

**STATE OF HAWAII  
OFFICE OF HAWAIIAN AFFAIRS  
560 N. NIMITZ HIGHWAY, SUITE 200  
(VIRTUAL MEETING - VIA ZOOM WEBINAR)  
COMMITTEE ON RESOURCE MANAGEMENT  
MINUTES**

**August 28, 2024 10:00 a.m.**

**ATTENDANCE:**

Chairperson John Waihe'e, IV  
Trustee Dan Ahuna  
Trustee Kaleihikina Akaka  
Trustee Keli'i Akina  
Trustee Brickwood Galuteria  
Trustee C. Hulu Lindsey  
Trustee J. Keoni Souza  
Trustee Mililani Trask

**EXCUSED:**

Vice-Chairperson Luana Alapa

**BOT STAFF:**

Carina Lee  
Crayn Akina  
Kanani Iaea  
Kauikeaolani Wailehua  
Kyla Hee  
Lei-Ann Durant  
Mark Watanabe

**BOT STAFF (cont.):**

Melissa Wennihan  
Morgan Kauai Robello  
Nathan Takeuchi  
Richelle Kim  
Ruben Sierra

**ADMINISTRATION STAFF:**

Stacy Ferreira, CEO / Ka Pouhana / Administrator  
Arlene Aguinaldo, IT  
Daniel Santos, IT  
Everett Ohta, Interim General Counsel  
Hailama Farden, Sr. Director of Hawaiian Cultural Affairs  
Kehaulani Pu'u, COO / Ka Pou Nui  
Lauwaeomakanakauaoha Clayton, Sr Exec Assistant  
Nietzsche Ozawa, Interim Sr. Legal Counsel  
Ryan Lee, Director of Endowment  
Sandra Stancil, Sr Exec Assistant

**GUESTS:**

Gerry Flintoft, Consequent Capital Management  
Vijoy Chattergy, Consequent Capital Management

**I. CALL TO ORDER**

**Chair Waihe'e** calls the Committee on Resource Management meeting for Wednesday, August 28, 2024 to order at **10:00 a.m.**

**Chair Waihe'e** notes for the record that **PRESENT** are:

MEMBERS			AT CALL TO ORDER (10:00 a.m.)	TIME ARRIVED
CHAIR	JOHN	WAIHE'E, IV	PRESENT	
TRUSTEE	DAN	AHUNA	PRESENT	
TRUSTEE	KALEIHIKINA	AKAKA	PRESENT	
TRUSTEE	KELI'I	AKINA	PRESENT	Arrived at 10:01 a.m.
TRUSTEE	BRICKWOOD	GALUTERIA	PRESENT	
TRUSTEE	C. HULU	LINDSEY	PRESENT	
TRUSTEE	J. KEONI	SOUZA	PRESENT	
TRUSTEE	MILILANI	TRASK	PRESENT	

At the Call to Order, **SEVEN (7) Trustees are PRESENT**, thereby constituting a quorum.

**EXCUSED from the RM Meeting are:**

MEMBERS			COMMENT
VICE-CHAIR	LUANA	ALAPA	MEMO – REQUESTING TO BE EXCUSED

## **II. APPROVAL OF MINUTES**

**A. June 26, 2024**

**B. July 10, 2024**

**Chair Waihe'e** 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 minutes of June 26 and July 10, 2024.

**Trustee Souza** seconds the motion

**Chair Waihe'e** asks if there is any discussion.

There is no discussion.

**Chair Waihe'e** calls for a **ROLL CALL VOTE**.

MOTION							10:02 a.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
DAN	AHUNA			X			
KALEIHIKINA	AKAKA			X			
KELI'I	AKINA			X			
VICE-CHAIR LUANA	ALAPA						EXCUSED
BRICKWOOD	GALUTERIA			X			
CARMEN HULU	LINDSEY	1		X			
J. KEONI	SOUZA		2	X			
MILILANI	TRASK			X			
CHAIR JOHN	WAIHE'E			X			
TOTAL VOTE COUNT				8	0	0	1

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

**Chair Waihe'e** notes for the record that all members present vote 'AE (YES) and the **MOTION PASSES**.

## **III. UNFINISHED BUSINESS**

None

## IV. NEW BUSINESS

### A. The Native Hawaiian Trust Fund (NHTF) Investment Portfolio Review, for the Quarter Ending June 30, 2024\*

**Chair Waihe'e** asks if there is anyone signed-up to testify on this agenda item.

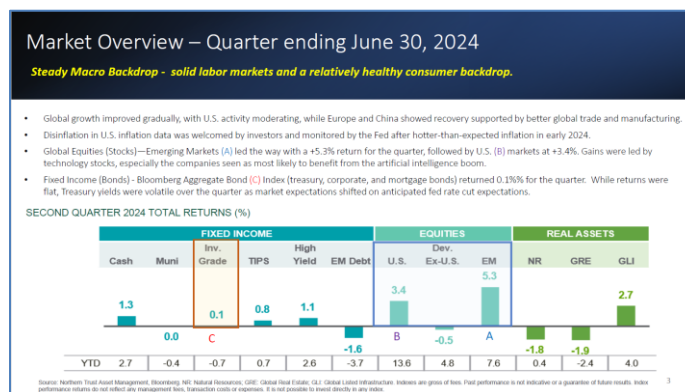
**RM Staffer Akina:** No one has signed-up to testify on this agenda item.

**Chair Waihe'e** turns it over to Ka Pouhana Stacy Ferreira

**Ka Pouhana Ferreira:** Mahalo, Chair. At this time we're going to have Ryan Lee provide us an update on the Native Hawaiian Trust Fund.



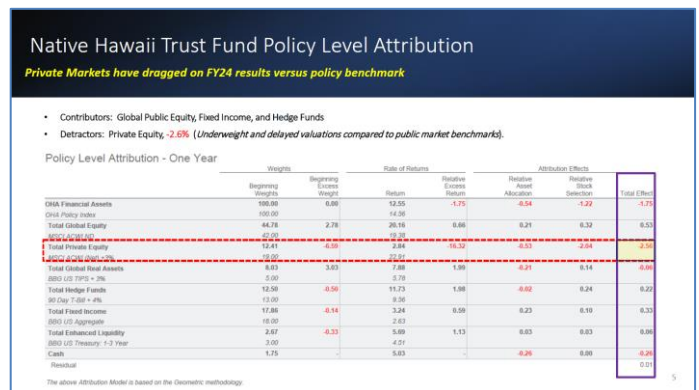
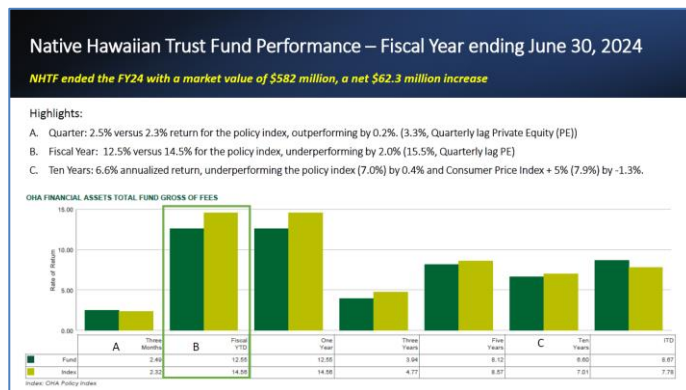
**Endowment Director Lee:** Aloha mai kakou, Chair, Trustees and colleagues. I'll be reviewing the Native Hawaiian Trust Fund quarterly performance as of June 30, 2024, as well as the fiscal year 2024, since the fiscal year just ended for OHA. I will highlight key areas of the report that is attached. The form is very similar to last quarter's discussions in which I'll cover an overview of the markets, performance, policy attribution, asset allocation and quarterly activities.



**Endowment Director Lee:** So, the next slide summarizes the market environment and performance of the last quarter. Basically, in Q2, the global markets gradually improved, U.S. economy remained resilient, but showed signs of moderation, while Europe and China began recovery from weaker starting points aided by more robust growth and trade. On a positive note, it seems like the Feds finally got inflation under control. Lowering inflation trends were well received by investors raising the likelihood that Feds will be cutting rates sooner rather than later.

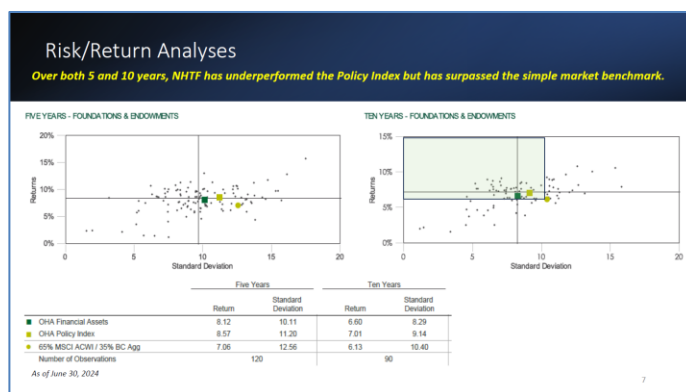
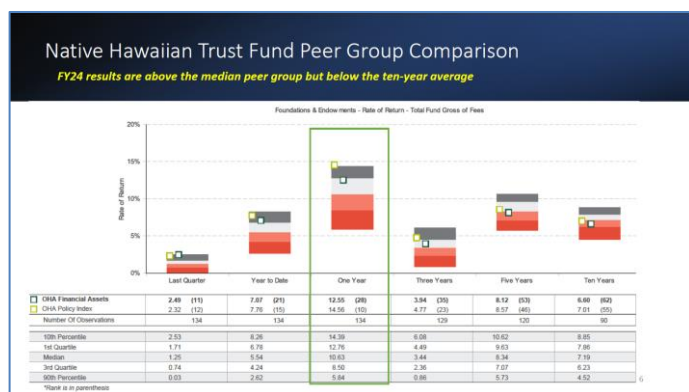
**Endowment Director Lee:** The bottom chart displays the returns for the markets, the bar chart on the top represents the quarter returns of major asset classes, fixed income, equities and real assets. The bottom row highlights the year-to-date performance of these asset classes. Now given, the macro backdrop global equities performed well, merchant markets led the way with a 5.3% return, followed by U.S. equities at 3.4%. The gains were driven mainly by technology stocks, namely, Artificial Intelligence, they're related.

