



# HALIFAX HEALTH

## **Investment Committee**

**Monday, November 14, 2016**

### **Meeting Location**

Halifax Health

France Tower, Conference Room A

**4:00 p.m.**

HALIFAX HEALTH  
INVESTMENT COMMITTEE  
4:00 p.m., Monday, November 14, 2016

**AGENDA**

I. Call to Order

II. INVESTMENT COMMITTEE

- Minutes portal page 3, **action requested**
  - August 8, 2016
  
- Quarterly Review portal page 5, **information only**
  - Ashford Investment Advisors, *Mike Walsh*
  
- Old Business
  
- New Business
  - Manager Presentation – Ponder Investment, *Britt Cesarone* portal page 53, **information only**
  - Manager Assessment, *Mike Walsh* portal page 68, **action requested**
    - Ponder Investment
  - Discuss Investment Allocations discussion, **information only**
  - 2017 Quarterly Timeline, Investment Committee portal page 70, **information only**
  
- Informational Only
  - Investment Performance Report, September 2016 portal page 71, **information only**

III. Next Meeting: Monday, February 13, 2017, 4:00 p.m. – Regular scheduled meeting.

IV. Open Discussion

V. Adjournment

Halifax Hospital Medical Center  
Investment Committee Meeting  
Sub Committee Audit & Finance Committee  
France Tower, Conference Room A  
303 N. Clyde Morris Blvd., Daytona Beach, FL 32114  
Monday, August 8, 2016

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Present: Susan Schandel, Member & Treasurer, Board of Commissioners  
Dan Francati, Member & Secretary, Board of Commissioners  
Dave Graffagnino, Member  
Decker Youngman, Member  
Greg Motto, Member  
Mike Walsh, Advisor

Not Present: Ted Serbousek, Chairman & Chairman, Audit & Finance Committee

Also Present: Jeff Feasel, President & Chief Executive Officer  
Eric Peburn, Executive Vice President & Chief Financial Officer  
Kent Bailey, Director of Finance  
Ben Eby, Director of Finance, Halifax Health Hospice  
Leslie Wojcik, Ashford Investments

Via Teleconference: James G. Charles, Dimensional  
Will Collins-Dean, Dimensional

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The meeting was called to order at 4:05 p.m. by Susan Schandel.

**Minutes**

Discussion: Minutes from the May 9, 2016 Investment Committee meeting were reviewed.

Action: Mr. Graffagnino moved to approve the May 9, 2016 Investment Committee minutes as presented. Mr. Francati seconded the motion and it carried unanimously.

**Manager Presentation**

Discussion: Manager Presentation – Dimensional  
Jim Charles and Will Collins-Dean (both via teleconference) from Dimensional were introduced and presented a portfolio update (board portal).

Action: None required.

**Quarterly Review**

Discussion: Mr. Walsh, Ashford Investment Advisors, presented the investment review for the 2<sup>nd</sup> calendar quarter.

Action: None required.

Discussion: Manager Assessment - Dimensional  
Mr. Walsh presented the results of his comparative evaluation for Dimensional (small value, emerging, international and large value comparisons). Brief discussion ensued.

Action: Mr. Youngman moved to remain with Dimensional. Mr. Francati seconded the motion and it

carried unanimously.

### **Old Business**

Discussion: None.

### **New Business**

Discussion: Annual Investment Policy Review Checklist

Mr. Bailey referred to the policy review checklist, stating that all requirements were reviewed since the last quarter. There are not any changes recommended at this time.

Discussion: Annual Investment Charter Review

Mr. Bailey reported that the Investment Committee Charter was included for review; there are not any changes recommended at this time.

Discussion: Annual Investment Policies Review

Mr. Bailey reported that the investment policies of Halifax Hospital Medical Center, HH Holdings, Hospice, the Foundation and the Pension Plan were included for review; there are not any changes recommended at this time.

Action: Mr. Graffagnino moved to approve the Annual Investment Policy Review Checklist, the Annual Investment Charter, and the Annual Investment Policies. Ms. Schandel seconded the motion and it carried unanimously.

Discussion: Annual Investment Allocation Review

Mr. Walsh reviewed the annual investment allocation review as information only.

### **Informational Only**

Discussion: Investment Performance Report, June 2016

Action: None required.

**Next Meeting:** Monday, November 14, 2016, 4 p.m. – Regular scheduled meeting

### **Open Discussion**

Discussion: None.

### **Adjournment**

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Ted Serbousek



# **Halifax Health Investment Accounts**

## **Portfolio Reviews**

*Third Quarter 2016: Ended 9/30/2016*

Prepared by:

**Ashford Investment Advisors**

**Halifax Health Investment Accounts  
Third Quarter 2016  
Performance Summary**

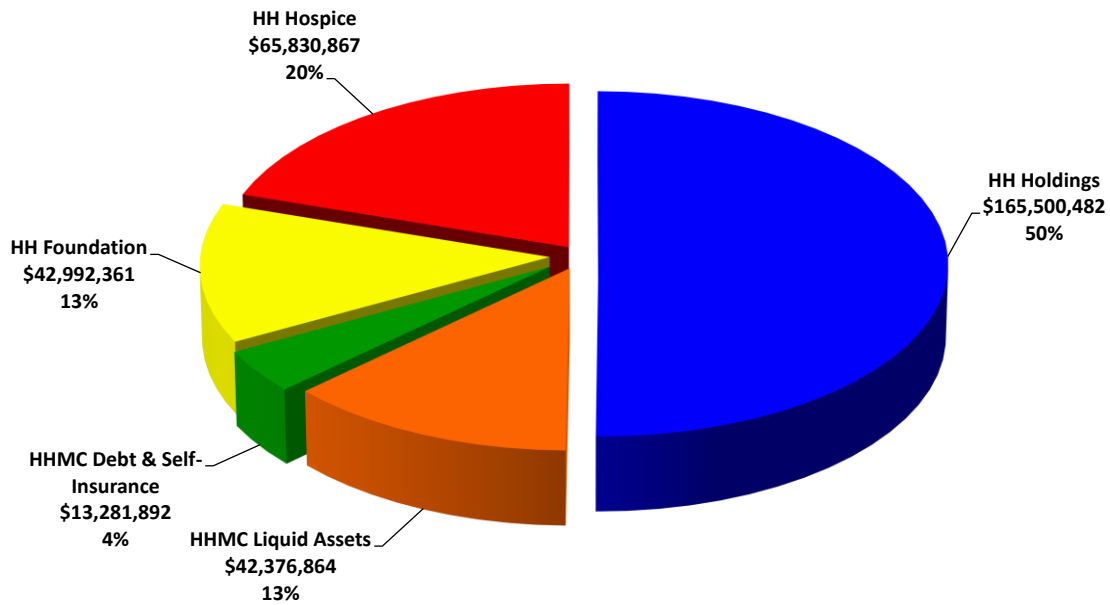
<b>HH Holdings, Inc.</b>	<b>Balance as of 9/30/2016</b>	<b>3rd Quarter Performance</b>
Vanguard Account 8803262086 Short-term Inv Grade <i>Benchmark: Barclay's 1-5 Year Gov't/Credit Index</i>	\$53,021,630	0.57% 0.04%
*Ponder/Salem Account 3040000414 Short-term Gov't Bond <i>Benchmark: Barclay's US 1-5 Year Gov't/Credit Index</i>	\$32,095,931	-0.02% 0.04%
*Ponder/Salem Account 3040000414 U.S. Treasury <i>Benchmark: Barclay's US 1-5 Year Gov't/Credit Index</i>	\$80,382,921	-0.10% 0.04%
<b>Liquid Assets</b>		
*Ponder/Salem Account 3040030258 Short-term Gov't Bond <i>Benchmark: Barclay's Intermediate Gov't Bond Index</i>	\$42,312,322	0.07% -0.17%
Vanguard Account 88060843876 Short-term Gov't Bond <i>Benchmark: Barclay's 1-5 Year Gov't Bond Index</i>	\$64,542	0.12% -0.17%
<b>Debt &amp; Self Insurance</b>		
Wells Fargo Account 25564000 Short-Term Gov't Bond <i>Benchmark: Barclay's 1-5 Year Gov't Bond Index</i>	\$611,746	0.06% -0.17%
Wells Fargo Account 78933506 Series 2016 Project <i>3 Month T-Bill</i>	\$12,670,146	0.29% 0.08%

\*Separately managed account.

**Halifax Health Investment Accounts  
Third Quarter 2016  
Performance Summary**

<b>Foundation</b>	<b>Balance as of 9/30/2016</b>	<b>3rd Quarter Performance</b>
Vanguard Account 88038919211/88051689065 Short-term Inv Grade <i>Benchmark: Barclay's 1-5 Year Gov't/Credit Index</i>	\$21,250,683	0.54% 0.04%
DFA <i>Benchmark: Composite of Small-Cap Value, Int'l Value, Emerging Mkts. &amp; Large Cap Value</i>	\$13,294,982	6.59% 5.54%
Vanguard <i>Benchmark: Composite of Energy, Lg-Cap Growth, Healthcare &amp; Small-Cap Growth</i>	\$8,446,696	5.72% 6.02%
<b>Hospice</b>		
Vanguard Account 88038915859 Short-term Inv Grade <i>Benchmark: Barclay's 1-5 Year Gov't/Credit Index</i>	\$32,711,882	0.54% 0.04%
DFA <i>Benchmark: Composite of Small-Cap Value, Int'l Value and Emerging Mkts. &amp; Large Cap Value</i>	\$20,169,952	6.73% 5.68%
Vanguard <i>Benchmark: Composite of Energy, Lg-Cap Growth, Healthcare &amp; Small-Cap Growth</i>	\$12,949,033	5.99% 6.23%
<b>Pension</b>		
Vanguard Account 20304802 Short-term Inv Grade <i>Benchmark: Barclay's 1-5 Year Gov't/Credit Index</i>	\$114,381,463	0.53% 0.04%
DFA <i>Benchmark: Composite of Small-Cap Value, Int'l Value and Emerging Mkts. &amp; Large Cap Value</i>	\$76,019,992	8.00% 6.56%
Vanguard <i>Benchmark: Composite of Energy, Lg-Cap Growth, Healthcare &amp; Small-Cap Growth</i>	\$45,150,997	4.94% 4.70%

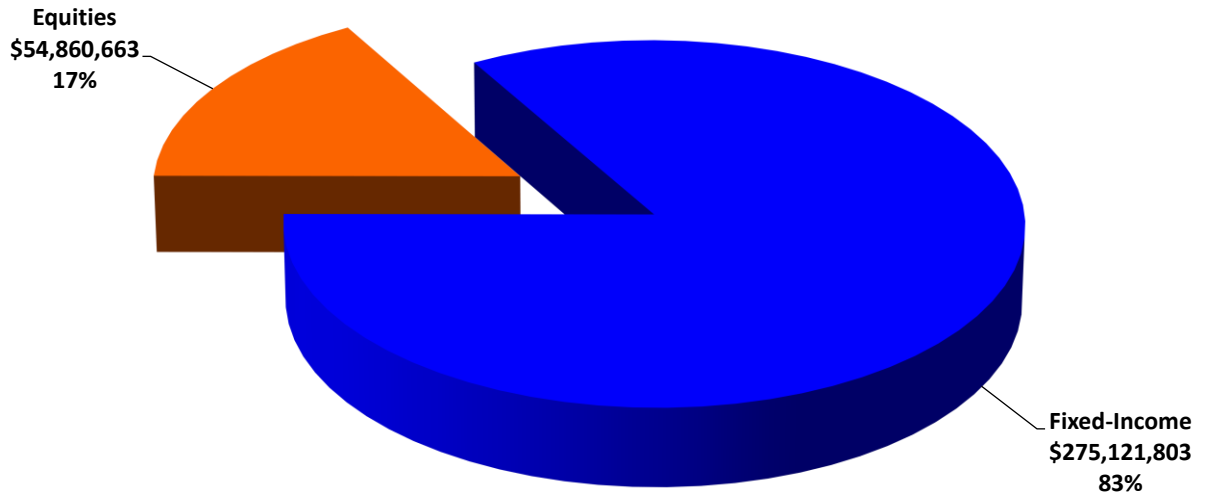
**Halifax Health Investment Accounts**  
**Value of Assets**  
*as of 9/30/2016*



**Total: \$329,982,466**

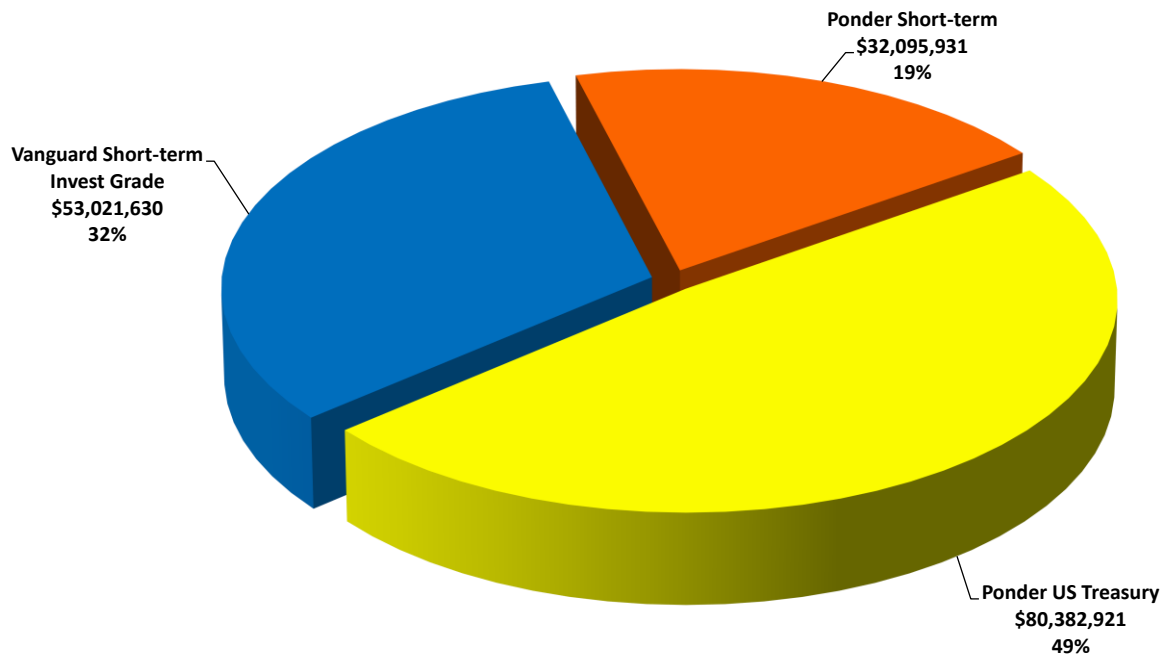


**Halifax Health Investment Accounts**  
**Fixed-Income vs. Equity Assets**  
*as of 9/30/2016*



**Total: \$329,982,466**

**HH Holdings Accounts  
Breakdown of Assets**  
*as of 9/30/2016*



**Total: \$165,500,482**

**HH Holdings, Inc.**

**Vanguard Account 88032962086 -- VFSIX**  
**Short-term Investment Grade**  
**HH Holdings, Inc.**

Third Quarter 2016  
Ended 9/30/2016

Beginning Balance as of 6/30/2016	\$52,720,477
Net Additions/Withdrawals	0
Investment Gain	+301,153
Ending Balance as of 9/30/2016	<u>\$53,021,630</u>
Net Return 3rd Quarter 2016	+57 bp
Benchmark Performance: Barclay's US 1-5 Year Gov't/Credit Index	+ 4 bp

