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2014

Impact

Endowment Report



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FOUNDATION



Recognizing faculty



Supporting students

FOR OUR UNIVERSITY, OUR HAWAI'I, OUR FUTURE



A message from our *Chair*

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

Your private support plays an increasingly important role for the University of Hawai'i and its ten campuses. The greatest example of the long-term power of private support is the endowed fund. 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 generosity and foresight of their donors.

In fiscal year 2014, the University of Hawai'i Foundation's endowment provided more than \$9.8 million in private support to the university, its students and its faculty. A positive return on investment of 14.9 percent and \$15.1 million in new gifts and other additions drove the endowment market value from \$226.3 million to \$261.5 million, net of payout and other withdrawals. With a well-balanced and diversified investment portfolio, we remain cautiously optimistic in our outlook for the coming year.

We recognize that you have entrusted us with your financial resources to ensure the future of this university. We promise to continue to be diligent stewards and welcome this opportunity to report to you on our endowment investment strategy and returns as well as share stories about the impact of these funds.

Mahalo nui loa,

Elizabeth S. Hokada

Chair

UH Foundation Investment Committee



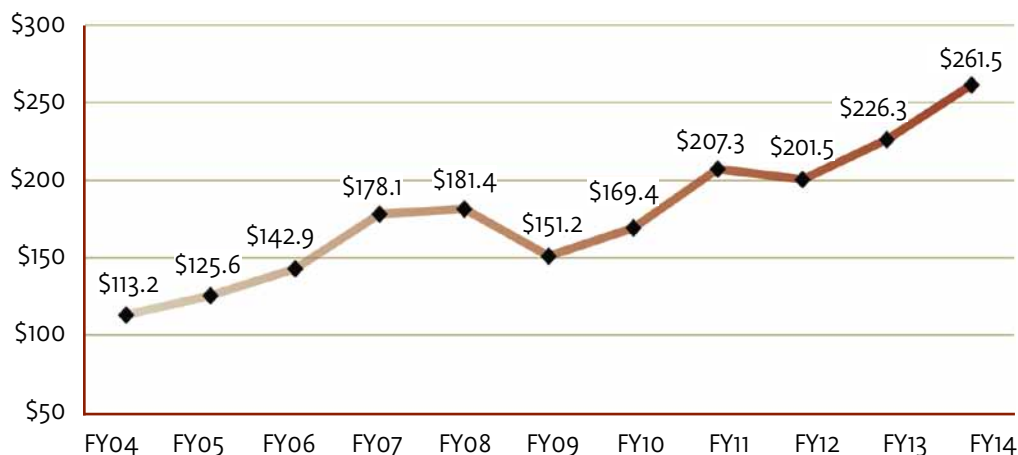
UH FOUNDATION ENDOWMENT INVESTMENTS

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. It also seeks partial protection from potentially severe adverse effects of extended deflationary environments. Generous gifts from donors and a continued, disciplined focus on investment strategies and opportunities will help the endowment grow over the long term, thereby providing support for University of Hawai'i programs and priorities into the future.

