

STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
560 No. Nimitz Highway, Suite 200
Honolulu, HI 96817

Minutes of the Office of Hawaiian Affairs Committee on Resource Management
Wednesday, March 23, 2016 9:30 a.m.

ATTENDANCE:

TRUSTEE COLETTE MACHADO, CHAIR
TRUSTEE HAUNANI APOLIONA, VICE-CHAIR
TRUSTEE LEI AHU ISA
TRUSTEE ROWENA AKANA
TRUSTEE PETER APO
TRUSTEE CARMEN HULU LINDSEY
TRUSTEE JOHN WAIHEE

ADMINISTRATION STAFF:

KAMANA'OPONO CRABBE, CEO
RAYMOND MATSUURA
MOMILANI LAZO
DYLAN ZHENG
JOHN KIM
LORNA LOEBL
DEREK KAUANOE

GUESTS:

ALLISON PLATI, GOLDMAN SACHS
CHRISTINA KIM, GOLDMAN SACHS
CLYDE NAMUO, NATIVE HAWAIIAN ROLL CALL COMMISSION
KELII MAKEKAU
KAIPO HANAKAHI, HUI ALOHA 'ĀINA O NĀ KĀNE

EXCUSED:

TRUSTEE DAN AHUNA
TRUSTEE ROBERT LINDSEY

BOT STAFF:

LIANA PANG
DAYNA PA
KAUIKEAOLANI WAILEHUA
LEHUA ITOKAZU
LOUISE YEE-HOY
LAURENE KALUAU-KEALOHA
LADY GARRETT

I. CALL TO ORDER

Chair Colette Machado – Called to order the meeting of the Committee on Resource Management, Wednesday, March 23, 2016, at 9:38 a.m. For the record, there are two excused absences from Trustee Dan Ahuna and Trustee Robert Lindsey.

Trustee		Present	Excused	Comments
TRUSTEE LEI	AHU ISA	X		
TRUSTEE DAN	AHUNA		X	EXCUSED
TRUSTEE ROWENA	AKANA			10:07 a.m.

TRUSTEE PETER	APO	X		
TRUSTEE HAUNANI	APOLIONA	X		
TRUSTEE HULU	LINDSEY			9:59 a.m.
TRUSTEE ROBERT	LINDSEY		X	EXCUSED
TRUSTEE JOHN	WAIHE'E	X		
CHAIR COLETTE	MACHADO	X		
TOTAL				
At the Call to Order, there are Five (5) Trustees that are Present which constitutes a quorum to proceed.				

II. APPROVAL OF MINUTES

Chair Machado – Sought a motion to approve the RM committee minutes from February 10, 2016 and March 9, 2016.

Trustee Apoliona – Moved to approve the minutes from February 10, 2016 and March 9, 2016.

Trustee Apo – Seconded the motion.

Chair Machado – Asked for discussion on the minutes. Hearing none, called for the vote.

Trustee Apoliona MOVED, SECONDED by Trustee Apo to approve minutes from February 10, 2016 and March 9, 2016.						
Motion to approve the Resource Management minutes from						
TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA/ABSTAIN	EXCUSED/ABSENT
LEI	AHU ISA		X			
DAN	AHUNA					X
ROWENA	AKANA				Not present at time of vote.	
PETER	APO	X	X			
HAUNANI	APOLIONA	X	X			
HULU	LINDSEY				Not present at time of vote.	
ROBERT	LINDSEY					X
JOHN	WAIHE'E		X			
CHAIR COLETTE	MACHADO		X			
TOTAL VOTE COUNT						
MOTION: [] UNANIMOUS [X] PASSED [] DEFERRED [] FAILED						
Motion passed with five (5) YES votes, none (0) NO vote, no (0) abstentions and none (4) excused.						

III. COMMUNITY CONCERNS*

Kelii Makekai – I'd like to note for the record a bit of history. One hundred and twenty eight years ago today, the beloved Princess Kaiulani turned the switch on to the 'Iolani Palace. We were the first non-European state, if fact before the White House to have electricity. A little bit of history and a glorious day to remember.

First, I'm here basically to testify against Action Item 16-01 for approving the Native Hawaiian Roll Call Commission operating expenditures for various reasons. I attended a couple of meetings in the last months and what not. I distinctly remember one Trustee making a notion that she couldn't even get allocated funding in the denomination of \$500.00 to give to a Royal Society for their commemoration and so forth, due to funding and all the expenditures, so I find it odd that funding again would be requested to an entity that has pretty much come to serve its purpose. Secondly, the Nation Building process Na'i Aupuni has concluded its actions already as they have been stating publicly, it also goes to say that there is no need for any other funding because their objective in alignment with the Act 195 would have appeared to have been completed thus it's at the hands of the upper authorities which I cannot comment on because, as you know I'm a plaintiff in that suit. So, I will keep my remarks to that. Basically, I want to strum up one last settlement, was that on the minutes of the OHA Trustees meeting dated November 7, 2013, this was from a news article Ka Wai Ola reflecting those minutes. OHA's 2014 physical reserve authorization for the Native Hawaiian Roll Commission (NHRC) Operating Budget was to include Robert Lindsey's ten recommendations as well for two week deadline from exit plan and this approval amount will be the final funding for the NHRC. So in the Boards own prior actions, they have stated because that recommendation, those ten points were adopted and so forth and hence forth that plan being implemented and where we are today, funding has been generated and the Roll Commission was scheduled to have set but by this own mission of this board, funding was supposed to have ceased. So it is with that that I primarily rest my case that no new funding should be going to that. But on a personal note, it's rather heart wrenching for the last two meetings that I attended, Trustee's collaboration was about basically started to scrutinize about spending and on or two Trustees than even were vocal enough to say that the Board's main priorities should be generating funds, not giving away any more funds. In the last meetings I've seen things, some policy changes of employees travel or whatever unauthorized or undocumented travel, with no reports throughout the world for whatever type of OHA business, because it was never reported on those funding of that type of miscellaneous or type of action just to place, but housing and all the other unfortunate woes that seem to play, the Native Hawaiian people still remained and then another item came up at the last meeting about Kaka'ako and again the Board has not been taking a more active role on that. Again at a prior meeting I was even notified that that was not necessarily a priority do to the fact that there still was still no master plan involved. To see this action item arise up is a very great concern, the bottom line with all the elements legging around money if there is any still left here, should be going to the primary focus and I believe their statute that defines this office is what lays it quite clear and what needs to be happening. With that I hope you guys will take into consideration your actions today and hopefully put down 16-01 for its lack of merit and unfortunately not being very timely at this point. Thank you.

Chair Machado – Any comments for Kelii, Trustees? My only point I wanted to acknowledge Kelii is that, we are recommending an approval to authorize the amount of \$124,684 from the previously authorized Nation Building line of credit for the Native Hawaiian Roll Commission's Operating Budget. So, this is really not new funds and it is not an additional allocation.

Kelii Makekai – Was that before or after Bob Lindsey's ten point of the minutes of that Board meeting.

Chair Machado – I believe it was all part of that discussion and part of the overall operating budget and allocation. Will be able to clarify, I believe you will still be here, when we get the staff up to appropriately address the issues you've raised. Thank you for those comments.

Kelii Makekau – Thank you.

Ka Pouhana Crabbe – Just one comment to Kelii. There is a master plan but, there are different types of scenarios that we're looking in terms of financial numbers and the best development and it's in on-going discussion with the Trustees and Administration.

Kelii Makekau – Are you referring to the one that's on the website right now?

Ka Pouhana Crabbe – No.

Kelii Makekau – There is something on the website that has to do with the land division that says anyone or any party looking to place an RFP for some temporary structures or something like that of the use of Kaka'ako, there's something like that. But I think my general comments were going back to after the ceded lands settlement and at least maybe a year and a half afterwards when the economy was very strong. Howard Hughes had entered the picture, development had started and so forth and you folks even hired several groups to consider the plan and so forth about doing that. Now that time period has seemed to have gone by, like I said I testified at one board meeting, there was a lengthy discussion, I remember I had asked the board a specific question, "Will Kaka'ako be developed in accordance to the Office of Hawaiian Affairs junction or given its master plan for a nationhood if OHA is then, a governing entity or something tribal comes up, if OHA has immediate plans to dissolve and transfer its assets to that. Would the project like that be developed under that offset and one of the answers I did get but was most likely is that there was no something solid at the time and it is in the timeline of the projected plan so, that's why I'm saying I'm just making these personal comments, because from that time and every other meeting from the two month periods that I've been here the dynamics have shifted to that perhaps a more intense look should be looking at Kaka'ako, criticism that nothing is being done and so forth. And this is the language that was shared at the board, so, whether it's \$100,000 or whatever, I think whether it's serving the again, what was laid out in the statutes to identifying the conditions surrounding the Native Hawaiian people or at least following through on a project like Kaka'ako which everyone in the community supports and just waiting for some type of development. It's obviously an egg that could definitely use some huge volume of return but, instead were seeing something for the Roll Commission which all intense purposes appears to have been completed its task. I know Act 195 has no particular deadline, but given the private player known as Na'i Aupuni has utilized its and sort of fulfilled its task already, so there is really no need, the money can be spent in a more proficient matter.

