y 2m
HFRI Macro (Total) Index	-0.1	-1.7	1.2	1.2	0.2	1.2	0.6	2.2	1.0	-1.3	5.6	-0.4	-0.1	
EMSO Saguaro, Ltd.	-3.8	-2.6	0.6	0.6	8.0	5.2	0.0	7.7	10.2	6.2	2.6	2.7	17.1	0y 11m
HFRI Macro (Total) Index	-0.1	-1.7	1.2	1.2	0.2	1.2	0.6	2.2	1.0	-1.3	5.6	-0.4	-0.1	
Moore Macro Managers Fund Ltd.[CE]	-0.4	2.5	5.6	5.6	1.0	2.7	2.5	0.6	0.0	3.1	5.4	13.4	8.9	4y 3m
HFRI Macro (Total) Index	-0.1	-1.7	1.2	1.2	0.2	1.2	1.4	2.2	1.0	-1.3	5.6	-0.4	-0.1	
Stone Milliner Macro Fund Inc.	0.2	2.0	-0.2	-0.2	0.9	3.9	1.1	-5.5	4.9	5.7	14.3	11.2	8.1	3y 4m
HFRI Macro (Total) Index	-0.1	-1.7	1.2	1.2	0.2	1.2	-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 June 30, 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	2.0	4.8	9.0	9.0	0.5	2.6	2.7	4.5	-0.4	-4.0	1.6	-	-	5y 2m
HFRI RV: Multi-Strategy Index	0.9	1.3	3.1	3.1	3.2	3.9	3.6	4.1	6.4	0.7	3.4	7.9	8.2	
(BlackRock) The 32 Capital Fund, Ltd.[CE]	3.2	8.2	12.9	12.9	2.6	3.4	6.5	7.4	-11.4	8.6	-0.3	7.1	8.9	1y 11m
HFRI EH: Equity Market Neutral Index	0.4	1.2	5.3	5.3	3.5	3.8	3.8	4.9	2.2	4.3	3.1	6.5	3.0	
HFRI RV: Multi-Strategy Index	0.9	1.3	3.1	3.1	3.2	3.9	4.5	4.1	6.4	0.7	3.4	7.9	8.2	
Renaissance RIDGE	1.4	3.5	4.7	4.7	18.4	14.5	2.3	12.4	13.3	25.6	17.0	7.7	5.1	0y 8m
HFRI EH: Equity Market Neutral Index	0.4	1.2	5.3	5.3	3.5	3.8	2.1	4.9	2.2	4.3	3.1	6.5	3.0	
HFRI RV: Multi-Strategy Index	0.9	1.3	3.1	3.1	3.2	3.9	1.9	4.1	6.4	0.7	3.4	7.9	8.2	

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 June 30, 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.

Appendix
Benchmark Descriptions
As of June 30, 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.

Appendix
Benchmark Descriptions
As of June 30, 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 June 30, 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	Investment performance for the Surplus Cash portfolio was 50 bps ahead of the benchmark for the quarter with a +1.3% return. The portfolio has outgained its benchmark by 30 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 $942.9 million, significantly higher than the beginning of the quarter due to solid investment performance and significant cash inflows from operations. The fiscal year 2018 plan projected balance at fiscal year end was $926.1 million.
Cash balance plan balance (millions) Cash balance plan return	The Cash Balance Plan's performance outgained its benchmark by 100 bps for the quarter with a return of +2.0% and has outperformed its benchmark since inception. The since inception annualized return stands at +8.1%, 90 basis points ahead of its benchmark per year. The assets within the Cash Balance Plan ended the quarter at $264.4 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 $464.6 million, an increase of $9.5 million or 2.0% over the March 31, 2018 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 compliant as active managers have performed well recently.

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 June 30, 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.

Custom Peer Group Universe
Description
As of June 30, 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.

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When administrator valuations for the last month of the reported period are not available prior to report production, Pavilion may derive market values and performance based on manager provided estimates for that investment product. Alternatively, Pavilion may use carry forward market values from the prior month. Performance and market values are updated if/when the statement is received from the manager/administrator and may be different than the values in the initial report. Performance and market value estimates are denoted with [CE] (current estimate). Private equity holding results typically lag by 45 to 180 days after the report period end due to statement availability, therefore may not be included in the report.

Disclosures

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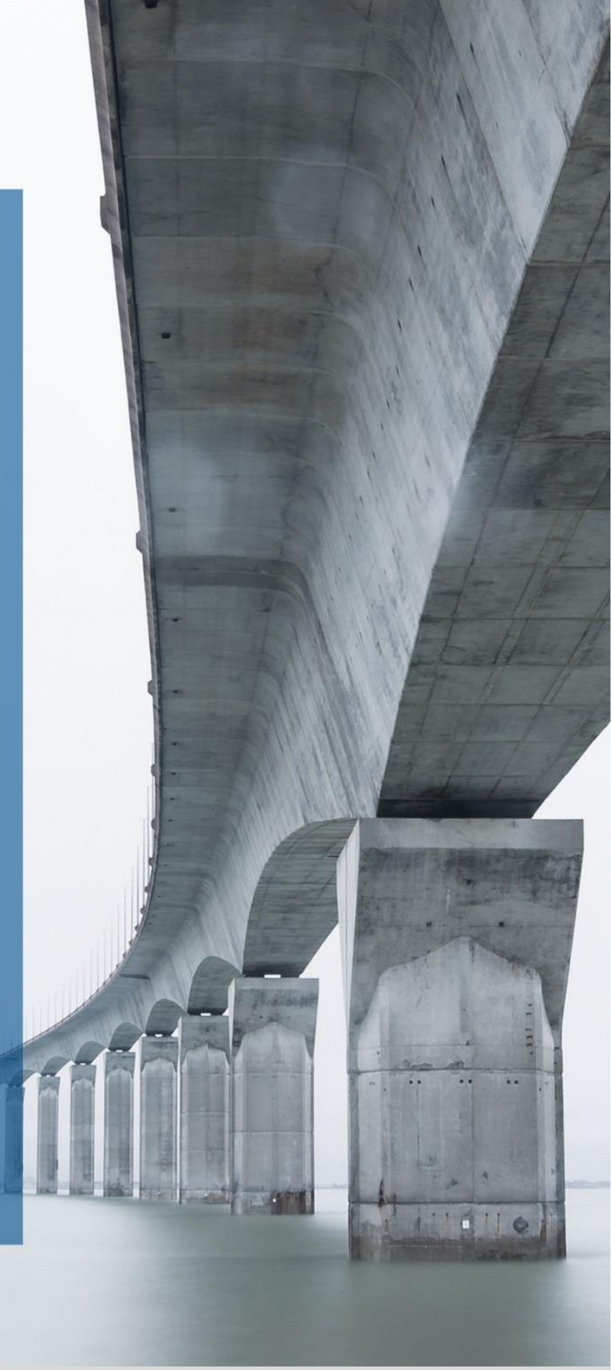
Investment Pacing Forecast

August 2018

Pavilion Alternatives Group™



PAVILION

OPERATING ASSETS: Real Estate Strategy and Portfolio

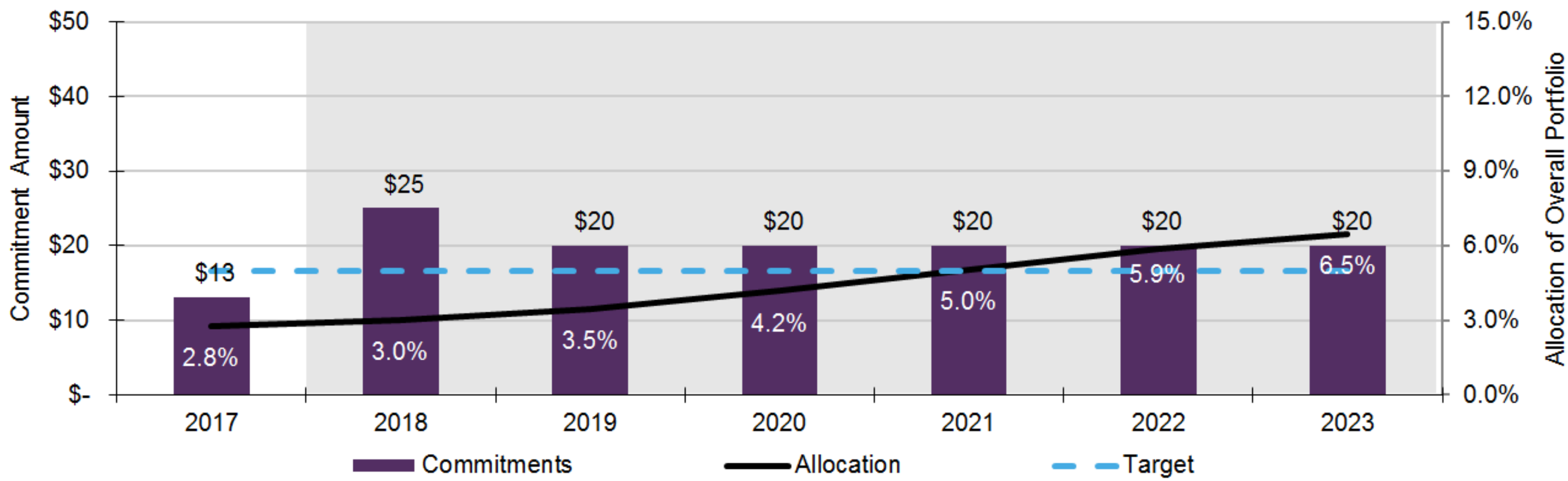
Parameters	Strategy	Current State
Real Estate Allocation	▪ 5% target	▪ 2.8% as of December 31, 2017
Annual Commitment Range	▪ $20-25 million per year on average	▪ Historically have committed roughly $10 million to $15 million per fund – but has not been done on a consistent basis from year to year
Managers / Funds	▪ Angelo Gordon Realty Value X (2018)	▪ Oaktree Real Estate Opportunities VI ▪ Walton Street Real Estate Fund VII ▪ Walton Street Real Estate Fund VIII
Strategy	▪ Private Real Estate Focus	▪ Private Real Estate Focus
Geography	▪ Global	▪ Global

OPERATING ASSETS: Pacing

- The Real Estate allocation is expected to reach the target of 5.0% by 2021 if a steady commitment pace is maintained.
- Pavilion and El Camino will review pacing strategy annually to make adjustments

Commitments and Allocation Forecast

($ in millions)



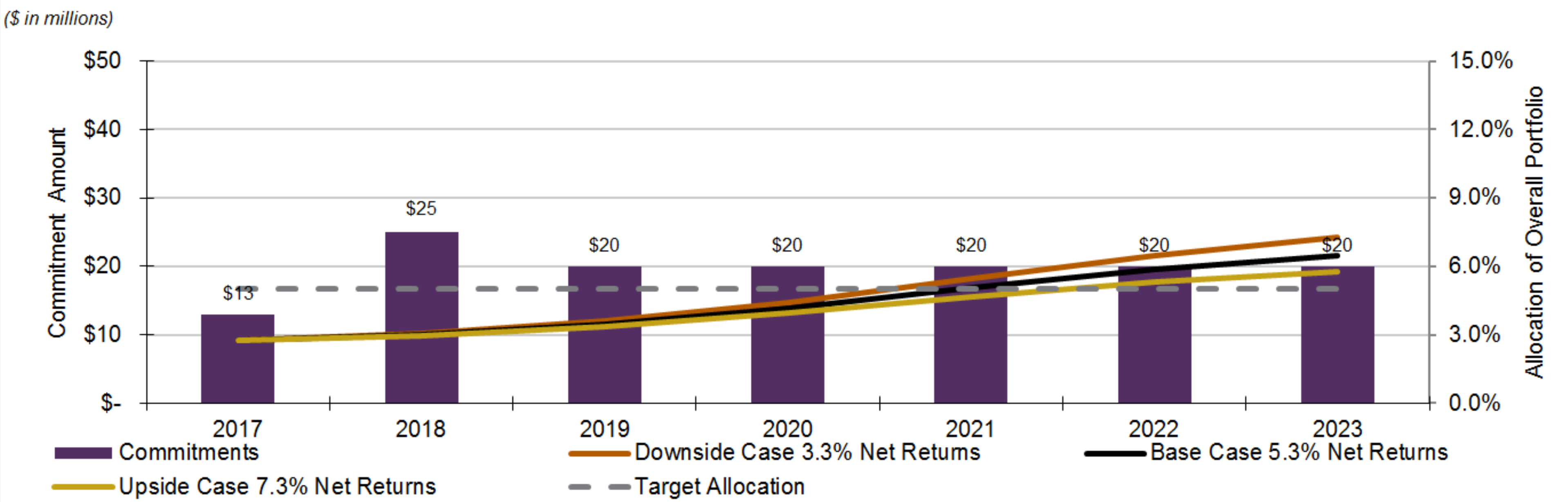
Each year's real estate commitments are based on a predetermined amount. Model assumes overall portfolio returns of 5.3% (net of all contributions and distributions) and real estate returns of 11%. Different return assumptions may result in a different pacing target. Pacing targets should be evaluated on a regular basis.

Aggregate vintage year performance can differ by year and increasing commitments during a lower performing vintage year could lead to lower portfolio performance.

OPERATING ASSETS: Sensitivity Analysis

- The chart below illustrates the impact on El Camino's Real Estate allocation if the overall pool outperforms or underperforms the base case assumption of a 5.3% return by 200 basis points.
- Pavilion plans to review pacing annually and may make adjustments to the annual investment pace if the downside or upside scenarios become more likely; in an upside scenario, El Camino may consider an increase in commitment pace whereas a downside scenario may drive a decrease in commitment pace

Pacing Summary - Sensitivity Analysis with Different Overall Portfolio Returns



Each year's real estate commitments are based on a predetermined amount. Sensitivity analysis changes the overall portfolio's return, but not the real estate returns.

Pacing targets should be evaluated on a regular basis.

Aggregate vintage year performance can differ by year and increasing commitments during a lower performing vintage year could lead to lower portfolio performance.