**HH Holdings, Inc.**

**Ponder/Salem Account 3040000414**  
**Short-term Govt/Corp Bond**  
**HH Holdings, Inc.**

Third Quarter 2016  
Ended 9/30/2016

Beginning Balance as of 6/30/2016	\$32,108,052
Net Additions/Withdrawals	-2,151
Investment Loss	<u>-9,970</u>
Ending Balance as of 9/30/2016	<u>*\$32,095,931</u>
Net Return 3rd Quarter 2016	-2 bp
Benchmark Performance: Barclay's US 1-5 Year Gov't/Credit Index	+4 bp

\*Includes Accrued Interest

**HH Holdings, Inc.**

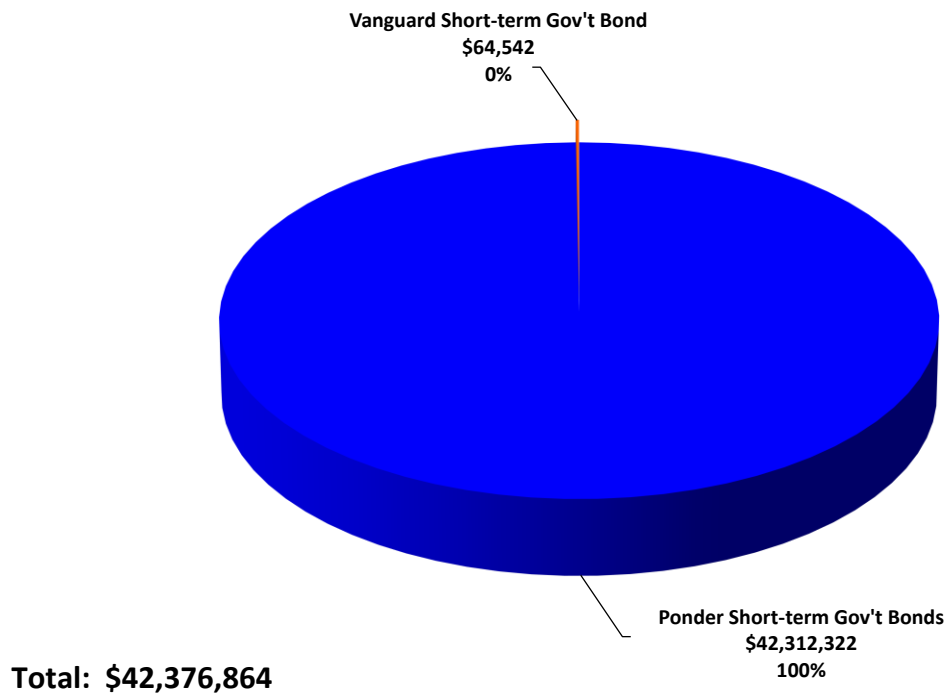
**Ponder/Salem Account 3040000414**  
**U.S. Treasury Account**  
**HH Holdings, Inc.**

Third Quarter 2016  
Ended 9/30/2016

Beginning Balance as of 6/30/2016	\$80,463,957
Net Additions/Withdrawals	0
Investment Loss	<u>-81,036</u>
Ending Balance as of 9/30/2016	<u>*\$80,382,921</u>
Net Return 3rd Quarter 2016	-10 bp
Benchmark Performance: Barclay's US 1-5 Year Gov't/Credit Index	+4 bp

\*Includes Accrued Interest

**HHMC Liquid Investments Accounts**  
**Breakdown of Assets**  
*as of 9/30/2016*



**HHMC Liquid Investment Account**

**Ponder/Salem Account 3040030258**  
**Short-term Government Bond**  
**HHMC Depreciation**

Third Quarter 2016  
Ended 9/30/2016

Beginning Balance as of 6/30/2016	\$42,286,016
Net Additions/Withdrawals	-2,988
Investment Gain	<u>+29,294</u>
Ending Balance as of 9/30/2016	<u>*\$42,312,322</u>
Net Return 3rd Quarter 2016	+7 bp
Benchmark Performance: Barclay's US 1-5 Year Gov't Bond Index	-17 bp

\*Includes accrued interest.

**HHMC Liquid Investment Account**

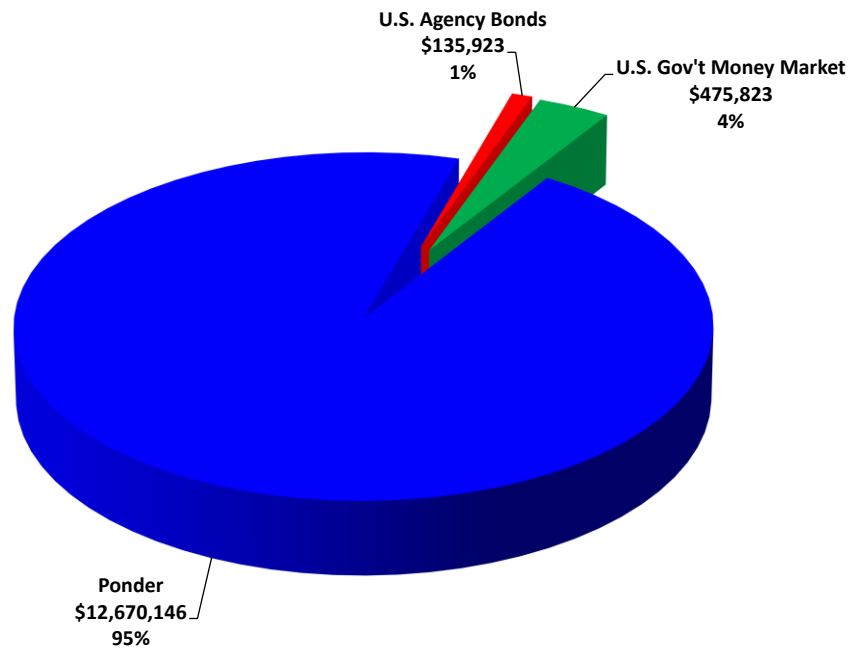
**Vanguard Account 88060843876 – VSGDX  
Short-term Government Bond  
Halifax Hospital Medical Center dba Halifax Health**

Third Quarter 2016  
Ended 9/30/2016

Beginning Balance as of 6/30/2016	\$64,466
Net Additions/Withdrawals	0
Investment Gain	<u>+76</u>
Ending Balance as of 9/30/2016	<u>\$64,542</u>
Net Return 3rd Quarter 2016	+12 bp
Benchmark Performance: Barclay's 1-5 Year Gov't Bond Index	-17 bp



**HHMC Debt & Self-Insurance Accounts**  
**Breakdown of Fixed-Income Assets**  
*as of 9/30/2016*



**Total: \$13,281,892**

**HHMC Debt & Self-Insurance Account**

**Wells Fargo Account 25564000**  
**Short-term Government Bond**  
**Halifax Hospital Trust**  
**U/A DTD 12/11/87 Self-Insurance Fund**

Third Quarter 2016  
Ended 9/30/2016

Beginning Balance as of 6/30/2016	\$630,147
Net Additions/Withdrawals	-18,750
Investment Gain	<u>+349</u>
Ending Balance as of 9/30/2016	<u>\$611,746</u>
Net Return 3rd Quarter 2016	+6 bp
Benchmark Performance: Barclay's 1-5 Year Gov't Bond Index	-17 bp

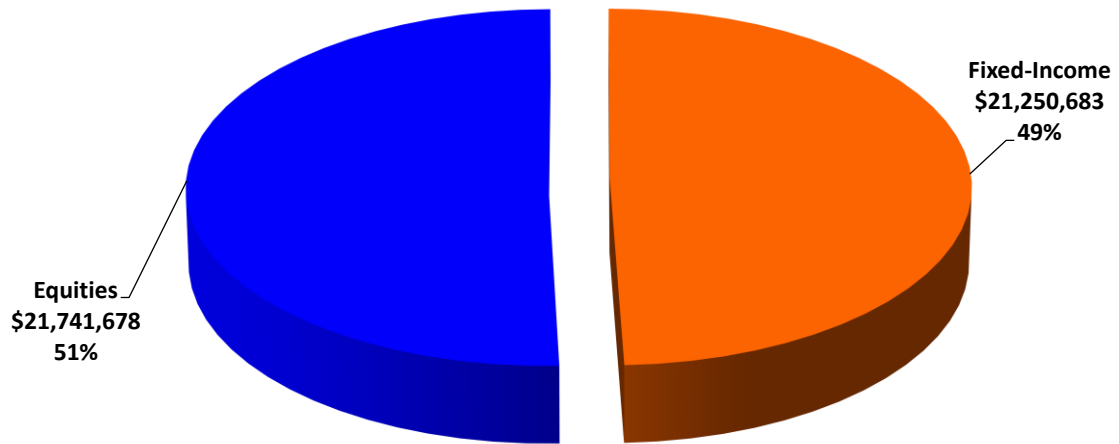
**HHMC Debt & Self-Insurance Account**

**Wells Fargo Account 78933506**  
**Hospital Revenue Refunding and Improvement Bonds**  
**Series 2016 Project**

Third Quarter 2016  
Ended 9/30/2016

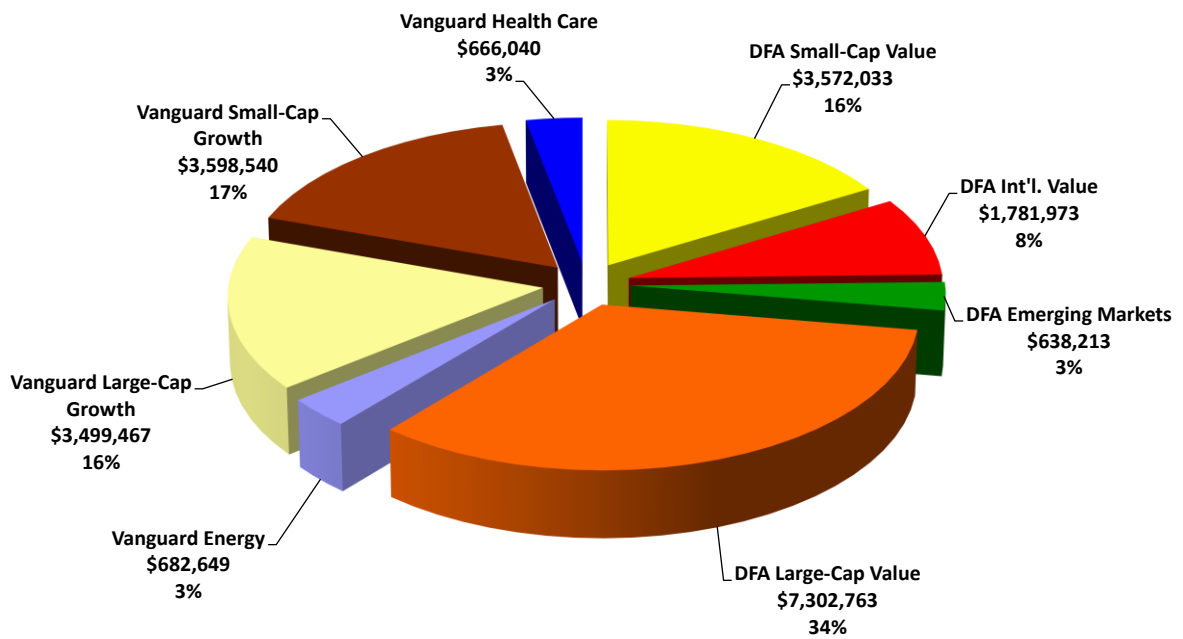
Beginning Balance as of 6/30/2016	\$14,221,456
Net Additions/Withdrawals	-1,588,749
Net Investment Gain	<u>+37,439</u>
Ending Balance as of 9/30/2016	<u>\$12,670,146</u>
Net Return 3rd Quarter 2016	+29 bp
Benchmark Performance: 3 Month T-Bill	+8 bp

**HMC Foundation Accounts**  
**Breakdown of Fixed-Income vs. Equity Assets**  
*as of 9/30/2016*



**Total: \$42,992,361**

**HMC Foundation Accounts**  
**Breakdown of Equity Assets**  
*as of 9/30/2016*



**Total: \$21,741,678**

**HMC Foundation Account**

**Vanguard Account 88038919211/88051689065 -- VFSIX  
Short-term Investment Grade  
Halifax Medical Center Foundation, Inc.**

Third Quarter 2016  
Ended 9/30/2016

Beginning Balance as of 6/30/2016	\$16,145,183
Net Additions/Withdrawals	+5,000,000
Investment Gain	<u>+105,000</u>
Ending Balance as of 9/30/2016	<u>\$21,250,683</u>
Net Return 3rd Quarter 2016	+54 bp
Benchmark Performance: Barclay's US 1-5 Year Gov't/Credit Index	+ 4 bp

**HMC Foundation Account**

**Dimensional (DFA) Account 10036  
Halifax Medical Center Foundation, Inc.**

Third Quarter 2016  
Ended 9/30/2016

**Small Cap Value (DFSVX)**

Beginning Balance as of 6/30/2016	\$3,892,351
Net Additions/Withdrawals	-600,000
Investment Gain	<u>+279,682</u>
Ending Balance as of 9/30/2016	<u>\$3,572,033</u>
Net Return 3rd Quarter 2016	+7.99%
Benchmark Performance: Russell 2000 Small Value	+8.87%

**International Value (DFIVX)**

Beginning Balance as of 6/30/2016	\$2,130,192
Net Additions /Withdrawals	-500,000
Investment Gain	<u>+151,781</u>
Ending Balance as of 9/30/2016	<u>\$1,781,973</u>
Net Return 3rd Quarter 2016	+8.41%
Benchmark Performance: MSCI World ex USA Idx	+6.29%

**Emerging Markets Value (DFEVX)**

Beginning Balance as of 6/30/2016	\$676,262
Net Additions /Withdrawals	-100,000
Investment Gain	<u>+61,951</u>
Ending Balance as of 9/30/2016	<u>\$638,213</u>
Net Return 3rd Quarter 2016	+10.14%
Benchmark Performance: MSCI EMID	+9.03%

**Large Cap Value (DFLVX)**

Beginning Balance as of 6/30/2016	\$8,073,221
Net Additions /Withdrawals	-1,150,000
Investment Gain	<u>+379,542</u>
Ending Balance as of 9/30/2016	<u>\$7,302,763</u>
Net Return 3rd Quarter 2016	+5.18%
Benchmark Performance: Russell 1000 Large Value	+3.48%

**Total: DFA Foundation 3rd Quarter 2016**

Beginning Balance as of 6/30/2016	\$14,772,026
Net Additions /Withdrawals	-2,350,000
Investment Gain	<u>+872,956</u>
Ending Balance as of 9/30/2016	\$13,294,982
Combined Return 3rd Quarter 2016	+6.59%
Combined Benchmark Performance	+5.54%



