STATE OF HAWAIʻI
OFFICE OF HAWAIIAN AFFAIRS
560 N. NIMITZ HIGHWAY, SUITE 200
(VIRTUAL MEETING - VIA ZOOM WEBINAR)

COMMITTEE ON RESOURCE MANAGEMENT
MINUTES

March 30, 2021 2:00 p.m.

ATTENDANCE:
Chairperson John Waiheʻe, IV
Trustee Leinaʻala Ahu Isa
Trustee Kaleihikina Akaka
Trustee Dan Ahuna
Trustee Keliʻi Akina
Trustee Brendon Kaleiʻāina Lee
Trustee C. Hulu Lindsey
Trustee Keola Lindsey

ABSENT:
Vice-Chairperson Luana Alapa

BOT STAFF:
Crayn Akina
Melissa Wennihan

ADMINISTRATION STAFF:
Sylvia Hussey, Administrator / Ka Pouhana / CEO
Casey Brown, Ka Pou Nui / COO
Erin Nakama, IT
Everett Ohta, Corporation Counsel
Kevin Chak, IT
Raina Gushiken, Corporation Counsel
Ramona Hinck, CFO
Ryan H. Lee, Interim Investment Manager

GUESTS:
Craig Chaikin, Segal Marco Advisors

I. CALL TO ORDER

Chair Waiheʻe calls the Committee on Resource Management meeting for Tuesday, March 30, 2021 to order at **2:10 p.m.**

Chair Waiheʻe notes for the record that **PRESENT** are**:**

MEMBERS			AT CALL TO ORDER (2:10 p.m.)	TIME ARRIVED
CHAIR	JOHN	**WAIHEʻE, IV**	**PRESENT**	
TRUSTEE	LEINAʻALA	**AHU ISA**	**PRESENT**	
TRUSTEE	DAN	**AHUNA**	**PRESENT**	
TRUSTEE	KALEIHIKINA	**AKAKA**	**PRESENT**	
TRUSTEE	KELIʻI	**AKINA**	**PRESENT**	
TRUSTEE	BRENDON KALEIʻĀINA	**LEE**	**PRESENT**	
TRUSTEE	CARMEN HULU	**LINDSEY**	**PRESENT**	
TRUSTEE	KEOLA	**LINDSEY**	**PRESENT**	

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

ABSENT from the RM Meeting are**:**

MEMBERS			COMMENT
VICE-CHAIR	LUANA	**ALAPA**	NO MEMO RECEIVED – REQUESTING TO BE EXCUSED

II. PUBLIC TESTIMONY on Items Listed on the Agenda*

None

III. APPROVAL OF MINUTES

None

IV. UNFINISHED BUSINESS

None

V. NEW BUSINESS

A. ACTION ITEM RM #21-03: Approval of the OHA Financial Statements with Independent Auditor's Report for the Year ended June 30, 2020; and the OHA Report of Independent Certified Public Accountants in Accordance with Government Auditing Standards and Uniform Guidance, Year Ended June 30, 2020

Chair Waiheʻe turns it over to Ka Pouhana Sylvia Hussey.

Pouhana Hussey: Thank you, Chair Waiheʻe. Trustees - this is the final financials that the RM committee reviewed in a workshop last week and Administration is presenting it as an Action Item. It is a different process; but Administration feels bringing the Audited Financials to the Board in an Action Item is an appropriate process to do. If there are any questions, we're here to answer them.

Chair Waiheʻe: OK, I'll ask for a motion, before we discuss it. If I may - ***can I get a motion -***

To approve the:

- ***OHA Financial Statements with Independent Auditor's Report for the Year Ended June 30, 2020 at Attachment A; and***
- ***OHA Report of Independent Public Accountants in Accordance with Government Auditing Standards and Uniform Guidance, Year Ended June 30, 2020 at Attachment B?***

Trustee Akina moves -

To approve the:

- **OHA Financial Statements with Independent Auditor's Report for the Year Ended June 30, 2020 at Attachment A; and**
- **OHA Report of Independent Public Accountants in Accordance with Government Auditing Standards and Uniform Guidance, Year Ended June 30, 2020 at Attachment B.**

Trustee Hulu Lindsey seconds the motion.

Chair Waiheʻe asks if there is any discussion. There is none.

Chair Waiheʻe calls for a **ROLL CALL VOTE**.

							2:14 p.m.
TRUSTEE		**1**	**2**	**ʻAE (YES)**	**AʻOLE (NO)**	**KANALUA (ABSTAIN)**	**EXCUSED**
LEINAʻALA	**AHU ISA**			**X**			
DAN	**AHUNA**			**X**			
KALEIHIKINA	**AKAKA**			**X**			
KELIʻI	**AKINA**	**1**		**X**			
VICE-CHAIR LUANA	**ALAPA**						**ABSENT**
BRENDON KALEIʻĀINA	**LEE**			**X**			
CARMEN HULU	**LINDSEY**		**2**	**X**			
KEOLA	**LINDSEY**			**X**			
CHAIR JOHN	**WAIHEʻE**			**X**			
TOTAL VOTE COUNT				**8**	**0**	**0**	**1**

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

Chair Waiheʻe notes for the record that all members present vote ʻAE (YES) and the **MOTION CARRIES.**

V. NEW BUSINESS

B. Workshop / Training: Investment Fiduciary Education, Segal Marco Advisors – Craig Chaikin, CFA, Vice President

Chair Waiheʻe turns it over to Ka Pouhana Sylvia Hussey.

Pouhana Hussey: Thank you Chair. Trustees, at the request of Chair Waiheʻe and our Advisors - we have some Investment Training and Craig Chaikin is very familiar to you. You have the deck before you and we have here from Administration Ryan Lee, our Interim Investment Manager. Ryan and CFO Ramona Hinck have been working on investment related matters as well as the Audit, Cash Management, and all the policies as well. I'll turn the time over to Craig and as it is a workshop, please feel free to ask questions and anything of Craig. Thank you, Chair.

Chair Waihe‘e: Thank you, Sylvia.

Craig Chaikin: Thank you very much. It's good to see everybody again. We're going to be doing some just broad, high-level Fiduciary and Investment Education. I do realize that some of this might seem very basic to some of you, to others of you it might be, potentially something you're hearing for the first time.