OPERATING ASSETS: Detailed Pacing Assumptions

- Projections show reaching 5% target in 2021; note that this could occur earlier if private markets performance is stronger than expected, the overall plan's growth rate is lower than expected, or actual investment pacing has longer hold periods

Historic Data and Detailed Projections

As of December 31, 2017 ($ in millions)

	2017	2018	2019	2020	2021	2022	2023
Overall Plan Assets	$ 872.3	$ 918.5	$ 967.2	$1,018.5	$1,072.5	$1,129.3	$1,189.2
Growth Rate		5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
Private Markets NAV	$ 24.1	$ 27.6	$ 33.6	$ 42.5	$ 54.1	$ 66.2	$ 77.1
Private Markets Allocation	2.8%	3.0%	3.5%	4.2%	5.0%	5.9%	6.5%
Private Markets Exposure	$ 35.3	$ 56.7	$ 71.8	$ 86.7	$ 101.5	$ 114.4	$ 126.3
(NAV + Unfunded Commitments)							
Other Calculation Items							
Commitments	$ 13.0	$ 25.0	$ 20.0	$ 20.0	$ 20.0	$ 20.0	$ 20.0
Unfunded Commitments	$ 11.2	$ 29.1	$ 38.3	$ 44.1	$ 47.3	$ 48.1	$ 49.2

PENSION: Real Estate Strategy and Portfolio

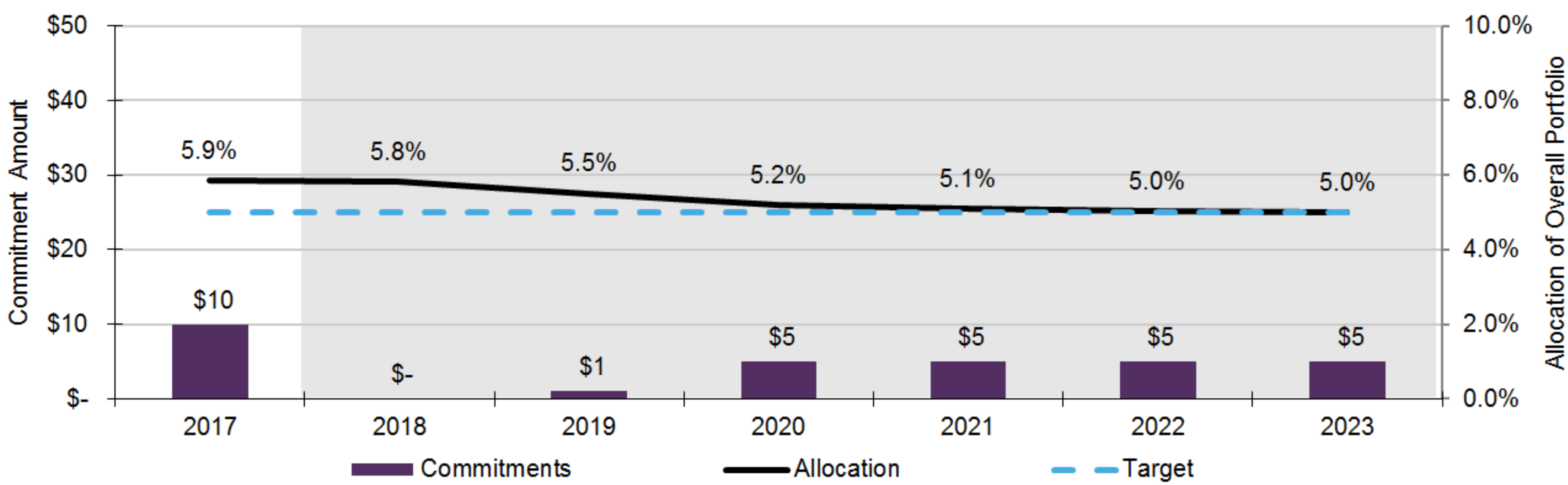
Parameters	Strategy	Current State
Real Estate Allocation	▪ 5% target	▪ 5.9% as of December 31, 2017
Annual Commitment Range	▪ $5 million per year, starting in 2020	▪ Historically have committed roughly $8 million to $10 million per fund – but has not been done on a consistent basis from year to year
Managers / Funds	▪ TBD in 2020	▪ Oaktree Real Estate Opportunities VI ▪ Walton Street Real Estate Fund VII ▪ Walton Street Real Estate Fund VIII
Strategy	▪ Private Real Estate Focus	▪ Private Real Estate Focus
Geography	▪ Global	▪ Global

PENSION: Pacing Update

- The Real Estate allocation is currently above the target allocation and a reduction in commitment pace is needed to bring the allocation in line with the desired target.
- One option to consider is making no commitments / smaller commitments in the near term before maintaining a $5 million commitment
- Pavilion and El Camino will review pacing strategy annually to make adjustments

Commitments and Allocation Forecast

($ in millions)



Each year's real estate commitments are based on a predetermined amount. Model assumes overall portfolio returns of 5.3% (net of all contributions and distributions) and real estate returns of 11%. Different return assumptions may result in a different pacing target. Pacing targets should be evaluated on a regular basis.

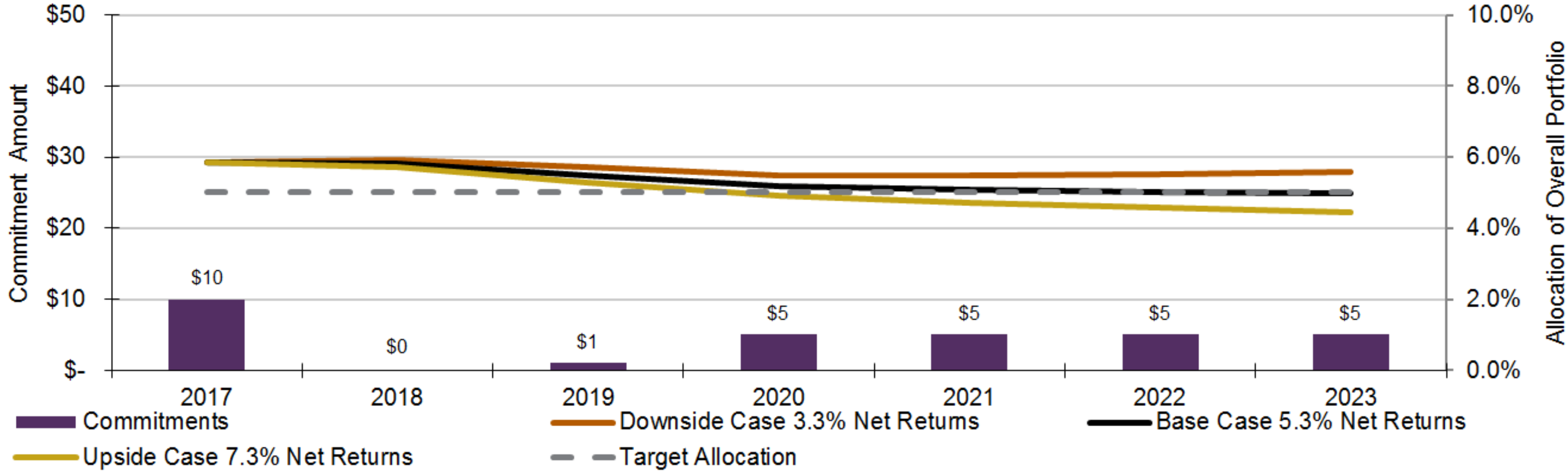
Aggregate vintage year performance can differ by year and increasing commitments during a lower performing vintage year could lead to lower portfolio performance.

PENSION: Sensitivity Analysis

- The chart below illustrates the impact on El Camino's Real Estate allocation if the overall pool outperforms or underperforms the base case assumption of a 5.3% return by 200 basis points.
- Pavilion plans to review pacing annually and may make adjustments to the annual investment pace if the downside or upside scenarios become more likely; in an upside scenario, El Camino may consider an increase in commitment pace whereas a downside scenario may drive a decrease in commitment pace

Pacing Summary - Sensitivity Analysis with Different Overall Portfolio Returns

($ in millions)



Each year's private equity commitments are based on a predetermined amount. Sensitivity analysis changes the overall portfolio's return, but not the real estate returns.

Pacing targets should be evaluated on a regular basis.

Aggregate vintage year performance can differ by year and increasing commitments during a lower performing vintage year could lead to lower portfolio performance.

PENSION: Detailed Pacing Assumptions

- Projections show reaching the 5% target in 2022

Historic Data and Detailed Projections

As of December 31, 2017 ($ in millions)

	2017	2018	2019	2020	2021	2022	2023
Overall Plan Assets	$ 259.3	$ 273.1	$ 287.5	$ 302.8	$ 318.8	$ 335.7	$ 353.5
Growth Rate		5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
Private Markets NAV	$ 15.2	$ 15.9	$ 15.8	$ 15.7	$ 16.2	$ 16.8	$ 17.6
Private Markets Allocation	5.9%	5.8%	5.5%	5.2%	5.1%	5.0%	5.0%
Private Markets Exposure	$ 25.3	$ 22.9	$ 21.3	$ 23.6	$ 25.8	$ 27.4	$ 29.2
(NAV + Unfunded Commitments)							
Other Calculation Items							
Commitments	$ 10.0	$ -	$ 1.0	$ 5.0	$ 5.0	$ 5.0	$ 5.0
Unfunded Commitments	$ 10.2	$ 7.1	$ 5.5	$ 7.9	$ 9.5	$ 10.5	$ 11.5

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AG Realty Value Fund X, L.P.

Pavilion Deal Profile

PAVILION

This document was prepared based upon third-party information sources, internal resources and information provided by the General Partner.
Past performance is not necessarily indicative of future results. This summary is not intended to be used as an investment recommendation.

Firm Summary

Manager

Angelo, Gordon & Co
("AG" or the "Firm")

Founded

1988

Offices

North America (5), Europe (4), Asia (3)

Platform(s)

Private Equity, Real Estate, Credit

Website

www.angelogordon.com

Firm Overview

• Angelo, Gordon & Co. ("AG" or the "Firm") was founded in 1988 with distressed debt and arbitrage platforms and has since launched several new strategies, including opportunistic real estate in 1993 and core-plus real estate in 2003.

• AG's real estate platform, which accounts for more than 30% of the Firm's assets under management, includes funds focused on opportunistic and core-plus real estate in the U.S., Europe and Asia, as well as global funds dedicated to commercial real estate debt and net lease real estate. The Firm also operates a private equity buyout platform and a variety of credit and arbitrage strategies such as distressed trading, corporate credit, energy lending and convertible arbitrage.

• The most recent U.S. capital raises were AG Realty Fund IX and AG Core Plus Realty Fund IV, which each raised $1.3 billion. Starting with Fund X, AG will combine the core-plus and opportunistic strategies into one fund that will be able to invest across the real estate investment spectrum.

• The Firm has more than 450 employees, including over 60 real estate investment professionals.

Fund Summary

Fund

AG Realty Value Fund X, L.P.
("Fund X" or the "Fund")

Strategy

Value-Add and Opportunistic Real Estate

Expected Fund Size

$2.5 billion

Expected Vintage Year

2018

Sector Focus

Real Estate

Geography

U.S (80%), Asia and Europe (20%)

Target Investment Size Range

$20 million to $40 million

Predecessor Funds (in millions)

Core-Plus Funds			
Fund II	(2006)	$	794
Fund III	(2011)		1,014
Fund IV	(2015)		1,308
Opportunistic Funds			
Fund VII	(2007)	$	1,257
Fund VIII	(2011)		1,265
Fund IX	(2015)		1,329

Fund Overview

Strategy

• The Fund will make value-add and opportunistic investments in underperforming office, retail, residential and industrial properties based on opportunity and market conditions.

• The Fund will target properties that require varying levels of value-add (from expense reduction / lease-up strategies to large capital infusions / upgrades) as well as more opportunistic opportunities.

• The combined platform targets over a 15% gross return with leverage between 55% and 65% and typical holding periods of three to five years.

• The majority of invested capital is expected to be allocated to the U.S. markets, though the Fund may also invest up to 20% of commitments throughout Asia and Europe.

Team

• Adam Schwartz serves as head of AG's global real estate portfolio and is supported by Reid Liffmann (Co-Portfolio Manager of U.S. Real Estate) and Steve White (Deputy Portfolio Manager of U.S. Real Estate). The team also includes more than five Managing Directors and Directors with a regional or property type focus and approximately ten junior investment professionals.

• The real estate team also has approximately 50 operating partners in the U.S. who typically assist in sourcing deals, work to improve the operational performance of assets and provide insight/knowledge about the local real estate environment on an as needed basis.

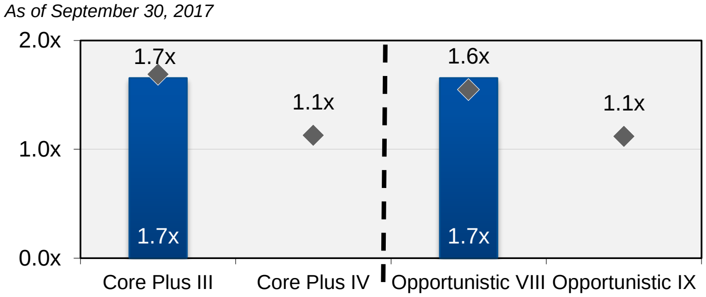
Performance

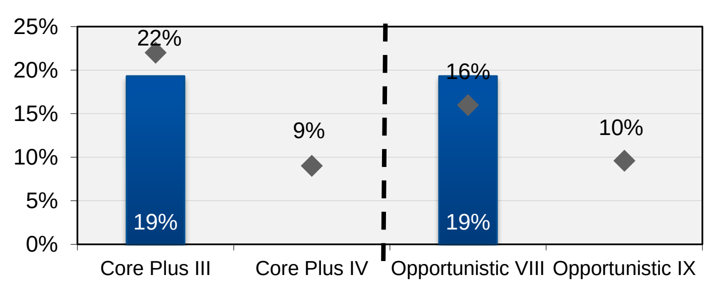
• Compared to the Cambridge Global Real Estate benchmarks, AG Core Plus Realty Fund III (core-plus real estate) ranked in the first quartile on a net multiple and net IRR basis, and AG Realty Fund VIII (opportunistic real estate) ranked in the second quartile as of September 30, 2017.

• AG Core Plus Realty Fund IV and AG Realty Fund IX, AG's most recent core-plus and opportunistic real estate funds, respectively, have both generated a 1.1x net multiple and at least a 9% net IRR. The funds' relative performance is not yet meaningful given its recent vintage year.

Net Performance Summary

As of September 30, 2017





Firm   Cambridge Global Real Estate First Quartile

Source: Firm information, Preqin, Pitchbook and Cambridge. N/A = Not available.
Benchmark as of September 30, 2017.
Net performance for each fund is based on the most recent period available within the Preqin database.

Investing Strategy in Volatile Markets

El Camino Hospital

August 2018

Pavilion Advisory Group Inc.
500 W. Monroe Street, Suite 2020
Chicago, IL 60606
Phone: 312-798-3200
www.pavilioncorp.com

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Table of Contents

SECTION 1

Market Outlook and Asset Class Considerations

Outlook Summary: Headwinds & Tailwinds Continue

The first quarter began with solid economic growth, expansionary tax cuts, strong earnings, subdued inflation and low volatility that in aggregate presented a benign environment. It proved to be anything but as volatility returned with a vengeance, particularly within equity markets. The second quarter presented a different dynamic. What changed? The primary change was a transition to asymmetry. Asymmetry in growth, asymmetry in uncertainty, and as a result, asymmetry in performance.

