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

COMMITTEE ON RESOURCE MANAGEMENT
MINUTES

March 27, 2024 1:30 p.m.

ATTENDANCE:
Chairperson John Waiheʻe, IV
Vice-Chairperson Luana Alapa
Trustee Kaleihikina Akaka
Trustee Keliʻi Akina
Trustee Brickwood Galuteria
Trustee C. Hulu Lindsey
Trustee J. Keoni Souza
Trustee Mililani Trask

EXCUSED:
Trustee Dan Ahuna

BOT STAFF:
Crayn Akina
Joyce Yang
Kanani Iaea
Kyla Hee
Melissa Wennihan
Morgan Kaui Robello

ADMINISTRATION STAFF:
Stacy Ferreira, CEO / Ka Pouhana
Everett Ohta, Interim General Counsel
Grace Chen, Financial Analyst
Kelcie Wade, IT
Lauʻwae Clayton, ADM
Ramona Hinck, CFO
Ryan Lee, Director of Endowment
Sandra Stancil, ADM
Tiger Li, IT

GUESTS
Gerry Flintoft, Consequent Capital Management
Ken Pun, Pun Group
Sophia Kuo, Pun Group
Richard Pezzulo, Executive Director, Waimea Valley
Roberts "Bob" Leinau, Hi'ilei Aloha LLC
Scott Cha-Choe, Consequent Capital Management
Sharry Kim, OHA Consultant
Sylvie Chin, OHA Consultant
Vijoy Chattergy, Consequent Capital Management
Wayne Tomita, OHA Consultant

I. CALL TO ORDER

Chair Waiheʻe calls the Committee on Resource Management meeting for Wednesday, March 27, 2024 to order at **1:30 p.m.**

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

MEMBERS			**AT CALL TO ORDER (1:30 p.m.)**	TIME ARRIVED
CHAIR	JOHN	**WAIHEʻE, IV**	**PRESENT**	
VICE-CHAIR	LUANA	**ALAPA**	**PRESENT**	
TRUSTEE	KALEIHIKINA	**AKAKA**	**PRESENT**	
TRUSTEE	KELI'I	**AKINA**	**PRESENT**	
TRUSTEE	BRICKWOOD	**GALUTERIA**	**PRESENT**	
TRUSTEE	C. HULU	**LINDSEY**	**PRESENT**	
TRUSTEE	J. KEONI	**SOUZA**	**PRESENT**	
TRUSTEE	MILILANI	**TRASK**	**PRESENT**	

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

EXCUSED from the RM Meeting are**:**

MEMBERS			COMMENT
TRUSTEE	DAN	**AHUNA**	MEMO – REQUESTING TO BE EXCUSED

II. APPROVAL OF MINUTES

A. February 21, 2024

Chair Waiheʻe asks if there is anyone signed-up to testify on this agenda item.

RM Staffer Akina: No one has signed-up to testify on this agenda item nor for any other agenda item.

Trustee Akina moves to approve the minutes of February 21, 2024.

Trustee Lindsey seconds the motion.

Chair Waiheʻe asks if there is any discussion.

There is no discussion.

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

MOTION							**1:32 p.m.**
TRUSTEE		**1**	**2**	**ʼAE (YES)**	**AʼOLE (NO)**	**KANALUA (ABSTAIN)**	**EXCUSED**
DAN	**AHUNA**						**EXCUSED**
KALEIHIKINA	**AKAKA**			**X**			
KELIʻI	**AKINA**	**1**		**X**			
VICE-CHAIR LUANA	**ALAPA**			**X**			
BRICKWOOD	**GALUTERIA**			**X**			
CARMEN HULU	**LINDSEY**		**2**	**X**			
J. KEONI	**SOUZA**			**X**			
MILILANI	**TRASK**			**X**			
CHAIR JOHN	**WAIHEʻE**			**X**			
TOTAL VOTE COUNT				**8**	**0**	**0**	**1**

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

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

III. UNFINISHED BUSINESS

None

IV. NEW BUSINESS

A. Presentation by Auditors: Draft Financial Statements with Independent Auditor's Report for the Year ended June 30, 2023, Sophia Kuo, Assurance Services Director, The Pun Group LLP

Chair Waiheʻe asks if there is anyone signed-up to testify on this agenda item.

RM Staffer Akina: No one has signed-up to testify on this agenda item.

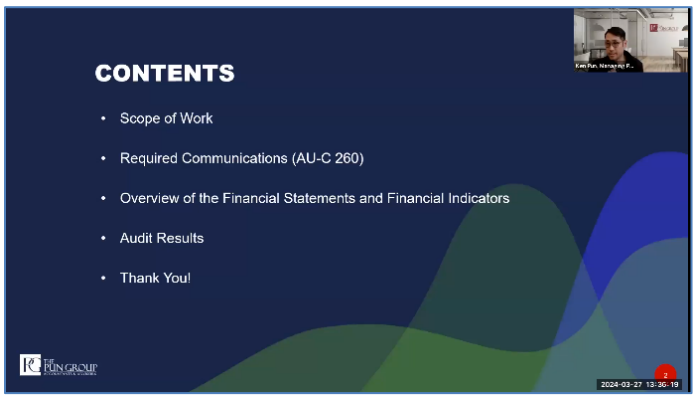
Chair Waiheʻe turns it over to Ka Pouhana Stacy Ferreira.

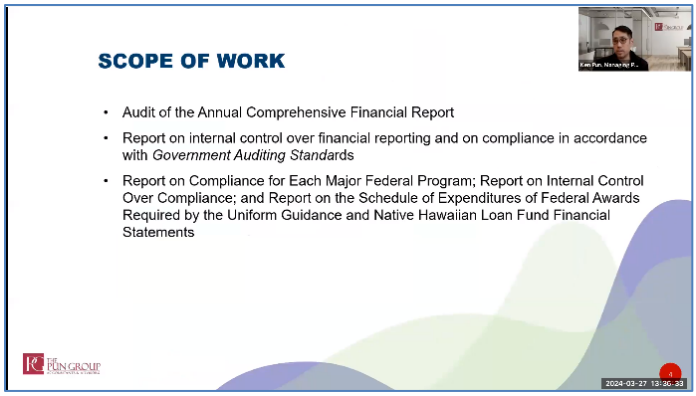
Ka Pouhana Ferreira: Mahalo, Chair. At this time, I'd like to call upon CFO Ramona Hinck to provide us with the presentation by the auditors.

CFO Hinck: Good afternoon, Chair Waiheʻe, Vice Chair Alapa, Trustees and colleagues. I would like to ask the PUN Group and Resources Global Partners to please turn on their cameras.

Aloha. To present the Office of Hawaiian Affairs and Single Audit draft financial statements for the fiscal years ended June 30, 2023, I would like to present Sophia Kuo, Assurance Services Director and Kenneth Pun, Managing Partner of the PUN Group LLP. Also present is the Resources Global Partners team that OHA engages for all our accounting needs. There is Wayne Tomita who functions as our Controller, Sylvie Chin, our Accounting Manager, and Sharry Kim, our accountant. They ensure our accounting books and records are accurate and complete for OHA; our commercial properties and our federal grants. I'd like to turn this over to Sophia and Ken now who will present the draft financials.

Ken Pun, The Pun Group: Thank you, Mona. Thank you so much. Aloha, everybody. My name is Ken Pun, I'm the managing partner and also the engagement partner assigned on the job. This is our first-year audit of the Office of Hawaiian Affairs; this is for the Fiscal Year ended June 30, 2023. Along with me today is actually the director on the job, Sophia Kuo and she will be also presenting along with me for this presentation. So, what we're going through today is a standard presentation going through the scope of work that the Office of Hawaiian Affairs engaged us to perform. There are certain required communications under the professional standard that we would like to go through on the AU-C Section 260. We'll also do some highlight on your financial statement, which we really focus on the government wide financial statement, and also last but not least is to provide you the other results here. So let me share my screen.



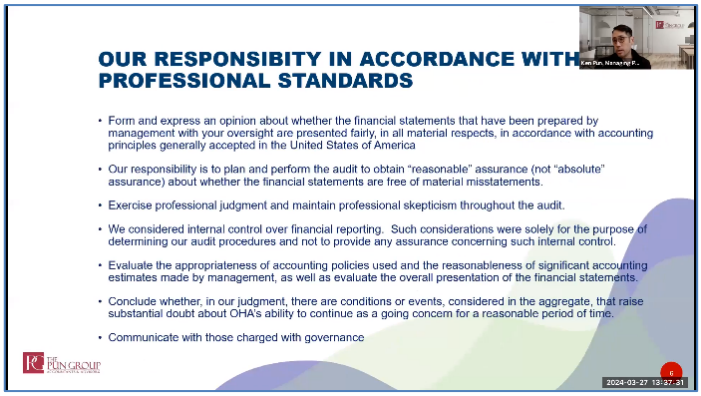


Ken Pun, The Pun Group: Let's go through the scope of work. The scope of work is actually the Office of Hawaiian Affairs, the Annual Comprehensive Financial Report, the other acronym that we call it is the ACFR. So, it's a full compliance, Government Finance Officers Association (GFOA) required, because the organization expended more than $750,000 in Federal expenditure. We are also required to perform the audit under the *Government Auditing Standard*.

So, therefore you also see a report on *Internal Control Over Financial Reporting* and on Compliance in accordance with the *Government Auditing Standard*.

Then also because of single audit, you also see a report on compliance for each major federal report on internal control over compliance and then the report on the SEFA schedule.

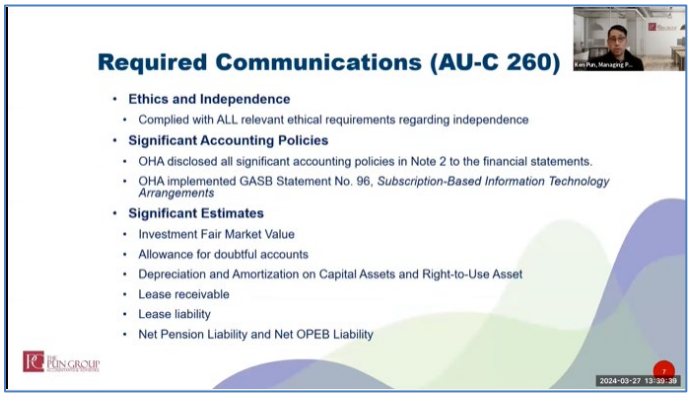
Then also you see the Native Hawaiian Loan Fund financial statements separately in the single audit report.

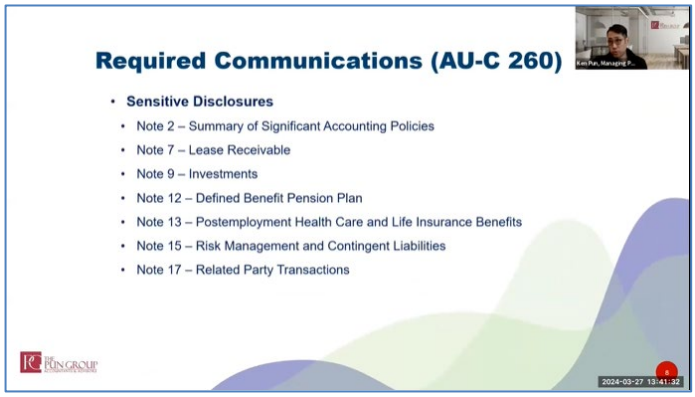


Ken Pun, The Pun Group: Required communication at the conclusion level - one of the things that we would like to talk about is our responsibility under the professional standard. Since you are engaging us to perform the audit, we are here to opine, giving you an opinion on your financial statement whether-or-not they present fairly in all material respect in accordance with generally accepted accounting principles. The Office of Hawaiian Affairs is a government agency, therefore the Government Accounting Standards Board (GASB) is the standard setting bodies for state and local government. So, you are abided by those principles.

Ken Pun, The Pun Group: Our responsibility is to plan and perform the audit to obtain reasonable assurance, not absolute assurance, that these financial statements are free from material misstatement whether due from fraud or errors. We exercise our professional judgment and maintain our professional skepticism. We are not only taking your word - we are also looking at the supporting documentation. We do consider internal control; however, we are not opining on internal control. Such consideration is solely for the purpose of determining our audit procedures at year end to make sure that we are comfortable with your numbers.

Ken Pun, The Pun Group: We evaluate appropriately on your account, like the adopted accounting policy that you used, the reasonableness on the estimate that you use in your financial statements, and also evaluate the overall financial statement presentation. At the end of the day we also need to evaluate making sure that there is no substantial doubt about the OHA's ability to continue as a going concern, and then last-but-not-least is to communicate with those charged with governance. That's what we're doing here, now, besides sending you the AU-C letter, we provide a forum for you to ask us any questions that you may have for this audit.



