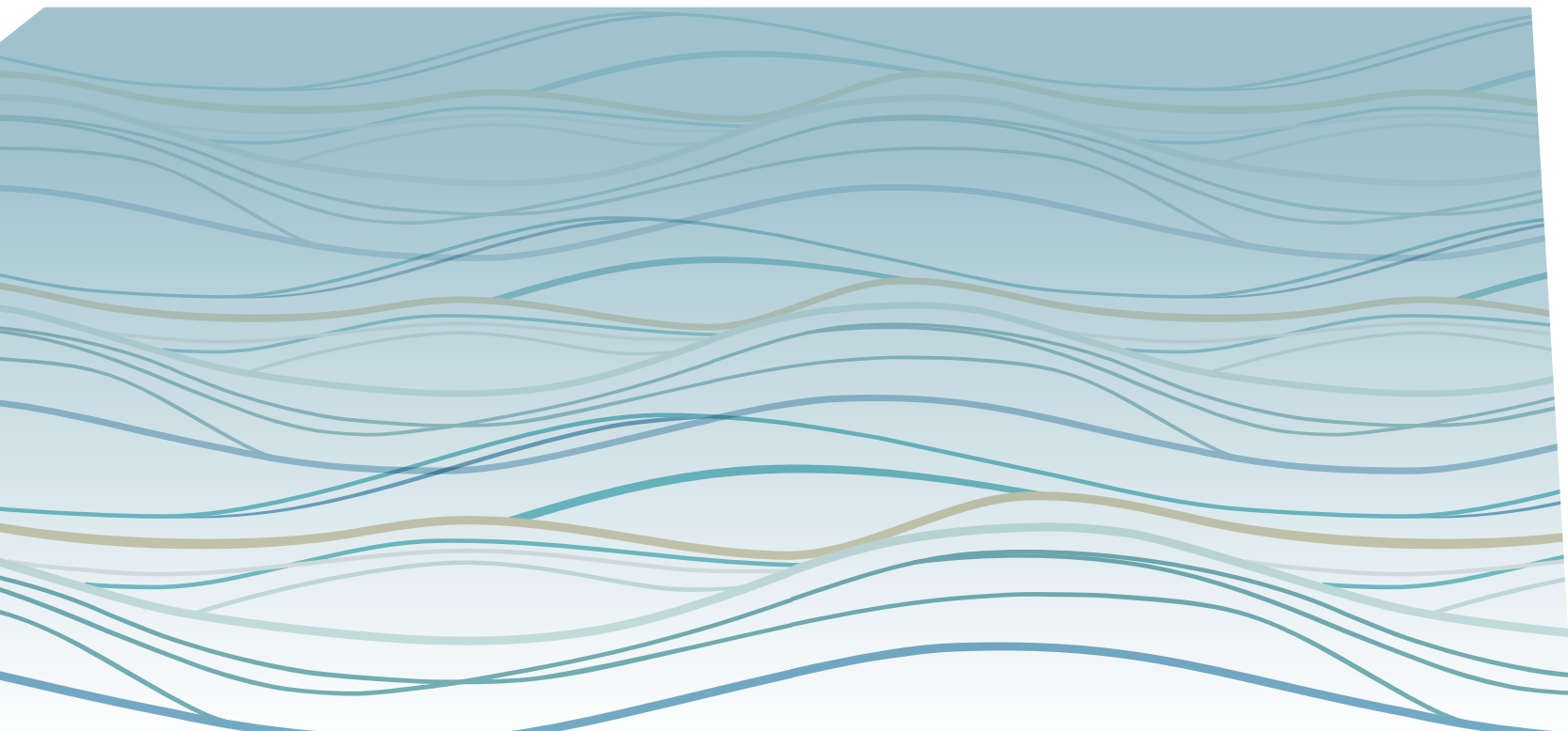


2018 Endowment Report



UNIVERSITY
of HAWAII®
FOUNDATION





A message from our chair

Aloha Donors and Friends of the University of Hawai'i,

Thanks to your support, the University of Hawai'i again established itself as the highly-ranked, accessible, higher-education institution that our state so desperately needs. With dwindling funding from federal and state sources, your generosity is more important now than ever before – for today, and for our future.