Now, for example within emerging markets, Taiwan was a strong beneficiary just given the AI supply chains comes through Taiwan. Now, with fixed income markets it was pretty much flat, but it didn't match the volatility within Treasury yields within the quarter just given the uncertainty with the Fed rate cut expectations.



**Endowment Director Lee:** Moving on to performance on next slide, I'll be covering the fiscal year 2024, the Native Hawaiian Trust Fund ended the fiscal 24 with a market value of 582 million, a net 62.3 million increase. Now, the returns on the bottom, the bar charts, covers different time periods, but I'll focus mainly on the fiscal year, which is highlighted in the green box. So, the green bars represent the Native Hawaiian Trust Fund returns, the yellow bar represents the policy index for the fiscal year. For FY24, the Native Hawaiian Trust Fund generated strong asset returns, returning 12.5% versus the policy benchmark 14.5%, so it was a good year for the Trust. But, Trustees should look at the long-term results to evaluate the success investment program. So basically 10 years since inception, so for the 10 years that the Trust has underperformed the deposit benchmark as well as the CPI +5 objective going further out since inception, it has outperformed

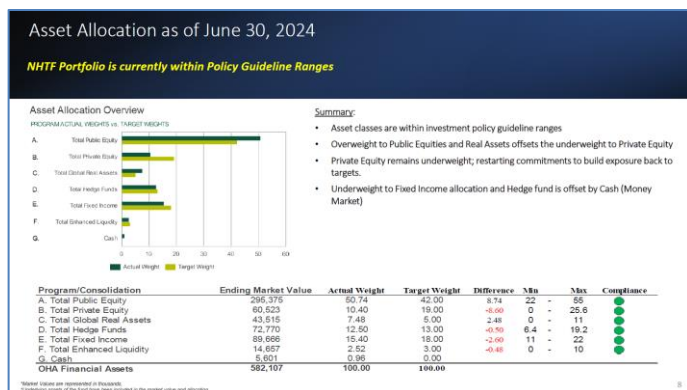
The next slide provides an attribution of the returns compared to the policy benchmark. So, basically what it does is slices and dices, returns of the portfolio to help investors to understand performance, where outperformance has come from, and underperformance is coming from, such that we can pay closer attention to them. So, when you look across the returns for last year, all major asset classes, except for private equity, outperformed their respective index. Again, private equity have dragged results, and it's just primarily from lag valuations. Valuations within private markets have been slower to be marked up compared to public markets, but eventually will catch up. So, it just highlights the lag that's occurring in private markets on this attribution. What it also highlights, is the underweight, which is a little more difficult to make up, which we'll be addressing with the private commitment plan to get the plan back on track.



**Endowment Director Lee:** Now, this page compares the performance of the Native Hawaiian Trust Fund against a peer group. The peer group that we're using is the endowments and foundation peer group. We use this Peer group because the Native Hawaiian Trust Fund operates and shares similar investment and spending goals. So, it's a good universe to compare our results against. So just looking at the one year, looking at this chart, this is the range of different entities that reported performance over different time periods. So, for the one year, there are 134 entities that report their performance, looking at results, what you see is the Native Hawaiian Trust Fund is in the top second quartile, meaning that green box that you see within the one-year column, it's right above median and close to the top. Looking at the Policy index, if the Policy index were investable, it would be on the top of that first quartile, just showing how difficult it was to really beat that policy benchmark. Now, we should always focus on the long-term numbers which is the 10 years, which highlights that the policy benchmark and the Native Hawaiian Trust Fund returns are below median. This doesn't really address the risk that's been taken which is shown on the following page.

On this page, these charts illustrate risk, return analysis on the Native Hawaiian Trust Fund on a five and ten year analyzed basis. This is a visual tool used to evaluate and compare investment performance, by showing the trade-off between risk and return, so it basically helps investors assess what they're achieving, the active returns for the level of risk that they're taking. So, what you see here, the X-axis, the standard deviation, is the measured risk, the higher the number, the more volatile the returns. On the Y-axis is the returns, basically, the higher it is, the higher results that you have achieved. The Native Hawaiian Trust Fund is shown within the dark green box, whereas the policy index is the yellow square. We also included what we call a simple benchmark, so this is a 65% stock bond market index used as a reference in terms of a market portfolio. Now you also see scatter plots around this chart, and these scattered plots represent the entities that are reporting their performance. You can see the level of risk that they're taking for the actual return that they achieve. So just looking at the 10-year results, on the right, over the 10 years the Native Hawaiian Trust has underperformed the policy index, but has surpassed the simple benchmark index as shown. What this also shows, if you just put your finger on the dark green box, on the right of it is the policy index, which is slightly higher. So basically, we're taking much less risk, but we're also getting less return, meaning there's always room for improvement in terms of improving the results. So, ideally, where you want to be is within that green shaded box what we call the northwest quadrant, where the level of risk you're taking, you're taking less risk, you have to get more return. So, the green box that, you see, is of the ideal place, where the Trust Fund should sort of target in terms of risk and return. I'll stop if you have questions within this page, this is a new slide that I have added to this report.

*There are no questions at this time*



NHTF Quarterly Activity Summary

**OHA Management Activities**

Date	Activity	Investment Manager/Strategy	Asset Class	Amount
5/31/2024	Withdrawal, Fund Organization Operations	OHA Operations (Spending Policy)	N/A	\$2,000,000
			Total for Spending	\$2,000,000

**Private Investment Cash Flow Activities**

Date	Activity	Investment Manager/Strategy	Asset Class	Amount
Quarter-to-Date	Capital Calls(negative cash flow)	Various Managers	Private Markets	-\$364,220
Quarter-to-Date	Cash Distributions (positive cash flow)	Various Managers	Private Markets	+\$2,737,962
			Net Amount Distributed	+\$2,379,742

**Endowment Director Lee:** The next slide is an asset allocation snapshot, as of June 30<sup>th</sup>, basically what it shows is that all asset classes are within the policy ranges. We're currently overweight to public equities and real assets to make up for the underweight to private equity assets and that is to maintain a similar total equity risk profile towards the policy targets, and we have underweight to fixed income which is offset by the cash holdings.

The next page speaks to the core activities by Administration. It's been a very light quarter, the only activity that we had was to distribute 2 million from the Native Hawaiian Trust Fund to our operations. The bottom part just highlights, the private investment cash flows. As mentioned in the past, OHA has a very mature private equity portfolio, so we're getting a lot more distributions versus capital calls. The capital calls or more new investments by managers, so we're getting a net cash flow that needs to be reinvested or distributed to the organization for spending needs.

Summary

**NHTF Performance Summary:**

- Overall fiscal year 2024 performance was good
- Overweight to public equities helped offset underweight to private equities
- Updated private equity valuations are expected to narrow underperformance relative to the policy benchmark

**Looking forward:**

- 2024 private markets commitment plan implementation

**Endowment Director Lee:** In summary, it was a good enough fiscal year, performance was good. The overweight to public equities did help offset the underweight to private equities, which was a plus. With updated valuations are expected to narrow that performance gap, but it will not help with the underweight that would accumulate over time. In terms of looking forward, the plan is to address on the weight with the commitment plan that we're going to bring forth to the Board for review and approval. I'll open it up for questions or comments.

**Chair Waihe'e** recognizes Trustee Akina

**Trustee Akina:** Thank you for the report. I want to go back to the risk, return analysis, just a couple pages before this. You spoke about the objective of getting into the northwest corner there. Now, as I see this, so this is a report of



what has happened right, and we usually receive it after the fact naturally. But we have many factors that are affecting our portfolio composition and many managers. To what extent are we driving the objective of reaching, or being able to be in the northwest quadrant? Are we just simply reading the outcome and reporting that, or do we have the capacity to have our managers of our funds work in such a way that we're driving our goal. And I know I'm bringing in an earlier conversation that we've had at the Board in terms of the structure of how we distribute our portfolio responsibilities.

**Endowment Director Lee:** So, you are correct in terms of risk reward looks at the historical, but it does inform how we should look at the portfolio going forward in terms of where we want to be at right. So, restructuring the portfolio, for example, get into that northwest quadrant, is a full construction and ongoing portfolio construction and management, that we are trying to address, to get to that point. And this hopefully in 10 years we'll see that progress where the portfolio moves to that quadrant that we seek to be.

**Trustee Akina:** Now do we have capacity to be able to drive that goal, given the structure of the way that we distribute our resources.

**Endowment Director Lee:** I will say the current structure, and that's what we deem the policy, that there are some limitations. But updating policies would definitely help with that objective.

**Trustee Akina:** Do we have a specific policy that says to the effect that we are going to go to the northwest quadrant.

**Endowment Director Lee:** There's no specific policy, but ideally you're trying to achieve a return objective to meet your spending goals and needs. It's how you want to get there, you could create portfolio in which you have less volatility and getting the returns that you want, or you can have a lot of volatility and still get to that same goal. The preference always would be that you want less volatility to achieve the goal that you have.

**Trustee Akina:** The reason I'm asking this question is that we at a Board level operate at a very general level. We will look at very general policies such as we'd like to have a risk reward factor that brings us into the northwest quadrant. That's a metaphor that's very general. But we have to rely upon our experts to translate that into the technical process that achieves that, and that's somewhat opaque to us. So how do we go from pronouncing general policy to seeing that that gets translated into the actual actions that will get us there. And what's the feedback for us to know that those actions are being taken?

**Endowment Director Lee:** It's reviewing policies which includes the asset allocation, the construction, as well as the actual implementation of the portfolio. That would help with that direction.

**Trustee Akina:** Okay, so your response is that the work that we need to do is to complete the review of our policies, to bring them up to date, so that we can actually drive this intention, if it's our intention.