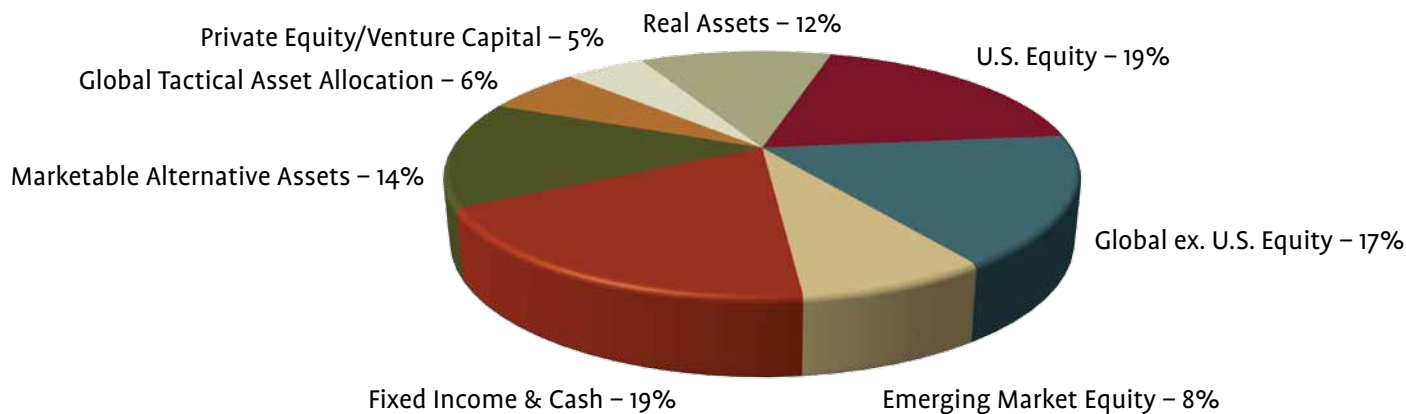
Endowment investment pool market values

\$ Millions

The UH Foundation has consistently produced competitive investment returns when compared to portfolio benchmarks and peer institutions. In fiscal year 2014, U.S. equity, global ex. U.S. equity, alternative investments, marketable real assets and private equity/venture capital were the primary drivers of performance for the year. A diversified portfolio continues to serve the University of Hawai'i's best interest over the long term.



Endowment asset allocation



Annual rate of return compared to benchmark

Annual Rate of Return	Fiscal Year 2014	Annualized Trailing 3 Years	Annualized Since 12/31/04
Actual	14.9%	8.0%	6.8%
Benchmark	14.2%	7.5%	5.6%

The current benchmark reflects a blend of Russell 3000 (17%), MSCI EAFE (17%), MSCI Emerging Markets Index (9%), HFRI Diversified FOF Index (20%), Russell 3000 Index +3% (lagged one quarter) (5%), Marketable Real Assets Benchmark (5%), CPI-U + 6% (lagged one quarter) (12%), Fixed Income Benchmark (14%) BofA ML 91-Day T-Bills (1%).



FREQUENTLY ASKED QUESTIONS ABOUT THE UHF ENDOWMENT

Q: What is an endowment, and what does it support?

A: 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.

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

A: The endowment is an enduring gift to future generations that helps provide the funding necessary to maintain the university's pre-eminence 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.

Q: Who manages UH Foundation endowment investments?

A: 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.

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

A: 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 the 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 online at www.uhfoundation.org/investmentmanagers2014.

Saving *Lives* around the *globe*

CENTER FOR THE STUDY OF ACTIVE VOLCANOES



▲ Each member of the 2012 CSAV International group points to their home country, on the world map outside the UH Hilo GIS Lab. Photo courtesy of CSAV.

On Nov. 13, 1985, the sun set on the town of Armero, Colombia, and many of its residents would not see it rise again. During the night, a small eruption at the nearby Nevado del Ruiz volcano caused a large mud flow that swept through the town and nearby villages killing more than 23,000 people.

One of the victims was a 13-year-old girl named Omayra Sanchez who was trapped for nearly 60 hours before succumbing to her injuries and hypothermia. A photograph of her plight seen 'round the world demonstrated the failure of officials to respond to the disaster.

Dr. Robert Decker was horrified by this eruption. He believed education could have saved many of those lives. No one had to die in that event. Everyone in the town could have walked to safety less than a mile away, as the warning to evacuate was issued hours before the mudflow covered the town. Having recently retired as Scientist-in-Charge at the U.S. Geological Survey's Hawaiian Volcano Observatory (HVO), Dr. Decker knew he needed to develop a training program to prevent tragedies like that of Nevado del Ruiz.

Working with HVO staff and the University of Hawai'i, he created a successful pilot program that provided field and laboratory training in state-of-the art technology for monitoring active volcanic systems. In 1989 the State of Hawai'i established a Center for the Study of Active Volcanoes (CSAV) as a cooperative effort among the Hawaiian Volcano Observatory, the Hawai'i Institute of Geophysics and Planetology, and the Department of Geology at the University of Hawai'i at Hilo.



▲ *CSAV participants prepare to run a rough sieve analysis in the field to compare grain sizes of tephra layers from the Kīlauea Iki 1959 eruption, as part of the CSAV International course. Photo courtesy of CSAV.*

Current CSAV Director Dr. Donald Thomas explains, “The program exists to help developing countries save lives. We provide a global community service. Using Hawai‘i’s active volcanoes as the learning environment, CSAV staff provide practical training to international participants to help them better monitor the active volcanoes in their countries by using the resources available to them.”

He added, “We also provide information so trainees know what equipment is available and what

may be most useful so when they have more resources they can make the most practical choices.”