The greatest example of the long-term power of private support is the UH Foundation's endowment. Once established, endowed funds continue to make an impact year after year. They are a blessing to their beneficiaries and a lasting tribute to the values, generosity and vision of their donors.

In fiscal year 2018, the UH Foundation's endowment provided almost \$11 million in private support for scholarships, professorships and program enhancements across all 10 campuses of the UH System. A positive return on investment of 8.1 percent and \$18.8 million in new gifts and other additions drove the endowment market value from \$296.2 million to \$322.7 million, net of payout and other withdrawals. Over the past five and 10 years, the endowment has produced an annualized return of 6.9 and 5.3 percent, respectively. We believe a well-diversified portfolio will serve the university's best interests over the long term.

Generous donors like you have invested your financial resources to secure a vibrant future for UH and our special community. For this reason, we want to share our endowment investment strategy and returns with you, as well as a few stories about the impact that these funds have made.

Your continued partnership and support are essential in building a stronger university. Mahalo for your vision and generosity!

C. Scott Wo

Chair

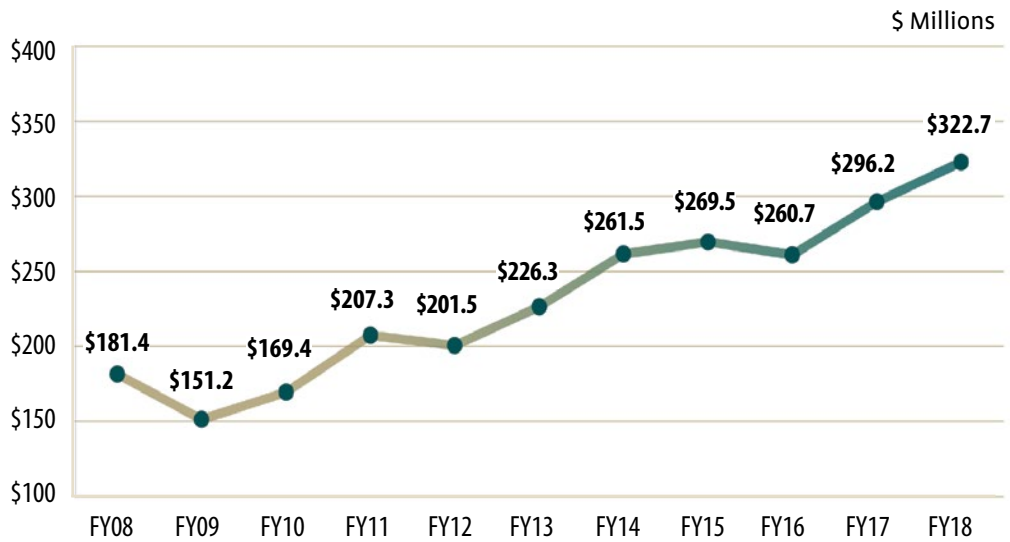
UH Foundation Investment Committee

UH FOUNDATION *Endowment Investments*

The Endowment Fund seeks future long-term growth of investments, at an acceptable risk level, sufficient to offset reasonable spending plus normal inflation, thereby preserving the purchasing power of the fund for future generations. Generous gifts from donors and a continued, disciplined focus on investment strategies and opportunities will help the endowment grow over the long term, so that it provides support for University of Hawai'i programs and priorities into the future.

