STATE OF HAWAI’I
OFFICE OF HAWAIIAN AFFAIRS
560 N. NIMITZ HIGHWAY, SUITE 200
(VIRTUAL MEETING - VIA ZOOM WEBINAR)
COMMITTEE ON RESOURCE MANAGEMENT
MINUTES
October 19, 2021 10:00 a.m.

ATTENDANCE:
Chairperson John Waihe’e, IV
Vice-Chairperson Luana Alapa
Trustee Leina’ala Ahu Isa
Trustee Kaleihikina Akaka
Trustee Keli’i Akina
Trustee Brendon Kalei’aina Lee
Trustee C. Hulu Lindsey
Trustee Keola Lindsey

ADMINISTRATION STAFF:
Sylvia Hussey, CEO / Ka Pouhana / Administrator
Casey Brown, COO / Ka Pou Nui
Erin Nakama, IT
Everett Ohta, Corporation Counsel
Grace Chen, FS
Kalani Fronda, LL
Kevin Chak, IT
Raina Gushiken, Corporation Counsel
Ramona Hinck, CFO
Ryan Lee, INT INV MGR

EXCUSED:
Trustee Dan Ahuna

BOT STAFF:
Crayn Akina
Melissa Wennihan

GUESTS:
Craig Chaikin, VP, Segal Marco

I. CALL TO ORDER
Chair Waihe’e calls the Committee on Resource Management meeting for Tuesday, October 19, 2021, to order at 10:01 a.m.

Chair Waihe’e notes for the record that PRESENT are:

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>AT CALL TO ORDER (10:01 a.m.)</th>
<th>TIME ARRIVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHAIR</td>
<td>JOHN WAIHE’E, IV</td>
<td>PRESENT</td>
</tr>
<tr>
<td>VICE CHAIR</td>
<td>LUANA ALAPA</td>
<td>PRESENT</td>
</tr>
<tr>
<td>TRUSTEE</td>
<td>LEINA’ALA AHU ISA</td>
<td>PRESENT</td>
</tr>
<tr>
<td>TRUSTEE</td>
<td>KALEIHIKINA AKAKA</td>
<td>PRESENT</td>
</tr>
<tr>
<td>TRUSTEE</td>
<td>KELI’I AKINA</td>
<td>PRESENT</td>
</tr>
<tr>
<td>TRUSTEE</td>
<td>BRENDON KALEI’aina LEE</td>
<td>PRESENT</td>
</tr>
<tr>
<td>TRUSTEE</td>
<td>CARMEN HULU LINDSEY</td>
<td>PRESENT</td>
</tr>
<tr>
<td>TRUSTEE</td>
<td>KEOLA LINDSEY</td>
<td>PRESENT</td>
</tr>
</tbody>
</table>

At the Call to Order, EIGHT (8) Trustees are PRESENT, thereby constituting a quorum.

EXCUSED from the RM Meeting are:

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>COMMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRUSTEE</td>
<td>DAN AHUNA</td>
</tr>
</tbody>
</table>

MEMO – REQUESTING TO BE EXCUSED
II. PUBLIC TESTIMONY on Items Listed on the Agenda

None

III. APPROVAL OF MINUTES

A. September 14, 2021

Trustee Hulu Lindsey moves to approve the minutes of September 14, 2021.

Trustee Ahu Isa seconds the motion.

Chair Waihe‘e asks if there is any discussion.

There is no discussion.

Chair Waihe‘e calls for a ROLL CALL VOTE.

<table>
<thead>
<tr>
<th>TRUSTEE</th>
<th>1</th>
<th>2</th>
<th>‘AE (YES)</th>
<th>A‘OLE (NO)</th>
<th>KANALUA (ABSTAIN)</th>
<th>EXCUSED</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEINA‘ALA</td>
<td></td>
<td>2</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AHU ISA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KALEIHIKINA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AKIKA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KELI‘I</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AKINA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VICE-CHAIR LUANA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALAPA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BRENDON KALEI‘AINA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CARMEN HULU</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LINDSEY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KEOLA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LINDSEY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CHAIR JOHN</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WAIHE‘E</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TOTAL VOTE COUNT 8 0 0 1

MOTION: [ X ] UNANIMOUS [ ] PASSED [ ] DEFERRED [ ] FAILED

Chair Waihe‘e notes for the record that Eight (8) members present vote ‘AE (YES) and the MOTION CARRIES.