**Endowment Director Lee:** That is correct. Yes,

**Trustee Akina:** Okay, thank you.

**Chair Waihe'e** recognizes Ka Pouhana Ferreira

**Ka Pouhana Ferreira:** Thank you, Trustee Akina, for that question. I think to further that response, Ryan is going to be sharing one of those solutions to get us further up in that quadrant with the 2024 private markets commitment plan. So that's going to be one of our specific strategies to accomplish. Thank you.

**Chair Waihe'e** recognizes Trustee Galuteria

**Trustee Galuteria:** Thank you, Chair. This is more of a general question. What do you attribute the current climate to, the Fed Chair is very confident that there's going to be interest rates lowering, and what, in your opinion, do you attribute this growth to in the markets.

**Endowment Director Lee:** Well, the market returns have been very narrow, meaning that there are only a few select stocks you heard about the magnificent 7, these are these large tech, mega tech stocks that perform very well, and when you look at those returns, returns for the rest of the market, the rest of the markets have actually lagged. And that's because of the higher interest rates which has made the cost of capital expensive for them, and that's partly also responsible for private equity distributions being delayed, because higher interest rates have made it more challenging for these companies. So, with Feds finally able to tame inflation, they're now able to at least what we call this easing cycle, reduce interest rates to make it a lot more easier for companies to go and borrow money, versus expensive interest rates. That would help with home buying, mortgage rates, car loans and so forth with the consumer, so it would spur more economic demand. At the same time, they are also monitoring the impacts of employment, so employment claims have actually gone up, which is a concern, it's a recession sign. So, they want to get ahead of it into the recession, so they have to respond accordingly, to make sure that the economy goes into more of a soft landing versus what we call hard landing.

**Trustee Galuteria:** Appreciate that, thank you.

**Chair Waihe'e** recognizes Trustee Trask

**Trustee Trask:** Thank you. You know, Ryan, when I hear the presentation, and I go back and review my notes, and I'm only looking at the notes that we start with our training with Vijoy. If you go back to what the State auditor recommended, he had recommended that we get online with our policies, etc., and in the last audit his first question begins with an asset class that is property. What I'm trying to find out here is what we're doing in February, at our training by our independent expert, he gave us the first recommendation, which was, return oversight of all assets to the BOT, and thereafter we would begin making the policy. Since that time I've not had any success in bringing oversight of the assets back to the Board, but I have seen in the agenda the request for policy. My comment is this, colleagues, we are the Trustees, go back and review your training materials. The first thing we do is bring asset oversight back to the Board, and then we set the policy for the asset management, whether it's stocks, bonds, portfolio stuff, real estate, whatever it is. But I cannot agree that we're going to set policy and have the Administrative staff implement it. The first step is to bring the oversight of the assets back that was made by an Independent Advisor in February, I want to get to the policy, I want to get to it, but it's a two-step process. We're not taking action today, but we'll be coming back soon, so step number one in whatever the Board passes is that the Board of Trustees brings back to the Board oversight of all asset classes, and the second step is then the policies that we will pass for the management of the assets, and don't forget we have to develop policies for investment portfolio, but we also have to do policies for things like real estate, tangible assets.



**Trustee Trask:** So that's my comment, I want to work on policy, but we need to bring oversight authority back to the Board, and then we do the policy. I'm anticipating we're going to do different types of policies, some policies make sense for real property, that's not going to be the same policy when we take a look at some of the graphics you gave us.

**Chair Waihe'e** recognizes Trustee Ahuna

**Trustee Ahuna:** Thank you, Chair, and thank you Trustee Trask for your comments. I just wanna say we all want a billion-dollar portfolio, too, but what we're shooting for is intergenerational longevity, I think that's the whole goal. And that goal, surrounds ourself, we need oversight, I want to learn about oversight. Couple of things, endowments and foundation peer groups are not the same as OHA, which is a semi-autonomous State entity. Even if we have similar motivations as endowments and foundation peer groups, why is it underperforming and is it because we aren't investing enough, what are the answers? We may not want a specific policy, because to reach higher returns is based on more investment which could be risky. So, for me we should be talking about oversight more and today is, gonna be rough for me, and I just want people to know that. Thank you.

**Chair Waihe'e** recognizes Trustee Souza

**Trustee Souza:** Mahalo, Chair. Trustee Trask, I do agree with you, policy, and I think that's what we're doing today, reviewing policy. We've been getting educated for the last year, and I love it. I love sitting through all the education courses and learning pretty cool investment terms. I could drop them around my friends, they have no idea what I'm talking about, but that's all it's good for at this point, really. So as soon as we finalize this investment policy. My question is at that point, who executes, the Board makes the policy, we don't micromanage, we make the policy, we set the goals, the benchmarks, where we want to be. Ryan knows where I want to be every time I meet with him, before I run for my second term, I want it to be a billion dollars, two more years, we can do it.

So, my question is, I understand, yes, we want to make policy, we want to control, we want to have the influence, this is our time now to have the influence, following that, I want to say this again, we need to let Ryan Lee do his job. Personally, I don't want to make the investments, I want to tell Ryan what to do, Ryan Lee gets paid more than me, I don't get paid as much as Ryan Lee, and if I did, maybe I would make some investments, too. But I want to tell Ryan Lee what we need, what we want to do for our people, and I think everyone on this Board does as well, and as far as the continuing education goes, I also don't agree with the proposed structure, and we can get to that a little later on, maybe when Vijoy comes up. But anyway, that's what I wanted to say Chair. Thank you.

**Chair Waihe'e** recognizes Ka Pouhana Ferreira

**Ka Pouhana Ferreira:** Mahalo, Chair. I just want to recalibrate the conversation, because Ryan is just reporting on the Quarterly Report. So, it's not necessarily to go into the oversight, although I know that was a result of your questioning Trustee Akina, but right now his report is just what are the quarterly performance and we will be moving more into the policy in the next item. Mahalo.

**Chair Waihe'e:** Yeah, Trustee Trask did you have questions on the quarterly report?

**Trustee Trask:** I just wanted to comment back on some of the concerns of the Trustees. I'm happy to go forward, but we've never had an Independent Advisor to come in, early in our training we had

four options, it started with something called Manager of Managers, that's what we have, somebody that's on the staff, but it ended with an Independent Advisor, somebody who's following stocks and bonds on the market somebody who has their own office and the experience which we don't have.

**Trustee Trask:** We have only in-house staff, so this is why I wanted to raise it now, because I think that, and I wanted to say this before Vijoy comes in, I've learned a great deal from him, he knows what he's doing, and he could speak to us in a local way, he's born and raised Hawaii. So, as we go through this process, Trustees, I'm just telling you this, he only has a short-term contract with us, but I think we need to hear our own conversation, we need an independent consultant, not somebody in the office, who can help us continue the training in the future, and I think that is somebody like Vijoy. I wanted to say that before he comes on, because I'm really learning a lot from him, but we've got a long way to go, and I would like to see him as part of the team rather than a short term consultant, and he leaves, and we're stuck trying to figure out how to reframe our Trust obligation and then do separate policies for asset classes. Right now I'm just looking at real property and stocks and bonds, but there may be other asset classes that will continue, we'll consider in the future.

**Chair Waihe'e** recognizes Trustee Ahuna

**Trustee Ahuna:** I just wanted to make sure that we all understand that his report is very pertinent, because this report refers to how it's underperforming, and that is very important, underperforming, like a question is, how can we have better oversight to protect our fund, it's so important.

**Trustee Trask:** Yeah, yeah, very.

**Chair Waihe'e:** Thanks. *Ryan is that it for the report?*

**Endowment Director Lee:** *Yes, that's all I have.*

**Chair Waihe'e:** Well, thank you very much. Ryan.

#### **IV. NEW BUSINESS**

##### **B. Consequent Capital Management – Independent Board Investment Advisor / Consultant**

###### **1. Introduction and Investment education related to risk management analysis and methods\***

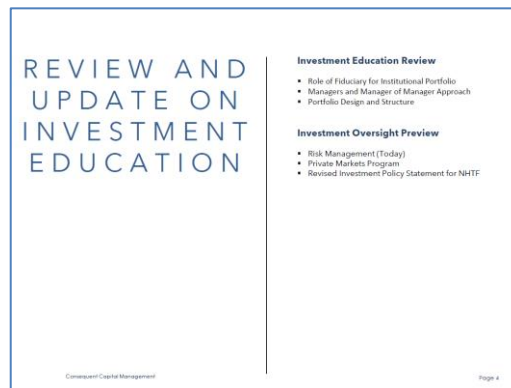
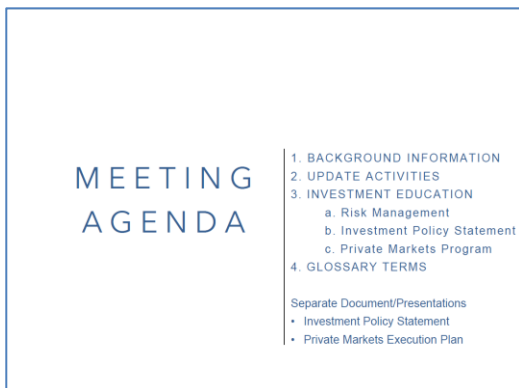
**Chair Waihe'e** asks if there is anyone signed-up to testify on this agenda item.

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

**Chair Waihe'e** calls Independent Board Investment Advisor Vijoy Chattergy to the table.

**Independent Board Investment Advisor Chattergy:** Aloha, Chair, Trustees, CEO, staff. Thanks it's a pleasure again to be in front of you. Of course, I'm Vijoy Chattergy, I represent Consequent Capital Management, the independent consultant to the Board about the Native Hawaiian Trust Fund and I think that the conversation, the questions so far today have been very robust and animated, which is a good thing, because obviously, the portfolio is critical to achieving the mission of OHA now, and into future generations.

**Independent Board Investment Advisor Chattergy:** So as has been indicated, the bulk of today's conversation is about private markets, that's where we want to emphasize it, because that's where the acute issue is in the portfolio and sort of writing that I think will be able to lead in the long term to getting to that first quadrant, if you will, I think Ryan called the Northwest Quadrant in the chart that he's added to the performance report. I thought it was a very good performance report, he covered a lot of ground and I think that regularly reporting from staff on the performance is something that will help the Trustees have the right level of oversight in what's going on with the portfolio and ask those questions. So, I think that that was very much a very positive overall conversation and part of the process.