Chair Machado – In regards with the Kaka'ako master plan, we are not finish yet, there are several phases yet that we still need to get up dated from our consultants. There was a community survey that got some feedback so were relying on that. I just want to acknowledge that we are still I the process of our master planning with our consultants and we're not very close to coming up with some definite outcomes yet. So were still in that process. I believe that's what Kamana'o was trying to acknowledge that we're still working toward finishing up our obligation on our master planning. I'm speaking as the Chair of this committee, I see two distinctive issues, one with the Na'i Aupuni and one with the Roll Commission, until that certified list has been certified and provided to an entity, not the State of Hawaii, we still have some obligations to assure that the process allows for additional people that would like to get in the process to vote for a final outcome. When that is being determined, we have no clue at OHA.

Kelii Makekai – Just on a last note then, a thing that I can comment, Na'i Aupuni said they were probably going to be returning \$100,000 of unused funds. Since that had been appropriated through another channel and was done in a different setting, if some type of funding is approved, that would at least satisfy me that perhaps that money could be utilized if you guys choose to fund it, that way at least for the continuity for the books is concerned, it was there. Because I would just hate to see, someone off the street come in and what they're going to see is off hand if funding is generated, where did that come from, did someone miss an opportunity to have a home renovated, take part in getting a solar initiative or even a purchasing of a house, or grants and education, that kinds of stuff, at least an answer could be made that we had extra money from another endeavor that came back to us and we will be utilizing that, so no other funds within our piggy bank had been used.

Chair Machado – If funds are eventually returned to OHA, it will go into the general operating budget; it will not be allocated for that purpose. I can assure you of that. And then there's this rumor, we have not received any notification from them as to what amounts they going to return. I hear its \$150,000 not \$100.00. I believe Kamana'o may have had some conversation, but unless it's actually written down and the amount disclosed, we still talking in the air.

Kelii Makekai – I'm asking only for consideration.

Ka Pouhana Crabbe – I think I just want to use this as an educational opportunity. Kelii we provide up to \$10 - 14 million in terms of grant funding to achieve our strategic results, just like you say about housing, education, health. I just want to keep that in perspective is that the organization is fulfilling our fiduciary duty with the assets and funding that we do have. \$3 million goes to DHHL per year to help them with their debt consolidation and other ongoing projects. But we purposely put money on the side every year for achieving our strategic results. The funding that you are looking at comes from separate funds and allocations, but your comment about our fiduciary duty to improve the conditions and well-being of our Native Hawaiian people. I would say is being met.

Kaipo Hanakahi – Aloha kākou! I am Kaipo Hanakahi. *(For the entire presentation, Mr. Hanakahi spoke in Hawaiian.)*

Ka Pouhana Crabbe – *(Ka Pouhana briefly interprets and describes what Mr. Hanakahi shared in Hawaiian)*

He is sharing that, he as well as our community have concerns about the funding this effort for the Roll Commission. He was inquiring who heads the commission. I said was Governor Waihe'e is the commission head and Executive Director is Clyde Namuo. He is sharing that when Act 195 was signed, his kupuna was passed and others who have passed since and have concerns about Act 195. Even though they have passed their names are still on the Kana'iolowalu roll list and would like the names to be removed from the list that would be something because they have already past. It is his and his family's desire that their names be removed because current kupuna have questioned who gave permission to have their name on the list.

His family's desires are to remove their ohana and kupuna's names.

Chair Machado – Kamana'o, can we get the families names after he is done speaking. We can have staff to include that so we can remove it.

Kaipo Hanakahi – *Spoke in Hawaiian (no translation).*

Trustee Ahu-Isa – Chair, I thought I heard you say that the list is not certified. I thought the list was certified already.

Chair Machado – The certification is that once that's officially certified by the Roll Commission then they have to provide it to an entity. But Clyde can explain that when he comes up.

Trustee Ahu-Isa - I thought it was certified because that's the end of it, when it goes to the Governor. That's the Act 195.

Trustee Hulu Lindsey – They were going to have an election.

Trustee Ahu-Isa – I don't know if I'm wrong.

Chair Machado – We will try to clarify that.

Trustee Apo – Until the Governor signs off, the Roll is open. You can sign up today if you want, part of the reason, and I'm saying this so that he understands, in order to settle all these matters, putting names on and taking names off, the commission has to keep going because the work is unfinished. So what you would have, because they're out of money is an unfinished product which would actually prevent the election from happening. That's kind of what's at stake today.

Chair Machado – Is there anyone else that may have signed up under community concerns?

IV. NEW BUSINESS

Chair Machado - We are now going to the Native Hawaiian Trust Fund 4th Qtr. 2015 Performance Review with Goldman Sachs.

Ka Pouhana Crabbe – I'll call upon our Investment Manager Raymond Matsuura to introduce the fund managers on behalf of Goldman Sachs.

Ray Matsuura – Good morning Trustees. With us is a change of pace from the last couple meetings, we decided to have one of our investment managers rather two or three to give us more time to discuss in depth of what they're doing and their performance. Today we have Goldman Sachs, they have been our manager since 2003, as many of you know, and their performance has been lagging to say the least for last several years. Not as noticeable with double digit returns. But the fact remains they're not performing as well as we would like it to be. They are not only going to talk about their review of their performance, but also talk about a strategy or offer a new investment product called "building blocks" that we adapted last year and put into effect the Fall of last year. The building blocks are something they will discuss today and explain the whole process. I'd like to introduce Christina Kim and Allison Plati from Goldman Sachs. Christina was with us last October, when I first came on board, she made a presentation. And Allison who works with John DiPalo is here today for her first visit to OHA and first visit to Hawaii.

IV. A. Native Hawaiian Trust Fund 4th Quarter 2015 Performance Review with Goldman Sachs.

(For details, refer to material distributed: State Street Global Services – State Street Investment Analytics – Office of Hawaiian Affairs Boars Report Fourth Quarter 2016 Meeting Dates: March 23, 2016)

Allison Plati – Aloha, as Ray mentioned my name is Allison Plati and I work closely with both John DiPalo and Stephanie Ivy on the relationship team. John sends his best and is sorry he couldn't be here. And Christina Kim works on our Global Portfolio solution team. As Ray outlined, we want to give you the new format, and go over a couple of things for the agenda. The first is a brief history and a reintroduction to some of Goldman Sachs and our relationship since 20013 as well as a market and performance updates, plus the deed dive onto the building block funds.

Page 4 – As far as brief history, we have been an investment manager since 2003 and we've greatly appreciated the relationship that we've had with OHA thus far. We've managed the assets as a split between traditional assets and our alternative assets. For the traditional assets we've managed them to the IPS benchmark with a target of CPI plus 5%, we've also worked very closely with Ray and Dylan and others to do a lot of knowledge transfer. Such as having monthly meetings, we've assisted with items such as overall IPS analysis and are happy to do educational sessions with you all as you think it will benefit you. Just too kind of give you a brief introduction to our process, let's move to page 12.

Page 12 – Just want to give you a brief framework as to what we think of the portfolio and coming up with the overall asset allocation. We think about this in four parts, the first of which is our Strategic Asset Allocation, this is our long term view on different asset classes with a 10 - 15 year time horizon. We think about how to allocate the portfolio based on the risk posture and objectives of OHA. The second is we overlay what we call our cycle aware of you, and this is basically just a 3 - 7 year timeframe of what asset classes we think will do better during that time and to take into account where we are in economic cycle. An a lot of these views are now implemented via these building block funds which Christina is going to go more into detail with. The third is our Tactical Asset Allocation, so you could think of it like this as a two month to three year time horizon where we try to take advantage of market dislocations and we do the tactical exposure fund which we have within the OHA portfolio. And lastly, manger selection, so this is where we have a team dedicated to try to find managers which will generate the most alpha for your portfolio. Now just as a reminder we use all external mangers, so you have a diversified exposure to different mangers and styles within the industry. Unless there are any questions on that part, I'm going to turn it over to Christina to do the market update.

Christina Kim – I was here in October; I'm part of the portfolio management team at Goldman that oversees portfolios for endowment and foundation clients. It's an honor and a pleasure to be here with you all. I thought I would start with a brief outlook and then do a little bit of a deep dive into some of the changes that we've made in the portfolio recently and how we think we are positioned going forward, if that is agreeable to everyone. This review is focused on Q4; we thought we would give a brief overview of 2015 and how the markets were.

Trustee Apoliona – What page?