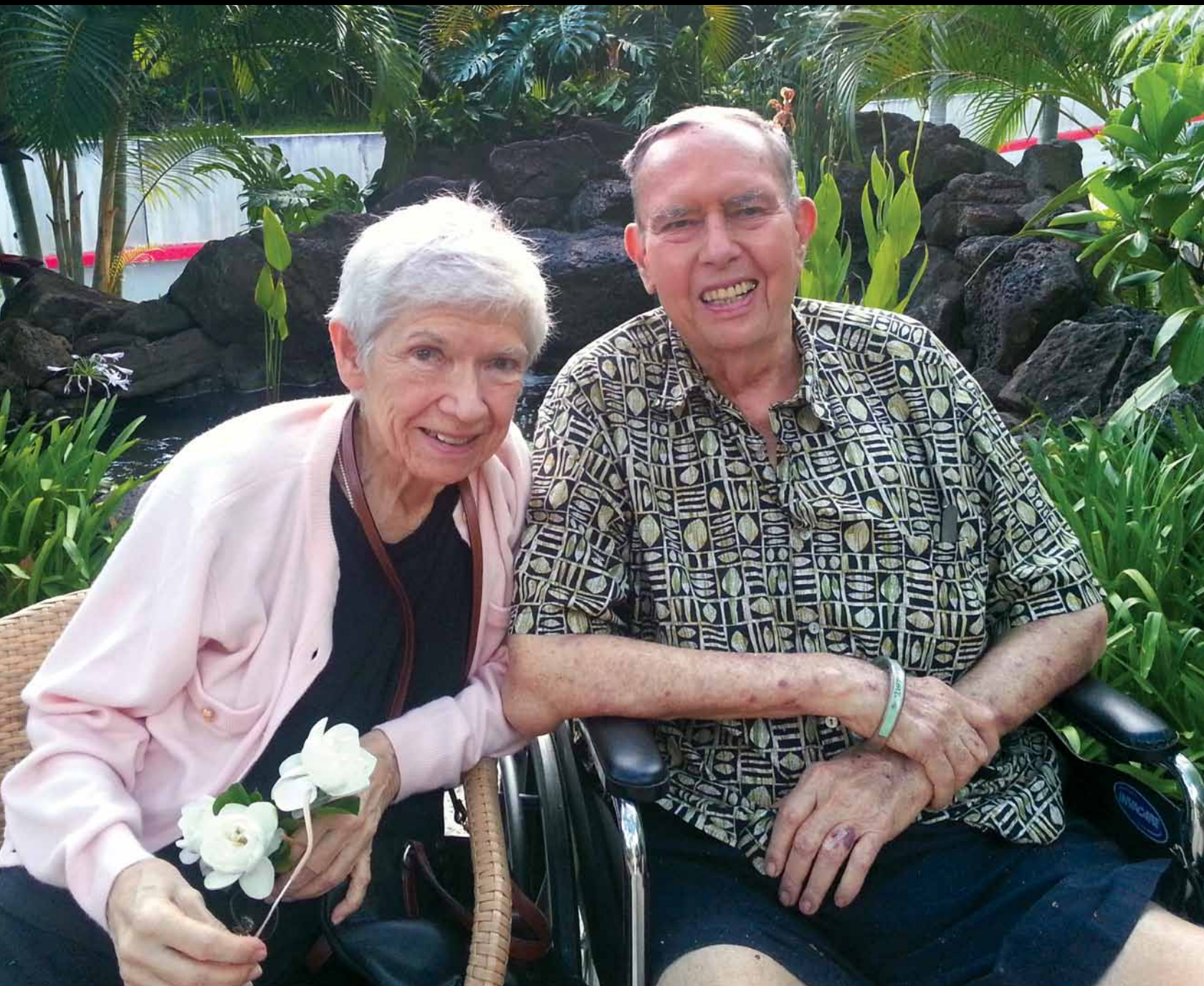
By the early 1990s, CSAV equipment helped monitor Mount Pinatubo and CSAV-trained scientists from Papua New Guinea participated in monitoring and evacuation during an eruption at Rabaul.

Over the past 24 years, 199 trainees from 29 countries have participated in the CSAV program. This includes this year’s class of 18 volcano scientists from Chile, Colombia,

Costa Rica, Democratic Republic of Congo, Indonesia, Italy, Papua New Guinea, Peru, Philippines, Saudi Arabia and South Korea. It is the longest-running training on volcanology in the world.