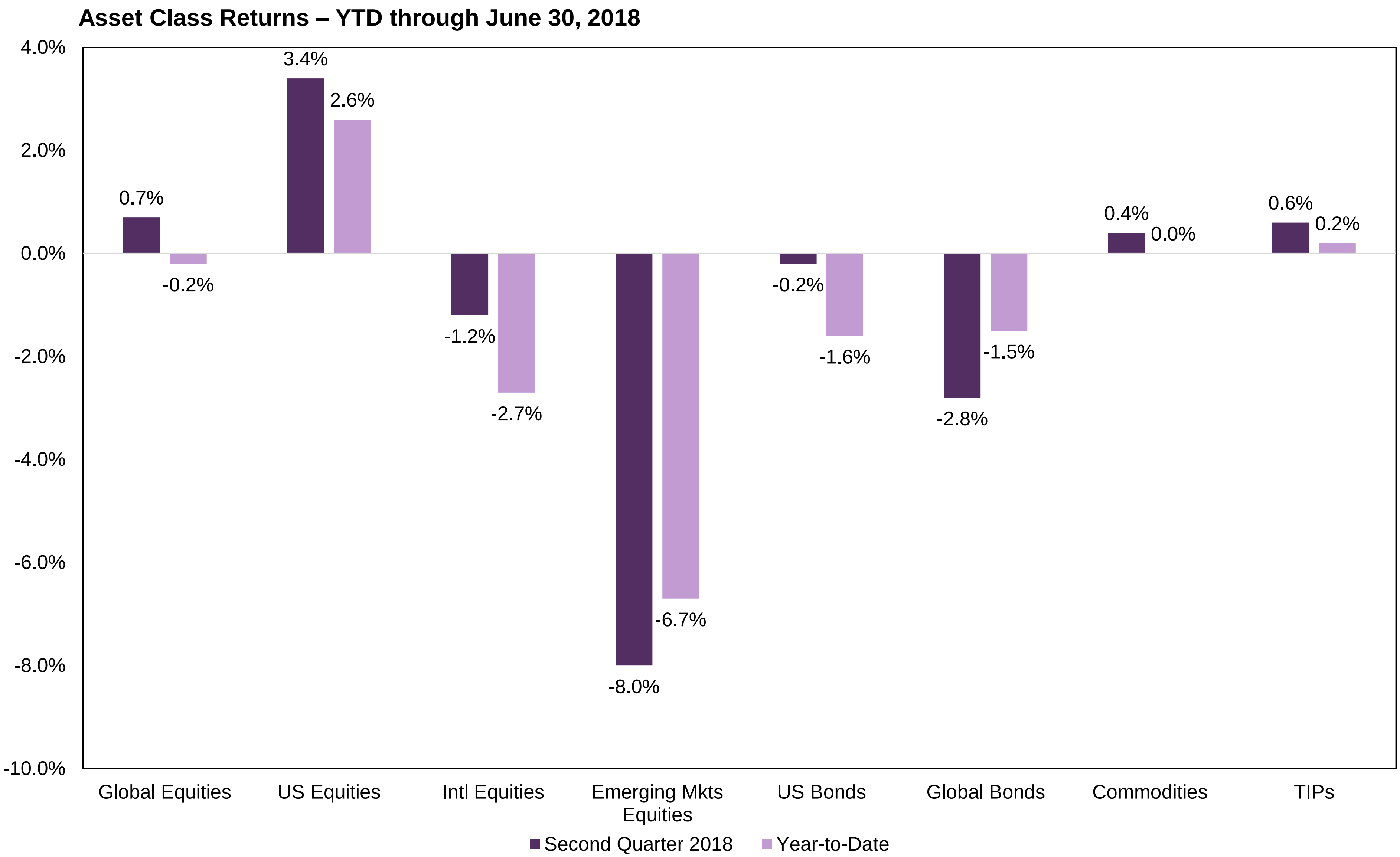
What has changed:

- **Growth became less balanced:** While growth in the U.S. appears to have accelerated in the second quarter, global growth has slowed toward the long-term trend.
- **Uncertainty remained elevated:** Uncertainty surrounding shifting monetary policy, elevated trade conflicts, political turmoil in the European Union ("E.U.") as well as late-cycle economic conditions persisted. Despite these conditions, volatility was more subdued as market focus appeared to return its focus to fundamentals.

What has not changed:

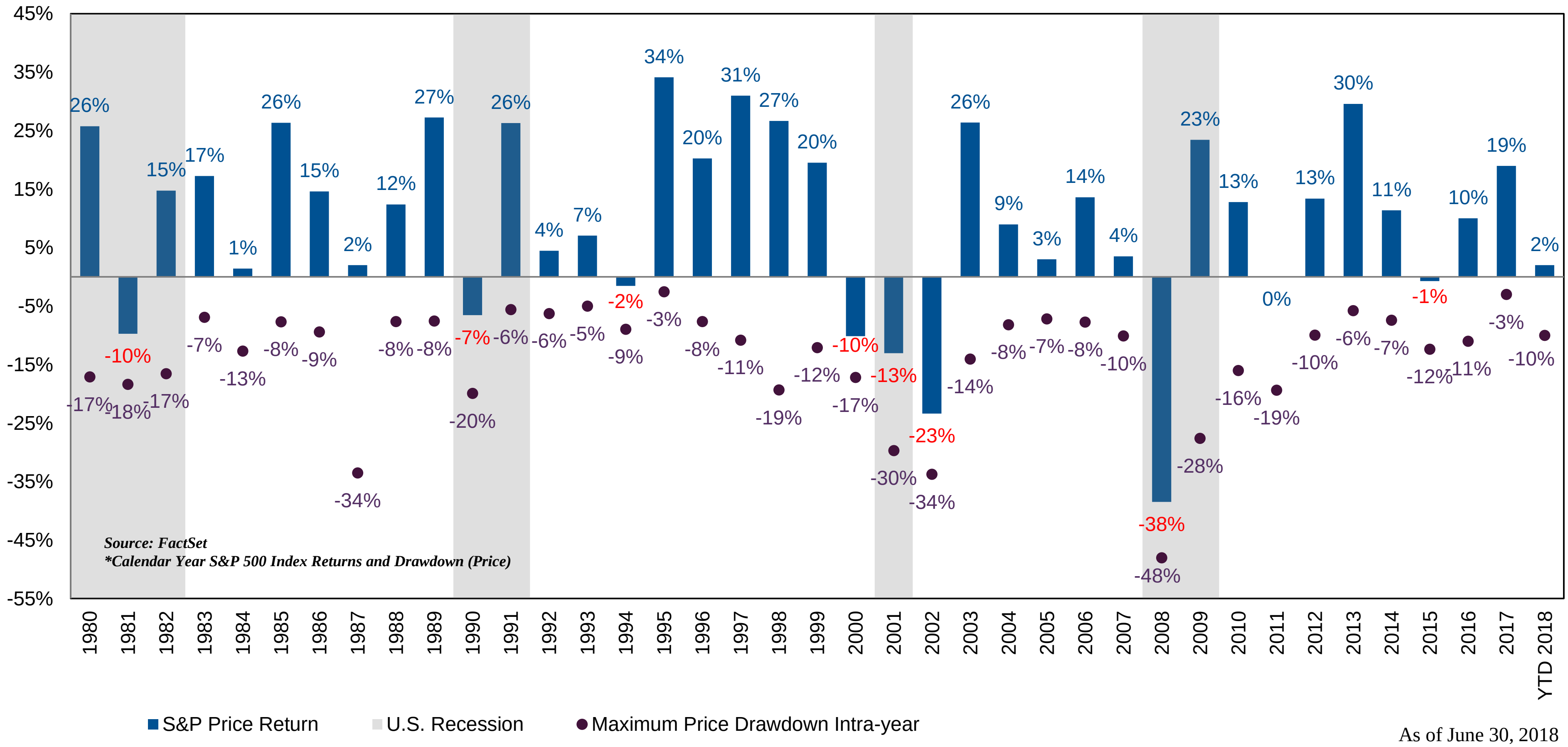
- **Economic and earnings growth remain strong:** Global growth has slowed, but remains strong. This has led to strong earnings reports with double digit growth among S&P 500 companies.
- **Interest rates are rising, but only slowly:** Interest rates have risen, but remain at low absolute levels. Market based estimates of future interest rates are consistent with central bank policy makers forward guidance, all of which suggest very modest increases in interest rates.
- **Inflation rising but subdued, facing headwinds:** While inflation has risen, it continues to face headwinds from numerous factors and likely will remain near long-term policy targets allowing policy makers to continue gradual policy adjustments.

Executive Summary



Rising Yields Have Contributed To Rising Volatility, That's Just A Return To Normal

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



As of June 30, 2018

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

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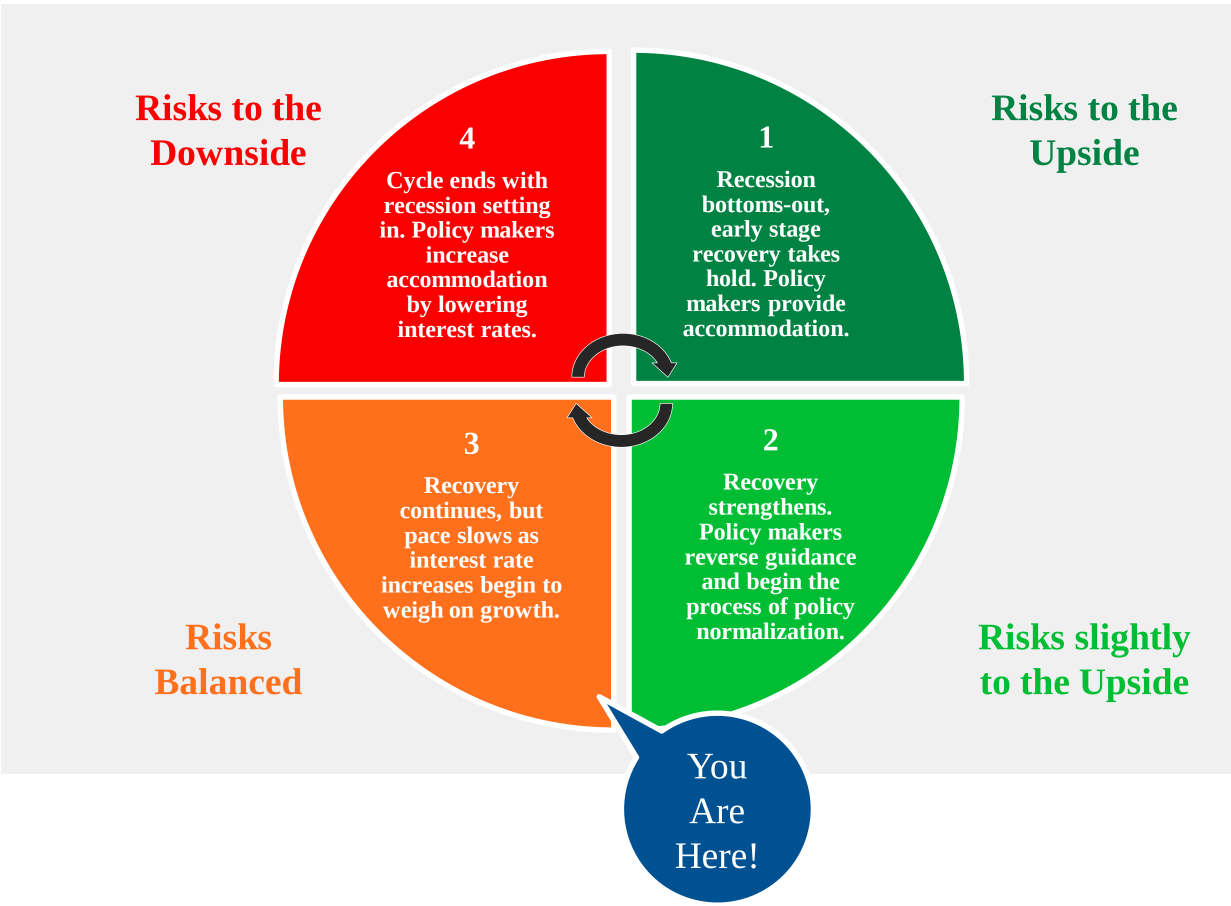
Where Are We In The Market Cycle?

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: **rising but subdued**
- Interest rates: **rising gradually, yield curve flattening**
- Volatility: **normalizing**
- Accommodation: **positive but declining**
- Earnings: **continued growth**
- Valuations: **full but not stretched**

It's late in the cycle, not the end of the cycle.

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.

	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	Apr-18	May-18	Jun-18
Global	51.2	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	53.9	54.0	54.2
Developed	51.5	51.6	51.7	51.9	53.6	54.0	54.1	54.6	54.1	54.3	54.4	54.3	54.5	54.3	54.6	54.6	55.0	54.8	54.8	54.9	55.4	53.6	54.4	54.8	55.0
Emerging	50.1	51.5	51.4	51.2	51.9	51.5	52.0	51.9	52.1	52.5	52.1	52.2	51.5	51.4	52.1	51.9	51.5	51.9	53.0	53.6	53.3	52.3	52.4	52.2	52.4
U.S.	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	54.9	56.6	56.2
Canada*	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	55.5	56.2	57.1
U.K.	52.7	47.6	53.4	54.0	54.7	55.2	56.5	55.1	53.9	54.7	56.3	54.4	53.9	54.1	54.0	54.1	55.8	54.9	54.8	53.4	54.5	52.4	53.2	54.5	55.2
Euro Zone	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	55.1	54.1	54.9
Germany	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	54.6	53.4	54.8
France	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	56.9	54.2	55.0
Italy	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	52.9	52.9	53.9
Spain	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	55.4	55.9	54.8
Greece*	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	52.9	54.2	53.5
Ireland	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	57.6	57.7	58.1
Australia	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	58.3	57.5	57.4
Japan	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	53.1	51.7	52.1
China	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	52.3	52.3	53.0
Indonesia*	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	51.6	51.7	50.3
S. Korea*	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	48.4	48.9	49.8
Taiwan*	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	54.8	53.4	54.5
India	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	51.9	50.4	53.3
Brazil	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	50.6	49.7	47.0
Mexico*	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	51.6	51.0	52.1
Russia	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	54.9	53.4	52.0