**Independent Board Investment Advisor Chattergy:** Today, as usual, I'm going to walk fairly quickly through my agenda, which will include some education which needs to be kind of ongoing. I know there's a need to act and to build a portfolio, but ongoing understanding of the role of Trustees, of fiduciaries, how institutional portfolios operate, and the capital markets in general is critical to any organization. And so, I do have a session that actually is relevant to the conversation today about Risk Management. And then we'll talk a little bit about the Investment Policy Statement which I was hoping to be able to be approved today, but we're going to not take action today, but we're hopeful to take action on the September meeting on the 11<sup>th</sup>. That Investment Policy Statement is not quite in final draft form, but it's in a form that I think the Trustees can review and talk about. Both staff and the Independent Consultant have worked on that during the month of August, and we're just sort of getting close to where I think we have a good feel and understanding of what is possible, and I think it answers some of the questions both in terms of objectives, and also kind of roles and responsibilities and implementation. But that's the kind of thing we want to make sure that everyone is on the same page before we ask for the adoption. Nevertheless, we'll be able to, I think, go through and start to make commitments in the private markets over a transitory period from now until the end of the year, at the same time, and that would be within where policy is now, and it'll be within, I think, where policy is going.

I'm going to quickly move through our usual review on page 4, again, as Trustee Souza mentioned, we've been spending a lot of time over the last year talking about education and understanding the portfolio we've brought in all of your managers and service providers. I think there was a little bit of a break since the last time you saw them, but hopefully, that'll be a fairly continuous or routine process. It's not that they would be coming in every year or every meeting, but the contact with your managers, especially new managers, we do think it's important for you to see who exactly is managing your assets, and it's also important for them to see you. You shouldn't just be a number and a client like that, they should really understand, what is the Native Hawaiian Trust Fund, what is OHA, and why it's important to this community and to this State.

**Independent Board Investment Advisor Chattergy:** So that we'll bring in, but just not as often as we have over the last few months. That was just really to get you back up to speed to see who exactly has managed this money for you, and are you comfortable with it?

The other thing I want to mention is that from where I sit in my experience, when it comes to driving returns and getting to the optimal sort of portfolio design or the optimal portfolio outcomes, returns, portfolio design and structure is really the driver and key element to driving returns. That often falls on how much risk you're willing to take in the portfolio, meaning, I think, as Trustee Ahuna had mentioned the more risk you're willing to take, maybe that's going to mean more higher returns. But it could also mean, as Ryan was talking about the volatility of the portfolio could go up, so there's more variability, and there's potentially risk or outcomes that you don't want, so it's a balancing act. But it's really the willingness and the risk, which is what we're going to talk about very quickly here that the Trustees set that drives what kind of opportunities you invest in, and ultimately the returns. A lot of times when you talk to investors or maybe people, you know in the community they want to focus on returns. What are the returns? How do you get these returns? But returns are really a byproduct of the amount of risk you're willing to take, so if you focus in on the risk as policymakers and define these are the kind of investments because of their risk characteristics you're willing to take or not take. That should have some impact on what kind of return you have. So that's kind of one of the levers, if you think about how do you make policy, and how do you control for the future outcomes. You don't know what the managers are going to do exactly, you don't know what the markets are going to do, but over time we have a fairly good sense of how much risk there could be in the market, and when we don't, that's also another line of questioning, and I kind of talked little bit about how to think about risk. So that's one of the ways that I would emphasize that Trustees can oversee a portfolio in a meaningful way that will drive the outcomes, sometimes it doesn't actually matter, do you use Manager A or B, yes, it matters a little bit, there might be some differentiation. But it's like, do you want to be in Manager A or B, do they have the same strategy, and is that strategy in terms of the potential variability and returns, that risk appropriate for achieving your goals. And again, we can talk more about that, that's sort of ongoing.

So, I mentioned today, and I'm going to quickly run through some ideas in Risk Management, and I think it's very relevant. But then we want to spend the bulk of the time talking about the private markets portfolio, and how we would like to implement over the next few months, as your Board Consultant working with staff to make commitments. And then we're sort of making sure that Staff is doing, you know, according to policy and what they're saying they're going to do. And then there's a regular reporting and feedback loop into the Board, so you can be comfortable that staff is identifying and wanting to make commitments into appropriate managers. And we'll talk about this, Ryan and the CCM staff have met a number of times in August, and I think we're developing a very good working relationship, and I feel good about his skill set and the ability to identify opportunities in the marketplace, and we just continue to collaborate and coordinate on behalf of the Board in in that way.

**Chair Waihe'e** recognizes Trustee Ahuna

**Trustee Ahuna:** Thank you, Chair. I just would like to call for a point of order, I heard several people talk about that there is no action item. I didn't hear anything from you, so Point of Order, I would like to ask that question. Are we going to have an action item, or we're not going to have an action item today.

**Chair Waihe'e:** Yes, there's an action item RM #24-36, Approval of NHTF Private Markets Program and 2024 Commitment Plan.

**Trustee Ahuna:** Okay, Thank you.

**Chair Waihe'e:** You're welcome.

**Chair Waihe'e** recognizes Trustee Trask

**Trustee Trask:** Yes, I just wanted to follow up on my previous statement, because we're looking now, and we're talking about policy again, and Vijoy has pointed out today we looked only at Native Hawaiian Trust Fund, but our Trust obligations and fiduciary responsibilities are the same. So, when we look at and set policy for how we're going to implement our fiduciary obligation with regards to the portfolio and stocks we need to ensure that we have a continuity in the policy for all property, whether it's real property or something that would come in the future; somebody dies, we have probate. So, I'm asking here, Vijoy, when we get to the next step, where we'll be looking at policy, I would like to work with you to have the first statement be the affirmation that all decisions relating to assets, regardless what class are with the Board of Trustees. So, when you look at the policy language you're going to send us with regards to policy, the policy is set by the Board, but also the final oversight and decision making is set by the Board. This is a nondelegable Trust obligation. It cannot be passed to staff in my estimation, but I think it's easy to resolve, because we're going to be seeing some language coming back from you and the staff in terms of a policy framework. But I don't want to lose the fact that policy is being applied to certain asset classes.

**Independent Board Investment Advisor Chattergy:** Thank you, Trustee Trask, for those comments and observations. Regarding policy, yes, you have a policy in front of you that is one that's still sort of under advisement or conversation. As I mentioned, we've worked with staff in order to get to that point, but it's not final, and we would like to get input from yourselves, the Trustees, and further, with staff. I don't think we're too far away from what you're talking about, I think it's implied and shown in that language, but if there are questions, or if there's doubt, or there's a better way to write policy, you guys are the experts in writing policy and staff as well for this organization, so I think we can accommodate edits and changes, so that everyone is on the same page and comfortable.

**Trustee Trask:** I just have one other request, Vijoy, because I know that you've met with the Trustees. I met with you, and all the Trustees met with you individually, and I know that you have also met with our staff. However, I have no reports from the staff, so I'm requesting now, may I please have a summary, what staffers in the Administration have you met with, and what things have you reviewed with them? And then we'll compare with where the Board is going, so that we can make sure that the Board is tracking through the same training that you're giving to the staff.

**Independent Board Investment Advisor Chattergy:** Thank you, Trustee Trask, yes we can share what our conversations or meetings, or what we've been talking about. It's not necessarily so much training that we're doing with the staff, we're working through policy and ways to execute policy in terms of the portfolio, and again, the focus today is on the private markets, because that's where you're the most kind of under allocated and the need to sort of continue to be active in that part of the market, takes a little more effort than it does say, changing a public market manager.

**Trustee Trask:** Yeah, thank you.

**Independent Board Investment Advisor Chattergy:** Thank you, Trustee.

**Chair Waihe'e** recognizes Trustee Ahuna

**Trustee Ahuna:** Sorry about that, I didn't get to hear trustee Trustee Trask's question, was her question about including Vijoy into making decisions along with the with the Board of Trustees?

**Trustee Trask:** My question was really this, Vijoy has come in as a professional and independent trainer, he's working with us, Dan, but he's also working with staff in Admin, in accounting, like Ryan, I don't attend those meetings, I don't get any update from the staff, so I'm requesting that, as Vijoy proceeds, if he could just give us an update, I've covered these things with the staff, and we're looking at this. And the reason why I'm saying that is because I'm concerned that we set the appropriate policy for the appropriate asset class, and I want to get that from Vijoy, not from the administrative staff. We're all going through the training so that we can come together and be cohesive, pursuant to our fiduciary obligation. So, I can't attend all the briefings with the staff, but in all this time I never got a single update from Ryan or anybody else on the staff about the training, and I'm trying to gather it together so that we'll be ready, I gotta be ready for when we do the policy, and that's coming up September 11<sup>th</sup>.

**Trustee Ahuna:** So we are trying to include him in the policy.

**Trustee Trask:** That's what I'm saying, Dan, because I feel like I really need him. I don't want to go back when we're trying to assess this, and we don't have the expertise and the background of someone like Vijoy. I think we're gonna need some assistance, but I'll tell you I'm not making any kind of policies over assets until the oversight of those assets is returned to this Board, and Trustees, it's not coming back to me, I t's coming back to you, Trustee Kalei, and you, Trustee John, because you are the Chairs of the BAE and RM.

**Chair Waihe'e** recognizes Trustee Souza

**Trustee Souza:** Mahalo, Chair. Trustee Trask, I totally understand what you're saying, I totally agree. So, Vijoy the next time you meet with Trustee Trask, could you please do me a favor, could you please advise her on what you talk about with the staff so that we don't have to bring it up in this kind of meetings and take time away, because she really wants to know. So if we're paying you, can you please communicate to Trustee Trask, I think that's what she's asking for, and you met with her multiple times. I don't get to sit in her meetings as well.

**Trustee Trask:** I don't have any meetings with Vijoy, I just call him by the phone when I need something.

**Trustee Souza:** I agree, we all have individual meetings with Vijoy, whether it's on the phone or in our office. But, Vijoy, could you please do me a favor because she's asking for something specific, and because you're our consultant, she's asking for something.