IV. UNFINISHED BUSINESS

None
V. NEW BUSINESS

A. Presentation: Office of Hawaiian Affairs, Native Hawaiian Trust Fund, Final Analysis of Investment Performance, Period Ending June 30, 2021, Segal Marco Advisors – John Marco, Senior Vice President and Craig Chaikin, CFA, Vice President

Chair Waihe’e: Before I turn it over to Ka Pouhana Sylvia Hussey, I would just like to say that whoever is presenting for items V. A., B., C., & D. to keep things flowing. You may move from one item to the next if there are no questions. So, I will turn this over to Ka Pouhana Sylvia Hussey.

Pouhana Hussey: Thank you Chair Waihe’e. We have Craig on; a familiar face and as he pointed out, he and Ryan Lee, our Interim Investment Manager will guide the conversation and discussion and will keep it moving as you have directed. For those of you following along with the Electronic Packet, starting with page 27 of the 271 paged document to follow along. Craig?

Craig Chaikin: Thank you, it’s good to see everybody. Ryan will be assisting me with the screen sharing as I recently got a new computer and not all of the functions are working yet.

We wanted to cover what June numbers look like and then catch you up through the month of August. I would say from an absolute perspective barring the month of September, numbers have been really good. We continue to see Equity Markets rally pretty strongly with some very good, positive numbers. We’ve seen interest rates remain fairly level, even going down a little bit. So, we’ve seen good returns from Fixed Income.

You can see here what that means for the portfolio, up 4.2% for the quarter through June, bringing it up to 6.9% - year to date. I do want to point out that the two benchmarks that we have there; the IPS Total OHA, that top line is with everything up to date through June. As a reminder, you’ve got a very significant portion of your portfolio in private markets, so we’ve also developed a secondary benchmark, which lags the public market exposure by one quarter to keep it in line with the private market numbers that we have.

So, what you see there is - with the markets running full speed ahead, you trail from that perspective; but when you lag those benchmarks to where the private market numbers we have are, you have very competitive returns. You can see that outperforming by about 40 basis points for the quarter and about 80 basis points on the year-to-date period.

As you look back through the Fiscal Year, 26% versus 22% for that benchmark; 3-years, 10.5 versus 11.6. So, I would say overall, very strong absolute return numbers.

Over time there have certainly been some challenges from the relative side. I do know that a lot of the focus of today is going to be centered on Asset Allocation; some approvals that you all have made to that policy. Ryan and I will take a look at that in a few minutes, but if you don’t have any questions on June, I’m going to have Ryan flip to August, so we can see what that looks like.
V. NEW BUSINESS

B. Presentation: Office of Hawaiian Affairs, Native Hawaiian Trust Fund, Final Analysis of Investment Performance, Period Ending July 31, 2021, Segal Marco Advisors – John Marco, Senior Vice President and Craig Chaikin, CFA, Vice President

Presenters and the Committee seamlessly discussed Item. V.A to V. C. as this portion was also covered in Item V. C.

V. NEW BUSINESS

C. Presentation: Office of Hawaiian Affairs, Native Hawaiian Trust Fund, Final Analysis of Investment Performance, Period Ending August 31, 2021, Segal Marco Advisors – John Marco, Senior Vice President and Craig Chaikin, CFA, Vice President

Craig Chaikin: Here you see, through August, we were looking at about 6.9% return year to date through June. You can see that was up almost 2% for the months of July and August. The returns there were very good.

Unfortunately, what you don’t see here is the month of September. Equity markets were down by about five and a half percent, give or take. So, across a lot of portfolios, we are seeing somewhat flat to slightly negative returns for the month of September.