* indicates manufacturing PMI data

Key	Contraction	Expansion

Source: Bloomberg, JP Morgan

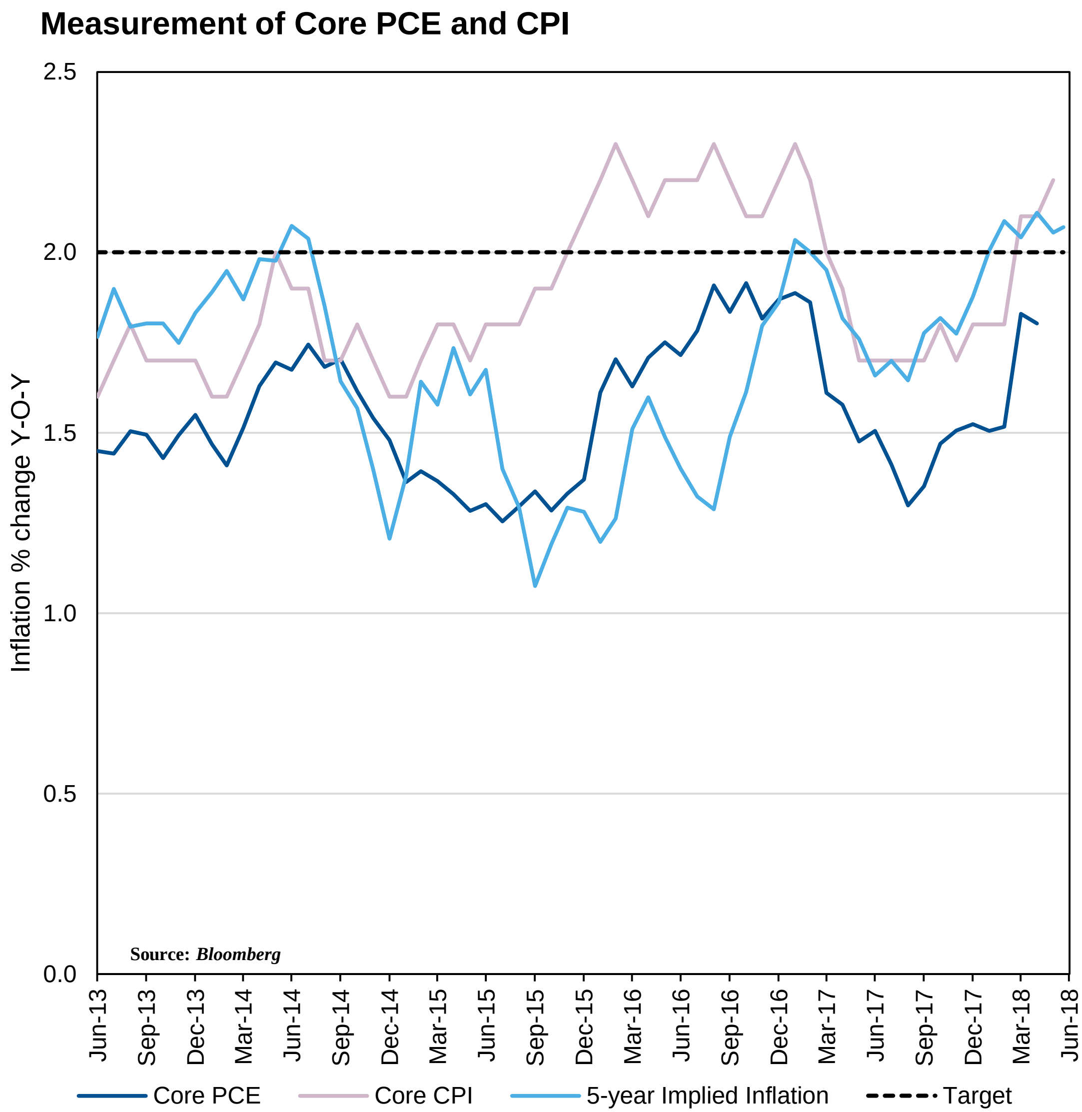
Recession Dashboard

Start of Recession	Yield Curve	Inflation Trends	Job Creation	Credit Platform	ISM Mfg.	Earnings Quality	Housing Market
Nov-73	↓	↓	↓	↓	↓	↓	↓
Jan-80	↓	↓	↓	↓	↓	↓	↓
Jul-81	↓	↑	↑	↓	↓	↓	↓
Jul-90	↓	↓	↓	↓	↓	↓	↓
Mar-01	↓	↓	↓	↓	↓	↓	↔
Dec-07	↓	↓	↔	↓	↓	↓	↓
Present	↑	↔	↑	↑	↑	↑	↑

Key: ↓ Recessionary ↑ Expansionary ↔ Neutral

Chart Source: Credit Suisse "Recession Dashboard"
Data Source: Standard & Poor's, Federal Reserve, BLS, National Statistical Agencies, NBER, ISM, Census Bureau, Aver Analytics, Credit Suisse

Inflation Likely To Remain Subdued



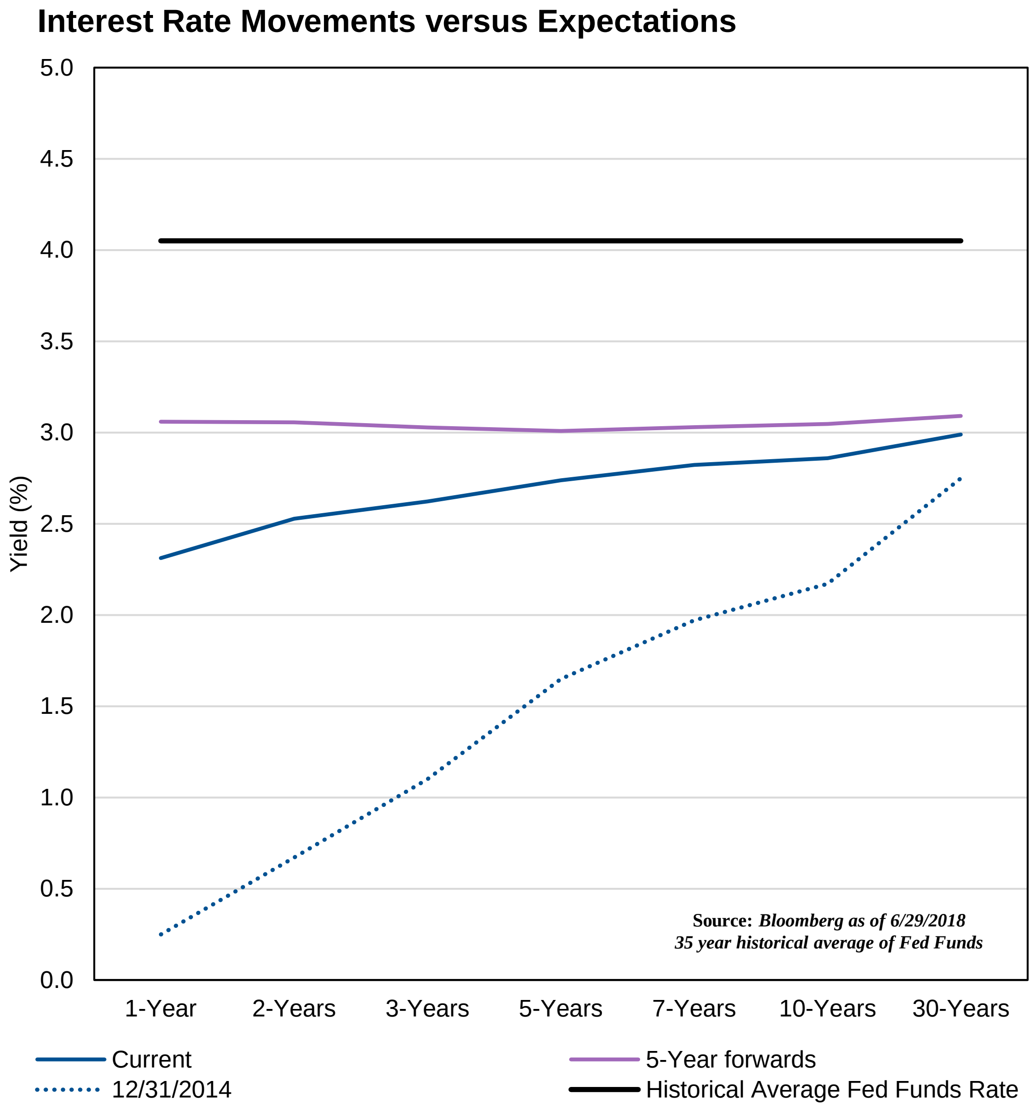
Core Personal Consumption Expenditures (PCE) measures the prices paid by consumers for goods and service without the volatility caused by movements in food and energy prices. Core Consumer Price Index (CPI) is a measurement of core inflation minus energy and food prices

- In the U.S., key leading indicators of inflation (core inflation) suggest price pressures likely will remain constrained.
- The Federal Reserve ("Fed") targets a 2% inflation rate as part of its overall goal to maximize employment while maintaining long-term interest rates at modest levels.
- While inflation has inched up over the past year, rates remain low enough that ample room exists for further rate increases if necessary to maintain tight control around the 2% inflation target.

Asset Allocation Implications:

- Inflationary risks remain muted, as a multitude of factors (technology, demographics, and globalization) weigh on overall price levels. Risk assets, like equities, should defend portfolios from small increases in inflation.

Interest Rates Are Inching Up, As Monetary Policy Moves Toward Normalization

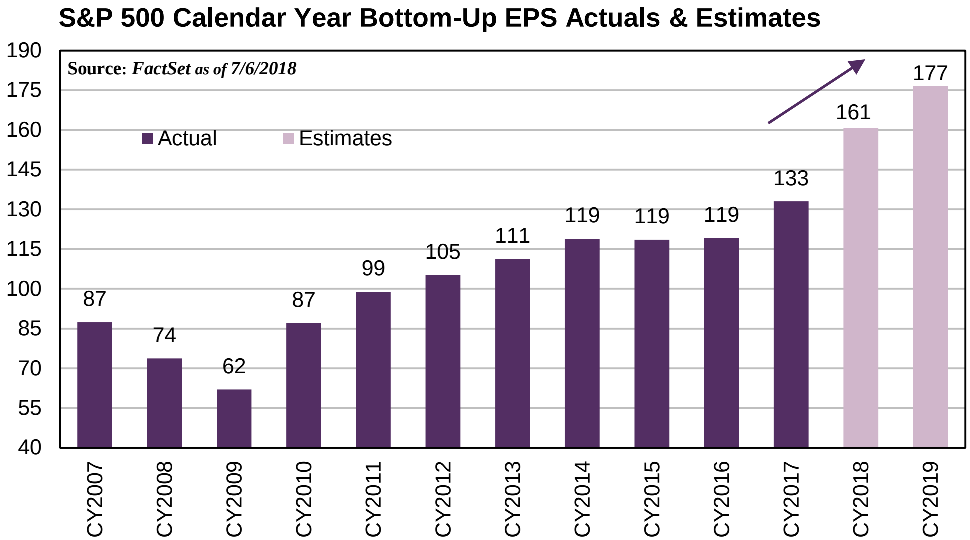


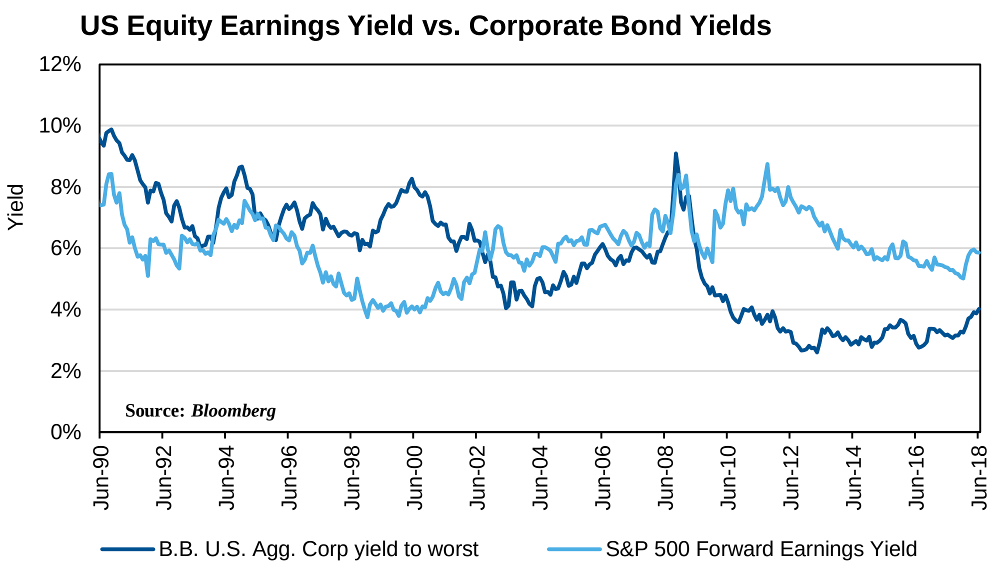
- The Fed continued the process of interest rate normalization, increasing rates 25 basis points in June, representing the seventh increase in nearly three years.
- Muted inflationary pressures have allowed the Fed to pursue a gradual path of rate increases, a quarter of a percent (25 basis points) per quarter.
- At the current pace, the Fed will reach its self-described neutral level of 3% by next June - provided inflationary pressures remain subdued.
- Based on forward interest rates, market expectations are for the Fed to pause at or near the 3% level (see five-year forward rates).

Asset Allocation Implications:

- As interest rate normalization runs its course, duration and core bond exposure add a layer of defense to most portfolios.
- Active management for fixed income continues to make sense as the normalization process runs its course.

Equities Remain Attractive – Especially Versus Fixed Income



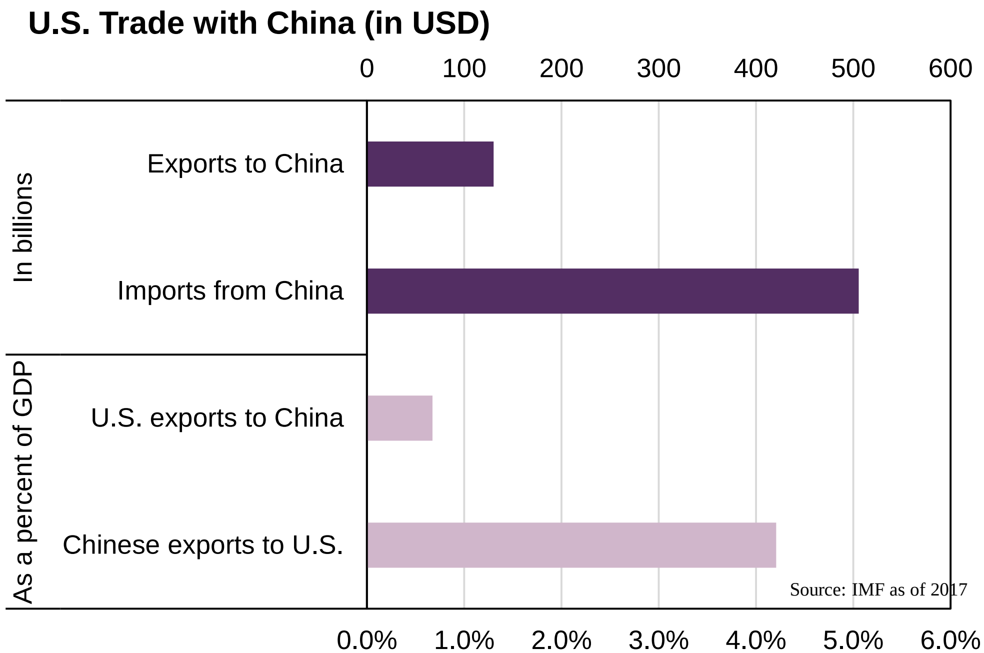


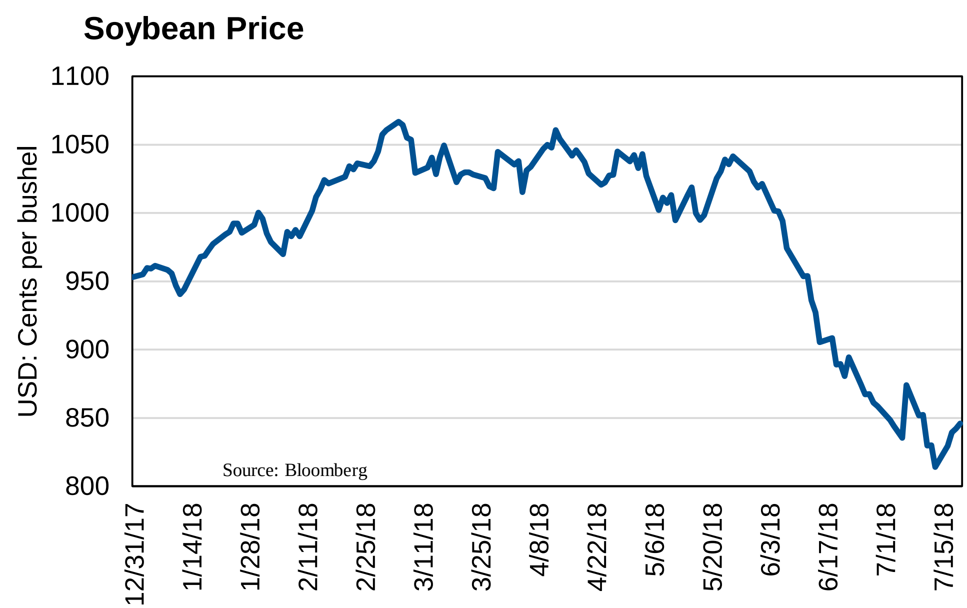
- U.S. earnings are expected to grow approximately 20% in 2018 and nearly 10% in 2019.
- Earnings continue to be supported by economic strength and tax cuts.
- While approximately half of this year's earnings growth came from tax cuts, the other half came from increased sales and improved margins – a trend analysts anticipate continuing into 2019.
- The earnings yield on equities continues to be higher than that of corporate bonds; however, the gap is closing with the overall increase in interest rates and higher overall equity valuations.
- These conditions are expected to result in record levels of share buy-backs (+$800 billion), a factor lending support to equity prices.