**Independent Board Investment Advisor Chattergy:** Yes.

**Trustee Trask:** Any communication you send to me Vijoy, please CC it to all my colleagues, especially John and Kalei, they're chairs of BAE and RM. Please share anything you communicate with me with the Trustees, there's nothing secret going on.

**Independent Board Investment Advisor Chattergy:** Yeah, it's appropriate that we should report back anything that Trustees would like to, in terms of conversations and activities that are going on related to the Native Hawaiian Trust Fund, and we can do that formally, informally, whatever best fits. I would just mention that in terms of being your Independent Board Consultant and working with the staff is to develop what I described earlier as a working relationship, because the Board as Trustee Trask mentioned, can't always meet with staff, or for whatever reason, but you still need to have that ongoing dialogue, because you have a staff here that's involved with your investments, and then you have a Board that's also involved with the investments that are overseeing that. And so, we're trying to act as sort of a bridge, so we're trying to develop a good way that not only do we communicate back with a feedback loop, this will come up, I think, in the policy that we're talking about for private markets, but that's the role that we're trying to play. We're not trying to work outside of the Board's parameters, we're working on behalf of the Board, and we're doing it in a way so that there's better communication and coordination with Staff and their activities. And that's why I mentioned, there's a little bit of a going back and forth in terms of the policy statement today that we're hoping to get approved next time. Is that okay?

**Trustee Souza:** Thank you, Vijoy.

**Chair Waihe'e** recognizes Trustee Ahuna

**Trustee Ahuna:** I just want to make sure I'm hearing things, I want to be clear. So if Everett can answer this, because, if oversight of assets are nondelegable, like what, Trustee Trask said, I just want to know the answer to that. Because if it's nondelegable, then it would violate our fiduciary duties, if we limit oversight.

**Chair Waihe'e:** *Everett will check on that answer and get back to us.*

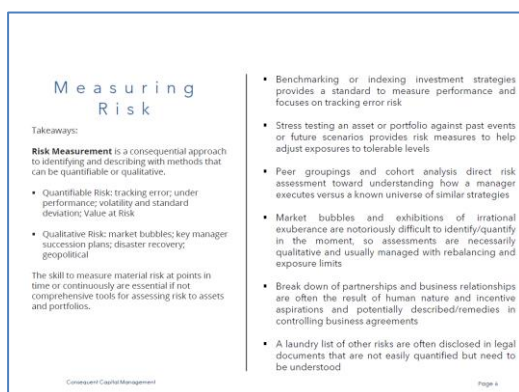
**Trustee Ahuna:** Thank you.





**Independent Board Investment Advisor Chattergy:** So again, as we mentioned, Risk Management is critical to the oversight and the role of the Trustees and staff, and everyone actually in terms of managing the Native Hawaiian Trust Fund. You'll notice in your report from Northern Trust there was a new risk section or risk page, I think, starting off page 41 that Ryan asked to include, and I think that's very good along this page 5, that particular page goes into this idea of measuring risk.

An important part of any oversight is to be able to measure what you're trying to target and optimal, so that's kind of risk measuring. But then there's also this concept of risk management, and that's a little bit asking the questions about what are the drivers of the returns, how much risk, what kinds of classes should you be investing in? That's the building a culture of asking about risk, and what's appropriate for the portfolio.



**Independent Board Investment Advisor Chattergy:** I wanted draw the contrast real quickly, just that there's something called measuring risk, and then there's risk management on page 6, Risk Measurement is both qualitative and quantitative. So, there are things like that show up in your Northern Trust report, and you can get an explanation for what does this number mean, how is it calculated and go into a lot of detail, but qualitative risk might be in like, say, a manager that you're investing with, might be a partnership. What's the succession planning, how do they account for that, and that actually might come up more in the fund documents, and that's sort of where that risk is identified, and you hope dealt with appropriately, and if not, then maybe that's a risk not worth taking in terms of the portfolio.

On page 7 you have this concept Risk Management, which is a comprehensive ongoing, using all the tools that you have at your disposal idea of managing a portfolio. And that's also you think of risk as holistic, in the sense that it's multifaceted, and that it is actually both an art and a science, and it is something that is at the heart of portfolio management. And there examples of that on that page.

## Risk Questions for Boards

- What is general risk in the NHTF?
- How does Time Horizon factor in understanding risk in the NHTF?
- How do you think of risk tolerance?
- How do you feel about the portfolio drawing down 25% like during the financial crisis of 2008?
- What would you think about missing a market increase of over 25% like in 2021?
- Is it important to perform well against peer institutional investors?
- Is it important for the NHTF to outperform or match policy benchmarks?
- What are three things that a Trustee can do to manage risk in the NHTF?
- What is the role of OHA staff in managing risks to the NHTF?
- What do you expect from service providers to mitigate and report on risk prospects and performance?

Consequent Capital Management

Page 7

**Independent Board Investment Advisor Chattergy:** If we could just go to the appendix on page 9, we come back to asking these questions about how you, as Trustees, can think about risk, and this is appropriate for anyone involved with managing the portfolio. So, couple of bullet points at the top in terms of time horizon, and general definition for risk you want to be able to know, are you managing the risk to perform better as good or better than the benchmark, or are you managing it to outperform some measure of inflation risk. You've got a couple of different ways that you think about risk, but it's important to kind of have some sort of definition. So, one way that people think about risk when they're managing portfolios and assets is, it's the permanent loss of capital. So even when you see, the market is underperforming, overperforming in any given measurement period; a quarter, 5 years, 10 years, whatever the case might be, it's really once you are selling assets, and you're realizing the loss, the permanent loss that a lot of investors will say, that's the real risk that I want to avoid. So, it has an impact on how you optimize and how you manage your portfolio.

The next set of bullet points there is to help you think about pain points in terms of the portfolio. So, we have experienced through the markets where markets are down 25 to 30%, great financial crisis, 2008. How do you feel if that were to happen to the Native Hawaiian Trust Fund in a year or 2 years going forward. Can you live with that? Because, you know from experience we saw what happened after the great financial crisis, after some period of turbulence the markets came back very strongly. So, it's understanding risk in the context of what can be. And as Trustees, what are you willing to tolerate to sleep well at night. But also how do you react to that kind of a drawdown, and it's usually the draw downs, it's not sort of when the markets go up that your as concerned, but it's sort of when markets go down. And dealing with that idea in advance, ow would that affect the way you would change the way you manage the portfolio or not, if the current portfolio were the drawdown 25%, and what's the likelihood of that happening again? That's the kind of conversation you should have in advance, so when something like that happens, you already have a game plan. Maybe it's rebalancing, maybe it's that we don't want to draw down that much, so we shouldn't invest in assets that have that kind of likely volatility. So again, that's sort of again the risk.

The next three or four bullet points there have to do with measuring against peer groups. Is that important to you, and how to define that peer group as some of the questions had come up. What are things that you as Trustees can do to help manage this risk. I put a note to myself that this is somewhat headline risk, so again, it's like if the portfolio performs poorly in a given point of time, and then that is public information, how do you feel about that, or how do you talk about that, and is that important to you. So if everyone else in the NACUBO Index is up and the OHA portfolio were down, what do you think about that, and again, it's not pointing blame or saying, Hey, we have to figure it out, I'm saying you need to have that conversation and think about what happens, if you

underperform a peer group. Is it important to outperform a peer group, and what is the information you're getting when you compare yourselves to a peer group.

**Chair Waihe'e** recognizes Trustee Galuteria

**Trustee Galuteria:** OHA is defined as a quasi-autonomous Government agency. What is our peer group, what is a peer to OHA?

**Independent Board Investment Advisor Chattergy:** Again, there's no exact peer, you're a little bit different than everybody else out there, but you share characteristics that are similar and different from certain groups. So, in the one sense, you're a public agency, you're a sovereign, so you're similar to like a public pension plan in some ways, maybe the EUTF. In other ways you are able to take long term investments, so in that way you're maybe more like an endowment or foundation.

**Trustee Galuteria:** *So, our peer group broadens...*

**Independent Board Investment Advisor Chattergy:** Just like, I said that risk is multifaceted, I think when you compare yourselves to others, the first question is, whom should you be like, there's no exact answer. So, I think there are multiple peer groups you might want to be comparing yourself to, and then for me, the question when it comes to peer group analysis is not so much just, okay, are we outperforming or underperforming this peer group. But it's more like, is that peer group or their entities in that group that are doing things differently than you, and is what they're doing, resulting in something better or worse than what you're doing, and is that appropriate for OHA. So, you reinterpret it to the OHA standards, so if you compare yourself against a sovereign wealth fund, against a public pension plan, it's more question of like, what are your real goals, and maybe they're into investing in something new, like private credit has come up a lot in recent years, and a lot of institutional investors have moved into that part of the market, is that appropriate for OHA. Certain peers are in that space, and that's the question. So, they're generating returns from, say, an asset class versus maybe OHA is not in that asset class, should OHA go into that asset class? Does it make sense for your goals? But you, as Trustees have to interpret that because you and staff are focused on the ultimate mission of your organization, you're not paying retirement benefits, so you're not like a retirement plan, in that way. You don't have restricted funds the way endowments at universities do, and have to manage it in a certain way to provide scholarships and endowed chairs and things like that. So again, there's similarities and differences, and I know last time I took a long time to answer a question, and you said I kind of was taking you in a walk in the woods, and I appreciate that because that happens more than not. But it's really important, one of the points I had made before, it's context that matters, and then you, as Trustees, interpret that.

**Trustee Galuteria:** *Got it, thank you.*

**Independent Board Investment Advisor Chattergy:** Okay, so let me conclude there, and we can always come back and talk more about risk. Can we move on to the next item, which is the Investment Policy Statement.

#### **IV. NEW BUSINESS**

##### **B. Consequent Capital Management – Independent Board Investment Advisor / Consultant 2. OHA NHTF Investment Policy Statement Review and Discussion\***

**Chair Waihe'e** 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 Waihe'e** calls Independent Board Investment Advisor Vijoy Chattergy to the table.