**HMC Foundation Account**

**Vanguard Accounts 88038919211/88051689065  
Halifax Medical Center Foundation, Inc.**

Third Quarter 2016  
Ended 9/30/2016

**Energy (VGELX)**

Beginning Balance as of 6/30/2016	\$446,603
Net Additions/Withdrawals	0
Investment Gain	<u>+18,651</u>
Ending Balance as of 9/30/2016	<u>\$465,254</u>
Net Return 3rd Quarter 2016	+4.18%
Benchmark Performance: MSCI All Country World Energy	+2.14%

**Energy Index (VENAX)**

Beginning Balance as of 6/30/2016	\$315,133
Net Additions/Withdrawals	-100,000
Investment Gain	<u>+2,262</u>
Ending Balance as of 9/30/2016	<u>\$217,395</u>
Net Return 3rd Quarter 2016	+91 bp%
Benchmark Performance: MSCI All Country World Energy	+2.14%

**Large-Cap Growth (VIGIX)**

Beginning Balance as of 6/30/2016	\$4,024,011
Net Additions/Withdrawals	-725,000
Investment Gain	<u>+200,456</u>
Ending Balance as of 9/30/2016	<u>\$3,499,467</u>
Net Return 3rd Quarter 2016	+5.64%
Benchmark Performance: Russell 1000 Large Growth	+4.58%

**Health Care (VGHAX)**

Beginning Balance as of 6/30/2016	\$756,143
Net Additions/Withdrawals	-100,000
Investment Gain	<u>+9,897</u>
Ending Balance as of 9/30/2016	<u>\$666,040</u>
Net Return 3rd Quarter 2016	+1.43%
Benchmark Performance: MSCI All Country World Health Care	+12 bp

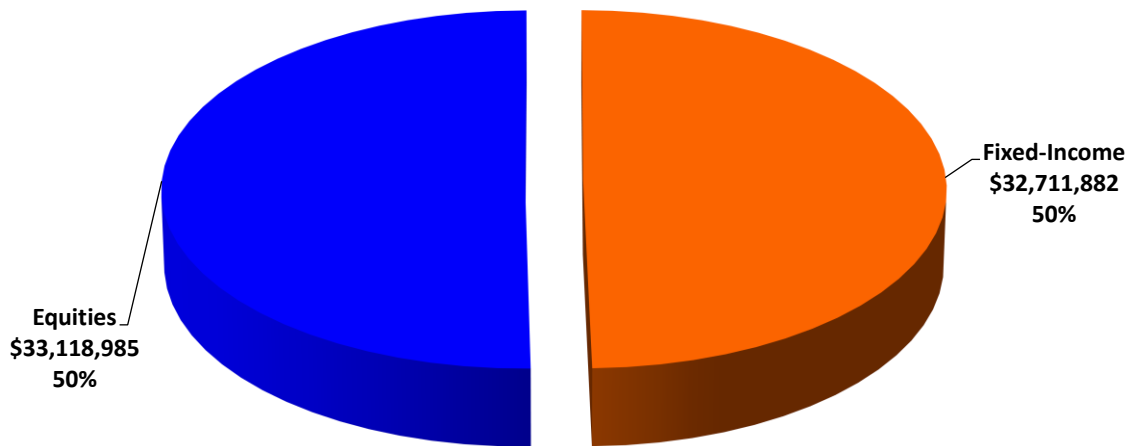
**Small-Cap Growth (VSGIX)**

Beginning Balance as of 6/30/2016	\$4,069,256
Net Additions/Withdrawals	-725,000
Investment Gain	+254,284
Ending Balance as of 9/30/2016	<u>\$3,598,540</u>
Net Return 3rd Quarter 2016	+7.07%
Benchmark Performance: Russell 2000 Small Growth	+9.22%

**Total: Vanguard Foundation 3rd Quarter 2016**

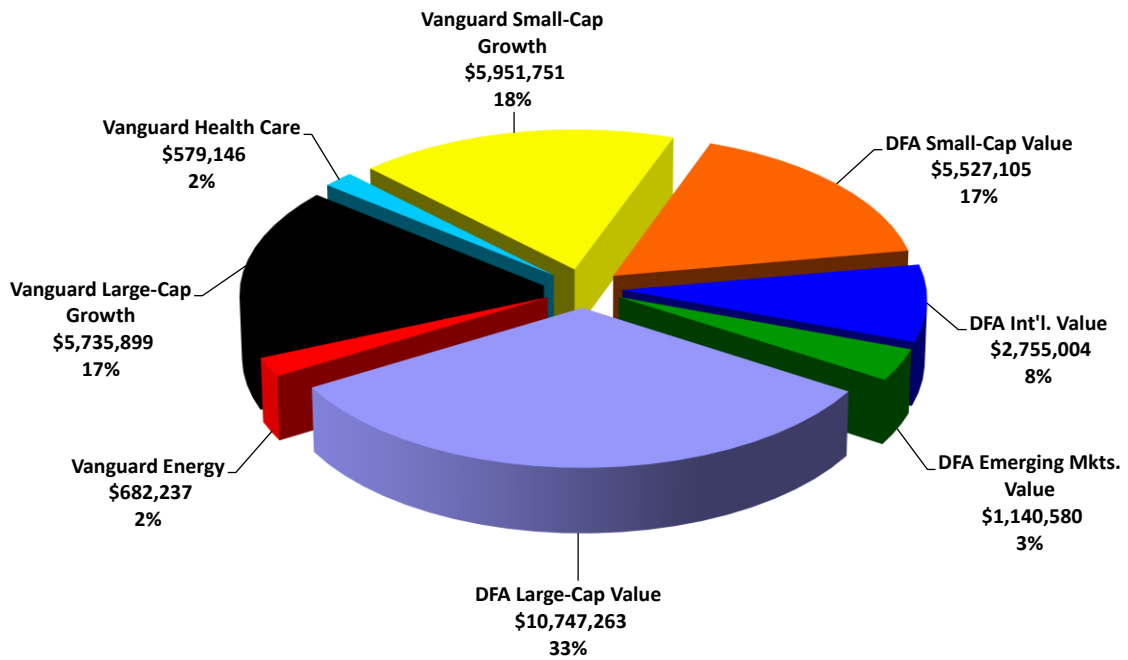
Beginning Balance as of 6/30/2016	\$9,611,146
Net Additions/Withdrawals	- 1,650,000
Investment Gain	+485,550
Ending Balance as of 9/30/2016	<u>\$8,446,696</u>
Combined Net Return 3rd Quarter 2016	5.72%
Combined Benchmark Return	6.02%

**Halifax Hospice Accounts**  
**Breakdown of Fixed-Income vs. Equity Assets**  
*as of 9/30/2016*



**Total: \$65,830,867**

**Halifax Hospice Accounts  
Breakdown of Equity Assets  
as of 9/30/2016**



**Total: \$33,118,985**

**Halifax Hospice Accounts**

**Vanguard Account 88038915859 -- VFSIX**  
**Short-term Investment Grade**  
**Halifax Hospice**

Third Quarter 2016  
Ended 9/30/2016

Beginning Balance as of 6/30/2016	\$23,657,573
Net Additions/Withdrawals	+8,900,000
Investment Gain	<u>+154,309</u>
Ending Balance as of 9/30/2016	<u>\$32,711,882</u>
Net Return 3rd Quarter 2016	+54 bp
Benchmark Performance: Barclay's US 1-5 Year Gov't/Credit Index	+4 bp

## Halifax Hospice Accounts

### Dimensional (DFA) Accounts 10016 Halifax Hospice, Inc.

Third Quarter 2016  
Ended 9/30/2016

#### Small Cap Value (DFSVX)

Beginning Balance as of 6/30/2016	\$6,141,023
Net Additions /Withdrawals	-1,050,000
Investment Gain	+436,082
Ending Balance as of 9/30/2016	<u>\$5,527,105</u>
Net Return 3rd Quarter 2016	+7.99%
Benchmark Performance: Russell 2000 Small Value	+8.87%

#### International Value (DFIVX)

Beginning Balance as of 6/30/2016	\$2,783,026
Net additions/Withdrawals	-250,000
Investment Gain	+221,978
Ending Balance as of 9/30/2016	<u>\$2,755,004</u>
Net Return 3rd Quarter 2016	+8.47%
Benchmark Performance: MSCI World ex USA Idx	+6.29%

#### Emerging Markets Value (DFEVX)

Beginning Balance as of 6/30/2016	\$1,157,785
Net additions/Withdrawals	-125,000
Investment Gain	+107,795
Ending Balance as of 9/30/2016	<u>\$1,140,580</u>
Net Return 3rd Quarter 2016	+10.01%
Benchmark Performance: MSCI EMID Index	+9.03%

#### Large Cap Value (DFLVX)

Beginning Balance as of 6/30/2016	\$12,247,827
Net additions/Withdrawals	-2,050,000
Investment Gain	+549,436
Ending Balance as of 9/30/2016	<u>\$10,747,263</u>
Net Return 3rd Quarter 2016	+5.28%
Benchmark Performance: Russell 1000 Large Value	+3.48%

**Total: DFA Hospice 3rd Quarter 2016**

Beginning Balance as of 6/30/2016	\$22,329,661
Net Additions /Withdrawals	-3,475,000
Investment Gain	<u>+1,315,291</u>
Ending Balance as of 9/30/2016	<u>\$20,169,952</u>
Combined Net Return 3rd Quarter 2016	+6.73%
Combined Benchmark Return	+5.68%

## Halifax Hospice Accounts

### Vanguard Account 88038915859 Halifax Hospice, Inc.

Third Quarter 2016  
Ended 9/30/2016

#### Energy (VGELX)

Beginning Balance as of 6/30/2016	\$604,021
Net Additions/Withdrawals	-500,000
Investment Loss	<u>-1,214</u>
Ending Balance as of 9/30/2016	<u>\$102,807</u>
Net Return 3rd Quarter 2016	-54 bp
Benchmark Performance: MSCI All Country World Energy	+2.14%

#### Energy Index (VENAX)

Beginning Balance as of 6/30/2016	\$560,650
Net Additions/Withdrawals	0
Investment Gain	<u>+18,780</u>
Ending Balance as of 9/30/2016	<u>\$579,430</u>
Net Return 3rd Quarter 2016	+3.35%
Benchmark Performance: MSCI All Country World Energy	+2.14%

#### Large-Cap Growth (VIGIX)

Beginning Balance as of 6/30/2016	\$6,470,069
Net additions/Withdrawals	-1,050,000
Investment Gain	<u>+315,830</u>
Ending Balance as of 9/30/2016	<u>\$5,735,899</u>
Net Return 3rd Quarter 2016	+5.86%
Benchmark Performance: Russell 1000 Large Growth	+4.58%

#### Health Care (VGHAX)

Beginning Balance as of 6/30/2016	\$835,917
Net Additions/Withdrawals	-275,000
Investment Gain	<u>+18,229</u>
Ending Balance as of 9/30/2016	<u>\$579,146</u>
Net Return 3rd Quarter 2016	+2.78%
Benchmark Performance: MSCI All Country World Health Care	+12 bp



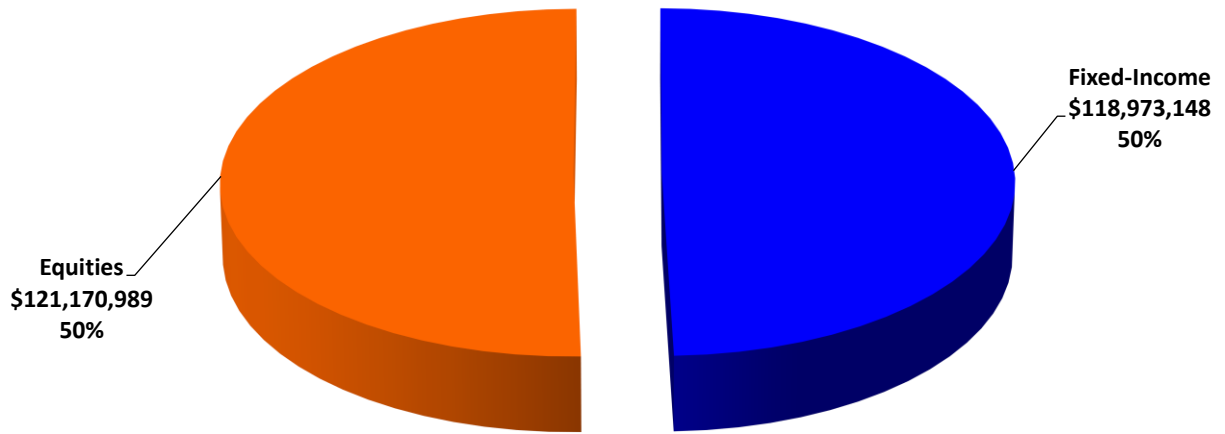
**Small-Cap Growth (VSGIX)**

Beginning Balance as of 6/30/2016	\$6,165,328
Net Additions/Withdrawals	-600,000
Investment Gain	<u>+386,423</u>
Ending Balance as of 9/30/2016	<u>\$5,951,751</u>
Net Return 3rd Quarter 2016	+7.05%
Benchmark Performance: Russell 2000 Small Growth	+9.22%

**Total: Vanguard Hospice 3rd Quarter 2016**

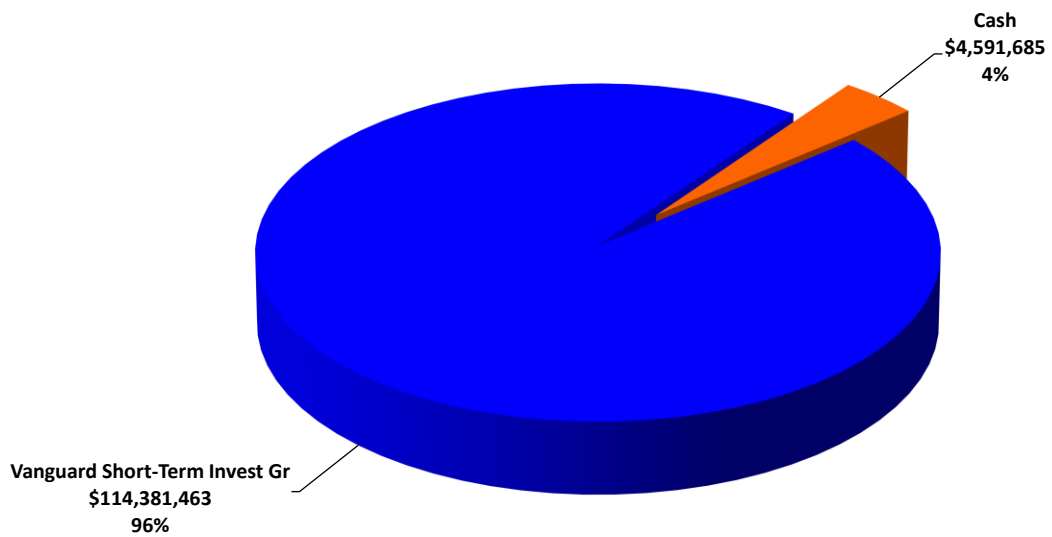
Beginning Balance as of 6/30/2016	\$14,635,985
Net Additions/Withdrawals	-2,425,000
Investment Gain	<u>+738,048</u>
Ending Balance as of 9/30/2016	<u>\$12,949,033</u>
Combined Net Return 3rd Quarter 2016	5.99%
Combined Benchmark Return	6.23%