Asset Allocation Implications:

- Despite being late in the cycle, maintain equity exposures.
- Prefer to capture growth exposure through equity rather than credit.
- High quality fixed income can provide portfolio ballast in the event of a market surprise, such as escalating trade conflicts.

Trade Tensions: U.S. and China

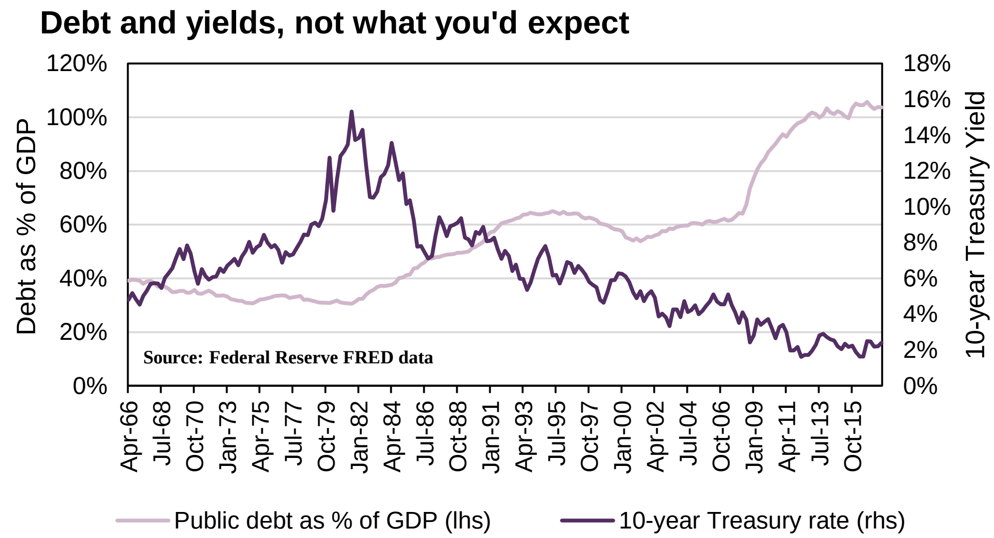


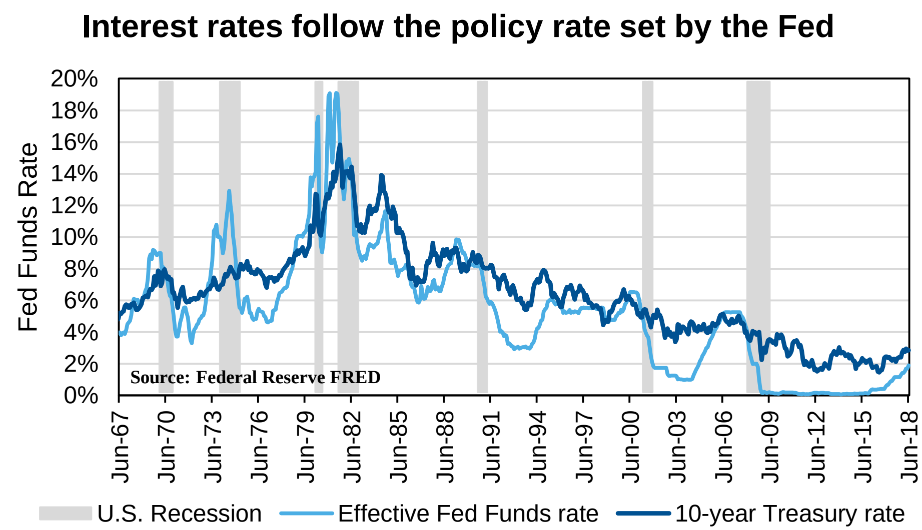


- Trade rhetoric has escaladed between the U.S. and China, as the two countries have exchanged tit-for-tat policy changes and threats.
- The absolute numbers are large, but the percentages, as a share of the overall economy, are less daunting.
- While the overall percentages appear small, the impact can be outsized across various industries, depending upon the relative exposure to trade.
- Unintended consequences also may result from policy changes as producers adjust production plans to reflect evolving trade policies – policies that in some cases may actually encourage moving U.S. production off-shore, as in the case of Harley Davidson motorcycles.

Concerns: Rising Deficits, However Fed Has More Influence Than Rising Debt

- Debt levels and interest rates need not move in the same direction.
- This inverse relationship is not unique to the U.S. A similar pattern has evolved in other developed markets, including Japan and the U.K. Policy rates tend to drive interest rate levels.
- Treasury yields reflect the market's estimate of the policy rate path over the course of the bonds' maturity.
- As a result Treasury yields closely track policy rates.





Additional Thoughts On The Prevailing Market Environment

Concern: The European Union

- Risks in the E.U. persist and likely will continue.
- Growth in most major developed and emerging countries within Europe have slowed YTD (see page 4).
- While the latest troubles focused on Italy, issues and problems are cycling throughout the region.

Concern: Japan

- Japan has pursued quantitative easing more aggressively than any other developed country (including the U.S.).
- Easing includes both sovereign bond purchases and equity purchases.
- The Bank of Japan presently holds more than 80% of all Japanese ETF's and approximately 6% of the equity market cap.
- Despite these efforts, central bank targets have not been achieved.

Not a Concern: Financial Leverage in U.S.

- Despite the low yields that have been in place for an extended period, U.S. corporations and individuals are not excessively levered.
- Debt service costs remain near record low levels relative to income streams for both households and corporations.
- Low debt service costs have resulted in delinquency rates remaining near record low levels.

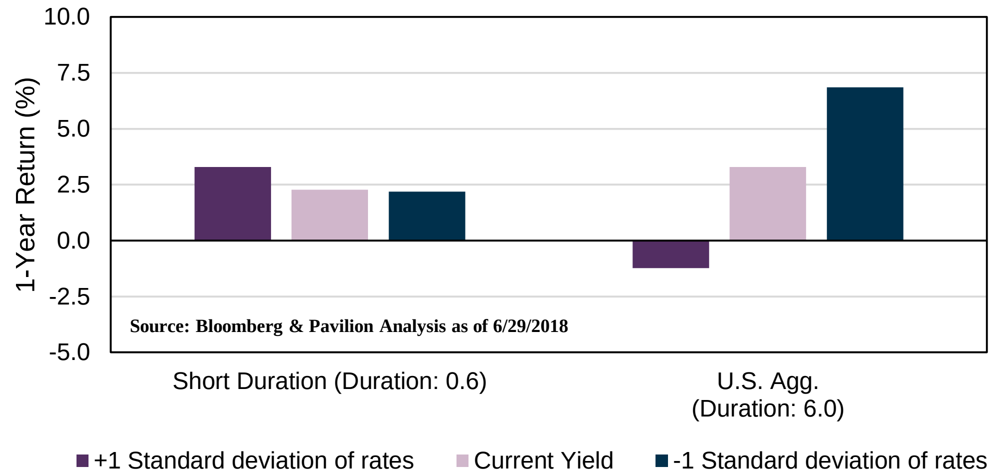
Conclusions:

- Global growth remains reasonably solid, although there has been a modest slowing in some geographies. Uneven growth prospects among economies are likely to be worsened by evolving trade conflicts. Trade negotiation outcomes, although still largely unknown, increase downside risks given actions to date and current rhetoric,
- While trade uncertainty combined with various late-cycle economic conditions have contributed to volatility, fundamentals remain constructive. This should support continued performance of risk assets, and we believe it is the explanation for the markets' apparent resilience.
- Despite prospects for positive performance, we believe clients should use the current environment to prepare portfolios for a potential deterioration in the risk environment. This deterioration may result from an eventual downturn in the cycle, likely triggered by an unanticipated policy misstep.
- This preparation involves evaluating three main components of the portfolio
    - **Liquidity:** ensure adequate liquidity to enable timely portfolio adjustments
    - **Diversification:** build in a portfolio ballast through fixed income or alternative strategies
    - **Volatility:** take steps to manage exposures in advance of volatility shifting higher
- We continue to favor U.S. and emerging market equities over ex-U.S. developed markets. We believe this allocation provides exposure to the current broad global growth while reducing exposure to risks such as Brexit or frictions within the E.U.
- While the Fed likely will continue to maintain the current pace of quarterly rate increases over the next year, market expectations and Fed guidance suggest the worst may be behind us, with only four more increases anticipated.

Late Cycle: Not A Time For Offense, Ensure Proper Diversification

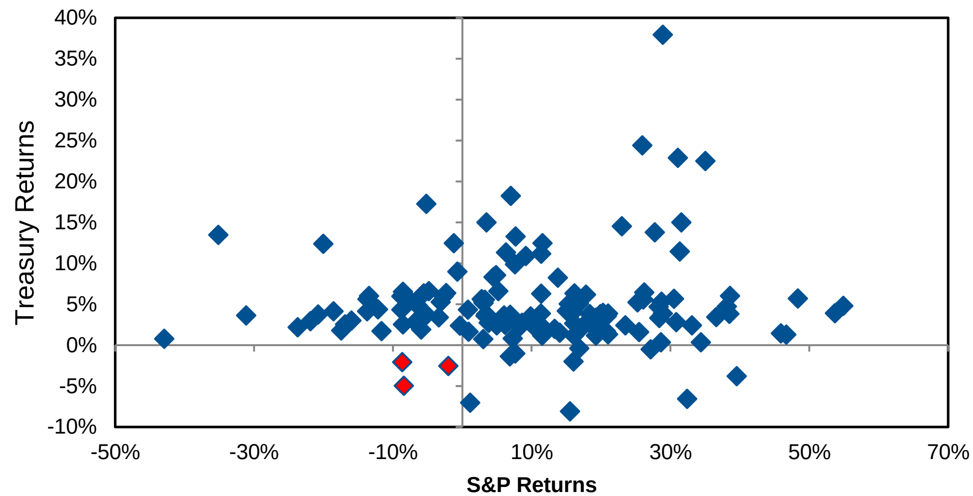
- Despite low yields, fixed income provides asymmetric protection for portfolios – potential upside significantly better than the potential downside.
- Spreads on investment grade credit and high yield bonds remain at tight levels. Spreads on emerging market debt offer some value add opportunities, but come with the cost of increased volatility.
- Diversification sources should be liquid enabling the portfolio to be repositioned and cash flow obligations met.
- When equity market returns are negative, high quality 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 the Barclay's U.S. Aggregate Index and equity returns both being negative during a 12-month period.
- We recommend combining diversified short-duration spread products with high quality long-duration exposure to achieve capital efficient liquid diversification with positive convexity – an allocation many of our core managers have implemented.

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



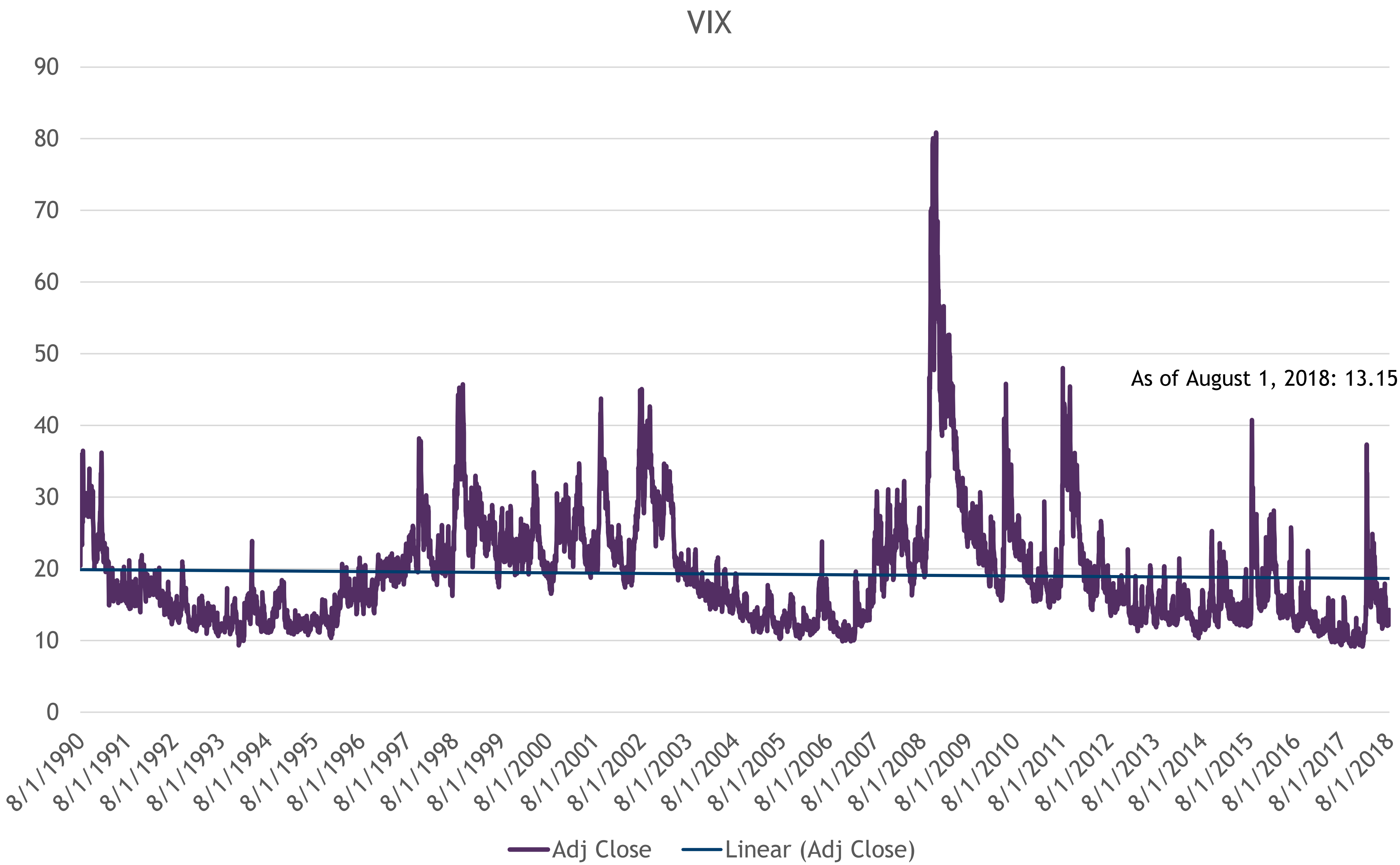
Source: Shiller & Pavilion Analysis

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

***LTCMA: Long-term Capital Market Assumptions**

Assumes a normal distribution

Historical Volatility



CBOE Volatility Index (^VIX)