Christina Kim – Starting on page 20. So a lot of numbers and data on the page, but if you look at the upper left quadrant for 2015 we see quite a bit of red on the page. I think many markets ended at best flattish and many were down significantly year over year. In particular we saw very much weakness in emerging market equities, emerging markets in general and commodities which were obviously down on the order of 30% year over year. In terms of the positive performers, I would say US Equities in particular US Large Cap Equities were among a few bright spots that we had and if you look at the bottom left, one reason for this we think is

that we are seven years into the recovery from the downturn of 2008 and at this point US market is not that cheap anymore, in fact the average equity evaluation are trading above what they have been historically. If from a price earnings perspective and so I think a lot of the good news has been already priced into the stocks, at least in the US market at these levels making them more susceptible to growth scares and disappointment earnings when they occur. So we've also definitely seen a pick-up in volatility in the markets as a result of that and I think we saw a little bit of that in January most recently as well as last August with some of the concerns around China.

Page 21 – This page just shows that while the headline number may have been that the market or the SMP was flat or up 1% year over year. There was a lot of variation in terms of how different sectors performed. The energy sector was one of the worst performing sectors as we know from the decline in the crude oil prices. Energy stocks were down by 21%, materials also got hit on a related vein pretty hard. On the positive side as we mentioned US Large Cap did quite well and Consumer Discretionary Stocks did well and we think a large reason for that is that US consumer is one of the bright spots right now in the economy as their benefitting from slight wage growth which we haven't seen in a while, continuing tightening of the labor markets. The reduction in gas prices which ultimately feeds through to consumer spending, so we did see that Consumer stocks were one of the bright spots for the year. In general it was a very narrow market in terms of what actually did well. I'm not sure if you all heard of the FANG stocks (Facebook, Amazon, Netflix and Google); the market was actually down, excluding those four names.

Page 22 – Is just data in 2016, just for the month of January. Thankfully since January we've had a reversal in these trends with many of these numbers now back to positive if not, significantly better than this page.

Page 23 – The key themes was that the US dollar was strengthened across all the major currencies last year. So a lot of this was driven by anticipation of the FEDS starting to raise rates which occurred in December as well as the commodity pressure that a lot of the emerging markets faced. If you look at which countries did the worse in terms of their currencies, it was the commodity exporting countries, such as Canada, Norway, Malaysia, Indonesia, South Africa and Russia. So those were particularly badly hit. On the theme of volatility I think we clearly seen an increase in volatility coming out of a period of a lot less volatility and I think that started back in August of last year and since continued into Q4 and into January. There were a number of reasons for this, I think one was people were getting concerned about the pace of the US recovery. A lot of the headline manufacturing data that we would see in the news was coming in below expectations.

Page 25 – Some people are leading to taking that data to think are we in a secular stagnation similar to what Japan has experienced. We don't think so, we think that there are a number of reasons why this data has been disappointing and the recovery has been slow but on net we believe that growth will continue to be low but positive for the US market and we remain constructive on this market. One reason for the slow recovery is that in this period, households have been reducing debt so the savings rate has increased significantly which has been a drag on consumption and growth and the other is the financial sector following the downturn a lot of them have been deleveraging their balance sheets and so a lot of that credit that was going into the economy and the spending previously has been tampered back a bit.

Page 27 – While the manufacturing data has been relatively weak, manufacturing is a pretty small part of the economy now around 12% and services in the consumer are a much greater percentage and when we look at those metrics that activity has been a lot healthier so manufacturing's weight in the contribution to the recovery has been smaller at this time around than it has historically. Another big topic at the forefront of investor's minds is the FED are starting to raise rates again following a protracted period of zero interest rates, and we saw the first one in December which was widely anticipated. We think that would be fairly measured

this year particularly following the last FED meeting where they've said there concerned about global growth, they don't intend to do anything that would sort of derail that prematurely. I think the internal Goldman house view is that it occurs a little bit faster than expected but, I think in general the expectation is for about two more hikes this year following the last FED meeting. Even if this does occur we don't think this necessarily means the end of the bold market, historically from the beginning of the FED tightening to when the recession begins it's been an average of about thirty months, so while there are fears and increase volatility around that, they've indicated that they're going to telegraph these moves very well and I think it does not preclude the strength of the market continuing.

Page 29 – We wanted to touch on China which was clearly a big concern particularly beginning in August with the surprise of currency devaluation that China embarked upon as well as the slowing economic growth that their facing as they transition away from a debt fueled manufacturing growth economy to more of a consumption driven model. In this transition is continuing to play out with fits and starts and we would expect periods of volatility and concerns around that but on that we think that China is going to be able to avoid a hard landing and manage this transition using a combination of monetary and fiscal policy tools. So we do think the currency will continue to come down and devalue but not at a rapid pace as they've indicated that there supportive of the currency and done a number of fiscal stimulus and capital control measures so we think all in all we may see more volatility around this, but we expect them to manage through it. The middle chart on page 29 just shows that while there are great fears of China spillover to other economies, the US actually has a much greater impact on the rest of the world, so 1% change in the US Growth would have a six times impact on Global growth versus China's 1% GDP shock.

Page 30 – Oil prices, another topic that was top of mine for many investors, so oil prices continue to fall far below where anybody expected in 2015 and this was not an result of when you think of demand which remains fairly steady and actually growing but rather the supply side. The US was able to produce a lot more oil given the Shale revolution and furthermore the Middle East which used to be a more disciplined producer of oil, given the competition for market share right now between a number of the countries Saudi Arabia, Iran and Iraq their not acting in a disciplined fashion anymore and so therefore we saw excess supply coming into the market. We think that while we have seen an n rebound, year to date so far, we think that it's premature to say that we've seen the bottom in oil that as soon as prices hits say like \$40 or \$45 we would expect the US producers to come back in as quickly as they left because that's around the place where they're production costs are. We think that prices will be pretty low for longer but over time as demand grows and supply becomes more measured we expect this to stabilize in the \$25 to \$45 range for much of the year.

Page 32 – While the negative impacts of the decline in crude have been apparent and pretty quick because manufacturers or oil producers cut "capex", they take rigs off line, so the negative effects on energy "capex" have been immediate, whereas the positive effects on consumption as consumers have more money to spend on the rest of the economy and take a bit longer to play out and to date the negative effects have offset the positive but going forward we would expect that to reverse so it would be more of a tail win for the economy versus the head win that it has been. We touched on rates a little bit and to kind of summarize our market views we remain positive on the risk assets, it's still a good market to be invested.

Page 38 – It's time to be more selective about which markets as we said currently we're more positive on Europe given that they lagged in the recovery. Corporate margins are still not where they were, pre-crisis levels and evaluations are cheaper and we also have monetary easing as a tail win in Europe. The US has already gone through much of that and again the stocks are priced at a premium to historical evaluation so we would be more cautious in the US or more selective or neutral in terms of the house view right now in the US but we are more favorable on the European markets. I think for the US we entering the year we're still

expecting a mid-single digit return for the SMP500, these things are hard to predict but in general we remain pro-growth. In China again we expected they're going to avoid a hard landing and be able to navigate through this, but we do think we need to continue to be a source of volatility through the coming year. So, I'd like to stop and see if there are any questions or any topics that the Trustees would like to discuss further on the markets. So with that as Ray mentioned, we would like to talk about some of the recent changes we've made to the portfolio and how we think we are positioned going forward. Can we turn to page 45?

Page 45 – So we transitioned a portion of the equity portfolio and the non-core Fixed Income portfolio which is the high yield and EMDMDL allocation into several new funds that we recently launched. What are these funds and why did we do this transition?

Page 47 – On the left side of this page is the prior portfolio through the end of September. The left side of the page is the Goldman Sachs Traditional Assets portfolio. We're just addressing traditional assets. On the right side reflects the changes we made to these new funds. For the equity portion (top part of table). We transitioned the managers into the GS Global Managed Beta Fund and the GS Multi Manager Global Equity Fund in roughly equal allocations. The number of managers underneath that is reflective of the fact that under the multi manager fund; this fund is a wrapper around ten underlying managers across different asset classes. So it's similar to what we did in the prior portfolio for example for the left side of the page showed Dynamic Equity Managers Portfolio #2 which was a fund that incorporated for underlying managers and that's kind of what we've done in the multi manager fund where we have a single fund in implementation however underneath that we have ten external underlying managers that we implement on various asset class views on. The reason we made this change is for several years one of the big strategic initiatives in our group was to give client's access to our best thinking and efficient and scalable way. Prior to this I would say we were only operating with part of the tools that our group has in terms of capability, in terms of asset allocation, so taking a step back, when we work with clients we try to add value in two ways. One is through Asset Allocation which is what is the right long term mixed assets that we are invested in US vs. International, small cap vs. large cap. The other way in which we try to add value is through the manager selection process, I would say to date much of the work that we have been focused on with OHA has been on a manager selection side where as the asset allocation has been driven primarily by the IPS benchmark which we continue to manage. However, with the transition to these new vehicles, these new funds, we have access to more of the diversified strategies that our team works on. For example, in these new funds we implement currency hedging, which we think is an increasingly important part of portfolio management going forward given the volatility in currencies. We also employ a macro hedging strategy in the global managed beta fund, so it basically allows us to bring to bear a number of our best thinking in terms of different strategies within an easily implementable framework for clients. Beyond that it gives access to managers that may have otherwise been closed or not accessible due to size so as an individual fund that is looking for a small allocation to some of the managers, it may have not been possible but with this scale of being part of this fund, we think that it gives you access to more managers that you may not otherwise be exposed to. You continue to maintain a very diversified exposure across asset classes and across managers. So, we would frame this as an implementation change and not a strategy change. I think through the history of the OHA portfolio we have made manager changes when we see fit, this wasn't due to the fact that we didn't like our existing managers, it was due to the fact that the vehicle that we thought were optimal in terms of an efficiency perspective and giving you access to more of the proprietary thinking that our group is employing. And of course we continue to be focused on manager selection. I think an important note is that in equities now we split the allocation between the small time manager equity fund which is implemented through ten active managers and the global managed beta fund, which is an actively managed fund but uses ETF's so some passive exposures underneath that to express our views. And from a fee perspective we've aimed to keep this fee neutral for clients, so we obviously don't want you paying more

in fact it's about a \$20,000 savings which is admittedly not that big, but we hope that with time and these funds grow as additional client assets go in, that those costs would hopefully come down as the fixed fees get spread over a larger asset base. So currently Goldman is subsidizing the management fees across a number of these underlying managers to keep fees fairly consistent with most clients, and we don't receive any additional advisory fees from this change.