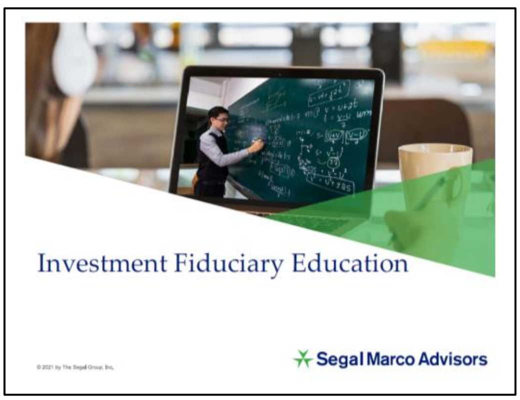
I really would encourage you all to ask questions and make comments as we're going through this because it is supposed to be interactive, not me lecturing about investments for the next 15-20 minutes.

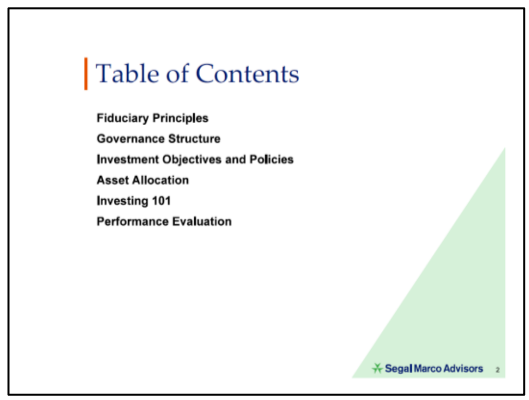
We're going to talk about what is a Fiduciary, in general, because a lot of times we do find that while people both know and understand that we might be fiduciaries as the Investment Advisor, there's not necessarily an understanding of who else is a fiduciary in terms of the plan.

Just a general idea of a Governance structure and Governance is really, how things work today and who has the ultimate responsibility for the plan.

Then we’ll go through some broad investment topics 101 Asset Allocation; we’ll talk through some of the different Asset classes, both Public markets and Private markets, and then briefly cover the need for Performance.

It's great if you've got a lot of good Investment Managers, but if you don't know how they're doing, you don't know how they're doing relative to anything else - you know, it's not a useful exercise.





Craig Chaikin: The question is, who is a Fiduciary, and you see right here in this first line. It's really anyone that exercises discretion or authority over management of plan or disposition of plan assets. That doesn't just mean your Investment Managers or those people that are directly managing them; it is the ones that are making the decisions on hiring, firing and the like.

Simply put - all of you, as Trustees are fiduciaries to the Assets of the plan. It is important to note you generally have to have discretionary authority to be a Fiduciary. Therefore, in general, custodians are often not fiduciaries because they are directed for the most part in their action. I know this doesn't pertain to you, but if you have a 401K plan or a 457 - your Record Keeper is not a Fiduciary because they are just executing actions that they are told to do. They are not making decisions on their own, so really that distinction is if you are making decisions, you are providing direct advice.

If we provide advice on Asset Allocation, on Manager Selection, that is us acting in a fiduciary capacity. By you all making decisions on those same topics as well - that places you under the fiduciary rules. So, there's a lot of different places that fiduciary responsibility shows up; you can see there. It's in the Constitution, Internal Revenue Code, Common Law, most States.

Craig Chaikin: Your State has language in statute about what it means to be a Fiduciary; I will say a lot of the fiduciary standards that people think about our tied to what is called ERISA, so that's the Employee Retirement Income Security Act, and it pertains to private sector plans. It has kind of become what I would call the gold standard for what programs try and follow. So, Public, Foundation, Endowment, and the like - in terms of how they manage and look at assets.

As I mentioned, all of you are fiduciaries and what that means is, first, you have a duty of loyalty and what that means is you should always be acting in the best interests of the plan for the ultimate benefit participants and beneficiaries. What that means is, you often wear a lot of hats in these roles. So, this is not necessarily your day job all the time, but the decisions you make here potentially have room to conflict with other responsibilities that you may have. The duty here is to the Trust and the goals and objectives of the Trust, and ultimately how you're allocating the money.

Trustee Lee, I see that you have a question.

Trustee Lee: Yeah, but it's not necessarily for you, Craig. *Is Raina on?*

Pouhana Hussey: Raina is on.

Trustee Lee: With regards to duty of loyalty, Raina. When it talks about fiduciary acts for the exclusive benefit of the members and beneficiaries. The Constitution says in Chapter 10 says that we advocate for the betterment of Native Hawaiians, but every single person in the State of Hawaiʻi votes for OHA.

So, who's our beneficiaries, Native Hawaiians or everybody?

Senior Legal Counsel Raina Gushiken: Aloha Board; Trustee Lee to your question. Your fiduciary duty is to the beneficiaries that the trust serves.

Trustee Lee: So, Native Hawaiians.

Senior Legal Counsel Raina Gushiken: Yes.

Trustee Lee: Thanks Raina. Sorry Craig, thanks.

Craig Chaikin: No, you’re good.

Trustee Ahu Isa: *May I add to that?*

Craig Chaikin: Yes ma'am. Yep.

Trustee Ahu Isa: I was going to ask the same question as Trustee Lee; because it's in the strictest sense like how you are describing it, defining it - *fiduciary*. Yet we're a semi-autonomous arm of the Government. So, a lot of time - fiduciary wise, I feel that we should do what is right, for the people that are beneficiaries. Yet the legislature; the government tells us we can't do it. They tie our hands so we're kind of a really - an anomaly. We talk about fiduciary - yet the strictest sense of the definition - of it literally. It's not true.

I mean, we can't really do it. I'm sorry, just sharing with you the Hawaiʻi politics Craig.

Craig Chaikin: So, I'll revise my definition I suppose. It's really doing what is in the best interests of the participants, in line with all legal and regulatory restrictions. It's not intended to say you always do what is best because it's what is best. You still have to work within the law and the rules that govern the plan. That is an important point. That doesn't necessarily mean you're not working towards the best interests, but fiduciaries do. You shouldn't be doing illegal things for the Trust.

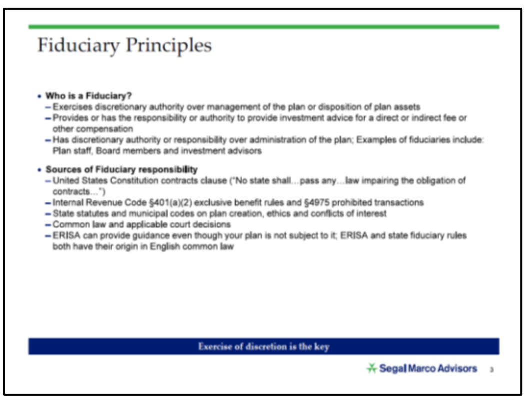
Craig Chaikin: So, the next standard is called the Duty of Prudence. You all might be familiar with the Prudent Man Standard; you should try and behave at how a current individual would behave. This standard here is a little bit different, and it's really to follow the prudent expert rule, and that's an important distinction because experts in matters of the trust might be somebody different than in other matters.

