El Camino Hospital®
THE HOSPITAL OF SILICON VALLEY

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

Members Present	**Members Absent**	**Members Excused**
Nicola Boone John Conover Jeffrey Davis, Chair Gary Kalbach Brooks Nelson	John Zoglin (via teleconference)	

A quorum was present at the El Camino Hospital Investment Committee on Monday, March 12, 2018 meeting.

Agenda Item	Comments/Discussion	Approvals/Action
1. CALL TO ORDER/ ROLL CALL	The meeting of the Investment Committee of El Camino Hospital (the "Committee") was called to order by Dr. Davis, Committee Chair at 5:30pm	*None*
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Davis asked if any Committee member or anyone in the audience believes that a Committee member may have a conflict of interest on any of the items on the agenda. No conflict of interest was reported.	*None*
3. PUBLIC COMMUNICATION	Chair Davis asked if there was any public communication to present. None were noted.	*None*
4. CONSENT CALENDAR ITEMS	Chair Davis asked if any Committee member wished to remove any items from the consent calendar for discussion. None were noted. **Motion:** To approve the consent calendar (Open Minutes of the November 13, 2017 Investment Committee Meeting and Open Minutes of the January 29, 2018 Joint Finance & Investment Committee Meeting. **Movant:** Kalbach **Second:** Conover **Ayes:** Boone, Conover, Davis, Kalbach, Nelson, and Zoglin. **Abstentions:** None **Absent:** **Excused:** None **Recused:** None	*The Open Minutes of the November 13, 2017 Investment Committee Meeting and Open Minutes of the January 29, 2018 Joint Finance & Investment Committee Meeting were approved.*
5. REPORT ON BOARD ACTIONS	Chair Davis reported Bruce Harrison, to President of Silicon Valley Medical Development (SVMD), an affiliate of El Camino Hospital. Their leadership is an integral component to fulfilling our strategic vision and delivering on our mission. Also announced Gary Kalbach and Julie Kliger, RN to the El Camino Hospital Board of Directors. Lastly, a proposal to delegate certain decision making authority to the Executive Compensation Committee, and gave direction to the Committee to develop procedures for exercising the proposed authority.	

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

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

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

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

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

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13. AGENDA ITEM 16 ADJOURMENT	**Motion:** To adjourn the Investment Committee meeting at 7:28pm. **Movant:** Boone **Second:** Nelson **Ayes:** Boone, Conover, Davis, Kalbach, Nelson, and Zoglin. **Abstentions:** None **Absent:** None **Excused:** None **Recused:** None	***A motion to adjourn to the Investment Committee meeting at 7:28 pm was approved.***

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

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