Trustee Apoliona – Did you say subsidizing? Goldman is subsidizing.

Christina Kim – Yes, because if we did not subsidize it the underlying management fees for the new fund would be higher than what you were paying previously, which we don't think is right. So were trying to keep those costs at least the same if not better for all of our clients.

Trustee Apoliona – Sorry, I threw you off.

Christina Kim – Not at all, we want this to be helpful and interactive as possible for all of you, so please interrupt us whenever.

Allison Plati – Page 51-52. So just to recap, on the equity side with these new funds we've launched, we have two equity ones. One again is the active managers, one implemented through passive managers. We have one in non-core fixed income and one in real assets which is not here, which OHA is not invested in. Basically, these are mutual funds with daily liquidities; the liquidity profile of the portfolio has actually increased. We think this will allow us to reflect our best thinking in a more efficient way, so rather than coming to you and saying we're actually more positive on international equities in the US, so we're going to buy some of the US managers and sell the international. We can implement our views directly through this funds and OHA gets the benefit immediately and a seamless fashion. So I know that there is a lot and takes a while to sort of grasp exactly what they are, but we're happy to answer any questions about them.

Chair Machado – Any questions Trustees?

Trustee Akana – Perhaps Ray you can explain to us exactly what she was talking about. It gets a little confusing.

Ray Matsuura – So basically we're trying to consolidate the number of active managers we have into two basic strategies. We have a pass as referred to on page 47 the Global Managed Beta would be part of the passive strategy, it's not quite a total passive strategy, since we have all active managers, we have a passive component in there which is not totally passive, but more of a sector type of a movement. And then the other component of it is the multi manager global equity fund, where were basically taking a lot of our managers that we have had separately and putting into a separate fund, where they could (inaudible). I think one of the things I asked, what this really gets us. I think it will be faster implementation of strategies instead of having separate managers to coordinate them. These are all within a certain bucket, within a certain fund and that we could allocate a little bit more efficiently using ETF's as opposed to separately managed accounts.

Trustee Akana – It would save us fees to right?

Ray Matsuura – Yes, and I think that's the point, you can see were saving \$21,000 which is not a lot, but I think as the funds grow, the expenses would go down, this is a fairly new product for Goldman Sachs. And as we move along, hopefully the fees will be reduced further and the cost savings will be realized down the road. So I think that's why we initially decided to go into it.

Allison Plati – This is an initiative that we kind of applied across the board for majority of our clients. So as we have more assets in each of these funds, the idea is that the fixed cost of running a fund is spread out over more people. The savings should hopefully increase as the funds grow in size.

Trustee Akana – On the funds, \$542,000 is that for the whole year or just for that

Christine Kim – Yes, this is an estimate. This excludes Goldman advisory fees, we wanted to just show you the underlying manager fees and how they compare, so in the old implementation the manager fees that you were paying across the portfolio were \$542,000 on a full year basis as an estimate. And under the new implementation it's about \$520,000 estimate, based on the fees of the funds that we are invested in. And all of those fees, the total net expenses, they don't come to Goldman Sachs, they go to the underlying managers that are investing the assets. So all of these managers named under the multi manager fund and the mutual fund expenses so the operating costs are associated with running the mutual fund. None of the fees accrued at Goldman Sachs from these expenses.

Trustee Apo – I'm trying to understand the regrouping of the managers, so we are going to get by with less. How does that improve the investment decisions?

Christina Kim – That's a great question. I think it's a little deceiving, you see less line items. So, on our performance report you'll see global managed beta fund and the multi manager global equity fund, but underneath the global equity manager fund you still have ten external managers, so you maintain the diversification of cross strategies and managers, it's just for implementation and reporting you will see two line items and when we make a change. So previously if we are monitoring the portfolio constantly and so if a portfolio manager leaves a fund for example is a key person, our team would put that manager on watch and say we need to do a further look to see if this change has been a negative impact on our thesis and that would take time and have to contact the clients that are in that manager and implement that change and close that account, open a new account with a new manager. What we could do quickly through this fund is if there is such a change, so last year when Bill Gross left, they were one of our managers that went on watch right away and so the team said okay, this is a major material event and we need to figure out what's going on, so ultimately we decided to terminate the relationship because of that development and that's something were doing constantly in all of our managers for all of our clients, but if such a change like that were to happen, we could implement that quickly through this fund versus it would take a more prolong period of time to make that change for each client within a customize portfolio of individual managers, if that makes sense.

Trustee Apo – So when the red flag goes up, then it reduces the amount of time it takes to put in a fix.

Christina Kim – Exactly. Yes.

Allison Plati – One additional item I would add. I know we've spoke a very briefly about some of our asset class views. But these funds also allow us to if we decide if we like credit more than high yield or different asset classes; it allows us to change the weights more quickly and efficiently without incurring as many transaction costs. So that is another item that it helps with.

Christina Kim – And we wouldn't expect that to change often given that a strategic asset allocation is supposed to be for a longer period of time, but when and if those shifts do occur we're able to implement them quickly through the fund.

Ka Pouhana Crabbe – This is very refreshing to hear, because we've been concerned with the fees, it was just whether not this is going to be asked of the other money managers as well.

Ray Matsuura – Their strategy differs from JPMorgan in the sense that JPMorgan uses only JPMorgan funds. Their using external managers, so you can argue which one is better, but it doesn't really necessarily apply to JPMorgan. Fees are always our concern, because it's something that we're gradually whittling them down. As you can see we've put some passive management in there which is one of my concerns is that if this beta fund is truly passive than 39 bps is really to (inaudible). So, obviously it is not a total passive, but having that mind, I would think having any kind of passive management in our fund, I think we should kick down our fees.

Trustee Apoliona - Ray, in dealing with Goldman Sachs and JPMorgan you mentioned JPMorgan. I'm sure you will be looking at not the same but maybe related opportunities. Right now the attention is on Goldman, but we will be paying attention to others.

Ray Matsuura - Absolutely.

Trustee Apoliona – Okay, that's all. That's the point.

Ray Matsuura – The only other thing I would comment to is they had added a feature here called the tactical exposure portfolio which to me gives them further flexibility. This is what we're paying them for, were paying them to make tactical decisions for us and so they allocated a small portion of their portfolio about 3% to be able to go in the markets that maybe are a little bit non-traditional such as gold, oil and other things like that. If they see a lot of price of oil dropping low, you might say maybe it's time to take a tow into that market which is not necessarily part of the regular asset allocation mix but it's tactically might be a good strategy for the short term. So I kind of like the idea of if we're going to pay these guys to make decisions then they should make decisions. And hopefully we will be rewarded. So kind of like the idea that they took the initiative to put that in the portfolio.

Christina Kim – Perhaps with that backdrop we can go back to actual portfolio review. Page 40 is just a refresher on OHA's strategic benchmark on the left and the current SAA portfolio on the right and as you'll see they differ slightly in the sense that we take active decisions across the different asset classes away from the benchmark based on our views of countries, regions and markets.

Page 41- As we mentioned the liquidity profile of the portfolio has always good with high daily liquidity but now 97% of the portfolio has daily liquidity given that these are mutual funds with daily liquidity.

Page 43 and 44 – Page 43 outlines the prior portfolio and that was in existence through September 30th of last year. Page 44 reflects the new portfolio following the transition into these new funds. You'll see far fewer line items but we will continue to provide the underlying performance data for all the funds you own, so you don't lose any transparency around how the underlying managers are doing.

Ray Matsuura – This page 44, you all see that the tactical exposure on the top third from the top line. It's only 3% of the portfolio, but it added excess returns of 289 bps. So in situations when the rest of the fund kind of lags, in certain cases it can add value.