October has been a little mixed so far, but at least for the results that we’ve got here, looking at that lag benchmark, you’re very competitive in returns relative to that and you have very strong absolute returns that we’re seeing from there.
Craig Chaikin: I will pause here and am happy to answer any questions, if you have them, about performance.

*There are zero questions.*

Craig Chaikin: Ok, that was all we had for the performance side. I’m skipping July because that was included in these August updates; I know it was on the agenda as well.

Our next piece is the Asset Allocation update, so if there are no questions, we can move on to that.

V. NEW BUSINESS

**D. Trustee Training (or Education): Native Hawaiian Trust Fund Asset Allocation: Objectives and Goal; Role of Asset Classes – Stocks, Bonds, Alternatives; Review Proposed Asset Allocation, Changes and Benchmarks, Investment Policy Statement, Craig Chaikin, CFA, Vice President, and Interim Investment Manager Ryan Lee**

Chair Waiheʻe turns it over to Interim Investment Manager Ryan Lee.

**Interim Investment Manager Lee:** Thank you Chair. I'll be spending about 15 to 20 minutes covering Asset Allocation in today’s workshop and discussing to propose changes and considerations. This is meant to be interactive, so feel free to ask questions anytime during the discussion.

First, I'll provide and update on the NHTF Investment Policy and then review the Asset Allocation Investment Policy.

Then I'll hand it over to Craig who will cover the NACUBO/Common Fund Endowment Study as well as the Current vs. Proposed Asset Allocation which Segal Marco assisted OHA in modeling.

Lastly, we'll wrap up with the Summary and proposed changes.
Interim Investment Manager Lee: This section is to bring Trustees up to date on the status of the IPS work done so far. We combined Hawai‘i Real Estate (HDI) and Financial Assets into one Endowment Investment Policy. Back in August 2021, Trustees approved the updated policy in which we describe the role of HDI and how it will be separated from the Financial Assets in terms of management.

As a reminder, these HDI changes were put forward by a workshop discussion back in Spring with an update to follow. We’re currently focused on Financial Asset change. We’re focused on updating the strategic asset allocation to be in line with our endowment peers and updating the investment program structure away from the multi-manager managers. The overall goal here is to improve on expected long-term returns and dominant means by increasing our exposure to equities in alpha strategies.
Interim Investment Manager Lee: The next section is to refresh Asset Allocation.

As a reminder, allocation is a process of allocating dollars across various assets to stocks, bonds, real estate, and private equity. The overall goal here is to get a portfolio of assets to help OHA achieve its long-term objectives such as spending needs, as well as providing intergenerational equity.

You can maximize risk-adjusted returns to either get the highest return for a given level of risk or take the least risk for a given level of return.

Diversification is one of the last remaining free lunches in portfolio construction and the chart below here comes from a well-known study by Brinson; it speaks to the key determinants of long-term performance. You can see, Asset Allocation can be explained by the agility of the performance, followed by small amounts within market timing and security selection.

I’ll pause here if there are any questions, before moving on.

Trustee Ahu Isa: I’m looking at ERS and your Private Growth Portfolio - when you talk about Asset Allocation, that includes Private Equity. They have here Venture Capital and Targeted Investment Program, that’s a combination of all that plus the bonds.

Asset Allocation, how do we know what you’re allocating to?

Interim Investment Manager Lee: We’ll cover that shortly, in the next couple of sections.
Interim Investment Manager Lee: To continue on, it’s more of an extension of Asset Allocation into Portfolio Construction.

As you can see, there are three things we can do with an asset:

1. Buy and sell stocks, real estate, private equity, which gives you ownership exposure to a company. These investments tend to be invested for capital appreciation. You could expect the value to be higher than today and this typically is the main driver of returns for the portfolio.

2. The second option that you can do is loan your money out then earn an interest rate. The primary goal here is capital preservation. So, you’re contractually expecting to earn an interest rate and get your money back. Investing in loans is less volatile than in stocks.