**Halifax Staffing Pension Accounts**  
**Breakdown of Fixed-Income vs. Equity Assets**  
*as of 9/30/2016*



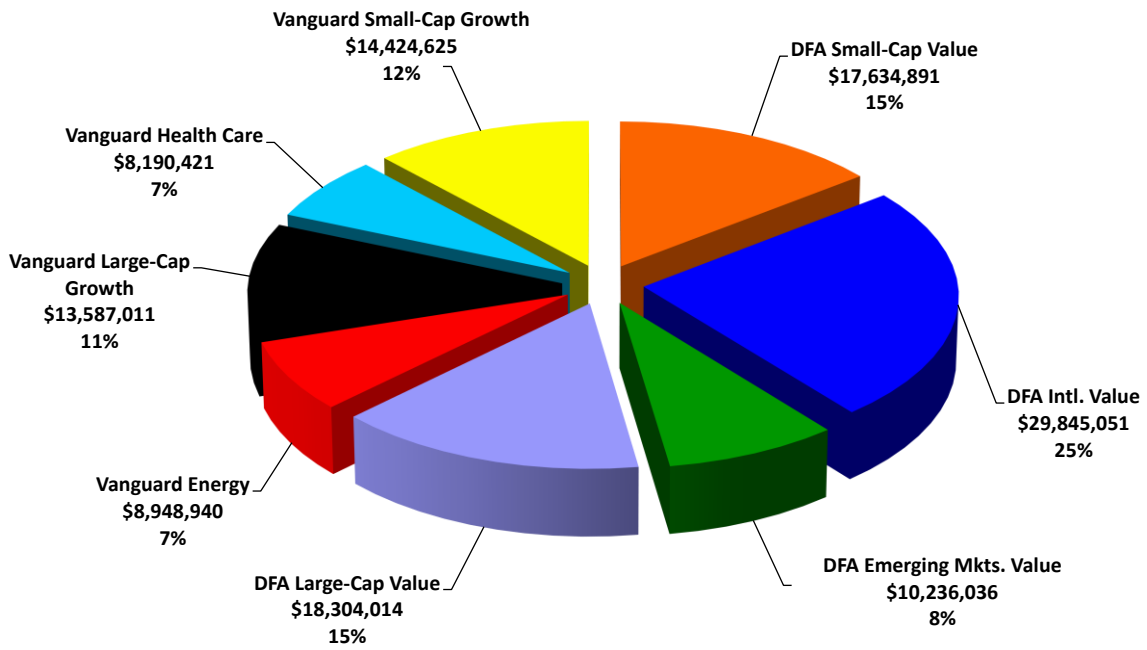
**Total: \$240,144,137**

**Halifax Staffing Pension Accounts  
Breakdown of Fixed-Income Assets**  
*as of 9/30/2016*



**Total: \$118,973,148**

**Halifax Staffing Pension Accounts**  
**Breakdown of Equity Assets**  
*as of 9/30/2016*



**Total: \$121,170,989**

**Halifax Staffing Pension Account**

**Vanguard Account 20304802 -- VFSIX  
Short-term Investment Grade  
Halifax Staffing, Inc.**

Third Quarter 2016  
Ended 9/30/2016

Beginning Balance as of 6/30/2016	\$79,528,922
Net Additions/Withdrawals	+34,000,000
Investment Gain	<u>+552,541</u>
Ending Balance as of 9/30/2016	<u>\$114,381,463</u>
Net Return 3rd Quarter 2016	+53 bp
Benchmark Performance: Barclay's US 1-5 Year Gov't/Credit Index	+4 bp

## Halifax Staffing Pension Account

### Dimensional (DFA) Account Pension 10037 Halifax Staffing, Inc.

Third Quarter 2016  
Ended 9/30/2016

#### Small Cap Value (DFSVX)

Beginning Balance as of 6/30/2016	\$24,069,105
Net Additions/Withdrawals	-8,000,000
Investment Gain	<u>+1,565,786</u>
Ending Balance as of 9/30/2016	<u>\$17,634,891</u>
Net Return 3rd Quarter 2016	+8.54%
Benchmark Performance: Russell 2000 Small Value	+8.87%

#### International Value (DFIVX)

Beginning Balance as of 6/30/2016	\$32,378,481
Net Additions/Withdrawals	-5,000,000
Investment Gain	<u>+2,466,570</u>
Ending Balance as of 9/30/2016	<u>\$29,845,051</u>
Net Return 3rd Quarter 2016	+8.50%
Benchmark Performance: MSCI World ex USA Idx	+6.29%

#### Emerging Markets Value (DFEVX)

Beginning Balance as of 6/30/2016	\$12,657,634
Net Additions/Withdrawals	-3,500,000
Investment Gain	<u>+1,078,402</u>
Ending Balance as of 9/30/2016	<u>\$10,236,036</u>
Net Return 3rd Quarter 2016	+10.71%
Benchmark Performance: MSCI EMID	+9.03%

#### Large Cap Value (DFLVX)

Beginning Balance as of 6/30/2016	\$23,282,738
Net Additions/Withdrawals	-6,000,000
Investment Gain	<u>+1,021,276</u>
Ending Balance as of 9/30/2016	<u>\$18,304,014</u>
Net Return 3rd Quarter 2016	+5.30%
Benchmark Performance: Russell 1000 Large Value	+3.48%

**Total: DFA Pension 3rd Quarter 2016**

Beginning Balance as of 6/30/2016	\$92,387,958
Net Additions/Withdrawals	-22,500,000
Investment Gain	<u>+6,132,034</u>
Ending Balance as of 9/30/2016	<u>\$76,019,992</u>
Combined Net Return 3rd Quarter 2016	+8.00%
Combined Benchmark Return	+6.56%

## Halifax Staffing Pension Account

### Vanguard Account 20304802 Halifax Staffing, Inc.

Third Quarter 2016  
Ended 9/30/2016

#### Energy Fund Admiral (VGELX)

Beginning Balance as of 6/30/2016	\$5,906,390
Net Additions/Withdrawals	-1,750,000
Investment Gain	+133,836
Ending Balance as of 9/30/2016	<u>\$4,290,226</u>
Net Return 3rd Quarter 2016	+2.87%
Benchmark Performance: MSCI All Country World Energy	+2.14%

#### Energy Index (VENAX)

Beginning Balance as of 6/30/2016	\$4,507,719
Net Additions/Withdrawals	0
Investment Gain	+150,995
Ending Balance as of 9/30/2016	<u>\$4,658,714</u>
Net Return 3rd Quarter 2016	3.35%
Benchmark Performance: MSCI All Country World Energy	2.14%

#### Large-Cap Growth (VIGIX)

Beginning Balance as of 6/30/2016	\$16,294,407
Net Additions/Withdrawals	-3,500,000
Investment Gain	+792,604
Ending Balance as of 9/30/2016	<u>\$13,587,011</u>
Net Return 3rd Quarter 2016	+5.83%
Benchmark Performance: Russell 1000 Large Growth	+4.58%

#### Health Care (VGHAX)

Beginning Balance as of 6/30/2016	\$9,803,353
Net Additions/Withdrawals	-1,750,000
Investment Gain	+137,068
Ending Balance as of 9/30/2016	<u>\$8,190,421</u>
Net Return 3rd Quarter 2016	+1.60%
Benchmark Performance: MSCI All Country World Health Care	+12 bp



**Small-Cap Growth (VSGIX)**

Beginning Balance as of 6/30/2016	\$16,890,498
Net Additions/Withdrawals	-3,500,000
Investment Gain	<u>+1,034,127</u>
Ending Balance as of 9/30/2016	<u>\$14,424,625</u>
Net Return 3rd Quarter 2016	+7.28%
Benchmark Performance: Russell 2000 Small Growth	+9.22%

**Total: Vanguard Pension 3rd Quarter 2016**

Beginning Balance as of 6/30/2016	\$53,402,367
Net Additions/Withdrawals	-10,500,000
Investment Gain	<u>+2,248,630</u>
Ending Balance as of 9/30/2016	<u>\$45,150,997</u>
Combined Net Return 3rd Quarter 2016	4.94%
Combined Benchmark Performance	4.70%

## Halifax Health Portfolios Performance of Benchmarks

*Third Quarter 2016  
Ended 9/30/2016*

<u>Benchmark</u>	<u>3rd Q 2016 Performance</u>
Barclay's 1-5 Year Gov't Bond Index	-0.17%
Barclay's 1-5 Year Gov't/Credit	+4 bp
MSCI All Country World Energy Index	+2.14%
MSCI All Country World Health Care Index	+12 bp
MSCI World ex USA Index	+6.29%
MSCI Emerging Markets EMID Index	+9.03%
Russell 1000 Large Growth Index	+4.58%
Russell 1000 Large Value Index	+3.48%
Russell 2000 Small Growth Index	+9.22%
Russell 2000 Small Value Index	+8.87%
S&P 500 Index	+3.85%
3 Month T-Bill	+8 bp

## Halifax Health Portfolio

*Investment Account Balances  
as of September 30, 2016*

### Halifax Health Investment Accounts

#### HH Holdings

<i>IM/Account Title/Account #</i>	Balance as of 9/30/2015	Balance as of 6/30/2016	Balance as of 8/31/2016	Balance as of 9/30/2016	Change Third Quarter 2016
<i>Vanguard/HH Holdings 0858-88032962086 Short-term Inv-Gr</i>	\$ 129,652,555	\$ 52,720,477	\$ 52,954,841	\$ 53,021,630	\$ 301,153
<i>Ponder/HH Holdings 3040000414 Short-term Gov't/Corporate</i>	31,131,990	32,108,052	32,095,078	32,095,931	(12,121)
<i>Ponder/HH Holdings 3040000414 US Treasury Account</i>	0	80,463,957	80,283,682	80,382,921	(81,036)
<b>Totals:</b>	<b>\$ 160,784,545</b>	<b>\$ 165,292,486</b>	<b>\$ 165,333,601</b>	<b>\$ 165,500,482</b>	<b>\$ 207,996</b>

#### HHMC Liquid Investment Accounts

<i>Ponder/Hal Med Ctr Deprec 3040030258 Short-term Gov't Bond</i>	\$ 41,752,874	\$ 42,286,016	\$ 42,269,216	\$ 42,312,322	\$ 26,306
<i>Vanguard/Hal Hosp Med Ctr dba HH 88060843876 Short-term Gov't Bond</i>	63,528	64,466	64,364	64,542	76
<b>Totals:</b>	<b>\$ 41,816,402</b>	<b>\$ 42,350,482</b>	<b>\$ 42,333,580</b>	<b>\$ 42,376,864</b>	<b>\$ 26,382</b>

**HHMC Debt & Self-Insurance Accounts**

Page 2

Account/Account	Balance as of 9/30/2015	Balance as of 6/30/2016	Balance as of 8/31/2016	Balance as of 9/30/2016	Change Third Quarter 2016
<i>Wells Fargo</i> Hal Hos Tr Slf Ins fd 25564000	\$ 685,565	\$ 630,147	\$ 617,843	\$ 611,746	\$ (18,401)
<i>Wells Fargo</i> 20227506 HHMC Rev Ref & Improv Bds 2006A Reserve A/C Repurch Agreement	9,703,120	0	0	0	0
<i>Wells Fargo</i> 20227514 HHMC Rev Ref & Improv Bds 2006 B/C Reserve Acct Repurch Agreement	10,472,384	0	0	0	0
<i>Ponder</i> /2016 Project Fund HHMC Rev Ref & Improv Bds Series 2016 Project	0	14,222,712	12,640,857	12,670,146	(1,552,566)
<b>Totals:</b>	<b>\$ 20,861,069</b>	<b>\$ 14,852,859</b>	<b>\$ 13,258,700</b>	<b>\$ 13,281,892</b>	<b>\$ (1,570,967)</b>

**HH Foundation Accounts**

Account/Account	Balance as of 9/30/2015	Balance as of 6/30/2016	Balance as of 8/31/2016	Balance as of 9/30/2016	Change Third Quarter 2016
<i>Vanguard</i> HMC Foundation Inc. Short-Term Invest-Gr Inst.	\$ 16,363,960	\$ 16,145,183	\$ 21,223,915	\$ 21,250,683	\$ 5,105,500
<i>Dimensional (DFA)</i> HMC Foundation Inc. Small-Cap Value	3,618,905	3,892,351	3,529,467	3,572,033	(320,318)
International Value	1,731,533	2,130,192	1,761,435	1,781,973	(348,219)
Emerging Markets Value	619,428	676,262	629,521	638,213	(38,049)
Large-Cap Value	7,128,409	8,073,221	7,267,754	7,302,763	(770,458)
<i>Vanguard</i> HMC Foundation Inc. Energy	573,638	761,737	663,278	682,649	(79,088)
Large-Cap Growth	4,091,841	4,024,011	3,476,768	3,499,467	(524,544)
Health Care	723,864	756,143	661,564	666,040	(90,103)
Small-Cap Growth	3,510,344	4,069,256	3,579,384	3,598,540	(470,716)
<b>Totals:</b>	<b>\$ 38,361,922</b>	<b>\$ 41,128,356</b>	<b>\$ 42,793,086</b>	<b>\$ 42,992,361</b>	<b>\$ 1,864,005</b>

Account/Account	Balance as of 9/30/2015	Balance as of 6/30/2016	Balance as of 8/31/2016	Balance as of 9/30/2016	Change Third Quarter 2016
<i>Vanguard</i>					
Halifax Hospice Inc.					
Short-Term Invest-Gr Inst	\$ 18,433,062	\$ 23,657,573	\$ 31,272,440	\$ 32,711,882	\$ 9,054,309
<i>Dimensional (DFA)</i>					
Halifax Hospice Inc.					
Small-Cap Value	5,760,509	6,141,023	5,461,241	5,527,105	(613,918)
International Value	2,846,065	2,783,026	2,723,253	2,755,004	(28,022)
Emerging Markets Value	1,060,483	1,157,785	1,125,047	1,140,580	(17,205)
Large-Cap Value	11,886,623	12,247,827	9,999,097	10,747,263	(1,500,564)
<i>Vanguard</i>					
Halifax Hospice Inc.					
Energy	635,905	1,164,671	660,301	682,237	(482,434)
Large-Cap Growth	6,323,158	6,470,069	5,251,613	5,735,899	(734,170)
Health Care	800,232	835,917	575,253	579,146	(256,771)
Small-Cap Growth	5,756,410	6,165,328	5,472,464	5,951,751	(213,577)
Prime Money Market (VMMXX)	62	0	0	0	0
Money Market/Operating Account	0	1,200,000	1,200,000	0	(1,200,000)
<b>Totals:</b>	<b>\$ 53,502,509</b>	<b>\$ 61,823,219</b>	<b>\$ 63,740,709</b>	<b>\$ 65,830,867</b>	<b>\$ 4,007,648</b>