Christina Kim – So on page 43, just touching upon the prior portfolio the managers were actually doing fairly well across the board and through September we had positive excess return of about 45 bps, not all of the managers in the portfolio changed as you'll see, the Real Estate Fund, the US Credit Bond Fund and the Tactical Exposure portfolio will remain the same and a number of underlying managers that we own through the new funds were ones that you owned in the prior implementation as well. So, while there were a number of managers that did change a number of them stayed the same as well. Q4 was a bit of a challenging quarter following the transition as we can see from the quarter to date numbers on page 44 which is kind of the middle

of the page, so we'll see there in that first quarter as we transitioned the two funds had negative excess return leading to the total advisory fund, being up 2.6 versus the benchmark that was up 3.76 or 113 bps of negative excess return. A part of that was driven by a cash drag, when we were making this transition in the month of October there was a small period of time where we were waiting for proceeds from the old managers before we could get fully invested into the new and as we know October was a very strong month for the market, so since not being fully invested in that time created a one-time negative drag during that transition during the implementation period which we would expect would not be repeated. As far as what added and what detracted from performance and going forward, given that we are reflecting more of our views, were going to break out for you how much of the performance is coming out from asset allocations so our active decisions to be overweight international versus US etc., versus how much is coming from manager alpha, so manager excess return. The big take away is here where from an asset allocation perspective it added value, the asset allocation is currently over underweight US Large Cap and overweight international Small Cap, so part of our asset allocation philosophy is diversification. If you just owned the market, you'd own a lot of US Large Cap which last year was probably not a bad thing to do, but over the long term we believe that greater diversification is preferable. The underperformance in Q4 was really driven by a couple of the more value oriented managers within the global multi manager equity fund, so one of the trends we mentioned earlier was that growth stocks did significantly better than value stocks in 2015 and by growth we mean companies that are growing earnings above average versus value where managers look for stocks that are well priced based on the long term opportunities, so a value manager would probably not buy a Facebook or an Amazon because those stocks from a priced earnings perspective are very expensive. A growth manager would buy those stocks if I were to generalize that would be within the investible universe. A number of the managers that we have when we're constructing the portfolio we try to have a balance of growth and value because in any given year, one can outperform the other and it's impossible to call which strategy will be in favor, however in the corridor the value managers were a bit negatively impacted by that trend and so underperformed their benchmarks. We would say though that this is a very short window of time and if we look at a longer period of time since we launched these funds which occurred between April and June of last year, all of the funds have a positive excess return year-to-date this year and since inception both of the equity managers are positive and the multi manager on is slightly negative. So we would just emphasize that on a longer time frame performance for these funds has been decent.

Allison Plati – I'll just look to give a brief update of some of the non-traditional assets for the alternatives. I know a couple of the funds we wanted to highlight, one is Vintage 6, and they are still working on investing the proceeds which is one of the private equity funds. As it's called a total of 42% of the commitments and made seven new investments during the 3rdQ, 2015, the current IRR return is 15.7% for that fund as well as a number of the private equity partners or the PEP funds that you're invested in are in distribution mode. So for example PEP 2004 has given back 110% of what you had committed to the fund as well as PEP 9 distributing 90% so far and PEP 10 50% so far. So you're getting some of the money back that you had originally invested in some of those private equity vehicles.

Christina Kim – We'd also emphasize that while we're addressing Q4 here, just to give a brief update on Q1 and Q2. I'm sorry, Q1 was January and February. January was obviously a challenging month for the markets but on a positive note our managers did quite well in that month because they tend to be more defensive and more value oriented so they generated quite a bit of positive excess return. We gave a little bit of that back in February, but year-to-date was still positive across the global manage beta and the multi manager global equity funds and the non-core fixed income fund. So, a bit of a positive and we hope that continues. Clearly as Ray has alluded to you know we've had some challenges in terms of our manager performance and we are hopeful that with the additional tools that this new implementation brings to bear that we can improve things and of

course proof is in the numbers we'll have to continue to see how these do, but were optimistic that these changes will bear fruit over time.

Chair Machado – Okay, anything else, because the real substance is following and really see how we are really doing with our money managers.

Ray Matsuura – Are there any more questions for Goldman Sachs? We could move on to the State Street book please. Basically I will talk about the calendar year performance 2015, talk about our managers as well as the money managers from Commonfund. Dylan will come up and talk about a private equity investments and then there is a few housekeeping type of items I wanted to discuss before we adjourn here.

Chair Machado – How would you like to proceed? The graphics really help.

Ray Matsuura – Yes, let's look at page 5. This book is for the calendar year to date December 31st. We started the year at \$361,439,451.00. Market growth of -1.226 million, so we had a negative return for the year, it was -1.6%. Withdrawals of \$21 million which is above our 5% spending limit, also fees of \$4,449,000.00 that's an average of about 1.3% of the fund. On the surface it seems kind of high, I think one of my goals here is if we could reduce that by 20 - 25%, that's about \$800,000.00 a year, so I think that is doable. Especially as we talk to our managers and restructure the portfolio. The ending value is \$334,273,216.00. To go into more detail about the portfolio, turn to page 16.

Page 16 – This is the netted fee returns for our portfolio as a whole. The one year return was down -1.66% we outperformed the benchmark by 96 bps, the benchmark was down -2.62, so for the calendar year our managers outperformed by 96 bps about a 1%. If you look at the 3year and 5 year returns we're still ahead of the market on a netted fee basis, however on the 7th year we're lagging and then since inception date were lagging. If you focus back on last year 2015 you'll see 54% of our assets are in traditional assets, this is JPMorgan and Goldman Sachs. So, as you can see we had for the traditional assets -2.33% returns versus an index of 2.15, so we're behind 18 bps for the year. So, where did we make up that difference if we are ahead for the year and if you could turn to page 18.

Page 18 – The non-marketable equity assets (center of page) is about \$45,000,000.00 about 14% of the portfolio as you can for the year this sector returned 8.8% versus the benchmark of -3.21. Before we get all excited about this area, these are private equity deals for the most part, there not calculated on a total return basis where you have market value plus your interest in dividends which is what we do in the traditional assets, here we're using internal rates return. But the bottom line is that as Allison mentioned we're getting pretty good returns from our private equity part of our portfolio and these are real dollars that we're getting back. Even though it may look a little high, I think the overall impact of the portfolio is positive.

Trustee Akana – These are new businesses (inaudible) Venture Capital.

Ray Matsuura – Yes, Venture Capitals, the Private Equity deals. Dylan is going into more detail about this about what we own and how we're doing it, but there is a life cycle to these, where we're investing and as they invest they harvest the returns. We're not getting dividends are interest payments for these. You can see the last 1, 3, and 5 years, they've added a lot of excess return versus our benchmark. That's been our source of outperformance for the most parts. It's only 14% of the portfolio, but it's not all roses here, there are some limitations, again Dylan will discuss. Heading back to page 16 and looking at the traditional assets we can see that the -2.33% for our two managers, what they're telling is two different stories. JPMorgan of the -2.33 return for last year, JPM outperformed the index by 45 bps about .5% at 1.7 versus Goldman Sachs lagging by

about $\frac{3}{4}$ % at 2.88 and so how do we evaluate these managers, we're looking at there are ones doing well, ones not doing well, so what I dug up was from my predecessor, if you take out the handout that we provided.

(For details, refer to material distributed: Goldman Sachs Manager Performance since 2011)

What Dylan has done is we've updated this from my predecessor David Okimoto. We have here is the past four and half years and taken each month, calculate the excess return over the benchmark for each of the managers and this is just under traditional assets. This is netted fees, we've taken the excess returns and we've added them up so that's an accumulative number going forward. So you can see we've taken the volatility fact and standard deviation of those excess returns, so the red line is one standard deviation from the center line which is the traditional asset benchmark. We evaluate the performance below the benchmark; we've put them in an acceptable range because we feel like giving level of volatility not as bad as we think it is. We should certainly be concerned but not overly concerned about their performance and then it's much achievable when we can get back up. I think as you could see the yellow line which is Goldman Sachs performance, you'll see as Christina mentioned a drop in October where they lagged the market because they weren't fully invested in a strong market which happens. But they've recovered nicely and I think for me, what I get out of this is that because this one standard deviation going out if you get too far below this cautiously acceptable level, that's really hard to make-up because that levels expanded. If you stay within that band, it's very possible to recover.

Trustee Hulu Lindsey – What are we doing about Commonfund?

Ray Matsuura – JPMorgan is next.

Trustee Akana – On December 13th, they took a drop. All of 2014 and up to June 2015 and by December 2015 they took a nose dive.

Ray Matsuura – That's October. Accumulatively, this is their 4%.

Trustee Akana – For two years and (*conversation inaudible*).

Ray Matsuura – During that period we had double digit returns. And I think sometimes that masks problems. If someone came to us today and give you 10% return, we would probably say yeah, we'll take that. I'm not worried about how well they perform which is something we shouldn't lose track of, we want to say that even in a strong market, we want to make sure our managers are performing the way they should be. But on the other hand it's fairly steady, so it's not like its trailed off that they've been losing.

Trustee Akana – We did pretty good for two whole years.

