



**Minutes of the Open Session of the
Investment Committee of the
El Camino Hospital Board of Directors
Monday, August 16, 2021**

El Camino Hospital, 2500 Grant Road, Mountain View, California

Members Present

Brooks Nelson, Chair**
Nicola Boone**
John Conover**
Richard Juellis**
Carol Somersille, MD**
John Zoglin**

Members Absent

**via teleconference

Staff Present

Carlos Bohorquez, Chief Financial Officer**
Dan Woods, Chief Executive Officer**
Shiraz Ali, Director, Office of the CEO**

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER	The open session meeting of the Investment Committee of the El Camino Hospital Board of Directors (the “Committee”) was called to order at 5:30 pm by Chair Brooks Nelson. A verbal roll call was taken. All members were present. Participated telephonically. A quorum was present pursuant to State of California Executive Orders N-25-20 dated March 12, 2020 and N-29-20 dated March 18, 2020.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Nelson 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.	
3. PUBLIC COMMUNICATION	There were no comments from the public.	
4. CONSENT CALENDAR	<p>Chair Nelson asked if any Committee member wished to remove any items from the consent calendar for discussion. No items were pulled from the consent calendar.</p> <p>Motion: To approve the consent calendar: (a) Minutes of the Open Session of Investment Committee Meeting on May 10, 2021 and for information; (b) Article of Interest, (c) CFO Report Out – Open Session FC Materials (d) FY2021 IC Goals, (f) FY2021 Pacing Plan</p> <p>Carlos Bohorquez, CFO presented the Pre-Audit Financial Results FYE 2021 as of June 30, 2021 and highlighted the following:</p> <ul style="list-style-type: none"> • In FY2021 volumes across all service lines rebounded to pre-Covid levels. The only exception was the Emergency Room. • Average daily census (ADC) demonstrates the impact of Covid in FY2020 and rebound in FY2021: <ul style="list-style-type: none"> ○ FY2021: 245 (Covid recovery) ○ FY2020: 227 ○ FY2019: 242 (pre-Covid) • Adjusted Discharge (which includes both inpatient and outpatient activity) increased by 2.5% over FY2020 and consistent with FY2019 levels. • From a bottom line perspective, revenue increased year-over-year by 11.4%. 	Consent Calendar approved

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	<ul style="list-style-type: none"> • The organization managed the impact of the various Covid waves in FY2021 as demonstrated by Operating EBIDA was consistent with FY2019 levels. • Liquidity increased 26% year-over-year. This was driven by three main factors: Strong performance of our investment portfolio, careful management of capital deployment and strong operating cash flow. • Mr. Bohorquez stated that given a number of initiatives in place, he's confident the organization is well positioned to manage the on-going impact of Covid and exceed pre-Covid performance in FY2022. <p>Movant: Conover Second: Juelis Ayes: Nelson, Somersille, Zoglin, Boone, Conover, Juelis Noes: None Abstentions: None Absent: None Recused: None</p>	
<p>5. REPORT ON BOARD ACTIONS</p>	<p>Mr. Zoglin discussed the report on Board Actions and stated the Board and the Executive Team are continuously working on since December is updating the Strategy Plan.</p>	
<p>6. ROTATING TOPICS</p>	<p>Antonio Dicosola and Chris Kuhlman presented the rotating topics: 1) Capital Markets Review and Portfolio Performance 2) Tactical Asset Allocation Positioning and Market Outlook 3) Education Topic: Investment Diversity and the highlighted the following:</p> <p>Capital Markets Review and Portfolio Performance & Tactical Asset Allocation Positioning and Market Outlook</p> <p>Antonio DiCosola and Chris Kuhlman from Pavilion, a Mercer Practice (Pavilion), reported the following on Capital Markets Review and Portfolio Performance:</p> <ul style="list-style-type: none"> • Global growth gained momentum in the second quarter, as the pace of vaccinations accelerated and restrictions declined. Rising confidence improved near-term expectations, boosting risk assets. Intermediate-term economic expectations, however, moderated amidst a tightening labor market and fears of inflation. • Global equities rose for the fifth consecutive quarter, with the MSCI ACWI Index returning +7.4% during the second quarter and +12.3% year-to-date. U.S. forward earnings outpaced international market forward earnings, helping drive US outperformance. Sector momentum broadly shifted from value to growth except for US small cap while Chinese policies and COVID's delta variant generated regional headwinds. • After rising for three quarters, the ten-year Treasury yield declined 29 basis points during the quarter, boosting duration assets. The Bloomberg US Aggregate Index rebounded, returning +1.8% during the quarter while still down -1.6% year-to-date. • Both El Camino Hospital portfolios generated gains during the second quarter, while relative results were mixed. The Surplus Cash portfolio returned +3.7%, matching its benchmark while the Cash Balance Plan returned +4.5% versus +4.3% for its benchmark. Over the trailing one-year period, the portfolios returned approximately 	