3. The third option is spending; something we’re very familiar with, cash for benefits and to cover expenses. The chart you see here, is a Risk and Return chart of common asset classes for investors to choose from. Return is shown on the left-axis and risk on the bottom.

What you see is that risk is fundamentally a linear relationship, meaning the more risk that you take, the more reward you should expect as an investor. You shouldn’t expect to make money just for bearing risk, but you also shouldn’t expect to make money without bearing risk.

So, just because you’re taking it, doesn’t mean you are guaranteed return, but increases your likelihood of achieving a stated outcome. I’ll pause for questions, before handing it over to Craig.

Craig Chaikin: Trustee Ahu Isa, to answer your question directly; private market investments include a whole host of things. Under private equity, you’ve got general broad private equity, things like venture capital, buyouts, things like that.

Then there are things that are less liquid in strategy: private credit, things where you have to tie your money up, and you’re not able to touch it for an extended period of time, traditional fixed income.

So, when we talk about fixed income or bonds, it would not be included in the private markets portfolio - if that helps. Things like direct real estate as well, generally go into the private markets bucket because you can’t just decide that you’re going to sell it one day, and then actually sell it. It’s a process - you need a buyer - and the like.

Does that help answer your question?
**Trustee Ahu Isa:** Yes, because you made a statement about - that we have a lot of it in private equity, which is great. When I look at the ERS, they got 55% return on their private equity.

*Did you say that?* I thought I heard you say that.

**Craig Chaikin:** Yes, in general for the illiquidity, you expect to have higher returns. I know ERS is doing a little different stuff on the private side than what you all currently have implemented. It is certainly something we have talked about, in terms of how the private equity private credit portfolio should work, moving forward. Because of the nature of the returns that we're getting, there's not a specific tied to that portfolio. I do know, it's been a key driver of results over time, especially recently.

**Trustee Ahu Isa:** *What is our benchmark?*

**Craig Chaikin:** Your benchmark is a blended benchmark of the underlying asset allocation.

When we get to it, in a couple pages, we'll look at what the asset allocation is, but it's largely the broad global equity global fixed, and then global equity plus a premium to reflect the private markets. That's broadly what it is.

Realistically, because of the type of fund that you are, your goal is really to meet your spending policy plus inflation. Generally, that runs I would say at about 7%. So, if you think about roughly 5% spend policy, inflation running at roughly 2% to maintain your asset pool - you would need roughly a 7% return.

Ryan, I don't know if you have any additional comments.

**Interim Investment Manager Lee:** No, I think that's great.

**Trustee Ahu Isa:** Thanks. I just want to see your proposal later. Okay, thanks.
Craig Chaikin: What this slide here looks at - is a study. A study performed by NACUBO and Commonfund and it takes a look at endowments of various sizes. I think the key takeaway is really, that the larger you get, the more money you have allocated to private market investments.

If you look at the far-right hand side of this chart, you're looking at funds under $25 million.

You can see there that almost all of the investments are publicly traded equities and fixed income.

When you start looking at the top at that purple and green, you're looking at alternatives and real assets, which are generally less-liquid investments. As you move from right to left, you can see that that percentage increases substantially.

Where you all are now from an asset size, you're in that 251-to-500-million-dollar bucket.

What you see there is that private market investments, we'll say make up roughly 25%; so, it's that purple chunk, plus that green chunk is roughly 25% of allocation.

Trustee Lee, did you have a question? I saw your hand raised.

Trustee Lee: I do, Craig. I'm familiar with the NACUBO and this is based on rate, an average of where most large endowments are.

What changes, for instance, if we're looking at that middle bar, where the dollar amount where OHA currently sits, that green part at the top, which is fairly small, it's grown over time, but it's a little smaller - that's real assets.

What happens to the allocation, with an endowment such as ours - that green bar is significantly larger than what is shown here. Because as OHA, we are the 13th largest landowner in the State of Hawai‘i and as we all know, land never loses value in a State of Hawai‘i.

So, that's a significant difference in the way we should be allocating and currently are not.