Ray Matsuura – They did, the building block strategy was prompted by something, not just because they are doing so well. I think if we would've stayed with the old strategy, I would totally agree that what has changed to help us get above it. Goldman Sachs has taken a proactive stance and said look, we're going to make this more efficient, lower costs, if anything I think they're below the benchmark, I'm not real happy about that but on the other hand if they're below cautiously acceptable I would be very concerned about their performance going forward and their ability to recover compared to JPMorgan.

Page 2 – The yellow line above the Good standard deviation above. This is just really a tool that for us to look at and say, hey look, because we could have looked at all these numbers on the page. But how do you really

evaluate it, we need something really straight forward to say is it good, or is it bad. As we can see Goldman Sachs is not good but it's not a disaster.

Trustee Hulu Lindsey – It's not a disaster like Commonfund.

Ray Matsuura – In all fairness Commonfund's strategies is not the same as the other two. They're most recent but their mostly in private equity. Most of their assets are in private equity, so as Dylan is going to describe we make commitments and then we fund those commitments so that we have an outflow of cash, that's where the outflow of returns are. It's not quite fair that we have to look at some way, so as they mature and they recover their investments than we see an increase in return. So, overtime these have long horizons too, four and a half years is a short horizon for a private equity deal. We're talking generally ten years.

Trustee Akana – (inaudible)

Ray Matsuura – As with any company, you throw in money initially it's a net outflow, but then over time as that company grows and profits, you would get your money back. That's why Commonfund looks the way it does.

Chair Machado – What are some of your possible discussions with Commonfund?

Ray Matsuura – I think the key is they have to keep going like this. They can't falter, they're in a box.

Chair Machado – Are you giving them notification that we're watching them carefully?

Ray Matsuura – To be honest, I think we're going to re-evaluate the whole structure. I think we have some not only private equity with them but also have some hedging strategies with them that I'm not really comfortable with. And then we have the low volatility, absolute returns strategies and etc.

Ka Pouhana Crabbe – Similarly, what Ray has discussed with Goldman Sachs for the past since he's come on board, we are really looking at the active part of our management and the fees is one, because over time we've been paying out more fees then some of our returns and so, I think that is a main strategy to, but it also encourages them to start re-thinking, re-evaluating their own strategies as well to help us increase so we can achieve our benchmarks.

Trustee Ahu-Isa – I wanted to report back because I went to the Commonfund Forum in Orlando. My humble opinion and my first time going, the tables that I sat at I didn't sit with our OHA group. Their attention comes from a lot of University people were there, a lot of colleges. I shared that I was a representative and in the House of Representatives. And the guy next to me said, do you realize that you're sitting with a whole bunch of Republicans, because if you're from Hawaii, you got to be a Democrat. The first night speaker was Chuck Hagel, Secretary of Defense to Obama recently, they applauded him, he left, and nobody even talked to him after that. He kind of had a body guard with him, so I went up to him to say hello. I met him over here long time ago. You know the bodyguard told me thank you so much for coming and acknowledging and thanking him. Nobody else did that, I have been to a lot of these things as a Representative and a Board of Education. Another lady came up behind me and asked can I get a picture to, he was so happy, and he was so happy, like it made his night. I walking around there and don't know anybody and only one person came up to talk to me. I'm new, I'm a Trustee I don't know anybody at Commonfund, they must know who I am; I had the OHA tag on.

Trustee Akana – Did you learn anything?

Trustee Apo – From the Republicans?

Trustee Ahu-Isa – Not really. The speakers they had I kind of new everything that they had. So I wrote in my narrative.

Chair Machado – Do you feel neglected that someone from Commonfund did not introduce themselves or walk you around?

Trustee Ahu Isa – They had like about 500 persons.

Trustee Hulu Lindsey – It's like that every year.

Trustee Akana – They have always taken good care of us.

Trustee Ahu-Isa – I'm not asking for sympathy or anything.

Chair Machado – No, no, no, this was your first time, you should be introduced.

Trustee Ahu-Isa – When they put us in the Marriott Hotel in the middle of nowhere, so I don't have a car, I can't walk out like San Francisco. I just ordered room service and ate in my room every night. My opinion of Commonfund, I don't need to go anymore. Chair can send someone else to go.

Trustee Akana – My view of Commonfund is completely different. I know Peter, Hulu, Dan has gone. They're probably the best group to go to and have the best seminars that I've ever been to for as long as I've been a Trustee. And I want to say in their defense that they've done very well for us over the years and I think for some of us, it's very important for Trustees to go to these seminars to learn about how the investments work, what kinds of investments we're invested in and what they mean. I don't know if you understood what he was saying, but this particular line that he's describing with Commonfund is the long term fund where we fund this fund and it's not supposed to show an immediate return, it's a kind of fund that has a long term refund, cause your investing in the new company or new invention or something, but at the end of the day, you get all of your money back plus, whatever money in makes. So, that's why the line looks like that, it isn't because they're bad investors.

Ray Matsuura – And that's what I was trying to point out.

Chair Machado – They below the watch line, so we got to just keep an eye on that.

Ray Matsuura – This is only a 4 ½ year horizon so far. If this was ten years, I would be more concerned.

Chair Machado – But with all of our current investments, we need to be able to draw down at least \$25 million to meet our total operating budget. So if were not able to get that kind of returns in the short term period over the four quarters, we really going be in trouble.

Trustee Hulu Lindsey – Cut back.

Chair Machado – Well, we will leave that for another discussion. So, internally we may have to use that like what Trustee Apoliona said and re-strategize. As long as we can draw down to keep our operating budget.

Trustee Akana – We are drawing down way too much.

Chair Machado – I'd like to wrap this up in about 10 minutes. Can you do that?

Ray Matsuura – I'll take 3 minutes and give Dylan 7 minutes.

IV. B. Native Hawaiian Trust Fund 4th Quarter 2015 Total Performance Review.

Dylan Zheng – I'm going to talk about Private Capital. It is basically the combination of equity, so investing companies venture into things like that, credit as well as real assets and all of this is in liquid, there is no liquidity, but these things are able to turn a return for us. These investments are in companies that are not typically traded and are mimics to asset allocation of our traditional portfolio. What we have in stocks and bonds, we try to follow the same thing as private capital. We have three main goals with private capital. First goal is basically to be able to diversify the portfolio away. Having a lot of stocks and bonds has a lot of volatility and market risks and investing in private capital allows us to be able to reduce that kind of volatility and that kind of risks, because a lot of these investments take a long time and the fluctuations between capital cost and distributions are a lot lower. So, it broadens our asset class exposure, not only reduces volatility in risks, but also provides another source of capital of return and that's kind of our second goal to be able to generate more money than the traditional portfolio, to be able to have more monies to have a larger return over the public market. And that's kind of the illiquidity premium that we received from investing in these types of businesses. And our last goal is to make sure when we're making these investments into these companies, because of such a long term horizon, when we make investments every single year, we're actually trying to manage the cash flow. Whenever we draw down money, we are actually being able to receive more money from our distributions for our over investments and be able to finance these new investments, and that's kind of how the private equity life cycle works. We have our traditional managers also our private equity managers and it includes Pantheon private equity. Like I said our asset class is basically mimicking sort of what our traditional portfolio has at around 77% in equity, 16% in credit, and 7% in real asset and opportunistic. But we recently have been making a lot more investments in the opportunistic real asset thane credit side. Just to bring that up to speed to what we've had. We've been investing in these types of investments since 2004 where we first made our initial commitment of about \$11 million in a few Goldman funds. And from 2004 – 2008 we really couldn't manage the investments very well and that was due to the financial crises, as soon as the crises hit, it's when we really started to jump start the portfolio. We made \$36 million in commitments and with that since 2012 to now we've been a lot more consistent with our commitments and that has been able to meet our self-funding goal. Because of that we will take a look at this table right here, it has every single investment private equity investment with all of our managers. Top portion of the table shows our private equity investments, below that is our real assets and the bottom is our Credit Investments and it's kind of hard to read and understand this table, but I will go over some highlights. So in total we have about \$146 million of it invested money into Private Capital since 2004, the current market value of that is estimated around \$60 million and this is taking into account the Capital costs of distributions. The last thing I'd like to point out is if you look at the next page 10, I've highlighted two columns. Column on the left are all the Capital Calls we have which comes out to about \$1.5 million and the next column, highlighted at the top are the distributions and it's coming out to about \$2.1million. So for Private Equity we have actually been able to cover all of our Capital costs for new investments and have excess money returned back to our portfolio. So were meeting that goal in the equity side, but since we've only recently doing investments in the Credit and Real Asset side, then that basically means that we're going to need to use some of that money that we have from equity to put into the Credit and Real Assets and hopefully in the long term, we'll be able to meet self-funding goals for the entire non-marketable portfolio. So, what does that kind of mean and what does that really say about how we're doing and how we're going to be able to set out to achieve our goals. Our Asset Allocation is fine, we want to fine tune to our Strategic targets.

Trustee Akana - I don't think, I'm sorry, I may have misunderstood. Asset Allocation you say is fine, the way it is now.