HH Portfolio Totals with Third Quarter 2016 Changes

HH Holdings	\$ 160,784,545	\$ 165,292,486	\$ 165,333,601	\$ 165,500,482	\$ 207,996
HHMC Liquid Investments Accounts	41,816,402	42,350,482	42,333,580	42,376,864	26,382
HHMC Debt & Self-Insurance Accounts	20,861,069	14,852,859	13,258,700	13,281,892	(1,570,967)
HH Foundation Accounts	38,361,922	41,128,356	42,793,086	42,992,361	1,864,005
HH Hospice Accounts	53,502,509	61,823,219	63,740,709	65,830,867	4,007,648
<b>Totals:</b>	<b>\$ 315,326,447</b>	<b>\$ 325,447,402</b>	<b>\$ 327,459,676</b>	<b>\$ 329,982,466</b>	<b>\$ 4,535,064</b>

## HH Pension Accounts

<i>IM/Account/Account #</i>	Balance as of 9/30/2015	Balance as of 6/30/2016	Balance as of 8/31/2016	Balance as of 9/30/2016	Change Third Quarter 2016
<i>Vanguard</i>					
Halifax Staffing Inc. DB Pension Plan					
Short-Term Invest-Gr Inst	\$ 89,289,707	\$ 79,528,922	\$ 114,237,381	\$ 114,381,463	\$ 34,852,541
<i>Dimensional (DFA)</i>					
Halifax Staffing Inc. DB Pension Plan					
Small-Cap Value	19,876,290	24,069,105	17,424,744	17,634,891	(6,434,214)
International Value	29,259,461	32,378,481	29,501,089	29,845,051	(2,533,430)
Emerging Markets Value	8,729,337	12,657,634	10,096,630	10,236,036	(2,421,598)
Large-Cap Value	20,774,385	23,282,738	18,216,264	18,304,014	(4,978,724)
Wells Fargo Money Market	0	5,800,000	0	0	(5,800,000)
<i>Vanguard</i>					
Halifax Staffing Inc. DB Pension Plan					
Energy	7,665,159	10,414,109	8,682,145	8,948,940	(1,465,169)
Large-Cap Growth	13,912,670	16,294,407	13,498,882	13,587,011	(2,707,396)
Health Care	9,740,201	9,803,353	8,135,371	8,190,421	(1,612,932)
Small-Cap Growth	13,324,621	16,890,498	14,347,839	14,424,625	(2,465,873)
Wells Fargo Money Market	0	0	0	0	0
<i>Wells Fargo</i>					
Halifax Staffing Inc. DB Pension Plan					
Cash & Cash Equivalents	1,073,237	1,274,535	5,954,310	4,591,685	3,317,150
<i>Halifax-Milliman Risk Account</i>					
Halifax Staffing Inc. DB Pension Plan	1,399,728	0	0	0	0
<b>Totals:</b>	<b>\$ 215,044,796</b>	<b>\$ 232,393,782</b>	<b>\$ 240,094,655</b>	<b>\$ 240,144,137</b>	<b>\$ 7,750,355</b>

## Total Assets: Pension and Investment Accounts

### Totals with Third Quarter 2016 Changes

Pension Accounts	\$ 215,044,796	\$ 232,393,782	\$ 240,094,655	\$ 240,144,137	7,750,355
All Other Accounts	315,326,447	325,447,402	327,459,676	329,982,466	4,535,064
<b>Grand Total:</b>	<b>\$ 530,371,243</b>	<b>\$ 557,841,184</b>	<b>\$ 567,554,331</b>	<b>\$ 570,126,603</b>	<b>\$ 12,285,419</b>

**Halifax Foundation Accounts**  
**Asset Allocation as of 9/30/2016**

ASSET CLASS	RANGE	TARGET	9/30/2016	ACTUAL
<b>FIXED</b>				
Short-Term Invest Gr	0-45%	40%	\$21,250,683	49%
Cash Equivalents			\$0	0%
<b>Total Fixed</b>	<b>30-50%</b>	<b>40%</b>	<b>\$21,250,683</b>	<b>49%</b>
<b>EQUITIES</b>				
Large-Cap Value	10%-30%	20%	\$7,302,763	17%
Small-Cap Value	5%-15%	10%	\$3,572,033	8%
International Value	0%-15%	5%	\$1,781,973	4%
Emerging Markets Value	0%-5%	2%	\$638,213	1%
Large-Cap Growth	5%-15%	10%	\$3,499,467	8%
Small-Cap Growth	5%-15%	10%	\$3,598,540	8%
Specialty:	0%-11%	3%	\$1,348,689	3%
<i>Healthcare</i>			\$666,040	
<i>Energy</i>			\$682,649	
<b>Total Equity</b>	<b>50-70%</b>	<b>60%</b>	<b>\$21,741,678</b>	<b>51%</b>
<b>Total Portfolio</b>		<b>100%</b>	<b>\$42,992,361</b>	<b>100%</b>

**Halifax Hospice Accounts**  
**Asset Allocation as of 9/30/2016**

ASSET CLASS	RANGE	TARGET	9/30/2016	ACTUAL
<b>FIXED</b>				
Short-Term Invest Gr	0-45%	40%	\$32,711,882	50%
Cash			\$0	0%
<b>Total Fixed</b>	<b>30-50%</b>	<b>40%</b>	<b>\$32,711,882</b>	<b>50%</b>
<b>EQUITIES</b>				
Large-Cap Value	10%-30%	20%	\$10,747,263	16%
Small-Cap Value	5%-15%	10%	\$5,527,105	8%
International Value	0%-15%	5%	\$2,755,004	4%
Emerging Markets Value	0%-5%	2%	\$1,140,580	2%
Large-Cap Growth	5%-15%	10%	\$5,735,899	9%
Small-Cap Growth	5%-15%	10%	\$5,951,751	9%
Specialty (Healthcare/Energy)	0%-11%	3%	\$1,261,383	2%
<i>Healthcare</i>			\$579,146	
<i>Energy</i>			\$682,237	
<b>Total Equity</b>	<b>50-70%</b>	<b>60%</b>	<b>\$33,118,985</b>	<b>50%</b>
<b>Total Portfolio</b>		<b>100%</b>	<b>\$65,830,867</b>	<b>100%</b>



**Halifax Pension Accounts**  
**Asset Allocation as of 9/30/2016**

ASSET CLASS	RANGE	TARGET	9/30/2016	ACTUAL
<b>FIXED</b>				
Short-Term Invest Gr	0-45%	40%	\$114,381,463	48%
Cash			\$4,591,685	2%
<b>Total Fixed</b>	<b>30-50%</b>	<b>40%</b>	<b>\$118,973,148</b>	<b>50%</b>
<b>EQUITIES</b>				
Large-Cap Value	7%-13%	10%	\$18,304,014	8%
Small-Cap Value	7%-13%	10%	\$17,634,891	7%
International Value	11%-19%	15%	\$29,845,051	12%
Emerging Markets Value	3%-7%	5%	\$10,236,036	4%
Large-Cap Growth	4%-10%	6%	\$13,587,011	6%
Small-Cap Growth	4%-8%	6%	\$14,424,625	6%
Specialty (Healthcare/Energy)	0%-11%	8%	\$17,139,361	7%
<i>Healthcare</i>			\$8,190,421	
<i>Energy</i>			\$8,948,940	
<b>Total Equity</b>	<b>50-70%</b>	<b>60%</b>	<b>\$121,170,989</b>	<b>50%</b>
<b>Total Portfolio</b>		<b>100%</b>	<b>\$240,144,137</b>	<b>100%</b>

## **Halifax Health Investment Accounts Portfolio Monitoring**

*Third Quarter 2016: Ended 9/30/2016*

### **Vanguard Short-Term Investment-Grade (VFSIX) \*\*\*\*** **Short-Term Bond Fund**

The Vanguard Short-Term Bond Fund is a short-term corporate bond fund with an average duration of 2.6 years. There are 2,081 bond holdings with an average credit quality of A. The fund is in the top 15% in category over a ten year period and was up 0.57% for the quarter, ahead of its benchmark. The fund takes average risks and produces above average returns.

### **Vanguard Short-term Federal Admiral Fund (VSGDX) \*\*\*\*** **Short-Term Gov Bond Fund**

The Vanguard Short-term Federal fund is a short-term government bond fund with an average duration of 2.2 years. 95% of the fund is invested in AAA government securities. The fund invests in agency bonds, agency mortgages and treasuries. The fund is in the top 17% in its category over 5 years and was up 0.12% for the quarter, which is even with its short government category. The fund takes average risks and provides above average returns.

### **Vanguard Short-Term Investment-Grade Adm. Fund (VFSUX) \*\*\*\*** **Short-Term Bond**

This is a short-term Corporate Bond fund that holds 1562 different Fixed-Income securities. Its average maturity is 3.3 years. It holds investment-grade securities and has a five-year return average of 2.56%. Vanguard Short-Term was up 0.57% for the quarter. This fund is in the top 17% in its category, and its risk ratings and Sharpe Ratio are both good.

### **DFA US Small Cap Value Fund (DFSVX) \*\*\*** **Small Value**

The DFA Small Cap Value Fund invests in Small Cap Value stocks, and its diversification is the best in the Small Cap Value category with over 1100 individual holdings. Dimensional Fund Advisors may well have the best academic approach to investing in the securities industry. The DFA Small Cap was up 7.96% for the quarter. The fund is in the top 20% in its category, its Sharpe Ratio is low and risk ratings are average.

### **DFA Emerging Markets Value Fund (DFEVX) \*\*** **Emerging Markets Value**

This fund invests in Emerging Market stocks around the world. The DFA Emerging Markets was up 9.72% for the quarter, above its benchmark. Its Sharpe Ratio is -0.01 and its rank in category is low. The fund had a terrible year in 2015 but is now a leading asset class for 2016.

**DFA International Value Fund (DFIVX) \*\*****Foreign Large Value**

This fund invests in companies from 22 developed markets outside the United States. The fund is run by a deep and experienced management team that selects companies with high book value relative to market price. DFA International was up 8.50% for the quarter, which was higher than its benchmark. It is in the top 44% of funds in its category over a 10-year period. Its Sharpe Ratio is low and its risk characteristics have improved. The fund is in the top 4 percentile this quarter and top 20 year-to-date.

**DFA Large-Cap Value Fund (DFLVX) \*\*\*\*****Large-Cap Value**

The US Large-Cap Value portfolio purchases a broad and diverse group of US companies determined by Dimensional to be value stocks. The portfolio invests in securities of companies with market capitalizations within the largest 90% of the market or larger than the 1000 largest US companies. This fund was up 5.18% for the quarter, above its Russell 1000 Value Benchmark. It is in the top 10% of large-value funds with a low expense ratio and an excellent sharp ratio of +0.61.

**Vanguard Health Care Admiral Fund (VGHAX) \*\*\*\*****Specialty: Health**

This fund maintains exposure to five areas of the Health Care industry: international health, pharmaceuticals, services, devices, and a small allocation to biotechnology. The fund was up 0.72% for the quarter. Vanguard Health Care is in the top 50% in its category. It has a high Sharpe Ratio of +1.22, and takes average risks for average returns in its category.

**Vanguard Energy Admiral Fund (VGELX) \*\*\*\*****Specialty: Energy**

Vanguard Energy is a diversified equity energy fund with 122 energy companies in the fund. Vanguard Energy was up 4.18% for the quarter performing well above its benchmark. The Fund is in the top 28% in its category on a 5-year basis. Vanguard Energy has a low Sharpe Ratio of -0.08, and average risk ratings. This is a high volatility specialty fund.

**Vanguard Energy Index Fund (VENAX) \*\*\*\*****Specialty: Energy**

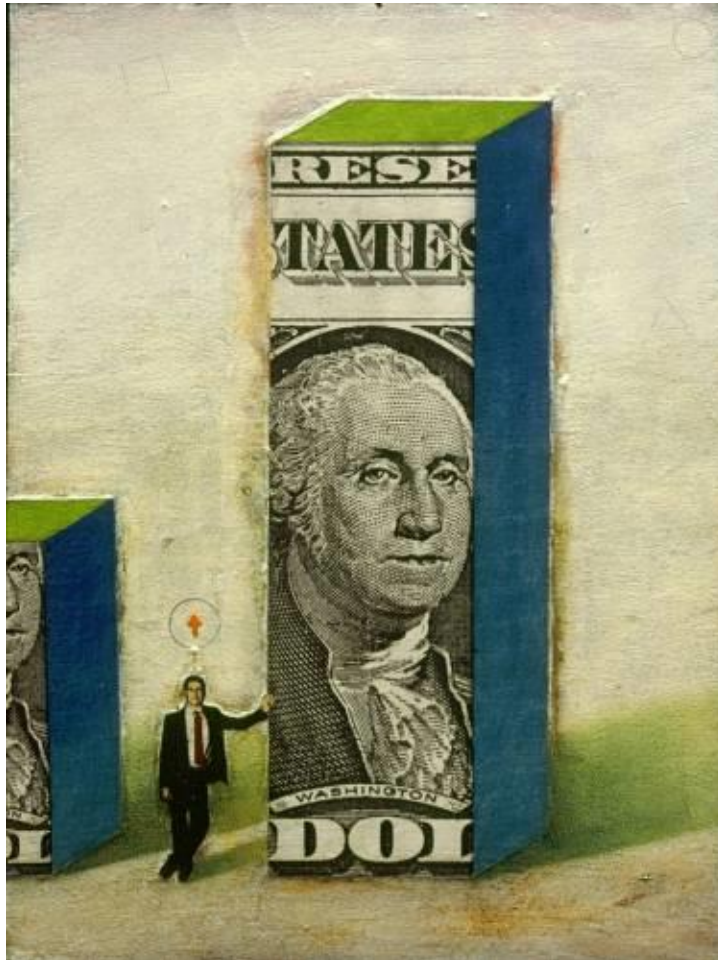
This fund is 100% American energy companies vs. the VGELX fund. This energy index fund was up 3.35% for the quarter. It is in the top 18% in category. It has a Sharpe Ratio of -0.10 and very good risk ratings.

**Vanguard Growth Index Institutional Fund (VIGIX) \*\*\*\*****Large Growth**

This large growth fund has 352 holdings and invests in the large growth portion of the Russell 1000. Since growth stocks are companies with higher valuations, 25% of this fund is comprised of technology stocks. This fund was up 5.14% for the quarter, which was slightly higher than its benchmark. It is in the top 21% in category and has excellent risk ratings. The fund has an expense ratio of .08%.

**Vanguard Small-Cap Growth Index Institutional Fund (VSGIX) \*\*\*\* Small-Cap Growth**

This is a small-cap growth fund with 740 holdings and an average market cap of \$1.5 billion. Vanguard Small Cap was up 6.67% for the quarter, below its benchmark. The fund is in the top 34% in its category with average risk ratings.



# Halifax Medical Center Investment Review

*Through September 30, 2016*

**PONDER**  
INVESTMENT CO



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- While taking a pass on hiking rates at their September meeting, there were enough dissenting voters and comments that the market is assigning a high probability of a hike in December. Lack of inflation in the U.S. economy has giving the committee some breathing room while strong payroll growth gives some ammunition for a hike
- “Brexit” fears have calmed. However, new discussions have the potential to stir up economic concern again. Additionally, other non-U.S. economies have stabilized
- Net rate changes in Q2: 3 month T-Bills up 2 basis points, 2 year Treasury up 18 basis points, 10 year Treasury up 12 basis points, 30 year Treasury up 3 basis points.
- During the quarter, the S & P 500 stock index was up 3.3% (price only) while the NASDAQ index increased 9.7% for the quarter.