**Independent Board Investment Advisor Chattergy:** I'm just going to highlight that the Investment Policy Statement, we've been coordinating and working with staff and with Trustees to get the language right. and I think we should be able to do that for the September meeting, is when I'm hoping to take action. From the documents you have in front of you, which is a cover memo from Consequent Capital, and then a clean draft of what the policy might look like. A few things, I'm just going to highlight now and again, we can have more conversations now or later, is that it does move away from a Manager of Managers approach. I think it does clearly put governance policy making and oversight with the Board, and then we're going to talk more about the private markets. And we can talk more about this now, but maybe it's later, since we're not asking for action, and you have more time to kind of digest it. But, those two aspects of the policy going forward, the move away from a Manager of Manager's approach, and the authority of the Board in the process are two kind of key discussion points.

With that, I think we can still move forward with the private markets commitments because you need to be reactivating yourselves in that part of the market. As Ryan's report indicated, you're underweight there, and that not only has some impact on today's performance, but it's the long-term performance that we're worried about.

And I know that that Gerry has spent some time, and he has another document, so if it's alright, I would say we would move to that conversation, and then I think staff also has comments related to the private market implementation.

#### **IV. NEW BUSINESS**

##### **B. Consequent Capital Management – Independent Board Investment Advisor / Consultant 3. NHTF Private Markets Program Implementation Analysis and Discussion\***

**Chair Waihe'e** 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 Waihe'e** calls Independent Board Investment Advisor Vijoy Chattergy to the table.

**Independent Board Investment Advisor Chattergy:** Gerry, I think you're online, so should we turn it over to you. and I think Ryan is going to come up to the table again, and then I'll leave it to you guys to walk through this memo, comment and then, when appropriate Chair, I think staff will walk through the Action Item.

**Gerry Flintoft, CCM:** Yeah, that sounds great. Thank you all for the opportunity to present our Native Hawaiian Trust Fund private markets program implementation recommendation. As Vijoy mentioned, he and I have been working closely with Ryan Lee in mapping out an implementation plan, helping OHA take over direct control that it's private equity and private markets program and formulating OHA's 2024 commitment plan.

Later on, you're going to have Action Item, RM 24-36, within which Ryan has really captured the spirit of all the recommendations, not only of our 5 weeks' worth of conversations, but frankly the 5 or 6 months' worth of our collective work together, going back to March. This action today represents a critical step in the evolution of OHA's investment strategy aimed at long-term stability and growth of the fund. Within private markets, as we've discussed, this is a move from the expensive fund to fund managers approach to a more specialized best in class managers selection, and greater control over the portfolio with the engagement of your staff, specifically, Ryan Lee.

As you may recall in March, we had a private equity, private markets, education session, within which we made some observations regarding the portfolio, and I introduced a preliminary private equity investment pacing model. Then in June we had a discussion about the performance of the private Equity portfolio, and we'll discuss performance in a moment. You may also recall that in July we discussed the performance further, and I made specific recommendations about changes within the portfolio for OHA to consider. Today, we're presenting this implementation plan, as I mentioned, it really dovetails well into Ryan's Action Item today.

Just to give a little more context, since 2004, OHA has been engaged in private equity investments through a Manager of Manager's or Fund of Fund's approach, participating in 37 funds managed by 5 key managers. The investments have a commendable yield of approximately 11.7% since inception. Relative performance across these managers has varied significantly with some funds failing to meet top quartile performance expectations. This strategic assessment triggered our recommendation that they transition from the current, Manager of Manager model to a more focused strategy that leverage specialized best in class managers. The transition aims to optimize returns, reduce fee burdens, eliminating the second layer of management fees and carried interest. And just as a reminder, as I mentioned in the July meeting, as an example of a hundred-million-dollar private equity portfolio saving 50 basis points and management fees in a Fund of Funds program and not paying them 7.5 or 10% carry interest over and above their performance over a 10-year period, that would save OHA approximately 13 to 16 million dollars, roughly 1 million dollars a year in additional yield to the portfolio through that savings. And furthermore, it puts you in a better position to, if you recall a lot of funds were invested not in the top quartile, and not in the second quartile, and we want to increase the percentage invested in those.

The four key components to the proposed strategy and implementation is, we want to make strategic allocation adjustments, increasing specialized private equity tremendously, specialized private equity strategies, including secondaries, co-investments, buyouts, venture capital, real assets and private credit. The annual commitment pace would be approximately 45 to 60 million across these strategies. Manager selection, which is key, is going to be shifting towards selecting the best in-class managers with proven track records in their respective fields, that not only promises better performance, but it aligns with OHA's goal of reducing fees, particularly through the utilization of direct fund investments and separately managed accounts, instead of the more expensive Fund of Fund structures.

**Gerry Flintoft, CCM:** Pacing and diversification; the pacing model is designed to ensure growth in a private equity exposure, smoothing out vintage year risks and helping OHA achieve a self-sustaining portfolio by 2030-2031. You may recall that pacing model presented back in March.

Today and going forward, we're recommending enhanced governance and oversight. A *Discretion in a Box* model empowers OHA staff in consultation with advisors to make informed investment decisions within an approved framework, maintaining necessary checks and balances through quarterly reports and annual reviews. You will notice that within the memo we outlined different parameters that need to be met, potentially the most important in those is that their track record be top quartile, which is very significant.

So, in conclusion, by approving this action, the RMC will enable OHA to capitalize on the private market opportunities, ensure that the OHA continues to grow the Native Hawaiian Trust portfolio and serve its mission effectively. Consequent Capital Management urges the committee to approve Action Item RM 24-36, as it provides, a well-considered and forward-looking approach to managing OHA's private equity investments. We are prepared to roll up our sleeves and continue to support the Board and the OHA staff in restructuring and relaunching the OHA private equity portfolio.

With that I thank you for your time and consideration, and I'd be happy to answer any questions.

**Chair Waihe'e:** Thank you, Gerry. *Ryan, did you want to say anything?*

**Endowment Director Lee:** I think the Action Item summarizes the activities for the last six months in terms of the review of the private equities, private markets program, as well as the plan to move it forward. So, I'll open it up to questions as well.

**Chair Waihe'e** recognizes Trustee Souza

**Trustee Souza:** Mahalo, Chair. Vijoy, I had a question on IV. B. 2. I guess we went through it real quick, I might have missed it. Can you summarize the sections that got either combined or omitted, and why, as far as the investment policy goes. I know there was a lot of stuff that was added, and a lot of stuff that was taken out, maybe summarize overall.

**Independent Board Investment Advisor Chattergy:** Yeah, so that again, we were kind of coordinating that with staff in terms of where we were going to. So, there was an earlier draft that we were considering, and it didn't have as many of the changes. But the idea to kind of streamline and focus in on the Native Hawaiian Trust Fund, and then there's some sections there about the real estate that staff wanted to include was sort of the idea. So, some of the other items, either weren't just about the Native Hawaiian Trust Fund, they were policies that had to do with spending and things like that, and then also they were maybe more operational in nature, and the policy, is kind of more for the oversight. And then the Operations Manual which should be available to folks, that's something that your staff would work off of to execute. So, that's the idea, I can bring back an earlier version, or bring those sections back in, if you'd like to comment, or we could talk about that. But, I think the way it was sort of presented now, kind of gets us more to where you want to be, some organizations have Investment Policy Statements that are literally like a couple hundred pages, and then there are others that might be ten pages. So, it really just depends on is there enough information in the policy document that you're working off of, that you're comfortable to feel that you have the accountability, the transparency, and the oversight that you need as Trustees.

**Independent Board Investment Advisor Chattergy:** So, we think this is a good balance of that, but we're not finalizing it now, because exactly kind of concerns that you might bring up like that. *Is that fair, Ryan?*

**Endowment Director Lee:** *That's fair.*

**Trustee Souza:** Thanks, Vijoy. It's unnecessary to bring back the older version. Thanks, appreciate it.

**Chair Waihe'e** recognizes Trustee Trask

**Trustee Trask:** I just had a question, and thank you so much for that presentation, Gerry, but I kind of had a question both for you and Vijoy. When you first began talking, you had talked about Manager selection, what does that phrase mean? Does that mean that I'm looking at different asset classes, something that's a distinction between stocks and bonds, and I need different managers to advise me. Or does that mean that I can retain someone who is independent to advise me in terms of the management of our assets. I just kind of missed it early when you were talking about the manager selection, and I wasn't really sure what that meant and what I needed to do to move that forward.

**Gerry Flintoft, CCM:** I'll let Vijoy answer on the broader portfolio question, but I'd be happy to answer in private markets following Vijoy's response regarding the overall portfolio.

**Independent Board Investment Advisor Chattergy:** Thank you, Trustee Trask. The question of manager selection is a process that's a little bit different when you're talking about public markets and private markets, at least, that's the way we are showing it here. We haven't fully worked out the execution on the public market side, although that's going to be important as you move away from the Manager of Manager's approach, and in that case you will still be working with outside managers to oversee your assets, whether they're stocks, bonds, or what have you. But, selecting a public securities manager is a little bit different on the private side. The emphasis on the private side today, which is the detail that Gerry has gotten into, and we coordinated with Ryan over the last several weeks is this idea of being able to be responsive to the market, but also accountable to the Trustees.

And so the key element that's different than what you had before, because before you were, you gave discretion to these managers to make those decisions and make investments, what we're saying now is that the oversight is through the Trustee, but you create a so-called *Discretion in a Box*, where you define the kinds of investments, the amount of investments that you make, and then it's reported back to you whether that policy is being adhered to or not in a regular manner.

So that, I think, is where Gerry and Ryan can spend a little time making sure that there's a clear understanding of what this concept of a *Discretion in a Box* is, and it is something that is often relied upon, particularly in private markets, by institutional investors and fiduciaries of your like. So, Gerry, why don't you take it from there and then, Ryan, if you have additional comments, then please add that.