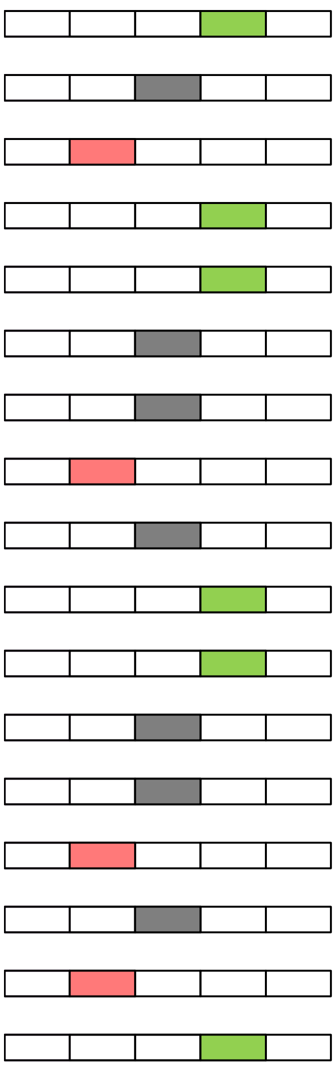
Positioning for Return to Volatility

- Prepare for a shift to a higher volatility regime and late market cycle
- Ensure adequate liquidity sources
- Ensure appropriate diversification

Theme	Current Positioning
Volatility	Higher quality fixed income provides diversification and downside protection relative to equities in the event of a volatility regime shift. Hedge funds expected to outperform during a higher volatility regime or equity market downturn.
Liquidity	Liquidity levels are high with 80% of the portfolio invested in separate accounts and daily valued mutual funds. 10% target to short duration fixed income provides stable liquidity. Should any market dislocations occur, El Camino can act in a timely fashion to capitalize on potential opportunities. Within alternatives, the allocation to truly illiquid investments (private real estate) is modest while approximately 80% of the hedge fund portfolio has at least quarterly liquidity and the remainder has annual liquidity.
Diversification	Balanced allocation to equities (40%), fixed income (40%) and diversifying alternative (20%) investment strategies. Portfolio has periodically been rebalanced on equity market strength to maintain proper diversification.

Asset Class Outlooks

Near-Term View



	LT Return*	Qualitative Assessment
U.S. Large Cap Equity	6.5%	▪ Global growth remains robust, but regional divergences have widened and weighed on equity market performance for several economies. Within the U.S., strong fundamentals helped drive second quarter and calendar year equity earnings expectations higher. This strength should continue to support risk assets near-term despite rising uncertainty. Asymmetric exposure to political and trade conflicts, however, has escalated and weakened select economies. ▪ 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.
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. Idiosyncratic risks, however, remain, as experienced in the second quarter, and active management should help navigate these complex markets. ▪ 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 - TIPS	2.6%	
Real Assets – Infrastructure	5.9%	

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

SECTION 2

Surplus Cash - Positioned for Volatile Markets

Surplus Cash Target Asset Allocation

Modeled expectations from March 2018 Asset Allocation Study[1]

	Current Policy[2]
U.S. Large-Cap	20.0%
U.S. Small-Cap	5.0%
International	12.0%
Emerging Markets	3.0%
Total Equity	**40.0%**
Market Duration	30.0%
Short Duration	10.0%
Total Fixed Income	**40.0%**
Hedge Funds	15.0%
Real Estate	5.0%
Private Equity	0.0%
Total Alternatives	**20.0%**

Expected Return	5.3%
Standard Deviation (1-Yr)	6.7%
Sharpe Ratio (R_F=2%)	0.43
Beta to Global Equity	0.40
1-Year VaR (95%)	-5.7%
1-Year VaR (99%)	-10.2%

- Pavilion presented analysis at the March 2018 Investment Committee, which incorporated the overall risks and financial situation of El Camino Hospital into a review of the Surplus Cash Portfolio asset allocation.
- Based on El Camino Hospital's future liquidity needs, Pavilion recommended maintaining the current asset allocation, which is shown to the left.
- The portfolio is well diversified, positioned to protect in down markets while still participating in upward markets.
- As previously mentioned, 80% of the portfolio is invested in separate accounts and daily valued mutual funds which can be liquidated within a week's time.

[1] Modeled using Pavilion 2018 Asset Allocation Assumptions published in January 2018
[2] Reflects Pavilion's current targets within ranges stated in the Investment Policy Statement.

Operating Funds - Peer Comparison

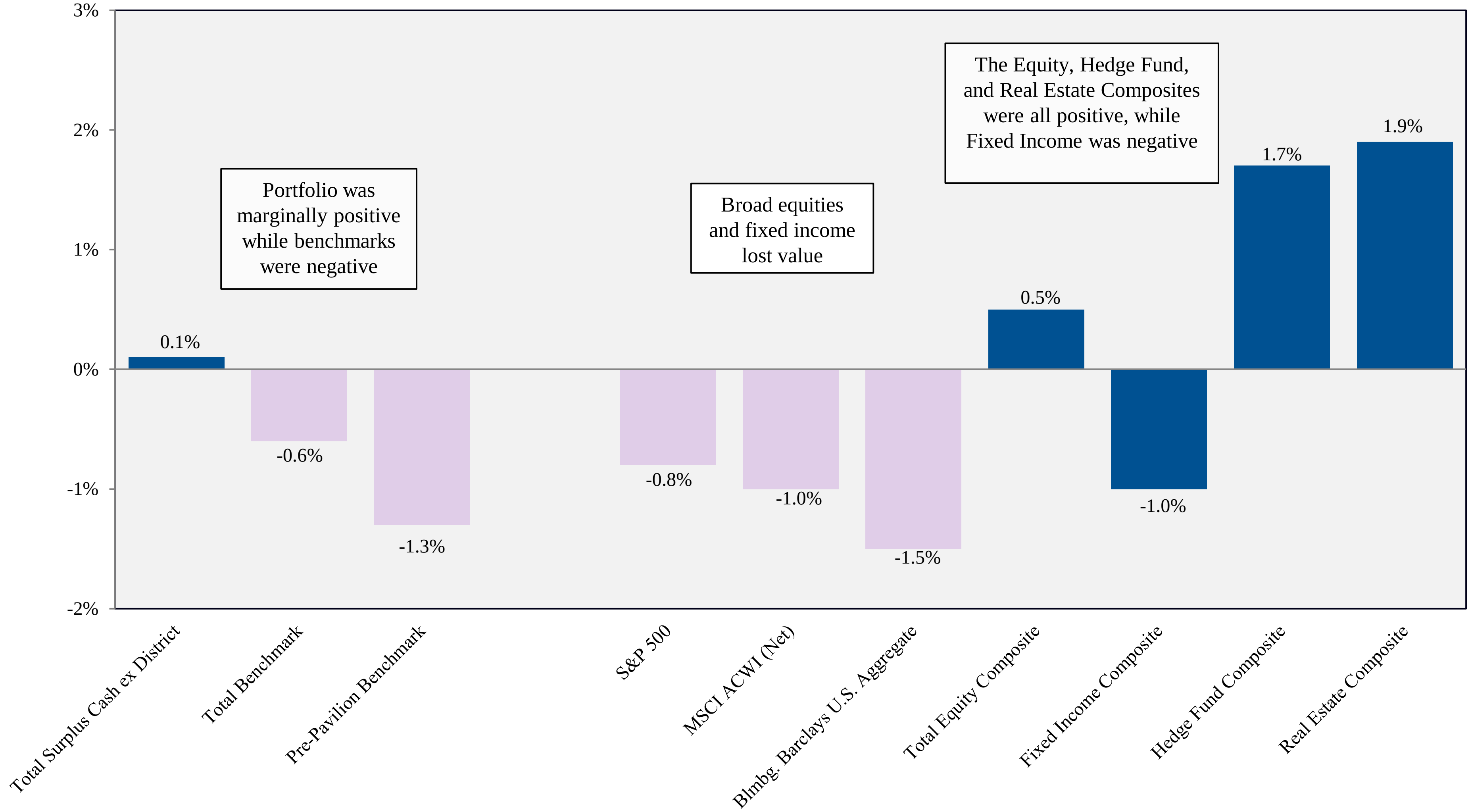
Asset Class	Current Policy	Healthcare Operating Portfolios -2015 Commonfund Benchmark Study of Healthcare Organizations: $501 million to $1 billion	Over $1 billion
Domestic Equities	25%	26%	18%
International Equities	15%	20%	19%
Fixed Income	30%	27%	28%
Short-Term Securities / Cash	10%	4%	5%
Alternative Strategies	20%	23%	30%
Private Strategies	5%	6%	9%
Hedge Funds/Alternatives	15%	13%	17%
Commodities/Energy	--	4%	3%
Other	--	--	1%

- When compared to peer operating portfolios between $500 million and $1 billion, the Surplus Cash portfolio is overweight fixed income, particularly short-term strategies.
- When compared to peers with portfolios in excess of $1 billion, the Surplus Cash portfolio has noticeably lower exposure to alternatives.
- Pavilion believes the portfolio is sufficiently defensive and does not recommend reducing risk.

PAVILION

Surplus Cash Performance in Recent Volatile Market

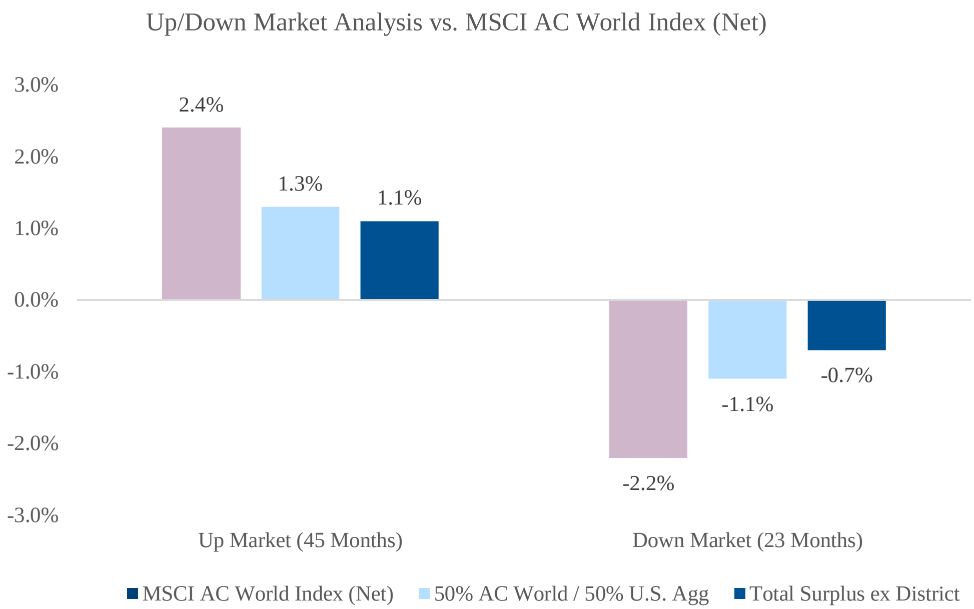
- Q1 2018 Performance : Portfolio protected during recent volatility

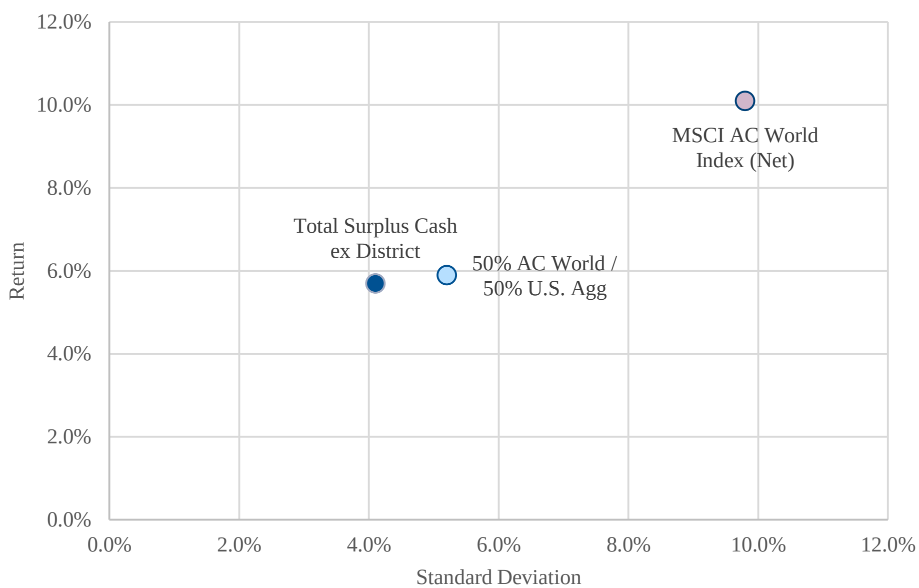


Surplus Cash Downside Protection
Since Pavilion Inception (5y 8m) as of June 30, 2018

- Portfolio has protected on downside with greater upside participation and risk-adjusted returns

	Annualized Return	Standard Deviation	Down Market Capture	Up Market Capture	Maximum Drawdown	Beta	Sharpe Ratio
MSCI AC World Index (Net)	10.1%	9.8%	100.0%	100.0%	-13.4%	1.0	1.0
Total Surplus Cash ex District	5.7%	4.1%	33.2%	45.1%	-5.8%	0.4	1.3
50% AC World / 50% U.S. Agg	5.9%	5.2%	100.0%	100.0%	-6.1%	1.0	1.1
Total Surplus Cash ex District	5.7%	4.1%	62.1%	81.0%	-5.8%	0.8	1.3