Endowment investment pool market values

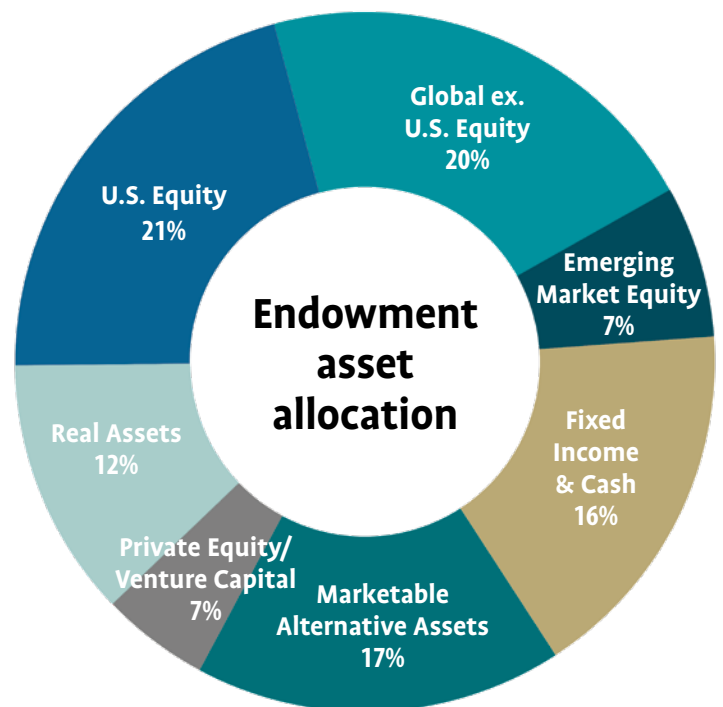
The UH Foundation has consistently produced competitive investment returns when compared to portfolio benchmarks and peer institutions. In fiscal year 2018, absolute performance was led by U.S. stocks and marketable real assets with relative performance from fixed income. A diversified portfolio continues to serve the University of Hawai'i's best interest over the long term.



Annual rate of return compared to benchmark

| Annual Rate of Return | FY 2018 | Annualized Trailing | | |
|-----------------------|---------|---------------------|---------|----------|
| | | 3 Years | 5 Years | 10 Years |
| Actual | 8.1% | 6.0% | 6.9% | 5.3% |
| Benchmark | 8.4% | 6.4% | 7.1% | 4.6% |

The current benchmark reflects a blend of Russell 3000 Index (20%), MSCI EAFE Index (20%), MSCI Emerging Markets Index (7.5%), HFRI Diversified FOF Index (17.5%), Russell 3000 Index + 3% (lagged one quarter) (10%), Marketable Real Asset Benchmark (3%), CPI-U + 5% (lagged one quarter) (7%), Fixed Income Benchmark (13%), and BofA ML 91 Day T-Bills (2%).



FAQS ABOUT THE UH FOUNDATION *Endowment*

What is an endowment, and what does it support?

An endowment is a financial gift that provides income in perpetuity for a specified use. The principal of the gift is invested, and a portion of the return is used each year to support the school, college or program designated by the donor.

Endowments may be established for a wide variety of purposes, including faculty chairs and professorships, graduate fellowships, undergraduate scholarships and program support, visiting scholars/lectureships, and research support. Endowment gifts may be named for the donor or someone the donor wishes to honor or memorialize.

How does the UH Foundation's endowment strengthen the university?

The endowment is an enduring gift to future generations that helps provide the funding necessary to maintain the university's preeminence in an ever-changing and increasingly demanding world. The endowment provides a margin of excellence – allowing students and faculty to engage in innovative programs and advanced research that distinguish the university.

With funds invested prudently, the UH Foundation's endowment provides a reliable, long-term financial resource that can be used to attract and retain world-renowned scholars, launch exciting research endeavors, and make it possible for

the best and brightest students to join the student body, regardless of their financial situations.

Through careful investment and new gifts, the growth of the endowment can help to protect the University of Hawai'i from fluctuations in the business cycle and changes in government funding.

Who manages UH Foundation endowment investments?

Decisions regarding the investment of the endowment are made by the Investment Committee of the UH Foundation's Board of Trustees. The Investment Committee seeks superior investment returns through a diversified, professionally managed portfolio.

To achieve its objective, the Foundation retains an independent consulting firm, Cambridge Associates, with expertise in investment policy development, spending policy analysis, manager evaluation, and selection and performance evaluation.

How is the UH Foundation's endowment invested, and what investment principles are followed?

Endowment gifts are placed in a pooled fund for investment and oversight purposes. A pool of assets provides more options for investment, stronger diversification, superior returns and lower management fees. The market performance of the pool is

allocated between all the accounts proportionately so they all share equitably in the gains or losses.

A key goal of the endowment investment program is to preserve the real value or purchasing power of endowment assets – and the annual support the assets provide – in perpetuity. The funds in the endowment are managed based on Modern Portfolio Theory. The basic principle of this theory is that risk is reduced by investing in non-correlated assets.