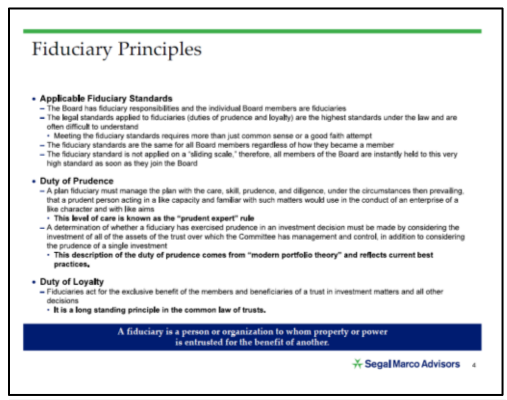
Let's say baking or construction, or something else; you should really be trying to follow what would be done prudently by an expert in investment management, asset allocation and the like. It is why you outsource some of those duties because you're not all experts in all those things. It's why you hire us. It's why you have the investment managers who are implementing on the plan. So, you're really fulfilling your duty there. I will remind you, at the end of the day, you all as a Committee and Board; do have control over the Trust and are the ultimate really '*buck stops here'* for decisions. Before I move on, *are there any additional questions?*

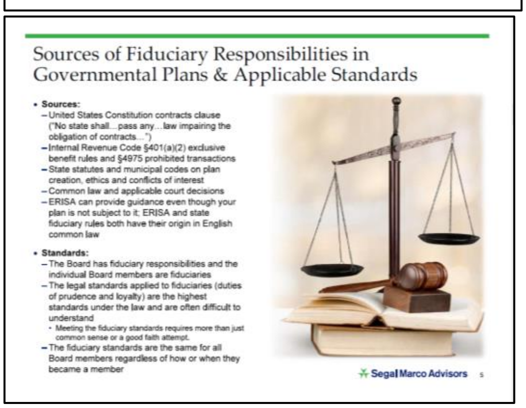
There are zero questions.

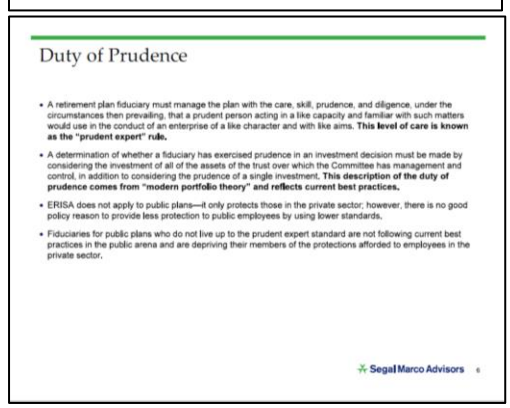
Craig Chaikin: I will make one final point. I do think it is important - being a fiduciary is not a sliding scale. What that means is just because you didn't know you were a fiduciary does not alleviate you of your responsibilities. So - as soon as you become a Trustee - all those responsibilities are yours. You don't get ramp up time. Technically, you obviously have learning time, but you are still responsible for them day one.

I think it's something important to consider and think about especially as there may be new individuals coming on board down the road.









Craig Chaikin: I'm going to skip down and talk about Governance Structure. As I talked about earlier, governance is really, outlining the processes for how things get done. Defining roles and responsibility, you can see here; lines of authority and then accountability standards.

I know I've hit on this a couple times, but at the end of the day, the fiduciary is really the oversight for everything. As I mentioned, the fiduciary generally doesn't do everything, you can see here hiring professionals; Investment Consultants, Actuaries, and Benefits Experts.

Craig Chaikin: You have Internal Operations - Sylvia, Ryan, Ramona, and the like. Then there's certainly Legal and Compliance that comes into this. So, to Trustee Ahu Isa's point, making sure you're doing things in line with the law is also meeting your standards.

At the beginning of this meeting, you all approved the audit, so you know that is another governance function to make sure that everything is done and being done correctly.

Under the Internal Operations as well, the investment managers and the custodian, the keeper of assets are involved in the day-to-day operation and implementation of the Trust goals. This chart is really intended to show that everything kind of feeds up. Things do work in conjunction together, but everything ultimately feeds up with a high, single level. There are multiple levels of oversight, but with a single decision maker at the end of the day. I'll pause there before moving on, if there are any questions.

There are zero questions.

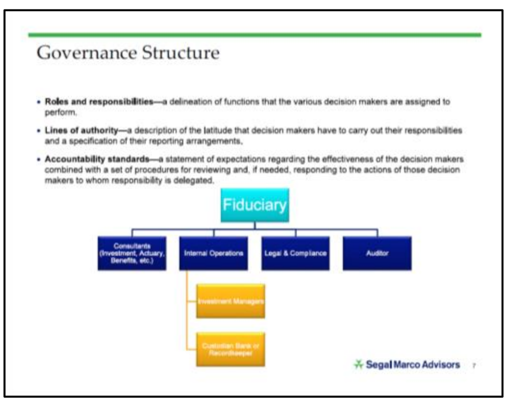
Craig Chaikin: Investment objectives. Over the last year, you all have been deeply involved in, talking about, refining, defining, what the objectives of the Trust will be. It's really what you're supposed to accomplish, you have certain legal obligations that you must meet, in terms of payout.

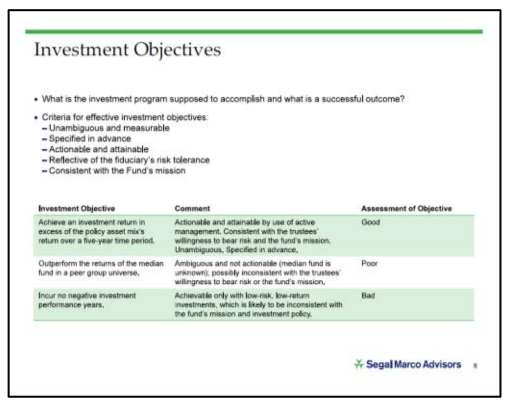
That is one of the outcomes, but in general and what this is intended to show is that objectives should be unambiguous, measurable, and reflective of what your risk tolerance is.

You see, down at the bottom, a bad objective is not incurring any negative investment performance at all. That's an unrealistic goal; even with the risk low return vehicles probably not achievable. This is certainly not a good goal.