So how would that bar look differently, given that that green section for where we sit today as OHA is significantly larger than that?
Interim Investment Manager Lee: I can try to answer that one. Currently, we're modeling the financial assets given that the Hawai‘i real estate component is a large component, and we're managing it separately.

We are accounting for that exposure from an overall perspective. It would not look like anything that you see here, just given that the few organizations out there that have large, concentrated exposures to an asset class. It's something that we would also look at, but it's not factored here in this analysis.

Trustee Lee: Right, which is why I'm asking a question.

I'm sure most of the Trustees, because it's not in front of us to see, if someone doesn't ask that question, then no one's going to tell us that. Right, that we're managing it separately? But it is a major component.

Because we're moving to an endowment, we cannot look at the two separately, either we're an endowment or we're not. So that's why I'm asking that question because that's an important thing to look at.

When we look at this, this doesn't take that into consideration, and I understand that.

At least for myself, I would appreciate it that we show “okay, Trustees, the dollar amount; this is where you folks are at.” Keep in mind, that little green part at the top where OHA sits is significantly larger than that, because we are the 13th largest landowner in the State of Hawai‘i, which means our real assets allocation is significantly larger than that.

Interim Investment Manager Lee: That is correct, we have it modeled.

Trustee Akina: Thank you. I appreciate what Trustee Lee is pointing out and I want to ask a further question. We are a large landholder when it comes to acreage or the amount of land. However, I believe the bars we're looking at are talking about dollar value.

*Can you explain how that dynamic would affect the question being asked?*

Interim Investment Manager Lee: Despite being a large landholder - the way that you look at the exposures through market value and asset values - we would just have to take a current market value of exposure to reflect the asset allocation.

Craig Chaikin: I'll dovetail on it a little bit as well.

To make a comment - *what is the purpose of the land?*

Is there a time horizon for turning land into some type of income producing asset if it is not an income producing asset, currently?

Appreciating it on the books does not necessarily provide for, I guess I would say, specific return from that asset class - if it's not intended to be used for some type of total return purpose.
**Trustee Akina:** Right. As you know, most of our land holdings are legacy lands.

**Interim Investment Manager Lee:** Right. So, just to be clear, the way we define what goes in the endowment, especially for Hawai‘i real estate; should be economically viable properties, meaning that they need to earn returns. Real estate assets that are not, for example, the legacy lands and conservation lands, they're excluded from the endowment.

**Trustee Lee:** Completely, or to the extent that they don’t produce? Because some of our legacy lands do generate income.

**Interim Investment Manager Lee:** Correct. The way we’re currently defining Hawai‘i real estate with the endowment, it’s income producing. So, we need a definition to separate the two.

**Trustee Akina:** In any case, it will be very interesting to see an actual graph of where OHA’s assets are distributed using these colors and categories.

**Interim Investment Manager Lee:** We do have that chart, but since I’m running the PowerPoint, it's difficult for me to pull up that chart. We can follow up with that.

**Trustee Akina:** Thank you.

**Trustee Alapa:** Could you explain why has the overall portfolio underperformed in years 3, 5, 7 and 10? Can someone explain that?

**Craig Chaikin:** Yeah. It’s really been a combination of some of the underlying managers that have underperformed, as well as some of the asset allocation decisions that have been made over time, primarily on the JP Morgan side.

Also, up until recently, some of the private markets have lagged what public markets have done as well. Part of the private market benchmark is the MSCI ACWI plus 3%, which over the last three to five years has been phenomenal, almost nothing has kept up with that. That’s been one of the key drivers and some of those longer-term results.

We saw in 2020, a lot of pretty big markups in private equities, which has helped a lot to help some of those near-term numbers pretty significantly. Over time, that public equity plus 3% benchmark has been an incredibly challenging bogey to beat.
Trustee Alapa: *Okay, but is there anyone responsible for this underperformance? And - how do we address that?*

Interim Investment Manager Lee: I'll try to answer that.

*We’re looking at the investment structure, right?*

I think one of the challenges with having a ‘multi-manager’ structure is you have - over diversification is one, and also, that's part of the implementation.