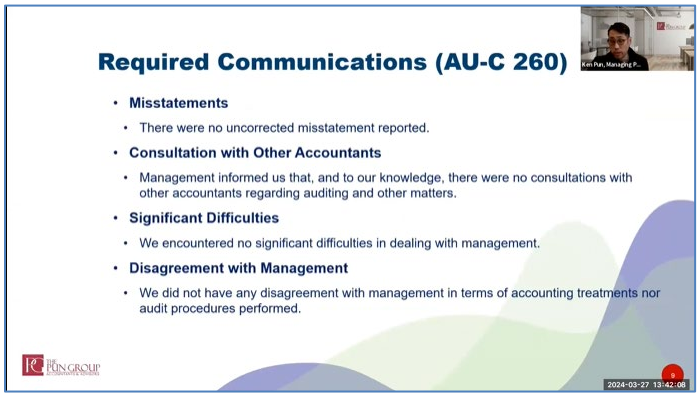


Ken Pun, The Pun Group: A couple of the required communications here regarding independence; we are independent of OHA. We did not actually have any independence issue. One of the things that we also want to point out to you, we do actually assist OHA in preparing the financial statements, which is an attest service under the government auditing standards, which means that we need to evaluate our independence because of certain threats that's been raised under the independence framework. After we evaluate everything, applying safeguard, we comply with all relevant ethical requirements regarding independence.

Very importantly your significant accounting policy of all this goes in Note 2 to the financial statements. During the current fiscal year, you do actually implement GASB statement number 96 subscription-based information technology arrangement which is very similar to the GASB 87 last year. It's applied to the same philosophy in applying those like, lease concept to subscription-based IT arrangement.

As I said earlier, there are some estimates in these financial statements including the Fair Market Value on your Investment, your Allowance for doubtful accounts, the depreciation and amortization on Capital Assets and Right-to-use Asset, the Lease receivable, the Lease liability, the Net Pension Liability and net OPEB liability are all estimated in these financial statements.

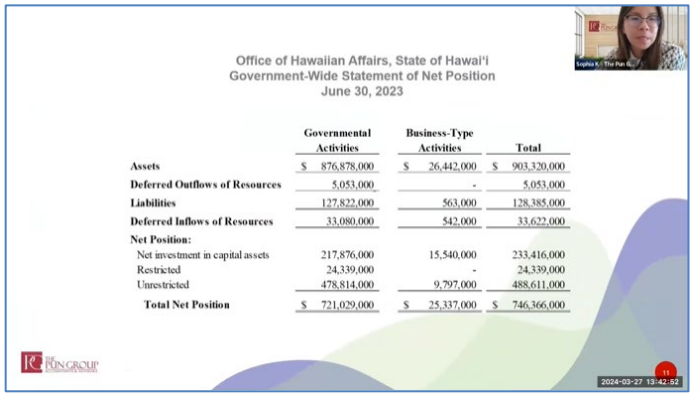
Ken Pun, The Pun Group: There are some sensitive disclosures in these financial statements, so including Note 2, which is the whole entire summary of significant accounting policies that OHA adopted. Note 7, relating to lease receivable. Note 9 is investment. Note 12 and 13, relating to your pension and OPEB account. Note 15, relating to our risk management and contingent liability, and note 17 relating to related party transactions.



Ken Pun, The Pun Group: There is no unrecorded statement reported. So, we recorded all the things that we noted. Once in a while, management also seeks outside consultation regarding any accounting principle or auditing matters to the best of our knowledge and management informed us there's no such consultation. We encountered no significant difficulties in dealing with management. Also, we do not have any disagreement with management in terms of accounting treatment nor audit procedures that were performed.

Sophia, you want to take over and talk about the financial statement?

Sophia Kuo, The Pun Group: Sure.

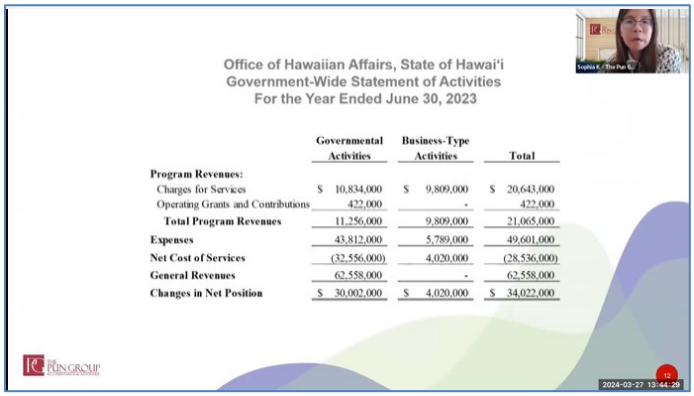


	Governmental Activities	Business-Type Activities	Total
Assets	$ 876,878,000	$ 26,442,000	$ 903,320,000
Deferred Outflows of Resources	5,053,000	-	5,053,000
Liabilities	127,822,000	563,000	128,385,000
Deferred Inflows of Resources	33,080,000	542,000	33,622,000
Net Position:			
Net investment in capital assets	217,876,000	15,540,000	233,416,000
Restricted	24,339,000	-	24,339,000
Unrestricted	478,814,000	9,797,000	488,611,000
Total Net Position	$ 721,029,000	$ 25,337,000	$ 746,366,000

Sophia Kuo, The Pun Group: So, I'll give some overview of the financial statement. From the slide you can see the governmental activities total assets at $876,000,000 and the *Deferred Outflows of Resources* which is related to pension and OPEB ended with 5 million dollars. *Liabilities* ended with 128 million dollars. *Deferred Inflows of Resources* which is related to pension and OPEB as well, $33 million and brings it to the net position and that was $721 million.

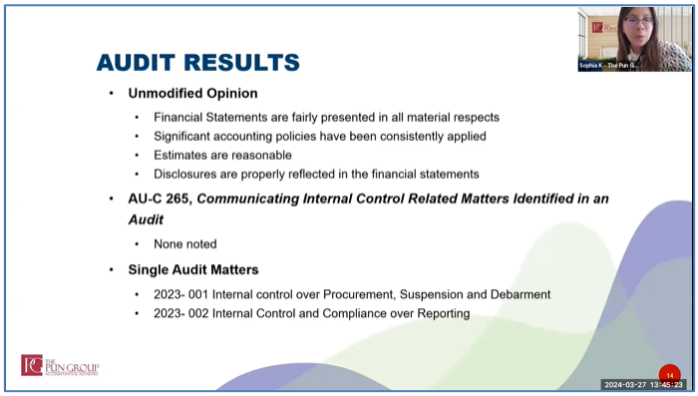
Sophia Kuo, The Pun Group: There are three categories on the net position. The first category is *Net Investment in Capital Assets* which is $217 million, that came from the capital asset net with related debt. *Restricted* net position ended at $24.3 million which came from external parties and also enabling legislation. The *Unrestricted* net position ended with $479 million. The business type of activity was not audited by us, we relied on other auditors.

Sophia Kuo, The Pun Group: The total *Assets* ended with $26.4 million with the *Liabilities* $563,000 and the *Deferred Inflows of Resources* which is related to leases came from GASB 87 with $542,000, and the net position ended at $25.3 million.



Office of Hawaiian Affairs, State of Hawai'i
Government-Wide Statement of Activities
For the Year Ended June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Program Revenues:			
Charges for Services	$ 10,834,000	$ 9,809,000	$ 20,643,000
Operating Grants and Contributions	422,000	-	422,000
Total Program Revenues	11,256,000	9,809,000	21,065,000
Expenses	43,812,000	5,789,000	49,601,000
Net Cost of Services	(32,556,000)	4,020,000	(28,536,000)
General Revenues	62,558,000	-	62,558,000
Changes in Net Position	$ 30,002,000	$ 4,020,000	$ 34,022,000



Sophia Kuo, The Pun Group: The government wide statement of activities which is income statement for OHA as a whole, the total program revenue was $21,000,000 including $11.3 million from governmental activities and the 9.8 million from business type activities. That, with the total expenses, $49.6 million resulted with Net cost of services negative $28 million, and OHA also has general revenue which came from regular tax revenue and investment related earnings which was $63 million. So, the net change in that position ended with $34 million.

Now we will go through our audit results. We are happy to say that we are issuing a modified opinion which is the best opinion of CPA firm can render; that means the financial statements are fairly presented in all mature respects and all the significant accounting policies have been consistently applied. All the estimates are reasonable, disclosures are also properly reflected in the financial statements in accordance with AU-C Section 265. If there are any issues in internal control over financial reporting, we are also required to communicate that, but we are happy to say that none of the items are to be disclosed and discussed here.

We do have some single order matters that we would like to discuss. The first one is on the internal control over procurement, suspension, and department checking which is related to checking the vendors whether they are suspended or departed from doing business with federal government.

The second item is on the internal control and compliance over financial reporting related to single audit, which is the reporting requirements due they concern.

Sophia Kuo, The Pun Group: This will conclude our presentation for today and we will be happy to answer any questions that you may have.

Chair Waiheʻe: Thank you.

Chair Waiheʻe recognizes Trustee Akina.

Trustee Akina: Thank you, Mr. Chair. Ken and Sophia, thank you for your good work, good to meet you, appreciate this. Just a couple of questions. My first question has to do with the item you presented last, that there were areas of concern starting with the vendors and so forth. *Very briefly what in particular are those concerns?*

Sophia Kuo, The Pun Group: So, for single audit that which is federally funded grants and then there is a particular requirement is that the organization receiving the federal grants needs to make sure that the vendors, that OHA or other agencies that they contract with, need to make sure that the vendors are not suspended and/or departed from doing business. There is a website that the local agencies can go online to search for those vendors before you actually contract them.

Trustee Akina: *So, you're just pointing out this as an advisory, this is not a concern with our practice, right?*

Ken Pun, The Pun Group: No, this is an internal control issue that the OHA needs to go through under the Single Audit Act, under the Federal Acquisition Act. You are required to go through and make sure that you do actually have internal control to make sure that your vendor and/or your contractor are not deported or suspended. So therefore, you actually need to have an internal control in place to check their status on sam.gov before you actually contract with your contractor.

Trustee Akina: OK, so I understand this is a recommendation for us going forward.

Ken Pun, The Pun Group: Correct.

Trustee Akina: OK, thank you.

Chair Waiheʻe recognizes Trustee Trask.

Trustee Trask: Could I ask, *when you went through the audit, did you look at the OHA endowment fund? Did you find the OHA endowment fund?* I don't see it in the data.

Sophia Kuo, The Pun Group: I think we went through all the funds and that's on the presentation. Maybe you can let me know particular funds you are looking for, then I can look into it further.

Trustee Trask: The reason why I'm asking you the question is because I can't find the funds in my office. I can only find references to the endowment fund, as well as a document telling me that we hired someone to be the Director of the Endowment fund. But I haven't been able to find it, and I was wondering if you did.

Chair Waiheʻe recognizes CFO Hinck.

CFO Hinck: I actually wanted to respond to the internal control finding over the…

Trustee Trask: Excuse me, excuse me, I'm asking Sophia, who is our independent auditor, and I'd like to get a response. *Sophia, do you recall looking at any endowment fund or do you recall interviewing or speaking with the newly hired OHA Director of the Endowment?*

Sophia Kuo, The Pun Group: So, I think again, we would like to see more details because there are a lot of funds that might be rolled up to the same presentation. So, if we can look into more details, maybe I can give you a better answer on that one.

Trustee Trask: Sophia, my address is mililanit@oha.org. I'm requesting that you send me your PowerPoint and any data you have on the OHA Endowment Fund. The reason why I'm asking this Trustees, if you look at Exhibit A, you'll see there it's on page #5 that we hired these folks to do an audit of OHA's operation in a manner similar to a private sector business, a private sector business. *Is that correct, Sophia? Is that correct? Was this audit done in a manner similar to a private sector business?* - is the question.

Sophia Kuo, The Pun Group: We are following government auditing standards.

Ken Pun, The Pun Group: Trustee Trask, what we can do, let us look at the detail and then get back to you, if possible.

Trustee Trask: You know I'd really suggest you do it, because these audits are going further to the State and the Federal investigator. I have documentation for my office on an endowment fund, in writing. The PUN group, my understanding is that you have not done previous audits of this office, - *have you?*

Ken Pun, The Pun Group: This is the first year.

Trustee Trask: That is correct, and when I look at the review, I see years of other businesses, and when I see yours, there's reporting missing to my office, starting with the endowment fund. But if I take a look at Exhibit A, page 5, it says that you were hired to do an audit similar to a private sector business. We are not private sector business, we are a uniquely empowered state agency, and I would like you to follow up on the endowment fund and report to me directly. You have my e-mail, Sir, my number is XXX-XXXX, Thank you.