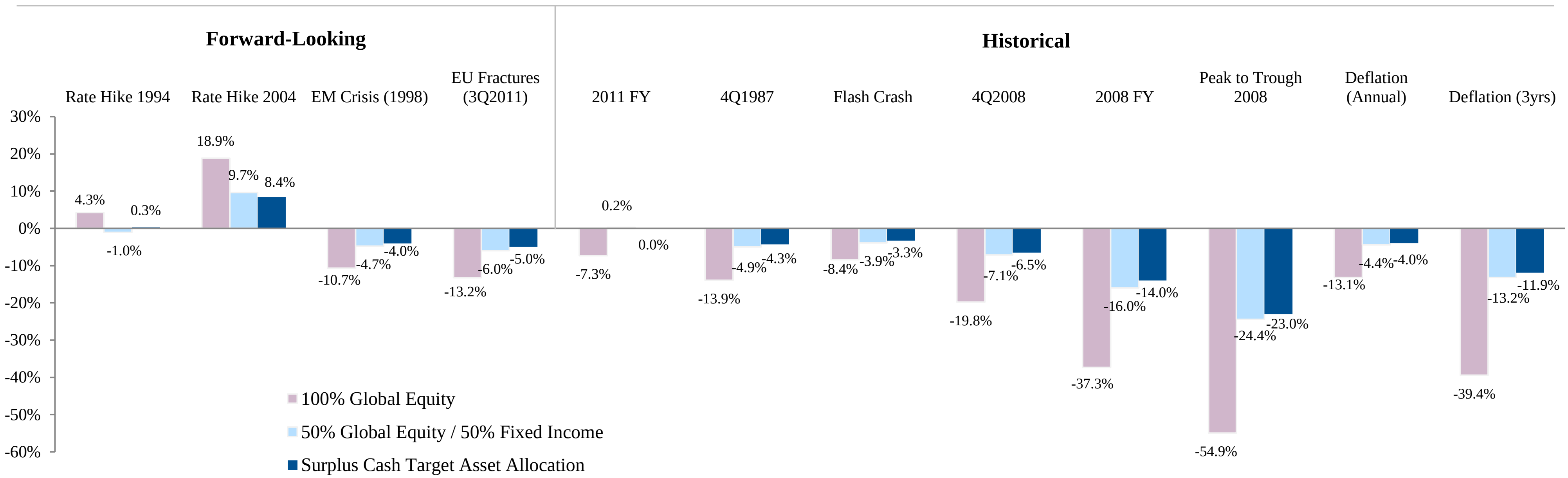




Historical Scenario Analysis[1]

Return Scenarios from March 2018 Asset Allocation Study

- The Surplus Cash Target Asset Allocation provides ample downside protection in historical periods of market duress



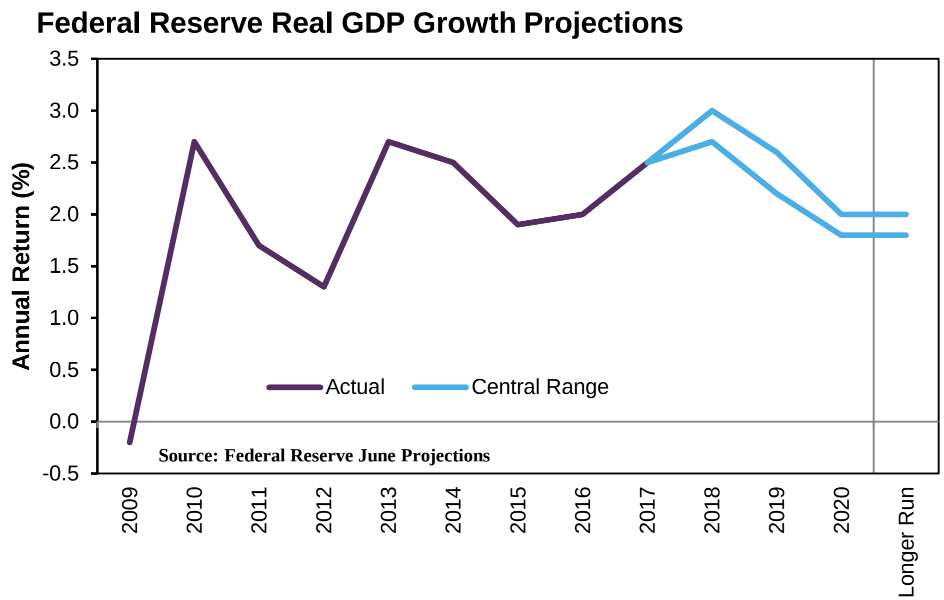
[1] Scenario descriptions of scenarios included in appendix

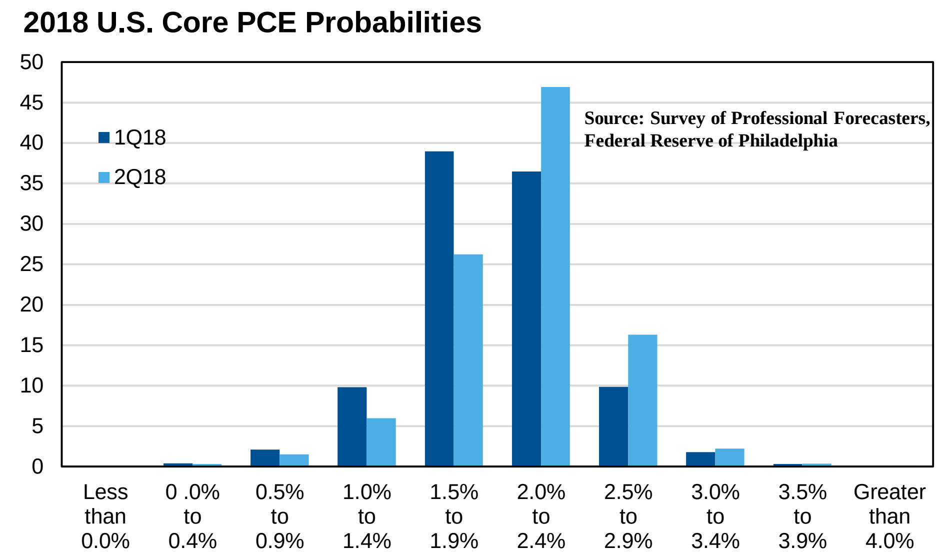
*Reflects Pavilion's current targets within ranges stated in the Investment Policy Statement.

SECTION 3

Appendix

Summary Outlook





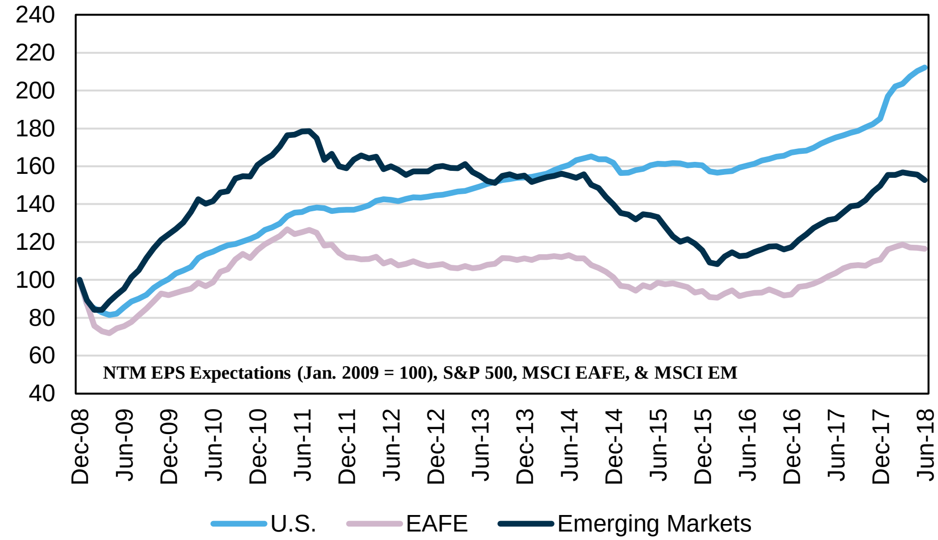
Summary	Themes & Implementation	Key Risks
▪ Growth has become less balanced and uncertainty has increased. U.S. growth has accelerated while international growth has slowed. Concerns over trade policy, political turmoil, and future monetary policy have spooked the markets. ▪ Core inflation reached the Fed's 2% target in May, and likely will rise during the course of the next few quarters, but it continues to face headwinds and is unlikely to introduce 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: take steps to manage exposures in advance of volatility shifting higher ▪ Maintain U.S./Emerging Markets equity barbell ▪ Evaluate the equity structure to assure portfolio characteristics are suitable for normalized volatility ▪ Insure exposure to high quality duration as a source of diversification and protection against unanticipated sell offs while layering select carry positions of securitized and emerging markets	Catalysts of further volatility spikes ▪ Trade policy disruption ▪ Central bank policy misstep ▪ Governmental shock

Equity Outlook

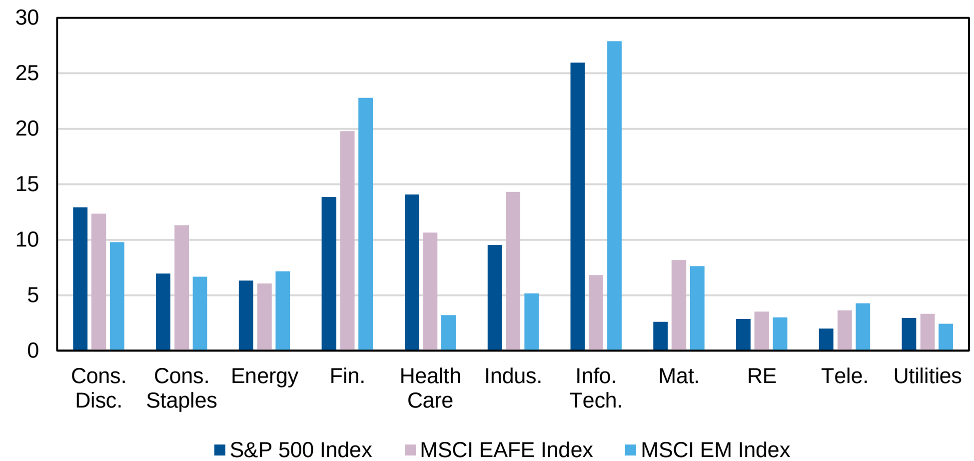
Summary	
Global growth remains robust, but regional divergences have widened and weighed on equity market performance for several economies. Within the U.S., strong fundamentals helped drive second quarter and calendar year equity earnings expectations higher. This strength should continue to support risk assets near-term despite rising uncertainty. Asymmetric exposure to political and trade conflicts, however, has escalated and weakened select economies.	
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	While second quarter shook emerging markets, these developing economies continue to benefit from positive secular trends, such as a growing middle class. 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



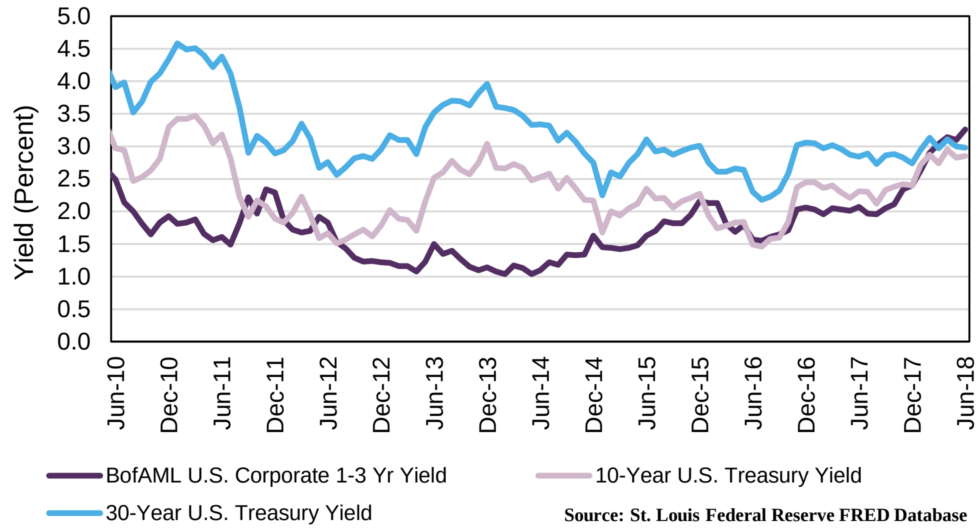
Source: FactSet as of 6/29/2018

PAVILION

Fixed Income Outlook

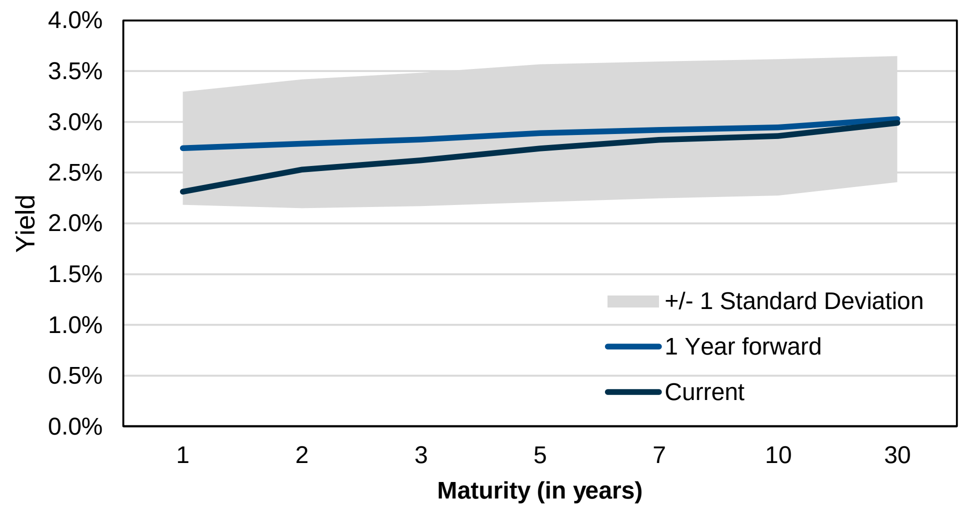
Summary	
Despite low yield levels, high quality fixed income continues to provide investors with some diversification benefits and return opportunities. We continue to recommend building diversified sources of yield generation while taking steps towards a more defensive risk posture.	
Themes & Implementation	
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, while remaining somewhat insulated from global macro risks.
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.
Emerging Markets	Upside opportunity exists as some markets may have undershot in the second quarter, but allocation sizes should be carefully considered as downside volatility can be painful and the range of potential outcomes is quite wide.
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

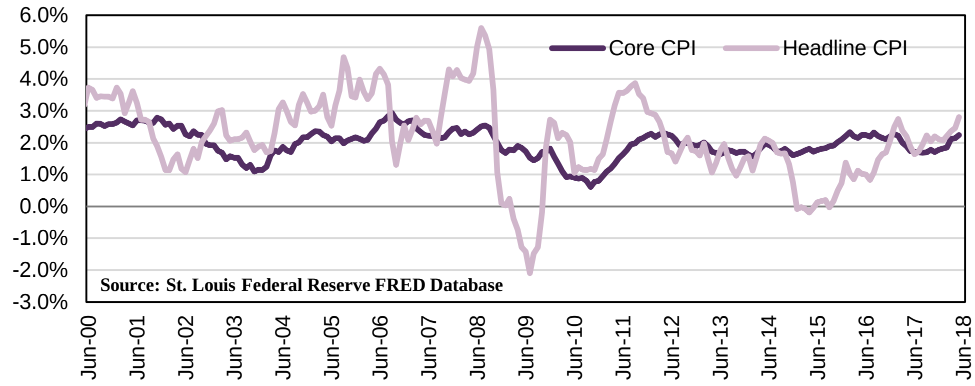


Source: U.S. Treasury & Bloomberg as of June 29, 2018

Real Assets Outlook

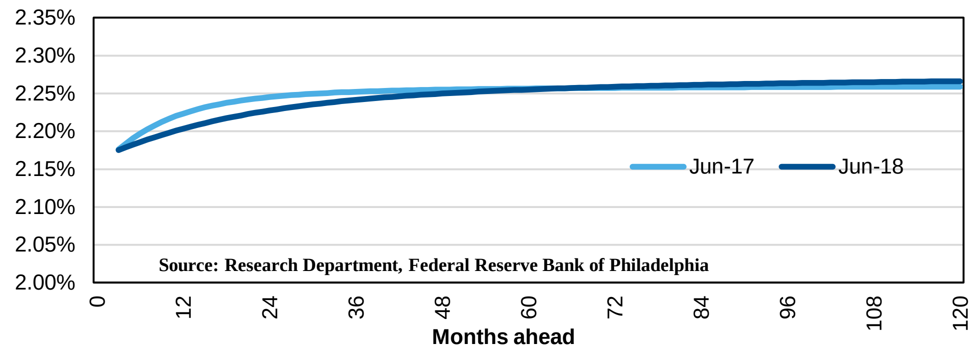
Summary	
Inflationary risks remain muted, as a multitude of factors weigh on overall price levels. As a result, risk assets, like equities, should defend portfolios from small increases in inflation.	
Themes & Implementation	
Economic Growth	We expect continued strong economic growth. Real assets are 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 has reignited trade war concerns. The full impact is not yet known. Tariffs are not being implemented uniformly across countries, but rhetoric between the U.S. and China has escalated, as tariffs are implemented.