The UH Foundation's endowment asset allocation policies therefore allow for diversification among broad asset classes (e.g., domestic and international equities, fixed income) and among the various styles within individual asset classes (e.g., "growth" and "value" within domestic equity).

To achieve this objective, Cambridge Associates recommends the percentage allocation to each asset class. Cambridge Associates also recommends professional investment managers to manage each specific portfolio management strategy of the endowment pool. Based on its assessment of the consultant's recommendations, the Investment Committee determines the appropriate allocation and selects the investment managers.

The investment managers currently employed by the UH Foundation can be found at uhfoundation.org/investmentmanagers2018.

AKAKA REGENTS SCHOLARSHIP ENDOWMENT:

Long before his election to Congress, Senator Daniel Akaka was the founding principal of a public elementary school in 'Ewa Beach. He named it *Pohakea*: to give forth light.

As we reflect on Akaka's legacy following his passing in April, we remember his spirit of aloha and his abiding commitment to education in Hawai'i.

The Senator Daniel K. Akaka Regents Scholarship Endowment, established in his honor, will continue to shine the light of education and service on the islands he loved in perpetuity.

Before his career in politics and following his military service, Akaka was a committed educator. He earned his bachelor's in music education from UH Mānoa, then spent 18 years as a teacher, vice principal and principal. Along the way, he returned to UH Mānoa for a master's in education.

To commemorate the late senator's lifelong support of education and his connection to the University of Hawai'i, Walter Dods, Jr., Bert Kobayashi, Sr., Lawrence Okinaga and Joan Ohashi led the charge to create the endowment in 2014, working with family, friends, colleagues and the community.

"Senator Akaka did so much for so many people during his career," said Ohashi. "Wherever he went, and in all his capacities, he was a true educator, and ambassador of aloha for Hawai'i."

The scholarship is already making a difference in the lives of a few of our state's brightest students.

Rebekah Kiana Loving, the inaugural recipient of the Akaka Regents Scholarship and a double major in mathematics and computer science, will graduate from UH Hilo this May.

Loving said that the Akaka Regents Scholarship has been a huge blessing to her educational aspirations.



Rebekah Loving met Senator Akaka at the Regents and Presidential Scholarship dinner on July 16, 2015.

"I've never needed to worry about how I'll cover the cost of my education or my immediate needs because of the generosity of the scholarship in covering all of tuition and providing a stipend," she said.

Each year 20 incoming first-year students are selected as Regents Scholars for outstanding academic and extracurricular achievements. The Akaka Regents Scholarship Endowment supports four of these scholars at any UH campus, giving preference to Native Hawaiians.

The prestigious Regents Scholarships encourage talented Hawai'i

high-school students to choose UH for their undergraduate studies. Regents Scholars receive a full tuition scholarship for four years of undergraduate study, an annual stipend and a one-time travel grant.

Last year the travel grant helped Loving attend the prestigious 5th Heidelberg Laureate Forum at Germany's oldest university.

"I had an incredible, unforgettable experience. Here I was able to interact with brilliant minds and pick their brains over questions I have encountered in my own research. It also taught me a whole new perspective to the world and myself," Loving said.

The forum encouraged Loving in her research and helped her make valuable connections with renowned scientists. "As the only female undergraduate in attendance, I was, at first, a little shy of my ability to have discussions with scientists and mathematicians from across the globe so beyond me in education and experience," Loving said.

"However, I quickly realized how very human and relatable the laureates were," she said. "I had wonderfully stimulating and enjoyable discussions about machine learning, abstract mathematics, applications of computer science to diagnostics, and more, with almost everyone I met."

Loving said her experience in Heidelberg and her studies at UH Hilo have given her confidence to continue pursuing her education, with the goal of earning a PhD.

A perpetual light of aloha

The UH Regents Scholars program has supported students like Loving since 1986. Neither the funding amount nor the number of annual scholarships has increased since then. Campuses used to waive recipients' tuition, but now must budget for the money. Depending on the campus, that can be as much as \$11K per year, per student.

"Our hope is that private funding like the Akaka Endowment can help offset more tuition costs for the campuses and eventually allow us to increase the number of Regents Scholarships in the future," said Malia Peters, UH Foundation director of scholarship development.