After Dr. Decker’s death in 2005, CSAV established an endowed international training program in his honor to recognize his fundamental contribution to the center. The endowment has just started to provide funds to help this program continue its work to save lives from volcanic eruptions.

CHARLIE & PRESTON FOX ENDOWED FUNDS



THE LEGACY OF PHILANTHROPISTS:

A lifetime of giving

“Ultimately, we are stewards. We have no ownership, we only direct things in our lifetime. We have a duty and responsibility to manage life and property with proper regard and respect for others.” – *Charlie Fox, III*

Charlie Fox passed away on Valentine’s Day. He and his wife **Preston** were married 62 years. Together, they raised two sons and shared a lifetime of giving.

Southerners by birth, Charlie and Preston gave to their communities and encouraged others to give as well. As a talented lawyer, Charlie would include funding for worthy community organizations in court settlements and legal negotiations. They were generous to Tennessee’s Tusculum College, to their alma mater University of North Carolina at Chapel Hill, and to Charlie’s law school at the University of Virginia. They helped start the Smithfield Preston Foundation to preserve the Smithfield Plantation, in Blacksburg, Va. Charlie was a longtime trustee of the Warren W. Hobbie Charitable Trust and served on the National Council of Colonial Williamsburg.

They moved to Maui in 1997 and brought their largesse and community-mindedness with them. They generously supported Lahainaluna High School and participated in causes to protect the island.

After Charlie’s death, the Lahaina News wrote, “They are the unsung nobility of the Lahaina community

– the altruistic visionaries that see the value of education and cultural preservation. Despite being from near and far, with a myriad of backgrounds and differing financial standing, they still hold a common core incentive to be pono for the future of Maui and the world in general Charlie Fox was one of these contributors.”

When they moved to Kahala Nui on O’ahu in 2006, they continued to give even as their health faltered. As Preston suffered with Alzheimer’s, Charlie struggled to care for her despite his own physical challenges.

At that time, Charlie wrote that when he first met Preston on Feb. 10, 1950, in Montreat, N.C., they “began our starlit walk that was never to end. As we come to the beginning of a new path, we remember the places we have been and those who have walked with us. We have left markers so others could follow us in Chapel Hill, Smithfield Preston Foundation in Blacksburg, Va., and Lahainaluna High School Foundation. ... As our pace slowed, we came to Hawai’i where we found a place of peace and contentment that only the culture and beauty of the aloha spirit can give. We established the Starlit Walk to Eternity Fund at UH so that others may be guided on their paths.”

Charlie and Preston created three endowed funds at the UH Foundation:

- **The Venable Endowment for UH Maui College provides annual income for institutional advancement and development activities for the college and is at the discretion of the chancellor. The name for the fund is a nod to the Venable family name of**

Preston Fox’s mother. It is a family name on Charlie’s side as well, and Preston has joked that the only reason his mom had liked her was that they were both Venables.

- **2/10/50 A Starlit Walk into Eternity Endowment for the Institute for Astronomy (IFA) provides funds to be used at the discretion of the IFA director. The institute has offices and laboratories on O’ahu, Maui, and Hawai’i Island, plus observatories on the summits of Mauna Kea and Haleakalā. With a staff of 81 PhDs from 26 different countries, it is one of the largest university astronomy programs in the world. Its goals are to explore the universe, develop new technologies for observatories, and increase understanding of astronomy through education.**
- **A Starlit Walk Present: Endowment for the Advancement of Nursing was established for UH Mānoa Nursing to fund the Nursing Dean’s Lecture Series, which brings nationally renowned speakers to educate students, alumni, nursing and other healthcare professionals. The inaugural lecture featured Carol Huston, director of the School of Nursing, California State University, Chico and former Sigma Theta Tau International Honor Society of Nursing president, who spoke about emerging technologies in healthcare. This year’s lecture featured Susan Reinhard, senior vice president at AARP and director of the AARP Public Policy Institute. She shared insights and recommendations from groundbreaking research on complex chronic care and family caregivers.**

Charlie and Preston’s “Starlit Walk” will continue to illuminate the UH community’s path for years to come – through the generous gifts they left on this Earth.

The *remarkable legacy*



of one man's *humble life*

CREATING A MORE SUSTAINABLE FUTURE, ONE STUDENT AT A TIME

This year the legacy of a retired sewage treatment plant operator touches the lives of 20 students across the seven campuses of the UH Community College System by helping them pursue their education in sustainability.