## •US Economy

- Q2 GDP came in at 1.4%. Median estimates for 2016 GDP are 1.5% based on a survey of over 80 participants by Bloomberg after increasing 2.4% in 2015
- Non-farm payrolls have averaged +178k per month in 2016, vs. 220k per month in 2015 while the unemployment rate has remained at-or-below 5.0% since October of 2015

## •Federal Reserve

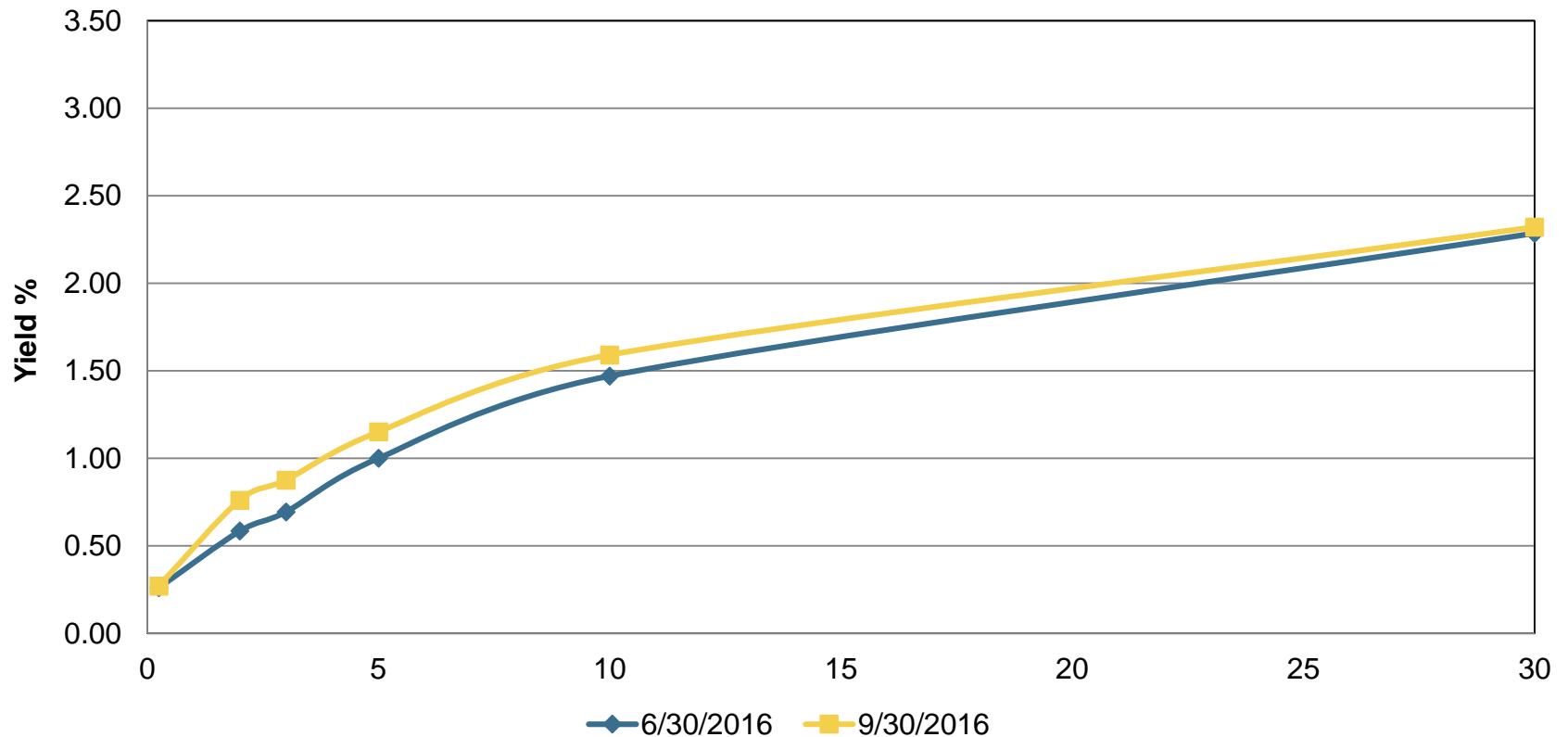
- Despite the continuation of moderate economic growth and significant job growth in the U.S. economy, the FOMC has slowed their projected pace of rate increases.
- Since many of the external concerns (international weakness, “Brexit”) have abated, not much stands in the way of a hike as evidenced by the dissenting opinions on the committee
- Lack of inflationary pressure is the main culprit in permitting the committee to be further “data dependent”
- The strong jobs data with a lack of inflation has provided a conundrum for the FOMC members
- Consumer spending while firm is not robust
- Business investment has seen improvement but needs to be consistently stronger
- Incoming data will drive the Fed’s pace of rate increases. However, few see more than 1 more rate increase for the year down from the 2-3 expected early in the year

## •US Bond Market

- Treasury yields were higher in Q3 2016. The yield on the 2 year was up 18 bps while the yield on the 10 year increased 12bps. 10 year rates closed the quarter at 1.60%. According to Barclay’s data, investment grade (IG) corporate bonds outperformed Treasuries by 155 bps during the quarter and are up 285bps on the year. IG bonds underperformed in 2015 by 169 bps. (duration adjusted). Lower quality bonds again performed better than higher quality bonds, continuing the trend.
- Corporate bond new issue volume for the quarter was \$391 billion, down from \$398 billion in Q2 2016. Municipal new issue volume was up 18% in the quarter vs. Q2 2016. According to preliminary ICI data, taxable bond funds had inflows of \$48.4 billion in the quarter while municipal bond funds saw inflows of \$16.5 billion.



# Yield Curve Changes



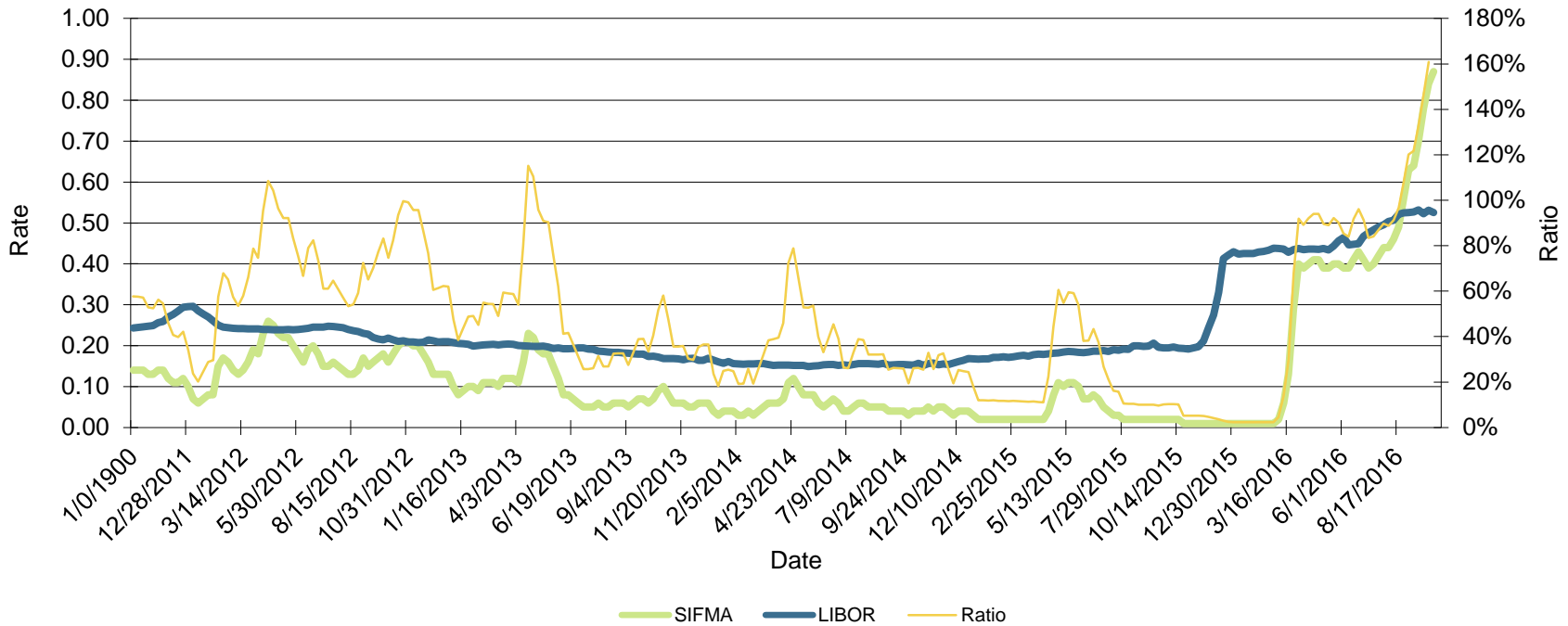
•During the past quarter:

- Rates were higher across the curve with the yield on the 2 year up 18 basis points while the yield on the 10 year was up 12 basis points
- The curve (2 year to 10 year) was flatter at +83 basis points, from +89 basis points

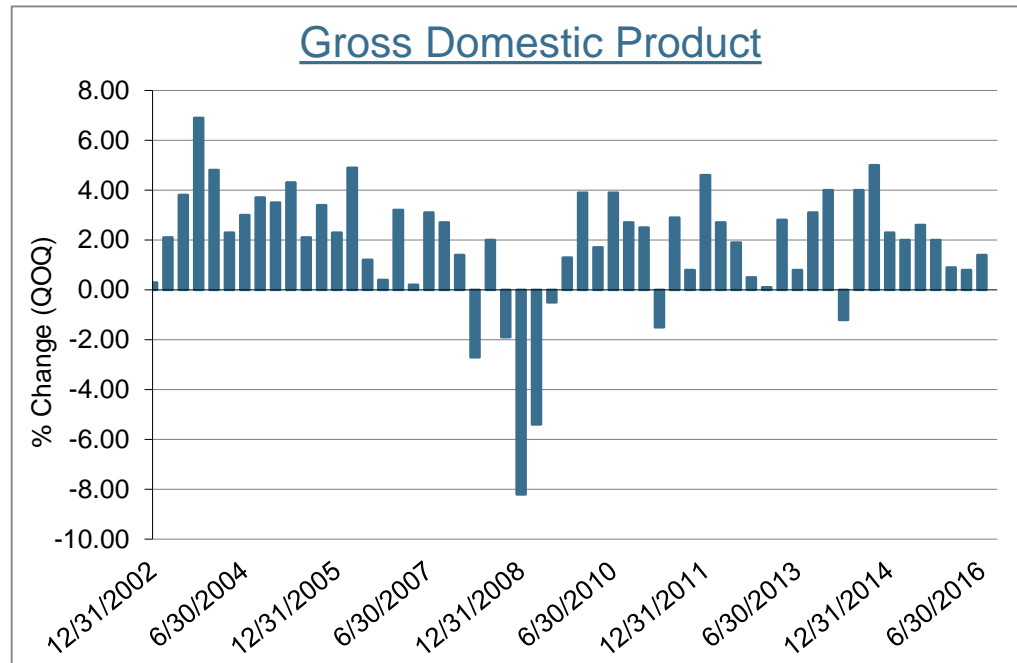
# Short Term Yields (as of 9/30/16)



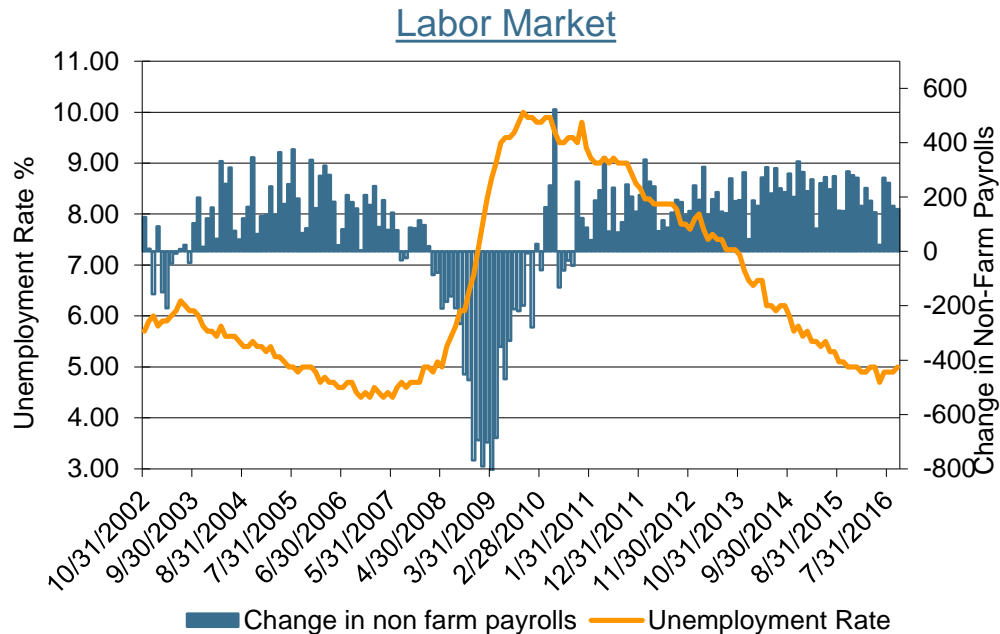
SIFMA vs. 1M LIBOR



Average	YTD	1 Year	3 Year	5 Year
SIFMA/LIBOR Ratio	72.2%	54.6%	38.2%	47.0%
SIFMA	0.34%	0.12%	0.12%	0.12%
1 Mo. LIBOR	0.46%	0.40%	0.25%	0.24%