Chair Waiheʻe recognizes Trustee Souza.

Trustee Souza: Thank you, Chair. Ken, the reason why you guys didn't find an Endowment fund is because there's no separate endowment account. Thank you Ka Pouhana for that response to Trustee Trask's inquiry about an endowment account. There's no endowment account that has been established or created or funded by OHA, so I don't expect you Ken to find anything in relation to an endowment account. I just wanted that on the record. Thank you very much.

Chair Waiheʻe recognizes Trustee Akina.

Trustee Akina: Mr. Chair. In the same vein, I just want to reference the Board to a memorandum from our Ka Pouhana of March 27th, 2024, which Trustee Souza quoted indicating that there is not an endowment fund. Thank you.

Chair Waiheʻe recognizes Trustee Trask.

Trustee Trask: Yeah, I just want the record to show that. In fact, we now have two sets of documents filed for the public and the Board, one of them includes an endowment fund. Following that report, I requested the detail on it, and now I have a letter from OHA saying there's no endowment fund, I don't think there was one, I think it was false reporting.

When you send out something, Board members, and you put it down that there's an endowment fund, you can't come back later and say erase it. But the problem we have, is that it was reported, and not only was an endowment fund reported, but we also received written information from the Administrator of the Office informing us who she had hired to be the Director of the Endowment fund. I have that in writing as well. And now it appears that there isn't an endowment fund. *Why did we hire someone to run it? And why does this documentation say that the PUN group was hired to undertake an audit of OHA in a similar manner to a private sector business?* - inappropriate.

Chair Waiheʻe recognizes Trustee Souza.

Trustee Souza: So, I just want to be clear, the last time the endowment was mentioned, I guess in reference to what Mililani Trask said about public notice, there's two different documents, *right?* That was in our last meeting that we had and basically it's saying that the endowment performance in the dashboard contained in the March 6th presentation, that's the presentation she's referring to. It's referring to the value, right, in reference to *the presentation as a value of all financial, commercial and land resources that comprise the various asset classes held by OHA.* So, we don't necessarily have an endowment account. Just because someone has an Endowment Director title, doesn't mean we have an endowment account. So, I just wanted that on the record just so we can clear that whole thing up of two different documents because the public is watching and I want them to know we don't have Endowment account. Thank you.

Chair Waiheʻe recognizes Trustee Akina.

Trustee Akina: Mr. Chair, I'm prepared to move on to another question, another topic unless this issue is still open. Thank you, Ken, the question about our 2023 State audit from the State auditor - the auditor pointed out that we're authorized to transfer $3,000,000 from the Native Hawaiian Trust Fund to the Fiscal Stabilization Fund. There were some questions in that audit raised as to the appropriateness of OHA's accounting for the transfers and for expenses. I wonder if you had a chance to look at that, in particular, a question is raised as to whether OHA exceeded its 5% spending limit, which would be problematic. *Just to clarify, have you found the transfers from the Native Hawaiian Trust Fund and Fiscal Stabilization Fund to be appropriately accounted for?*

Ken Pun, The Pun Group: *Can you repeat the question about like the $3,000,000 transfer?*

Trustee Akina: Sure. I was just pointing out that the auditor had reiterated that we're authorized to transfer $3,000,000 annually from our assets, the Native Hawaiian Trust Fund to Fiscal Stabilization, and I'm asking whether this has been done appropriately in accord with our 5% spending limit.

Ken Pun, The Pun Group: You know what, that one, I'll have to go back and take a look at it before I can respond.

Trustee Akina: Okay, Thank you very much. I appreciate it.

Chair Waiheʻe recognizes CFO Hinck.

CFO Hinck: I'd like to respond to Trustee Akina's question. There's a footnote, footnote O that speaks about the stabilization arrangements that we have and the three million that was transferred for the general fund that we didn't receive in Fiscal ‘21 and later received in Fiscal ‘22 and that we reversed that 3 million. So, footnote O kind of explains what happened. Thank you.

Trustee Akina: Ramona, Thank you.

Chair Waiheʻe asks if there are any questions or comments.

There are no questions or comments

Chair Waiheʻe: Thank you, to the PUN Group.

IV. NEW BUSINESS

B. Action Item RM #24-06: Approval of the OHA Financial Statements with Independent Auditor's Report for the Year ended June 30, 2023; and the OHA Report of Independent Certified Public Accountants in Accordance with Government Auditing Standards and Uniform Guidance, Year Ended June 30, 2023

Chair Waiheʻe asks if there is anyone signed-up to testify on this agenda item.

RM Staffer Akina: No one has signed-up to testify on this agenda item.

Trustee Lindsey moves to approve the draft Office of Hawaiian Affairs Financial Statements with Independent Auditor's Report for the Year Ended June 30, 2023 at Attachment A;

Approve the draft Office of Hawaiian Affairs Report of Independent Public Accountants in Accordance with Government Auditing Standards and Uniform Guidance, Year Ended June 30, 2023, at Attachment B; and

Authorize the OHA Chief Executive Officer and Administration to take all other reasonable actions necessary and appropriate to complete, issue, file and distribute the reports.

Trustee Akina seconds the motion.

Chair Waiheʻe asks if there is any discussion.

Trustee Akina: Quick comment. Thank you very much. I know it's a lot of work to conduct an audit, so thank you so much to the PUN Group LLC for doing that and thank you to our Administration for working with them. Good job, it's a good audit report, we can be proud of.

CFO Hinck: I'd like to mahalo the PUN Group for a productive and successful audit and mahalo to the Finance team.

Chair Waiheʻe asks if there is any further discussion.

There is no further discussion.

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

MOTION							Motion: 2:01 p.m. Vote: 2:04 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
DAN	**AHUNA**						**EXCUSED**
KALEIHIKINA	**AKAKA**			X			
KELIʻI	**AKINA**		2	X			
VICE-CHAIR LUANA	**ALAPA**			X			
BRICKWOOD	**GALUTERIA**			X			
CARMEN HULU	**LINDSEY**	1		X			
J. KEONI	**SOUZA**			X			
MILILANI	**TRASK**				X		
CHAIR JOHN	**WAIHEʻE**			X			
TOTAL VOTE COUNT				**7**	**1**	**0**	**1**

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

Chair Waiheʻe notes for the record that seven (7) members present vote 'AE (YES), one (1) member votes A'OLE (NO), and one (1) member is EXCUSED, and the **MOTION PASSES.**

IV. NEW BUSINESS

C. Action Item RM #24-07: Approval of OHA funding for an Event Sponsorship for the Restoration of the Heart of Maui with 98 Degrees and Friends

Chair Waiheʻe asks if there is anyone signed-up to testify on this agenda item.

RM Staffer Akina: No one has signed-up to testify on this agenda item.

Chair Waiheʻe turns it over to Ka Pouhana Stacy Ferreira.

Ka Pouhana Ferreira: Mahalo, Chair. We bring this request for an event sponsorship before you in the amount of $10,000. This is a concert that will be put on and the proceeds provided to the survivors of the Maui fires. I will yield to Trustee Galuteria if there are any additional questions.

Chair Waiheʻe: *Okay, can we get a motion for discussion?*

Trustee Galuteria: Chair, I will have to recuse myself from this particular vote because I'm on the HARA Board.

Trustee Lindsey moves to approve and authorize the following fiscal year 2024 event sponsorship disbursement totaling $10,000

Organization Name	Event	Award Amount Recommendation
The Hawaiʻi Academy of Recording Arts (HARA) and Nā Hōkū Hanohano Awards	**Restoration of the Heart of Maui Fundraising Concert** **April 5, 2024** **The Blue Note,** **Honolulu, Oʻahu** **April 6, 2024** **Blaisdell Arena,** **Honolulu, Oʻahu**	**$10,000**
Total Recommendations (1)		**$10,000**

Trustee Alapa seconds the motion.

Chair Waiheʻe asks if there is any discussion.

Chair Waiheʻe recognizes Trustee Souza.

Trustee Souza: Mr. Chair, I will also have to recuse myself as I'm a member of the HARA Board as well. Mahalo.

Chair Waiheʻe recognizes Trustee Galuteria.

Trustee Galuteria: Thank you, Chair, I just want to bring some clarity, so that hopefully the Board will approve this matter. The reason Trustee Souza and I have recused ourselves is because we're members of the Board of the Hawaiʻi Academy of Recording Arts which is the fiscal partner for those putting on this concert.

Trustee Galuteria: This particular concert is a benefit concert being put on by a group called 98 Degrees and they're giving all of the proceeds over to Maui, and in particular some of the recipients include some of the churches that have been burned down and also some of the schools as well.

Primarily, the first one out of the blocks is Waioli Church in Lahaina, and Chair Lindsey would probably be better suited to share a little bit more about Waioli Church. The Hawaiʻi Academy of Recording Arts along with the producers of the concert have been in touch with several of the churches, several of the schools, as a matter of fact, ironically, one of the supporters of this concert is going to be joining us tomorrow, Archie Kalepa. So, I hope the Board would find favor in this particular Action Item. Mahalo.

Chair Waiheʻe asks if there is any further discussion.

There is no further discussion.

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

MOTION							**Motion: 2:05 p.m. Vote: 2:07 p.m.**
TRUSTEE		**1**	**2**	**ʼAE (YES)**	**AʼOLE (NO)**	**KANALUA (ABSTAIN)**	**EXCUSED**
DAN	**AHUNA**						**EXCUSED**
KALEIHIKINA	**AKAKA**			**X**			
KELIʻI	**AKINA**			**X**			
VICE-CHAIR LUANA	**ALAPA**		**2**	**X**			
BRICKWOOD	**GALUTERIA**					**RECUSED**	
CARMEN HULU	**LINDSEY**	**1**		**X**			
J. KEONI	**SOUZA**					**RECUSED**	
MILILANI	**TRASK**			**X**			
CHAIR JOHN	**WAIHEʻE**			**X**			
TOTAL VOTE COUNT				**6**	**0**	**2**	**1**

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

Chair Waiheʻe notes for the record that six (6) members present vote ʼAE (YES), two (2) members RECUSED, and one (1) member is EXCUSED and the **MOTION PASSES.**

IV. NEW BUSINESS

D. Action Item RM #24-08: Approval of OHA funding for an Event Sponsorship for the Hoʻolehua Homesteader's Association Scholarship Luau

Chair Waiheʻe asks if there is anyone signed-up to testify on this agenda item.

RM Staffer Akina: No one has signed-up to testify on this agenda item.

Trustee Lindsey moves to approve and authorize the following fiscal year 2024 event sponsorship disbursement totaling $1,000

Organization Name	Event	Award Amount Recommendation
Hoʻolehua Homesteader's Association	**Scholarship Luau Fundraiser** **May 10, 2024** **The Lanikeha Center** **Hoʻolehua, Molokaʻi**	**$1,000**
Total Recommendations (1)		**$1,000**

Trustee Souza seconds the motion.

Chair Waiheʻe asks if there is any discussion.

There is no discussion.

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

MOTION							**Motion: 2:08 p.m.** **Vote: 2:08 p.m.**
TRUSTEE		**1**	**2**	**'AE (YES)**	**A'OLE (NO)**	**KANALUA (ABSTAIN)**	**EXCUSED**
DAN	**AHUNA**						**EXCUSED**
KALEIHIKINA	**AKAKA**			**X**			
KELIʻI	**AKINA**			**X**			
VICE-CHAIR LUANA	**ALAPA**			**X**			
BRICKWOOD	**GALUTERIA**			**X**			
CARMEN HULU	**LINDSEY**	**1**		**X**			
J. KEONI	**SOUZA**		**2**	**X**			
MILILANI	**TRASK**			**X**			
CHAIR JOHN	**WAIHEʻE**			**X**			
TOTAL VOTE COUNT				**8**	**0**	**0**	**1**

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

Chair Waiheʻe notes for the record that ALL members present vote 'AE (YES) and the **MOTION PASSES.**

IV. NEW BUSINESS

E. Action Item RM #24-09: Reappointment of Roberts "Bob" Leinau as a Non-OHA LLC Manager for Hiʻilei Aloha LLC for a 3-Year Terma from May 10, 2024 to May 09, 2027

Chair Waiheʻe asks if there is anyone signed-up to testify on this agenda item.

RM Staffer Akina: No one has signed-up to testify on this agenda item.

Chair Waiheʻe recognizes Trustee Lindsey.

Trustee Lindsey: Mr. Chair, I think most of our newer Trustees do not know Bob Leinau, so I would like for him to be introduced by his Executive Director.

Chair Waiheʻe: I will yield the floor to Richard Pezzulo, the Executive Director of Waimea Valley, and we will get a motion on the floor first.