**Gerry Flintoft, CCM:** Yeah, I'm happy to jump in. In private markets, I'm going to differentiate between advisors and people that you might retain to advise on the portfolio, from managers who actually are selected for investment. Within private markets, you know opportunities, and I'm sorry if I take you into the weeds a little bit, but going back to our first presentation back in March, please recall



that when you're making these investments in private markets you're typically investing in a fund. The fund life has a year of 10 years and subject to a couple of one year extensions, it could go as long as 12 years. So it's a very important set of decisions that you need to make, because it's like getting into a marriage, albeit a short one.

**Gerry Flintoft, CCM:** So, within private markets, these opportunities to invest alongside different managers come up each and every year hence this terminology in our space called vintage years. Now, when it gets to manager selection, your staff and their advisors, and even folks on our team are going to maintain a forward calendar of potential managers that will be coming to market, and we'll be tracking them. Also, we will track, here are top quartile managers within your current portfolio, and we will mine your existing portfolio for those top quartile performing managers, because if they've done a good job for us, why not back the, going forward, subject to due diligence, and that things are going to continue well.

Getting back to the forward calendar of opportunities that come through the manager selection, you should take comfort in the *Discretion in the Box* approach it basically says, if you look at my memo on pages two and three, I introduced the notion of *Discretion in the Box*, and I only highlight page three in particular, that the selection, adheres to the commitment plan that you're about to approve. You have a first bias towards existing GP relationships that you're already doing business with, and they're already top four quartile performing managers. Then potentially new GP relationships that might come to market and be on your forward calendar, subject to staff, you're empowering staff with oversight, on an interim basis, perhaps us, but certainly your CEO on an ongoing basis, that they write an investment memo, and they detail their track record, and if it comes out to be top quartile, then great, that means they have an impeccable track record since they started investing, so that would be somebody great to add to the portfolio.

Then you have these other different criteria; you want a geographic focus; I have a strong bias towards North America because it's an investment environment legal system that we're all very familiar with. But over time you probably want to get some diversification into Europe and Asia, and potentially elsewhere.

In terms of a fund series, by the time a manager gets to managing their third fund, their firm is anywhere from seven and a half to 10 years old, so you pretty much know how they operate and they'll have a bona fide track record that you can audit and conduct due diligence on funds one and two. Being a series three fund, your staff and various advisors will be working with a great deal of information about the manager, so there should be comfort in making that decision.

In terms of sector exposures, that's actually looking through their portfolio and likely investments that they're going to make and compare it to your portfolio holdings. You don't want too much industry concentration in any one area, or any one sector of the economy. I suspect you have a very well diversified portfolio.

And then, in terms of risk, staff or consultants go out of their way to make sure that the overall portfolio is diversified across, and the Big 3 are across vintage year exposures, across industry sectors, and various private equity sub asset classes and different geographies even within North America. Quite honestly, I think Ryan did a fantastic job on the quite literally the 2 boxes in the back of his Action Item, he did a great job framing the discussion in the box.

**Gerry Flintoft, CCM:** So hopefully that answers your question regarding management, and gives you some measure of comfort with *Discretion in the Box*.

**Trustee Trask:** Thank you.

**Chair Waihe'e:** Okay, before we move on to the Action Item, I want to call on Everett, he has an answer to Dan Ahuna's question.

**Interim General Counsel Ohta:** Good morning, Trustees, Chair Waihe'e. Just to respond to Trustee Ahuna's question regarding the delegation of fiduciary responsibilities by this Board. The standard of care that is called for by this Board under the Uniform Trust Code is one of a prudent investor, and per the Investment Policy Statement, the Board may rely on expert advice and counsel of its external providers to satisfy this prudent person or prudent investor standard established by this Board through its policies, and that's consistent with the Uniform Trust Code which allows for that delegation of responsibilities to an agent of the Board, where the Board still retains that responsibility to prudently select this person, establish the scope or terms of that delegation, and then periodically review the agents actions to monitor that performance, as well as compliance with the delegation. So, this Board is able to delegate those responsibilities to others outside of this elected Board.

**Chair Waihe'e:** Thank you, Everett.

**Chair Waihe'e** recognizes Trustee Ahuna

**Trustee Ahuna:** Going back to the question that Trustee Souza asked, the question goes back to the fact that the policy needs to ensure our fiduciary duties are upheld. So how do we ensure we are doing our fiduciary duties if we don't even know which duties are nondelegable.

**Interim General Counsel Ohta:** To Trustee Ahuna's question, I'm saying that those responsibilities to prudently invest this Trust's assets may be delegated by this Board to an external party, provided that the Board continues to periodically monitor that performance of those persons receiving that delegation, and they're continuing to confirm that they're still operating within the scope of that delegation.

**Trustee Ahuna:** Okay, thank you. I would also like to ask a couple of questions, if private investments already account for 12.7% or 73.2 million of the Native Hawaiian Trust Fund, are we additionally investing between 45 and 60 million? Is that what I'm understanding.

**Endowment Director Lee:** In terms of current exposure, it's approximately, I believe, about 70 million. But again, you have to remember, this is a very mature portfolio, and it's in distribution mode. So, I highlighted the cash flows for the quarterly in terms of the cash flows that are coming from the department market, so that allocation will go down very quickly. The 45 to 60 million that we're talking about are new commitments that are going to be made for calendar year 2024, and each year there should be a new commitment approval that will come back to the Board for. And again, these models need to be adjusted at the pacing because the market environments change. So that's to reflect the plan for each year, but in terms of this proposal, it's asking for 45 to 60 million commitments for the remainder of the year. That would just get us at least back on track to the long-term targets that we have, that's currently at 19%. So I believe we're currently at 12.7%, so way below.

**Endowment Director Lee:** You have to remember, this is an asset class that can enhance returns over the long term and provide diversification, but not having this exposure over time has a potential to impact the ability to meet the spending needs of the Trust fund.

**Trustee Ahuna:** So, every year we're going to need to commit more and more, is that what you're saying?

**Endowment Director Lee:** Exactly, and Gerry mentioned in terms of the commitment pacing model that you need to have consistent pacing to at least get close to the target, because it's a moving target, you have market changes, you have cash flows, different investment periods. So, you need to have a steady commitment pacing to keep up with a long-term target, by not doing that, this is sort of the historical problem that the Native Hawaiian Trust Fund has experienced over the last 10 plus years, is that inconsistent commitments, annual over time that has led to the actual under allocation, and also on to performance over the 10 years.

**Trustee Ahuna:** So Ryan, now that we're going to have to make these investments, when will we actually get a return on investment. Will we know when it starts to benefit us and not underperform, when will we know that.

**Endowment Director Lee:** Private assets, private markets, this is long term asset classes, at least 5 to 10 years until you start to see the results. It's not something you see immediately, but over time.

**Trustee Ahuna:** The reason why I'm asking these questions is because, are we investing 45 to 60 million a year, or are we making segments of payments? Is it 45 to 60 million a year, did I hear that right.

**Endowment Director Lee:** These are what we call commitments, you make these commitments, let's say, 45 to 60 million for the year, but the actual investments are called over time, meaning that it takes 2 to 4 years to actually put this money to work. So perhaps the first year, just 20% of that commitment may be called, so they pace it. So, like Gerry mentioned, it's diversified by vintage year across the investment period. So, it's not called at one time, it's overtime.

**Trustee Ahuna:** So, say over a 5-year period of investments, are we talking about 225 to 300 million.

**Endowment Director Lee:** *In terms of total commitments.*

**Trustee Ahuna:** Yes.

**Endowment Director Lee:** Yes, approximately, at least maintain that long-term target for private markets. You have to have that pacing to get to that level, to attain that level of exposure that we want for the total portfolio.

**Independent Board Investment Advisor Chattergy:** Trustee Ahuna, I know that sounds a little bit daunting, and maybe we can have some more conversations about...

**Trustee Ahuna:** We're making a decision today. There's an action item today, I don't want to wait for tomorrow, we need to do it today.

**Independent Board Investment Advisor Chattergy:** I agree that staff is asking for action today, I'm just saying, in order to understand the risk and the investment, we can continue to talk of that, and we should. And I just want to add to one part of Ryan's comments about the return cycle. Gerry or Ryan, did you want to talk about secondary funds and other ways that you can mitigate the delay in seeing returns, because I think that's also important.

**Trustee Ahuna:** Okay, I just want to ask another question, how does this correlate to the ultimate goal of getting our ? back now, because with us investing all this money, it's going to be in the public, this is a lot of money. What does that look like on us, who is this money going to? Is it going to the people that we saw on online, these kinds of decisions are going to take a toll. This is high risk. We're not a foundation like you guys think we are, so I just want to know, how do we get all this back, 225 to 300 million, Oh My God, this is about fiduciary obligation.

**Independent Board Investment Advisor Chattergy:** So this is one asset class that we're talking about, in a diversified portfolio, different types of strategies, different types of risk profiles. So, you come back to the risk profile, investing in private markets have particular risk, and the commitment size is within what they're talking about, 19% of the portfolio. It sounds like a big number, and it is a big number, and it's in real dollars, and in the Investment Policy Statement, one of the ways that you value or believe that you can achieve your long-term mission is to invest in capital markets, then this is an important part of the capital markets and the return profile, and we recommend that you have exposure. Now is 19% too much, is it too little, that's a conversation worth having, and absolutely as a Trustee, if you're...

**Trustee Ahuna:** These are conversations I'm bringing up. What we're having is how much we're trying to invest.

**Trustee Trask:** Yes.

**Trustee Ahuna:** What I want to explain to you is, I've been married for 25 years. If this is like a marriage, let me help you guys out with marriage. Okay, we're going to have to commit all this money, and how do we explain market volatility, how do we explain that, because even if it's volatile years, we still have to make these investments, as oversight, as a Trustee of the of this Trust, how do I do my fiduciary obligation, because right now, we're putting it in other people's hands.