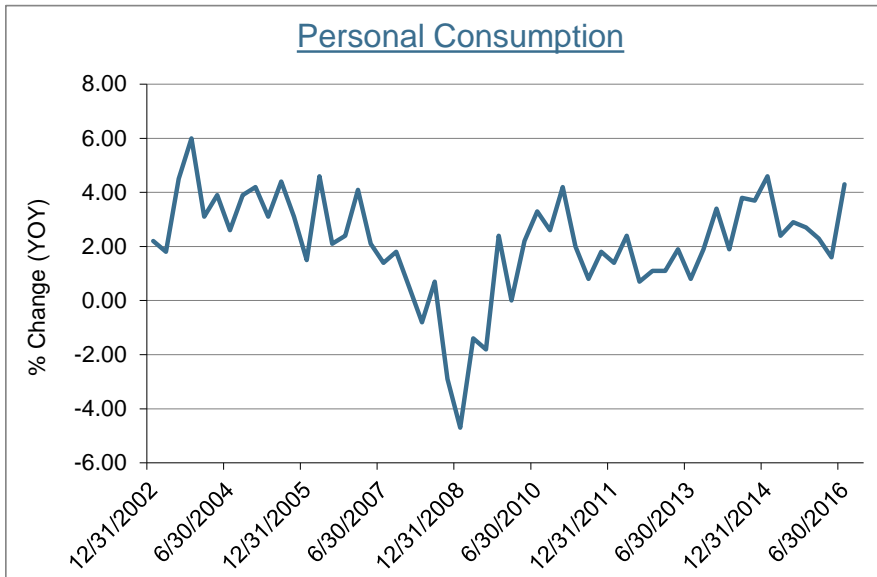
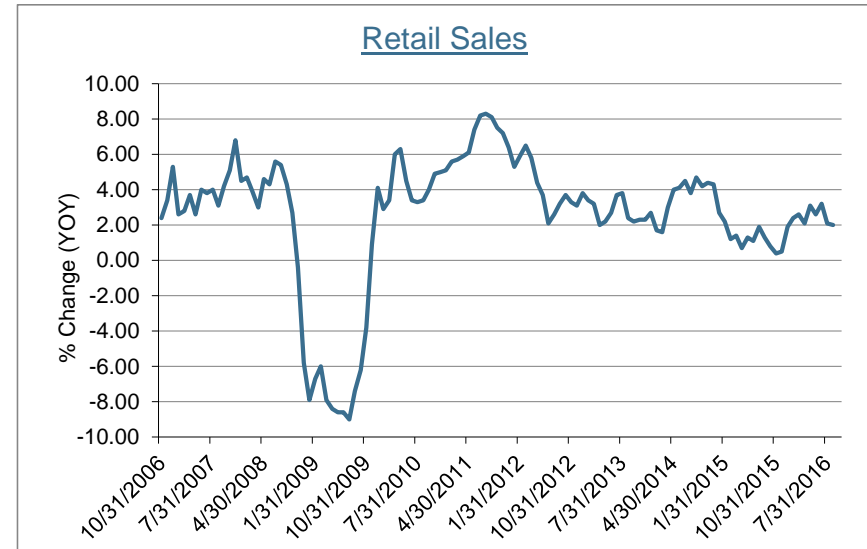
- What is GDP and why is it important?
  - \*It measures the total market value of all goods and services produced in a country in a given year, equal to total consumer, investment and government Spending, plus the value of exports, minus the value of imports.
  - It is a signal of the overall health/growth of the country's economy
- GDP increased 1.4% in Q2, showing improvement from 0.8% growth in Q1 . 2015 GDP came in at 2.4%
- Consensus forecasts are looking for growth of 1.5% for the full year 2016 and 2.2% for 2017. The US still shows relative strength versus other international economies



- What is the Change in Non-Farm Payrolls and why is it important?
  - \*It measures the change in the number of employees on business payrolls (also referred to as the establishment survey)
  - Indicates the strength of the labor markets
- 2016 has averaged 178k additional jobs per month vs. 220k in 2015. The growth in jobs has been a driving force in the economy since recovering from weak May data
- The unemployment rate climbed to 5.0% while “participation” in the labor force is still considered low



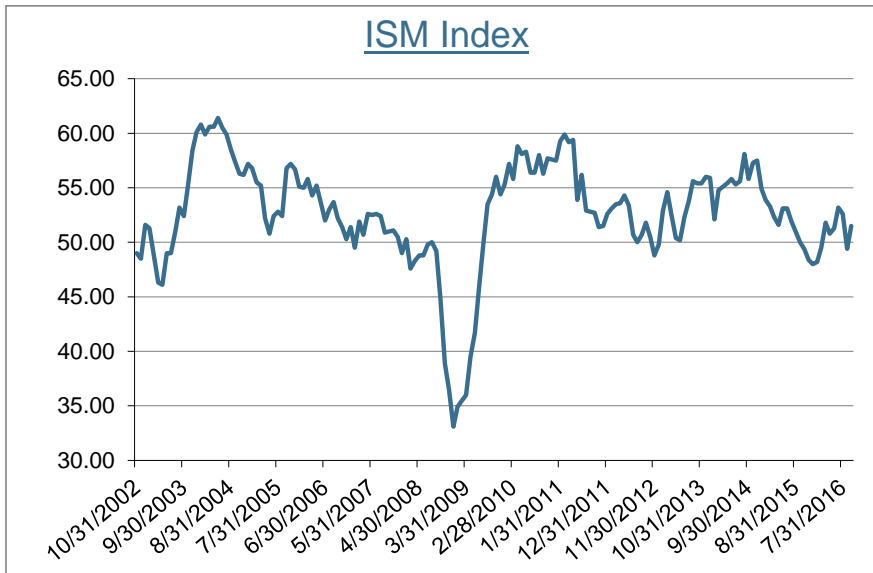
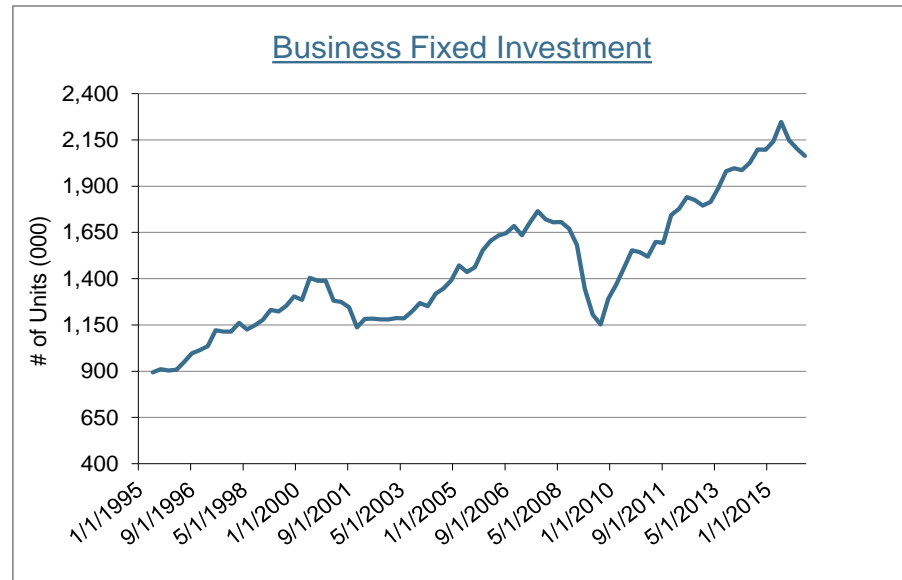
- What is Retail Sales and why is it important?
  - \*It tracks the resale of new and used goods to the general public, for personal or household consumption based on the value of goods sold.
  - It is a signal of consumer's sense of economic well being
- Monthly retail sales have continued their modest growth in 2016
- Consumers will need businesses spending to ramp up in order to continue to keep the economy afloat



- What is Personal Consumption and why is it important?
  - \*It tracks the total final expenditures including exports less imports when adjusted for inflation
  - It is also signal of consumer's sense of economic well being
- Q2 Consumption jumped to 4.3% from 1.6% in Q1 (2.7% average for 2015)
- Jobs growth has been the main contributor to the positive trend but this data series is volatile



- What is Business Fixed Investment and why is it important?
  - \*It tracks the expenditures for equipment both new and replacement of depreciated equipment
  - It is a signal of business' sense of economic well being
- While the trend is positive, 2016 investment has trailed off of 2015 highs
- The FOMC would like to see continued strength here

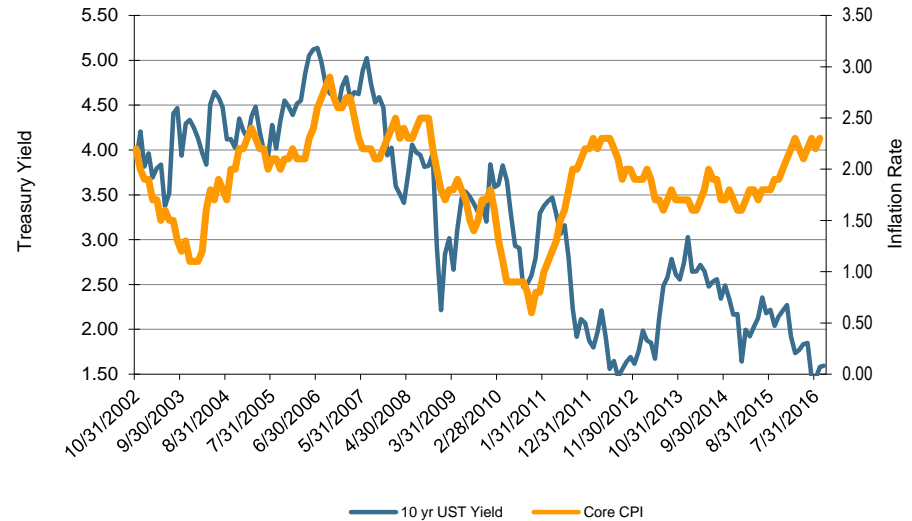


- What is ISM Index and why is it important?
  - \*It tracks the sentiment among purchasing managers at manufacturing, construction and/or services firms
  - It is also signal of business' sense of economic well being
- ISM averaged 50.9 in 2016, down slightly from the 51.3 2015 average (a reading of 50.0 indicates growth)
- Despite some periodic weakness, the 2016 trend is encouraging

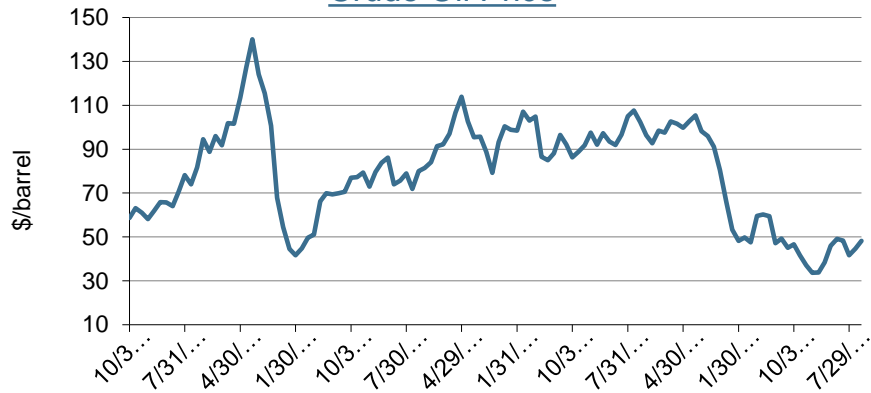


- What is the Core CPI Index and why is it important?
  - \*It tracks the overall price for a set basket of goods and services
  - It is a signal of whether costs are increasing or decreasing
- The FOMC has a long-range target of 2%
- Consensus forecasts are looking for 1.3% for 2016 and 2.2% for 2017 and 2018

Inflation and Interest Rates



Crude Oil Price



- Oil prices are trading nearer to \$50 after trading in the low \$30's in early 2016
- A recent OPEC output agreement has bolstered prices



## Section 2





## Duration

- Focus continues to be protecting principal and maintaining liquidity for opportunities
- Rates on the short end of the curve have been gradually increasing. We have been taking advantage of higher short-term rates and will also capitalize on our expectation for increases in longer-term yields
- The Fed's appears poised to raise rates in December (but we have seen this movie before). We expect to resume our process of extending duration as the yield compensation for doing so increases

## Yield Curve

- 2-10 year spread now +83 basis points down from +89 at the end of Q2
- 2 year Agencies now yield 0.88%, up from 0.67% on 6/30

## Sector Selection

- We will be continue adding more taxable municipal bonds and callable agency bonds to add yield *at appropriate levels*
- Maintain allocations to non-Treasury sectors to maximize yield with caution
- Spreads have experienced some volatility. We will continue to capitalize when appropriate

## Issue Selection

- ABS and Corporate bonds remain a value add to the portfolio. Bias is to quality
- High quality taxable municipal bonds continue to add yield and diversification-we will add as we find good credits at attractive levels



## Summary

Market Value (w/accrued)	\$42,312,322
Yield to Worst	0.69%
Average Life (yrs)	1.60
Duration	1.51

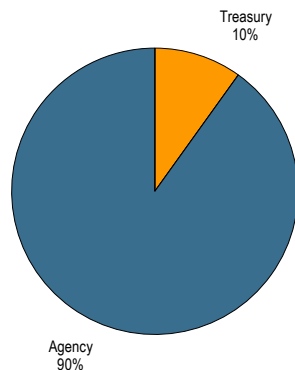
## Total Return

	<u>Q3 2016</u>	<u>Fiscal Year</u>
Halifax	0.07%	1.38%
Index	-0.17%	1.52%

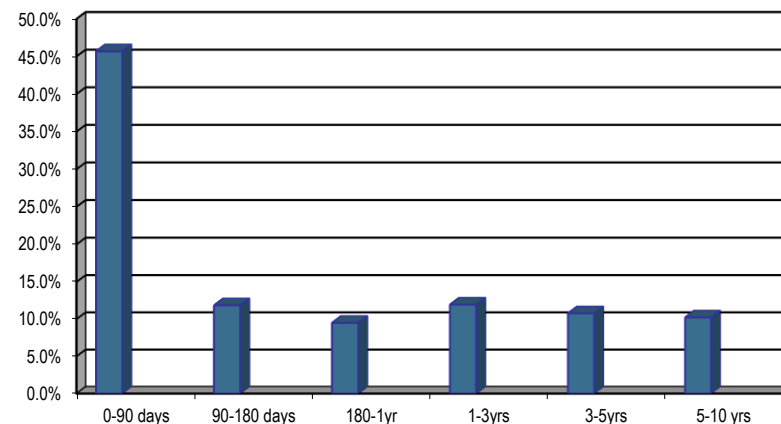
Index is Barclay's US 1-5 Yr. Gov't Bond Index

All periods less than 1 year are not annualized

## Asset Allocation by Sector



## Asset Allocation by Maturity



# HH Holdings Portfolio Summary (as of 9/30/16)



## Summary

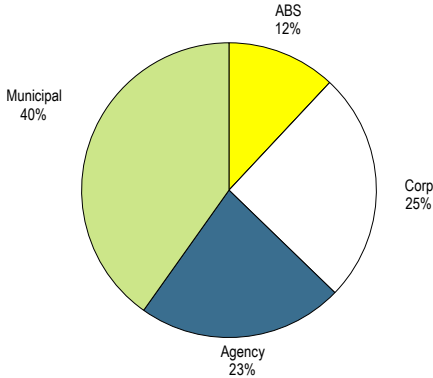
## Total Return

Market Value	\$32,095,931
Yield to Worst	1.29%
Average Life (yrs)	3.18
Duration	2.96

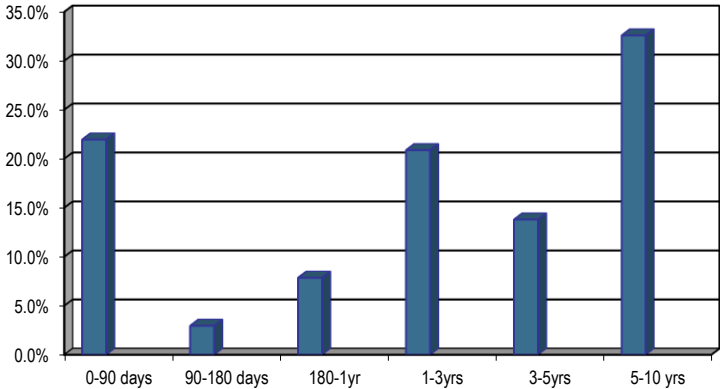
	<u>Q3 2016</u>	<u>Fiscal Year</u>
Halifax	-0.02%	3.15%
Index	0.04%	2.05%

Index is Barclays US 1-5 Year Gov't/Credit Index  
All periods less than 1 year are not annualized

## Asset Allocation by Sector



## Asset Allocation by Maturity



## Money Manager Evaluation Short-Term Government Bond

	PONDER		VANGUARD VSGDX		JP MORGAN OGTFX		DFA DFFGX		WELLS FARGO WSGIX	
5 yr Rank in Category	22	14	20	14	57	11	16	15	72	10
Expense Ratio	0.17	22	0.10	25	0.77	10	0.19	21	0.45	15
Management Team	13.0	15	1.8	12	15.6	15	10.1	15	9.9	14
Average Credit Quality	AAA	5	AAA	5	AAA	5	AAA	5	AAA	5
3 yr Risk	1.08	13	0.98	14	1.07	13	1.37	13	0.75	15
Average Maturity	1.50	15	2.50	14	2.26	15	2.91	14	2.72	14
12 month Return	1.38	9	1.71	10	0.85	8	1.40	9	1.40	9

**TOTAL SCORE**

**93**

**94**

**77**

**92**

**82**

prepared 11/3/2016

*Disclaimers:*

1. The financial data used in these evaluations come from a third party vendor - Morningstar. Morningstar does not guarantee the accurateness, completeness or reliability of any data information. Morningstar makes no warranties, express or implied, as to any data values relating thereto.
2. The criteria used in the data values will vary by asset class, market valuation, volatility or any other market factor deemed appropriate. The data values are subjective and do not necessarily have any predictive value.
3. The methodology used in this grading system is subjective, may vary by asset class and may change due to market conditions, volatility or valuation. This grading system may have no predictive value and can not be relied upon based on past results.

