

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

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

Members Absent
Members Excused

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	<i>None</i>
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Davis asked if any Committee member or anyone in the audience believes that a Committee member may have a conflict of interest on any of the items on the agenda. No conflict of interest was reported.	<i>None</i>
3. PUBLIC COMMUNICATION	Chair Davis asked if there was any public communication to present. None were noted.	<i>None</i>
4. CONSENT CALENDAR ITEMS	<p>Chair Davis asked if any Committee member wished to remove any items from the consent calendar for discussion. None were noted.</p> <p><u>Motion:</u> To approve the consent calendar Open Minutes of the March 12, 2018 Investment Committee Meeting.</p> <p><u>Movant:</u> Nelson <u>Second:</u> Kalbach <u>Ayes:</u> Boone, Conover, Davis, Kalbach, Nelson, and Zoglin. <u>Abstentions:</u> None <u>Absent:</u> <u>Excused:</u> None <u>Recused:</u> None</p>	<i>The Open Minutes of the March 12, 2018 Investment Committee Meeting were approved.</i>
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	<p>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.</p> <p>Fund Action:</p> <p>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.</p> <p>T. Rowe Price Equity Income:</p> <p>Scores in the bottom half of it's Multnomah Group peer group ranking. The Equity Income fund focuses on investing in established, quality companies either with a history of paying above-average dividends or selling at a discount relative to their historical valuation. These 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.</p> <p>Fee Benching:</p> <p>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.</p> <p>Share Class Review:</p> <p>At the July 26th, 2017 meeting, the RPAC had approved</p>	

Agenda Item	Comments/Discussion	Approvals/Action
	<p>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.</p> <p>Mr. Montanez, Multnomah Group listed a few Market Commentary factors to the Committee:</p> <ol style="list-style-type: none"> 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 <p>Mr. Montanez, Multnomah Group asked the Committee for feedback and a brief discussion ensued. Overall the Committee was pleased with the results.</p>	
<p>7. CAPITAL MARKETS REVIEW & PORTFOLIO PERFORMANCE</p>	<p>Antonio DiCosola, Pavilion Advisory Group, presented a summary to the Investment Committee on Capital Markets, Scorecard, and Portfolio Performance.</p> <p>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.</p> <p>Mr. DiCosola, Pavilion Advisory Group, reviewed the Investment Committee Scorecard and Portfolio Performance as further detailed in the submitted materials to include the following:</p> <ol style="list-style-type: none"> 1. Scorecard: Mr. 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 	

Agenda Item	Comments/Discussion	Approvals/Action
	<p>compliance flags are 29 in Q1 performance.</p> <p>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.</p> <p>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.</p> <p>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%).</p> <p>Mr. DiCosola, Pavilion Advisory Group stated the Equity Outlook experienced their first negative quarter since 2015.</p>	

Agenda Item	Comments/Discussion	Approvals/Action
	<p>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.</p> <p>Pavilion Advisory asked the Committee for feedback and a brief discussion ensued.</p>	
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.	<i>information</i>
9. ADJOURN TO CLOSE SESSION	<p><u>Motion:</u> To adjourn to close session at 6:35 pm.</p> <p><u>Movant:</u> Nelson</p> <p><u>Second:</u> Conover</p> <p><u>Ayes:</u> Boone, Conover, Davis, Kalbach, Nelson, and Zoglin.</p> <p><u>Abstentions:</u> None</p> <p><u>Absent:</u> None</p> <p><u>Excused:</u> None</p> <p><u>Recused:</u> None</p>	<i>A motion to adjourn to the Investment Committee meeting at 6:35 pm was approved.</i>
10. AGENDA ITEM 13 RECONVENE OPEN SESSION	<p><i>Agenda Item 11 was conducted in closed session.</i></p> <p>Chair Davis reported that the Closed Minutes of the March 12, 2018 Committee Closed Minutes were approved.</p>	
11. AGENDA ITEM 14 ADJOURNMENT	<p><u>Motion:</u> To adjourn the Investment Committee meeting at 6:39 pm.</p> <p><u>Movant:</u></p> <p><u>Second:</u></p> <p><u>Ayes:</u> Boone, Conover, Davis, Kalbach, Nelson, and Zoglin.</p> <p><u>Abstentions:</u> None</p> <p><u>Absent:</u> None</p> <p><u>Excused:</u> None</p> <p><u>Recused:</u> None</p>	<i>A motion to adjourn to the Investment Committee meeting at 6:39 pm was approved.</i>

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