Isamu Shinshiro led a quiet life and rarely drew attention to himself. As he grew older, he decided to leave a legacy that would help lower or eliminate financial barriers that prevent students from accessing a good education and training in industries that sustain Hawai'i's natural environment, ecosystems and resources.

When he died at age 96 in 2009, he left an estate of more than \$1.6 million to establish an endowment to fund sustainability education at UH Community Colleges.

Mr. Shinshiro, in his thoughtful generosity and foresight, has already provided thousands of

dollars to students awarded the Isamu Shinshiro Scholarship for Sustainable Technology Education & Training. Shinshiro scholarships have benefited 45 students since first awarded in 2012.

"It was a very emotional moment when I found out that I was awarded the scholarship. Something in me changed. I am now more dedicated to my studies and strive to be a better student and person."

— *Brunilda DeLeon, Leeward CC*

This year's recipients demonstrate the breadth and depth of Mr. Shinshiro's generosity, for they represent all seven community college campuses and a wide range of areas concerned with sustainability – from agriculture

to automotive technology to sustainable tourism.

A student from Kapi'olani's Hospitality and Tourism program said, "One thing that I have learned is to never give up on your dreams, and this scholarship has helped reiterate that dreams do come true with hard work, passion and perseverance."

Brunilda DeLeon, one of this year's recipients from Leeward Community College, wants to pursue a plant biotechnology major. She describes her response to receiving the scholarship:

"It was a very emotional moment when I found out that I was awarded the scholarship. Something in me changed. I am now more dedicated to my studies and strive to be a better student and person."

Thank you, Mr. Shinshiro.

◀ *Shinshiro Scholarship recipient Brunilda DeLeon studies different seed germination methods by doing a manual scarification of the Prithanda remoto seed at Leeward Community College.*

Supporting a doctor who's



TO DEVELOP HAWAI'I'S NEXT GENERATION OF CARDIOLOGISTS

As a patient of Dr. Robert Hong, **Judy Pyle** was impressed with his skills, knowledge, accomplishments, passion and vision for program development at the John A. Burns School of Medicine (JABSOM).

Wishing to support Dr. Hong, Pyle, a Hawai'i resident who has previously supported the Hawai'inuiākea School of Hawaiian Knowledge at UH Mānoa, explored ways she could assist him in obtaining his vision to develop a fellowship program. Dr. Hong's vision included faculty research, clinical practice in cardiovascular disease, development of post-residency training, attracting and retaining outstanding cardiovascular physicians, and raising the standard in Hawai'i for cardiovascular care.

Pyle committed to supporting Dr. Hong's vision by funding a \$1 million professorship at JABSOM. The purpose/mission of the Judith Dion Pyle Endowed Fund is to support the Robert Hong MD Professorship for Cardiovascular Disease Fellowship Program. The endowed professorship supports faculty research, and research teaching and clinical practice in the Cardiovascular Disease Fellowship Program. It enhances JABSOM's ability to attract and

retain an outstanding cardiovascular physician-scientist to serve as a senior faculty member of this post-residency training program.

Pyle is hopeful her contribution will encourage others to support their passions and interests at UH with significant philanthropic investment for the growth and development of Hawai'i.

The physician who inspired Judy Pyle's philanthropy



Robert Hong, MD, dreamed of being a garbage collector at 5, then a nuclear physicist at 12, and settled on being a doctor in middle school.

Dr. Hong explains, "My grandfather was a cook at Hilo Hospital, and I think that growing up in a hospital affected my mom. My mother always wanted to be a doctor. Because she was a woman and economically challenged, at

that time, it was difficult for her to become a doctor. I think that the fact she wanted to be a doctor influenced my career choice."

Dr. Hong received his education and training on the mainland at Stanford, UC San Francisco, Beth Israel Hospital in Boston, and Los Angeles County + USC Medical Center. He returned to Hawai'i in 1987 and worked for 22 years in private practice, focusing on general cardiology and electrophysiology. In a fortuitous way, he became the transplant cardiologist for patients undergoing heart transplants at St. Francis. All other cardiologists had declined this role because of the requirements for time commitments and additional annual training.