On the other end of the spectrum - meeting an investment return in excess of the policy asset mix's return over a five-year time period - meeting that 5% payout obligation is certainly a good objective.

When we get down into talking about incorporating things like this - it is in your investment policy now, but clearly defining what the objectives are in the investment policy statement - that is ultimately what dictates how you do things and what you're trying to achieve.





Craig Chaikin: The Investment Policy Statement, it's the parameters that you discussed, total portfolio management and monitoring. I think you all are familiar with the policy statement, it outlines the Mission Roles and Responsibilities, Investment Parameters and Risk Tolerance. It will even sometimes go as far as to discuss the types of products and vehicles that you can have and are available for investment by the Trust. It outlines Performance Evaluation Parameters to make sure that things are being evaluated correctly, putting guardrails in place in terms of that and having individual manager guidelines and restrictions; it's not static.

Craig Chaikin: It is something that gets reviewed on an ongoing basis. I know the last time we had done a relatively, in-depth review on it. Ray had brought an update to all which was approved in terms of how investment products and assets were sourced. I do know that Ryan and Ramona are in the process of reevaluating that. We're working on that right now. We're talking about some asset allocation things to bring to you all - at a later date. So, it is something that's continually looked at, monitored, and updated because it really does guide a lot of the operations of the investment program and how things are done.

Asset Allocation - At the high level, it's really, how the investments are invested broadly; stocks, bonds, real estate, private equity, private credit - all those types of things.

Normally the goal for most programs is to get what we would call the *best bang for your buck*. So, either the highest return at a given level of risk, or the least risk for a given level of return.

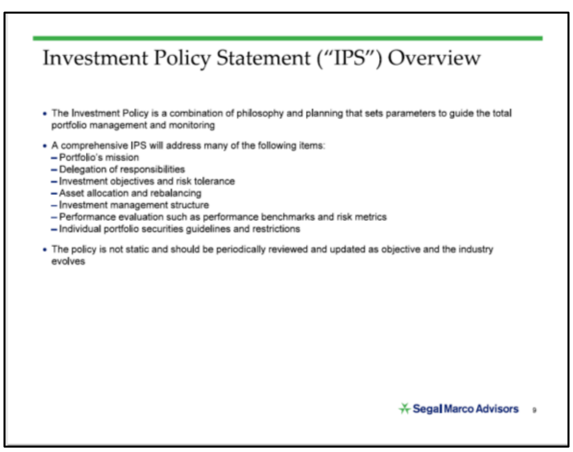
What I mean by that is if you thought your portfolio is going to achieve 7% but was going to have, standard deviation, which is how the performance will move two-thirds of the time of let's say 10. You would rather have a portfolio that are in 7% and had a standard deviation of 8, because the road to get to that 7% would be less painful through the high hills and low troughs; so really maximizing that potential.

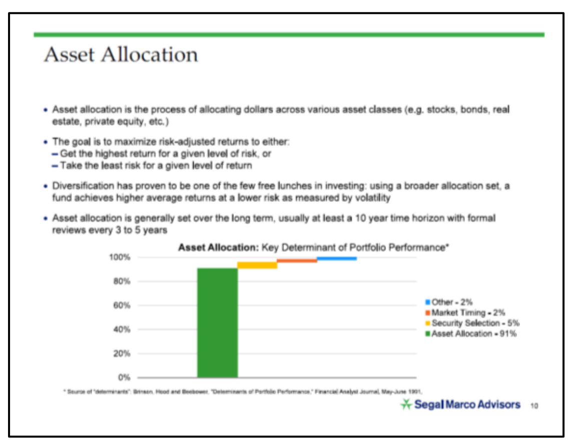
You see here diversification - we always say there's no such thing as a free lunch in investments. Generally, the higher the return you want, the more risk you need to take. In general, diversification has proven to be relatively risk free, so the more asset classes that you include, the less volatile overtime your portfolio tends to be.

What you see on that chart at the bottom is called Modern Portfolio Theory and this is the theory that we really adhere to. It's a sense that markets are more-or-less, a lot of them, are very efficient - but that asset allocation. So that broad mix of stocks, bonds, and I'll say other stuff makes up over 90% of the return of your portfolio.

The reason that I emphasize that is because we as an industry, we as consultants, and I think sometimes as Boards spend a lot of time thinking about the underlying managers, the implementation of that asset allocation. Where you can see their security selection makes up 5%, how you're moving and investing, at time market timing 2% and then just other factors 2%.

If you think about that though, just your basic mix of stocks, bonds and other stuff makes up 90% of your return and the remaining 9% of that is influenced by those other factors. So really settling on an asset allocation is going to be the primary driver of results over time.





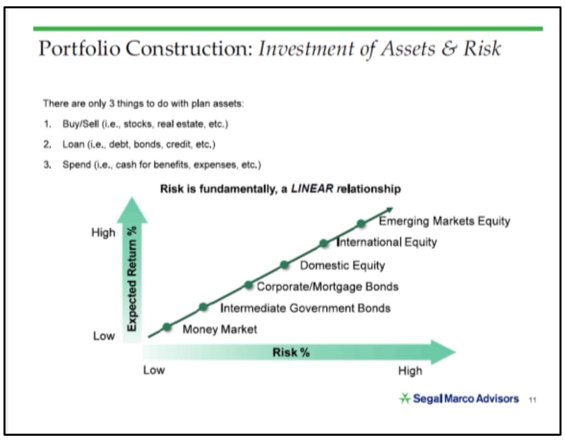
Craig Chaikin: As I mentioned a second ago, generally as you want more return - you need to take more risk. We define risk, as I said, the volatility of performance returns. Potentially very high highs, but also potentially very low lows.

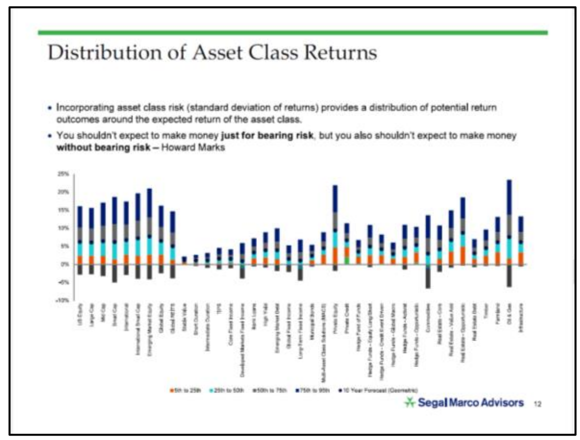
Asset allocation at a broad level - you obviously must implement on that, and there's really three things that you see here that you can do with your money. You can buy or sell it - things like buying stocks, buying direct real estate. You can loan it - which is essentially owning bonds or debt of companies, the government, and the like. Or you can spend it - so, the 5% payout for the benefit of Native Hawaiians is, obviously one of the things that you can do with your assets.