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	<p>+19.5% and +25.2%, respectively, with both relatively outperforming their benchmarks.</p> <ul style="list-style-type: none"> Both portfolios benefited from asset allocation positioning during the quarter, specifically an overweight to equities. Manager results were mixed. International growth manager BNY Mellon was the top relative performer, outpacing its benchmark by 2.4%. International value manager Causeway was the worst relative performer, trailing its benchmark by 3.4%. It was noted that the portfolios were rebalanced in April to trim the overweight to U.S. large cap equity, with the proceeds going to emerging markets equity and fixed income. In May, \$75 million was contributed to the Surplus Cash portfolio and invested into fixed income and hedge funds throughout the month of June. A new Surplus Cash hedge fund investment, Davidson Kempner Institutional Partners Fund, was funded on June 1, 2021. Pavilion noted their bias to overweight equities, particularly small cap and value biased strategies along with emerging market equities. <p>In response to a Committee members' questions, Pavilion noted the recent underperformance by small cap managers Wellington and Conestoga can partially be attributed to their biases toward quality. Pavilion maintains conviction in these managers. Members of the Committee questioned whether the portfolios had sufficient exposure to real estate. While this will be assessed during the upcoming asset allocation analysis, Pavilion noted the preferred sizing going forward would likely be impacted by a potential private equity allocation.</p> <p>Education Topic – Investment Diversity</p> <p>As requested by Committee members at the prior Investment Committee meeting, representatives from Pavilion presented education on Diversity & Inclusion (D&I) in investing. Topics included forms of diversity, under representation of female and minority investment professionals, current trends amongst investment managers and allocators, various approaches for implementing D&I into investment programs, and how Mercer is incorporating D&I into their processes.</p>	
<p>7. ADJOURN TO CLOSED SESSION</p>	<p>Motion: To adjourn to closed session at 7:00 pm. Movant: Somersille Second: Zoglin Ayes: Nelson, Somersille, Zoglin, Boone, Conover, Juelis Noes: None Abstentions: None Absent: None Recused: None</p>	<p><i>Adjourned to closed session at 7:00 pm</i></p>
<p>8. AGENDA ITEM 14: RECONVENE OPEN SESSION/REPORT OUT</p>	<p>The open session reconvened at 7:22 pm. Agenda Items 10 and 11 were covered in closed session and the Committee approved the consent calendar by a unanimous vote of all members present</p>	
<p>9. AGENDA ITEM 15: CLOSING COMMENTS</p>	<p>There were no closing comments.</p>	

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10. AGENDA ITEM 16: ADJOURNMENT	Motion: To adjourn at 7:23 pm. Movant: Juelis Second: Conover Ayes: Nelson, Somersille, Zoglin, Boone, Conover, Juelis Noes: None Abstentions: None Absent: None Recused: None	Meeting adjourned at 7:29 pm

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

DocuSigned by:

Brooks Nelson

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Brooks Nelson

Chair, Investment Committee

Prepared by: Samreen Salehi, Executive Assistant II Administrative Services