## Money Manager Evaluation Short-Term Bond

	PONDER		Vanguard VFSIX		Federated FSTYX		Vanguard VSTBX		JP Morgan JUSUX	
5 yr Rank in Category	15	14	12	14	50	10	7	15	8	15
Expense Ratio	0.17	22	0.07	25	0.58	18	0.07	25	0.39	20
Management Team	13	10	8.5	8	21	10	4.2	7	12.2	10
Average Credit Quality	AA	15	A	14	BBB	12	A	14	BBB	12
3 yr Risk	1.09	13	1.17	13	0.60	15	1.41	12	0.58	15
Average Maturity	3.0	13	3.3	12	2.0	15	3.0	13	3.5	12
12 month Return	3.15	10	3.29	10	1.81	7	3.07	9	1.57	6

**TOTAL SCORE**

**97**

**96**

**87**

**95**

**90**

prepared 11/3/2016

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Halifax Health Investment Committee  
 2017 Quarterly Time Line  
 France Tower, Conference Room A

<b>Investment Committee Meeting Date</b>	<b>Presentation Period Ending</b>	<b>Agenda Items</b>	<b>Mike Walsh Update</b>	<b>Material Posted on District Website</b>
February 13, 2017	<b>December 31, 2016</b>	<ul style="list-style-type: none"> <li>▪ Quarterly update M. Walsh</li> </ul>	January 17	February 6
May 8, 2017	<b>March 31, 2017</b>	<ul style="list-style-type: none"> <li>▪ Quarterly update M. Walsh</li> <li>▪ Ponder annual manager update &amp; assessment</li> <li>▪ Expected investment return, FY 2018</li> <li>▪ Annual review of pension plan rate of return assumptions</li> </ul>	April 18	May 1
August 14, 2017	<b>June 30, 2017</b>	<ul style="list-style-type: none"> <li>▪ Quarterly update M. Walsh</li> <li>▪ DFA annual manager update &amp; assessment</li> <li>▪ Annual investment policies review</li> <li>▪ Annual investment policies checklist</li> <li>▪ Annual investment allocation review</li> <li>▪ Annual investment charter review</li> </ul>	July 18	August 7
November 13, 2017	<b>September 30, 2017</b>	<ul style="list-style-type: none"> <li>▪ Quarterly update M. Walsh</li> <li>▪ Vanguard annual manager update &amp; assessment</li> </ul>	October 17	November 6

MEMBERS: Ted Serbousek, Greg Motto, Decker Youngman, David Graffagnino, Susan Schandel, Daniel Francati  
 ADVISOR: Mike Walsh  
 STAFF: Jeff Feasel, Eric Peburn, Kent Bailey, Joe Petrock, Ben Eby

**Halifax Health**  
**Investment Manager Performance Report - through September 30, 2016**

		<b>September Performance</b>	<b>Calendar YTD</b>	<b>Calendar 2015</b>	<b>Fiscal Year</b>
<b>Fixed Income</b>					
VFSIX - Vanguard Short-Term Investment Gr.	Perf	0.13%	3.69%	1.16%	3.41%
	BMK	0.15%	2.64%	0.97%	2.05%
VSGDX - Vanguard Short-Term Federal	Perf	0.28%	2.10%	0.83%	1.60%
	BMK	0.17%	2.18%	0.93%	1.52%
Ponder Short-term Government/Corporate	Perf	0.00%	3.27%	1.93%	3.04%
	BMK	0.15%	2.64%	0.97%	2.05%
Ponder US Treasury Account	Perf	0.12%	0.48%	n/a	0.48%
	BMK	0.11%	0.50%	n/a	0.50%
Ponder Short-Term Government	Perf	0.10%	1.71%	0.74%	1.34%
	BMK	0.17%	2.18%	0.93%	1.52%
Ponder 2016 Project Fund	Perf	0.23%	0.34%	n/a	0.34%
	BMK	0.11%	0.68%	n/a	0.57%
<b>Weighted Composite</b>	<b>Perf</b>	<b>0.12%</b>	<b>2.67%</b>	<b>1.18%</b>	<b>2.45%</b>
	<b>BMK</b>	<b>0.14%</b>	<b>2.08%</b>	<b>0.96%</b>	<b>1.63%</b>
<b>Equities</b>					
DFSVX - DFA Small Cap Value	Perf	1.21%	11.47%	-7.81%	13.58%
	BMK	0.79%	15.49%	-7.47%	18.82%
DFLVX - DFA Large Cap Value	Perf	0.48%	9.45%	-3.49%	15.09%
	BMK	-0.21%	10.00%	-3.83%	16.20%
DFIVX - DFA International Value	Perf	1.17%	3.16%	-6.31%	6.10%
	BMK	1.22%	3.12%	-3.04%	7.15%
DFEVX - DFA Emerging Markets	Perf	1.38%	21.01%	-18.77%	19.79%
	BMK	1.29%	16.02%	-14.92%	16.79%
VGELX - Vanguard Energy	Perf	2.68%	26.29%	-21.44%	25.43%
	BMK	2.90%	18.81%	-22.20%	18.03%
VENAX - Vanguard Energy Index	Perf	3.44%	19.85%	-24.16%	18.53%
	BMK	2.90%	18.81%	-22.20%	18.03%
VIGIX - Vanguard Large-Cap Growth	Perf	0.65%	6.58%	3.33%	13.52%
	BMK	0.37%	6.00%	5.67%	13.76%
VGHAX - Vanguard Health Care	Perf	0.68%	-3.18%	12.71%	5.21%
	BMK	-0.15%	-1.45%	6.33%	5.32%
VSGIX - Vanguard Small-Cap Growth	Perf	0.54%	9.19%	-2.52%	13.04%
	BMK	1.44%	7.48%	-1.38%	12.12%
<b>Weighted Composite</b>	<b>Perf</b>	<b>0.98%</b>	<b>9.02%</b>	<b>-4.34%</b>	<b>12.81%</b>
	<b>BMK</b>	<b>0.81%</b>	<b>8.94%</b>	<b>-3.49%</b>	<b>13.52%</b>

**Halifax Health**  
**Investment Manager Performance Report - through September 30, 2016**

	Invested Balance		September Performance	Calendar YTD	Fiscal YTD
<b>HH Holdings</b>					
VFSIX - Vanguard Short-Term Invest Grade	\$ 53,021,630		Perf 0.13%	3.69%	3.41%
			BMK 0.15%	2.64%	2.05%
Ponder Short-Term Gov't/Corporate	32,095,931		Perf 0.00%	3.27%	3.15%
			BMK 0.15%	2.64%	2.05%
Ponder US Treasury Account	80,382,921		Perf 0.12%	0.48%	0.48%
			BMK 0.11%	0.50%	0.50%
Total HH Holdings	<u>\$ 165,500,482</u>	Composite	<b>0.10%</b>	<b>3.13%</b>	<b>2.88%</b>
		Budget			1.00%
<b>HHMC</b>					
Ponder Short-Term Government	\$ 42,312,322		Perf 0.10%	1.71%	1.34%
			BMK 0.17%	2.18%	1.52%
VSGDX - Vanguard Short-Term Federal	64,542		Perf 0.28%	2.10%	1.60%
			BMK 0.17%	2.18%	1.52%
Wells Fargo Halifax Hospital Trust	611,746		Perf 0.03%	0.26%	0.19%
			BMK 0.17%	2.18%	1.52%
Ponder 2016 Project Fund	12,670,146		Perf 0.23%	0.34%	0.34%
			BMK 0.11%	0.68%	0.68%
Total HHMC	<u>\$ 55,658,756</u>	Composite	<b>0.13%</b>	<b>2.06%</b>	<b>2.13%</b>
		Budget			1.00%

*\*Includes performance thru 3/31/16 for Wells Fargo Repurchase Agreements*



**Halifax Health**  
**Investment Manager Performance Report - through September 30, 2016**

<b>Foundation</b>	<b>Invested Balance</b>	<b>September Performance</b>	<b>Calendar YTD</b>	<b>Fiscal YTD</b>
VFSIX - Vanguard Short-Term Invest Grade	\$ 21,250,683	Perf 0.13% BMK 0.15%	3.69% 2.64%	3.41% 2.05%
DFSVX - DFA Small Cap Value	3,572,033	Perf 1.21% BMK 0.79%	11.47% 15.49%	13.58% 18.82%
DFIVX - DFA International Value	1,781,973	Perf 1.17% BMK 1.22%	3.16% 3.12%	6.10% 7.15%
DFEVX - DFA Emerging Markets	638,213	Perf 1.38% BMK 1.29%	21.01% 16.02%	19.79% 16.79%
DFLVX - DFA Large Cap Value	7,302,763	Perf 0.48% BMK -0.21%	9.45% 10.00%	15.09% 16.20%
VGELX - Vanguard Energy	465,254	Perf 2.68% BMK 2.90%	26.29% 18.81%	25.43% 18.03%
VENAX - Vanguard Energy Index	217,395	Perf 3.44% BMK 2.90%	19.85% 18.81%	18.53% 18.03%
VIGIX - Vanguard Large-Cap Growth	3,499,467	Perf 0.65% BMK 0.37%	6.58% 6.00%	13.52% 13.76%
VGHAX - Vanguard Health Care	666,040	Perf 0.68% BMK -0.15%	-3.18% -1.45%	5.21% 5.32%
VSGIX - Vanguard Small-Cap Growth	3,598,540	Perf 0.54% BMK 1.44%	9.19% 7.48%	13.04% 12.12%
<b>Total Foundation</b>	<b>\$ 42,992,361</b>	Composite Budget	<b>0.47%</b> <b>6.47%</b>	<b>8.57%</b> <b>4.00%</b>

**Halifax Health**  
**Investment Manager Performance Report - through September 30, 2016**

	<b>Invested Balance</b>		<b>September Performance</b>	<b>Calendar YTD</b>	<b>Fiscal YTD</b>
<b>Hospice</b>					
VFSIX - Vanguard Short-Term Invest Grade	\$ 32,711,882	Perf	0.13%	3.69%	3.41%
		BMK	0.15%	2.64%	2.05%
DFSVX - DFA Small Cap Value	5,527,105	Perf	1.21%	11.47%	13.58%
		BMK	0.79%	15.49%	18.82%
DFIVX - DFA International Value	2,755,004	Perf	1.17%	3.16%	6.10%
		BMK	1.22%	3.12%	7.15%
DFEVX - DFA Emerging Markets	1,140,580	Perf	1.38%	21.01%	19.79%
		BMK	1.29%	16.02%	16.79%
DFLVX - DFA Large Cap Value	10,747,263	Perf	0.48%	9.45%	15.09%
		BMK	-0.21%	10.00%	16.20%
VGELX - Vanguard Energy	102,807	Perf	2.68%	26.29%	25.43%
		BMK	2.90%	18.81%	18.03%
VENAX - Vanguard Energy Index	579,430	Perf	3.44%	19.85%	18.53%
		BMK	2.90%	18.81%	18.03%
VIGIX - Vanguard Large-Cap Growth	5,735,899	Perf	0.65%	6.58%	13.52%
		BMK	0.37%	6.00%	13.76%
VGHAX - Vanguard Health Care	579,146	Perf	0.68%	-3.18%	5.21%
		BMK	-0.15%	-1.45%	5.32%
VSGIX - Vanguard Small-Cap Growth	5,951,751	Perf	0.54%	9.19%	13.04%
		BMK	1.44%	7.48%	12.12%
Money Market/Operating Account	0				
<b>Total Hospice</b>	<b>\$ 65,830,867</b>	Composite	<b>0.46%</b>	<b>6.43%</b>	<b>8.50%</b>
		Budget			4.00%

**Halifax Health**  
**Investment Manager Performance Report - through September 30, 2016**

	<b>Invested Balance</b>		<b>September Performance</b>	<b>Calendar YTD</b>	<b>Fiscal YTD</b>
<b>Pension</b>					
VFSIX - Vanguard Short-Term Invest Grade	\$ 114,381,463	Perf	0.13%	3.69%	3.41%
		BMK	0.15%	2.64%	2.05%
DFSVX - DFA Small Cap Value	17,634,891	Perf	1.21%	11.47%	13.58%
		BMK	0.79%	15.49%	18.82%
DFIVX - DFA International Value	29,845,051	Perf	1.17%	3.16%	6.10%
		BMK	1.22%	3.12%	7.15%
DFEVX - DFA Emerging Markets	10,236,036	Perf	1.38%	21.01%	19.79%
		BMK	1.29%	16.02%	16.79%
DFLVX - DFA Large Cap Value	18,304,014	Perf	0.48%	9.45%	15.09%
		BMK	-0.21%	10.00%	16.20%
VGELX - Vanguard Energy	4,290,226	Perf	2.68%	26.29%	25.43%
		BMK	2.90%	18.81%	18.03%
VENAX - Vanguard Energy Index	4,658,714	Perf	3.44%	19.85%	18.53%
		BMK	2.90%	18.81%	18.03%
VIGIX - Vanguard Large-Cap Growth	13,587,011	Perf	0.65%	6.58%	13.52%
		BMK	0.37%	6.00%	13.76%
VGHAX - Vanguard Health Care	8,190,421	Perf	0.68%	-3.18%	5.21%
		BMK	-0.15%	-1.45%	5.32%
VSGIX - Vanguard Small-Cap Growth	14,424,625	Perf	0.54%	9.19%	13.04%
		BMK	1.44%	7.48%	12.12%
Wells Fargo Cash	4,591,685				
<b>Total Pension</b>	<b>\$ 240,144,137</b>	Composite	<b>0.60%</b>	<b>6.28%</b>	<b>8.16%</b>
		Assumed			6.75%
<b>Total Halifax Health, including Pension</b>	<b>\$ 570,126,603</b>				
<b>Total Halifax Health, excluding Pension</b>	<b>\$ 329,982,466</b>				