We're going to, go down and talk more about some portfolio construction stuff.

Are there any questions here before moving on?

There are zero questions.





Craig Chaikin: This is a pictorial look at why diversification makes sense. We don't know from year-to-year what the best performing asset classes are going to be. You can see what the distribution of returns looks like across various asset classes and this is why the diversification across the portfolio makes sense.

What this chart looks at as well is correlation. Sometimes you might hear people saying, oh, I diversify, I have, five large cap equity managers. That's not necessarily diversification. What correlations tell you is how individual securities, how asset classes move in relationship to one another. A correlation of one means that an asset moves in perfect tandem with another asset.

What you're looking at here in this upper left-hand corner is large cap equities. So large cap equities move exactly like large cap equities do. If the market's up 10% - large cap equity is going to go up 10%. If we go down here - core fixed income to large cap equities, core fixed income moves in the same direction or the same magnitude as large cap equities only 7% of the time. What that means is, because it has a low or a negative correlation to large cap equities it helps to smooth out the ride for the total portfolio and this is really where diversification becomes beneficial; in having asset classes with low correlations to each other.

In this chart, the green ones have relatively high correlations. As you get to yellow - they have lower correlations, and then as you're getting to orange and red they generally have even lower correlations than that.

Building a portfolio with relatively uncorrelated assets, lowers the overall risk of the entire portfolio. While an investment might be risky on its own, like emerging market equities as a standalone investment is relatively risky; but if you include that into a portfolio construction, it can actually and potentially help lower the overall risk of the total pool of assets.

This is demonstrated here. The yellow portfolio looks at a portfolio of 100% bonds. You can see over time it has a cumulative return of 128% annualized return of 5.4% and a standard deviation of 1.7.

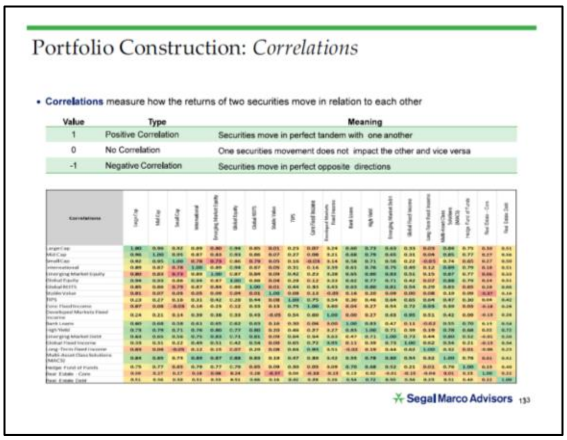
The green one is just 100% stocks, 5.3 standard deviation, or the volatility 8.4.

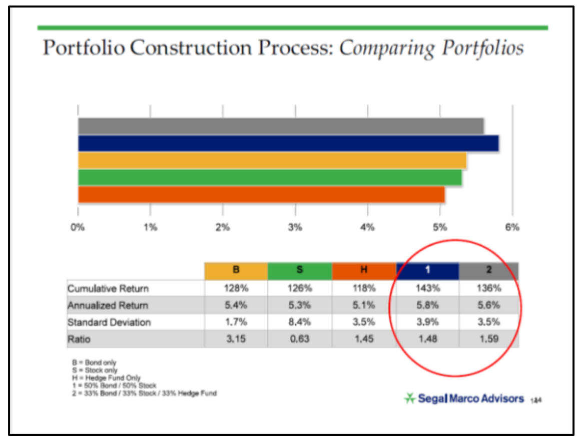
You can see just a hedge fund portfolio in the orange; 5.1 percent, 3 1/2%. Those are stand-alone portfolios.

If you just do a very simple 50 / 50 stocks and bonds, that annualized return jumps to 5.8% with the standard deviation of 3.9%. This is really the effect and impact of uncorrelated asset classes, grouping them, and the benefits that you realize overtime.

What it does is - you might not win as much on the upside, but what it does is it helps to minimize drawdowns which are really, the biggest losers for portfolios.

That final portfolio on the right accounts for a third, third, third into stocks, bonds and hedge funds, it gets you to a return of 5/6 and 3 1/2%, but this is really the numerical demonstration of why diversification works.





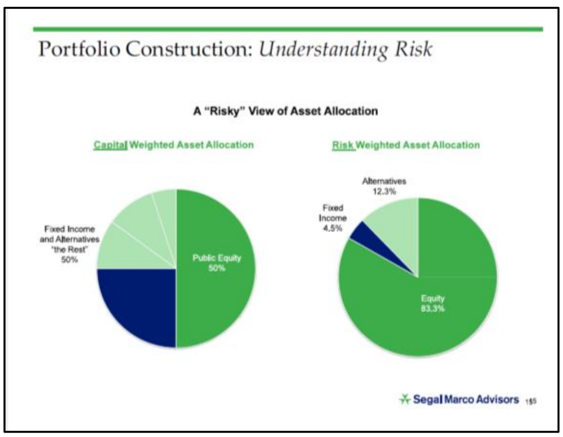
Craig Chaikin: A lot of times when we do talk about risk, we talk about the volatility. We talk about the stock and bond allocation, but really, that's what we call a capital-weighted allocation.

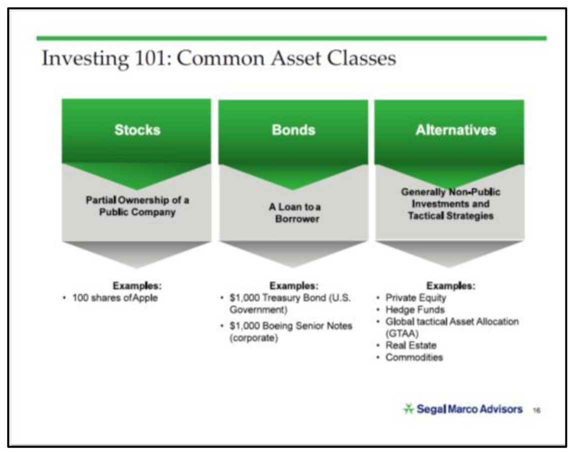
One of the things that we find helpful to look at is the risk-weighted allocation. The example here shows you that this hypothetical portfolio has 50% equities, but almost 84% of the risk or volatility of the portfolio comes from that 50%. This comes down to ultimately - risk tolerance and goals; there's a lot of ways to get to 6 1/2 or 7% allocation.