Trustee Akina moves to approve the reappointment of Roberts "Bob" Leinau, for a three-year term and service period, beginning May 10, 2024, and ending May 9, 2027, as a non-OHA limited liability community manager for Hiʻilei Aloha, LLC

Trustee Souza seconds the motion.

Chair Waiheʻe recognizes Waimea Valley Executive Director, Richard Pezzulo.

Waimea Valley Executive Director Pezzulo: Thank you, Chair, Trustees and Pouhana. Thank you for having us here today. Bob has been a manager for the last three years. He's been a very active manager and he has very deep roots in Waimea Valley; thirty years ago, he was the manager there. He worked with Uncle Rudy Mitchell, he was the person who was responsible for really laying the foundation for the cultural programming we do today.

He also worked closely with Keith Williams who developed the botanical gardens, and as I said, he's a very active manager. He reads everything, and he asks a lot of questions, which is a good thing. So, I really highly recommend to have Bob be extended for another three years, not only because he's a really good manager, but eventually I'll be transitioning and it will be good to have that continuity. Right now, my plan is to finish the end of next year, 2025.

Trustee Lindsey: You have to serve as long as Bob, *right Bob?*

Audible laughter and head shake from Bob

Waimea Valley Executive Director Pezzulo: Thank you.

Chair Waiheʻe asks if there is any further discussion.

There is no further discussion.

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

MOTION							Motion: 2:10 p.m. Vote: 2:11 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
DAN	**AHUNA**						**EXCUSED**
KALEIHIKINA	**AKAKA**			X			
KELIʻI	**AKINA**	1		X			
VICE-CHAIR LUANA	**ALAPA**			X			
BRICKWOOD	**GALUTERIA**			X			
CARMEN HULU	**LINDSEY**			X			
J. KEONI	**SOUZA**		2	X			
MILILANI	**TRASK**			X			
CHAIR JOHN	**WAIHEʻE**			X			
TOTAL VOTE COUNT				**8**	**0**	**0**	**1**

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

Chair Waiheʻe notes for the record that ALL members present vote 'AE (YES) and the **MOTION PASSES.**

IV. NEW BUSINESS

F. Consequent Capital Management (CCM) – Independent Board Investment Advisor

1. **re: Changes in CCM personnel, Ken Simon, CEO**
2. **Discussion on a financial entity, Vijoy Chattergy, CIO (external)**
3. **Discussion on private equity investment programs, Gerry Flintoft, Head of Private Markets**

Chair Waiheʻe asks if there is anyone signed-up to testify on this agenda item.

RM Staffer Akina: No one has signed-up to testify on this agenda item.

Chair Waiheʻe turns it over to Independent Board Investment Advisor Vijoy Chattergy.

Independent Board Investment Advisor Chattergy: Aloha mai kākou, Chair, Trustees, Ka Pouhana, Staff. Thank you very much. As you know, we're Consequent Capital Management, Independent Board Consultant. My name is Vijoy Chattergy and for the first time, I'm not actually in the Boardroom with all of you for this particular meeting, I'm in Colorado on another client outside of Consequent that I work with. I'm also joined by Scott Cha-Choe and Gerry Flintoft and we're going to proceed with our usual education session as well as we have a personnel announcement. The Wi-Fi connection that I have has been a little unstable, but I will quickly jump back on if I do get kicked off.

Independent Board Investment Advisor Chattergy: Today's session, we have three sub-items on the agenda, I'll say that the overall theme for our presentation is really kind of Identity and Private Equity. Identity, we're talking about how to think of yourselves as an investor, what's the space that you occupy in the investment community as a Capital Markets participant, and some of that I think has come up because of this ongoing conversation about:

- *Are you an endowment?*
- *Are you not an endowment?*
- *How should you be structured? ; and*
- *It is important to kind of know yourself?*

Independent Board Investment Advisor Chattergy: You go back to Aristotle and the Western and the Eastern philosophies, you also have this idea of needing to know who you are and know who your enemy or others in the marketplace are. So, it is something important, and we can talk about that in more detail.

Another part of the presentation, which Gerry Flintoff has put together, focuses on you as a private equity investor and your program, and as you recall from our observations at a previous meeting, we identified your private equity program or your private markets program as something that needs immediate attention to maintain the sort of investment opportunities and structure going forward. So, Gerry will go into a little more detail about that and we actually may have that as continuing business and return to it a couple more times, going forward.

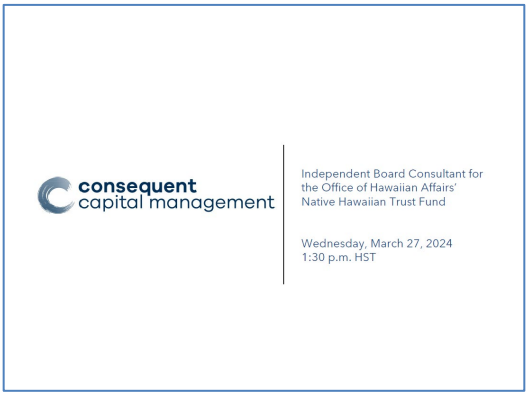
So, that's what we hope to accomplish today, but the first item, as you'll see, is that we do have a personnel change announcement. Ken Simon, our CEO, was hoping to make that presentation, but he was at another client meeting in Michigan earlier today, and he's actually, I think, traveling back. So, I'll just note it, and then ask that Scott Cha-Choe say a few words. The announcement is that Scott has decided to leave Consequent, he has an opportunity to go back into banking where he had been previously and he's going to relocate to New Jersey from Atlanta. But he has been on the team and been very helpful overall in our efforts to service the OHA mandate. Scott's responsibilities are going to be taken over by Jeffrey Fischer, who's worked with Consequent for the last five or six years in different capacities and Scott can maybe give you a little more detail there. *Scott, do you want to say a few words to everyone about your plans and your departure and then we'll move on from there?*

Scott Cha-Choe - CCM: Thank you very much Vijoy. Aloha honorable Trustees and respected CEO and OHA staff members. You know, it was a real honor to be associated and having your organization here, as you know, I grew up in Hawaiʻi and so to connect the firm to Hawaiʻi was just such a great beginning and that was because of my relationship with Vijoy and he's a very talented, resourceful person that I think will be a great fiduciary in continuing to help to lead our firm.

I just had a great opportunity to join CBB Bank, which is headquartered in Los Angeles. It's a California Chartered Bank and coincidentally they purchased Ohana Pacific Bank back in 2021 and my father-in-law was a founding member of Ohana, so there is a connection, and the CEO of Ohana Pacific Bank became the CEO of CBB Bank, so I'm familiar with him and their leadership. Prior to joining Consequent, I was actually with Bank of Hope, who my classmate is the majority shareholder, who sold his shares to Ken, so that is the connection. But my manager, who will be the regional president in the Northeast, he'll be in charge of the whole East Coast and the opportunity is that I will be simultaneously working on a SE expansion plan while he rolls out the Northeast. So, I get to return to Fort Lee, NJ, where the regional headquarters will be, where I started my banking career and enabled me.

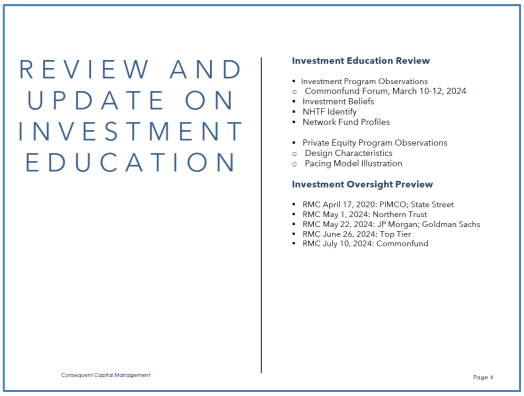
Scott Cha-Choe - CCM: But the hope is that we have 3 branches because of the legacy relationship with Ohana, in Honolulu County, and I would love to visit if I can keep that connection there with Hawai‘i and say hello to you in person one day. So, with that, thank you and again with Ken Simon at the helm and Vijoy serving as our Chief Investment Officer with Consequent you'll be in good hands, and will continue to benefit from their expertise and engagement. So, I thank you and appreciate this time, even though short, getting to know everyone and serving you.

Independent Board Investment Advisor Chattergy: OK. Thank you very much Scott, and obviously we wish you well and appreciate you coming on and making that statement since you've been very involved.



Independent Board Investment Advisor Chattergy: If we go to the first set of presentation materials, which is our usual slide deck. I'll just note on page 2, we're following the same format. So, there's a little background information, then I'm going to give you a little bit of an update on activities in terms of the education session which we'll move through. We're talking about beliefs, identification and network, so I'll go into a little more in each of those slides. And then there is an appendix that refers to kind of some ideas about how you think about setting up investment beliefs, and I'll talk more about that, and then we've got our glossary.

Then as a second presentation material, Gerry has provided some stuff on private markets and private equity in particular, and so we'll hear from Gerry at the third part of our presentation today.



Independent Board Investment Advisor Chattergy: So, page three is something that you've seen before and if you go on to page 4, in terms of the investment education review on the top of the right hand column there. So, the investment program observations, and you know that's that idea, we're in problem space as opposed to solution space. I'll have a few comments about the Commonfund forum that many of the Trustees had attended in Orlando recently, and these are again just my observations or thoughts and happy to discuss further.

Then I'd like to talk a little bit about investment beliefs and how asset owners use that, and refer to that in their own work, and there are a lot of large institutional investors that sort of described their investment beliefs as part of their overall documents.

Then in terms of the Native Hawaiian Trust Fund and sort of how to identify yourself as an investor, in particular, we have a matrix or chart that I'd like to review with all of you, and again, that's another discussion item. And I know there's been a lot of conversations and discussions going on related to that, and that is something we welcome, because I think it helps you to position yourself as an investor.

And finally there's a there's several pages of profiles of other types of investors in the marketplace that may have some similarities and certainly have some differences from OHA, as you are unique.

Independent Board Investment Advisor Chattergy: I was also asked in making a couple of revisions on some of the slides to include a profile of OHA, which staff asked me to do, and I went ahead and put something together. So, that was not in the material that was passed out, but that is a slide that I can certainly make available at some point.

It's using your publicly disclosed information to sort of describe how you describe yourselves similar to these other pages that you see with Alaska and New Mexico and others there, and we can certainly talk more about that later.

Then we have the private equity observations that are going to come up and Gerry will walk you through some of the design characteristics and an illustrative pacing model.

Then the final thing on page four, as you can see for the planned upcoming RMC meetings, you are going to hear from a number of your managers or prospects and service providers, and we will possibly have additional material from CCM during those meetings, but the bulk of them may be a chance for the Trustees to interact and hear from their fund managers that are actually managing your assets at this point.

Independent Board Investment Advisor Chattergy: If we move on to page 5, just a couple of observations regarding the Commonfund Forum 2024, which I know that the Commonfund is a long-time manager for OHA assets, and also Trustees have attended the forum over a number of years.

Overall, I did find it to be a very helpful and topical set of meetings and sessions, and we also did, in addition to the Trustees, I should note that we had staff as well as CEO and the Endowment Director. So, it was well covered in terms of OHA, and that makes sense.

I note on the right side some of the general sessions, selected sessions and the Bespoke session that OHA had set up and our ability to have conversations. I would note that of the types of conferences out there, this one is not done by a sponsor, there are not other competing viewpoints or participants. This is a single manager forum which can be valuable, but you should also view it a little bit skeptical as that it is a big opportunity for them to just put forward their best foot and be an advertisement, because they control all the speakers, they control all the attendees, and so that's just something to keep in mind in terms of they're going to put forward their best foot and they're not going to have anything that sort of detracts from their overall message and their relationship with their clients, and they did a very good job of that I felt, and they're very persuasive.

I would also note that in speaking with Commonfund staff there, I asked if any of the attendees were kind of like in the tax exempt status of OHA, and I said maybe 80% of the folks here are kind of endowment foundations and file a 990 form which we can talk about, and the response was that actually 95% of probably their clients are in that category which makes them a little bit different than OHA.

Independent Board Investment Advisor Chattergy: I was also told that there was a public pension plan that attended the meeting last year, and in terms of trying to understand what your service providers, what your fund managers are good at. There were no other public plans that I could see attending this year and certainly there were no prominent ones. I don't think public pension plans use OHA, so it was kind of interesting that there was a public plan that hired them for some reason, and I can talk about that more maybe offline.

I would note that because you are only interacting with Commonfund clients there, the networking opportunities are kind of limited to that universe, and I did manage to have a conversation with the University endowment that was there, and interestingly enough, as Commonfund said, the best way to work with them is either as an OCIO or as an alternative specialty manager covering all your alternatives. That's not clearly how OHA works with them, but this university endowment uses them for just kind of interesting ideas or best ideas, in many respects, this university uses them the way a family office might use a group like Commonfund and from further conversations, I understand that the head, the CIO of that university actually comes from a family office background. So again, that's just all to kind of a put in context, my impressions of the event, by your longtime manager.