As big an impact as the scholarship has made on Loving's education, it was Akaka himself who most profoundly inspired her with his message of aloha.

"From the moment I met Senator Akaka, he began to pour out on me wisdom and aloha in the most humble and beautiful way," she remembers. "He told me of his youth. Growing up in a poor family with eight children, he said they would frequently go hungry. But his mom would be generous – even with strangers – with whatever food they had. He said at the time he hadn't understood. But then when

he was grown, he realized what a lovely thing her generosity and aloha were."

Akaka's lesson of aloha will continue lighting the way for Loving's career and future.

"I will do my best to carry on his legacy of aloha throughout my life, and I hope to share some of the wisdom he passed to me with everyone I interact with," she said. "He told me to spread the aloha spirit wherever I go. He said it was the most true, honorable and kind outpouring of love there can be."

"Since the 1930s when members of my family first started attending and graduating from the University of Hawai'i, it has played a pivotal role in our lives and ability to serve our community with the spirit of aloha.

This scholarship will help many of Hawai'i's most promising students access the transformational opportunities UH provides, and empower them to be leaders rooted in the spirit of aloha. These are the leaders our world needs."

—Senator Daniel Akaka [1924-2018]



NAKASONES INSPIRE GREATER UNDERSTANDING OF

Okinawa and beyond

July 1, 2018, marked the 10-year anniversary of the Center for Okinawan Studies at UH Mānoa. The center's mission is to promote the study of the Ryukyuan archipelago, Okinawa, and the population of Okinawa's people around the world. It is the only center of its kind outside Japan.

Students and scholars from disparate fields of study such as political science, linguistics, history, tourism, ethnomusicology, educational psychology and medicine seek a better understanding of the vast scope and richness of Okinawan culture.

To assist them in their work, the Matsuro and Tsuruko Nakasone Endowment Fund provides UH Mānoa students the opportunity to travel outside Hawai'i to study or undertake research on Okinawa-related topics.

"Thank you to our parents"

"All six of us siblings went to college because it was our parents' first priority for us. We have all gone to school and led very good lives. We want to share that," said Bob Nakasone, whose family established the endowment to mark his mother's 100th birthday in 2010.

The fund honors both parents, who came to Hawai'i from Okinawa and cherished their ethnic and cultural heritage. "We established this fund to say thank you to our parents," Nakasone said.

Tsuruko Tamanaha was born on Maui and raised in Okinawa.



Tsuruko & Matsuro Nakasone

She returned to the islands to marry Matsuro Nakasone, who had come to Hawai'i when he was 17 years old. Matsuro was first a field worker and later a cook on a Lana'i plantation, then moved with his young family to Honolulu, where he opened a hot dog stand on Hotel Street.

Nakasone remembers, "When we were growing up in the Okinawan community in Hawai'i, members of the community supported each other. It was important to them that they were not only from Hawai'i but from Okinawa as well. There's a type of unity there."

Power in diversity

More than preserving cultural unity, the fund also succeeds in sharing Okinawan culture and

history with people who may not have roots there.

"I'm pleased that recipients of these funds are not only people of Okinawan heritage. If people of any background want to know more about Okinawa and to enhance their education, that's a good combination," said Nakasone.