So, looking at really what the risk drivers are - can be helpful, because if you are not comfortable as a group, with a portfolio where 84% of the volatility is going to come from stocks which are higher - a lot more volatile than alternatives and fixed income.

There needs to be other solutions to get there to maybe pull down some of that risk exposure. What that also means is 50% of your portfolio is driving a very large chunk of what you see from a return perspective. You've given the volatility there.

Craig Chaikin: We've talked a lot about portfolio construction, the drivers of that. Now we'll spend a few minutes chatting about asset classes, obviously you can slice and dice this a lot of different ways. The basic asset classes you could say are stocks, bonds and alternatives. We'll talk about stocks and bonds in a second, but alternatives for the purposes of this discussion are really anything that is not publicly traded. You can't go out and find a market value for anywhere. You see things that fall under that: private equity, tactical allocation funds, hedge funds, direct real estate, commodities, things like private credit would go into here, other opportunistic investments, and the like.



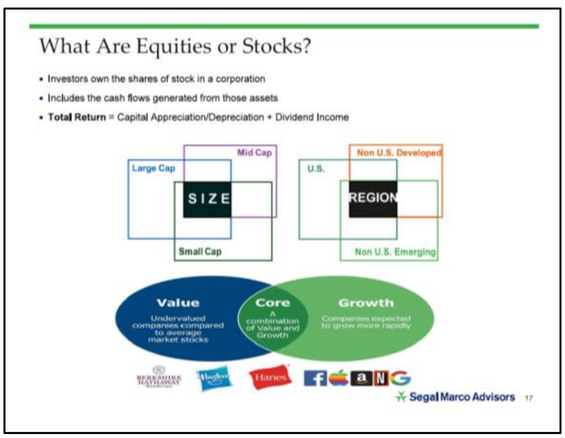


Craig Chaikin: Stocks and bonds - generally you look up on Yahoo or Google every day. Alternatives are much more complicated than your straight stocks and bonds. I think the picture at the bottom shows it well. Facebook, Apple, Netflix, Amazon, Google, names you're familiar with. You own the shares of a company, including any cash flow. So, if a company pays a dividend, and you are holding that share on the X date, you get dividend income as well as appreciation or depreciation.

Stocks have varying sizes, so you see in the chart large cap equities, very big companies. These names down here at the bottom, small cap - much smaller publicly traded company names that most of us have never even heard of and then you have mid cap - really in the middle.

You also have domestic U.S. companies, non-US developed things like Europe, Japan, UK, Australia, Canada and then non-US emerging markets. China makes up 40% of the index right now, India, Brazil, Argentina, and the like. If you can invest globally, there are definitely different risks that you can take depending on where you are investing. As technology has improved and changed, it's been much easier to invest globally than it used to be.

Looking down here at the bottom you see Value, Core and Growth, those are terms, we use as an industry to define what were viewed as really the prospects for different companies. So, value, you see they're undervalued companies generally. Generally, you see things in Energy, Space Financials tend to be a little bit more value oriented. Growth companies, things where you expect earnings to be faster and stronger than the overall market; Information technology falls into that category. Core is really a combination of growth and value, so in the core space, a portfolio or manager will have the ability or discretion to go growth or value as they are seeing opportunities out there.



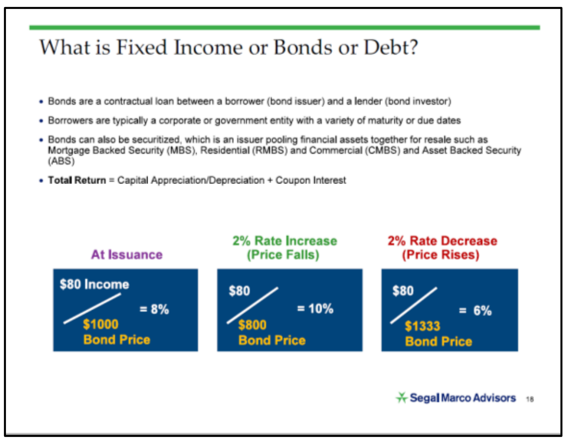
Craig Chaikin: Bonds work a little bit differently than stocks. It's a contract between a borrower and a lender. So, as a bondholder, you're really blending in entity money. It can be government - so things like Treasury's tips and the like, government issued debt or corporate debt. This is a lot of times how companies raise money to finance projects and things like that.

There also were mortgage backed or asset backed securities, which are pooled vehicles that you collect a whole lot of assets together and then sell those to the market. Bonds are a little bit different because they have a finite life. They have five-year, seven-year, ten-year spans. They do pay a coupon on a regular basis. I'm not going to go through the examples at the bottom, but you do get a fair, consistent, guaranteed income stream from bonds.

Bonds do tend to have a floor, unlike equities where you can lose it all. You will generally get back par value or the face value of your bond. The way most people think about bonds in a portfolio is kind of a *steady Eddie*, to weather off some of the volatility you see on the equity side. A lot of times it's where you might make payments from in times of catastrophe. Bonds do tend to outperform what you see on the equity side, especially government debt. They tend to act as a fairly, decent counterbalance against straight equities.

Any questions on bonds?

There are none.



Craig Chaikin: In public markets there's a couple of different ways that you can invest; one we call passive - one, we call active. Passive investing is a vehicle that's designed to replicate in index, so in the ones that everybody is familiar with on the equity side, the S&P 500, maybe the Dow Jones.

On the fixed income side, the Barclays aggregate. What those portfolios look to do is they do look to replicate not only the holdings but also the factors of the index. There's no decision-making being done if the index adds a name, the fund adds a name. When they rebalance, the fund then re balances, they are very cheap, because there's no active decision-making being done.

On the other end of the spectrum, is active management. This is what you all would equate to what JP Morgan is doing for you, and this is where you hire an investment manager that looks at something like the S&P 500 and says hey, you know what Apple makes up a lot of the S&P. Apple hasn't done anything innovative on their iPhone in 15 years; we don't want to hold 8.5 - 10% with Apple; we're going to hold 5% with Apple. They make your stock specific decisions based on your generally fundamental quantitative analysis of the individual names.

Active management takes a lot of time, it's very hard. Fees are higher there than what you see on the passive side because there are more people involved in the process. You do also have the ability to outperform the general index, but on the flip side you also have the ability to underperform the index.

Craig Chaikin: As we've talked about broadly, alternatives are really kind of a *big catch-all bucket* for things that are not publicly traded. Most people are familiar with, I'll start down at the bottom with real estate. So, private real estate is a little bit different than REITs. Private real estate, for most investors is buying into a fund that holds underlying properties. That underlying fund might hold, 80 to 100 properties you as an investor - then own shares of that.