I do encourage the opportunity to maybe attend other types of events, whether they're sponsored by a group or they're multiple sort of managers that are independently presenting over time, those sorts of environments can be useful, just as this kind of environment can be useful to a point. I have recommended to Chair and to CEO that there is a conference coming up called the Milken Global Conference, that it would make sense for someone from OHA to attend, and I think that may be decided later. But there are other events, like that, that can be very valuable in terms of establishing yourself and getting market Intelligence. So that's all I really have to say about the Commonfund forum right now.

Investment Beliefs

Takeaways:

Investment beliefs reflect how the capital markets are understood and interpreted through the investment portfolio.

- Broadly held by entity
- Communicates activities and strategies
- Educates leadership and staff
- Positions entity in the marketplace
- Provides continuity through time

- **Investment Beliefs Statements** articulate the fundamental perceptions of trustees and their institutions on the nature of financial markets and the role they play in these markets…help trustees, fiduciaries, and others responsible clarify their views on the nature of financial markets through which they must operate and how these markets function. (Koedijk et al., 2009)
- Not a **Mission Statement**
  - Fundamental goals
  - Reason for existence
- Not an **Investment Policy Statement**
  - Roadmap to how to achieve investment goals
  - Operational guidelines sometimes included
- **Examples** of Investment Belief Statements
  - https://iri.hks.harvard.edu/files/iri/files/iri_investment_beliefs_statements.pdf
  - https://www.calstrs.com/investment-beliefs; https://www.calstrs.com/files/89dc58bd6/calstrs_investment_beliefs.pdf
  - See appendix for sample discussion

Consequent Capital Management

Page 6

Independent Board Investment Advisor Chattergy: If you'd like to turn to page 6, I mentioned this at a previous meeting, that one way that large asset owners or asset owners are able to identify themselves in the marketplace, is through the articulation of something we call investment beliefs. So, investment beliefs, there's a description here from a paper done by a Harvard group in 2009, that basically kind of outlines their view of what Trustees and fiduciaries, can clarify the nature of financial markets and their role in financial markets by stating sort of beliefs. It's not a mission statement, and it's not an investment policy statement, those are slightly different things, but why consultants and others, sometimes have their clients, their asset owner clients articulate their beliefs, is it's a great communication tool, and you can see on the bottom the examples there are from the Harvard paper, but also CALSTRS puts out their investment beliefs, they've got 9 basic beliefs.

Independent Board Investment Advisor Chattergy: This is something that could be probably helpful for OHA to also think about, what do you believe about markets, we talked about that aquarium and building a portfolio like an aquarium that represents the opportunity sets in the world. In order to further understand what are those opportunity sets, saying what you believe those opportunity sets are is a helpful exercise. So, we may want to come back and articulate those beliefs with you, and that might be the next level of conversations that I try to have individually with trustees going forward.

INVESTMENT BELIEF PROMPTS

Selective prompts referenced from 2011 Initiative for Responsible Investing by Harvard University

- Do you believe investing can best serve the interests of your beneficiaries? How do you define the interests of your beneficiaries?
- How often and in what form do you believe it is important to communicate your investment beliefs and practices to beneficiaries, investors, or the general public?
- Do you believe that markets are efficient in setting prices, and if so, how much of the time and to what degree?
- Do you believe that investment is a zero-sum game? Can alpha or excess returns be achieved over time?
- Do you believe active management can add value to the risk-adjusted returns of a portfolio? If so, under what circumstances?
- Do you believe that asset allocation plays an important role in determining overall portfolio returns? If so, to what degree relative to security selection?
- What do you believe an appropriate definition of risk in financial markets should be?
- What do you believe the benefits of diversification should be and what do you believe the appropriate role of diversification in an investment policy should be?
- Do you believe stable, honest and transparent financial markets make an important contribution to a healthy economy?
- How do you assure that the interests of future, as well as present, beneficiaries are served and that your decisions are impartial in their benefits to future as well as present beneficiaries?
- Do you believe that the incorporation of social and environmental factors into the investment process can shift it toward long-term horizons?
- Is it important to work with asset managers whose investment beliefs correspond with yours? Do you believe that conflicts of interest between you and your asset managers are a potential danger?

Consequent Capital Management

Page 15

Independent Board Investment Advisor Chattergy: If you go to page 15, just skip ahead to page 15 real quickly here. These are sort of an example of investment belief prompts to get you thinking about what are you trying to articulate. So, the first two bullet points here are talking about, ideas of, what do you believe the value is of making investments, of investing in capital markets, obviously the fact that you wouldn't have a portfolio and you're investing capital markets means that you see that as helpful to meeting your obligations, your beneficiary's needs, going forward.

Independent Board Investment Advisor Chattergy: The next three bullet points refer to ideas about, how you think markets operate. *Are they efficient?* Meaning that prices reflect information and therefore can be relied upon in terms of making an investment.

There's also the idea - that - *can you generate excess returns? Can you generate something that they call alpha, which is this excess return?*

So, if you believe that some markets are more efficient and maybe some markets are inefficient, that will drive your investment strategies in a certain direction. So being able to articulate that and express that is what we do in the beliefs.

The next bullet point has to do with the importance of portfolio asset allocation versus security selection and where that fits into your portfolio or the way you believe portfolio should be built.

The next two bullet points, talk about the definition of risk and we've briefly mentioned that before. Diversification is also a risk mitigator and I've mentioned several risk mitigators, but diversification is an important one and the importance of having a diversified portfolio is something that an asset owner like OHA might find more important than, say, a hedge fund manager that's investing in the markets. So, their belief system would be clearly different than OHA.

The final four or so bullet points have to do with ethical investing, and this so-called ESG, Environmental Social Governance-type investing and those are prompts that may or may not be important to OHA to articulate. To some groups, they are very important, and to other groups they sort of are maybe embedded in their other beliefs of how markets operate.

Investment Beliefs

Takeaways:

Investment beliefs reflect how the capital markets are understood and interpreted through the investment portfolio,

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- Educates leadership and staff
- Positions entity in the marketplace
- Provides continuity through time

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- Not a **Mission Statement**
  - Fundamental goals
  - Reason for existence
- Not an **Investment Policy Statement**
  - Roadmap to how to achieve investment goals
  - Operational guidelines sometimes included
- **Examples** of Investment Belief Statements
  - https://iri.hks.harvard.edu/files/iri/files/iri_investment_beliefs_statements.pdf
  - https://www.calstrs.com/investment-beliefs; https://www.calstrs.com/files/89dc58bd6/calstrs_investment_beliefs.pdf
  - See appendix for sample discussion

Consequent Capital Management

Page 6

Independent Board Investment Advisor Chattergy: So, if we go back to page 6 on the left-hand column, the value of articulating and stating your investment beliefs are that you show that these are broadly held by your organization and it allows you to communicate to your peers and people in the organization as well as to the marketplace.
What kinds of activities and what kind of strategies you're going to want to be investing?

It's a tool that can be used to educate stakeholders, staff, leadership. In fact, going forward, knowing that as an overall entity, this is how you think about the markets. It clearly then leads to the kinds of investments and portfolios you're building, so it provides continuity overtime.

Independent Board Investment Advisor Chattergy: It doesn't mean that investment beliefs don't change overtime because markets certainly change over time, but it is a good tool. So, when you're onboarding new trustees or new staff, they have an idea of what you believe in and why you're investing the way you do.

I think it'll be important to come back and talk about investment beliefs, but I'd like to further that discussion and maybe have some draft beliefs and see where individual trustees come out on those ideas and then modify it. Then ideally, maybe that becomes a document or a source that you can use for education for continuity purposes and just for communication, going forward.

So that's a very brief sort of introduction to the value and the importance of investment beliefs and how they're stated in the marketplace, and again, you can see the examples in the Harvard paper that's referenced there in the link, as well as CALSTRS, the second largest public pension plan in the United States, that articulates what they believe and therefore how they invest.

Chair Waihe‘e recognizes Trustee Trask.

Trustee Trask: Yeah, I just had a couple of comments and questions. One is that many years ago, I actually was a Trustee and went to the Commonfund, everybody there was a nonprofit, that's why I've never gone back. I would really appreciate it Vijoy, if you could give us, looking at where we are invested, if you could give us some suggestions of better meetings to go to. Years ago, when I went, everybody was a nonprofit, except for one Indian chief who was trying to change his Indian Reservation committees into nonprofits, but I think we need something else.

The other is, what you're talking about the investment policy statements now and what you just went through, we don't get the graphics, but I had wanted to ask you, the investment policy statement, and the other things on that graphic are investment beliefs. *Are you talking about the office investment policy or not?*

Independent Board Investment Advisor Chattergy: Yes. Thank you for that question, Trustee Trask. Regarding conferences and events, I do think it's important to attend events that your managers sometimes sponsor, maybe not every year, but those are opportunities to learn more about how they're managing your assets.

Independent Board Investment Advisor Chattergy: There are indeed other events and conferences in the marketplace, with different sponsors, with different types of agendas, that allows you to get a broader scope and understanding of what's possible. I mentioned that the Milken Global Conference, which I think at least one person on the OHA Administrative Staff side has attended previously and sees some value in that. I see value in that particular event, but there are other events, and I am happy to continue to make OHA aware of those events and recommend them accordingly.

Regarding the question about policy and investment beliefs; so, investment beliefs are not meant to be the investment policy statement (IPS), that document which we made some observations with last time. I understand staff has also been working on a revised investment policy statement. The IPS is a separate document and plays a different role in the management of your assets, than investment beliefs. Investment beliefs are really statements saying like; we believe markets are efficient or inefficient, we believe that there's opportunity to generate excess returns in active management, say in private markets - those are kinds of beliefs about how markets work.

Independent Board Investment Advisor Chattergy: Now, an investment policy statement would go into detail about you:

- What you want to allocate to those sorts of markets;
- The way that you would actually build the portfolio; and
- Then there would also be policy related to, or operation instructions, guidelines about how to actually execute

So different documents, but both I think are important and while every investing entity and asset owner is going to have an investment policy statement, *at least they should*.

The investment beliefs, not everyone necessarily articulates, but implicit in the way that you invest in the portfolios that you build, is the idea that you believe the world markets, you believe your entity working in those markets is generating return, so putting that down on paper.

Like, in the case of the example here with CALSTRS, they have nine general beliefs that help people to understand this is why and how they invest. They actually have some ethical beliefs that they include in their investment beliefs, so that's something that is what you would have in a belief statement.

Trustee Trask: Thank you for that Vijoy, may I ask you now because you're the only Independent Investment Consultant that we have, and OHA has never had one for over 20 years. So I want to make this request of you; language for a good investment policy for my office, I would like to see it from yourself. I'm not that hopeful for anything that comes from the Admin. for the very reason we don't have the expertise. We need an independent OCIO or an independent consultant. This is what is required, and this is why you're here to do the training, but I would very much like to see your recommendations. Also, please send me the data that you present, because we only get *writing* we don't get *slides*. Thank you.

Chair Waiheʻe recognizes Trustee Souza.

Trustee Souza: Thank you Chair, I just want to say something for the record because this is a public meeting. Admin. has been doing a great job, Ka Pouhana, Stacy Ferrara has been doing a great job, especially filling vacancies to get the job done, so I just want that on record. Mahalo.

Chair Waiheʻe asks if there is any further discussion or questions.

There is no further discussion nor any questions at this time.

Chair Waiheʻe recognizes Independent Board Investor Chattergy to continue

Defining the Native Hawaiian Trust Fund

Takeaways:
Identification by comparison: legal obligations; source of funding; investment mandate; operational activities

Entity	Legal Enabling	File Form 990	FOIA or Sunshine	Source of Investment Funds	Spending Policy	Multi-Asset Portfolio	Mandated Liabilities	Comp and Benefits
NHTF	State	No	Yes	State	Yes	Yes	No	State/Internal
ERS	State	No	Yes	Public Entities	No	Yes	Yes	State
EUTF	State	No	Yes	Public Entities	No	Yes	Yes	State
UH Foundation	Not State	Yes	Yes	Private Donations	Yes	Yes	Yes	Internal
KSBE Endowment	Not State	Yes	No	Individual Estate	Yes	Yes	Yes	Internal
Hawaii Community Foundation	Not State	Yes	No	Private Donations	Yes	Yes	Yes	Internal
Alaska Permanent	State	No	Yes	State	No	Yes	No	State/Internal

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Independent Board Investment Advisor Chattergy: Thank you, Chair. If we could turn now to page 7 of the presentation, this chart here is kind of a comparison, compare, and contrast-type exercise, and it comes out of another story that I don't need to go into. There's a history of how this way of you comparing and contrasting yourself to other examples in the world, other entities, helps you to clarify where you fit. Because there's no group that you're exactly going to be like or completely unlike.