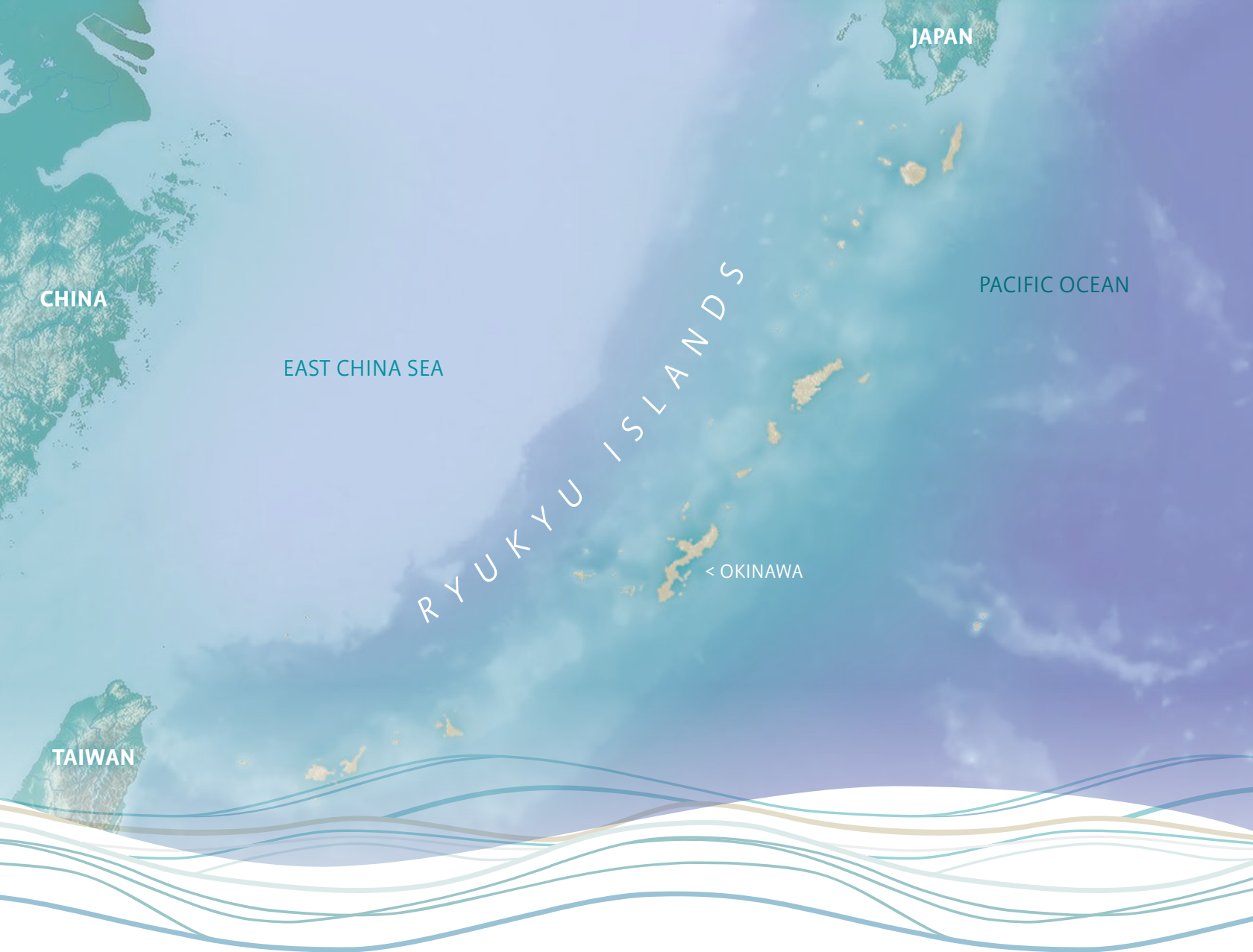
"Hawai'i is a diverse community of many ethnicities. It's powerful when people can learn about other groups and communities, and just learning from the books is not enough," he said.

"It's helpful to get into these other places, to attend conferences, and to experience the culture in a different setting. The more people know about Okinawa, the greater Hawai'i's diversity becomes."

Investing in cultural awareness

The Nakasone Fund allowed Megumi Chibana, who completed her doctorate in political science this spring, to present her research on military occupation in Okinawa and the displacement of people from their land at the Native American and Indigenous Studies Association (NAISA) conference in May 2018 at UCLA.

"The conference broadened my understanding of indigenous histories and geographies in Los Angeles. It offered me a space to network with indigenous people and scholars worldwide," she said. "I look forward to the time when I can contribute something more to the Center for Okinawan Studies."



Ryler Nielsen, another beneficiary of the Nakasones' gift, shared his research on the mixed use of the Japanese and native Okinawan languages in a Japanese television drama at the 27th Annual Columbia Graduate Student Conference on East Asia in February. Nielsen explored, both quantitatively and qualitatively, the contexts in which characters switch between the two languages.

Nielsen was able to travel to New York to meet with experts in his field from other universities. The valuable feedback he received on his research helped him improve his capstone paper for an MA in East Asian languages and



Ryler Nielsen in Central Park, NYC

literatures. He plans to continue his work at UH Mānoa as a doctoral student in linguistics.