You tend to have quarterly evaluations, so there's less liquidity - you can't get in and out of it every day which does help with some portfolio volatility. The underlying buildings, it could be multifamily housing, it could be office space in New York City, there's a whole host of things that they invest in.

Quickly the differences - a REIT does own underlying properties, but REITs are traded on exchanges so REITS look, act, and feel a lot more like equities than direct real estate.

Infrastructure, you see there without a definition, but infrastructure is really buying things like railroads and tollways, and airports and things like that. It's direct investment in what it says: infrastructure properties, commodities, natural resources; there's a lot of different ways to access that. You can hold timber in a warehouse, or you can buy into timber funds, or generally broad commodities funds, and the like.

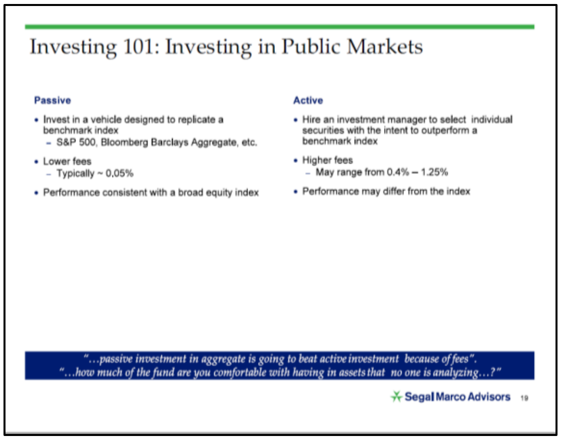
Certainly, if you're in a commodities fund, maybe that trades a little bit more, but owning direct timber assets is a lot less liquid. I know a couple of years ago, I'm forgetting the name now, but the coffee company that you all looked to invest in, that would be kind of an example of a commodity.

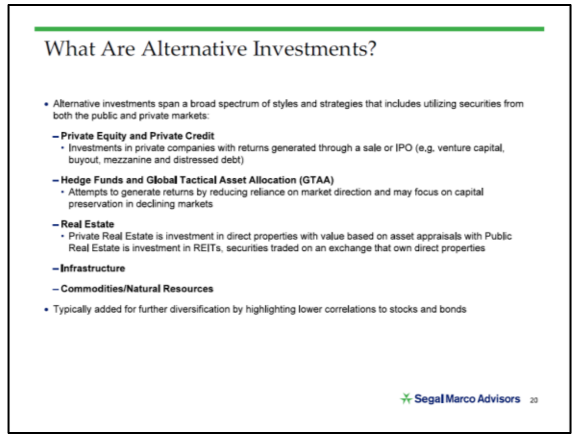
The top two you see private equity and private credit. This is really private companies that hopefully will be taken public at some point or will be sold to a bigger private company for more money. So, you can see here on that private equity side - there's a couple of different types. Venture capital getting in really on the ground floor, buyout mezzanine and then distressed debt. This is a way for investors to access companies that are not public. Yet, at the end of the day, there's potentially a little bit more risk associated with them because they're not public. Operations might be a little bit smaller. They might be controlled by somebody else; but it does offer the potential for some outsized returns. One of the things as well, is that it doesn't trade. You tend to have lock up periods of anywhere from ten to sometimes 15 years on your money, so you don't have an ability to get capital out once you've invested in these companies for growth.

Interim Investment Manager Lee: I'll just add a comment. Craig talked about the alternative investments you see here - private equity, private credit, hedge funds, global tax allocation, real estate. These investments are already in your portfolio with alternatives, so OHA has exposure to these investments.

Craig Chaikin: Yep, that's a great point, Ryan.

I would say the same thing about hedge funds and tactical allocation strategies. These are strategies, I'll call them *go anywhere portfolios*. So, they'll really look for opportunities and dislocations in the market to put your money to work and being outsized returns on that, generally - hopefully with less volatility. So, while they may invest in things that are public, the overall vehicles are not public, and they do have some lock ups to help protect capital overall.





Trustee Hulu Lindsey: I would like to ask Ryan if he can be a little bit more specific on what we already have going on the alternative investments. *What's on our books?*

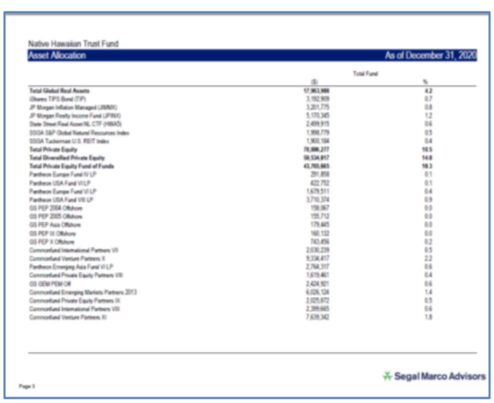
Investment Manager Lee: I'll just add that you know - it's very diversified alternatives portfolio. We have managers across the equity, buyout, and venture space. Direct real estate, hedge funds, commodity - so it's very diversified.

I think Craig is pulling up that list for you that's typically reported in the quarterly report to the Trustees. This here highlights the total front lines. What you see here, Pantheon for example, you have the same management, but you have different exposures to like European buyout, US buy out. You have different vintages as well, meaning that private equity tends to come back to market every 2-3 years. Once there are funds invested and harvested, they come back and raise new capital. So, what you see here, you have series of funds that come through, that they raise - that we are investing with.

Craig Chaikin: I'll take a second to kind of talk about that. As Ryan said, the funds come every couple of years, maybe with a new fund because unlike public equities which can be bought and sold all the time. These funds are buying into opportunities.

Let's say in 2021, they're looking to realize through sale, growth, IPO in 5 to 7 years - some type of return on those investments. Once those opportunities have been sold, they must look for and source new opportunities. Which is why you do see the different vintage years - because they're not continually, ongoing investments that they can continue to realize.

Trustee Hulu Lindsey: Thank you.