So, the exercise I think comes out of the conversation that's been going on about -
What is OHA, in terms of the Native Hawaiian Trust Fund as an entity in the marketplace?

I think you can identify this comparison tool; you have legal obligations, there's source of funding, there's investment mandate, there's operational activities. Those are all ways that you can better place and think of what you are.

Obviously, there's enabling legislation and laws that dictate what you are, but you can further refine that in terms of comparing yourself to other groups. So, in this table along the first left column, you have different kinds of investors in the world, and these are all asset owners. So, these aren't asset managers, these aren't other types of investors.

Then across the top you have different categories that we can try and compare yourself to, and within these categories it can get a little messy and it takes some clarification. There are maybe some overlap ideas and that's part of the conversation that we can have here, and I think is important to have. Because at the end of the day, you as the Trustees collectively are going to define what the Trust Fund is and what the Trust Fund does. Why it exists and what's the purpose of its existence to support the mission of OHA.

If we just look down the left-hand column of these entities, the first one is of course the Native Hawaiian Trust Fund.

The next two entities there are basically public entities, ERS, EUTF.

The next three, UH, foundation KSBE, the Hawaiʻi Community Foundation, those are basically endowment foundations.

Independent Board Investment Advisor Chattergy: Then the last one, Alaska Permanent Fund is a little bit different. They actually consider themselves and operate as a sovereign wealth fund (SWF), but they're a sovereign wealth fund within a state framework - the state of Alaska.

In fact, the SWF that often people shorthand referred to as Sovereign Wealth Fund.

Around the world, you know from other countries, you could just call the State Wealth Fund, and so these are entities that the Native Hawaiian Trust Fund is going to have some things in common and some things that are different.

What these different categories do is; it prompts a discussion, and hopefully it leads to an understanding.

OK:

- *What are you as an entity?* ;
- *What are you as an investor?* ; and then
- *Whom of these groups do you look to for guidance, for collaboration, for networking, to do a better job?*

Every one of them can be a good networking piece, but understanding who you are, understanding the similarities and differences, makes a difference in terms of how you operate, and why you might operate similarly or different to them.

Independent Board Investment Advisor Chattergy: So, the first column there I'll try and go through these columns fairly quickly and again this is more for open discussion, I'm not trying to define you ultimately, that's not my job. I just want to make you aware of these different comparisons, because it may be helpful for you to better define yourself.

Legal enabling kind of legislation, where or how are you created, the first three groups are basically created by either the State Constitution or statute.

The next three are private, enabling documentation.

The last one with Alaska is also a state entity that was created by the state.

The next column there, and this was what I was referring to, form 990 which is a tax status. This is how these entities get their tax-exempt status, if you will. At least that's what I was trying to get at in putting this column in, and maybe it goes back to the comment Trustee Trask made about the attendees at the Commonfund event in the past, but when you file a form 990, you're getting your….

(connection was lost for a few minutes)

Independent Board Investment Advisor Chattergy: Apologies, I'm not sure when I froze, sorry about that. I'll just say, the public entities, you don't have your tax-exempt status based on filing a 990 requirement with. The other and the private entities do in terms of their tax-exempt status, and that's because groups like OHA and ERS, EUTF, Alaska Permanent, your tax-exempt status comes from being part of the sovereign, you have the sovereign tax-exempt status and that is because you're part of the state, whatever state that is.

Independent Board Investment Advisor Chattergy: Moving on to the disclosure rules FOIA or Sunshine rules. The three public entities here and then also the University of Hawaii have those disclosure rules. Private endowments and foundations don't have those kinds of disclosure rules, they don't have to file a public agenda. So again, these are the similarities and differences. The source of your investment funds, come from the state, similar to the ERS and EUTF, but they also have the employers and the employees who are contributing to their portfolios. The Endowment foundation world tend to be funded by private donations or estate plans, which you can see there, and the restrictions are related to the those mandates. Spending policy, you have a spending policy, the ERS, EUTF does not. I believe that the foundations, endowments all have a spending policy which is related to their tax status as opposed to my understanding for the Native Hawaiian Trust Fund, you have a spending policy that's based on your own mandate and what you're trying to accomplish. I don't think it relates to your tax filing, similar to Alaska.

Everyone has invested in multi asset portfolios and that's appropriate, but the way they invest might be different. You certainly hear about the endowment model or the Canadian model, we can discuss that in a little more detail, what that means. You do see some public plans kind of saying, hey, we're going to invest in more alternatives, which is more in line with the so-called endowment model. But they don't do as much, so there are some differences there and that comes into the portfolio construction.

In terms of mandated liabilities, what this is meant to capture is this idea that for the public entities, the ERS, the EUTF, they are obligated based on different spending rules and requirements because of how many years people work and level they get paid, they have real liabilities that they can't get out of, that they have to meet over time and that's a big issue for them.

Independent Board Investment Advisor Chattergy: Similarly, with the endowment foundations, many of the money that's put there can't just be spent any way, their donors and their restrictions on the way those funds can be spent. So, if you create an endowed fund at the University of Hawaii and you say you want this to be spent on the football team, they can't turn around and spend it on professor salaries or something like that. So, there are a lot of restrictions in there. My understanding is that for a group like the Native Hawaiian Trust Fund and the Alaska Permanent Fund is you're deciding what you want to spend on, that's the Trustees sort of mandate. And there are some prevailing ideas that go back to the original Constitutional creation of OHA, in terms of where you could be spending those endowments or those funds, but that's why you guys spent the first half of this meeting voting on how you're spending OHA funds going forward, that's decided by the collective wisdom of the of the Board.

The final issue there in terms of operations, this is important, compensation and benefits. I think you have a combination of state and internal decision making in terms of how much compensation and benefits people, staff and trustees earn working at OHA. For the public plans, it's really based on the state and collective bargaining, for the endowments, foundations, a lot of that is internal. They don't rely on the state to decide how much different groups should get paid, at least for the foundation, for the university, I know the university professors and others are part of the state, but we're talking about the foundation here. And Alaska is similar there. And that has implications for how you can attract and retain talent. I'm talking specifically in terms of the investment world and so that's something that helps to know what are your opportunities and limitations in those restrictions.

Independent Board Investment Advisor Chattergy: So, it does all really matter in terms of whether you're a public plan or you're an endowment foundation, or you're a sovereign or state wealth fund because you're defining yourself and you're defining what it is you're able to do. I think technically, maybe OHA could redefine itself as a pension, if you just said hey every Native Hawaiian person over 70 years old is going to get a check from the Native Hawaiian Trust Fund. That's essentially what Alaska does for all the residents or citizens of Alaska, is that they either give a tax break or send money to its citizens. I know that the overall mission and objective and founding of the Alaska Permanent Fund is different than the unique nature and history of OHA, but again, trying to make these comparisons and understand where you might fit is where we are. So, that is a quick summary of this page, and again it's meant to help to further discussion.

I know there probably some hands up, I'm happy to talk some more about that and then I'll move on to the last part of my presentation so I can give Gerry a little time to talk about private equity.

Chair Waiheʻe recognizes Trustee Lindsey

Trustee Lindsey: Vijoy, I see that the UH foundation is not a state agency under the legal enabling. But I'm confused since it is under the University of Hawaii, can you clarify that a little bit more for me?

Independent Board Investment Advisor Chattergy: Sure, the UH Foundation is a little bit of a tricky entity, because it has both public aspects to it and then nonpublic aspects to it in terms of a foundation. The way I understand that the university runs this is that overall people make contributions and create scholarships at the university, and then the university contracts that out to the UH Foundation, which is has to report into the regents and to that group, but they are kind of independently run differently. So, the creation of the UH foundation, those scholarships, was not created by the State. It was created by the fact that individuals, groups want to make a donation or contribute to their alma mater, and that alma mater then manages that through a foundation, as opposed to the ERS or the EUTF which in the case of the ERS, it's a constitutionally created entity and the EUTF, which is basically by statute.
Trustee Lindsey: So, in the case of the telescopes on Mauna Kea, could they be in business with the UH foundation and not the university itself?

Independent Board Investment Advisor Chattergy: I don't know the answer to that.

Trustee Lindsey: Thank you.

Chair Waiheʻe asks if there is any further discussion or questions.

There is no further discussion or questions at this time.

Chair Waiheʻe recognizes Independent Board Investor Chattergy to continue

Office of
Hawaiian Affairs

Contact Details
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Honolulu, HI 96817
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https://www.oha.org/

OHA is a semi-autonomous state agency responsible for improving the wellbeing of all Native Hawaiians (regardless of blood quantum). The agency is governed by a Board of Trustees, made up of nine members who are elected statewide to serve four-year terms and set organizational policy. OHA is administered by a Chief Executive Officer (Ka Pouhana), who is appointed by the Board of Trustees to oversee a staff of about 170 people.

Upon statehood in 1959, the federal government returned to the State of Hawai'i all ceded lands not set aside for its own use. Section 5(f) of the Admission Act, directing the state to hold the lands in trust, listed the following five purposes:

1.The support of public education
2.The betterment of the conditions of native Hawaiians as defined in the Hawaiian Homes Commission Act of 1920
3.The development of farm and home ownership
4.The making of public improvements
5.The provision of lands for public use

In 1979, the Legislature enacted Chapter 10 of the Hawai'i Revised Statutes, implementing the changes to the constitution and making OHA a semi-autonomous "self-governing body." Subsequent legislation has further defined the amount of the revenue stream accruing to OHA. OHA is tasked with addressing historical injustices and challenges. The convention delegates envisioned an agency that provides a form of self-determination for Native Hawaiians and advocate for their overall well-being.

Further, Section 10-4, Hawai'i Revised Statutes, as amended, statutorily established OHA to be constituted as a body corporate that shall have the exclusive power to manage and govern OHA as an entity separate and independent of the Executive branch of government. At the Hawaiian Constitutional Convention of 197 establish OHA, an agency that would use income from land taken from the illegal overthrow of the Hawaiian Kingdom to benefit Hawaiians. This was passed by voters of all backgrounds in 1978.

OHA enhances Hawaiian wellbeing by collaborating with various organizations to strengthen our community's resources. The OHA annually provides Native Hawaiian students $500,000 in scholarship money to help pay for college. It has given out more than $34 million in loans within the past 10 years to help Native Hawaiians start businesses, improve homes, consolidate debts and continue their education. In addition, OHA's Grants Program is integral in funding programs and services that are aligned to OHA's strategic plan that improve Native Hawaiian wellbeing. OHA annually awards more than $12 million statewide to programs that advance OHA's strategic plan.

Consequent Capital Management

Page 8

Independent Board Investment Advisor Chattergy: So, the next page, page 8, I created at the request of staff to create a profile of the Office of Hawaiian Affairs and I know trustees that you don't have this page in your material. I appreciate it being shown on the screen there and again this is just taken from your public material that's available on your website. I think it covers some ground in terms of what you are as an entity, and then if you compare it to the next several pages, I have the Alaska Permanent Fund, the New Mexico State Investment Council, and there are a number of other ones that are created for different reasons by their respective states. There are some other ones that I would say more like an OHA that are left out, but they just didn't have as much information available or leads readily available where I could find it. And the idea here is just to give you an idea of other entities that are created by their states for specific purposes of supporting citizens or groups of citizens or infrastructure in their state, and they're managed in different ways. So there's no one-size-fits-all, there's no exact OHA duplicates out there, but these are potential groups that in terms of how they manage their investments, what the kind of portfolios they build and how they've grown are potentially a good network for OHA.

So, if you were to reach out and develop a community that you can call on and ask questions, how do you guys deal with governance, what do you think about private credit investing, is that something that you do. These are groups that over time it might make sense to have some better contact with and some of these groups are more relevant and probably more open to those kinds of conversations than others. And again, it's not that OHA would follow anyone else, but it's just a sounding point where you can get market intelligence and then also position where are you similar and where are you different.

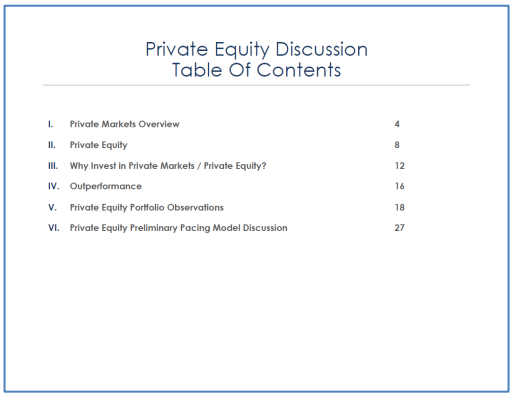
So again, this exercise is not meant to define you as an organization or as an investor, that's your kuleana, not your consultants. I just want to put that out there as a better and a different way to come to an understanding of what OHA is in terms of being an investment entity, and the kinds of opportunities that are open to OHA as an investment entity.