Another part of the asset allocation that we're addressing, to reflect the returns, we need that in terms of the asset allocation – peers. OHA tends to be a little bit more conservative. So that review, which is what we're doing today, seeks to address the underperformance issues.

Trustee Alapa: 'Kay.

Craig Chaikin: My last comment on this page would really be that certainly as you get to ‘500 million’ and above, you see that the allocation of *privates* grows pretty substantially. Your current allocation, which you'll see on the proposed allocations are fairly in line with the plans of similar size.

Craig Chaikin: The next page is a performance look, as of the end of June - looking at the performance for the different funds.

You can see, what it looks like on the left-hand side across all of the institutions of various sizes. What you do tend to see though is the larger funds adding outperformance over time relative to the smaller funds. Some of that certainly has to do with the timeframe that some of those funds have the way they've chosen to allocate resources. A lot of those billion plus funds went into private markets when they were barely a thing 20-25 years ago and it's been a pretty significant boost to performance from there. To Ryan's point, though, a lot of those funds have been a lot more aggressively positioned and you've seen that rewarded largely over time.
Craig Chaikin: This slide, takes a look at the allocation, as it stands right now.

![Asset and Product Mixes](image)

Craig Chaikin: We do break it up a little bit more granularly than we saw on the prior pages, but it takes a look on the left-hand side of what the current policy is, what the final target allocation is, and then the proposed interim targets.

You can see that on the equity side, actually going from 45 to 40%, total equity, getting some of that global REITS exposure, global REITS right now is kind of looked at in your policy as a real asset. However, because REITS are publicly traded, the risk return profile looks a lot more like straight equities than it does real assets. So, you’re kind of removing that ‘getting all that exposure from global equity over time’.

You can see there the fixed income allocation as well, decreasing from 25 to 12% over time, keeping a short duration bucket in there to manage liquidity.

Then having a core fixed income mandate, whether or not that is core, core plus, but really something much more of a Steady Eddie than what you generally see out of global fixed income, where currency moves, and the like. You see a lot of volatility up and down on that front.

Certainly, the biggest changes are on the private market side, the alternative side, you can see that allocation going to nearly 50%. I would say, though, that not all the private markets are created equal.

So, what you see, and I'll point out - is the private equity allocation staying at 18%. Right now, you're getting slightly below that target just due to distributions and how capital calls have worked recently.

You do see the addition of private credit, so this is an area for non-publicly issued debt. You generally expect to see returns in the high-single to low-double digits.

We've seen a lot of investors. We've had a lot of our clients move fixed income assets into that area because of the higher yielding exposure there; so, looking at adding assets there.
Craig Chaikin: Hedge fund to funds, is really intended to be kind of an opportunistic bucket. So, managers that can go, I guess I’ll say, kind of a go anywhere managers. So, when they’re seeing opportunities around the globe, they can take advantage of that a lot more quickly than you can as a Board of Trustees and as a group.

We generally expect returns to be somewhere between equity and fixed income. A little bit less liquid, more liquid than private markets, but you do expect to gain some additional returns from that illiquidity.

To Ryan's point earlier, and certainly your questions - looking at just the financial assets of OHA income producing properties; you see the overall allocation here. Things like real estate, farmland, timber, relatively, I’d say on the lower side, to compensate somewhat for some of that legacy land holding that is not looked at specifically in the endowment's financial assets.

This is intended to be the real asset category of the portfolio. If you add all that up, you're looking at 10% of total assets in real-invested financial assets. Those would include those two buildings that you've recently purchased, but it does exclude, as we mentioned a second ago, the legacy land holdings that might not be income producing.

What you do see across the bottom of the page is expected returns over time. The current policy, over 20 years expected to return about 6.7%. The target allocation about 7.3%; you do see varying levels of risk. The proposed portfolio is expected to provide you with some additional return for a relatively similar level of risk to what you have now.

Trustee Alapa: In our private equity, can you compare the returns to the S&P 500?