Year-Over-Year U.S. Inflation

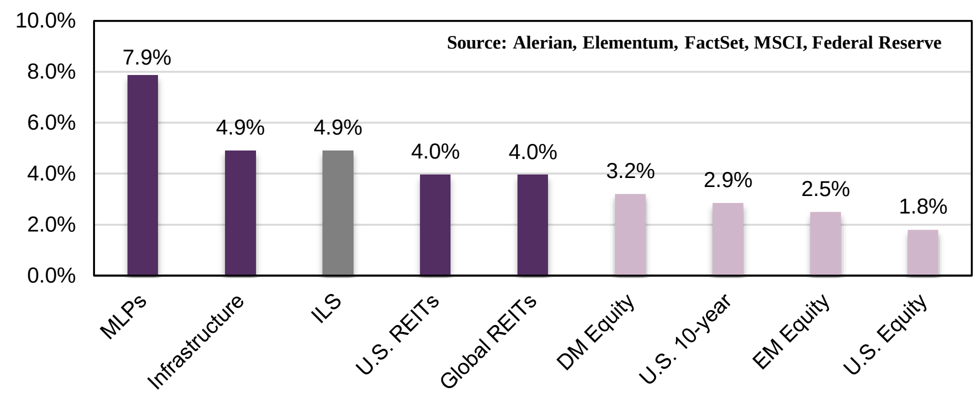


Term Structure of Inflation Expectations

Average Annualized Expected CPI Inflation



Asset Class Yields



Long-Term Capital Market Assumptions: Methodology

- Modern portfolio theory provides a useful and important framework for addressing the challenges of asset allocation with two inputs, the expected returns, and the relative risk or co-movement, also known as the covariance for the various asset classes. Unfortunately, while the estimation of covariance is straight forward, relying heavily on historical data, formulating reasonable estimates for expected returns can be quite difficult. The challenges become determining which factors to emphasize and identifying what circumstances will drive returns over the next decade or longer. All too frequently, prognosticators allow subjective biases to creep into their assessments, resulting in estimates representing little more than a guess. To address these issues, we produce long-term capital market assumptions ("LTCMA") to establish strategic allocations which are objective and business cycle agnostic while capturing secular conditions over longer time horizons (10- to 15-years).
- The estimation process is carried out in three separate but related categories: fixed income, equity, and alternatives. For each of these categories or asset classes, the expected riskless rate of return is combined with an expected risk premium to provide the expected return for the asset class. This process builds off of two components: forward interest rate curves (i.e. the market's view of the future path of interest rates, including the riskless rate) and consensus earnings growth (which provides the equity risk premium). We begin with the fixed income returns.
  - Fixed income return assumptions are derived primarily from forward interest rate curves. These forward curves provide the market's current estimate of the future path of interest rates over time. The paths projected by these curves enable us to estimate the future path of the riskless rate as well as forward looking coupon expectations based on the underlying composition of each fixed income sub-asset class, thus providing the basis for calculating expected returns for this class of assets. Assumptions are refined further through an incorporation of idiosyncratic characteristics (e.g. spreads, duration, capital impairment, etc.).
  - Equity returns build off the foundations established in the fixed income exercise, in particular the risk-free expectation which is combined with an equity risk premium to form the basis of expected equity returns. We estimate the equity risk premium through a dividend discount model approach. The model utilizes intermediate-term, consensus earnings growth expectations blended with the risk-free rate to calculate a discounted future value. This value becomes the basis for calculating the equity risk premium. While historical earnings growth expectations have been overly optimistic, the risk-free rate dampens the impact of these estimates anchoring growth to the market's more conservative estimate of longer-run economic growth. Once the equity risk premium is established, we estimate sub-asset class returns through a Black-Litterman approach. Black-Litterman is a statistical technique for extrapolating the broader equity risk premium to equity sub-asset classes based on current market capitalization, underlying risks (volatility), and historical relationships (correlations). The results typically produce higher return estimates for riskier allocations.
  - Finally, alternative asset classes are estimated through a two phase process. The first phase captures systemic risks using both fixed income and equity expectations. We use regressions to extrapolate underlying asset class relationships and then uses a linear combination to establish a systemic return. The second phase reviews historical performance to determine idiosyncratic factors (e.g. alpha, real estate prices, etc.)
- Our methods employed are standard and commonly employed by most sophisticated asset managers and brokers, explaining the modest differentials present in such estimates. We undertake the process independently in order to understand all underlying assumptions and to ensure consistency across all aspects of the process. As a matter of due diligence, we benchmark our LTCM assumptions against several other sets of assumptions to safeguard against the prospect of errors or rogue assumptions.

Long-Term Capital Market Assumptions

					Correlation Matrix																												
		Strategy	Return	Risk	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
Equities	1	Global Equity	6.8%	16.1%	1.00																												
	2	U.S. Equity	6.6%	15.1%	0.95	1.00																											
	3	U.S. Large Cap Equity	6.5%	15.0%	0.95	1.00	1.00																										
	4	U.S. Small Cap Equity	7.5%	19.5%	0.81	0.86	0.84	1.00																									
	5	Intl Equity	6.9%	16.3%	0.96	0.84	0.84	0.74	1.00																								
	6	Emerging Markets	8.1%	21.5%	0.88	0.77	0.77	0.72	0.86	1.00																							
	7	Long/Short Equity	4.7%	8.9%	0.83	0.81	0.79	0.84	0.78	0.81	1.00																						
	8	Private Equity	9.8%	25.4%	0.99	0.95	0.95	0.81	0.95	0.87	0.82	1.00																					
Fixed Income	9	Global Bonds	2.7%	5.4%	0.28	0.16	0.16	0.10	0.36	0.29	0.17	0.26	1.00																				
	10	Short Duration	2.7%	1.4%	-0.10	-0.13	-0.12	-0.17	-0.08	-0.07	-0.04	-0.10	0.56	1.00																			
	11	Treasuries	2.5%	4.3%	-0.25	-0.26	-0.25	-0.30	-0.23	-0.22	-0.26	-0.26	0.59	0.72	1.00																		
	12	Intermediate Gov't	2.5%	3.0%	-0.27	-0.28	-0.27	-0.33	-0.24	-0.23	-0.27	-0.28	0.60	0.80	0.96	1.00																	
	13	Long Duration Gov't	2.7%	10.2%	-0.24	-0.24	-0.23	-0.28	-0.22	-0.20	-0.27	-0.25	0.50	0.49	0.93	0.83	1.00																
	14	Long G/C	3.6%	8.7%	0.00	-0.03	-0.03	-0.09	0.02	0.02	-0.06	-0.01	0.62	0.53	0.87	0.75	0.93	1.00															
	15	Municipal Bonds	2.5%	4.1%	0.02	0.00	0.00	-0.06	0.04	0.04	0.03	0.01	0.48	0.43	0.58	0.53	0.57	0.66	1.00														
	16	Core Plus	2.9%	3.4%	-0.01	-0.04	-0.03	-0.11	0.01	0.02	-0.04	-0.02	0.70	0.74	0.92	0.88	0.85	0.93	0.71	1.00													
	17	Investment Grade Corporates	3.5%	5.3%	0.28	0.22	0.23	0.15	0.30	0.29	0.23	0.27	0.68	0.57	0.63	0.56	0.62	0.85	0.68	0.86	1.00												
	18	High Yield	4.5%	8.8%	0.68	0.64	0.63	0.62	0.65	0.68	0.61	0.67	0.30	0.01	-0.15	-0.20	-0.13	0.18	0.26	0.18	0.53	1.00											
	19	Emerging Markets Debt	4.3%	8.7%	0.68	0.58	0.59	0.48	0.68	0.67	0.54	0.67	0.61	0.29	0.24	0.20	0.22	0.48	0.40	0.51	0.71	0.73	1.00										
Multi-Strat.	20	Distressed	7.5%	10.4%	0.65	0.61	0.59	0.63	0.64	0.65	0.75	0.64	0.11	-0.08	-0.31	-0.33	-0.33	-0.09	0.06	-0.08	0.23	0.68	0.48	1.00									
	21	Long/Short Fixed Income	4.5%	8.4%	0.20	0.18	0.17	0.20	0.19	0.21	0.24	0.19	0.00	-0.02	-0.16	-0.17	-0.15	0.00	0.13	0.03	0.20	0.39	0.21	0.46	1.00								
	22	Diversified Hedge Funds (FOF)	4.7%	3.9%	0.64	0.59	0.59	0.55	0.62	0.63	0.79	0.63	0.07	-0.01	-0.24	-0.27	-0.24	-0.04	0.11	-0.02	0.25	0.57	0.46	0.82	0.40	1.00							
	23	Multi-Strategy - Direct	5.0%	6.7%	0.82	0.80	0.78	0.81	0.78	0.82	0.97	0.82	0.17	-0.04	-0.24	-0.25	-0.24	-0.03	0.05	-0.02	0.26	0.64	0.55	0.80	0.29	0.83	1.00						
Real Assets	24	Commodities	5.0%	15.8%	0.42	0.33	0.33	0.33	0.44	0.48	0.47	0.41	0.34	0.09	-0.08	-0.06	-0.14	0.00	-0.03	0.05	0.20	0.36	0.41	0.43	0.16	0.46	0.48	1.00					
	25	Inflation Linked Notes	2.6%	5.4%	0.08	0.02	0.02	-0.02	0.10	0.15	0.06	0.07	0.64	0.53	0.65	0.63	0.60	0.69	0.54	0.74	0.68	0.27	0.53	0.10	0.04	0.13	0.09	0.28	1.00				
	26	Natural Resources / Infrastructure	5.9%	16.2%	0.42	0.41	0.40	0.39	0.40	0.41	0.42	0.41	0.18	0.09	-0.16	-0.14	-0.21	-0.02	0.17	0.04	0.26	0.56	0.34	0.51	0.25	0.41	0.44	0.38	0.13	1.00			
	27	Real Estate (Private)	6.0%	10.3%	0.08	0.06	0.06	0.05	0.11	0.04	0.09	0.08	0.03	-0.05	-0.03	-0.07	0.00	0.04	0.02	0.00	0.07	0.04	0.05	0.22	0.12	0.18	0.07	0.10	-0.01	0.07	1.00		
	28	REITs	6.5%	19.7%	0.58	0.59	0.57	0.62	0.55	0.51	0.44	0.58	0.32	0.01	-0.04	-0.06	-0.01	0.18	0.20	0.17	0.36	0.61	0.51	0.43	0.22	0.32	0.44	0.25	0.24	0.33	0.13	1.00	
	29	Cash	2.4%	0.6%	-0.03	-0.02	-0.01	-0.04	-0.04	-0.01	0.12	-0.04	0.02	0.46	0.13	0.20	0.02	-0.02	0.02	0.11	-0.02	-0.11	-0.03	0.02	-0.08	0.17	0.10	0.07	0.03	0.05	0.06	-0.02	1.00

Inflation Expectation: 2.0%
**Represents 2018 Asset Allocation Assumptions published in January 2018*

Scenario Analysis Definitions

Stress Scenario Methodology: Scenarios are estimated through a three phase process. First, key factors are determined along with the magnitude change. An analysis of historical and fundamental economics data aide in isolating and approximating values. Secondly, portfolio sensitivities to each factor are estimated by a linear regression. Finally, elements of step one and two are combined to estimate the portfolio's scenario sensitivity.

Forward-Looking Stress Scenarios

- **Monetary Policy Misstep (1994 vs. 2004):** Recent history has shown two different rising rate environment in the U.S. In 1994, markets sold off sharply at first before recalibrating. Alternatively, in 2004 the market easily digested the rate rise.
- **E.U. Fractures (3Q 2011):** While the E.U. has seen many improvements since the end of the 2008 financial crisis, a growing concern is the prospect for markets to begin pricing in an increased probability of a future break-up of the Union. Potential catalysts for such an event include the ongoing negotiations of the U.K. and E.U. (BREXIT), a failure in negotiations with Greece to obtain an additional round of funding or both. While currently not likely, either event would likely cause a selloff in risk assets similar to that witnessed in 2011, with some consideration given to the current level of valuations.
- **Emerging Markets Shock (1998):** Although risks have subsided, a hard landing in China or capital flight amid a rising rate environment still exist.

Historical Stress Scenarios

- **1987 Full Year:** Black Monday occurred on October 19, 1987 and reverberated through the globe. The drawdown erased positive U.S. performance from earlier in the year and left markets in the red at year-end.
- **Flash Crash:** Flash crash represents returns from a single month (May 2010).
- **4Q 2008 (Financial Crisis):** The financial crisis intensified in the fourth quarter of 2008, as the S&P 500 Index fell -21.9%, the largest quarterly drop since 1987. In the third quarter, Lehman Brothers filed for bankruptcy on September 15th, punctuating a continuing tightening of financial markets. Monetary and fiscal measures sought to address the destabilizing fundamentals; however, asset prices and economic conditions deteriorated further. From the monetary perspective, the US Federal Reserve set the target federal funds range at 0 – 25 basis points on December 16th, as interested rates fell. On the fiscal side and in an effort begin recapitalizing the financial system, the Troubled Assets Relief Program ("TARP") was signed into law on October 3rd.
- **Financial Crisis Peak to Trough** (**November 2007 through February 2009):** The financial crisis sent shockwaves throughout the global economy and produced the great recession. Excess leverage coupled with poor underwriting emanating from the US real estate and financial sectors catalyzed a massive deterioration in systemically important institutions. Throughout the globally connected markets, liquidity dried up which seized financial markets and spurred fire sale prices. In the US, the real gross domestic product fell approximately -4% with the real estate and financial sectors at the epicenter. On a monthly basis, the S&P 500 Index peaked at the end of October 2007, only to fall -51% through the end of February 2009 with US 10-year treasury rates tumbling 150 basis points from 4.5% to 3.0%.
- **Deflation:** The deflation scenario is designed to simulate a Japan deflation scenario taking place over a 3-year horizon within the United States.

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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

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