Independent Board Investment Advisor Chattergy: So that concludes my conversation and I'm happy to come back between now and any other meetings to discuss any of this. I'm happy to take questions now, but I'd also like to let Gerry talk a little bit about the private equity and private markets portion of the OHA portfolio, since we have observed that as an area needing some immediate attention.

Chair Waihe'e asks if there is any further discussion or questions.

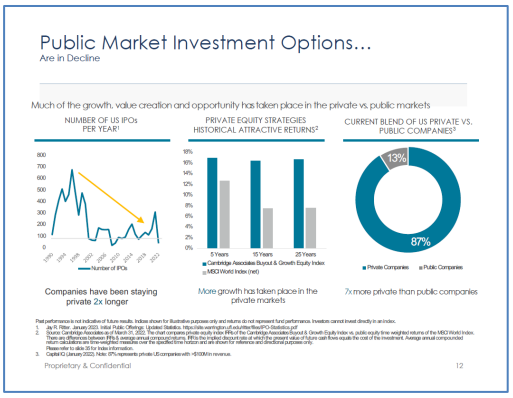
There is no further discussion or questions.

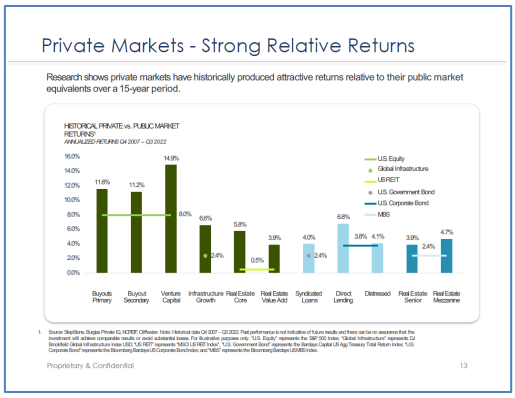
Chair Waihe‘e recognizes Gerry Flintoft to continue



Gerry Flintoft, Consequent Capital Management: Aloha all. Thank you very much for having me this evening, I appreciate it. I'll start at the table of contents on slide 3, in the interest of time, you all have the slides and I'm available and will make myself available to meet with any one of you separately and would be happy to go through the entire deck slide by slide to ensure understanding and be helpful in any way that I possibly can. But in the interest of time, I thought I'd just basically hit on three major areas today, high level introduction to private markets and private equity, and while we invest in the space, then maybe make a few observations about the OHA private equity portfolio and provide a peek into potential recommendations, as Vijoy has said in the past, we're in that problem space and then we'll work overtime together into the solution space. I did take the time to run a very, very preliminary private equity pacing Model for OHA, a pacing model is a planning tool, and I think would be helpful as it provides certain insights as you go forward.

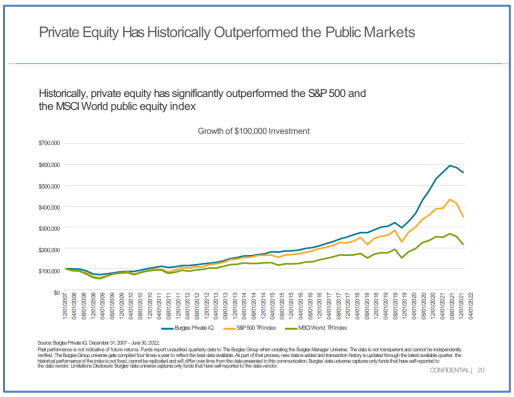
If we could jump to slide 6 please, so in private markets, there are four basic areas as you can see them here, private equity, private debt, real estate and infrastructure. Today, we're going to focus on private equity, now at various times, in different organizations, all four have ended up in a private alternatives program or private equity program. When we talk about governance and aligning the portfolio, different aspects may fit in different areas. Private equity in private equity, private debt may play a role in the income portion of our portfolio alongside fixed income, real estate may be in the private equity portfolio or alternative portfolio, or it can be in global real assets, and infrastructure may also be that as well. Today we're going to focus on private equity.





Gerry Flintoft, Consequent Capital Management: Slide 12, private markets, so, private equity is a very interesting space and the reason private markets investments are bought and traded privately, they are not publicly traded. As you can see here, over time, the number of US IPO's has been declining over time and this is in part because, to be a publicly held company, you have to conform to a lot of regulations, and it's costly to be owned in the public forum. Companies have been staying private two times longer now than they have in the past, the reason we invest in this asset class, as you can see, private equity strategies generate high and attractive returns relative to the public markets, that's the middle area. By investing in private markets, you open yourself up to the opportunity to invest in large opportunity set. Of all the US companies generating in excess of 100 million or more in terms of annual revenues, 87% of them are private and only 13% are publicly listed. So, you open yourself up to a wealth of opportunities.

Slide 13, here you see the returns by the different strategies within private equity; buyouts, buyouts in the secondary market, venture capital infrastructure, real estate on down the line, the returns for the private markets are in bars, and it's publicly listed and traded equivalent in terms of index returns. As you can see, there is an opportunity in the private markets, particularly in buyouts, secondaries, venture capital, and the like, real estate, to earn 3 to 500 basis points of excess returns, this is over the last 15 years.



Gerry Flintoft, Consequent Capital Management: OK, slide 16. Another way of looking at the outperformance here is $100,000 invested over the last 15 years in private markets, it would have achieved 5.75 X return, whereas the S&P 500 would have achieved a 3.5 X return and the World Equity Index would have only generated 2.25 X return. So clearly you can see investing in private equity markets can generate significant returns if done well.

Gerry Flintoft, Consequent Capital Management: At some point I would love to have a private equity, brimmer session with you all. The challenge with private equity index is they're non investable indexes. It's the beauty of private equity because everything is private, but it's also the bane of private equity in that it's private and you have to expend resources to discover these opportunities and find these investment options.

Private Equity Portfolio Structure

Private Equity Portfolio Reporting - Segal Marco Advisors

As of 12/31/2022 $Ms	Mix of NAVs	% of PE Portfolio	Percent of Total Portfolio (% of Total Fund)	Target Allocations (% of Total Fund)	Target Allocations within PE Portfolio (% of PE Portfolio)
FOF - General	$43.8	51.90%	8.89%	9%	47.37%
Multi-Strategy (Co-Inv. & Secondaries)	21.3	25.24%	4.32%	5%	26.32%
Total Private Debt	1.8	2.13%	0.37%	1%	5.26%
Total Private Real Assets	17.5	20.73%	3.55%	4%	21.05%
	$84.4	100.00%	17.13%	19%	100.00%
Private Equity Policy Range			0 - 25.6%		
Total Plan	$492.8		100.00%		

With Segal Marco Advisors, Private Real Assets was included in the Private Equity Portfolio with Private Equity as a Percent of Total Portfolio (% of Total Fund) at 17.13% vs an Investment Policy Target of 19%. (12/31/22)

Proprietary & Confidential 19

Private Equity Portfolio Structure

Private Equity Portfolio Reporting - Northern Trust

As of 12/31/2023 $Ms	Mix of NAVs	% of PE Portfolio	Percent of Total Portfolio (% of Total Fund)	Target Allocations (% of Total Fund)	Target Allocations within PE Portfolio (% of PE Portfolio)
Diversified (FOF - General)	$29.7	47.75%	5.41%	9%	47.37%
Co-Investments (Multi-Strategy w/o Secondaries)	11.9	19.13%	2.17%	5%	26.32%
Venture Capital (Formerly w/in FOF - General)	19.3	31.03%	3.52%	1%	5.26%
Opportunistic Credit (Total Private Debt)	1.3	2.09%	0.24%	4%	21.05%
Totals	$62.2	100.00%	11.34%	19%	100.00%
Private Equity Policy Range				0 - 25.6%	
Total Plan	$548.6		100.00%	Global Real Assets Total	Global Real Assets Target
Marketable Real Assets (Equities)	$26.1		4.76%		
Total Private Real Assets (Moved to Global Real Assets	$16.3		2.97%	7.73%	5%
Total if Private Real Assets included in Private Equity			14.31%	19%	

With Segal Marco Advisors, Private Real Assets was included in the Private Equity Portfolio with Private Equity as a Percent of Total Portfolio (% of Total Fund) at 17.13% vs an Investment Policy Target of 19%. (12/31/22)

Gerry Flintoft, Consequent Capital Management: Slide 19, I wanted to chat here a little bit about the private equity portfolio, this is a little snapshot of things as of year-end 12/31/2022, when Segal Marco generated some reports. In the shift from Segal Marco to Northern Trust, there appears to have been a shift in the classification of private real assets, and they had been moved over to global real assets. So here as you can see, your private equity portfolio stood at 17.13% of the total fund, just a little shy of the target allocation of 19%, but within the policy range of 0 to 25.6%. The total plan at year end 2022 was 493 assets.

Slide 20, here is the year end reporting numbers coming from Northern Trust as of year-end 2023. As you can see their classification label is the one that's typed in and the label and bracket is the one being reported by Segal Marco. Two things happened with the reclassification and with the run off of some of the portfolio, the private equity portfolio now stands at 11.34%, which is below the 19% of the target and that's why we're calling, in the near term we'd like to pay a little attention to the private equity portfolio and get you back on to an investment program plan. Now, if we had moved the private real assets back into the private equity portfolio, the equivalent to the year end 2022 number, the private equity portfolio would have been at 14.31%, which is still below the 19%. Interestingly with that shift of the private real assets to global real assets, global real assets is now slightly above, it's at 7 3/4 which is a bit above the 5% global real asset targets. So we have to think about things here a little bit.

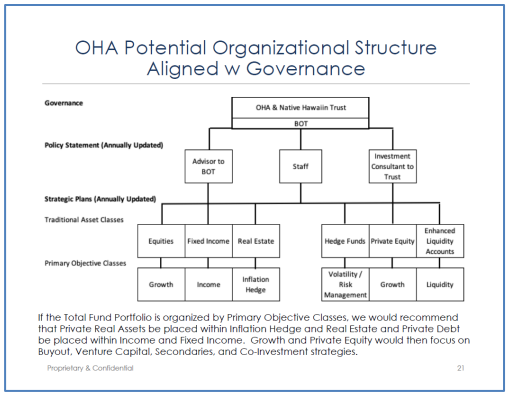
Independent Board Investment Advisor Chattergy: Gerry, just to clarify something here, so it's our understanding that staff has been asked to not make re OPS and not to be investing the cash as it's come back to make new commitments. So, what we're identifying here is that they need to be able to do that at this point because you're going to fall further and further behind of your target allocation. We can do a new allocation study, we can talk about how much is appropriate private equity in your portfolio, but the policy as it stands now, is that you're falling further and further behind as time passes. And I believe staff feels that they aren't able to make investments from some directive that they received and so we need to find a way that staff or some way we start to restart the private market investing, and that's why we observed that as being a need for kind of immediate attention. And that's what Gerry is trying to point out here. So, it is probably a conversation that we should have with staff, with Chair, with us, to figure out a way going forward, how can we get on track and then the next part, I think Gerry's presentation was to show what a pacing model might look like, which is something that asset owners have in place over time, and as long as you want this exposure to private markets, you're always making investments every year, you have a disciplined approach to it and it just sort of runs on its own over time as the plan, the allocation is kind of self-funding in a way.

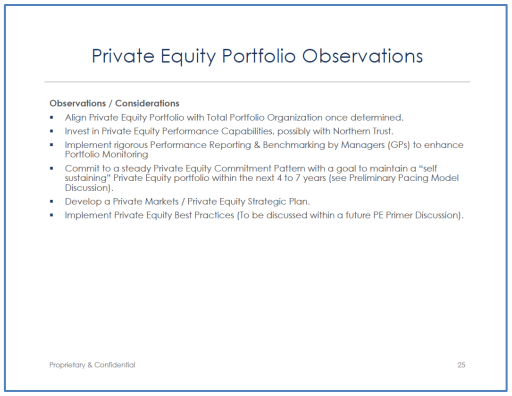
Independent Board Investment Advisor Chattergy: That's a conversation that we'd like to have and move forward, so let me stop there. Gerry, before you go any further in terms of pacing model and see if there's any questions on what you've talked about thus far.