Craig Chaikin: Over time, you can, but the difference between the S&P 500 and private markets is that in private markets, the managers choose when to take money, how to deploy it, and when to return money. So private market investments are normally looked at using what's called an internal rate of return, which takes into account the fact that the managers can choose if, when, and how to take in return capital.

With the S&P 500 you give money - and you are subject to the whims of the market. From a broad perspective, you can compare them over time. As I said, over the last 10 years, there have been very few places better to be than the S&P 500.

Trustee Alapa: So, are the funds in private equity liquid?

Craig Chaikin: No, typically, private market funds have an initial life of about 10 years; where you cannot get at the money - they do have distributions.

Like I mentioned, the managers choose - when they have extra money or when they may have sold something, and they're not necessarily redeploying it. Those funds, depending on the terms can, most of the time be extended from now, let's say 12 to 15 years.
Craig Chaikin: Are there any other questions on these mixes?

I guess I would add that interim allocation is to acknowledge the fact that we can't go from current to future immediately. It will take some - I'll say portfolio re-jiggering. It's going to require some sourcing of new managers and certainly on the private side, it is dependent on when managers are coming to market and when they are calling capital.

Trustee Lee: Craig, you mentioned, and I understand how REITs act more like the markets because they're publicly traded. So, you talked about how we were going to move away from REITs because of that. Based on what you guys have provided for us, I see the bump up in the interim to counterbalance that we're moving out of the REITs, but when we're getting to the final allocation, we're eliminating that exposure altogether.

So, we're basically lowering our exposure to the market movement.

Can you guys explain why we're, to use an analogy that I think everybody would understand, why we're taking our foot off the gas a little bit?

Craig Chaikin: I think I might term it differently. I think you're applying your foot to a different gas.

Trustee Lee: But not in this allocation. We're taking our foot off the gas on this allocation.

Craig Chaikin: So, what you're really doing is you're redeploying from public markets to private markets.

Trustee Lee: That answers my question, Craig. Thank you.
Craig Chaikin: As I mentioned, I think it was Trustee Ahu Isa’s question about returns; your spending rate is supposed to be 5%. So, at the end of the day, the allocation is, what’s the chance of you hitting that 5% and meeting your payout policy without potentially having to touch core assets.

So, what you see here, and I will say, asset allocation - while there is science that goes into it - it is still an art. Everything is based off of assumptions, we don’t expect these to be hit every single year. The idea is over time.

When we do run this stochastically: what you can see the current policy, over a 10-year period expected to hit at least 5%. 94.6% probability, that final target upset over a 10-year period, by nearly 2%.

You do see that over 20 years that all allocations are expected to hit at least a 5% rate of return. I think you saw that on the prior page with what the expected rates of return were. I think for your purposes, it’s important to know that over shorter intervals, the target allocation is expected to have a slightly higher probability of getting that 5%.

I’ll turn it back over to Ryan, unless there any questions for me, on any of this.
**Interim Investment Manager Lee:** To summarize - the interim target, allows for a multi-year transition to the final target, the pacing that we talked about for private investment; the final target.

What we're trying to achieve here is to gain higher long-term use, different terms to meet our spending, as well as achieving intergenerational equity, and assembly changes.

Otherwise, we'll talk about increasing alternative strategies to access the opportunities and improve, as well as performing diversification.

They were actually increasing equities and diversifying strategies at the reduction of fixed income. The Nexus for us is really to come back with changes and just serve as a reminder on asset allocations.

*We typically review for three to five years, right?* So even though the long-term targets that they were modeling, is meant to be long term, 10-years plus, we typically will come back, reviewing.

*Questions? Thoughts?*

---

**Pouhana Hussey:** Chair Waihe‘e, that concludes the section for all of the Native Hawaiian Trust Fund reports, as well as the policy discussion.

**Chair Waihe‘e** Thank you.
V. NEW BUSINESS

E. Workshop: Iwilei Properties, FB22-23 Operational Budget; Non-Core FB22-23 Realignment #1

Chair Waihe'e turns it over to Ka Pouhana Sylvia Hussey.