Dylan Zheng – The way it is now is within our minimum and maximum, but we want to fine tune it to our strategic target and we can only do that by making a little bit more private commitments in the Real Asset and the Credit side.

Trustee Akana – When you look at making those commitments, do you also look at the Board's commitment to our beneficiaries? In other words, what the Board has committed over a period of two years to fund, like housing, grants and so on, so that we look at we possibly can earn on those investments rather than just a global overview, because we have to make a certain commitment, were counting on making a certain amount on the market, so if we look at what we're investing in and we can look at some of those investments that we can get a return from to cover what we need to supplement our budget, than were okay. Do you see where I'm going? I want you to look at that perhaps and consider that as you look at where we are in investing and what we make.

Dylan Zheng – That's part of our due diligence process. When we do look at these new commitments that we're making, we do understand that it's a long term and it's difficult to anticipate how these investments will be.

Trustee Akana – I understand that, but what I'm looking at is more short term. How many short term investments do we have, that can count on a return to supplement a budget.

Ray Matsuura – Right now our long term, I know you said short term. But, our long term targets are 6.5%, so that's obviously what we're aiming for.

Trustee Akana – (inaudible)

Chair Machado – It's being reviewed now Trustee Akana. I don't mean to interrupt Trustee Akana, but we need to carry on.

Dylan Zheng – In conclusion, we're happy to see that our distributions are greater than our Capital calls. We'll continue to monitor the situation and make new investments diligently and consistently to make sure that we can meet our cash needs and we're very satisfied with how the portfolio for non-marketable equity is going.

Ray Matsuura – I think the key that Dylan said, the idea is we want to make it self-funding, so whatever money we get in, we pay out, we get money in, so it is always sort of balanced.

Chair Machado – Just to let everyone know, Administration has a really big approach and it's called a Sustainability Plan, part of that is the review of the 5.0 to 4.5, looking really carefully, you know it's a detailed process that Kamana'o has engaged, so I feel confident that within the next few months we should be able to see something a little bit more clearer about some of the issues just raised informally.

Ka Pouhana Crabbe – No, I think you shared the brief outline, I think that it being shared, and we want to maximize the potential of the portfolio and we have Ray and Dylan who's helping to monitor and already taking steps to work with Goldman Sachs, we've noticed over the past year that we really got to work on the fees because we do know that some of them are not achieving our benchmarks and we have to work with them to achieve the best performance that we can and I do think what has been brought up in terms of the spending

policy we need to address, but this is part of all of the collective effort of looking at everything which includes the portfolio, the operating budget, the spending policy and the future projections of ongoing potential revenue generating projects that we do have or may not have, but certainly that's all part of the big plan so that we can be more discipline financially in terms of our spending and then again how to grow the Trust, that's a major area that we need to consider in terms of revenue input.

Trustee Apo – I think, just kind of off the top of my head. We're such a unique organization with respect to the kinds of commitments we have to make that affect the budget, particularly in administrative operations. And so I think we need to talk more about moving into an administrative operating culture that is more quickly reduced or expanded so that as we go through the ups and downs of markets, because we are such a passion driven organization nation building, emergencies come flying, fall down of the sky, you know, you can't just say no, so the only flexibility really we have to respond to these emergencies are having to deplete the discretionary funds, we got to be able to expand and shrink very quickly, so that's a whole different kind of model I think of administrative services. Something you might want to think about Kamana'o as we move forward. It has to do with when you don't have the ability and then the cuts have to come through actual programs that are helping people in the street.

Trustee Hulu Lindsey – We cannot (inaudible) employees in and out either.

Trustee Apo – Well no, that's true, but that's where you get into the sub-contract, where you have or that kind of stuff.

Trustee Akana – Yup, absolutely.

Chair Machado – Any closing comments Ray.

Ray Matsuura – On the last page of the presentation handout, one of the things that came up in the 1st quarter was the book that State Street provides us is no longer going to be published. There not in the publishing business so, they said that we're going to have to do it on our own. So, Karlen decided to do some research for us and on the last page we have our options. First option: is to have book outsourced which will cost between \$36.00 - \$70.00 a book, so we decided that that's not going to work. Second option: is to send these electronically and I think that's been proposed before, I'm going to see where we can go with that because, I think for the most part what we can do is send this our electronically and then like today just provide select pages and focus in on that, so going forward if that's okay we would just electronically send.

Chair Machado – We have to see if that works, as long as we get fully educated and we're informed adequately.

Ray Matsuura – Because I think this book is good, but for these meeting to meeting purposes, if we can just condense it down to a few topical pages like we've had, that might be better. I think the next meeting in June we'll provide a book, it will look somewhat like this and I think it's \$27.00 a book. We do it in-house, it's doable. As further down the road, electronic versions are something that we would want to take care of and again we want to eliminate paper completely.

Trustee Apoliona – And then maybe we can get more like rather than 3 months, maybe 4 months of information, meaning we can get information sooner than later. Because you go by quarters and your reviews, but that kind of information, you can turn-it up much faster. So maybe we'll get a little bit more information sooner than having to just sit on the discussion of the quarter, we can get an additional month of updates.

Ray Matsuura – Unfortunately the timing of everything we just recently got our January full report, it takes about a six week lag with State Street in terms of the end information.

Trustee Apoliona – What can you do about that?

Ray Matsuura – Obviously, by moving this, at least were moving the meeting within the next quarter as supposed to April, so at least we're not too far. Gradually, we're getting close.

Trustee Apoliona – This is kind of all old information.

Ray Matsuura – Yes, this is old information.

Trustee Apoliona – If we are asking for this adjustment because of the electronic distribution, it's just a thought.

Ray Matsuura – Again, I've been here six months, we'll see how the next six months go. In the meantime, we will continue with the books and also highlight pages as we get more comfortable with the structure. Lastly, I want to mention, yesterday we sent out our award letter to the RFP for an Investment Consultant. Dr. Crabbe signed off on it last week and we discussed it, the Investment committee selected Segal Rogerscasey from the mainland, our contact would be Glenn Esser, he fairly makes the top three were Callan Associates, Segal Rogerscasey and PCA which is the consultant for the Environment system. We felt that Segal Rogers Casey was a better fit for OHA, they manage and consult to a number of union accounts as well as the State Deferred Comp Fund, and he speaks with BRMS (next door), he makes 8 - 10 visits to Oahu a year. I think it's someone that gives us mainland exposure to a number of managers and probably be looking to change our management lineup to make it look more efficient and looking really forward to working with Glenn.

Trustee Akana – We had an Investment Consultant and his contract was being worked on. When Trustee Machado moved to this committee, I don't know what happened to that but Trustee Apo was on that committee and Harold and it was approved by the Chairman and all of a sudden that stopped, it went through all of the requirements and I don't know what happened. But his fee was very reasonable and he's very experienced, I want to know what we're paying for this consultant.

Ray Matsuura – The contract is \$75,000.00 for five quarters, which comes to about \$60,000.00 a year which I believe is very comparative to what Glenn is asking.

Trustee Akana – This guy's contract was \$45,000.00.

Ray Matsuura – But he asked for travel fees as well about \$15,000.00.

Trustee Akana – It comes out to about \$60,000.00. And he's much more qualified.

Ray Matsuura – I would argue with that, I think his firm.

Trustee Akana – We could get into a lot of trouble here, because his contract was about to be signed and then nothing happened and then we go ahead and hire somebody else, is a big problem for OHA. Just telling you.

Ray Matsuura – I looked at his contract or his RFP.

Trustee Akana – No. No.

Ka Pouhana Crabbe – Trustee, I think this is a side matter.

Chair Machado – We are actually out of order Trustee Akana.

Trustee Akana – No I don't think so because he brought this up about this person and I'm saying that another person was hired and the contract was about to be executed and then all of a sudden that person was told not to show up or whatever and then a new contract is sent out and somebody else is hired, no, there is a big problem with that. Yes sir.

Ray Matsuura – I looked at his RFP and it was 4 pages and it was a full, I think it was a very full RFP.

Chair Machado – I'm sure you folks took caution knowing that this was a previous anticipated hire before you folks did the RFP notification for this new aspect. But we have a procurement process they followed, so I truly trust that administration has done those vetted reviews. Is there anything else you'd like to add?

Ka Pouhana Crabbe – That concludes. At this time Chair we would like to move forward with the Action Item.

IV. C. Action Item RM 16-01: Approval of Funds for the Native Hawaiian Roll Commission's Operating Budget.

Chair Machado – We have an Action Item identified as RM 16-01 and this is to provide funding to the Native Hawaiian Roll Commission's Operating Budget. We have John here also Mr. Clyde Namuo, if you can come to the table. The motion is to approve and authorize funding in the amount of \$124,684.00 from the previously authorized nation building line of credit for the Native Hawaiian Roll Commission's Operating Budget. Chair would like to entertain a motion.

Trustee Waihe'e – So move Madam Chair.

Trustee Apo – Seconded the motion.

Chair Machado – Open for discussion.