"It was my first time ever on the East Coast of the United States," said Nielsen. "I am so grateful for the Nakasone Student Travel Fund and all those involved for their time and commitment."

"This fund is an investment, and it's paying off," Nakasone said. "We're seeing the results of our family's contribution. I talk to my siblings about it. We are very pleased with the work these students are doing, and because of this, we're inspired to contribute more each year."

LYON ARBORETUM AT 100: *Seeds of change*

At the top of the Mānoa Valley watershed, on nearly 200 acres, the Harold L. Lyon Arboretum is a vital resource for a state whose endangered plant species comprise half of all endangered plants in the U.S. The country's only university-run botanical garden located in a tropical rainforest, Lyon has one of the best collections of palms, heliconias and gingers in the world.

Lyon works to preserve and restore native plant populations. The Hawaiian Rare Plant Program (HRPP) has the largest collection of native Hawaiian plant species in the world, with more than 26 million seeds in its seed conservation lab and 33,000 in vitro plants in its micropropagation laboratory.

Some of these plants are critically endangered, numbering 50 or fewer in the wild. Many of these species are stored and grown in Lyon's new micropropagation facility in hopes of eventually restoring their numbers in the wild.

"Due to the large numbers of Hawaiian plants on the U.S. federally endangered list, our facility is one of the largest regional micropropagation labs in



the nation, based on the number of threatened and endangered species we have in our inventory," said HRPP manager Nellie Sugii.

The new lab, which had been in planning and development for more than seven years, is more secure and energy-efficient than the building it replaces. It allows scientists to grow plants in super-controlled conditions in which extremely rare species, unhealthy stock, or immature seeds might have their best chance at thriving.

The medium-term in vitro storage is high-maintenance, but offers a disease-free, climate-controlled environment for growing living plant tissue in large quantities. Lyon scientists continually develop and improve methods of caring for in vitro collections.

Lyon's seed conservation lab provides long-term storage of more than 550 species and varieties of native Hawaiian plants (about 40 percent of existing native species) to preserve genetic diversity. Researchers study seed characteristics like storage behavior, longevity, dormancy and germination.

To date, Lyon's HRPP has successfully grown about 300 of the 1,400 native Hawaiian species and sub-species. Of these, 146 are endangered or threatened, but over the past two years, more than 2,000 plants have been sent out of the lab for restoration in the wild.

Lyon's proximity to urban Honolulu and more than 50 schools makes it a desirable destination for school groups, university students, researchers and residents. "Our new building has large windows and a covered patio area, allowing for outside, non-obstructive viewing," said Sugii.

Lyon also offers adult enrichment classes. Lifelong learners take courses in cooking, yoga, beehive management, lauhala weaving, hiking, macramé, succulent planting and digital photography, led by experts in their fields.

For 100 years, Lyon Arboretum has served Hawai'i's researchers, residents, students and wildlife.

With continued support from these endowments established by visionary donors, Lyon will continue its work in Mānoa Valley for hundreds more.

- Young Memorial Garden Endowment
- Robert L. Cushing Endowment for Lyon Arboretum
- Lyon Arboretum General Endowment Fund
- Raymond F. Baker Endowed Fund for Grounds and Living Collections at the Harold L. Lyon Arboretum
- Victor & Peggy Brandstrom Pavel Endowed Fund
- 'Ohana in O'ahu: Grandmother's Garden Endowed Fund

UH FOUNDATION ENDOWMENT FUND LEADERSHIP
July 1, 2017 – June 30, 2018

Investment Committee



C. Scott Wo, *Chair*



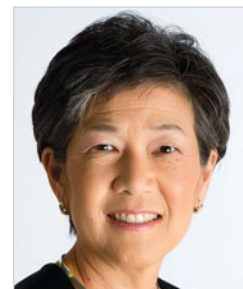
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Thanks to your planning, generosity and passion, our endowment is growing. The more it grows, the more UH can build on areas of excellence, recruit top faculty and researchers and ensure our students fulfill their potential. Like compound interest, your gifts grow in impact, making a difference today and for our future. We are committed to making sure your gift is well-managed and working as hard as it can for the University of Hawai'i. Thank you for the trust you have placed in us to help build

a brighter tomorrow.

For our university, our Hawai'i, our future