Pouhana Hussey: Thank you Chair. Trustees, what we have is a very short six-slide presentation to accompany the memo that was in the file. It is just to provide the background for the action item that will come forward next week.

Pouhana Hussey: The alignment of the asset, ensuring that it's aligned to our endowment strategies, as well as our direct land, and working on the policy, but more importantly, all of the operating aspects of the property. So, the budget that you will see and that will come forward is basically again, like the third asset group in our commercial properties - broken down by the industrial and retail properties.

Based on projections, the projected gross revenue for nine months for fiscal year ’22, and then the full 12 months. There's also estimates of the expenses that are here, as well as the debt service. The memo identified $900,000 in projected revenue for the industrial property, and that's what's being shown here, as well as the retail property about $6 million over the fiscal biennium.

You'll also see the related operating expenses as well as the debt service for the entire finance portion. The total amount is then allocated to each of the properties just for recording purposes and so the total operating budget that will come forward will be these budgeted expenses.

At the same time for operations, what isn't here is a capital and major repair budgets. So, like all of the other properties’ assessments, as to capital investments - major repairs will be brought forward as the numbers and activities are solidified a bit more.
Pouhana Hussey: Then at the same time of the Iwilei property budgets that will come forward, will also be the opportunity to realign the noncore budgets that were approved back in June and that's as a result of vacancies at 919 Ala Moana, which formerly we identify as Lot E, or also known as Lot E.

Administration will also bring forward additional adjustments for consulting and other professional services for the area, as our work with Kakaako Makai continues. Then analyzing additional major repair considerations now that 919 is vacant and work can be done on the building.

So, these will come through. There will be two action items, one will come forward for the actual operating budgets for the Iwilei properties and one will be the normal, if you will, noncore budget realignments next week.

That's it as far as the workshop or just a high-level of what to expect in the action items coming forward.

Trustee Lee: Sylvia, can you go back to slide four, really quickly?

Pouhana Hussey: Sure.

Trustee Lee: This really isn't a major thing, it's just an aesthetic thing.

Can we pick a different color than red, because when I saw red I immediately thought you were telling me we're taking a $900,000 loss? I'm laughing at it too, but yeah, can we pick a different color than red?
Pouhana Hussey: We can. I was trying to make it ‘Fall looking’, but to your point Trustee, yes! Thank you.

Chair Waihe‘e: Thank you Pouhana. Thank you all for coming in early, I guess this meeting went a lot faster than we thought.

VI. ANNOUNCEMENTS

None

VII. ADJOURNMENT

Trustee Hulu Lindsey moves to adjourn the RM meeting.

Trustee Ahu Isa seconds the motion.

Chair Waihe‘e asks if there is any discussion.

There is no discussion.

Chair Waihe‘e calls for a ROLL CALL VOTE.

<table>
<thead>
<tr>
<th>TRUSTEE</th>
<th>1</th>
<th>2</th>
<th>‘AE (YES)</th>
<th>A’OLE (NO)</th>
<th>KANALUA (ABSTAIN)</th>
<th>EXCUSED</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>LEINA‘ALA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AHU ISA</td>
<td>2</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DAN</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AHUNA</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KALEIHIKINA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AKAKA</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KELI‘I</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AKINA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VICE-CHAIR LUANA</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALAPA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BRENDON KALEI‘AINA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEE</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CARMEN HULU</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LINDSEY</td>
<td>1</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KEOLA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LINDSEY</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CHAIR JOHN</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WAIHE‘E</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL VOTE COUNT</td>
<td></td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

VOTE: [ X ] UNANIMOUS [ ] PASSED [ ] DEFERRED [ ] FAILED

Chair Waihe‘e adjourns the RM meeting at 10:51 a.m.
Respectfully submitted,

Melissa Wennihan
Trustee Aide
Committee on Resource Management

As approved by the Committee on Resource Management (RM) on October 26, 2021.

Trustee John Waiheʻe, IV
Chair
Committee on Resource Management