Trustee Waihe'e – It looks like were just reallocating the leftover from the line of credit.

Ka Pouhana Crabbe – From the line-of-credit, that's correct.

Trustee Waihe'e – Does that require a Board action, because I thought that we approved the original line-of-credit? The discretion of how that money was going to be allocated was not going to be determined by the Board but by I don't remember who it was

Ka Pouhana Crabbe – In the original motion, which supported the Nation Building effort, the Board already took a vote to obtain a line-of-credit, but the funding for that would be allocated per the Na'i Aupuni effort, but there was another supplemental motion or proposal that if there is any future funding to support the Native Hawaiian Roll Commission that there would be possible use of that funding there.

Trustee Waihe'e – Does the Board need to vote or is this something administration can handle.

Ka Pouhana Crabbe – We still need your approval for the amount.

Trustee Waihe'e – Okay.

Chair Machado – Do you want to respond John, because on page 3 just below the tables it says, the action items seeks consideration of the remaining previously approved funding totaling \$124,684.00 from OHA's Governance Planning Operating Budget to be reallocated for use by the Native Hawaiian Roll Commission for continued operation. This is what Trustee Waihe'e is kind of referring to.

I'm familiar with the proviso that Kamana'o mentioned and is bringing back to the Board for approval. If you folks have reviewed that and this is why we're coming back to the BOT for consideration.

John Kim – So Madam Chair, this funding is essentially a realignment of the previously BOT approved line-of-credit. It's going to be reallocating the request of \$124,684.00 for the purpose of Native Hawaiian Roll Commission, so this is not a seeking of new funding or funding in the excess of \$3.7 million. So, it wouldn't require the six votes that was required for the purpose of the original budget, however for the realignment purposes I believe it was at least prudent for the administration to bring it to the Board's attention, so that the Board can make an informed decision regarding this matter.

Chair Machado – Is there any questions from the Trustees regarding the action item and preparation of that.

Trustee Hulu Lindsey - What about Haunani?

Chair Machado – Haunani is recusing herself, that's why she left. The Chair will note that Trustee Apoliona will not be actively seeking a participation in the decision making of this action item.

Trustee Hulu Lindsey – If Mr. Namuo could please share with us why Kana'iolowalu is still continuing?

Clyde Namuo – Act 195 said when the final certified list is completed then it will be returned or filed with the State. We have certified a number of lists over the past several months; we certified a list just before the election was to be held for the delegates. The Governor really feels that we're not going to file a final certified list until we can turn that list over to a governing entity, his preference is not to turn it over to the State because then the list will be subject to the uniformed information practices acts, so his preference is unless we are forced not to turn it over to the State but rather wait for the formation of the Government and then turn the list over to the Government. Now, we also acknowledge that every time there's a significant event in Nation Building, in the process of nation building such as the possible election of delegates to a convention that there is renewed interest in people signing up and so we did see quite an increase in people when the election was announced for delegates. We expect that once the ratification issue becomes an advertised and promoted that we will see more people wanting to participate in the ratification. Now the constitution that was drafted by the Aha and they're could be others that may have recurred over the next several months, but the one that is currently being circulated in the community does say that in order to participate in the ratification, that you must be Native Hawaiian, it does not say that you must be on the Native Hawaiian Roll, it just says that you must be Native Hawaiian. One of the real practical issues here is that because the Native Hawaiian Roll Commission is considered a State Agency pursuant to Act 195, we have a relationship with the Dept. of Health, so we can get a certification of whether a person is Hawaiian or not, whether there is a copy of a birth certificate that matches that name from the Dept. of Health and we can get that information for \$.10, now if we were to say well okay, if you want to participate in this ratification and were not going to do it through the Native Hawaiian Roll Commission and we're going to do it through some private entity, then the person wanting to get on to that list, would need to provide a certified copy of the birth certificate and the cost now to get a certified copy is \$14.00. So there is a real practical side to this and it doesn't mean that people need to sign up with the Roll Commission in order to participate in ratification because that's not what the current

constitution says, it just says you have to be Hawaiian, but again from a practical standpoint it makes sense that if they want to, then they can sign up and we will do the verification with the Dept. of Health as to their Hawaiian Ancestry for \$.10 versus them having to pay \$14.00. And that's something that is relatively new over the last 3 - 4 years because the law has changed. In the past, even OHA couldn't get access to the Dept. of Health records, but since the law changed that is because we're a State Agency and the Dept. of Health is a State Agency we can share that information together. So Madam Chair that's a real summary of why we think the Roll Commission should at least be around to finish the ratification and we've tried to scale down the budget to the bare minimum. We think that maintaining the data base and having the consultants maintain the data base is really important and even though we have no funds now to operate we continue to take phone calls because our staff continues to volunteer at least once or twice a week. So, nobody is getting paid, even the consultant is trying to do some maintenance on the data base without any compensation, so that's what's happening. I'll be happy to respond to any questions.

Trustee Waihe'e – If somebody passes away, do you automatically take their name off the list or do they have to.

Trustee Hulu Lindsey – No, somebody should tell them.

Clyde Namuo – The reason why people who have passed on remain on the list, there on the certified list, they will not be on the election list. The reason they're on the certified list is that Act 195 talks about descendants and in order to once the list is closed finally, only people who are descendant from the list technically can participate unless a Native Hawaiian government changes that policy. Act 195 says that you must be a descendant of somebody that is on the list. So we don't remove deceased people from the list, but they are not placed on the active list for elections. But they have to remain on the list and it's not a simple process of removing a deceased person because you can no longer get permission to remove the person who has passed away. So there not going to be published on a list eligible to vote but they are certified because their descendant's need to know that they're relative is on the list.

Chair Machado – Any other questions?

Trustee Ahu-Isa – It says here the previously approved funding totaling \$124,000.00 is to be reallocated for use, so this is why we're voting on it, because you moving the money. Chair, I'm learning all kind of new stuff about Act 195, I didn't know that about the descendants, cause some people tell me their relatives already passed away and their names is on the list and they didn't give permission to be on the list. So, now you're saying they're on the list but they stay on the list because their descendants. They don't want to be on there, they already passed away and somehow their names got on this list. And now I'm hearing that were a State Agency we can get for \$.10 instead of \$14.00. I'm kind of upset, I ran on the premise of repealing Act 195 because I saw it as an open ended fund, this is never going to end. Now the Governor is in here and he's saying he doesn't want to certify it, even if we have the full list for him to certify until we have the Nation entity.

Chair Machado – This is not Governor Ige. This is the Chair of the Commission which is former Governor John Waihe'e.

Trustee Ahu-Isa – He said the Governor.

Chair Machado - That is who he referred to the Chairman of the Commission which is former Governor Waihe'e.

Trustee Ahu-Isa – But then it becomes open ended, that’s why I’m upset is because they don’t give us our \$8 million that they owe us from the \$20 million. Yet, they can mandate that OHA keeps funding this and yet don’t touch it and just let this go on. It’s a state law, yet, OHA they don’t want to give us our 20% which is another law. They mandate that we keep funding and open ended fund. So, I’m sorry but I got to put an a’ole on this. Thank you.

Noted: Trustee Ahu-Isa recognized the Governor, Clyde is mentioning is not Governor Ige but former Governor Waihe’e.

Chair Machado – Yes, I know where your heart is Trustee Hulu Lindsey. But because this is a committee, we need only four votes to do the referral to the BOT. So, with that said if there are no further questions, I’d like to have a roll call vote.

Trustee Waihe’e MOVED, SECONDED by Trustee Apo.							
Action Item: RM 16-01 approved.							
TRUSTEE		1	2	‘AE (YES)	A’OLE (NO)	KANALUA/ ABSTAIN	EXCUSED/ ABSENT
LEI	AHU ISA				X		
DAN	AHUNA						X
ROWENA	AKANA			X			
PETER	APO		X	X			
HAUNANI	APOLIONA						X
HULU	LINDSEY				X		
ROBERT	LINDSEY						X
JOHN	WAIHE’E	X		X			
CHAIR COLETTE	MACHADO			X			
TOTAL VOTE COUNT							
MOTION: [] UNANIMOUS [X] PASSED [] DEFERRED [] FAILED							
Motion passed with four (4) YES votes, two (2) NO vote, no (0) abstentions and three (3) excused.							

The Action Item is approved and will be referred to the BOT for placement on the BOT agenda at their determination.

V. BENEFICIARY COMMENTS*

None.

V. ANNOUNCEMENTS

None.

VI. ADJOURNMENT

Chair Machado - That concludes our business today and seeks to adjourn the meeting.

Trustee Apo – Moved to adjourn.

Trustee Hulu Lindsey – Seconded the motion.

Chair Machado – Adjourned the meeting and asked if everyone in favor say I. All in favor. Hearing no objections the meeting adjourned at 11:46 a.m.

Respectfully submitted,



Laurene Kaluau-Kealoha, Aide
Committee on Resource Management



Colette Y. Machado, Chair
Committee on Resource Management

Approved: RM Committee meeting April 27, 2016