Native Hawaiian Trust Fund

Asset Allocation — As of December 31, 2020

	Total Fund ($)	%
Total Global Real Assets	**17,963,988**	**4.2**
iShares TIPS Bond (TIP)	3,192,909	0.7
JP Morgan Inflation Managed (JIMMX)	3,201,775	0.8
JP Morgan Realty Income Fund (JPINX)	5,170,345	1.2
State Street Real Asset NL CTF (HWA5)	2,499,915	0.6
SSGA S&P Global Natural Resources Index	1,998,779	0.5
SSGA Tuckerman U.S. REIT Index	1,900,184	0.4
Total Private Equity	**78,806,277**	**18.5**
Total Diversified Private Equity	**58,534,817**	**14.0**
Total Private Equity Fund of Funds	**43,765,665**	**10.3**
Pantheon Europe Fund IV LP	291,858	0.1
Pantheon USA Fund VI LP	422,752	0.1
Pantheon Europe Fund VI LP	1,679,511	0.4
Pantheon USA Fund VIII LP	3,710,374	0.9
GS PEP 2004 Offshore	158,067	0.0
GS PEP 2005 Offshore	155,712	0.0
GS PEP Asia Offshore	179,445	0.0
GS PEP IX Offshore	160,132	0.0
GS PEP X Offshore	743,456	0.2
Commonfund International Partners VII	2,030,239	0.5
Commonfund Venture Partners X	9,334,417	2.2
Pantheon Emerging Asia Fund VI LP	2,764,317	0.6
Commonfund Private Equity Partners VIII	1,619,461	0.4
GS GEM PEM Off	2,424,921	0.6
Commonfund Emerging Markets Partners 2013	6,026,124	1.4
Commonfund Private Equity Partners IX	2,025,872	0.5
Commonfund International Partners VIII	2,399,665	0.6
Commonfund Venture Partners XI	7,639,342	1.8

Segal Marco Advisors

Page 3

(This slide taken from Preliminary Analysis of Investment Performance – Period Ending December 31, 2020)

Trustee Ahu Isa: The United States government is putting a lot of money to climate control. *Do you follow that as an investment manager for our over fund?*

Investment Manager Lee: Currently we do not have a policy, but that is something that we can incorporate as we evaluate the investment policy. I would say today even the managers are thinking about ESD issues because it can impact future returns, going forward. Managers that we invest with are really thinking about how to factor that into their investment decisions.

Trustee Ahu Isa: The world is changing so super-fast. Thank you.

Investment Manager Lee: That's correct. Sure.

Craig Chaikin: As we've been chatting, I think the one thing that I would want you to take away from the discussion on alternatives is they can act as a very good diversifier, but because of the nature of the product - they have less valuation frequency.

What we had talked about on the last call - it's pretty much been the sole driver of underperformance relative to your policy index overtime. We're just now starting to get you know 1231 valuations from, all those managers that you saw on your screen. Because of the valuation, because of the private nonpublic nature, there's less transparency than you do get in the public markets.

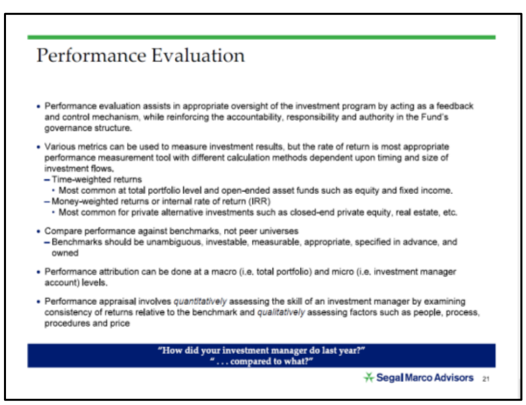
Any questions on any of this before we talk quickly about performance?

There are zero questions.

Craig Chaikin: At the end of the day, you have to pay attention to, look at, and monitor what your investments are doing. It's what you all are having us do now with our quarterly reports. Ideally it helps assist in the oversight of the program.

It helps with making changes and tweaks to overall asset allocation. It helps with manager selection, monitoring, and the like. It helps you make decisions, down the road on Manager scale; how they've done, or if you need to move in a different direction. I've talked a lot. I don't want to take up too much time talking about performance, but just leave you with that.

It is important to look at and evaluate how your managers are doing. I would say as an industry when you look at things like quarterly earnings - people talk long-term—long-term and then they help quarterly numbers. We do it as consultants as well. We talk long-term—long-term and then we come in and talk about one month or a couple weeks. Really, it's a good idea to measure results overtime, because there can be a lot of short-term dislocations that gives you a headache. If you're achieving your goals over time, that's really what the aim is.



Craig Chaikin: That will be it for me. I'm certainly happy to take any questions if there was anything we didn't cover; happy to do that. As I mentioned at the beginning, this was intended to be kind of a *higher level over of things*. If there are specific topics that you want to delve deeper into, like you want to do something more on private equity and talk in detail about venture capital, buyout, and the like we can certainly put together some presentations and do that as well.

Chair Waiheʻe: OK. Thank you, Craig. *Members do you have any questions for Craig or Ryan?*

Trustee Hulu Lindsey: Chair, I just want to ask Craig if he has this PowerPoint in hard copy - *may we have copies?*

Craig Chaikin: I can send hard copies.

Trustee Lee: It's included in our packet.

Trustee Ahu Isa: Hulu, we have it.

Trustee Hulu Lindsey: OK. I'll call for it, thank you.

Chair Waiheʻe: OK. *Are there any other questions or comments Members?*

There are zero questions or comments.

Chair Waiheʻe: Thank you, Craig. Thank you Pouhana.

VI. ANNOUNCEMENTS

None

VII. ADJOURNMENT

Trustee Akaka moves to adjourn the RM meeting.

Trustee Hulu Lindsey seconds the motion.

Chair Waihe'e asks if there is any discussion. There is none.

Chair Waihe'e asks if any members vote NO or ABSTAIN. There are no dissenting votes.

							3:04 p.m.
TRUSTEE		**1**	**2**	**'AE (YES)**	**A'OLE (NO)**	**KANALUA (ABSTAIN)**	**EXCUSED**
LEINA'ALA	**AHU ISA**			**X**			
DAN	**AHUNA**			**X**			
KALEIHIKINA	**AKAKA**	**1**		**X**			
KELI'I	**AKINA**			**X**			
VICE-CHAIR LUANA	**ALAPA**						**ABSENT**
BRENDON KALEI'ĀINA	**LEE**			**X**			
CARMEN HULU	**LINDSEY**		**2**	**X**			
KEOLA	**LINDSEY**			**X**			
CHAIR JOHN	**WAIHE'E**			**X**			
TOTAL VOTE COUNT				**8**	**0**	**0**	**1**

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

Chair Waihe'e adjourns the RM meeting at 3:04 p.m.

Respectfully submitted,

Melissa Wennihan
Trustee Aide
Committee on Resource Management

As approved by the Committee on Resource Management (RM) on April 20, 2021.

Trustee John Waiheʻe, IV
Chair
Committee on Resource Management