Chair Waiheʻe recognizes Ka Pouhana Ferreira

Pouhana Ferreira: Mahalo, Chair. Mahalo, Vijoy for bringing up that point, that was a serious concern that was brought to me when I came to OHA as the new CEO, and I would just want to mahalo Ramona Hinck, our CFO, in bringing that to my attention that there was previous directives from the Board not allowing Ryan to be able to make that active management decisions. When I brought that to Chair Lindsey's attention, she rectified it immediately, so we have been proceeding with Ryan actively managing the portfolio. We're so grateful for Chair's leadership in allowing us to do this, but to your point, it's going to take time to catch up because, there was such a large period of time in which it just wasn't actively being managed. So I appreciate Ryan jumping in and doing what it takes to get us to the benchmark, so mahalo to Ryan, mahalo to Ramona and mahalo, Vijoy, for bringing that up.

Independent Board Investment Advisor Chattergy: Thank you, Stacy. And along those lines also what we want to add to that effort is to create a more strategic and longer-term plan, which is the idea of this pacing model, and Gerry, maybe you can just share that as an illustration in terms of what kind of policy and what kind of activities you need to have around it. It is one thing to be reinvesting into existing managers, but it's also managing to the target for the opportunity set going forward. And the marketplace is changing a lot, particularly in private markets because of things going on in biotech and technology. So, we would like to, in addition to having staff or a program where you are reinvesting cash, is to build a more strategic operational framework and make sure everyone understands that and agrees to it, so that the program then begins to run more routinely and in a disciplined way as opposed to, when I mean disciplined, I mean like as opposed to where there's a lot of second guessing, and making investments and holding back investments, that's not really the way to do a private market program because nobody really knows, is this the year you should be making investments versus next year or last year, it needs to be kind of a disciplined approach getting to the exposure that meets your long term strategic goals, which in this case right now in private equity your long term strategic allocation is 19%. So, what Gerry and what staff has pointed out is that it going down to 11% and not being rectified puts you behind where you want to be for your long term goals, so that's what we're trying to get to and so Gerry, why don't you share that and then maybe we can conclude because I know the meeting has been going on for a little while.





Gerry Flintoft, Consequent Capital Management: Yeah, if we could return to slide 21, please. Aligning the governance, here we've seen this slide a few times, I personally would recommend that you consider the primary objective asset class approach in terms of the role that different investment. programs play within the portfolio. If we were to go down that path, I would recommend that private real estate assets go with the inflation, hedge and real estate, private debt with income and fixed income, and that growth and private equity would focus on buyout venture capital secondaries and co-investment strategies. I'm sharing this with you to set up the discussion that I'm going to have in a second regarding the private equity program.

I did want to say a few quick comments about observations on the slide if we could go to slide 25, please. Again, I'm happy to spend time with anyone on those other slides, at a future point in time. OK, aligning the private equity portfolio with the overall program would be good, once determined. I'm suggesting here that there was a significant challenge working across all the different reports from Segal Marco and Northern Trust. I ultimately had to get reports from the different managers to put together a report, there is a capacity within Northern Trust to assist with tracking your portfolio a little bit better. It would involve a modest additional investment and reporting services from them and I would gladly work with Ryan or whomever to push them to deliver reports that would be more easily for staff and others to really get an assessment as to what's going on with the private equity portfolio. I can come back and talk to you about that later. I also believe that there needs to be an implementation of a much more rigorous performance reporting and benchmarking, that we need to get this from the managers to enhance the portfolio monitoring. I'll just simply state that I've asked this for them to generate reports on themselves and kick it back to me, one manager, disappointingly, not only is it absolute returns, but it's also relative returns and the relative returns get into the business of whether someone performed in 1st quartile, second, third or fourth quartile. First quartile is best. One of your managers was only able to get about 25% of their performance in the 1st and 2nd quartile, while another was able to accomplish 75% of their invested capital into 1st and 2nd quartile. The reason this is important is you want to know who is generating good returns for you and then again who are not, and then you can make choices on a going forward basis who you want to work with. It's that kind of rigor that you need to also apply in making new commitments and we could talk about that more further.

Another recommendation, as Vijoy has alluded, get back to committing to a steady private equity commitment pattern. He made the point very well that you don't know which vintage years are going to generate significant outsized returns. It's very important in private equity to diversify across vintage year strategies and geography. I would recommend that we develop a strategic plan for the asset class and we can talk further at a future date about implementing private equity best practices.

Private Equity Preliminary Pacing Model

In developing an Example, we ran a Preliminary PE Pacing Model for OHA starting in 2Q 2024 utilizing the following Target Allocations by Strategy and Geography:

Strategy	% of Asset Class Allocated	N. America	Europe	Asia/RoW	Totals
PE Buyouts	50%	60%	20%	20%	100%
PE Venture Capital	20%	60%	20%	20%	100%
PE Secondary SMA	15%	60%	20%	20%	100%
PE Co-Invest SMA	15%	60%	20%	20%	100%
Total	100%				

SMA = Seperately Managed Account

The Model also utilized the following assumptions:

Key Assumption	Amt. or %
Total Fund Portfolio Size ($M)	$549
Growth Per Year (%)	7%
Private Equity Exposure	80%
Private Debt Exposure	20%

Note: Private Equity Exposure Includes Buyout, Venture Capital, Secondary, and Co-Investment Strategies.

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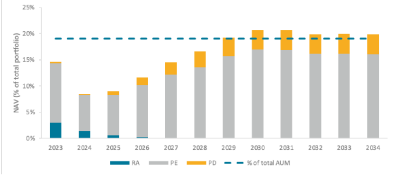
NAV by Asset Class

Per the model, it will take 5 to 6 years to get to the Target Exposure of 19%, absent a significant Secondaries and / or Co-Investment program to gain a significant near-term exposure.



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Gerry Flintoft, Consequent Capital Management: OK, in slide 27, here you can see, this is basically the private equity, so I generated a preliminary pacing model based on the information I was able to gather from the various reports from managers, Northern Trust, and Segal Marco. I made the following assumption in terms of allocations, 50% of the portfolio to private equity buy outs, 20% to venture capital, 15% to secondary SMA, Separately Managed Account, 15% to a co-investment SMA, Separately Managed Account. We can talk about different ways to access exposure to the asset class, fund to funds, direct investments, separately managed accounts and the like at a future point in time. I guess my recommendation is for OHA to become more of a direct investor and less of a fund of funds director, aggregate some of its capital, and make commitments to SMAs to get improved service out of potential investment managers who may engage in the future. These are the assumptions that were made and for the percentage of the total overall portfolio, I picked up the year-end assets at 549 million. I assumed your growth rate of 7% per year and I assumed a distribution of private equity 80%, private debt at 20% and just as a quick reminder, private equity includes buy out, venture capital, secondary investments and co-investment strategies.

Slide 28, here we see the model basically spit out and this is what, as you can see the model basically tracks with the new commitments that you make and at least preliminarily, it would take based on the pattern which I'll show you in a second, approximately 5 to 6 years to get back to the full 19% exposure. As often happens with private equity pacing models, it does, in the outer years slightly over allocate, I would just comment that these models should be updated at least annually, if not every six months, and some do it as frequently as quarterly. I think every six months makes the most sense.

Commitment & NAV

OHA is receiving distributions from its Private Equity Portfolio and experiencing a "run-off" of its current portfolio. Steady commitments lead to steady growth in Private Equity NAV and in the future steady distributions.

Commitment ($M)	$0	$77	$31	$29	$28	$79	$29	$32	$35	$89	$41	$44
NAV Percent	15%	8%	9%	12%	15%	17%	19%	21%	21%	20%	20%	20%
Target % of total AUM	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%

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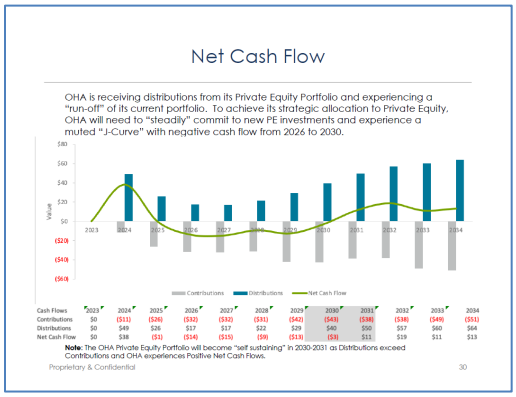
Gerry Flintoft, Consequent Capital Management: Slide 29, here you can see the new commitments are in gray and the reason they're a little bit lumpy is every three years we're making a new commitment to those SMA accounts. This just happened to be a strategy that I think would be effective for you and we can have further discussion about that, but that's why the periodic grade bar goes up higher. But you can see the steadier you know commitment amount, at roughly 30 million a year or so in the off years, in the other years, again it would take 5-6 years to get up to the targeted 19%.

Gerry Flintoft, Consequent Capital Management: In the near term, you're having a slight runoff in your private equity portfolio, which is why your NAV, which is in the blue, has dipped slightly and it takes a little while to get back up to scale.

Chair Waiheʻe recognizes Vice-Chair Alapa

Vice-Chair Alapa: I would like to ask a question regarding the commitment in NAV, basically if you could explain what runoff means, runoff of its current portfolio, what is the runoff?



Gerry Flintoft, Consequent Capital Management: Yeah. OK, if we could forward to slide 30. Going back to 2022, the amount of the portfolio was 17% of the total fund, last year at the end of the year, it was down to let's say, since we're shifting categories a little bit, but to keep it comparable, it slid down to 14% of the total portfolio. For a private equity program to become, we call it self-sustaining, you need to make regular commitments to the asset class, and this gets into a broader discussion of the private equity program. When you stop making commitments, the net asset value of the portfolio, private equity managers invest in companies over five years and the assets, go up over five years. Then the subsequent five years they sell those assets, so then the NAV goes down. So, to replenish those assets that roll off, you have to make consistent commitments to the asset class. When you take a pause for a year or several years and don't commit to those assets at a certain point, once they reach their peak, there will be a runoff a running down of that NAV, coming down, that's unfortunate. It just means that you're a little bit off your target, but what you're getting back is you are getting distributions from your portfolio, so you're not losing anything, you're just missing an opportunity in those different vintage years, if that makes sense.

Vice-Chair Alapa: Yes, because we wouldn't want to have that happen again, correct?

Gerry Flintoft, Consequent Capital Management: Yeah, typically you don't, I know this is a bit confusing here in this chart, but if you make the gray contributions, the gray lines, the negative numbers, you're investing in assets that ultimately will throw off these distributions a little bit further down the line, and the net cash flow line is the green line, so over the next, and we can run different iterations of this model working with staff and all that kind of stuff, but you're going to have a muted J curve. What is a muted J curve; a J curve is in private equity, we're getting into the primer stuff, and it's called the Valley of Tears, where you're actually putting out more money than you're receiving back.

Gerry Flintoft, Consequent Capital Management: But then over time, that starts coming back and eventually you want to get to the point, and here the forecast shows it happens in 2030 and 2031 where we cross over where you're actually getting back more in blue bar distributions than you're putting in in terms of contributions, and on the net basis, as you can see, it's positive green, and it's throwing off more cash than you're actually investing, which is the beauty of, when it's well done, that's what your private equity portfolio should be doing.

Vice-Chair Alapa: All right. Thank you very much.

Gerry Flintoft, Consequent Capital Management: Yeah, sure, and with that, guys, I think that was a great question because it led right to the next slide or two, so that was brilliant. I'm happy to answer any questions and obviously I think I would really appreciate the opportunity to spend more time with you all, talking about private equity.

Chair Waiheʻe: Thank you, Gerry. Members are there any further questions? Vijoy did you have anything else to add?

Independent Board Investment Advisor Chattergy: No, I think that concludes our presentation for today, and again, happy to follow up.

Chair Waiheʻe asks if there is any further questions or discussion.

There are no further questions or discussion.

V. ADJOURNMENT

Trustee Lindsey moves to adjourn the RM meeting.

Vice-Chair Alapa seconds the motion.

Chair Waiheʻe asks if there is any discussion.

There is zero discussion.

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

							3:31 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
DAN	**AHUNA**						**EXCUSED**
KALEIHIKINA	**AKAKA**			X			
KELIʻI	**AKINA**						***Departed at 3:18 p.m.***
VICE-CHAIR LUANA	**ALAPA**		2	X			
BRICKWOOD	**GALUTERIA**						***Departed at 2:50 p.m.***
CARMEN HULU	**LINDSEY**	1		X			
J. KEONI	**SOUZA**			X			
MILILANI	**TRASK**						***Departed at 2:51 p.m.***
CHAIR JOHN	**WAIHEʻE**			X			
TOTAL VOTE COUNT				**5**	**0**	**0**	**4**

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

Chair Waiheʻe adjourns the RM meeting at 3:31 p.m.

Respectfully submitted,

Melissa Wennihan
Trustee Aide
Committee on Resource Management

As approved by the Committee on Resource Management (RM) on May 1, 2024

Trustee John Waiheʻe, IV
Chair
Committee on Resource Management