Between 1999-2000, Dr. Hong served as the chief of staff of the Queen's Medical Center and resumed this role in 2013. In 2001, he became the chief of the Department of Cardiovascular Disease at the Queen's Medical Center, and in 2003 he became the chief of cardiology at JABSOM. In both roles he became increasingly concerned about the shortage of cardiologists in the state.

According to the Hawai'i Physician

Workforce Assessment, conducted by JABSOM, Hawai'i only has 60 percent of the cardiologists needed to care for Hawai'i residents. The shortage is certain to become worse. Half of the state's practicing cardiologists will reach retirement age within the next eight years, leaving the field at a time when more of our state's aging population will need cardiovascular care.

Dr. Hong's mother always encouraged his family to strive to make things better. She used to say, "If you have the opportunity to improve something and you don't have the means, it's not your fault; but if you do, it is." Remembering his mother's words, Dr. Hong knew that his mandate was clear.

Developing a plan to address Hawai'i's shortage of cardiologists

Working with Dr. Edwin Cadman, who was dean of the medical school at that time, Dr. Robert Hong set out to develop a cardiology fellowship program in Hawai'i. The effort was a long one starting in 2003.

At the start of this process, there were only a few faculty positions in cardiology. Dr. Hong came to recognize the limited funding available for faculty salaries at JABSOM but the need for the provision of cardiac services at the local hospitals.

Working with the Queen's Medical Center, Dr. Hong recruited a cadre of cardiologists who could provide needed clinical care but who also could serve on the medical school faculty. Today, 11 clinical cardiologists have been recruited into this program and serve as key clinical faculty members.

One of the other main limiting factors in the creation of a cardiology training program was the requirement for an active research program. Dr. Cadman had approached the National Institutes of Health for support of a cardiovascular research program but was initially turned down because of the lack of infrastructural support. Dr. Cadman was persistent and recognizing the ethnically diverse

population of the state, he reapplied for a grant supporting molecular cardiology research in health disparities.

In 2005, Dr. Cadman was successful in obtaining research support from the NIH. This allowed the recruitment of Dr. Ralph Shohet from the University of Texas Southwestern Medical Center and the creation of a center for excellence in cardiovascular research at JABSOM. This program subsequently resulted in additional research support and faculty.

Dr. Hong worked with his faculty to develop a curriculum with more than 150 lectures directed at education from molecular cardiology to heart disease in populations. Once the basics were established and the program accredited, the program accepted its first fellows.

Today there are six fellows with two or three new fellows accepted each year to the three-year program. Last year there were 250 applicants for two fellowship openings.

First class of cardiology fellows includes first female Native Hawaiian cardiologist

The first fellows completed their training last year. One of them was **Dr. Kahealani Rivera**, who has become the first female Native Hawaiian cardiologist and practices at Queen's.

"Native Hawaiians are two to three times more likely to be diagnosed with or die from heart disease," said Dr. Rivera. "We have so much more work to do, and I hope, as a Native Hawaiian physician, I will be able to give care to both Native Hawaiians and all people who suffer so much from heart disease."

Dr. Rivera, a graduate of Kamehameha Schools, said there were many people who told her she wouldn't last in medical training. "My father drives a milk truck

and my mother was a book-keeper," said Dr. Rivera, noting that she was the first in her family to pursue higher education.

"I am so grateful to all of those who said I could do it, and now, when I am told I will be the first Native Hawaiian woman cardiologist, it gives me a great comfort because I know I can be a role model to others," she said.

Dr. Rivera, who grew up in Waipahu, said her late mother was the person who most inspired her to achieve. She also thanked



▲ *Judy Pyle with cardiology fellows (L to R) Kahealani Rivera, MD, Anne Kemble, MD, and John Michael Chua Chiacco, MD*

Judy Pyle for investing in the future of others in Hawai'i who will have the opportunity to follow in her footsteps.

ENDOWMENT FUND LEADERSHIP: JULY 1, 2013 – JUNE 30, 2014

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L-R: Lawrence J. Taff, Elizabeth S. Hokada, William K. Richardson, T. Michael May, A. Catherine Ngo and James P. Lally. Not pictured: Arthur A. Ushijima and Richard F. Wacker.

All of us in the University of Hawai'i 'ohana are grateful
to those generous donors who invest in an endowment.

We appreciate your willingness to help
at a time when state support is waning
despite an increasing need for an educated work force.

You make all the difference.

For our part, the University of Hawai'i Foundation is devoted to
making sure your gift is well-managed and
working as hard as it can for the University of Hawai'i.



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