**Gerry Flintoft, CCM:** If I may Trustee Ahuna, that is why you have these things like *Discretion in a Box*, you set out a goal to invest with only the best managers within an asset class. And in terms of volatility, that's why you invest in each and every vintage year, because you don't know which vintage years are going to be particularly great performers, and which vintage years may be particularly poor performers. Let me take you back to 2008 when we had the big housing crisis that gave us the great financial crisis. A lot of people lost a lot of money on investments that they had made in '05, '06, '07, and '08, but by investing in '08, '09 and '10 when asset values were down low, those investments within private equity performed extraordinarily well, because guess what, they purchased that at a great price, and they liquidated those assets 5 years later, in a future market where there was a low interest rate environment and asset values were extraordinarily high. And you have to ask yourself, it's very challenging to generate a 7 or 8% return, you can't just buy government bonds and highly valued public market stocks that are trading at 20-25 times earnings, implying only a 4 or 5% potential return, they too, have to hope for a great capital market going forward.

**Gerry Flintoft, CCM:** So, to Vijoy's point, we believe in capital markets. This is an asset class, where you benefit from asymmetries of information. You're hiring managers who have a particular skill set to generate really great returns, you may recall, my observation was at the 11.7% return on your private equity portfolio, since inception, is not bad, it was better than having median return over the last 20 years. But it's very hard to go out there and find investments that deliver 11.7% over 20 years, and I would highlight for you that during that time period there were managers out there that can help you do even better than that. You're limiting it to a small portion of your portfolio, and it fits within the overall context of your risk management, it seems like a daunting sum of money, but in the big picture over time, it's a reasonable amount.

**Trustee Ahuna:** Gerry, thank you for your answer, that's a very good answer. Our Trust is nearly under 600 million dollars, we're talking about half of that, that's what we're investing, for me as a Trustee, and I've gone through a lot of these bubbles in the past, the policy is so important because a lot of times we just cannot meet right away, and now we're in this bubble, and we cannot meet, and this is when things can go bad, because a policy might not support what is actually going on during the crisis, so we cannot meet like the next day, or we could be doing something else. It's very hard, so the reason why I'm saying this is because oversight is one of the key things I brought up from day one, and only today I saw a little bit about a little oversight, and one of the questions that I have to ask myself is, when we're making this investment, we have to invest in our people, too, not just this portfolio that goes outside of who we are. So, I wanted to find balance, and this balance should include all this oversight and policies that we should be having. And right now, a lot of the policies don't reflect those decisions that I need to make during these times of crisis and everything.

But, I just want to say this, thank you guys for this presentation. I've been skeptical because this is a hard decision to make, and we are Trustees who are voted in by our people, so when people hear how much we're going to be investing, this could take a wrong turn for us, good or bad. I just want to say thank you, I only have 35 more questions, but I'm going to leave some more for everybody else. So, thank you very much.

**Endowment Director Lee:** Trustee Ahuna, can I just respond quickly to the actual dollar commitment that's being committed. I just want to note that the money that's being committed is already invested in the portfolio, especially within the public equities side, so we have that exposure already. So, what we're trying to do is rebalance from the public equities into private markets, that would actually be able to generate higher returns over the long term, so that's more of a rebalancing within the portfolio from one public equity portfolio to the private market. So, it's not new investments that we're adding to the total equity risk, it's replacing public for private markets.

**Independent Board Investment Advisor Chattergy:** Yeah, and just to clarify that this is just to bring the portfolio back to the originally agreed to allocation of 19%. It's not saying, take even more risk, that would be something that staff would come back and ask the Board for, or make an explanation. This is just to get where you are, because at the moment, if you just let the portfolio run the way it is, your private market exposure is going to run down to zero, and what we're saying is that private markets are important to have in your portfolio, and we just want to get you back to what you've already agreed to is the appropriate amount. So just to clarify, but I think there might be other questions.

### Chair Waihe'e recognizes Trustee Akaka

**Trustee Akaka:** Mahalo, I wanted to know what other options there are beyond what is provided in the 2024 commitment plan. I have some challenges with the way it's written, and with the figures and so forth. Could there be other options provided beyond what is here, beyond *Discretion in a Box* model, and so forth.

**Independent Board Investment Advisor Chattergy:** So, the concerns you have are for the way the *Discretion in a Box* is written, or for the overall amount...

**Trustee Akaka:** Well, if we were to follow the *Discretion in a Box* model, and if the concern is proper oversight, more by the Board than by the Administration, how can that look.

**Independent Board Investment Advisor Chattergy:** So, the *Discretion in a Box* is set up, and especially right now, kind of as a transitory period from now until the end of the year, and then at the end of the year, you would be presented and shown, this is what has happened, this is what the team has done, they've made these investments, and it's within the discretion of the box. And then now they're going to ask you for a new *Discretion in a Box*, and then, at least annually, that *Discretion in a Box* would need to be renewed, that's the idea. So, it's something that can always be adjusted in terms of your comfort level, or your understanding of what it is you should be investing or not investing, and it would be up to staff to justify not only what they've done, but why they need that discretion going forward. Then, of course, you'd also get your regular quarterly updates in the portfolio, and part of that would be the private markets, occasionally if there were new managers brought in the portfolio, you would probably bring them in so you could meet the group that has been selected, or would be investing with, in case you had any qualifications or concerns.

So, *Discretion in a Box*, as it's being asked for today is not meant to be for now until all time. It's a method that allows you to respond in a timely way to a very dynamic market, managers are coming in and out of the market all the time, and they may have windows of when you can invest in them. Again, it's different than the public markets policy which wouldn't be a discretion in a box. This is for right now, because you are so under allocated, the idea is, let's get us back on track, take us to the end of this year, and then come back to you with accounting for what's been done, and then to ask for a new *Discretion in a Box*.

Now that might not answer or satisfy what you're saying right now, but I just want to make it clear that *Discretion in a Box* is a request of the Board to be able to implement your portfolio. But it's not something that's going to be set in stone, and we're not going to look at again, we're actually going to look at it fairly frequently, that in these markets where we talked about, multi-year returns and taking years to make commitments, coming back every year and saying, this is what we're going to do, this is what we've done, and now this is what we'd like to do is the way *Discretion in a Box* works in the markets.

*Ryan, did you want to add something?*

**Endowment Director Lee:** I believe if you're looking for an alternative, that the alternative would be not to have that *Discretion in a Box*, and have each commitment come before the Board for approval. Again, I think there are pluses and minuses as we talked about, and the timing in terms of implementation may limit the ability of OHA how to access the top managers, so you have to weigh that.

**Endowment Director Lee:** That's the option not to have it, and have each commitment go back to the Board. But again, you need to have more timely meetings, because you're going to have a lot of these opportunities that occur on a monthly basis that needs approval

**Trustee Akaka:** So, follow up to what your responses are, I have two questions. In terms of looking at what would be the closest, to what a peer version of what we do and what we're looking at, are they doing *Discretion in a Box*, and when we look at our history of our investments, what has been the most high yield, what model?

**Endowment Director Lee:** I think *Discretion in a Box* is very similar to what you've already given to the Manager of Managers. You select the managers, they have the ability to go out and have full discretion to hire managers, maybe without a very tight box, but it's within certain strategies that they set out to target. So, in essence, it's kind of similar that the Manager of Manager structures you already delegate a lot of that responsibility to the manager to do. But, in this sense it's similar, yet in a very tight constraint, there's a dollar amount, there's a limit on sectors, strategies, number of managers, that constrains what you can really do. But that's sort of the profile that we want to implement forward to get the plan back on track.

**Independent Board Investment Advisor Chattergy:** And the difference is that you have more oversight and you have more transparency in to your investments and your portfolio, because you're having direct conversations with best in class private market managers, and you should be able to get access to that, as opposed to it stopping with your outsourced Manager of Manager who may or may not share that level of detail with you in terms of what they're doing.

**Trustee Akaka:** Historically, when we've had more oversight or not having more oversight have we been more, has it been a higher yield in terms of returns?

**Independent Board Investment Advisor Chattergy:** Ryan can probably answer that directly, but what I would say is that by having more oversight, by having more insight into what's actually in your portfolio, that's how you manage risk. You'll look at your quarterly report, there are certain private market managers where there's no return or number calculated, and you have a little bit of a blind spot in terms of what they do, you might have a ultimate return, and that's great that they're doing reasonably well, but not knowing what they're investing in and not being able to manage that in the context of your overall portfolio. Where do you want to take more risk, less risk, that sort of thing is why the need to have more oversight and more accountability makes sense for an institution like OHA.

**Endowment Director Lee:** I agree.

**Independent Board Investment Advisor Chattergy:** Is that helpful? Maybe I'm not being clear.

**Trustee Akaka:** What I don't feel is being answered is in terms of OHA, historically, when there has been more oversight was it more productive, was it a higher yield, in terms of returns.

**Endowment Director Lee:** I can comment on that, I wasn't here, but just looking at the historical returns and commitments made, I believe initially in the beginning there was a commitment to build up the plan. So, there was consistent oversight by staff and the outside Manager or Managers to build up the portfolio. But over time, that oversight probably lapsed just given the amount of managers in a portfolio, turnover within staff and turnover within the managers themselves in terms of



people that covered OHA, there probably was not as much oversight to get the plan in place compared to the initial period.

**Endowment Director Lee:** So, you work early on, but I think you have to constantly monitor the progress and adjust accordingly, and that hasn't happened.

**Independent Board Investment Advisor Chattergy:** Another aspect that I think, is important to think in terms of managing the portfolio a little bit differently, and going to this Manager of Manager approach was something that Gerry had mentioned during his presentation, where, he said, moving away from a Fund of Funds which is kind of what this Manager of Manager is giving you, they're investing in other underlying managers, is that you potentially are saving up to a million dollars a year, going forward in cost, in fees, that's a market or industry estimate. I don't know if that'll actually be the case in terms of the Office of Hawaiian Affairs, but the idea of having a more direct line means that you can cut out layers of fees that exist in the existing structure. So somewhere, maybe it's less, maybe it's more, is what you're hoping to also benefit in terms of being able to manage more directly, is a better fee structure, which goes directly back to your returns. Which implies, again, I can't guarantee returns, so I want to say it implies that you'll do have better returns, if you were doing an apples-to-apples comparison using the old model version to what we're proposing here.

**Trustee Akaka:** So, going back to my question regarding providing an example of a closest version of our peers, who would you say, locally or indigenously that you're familiar with, would we be able to have as an example in terms of what oversight looks like. For instance, would you say that Kamehameha Schools would be somewhat of a close version of what we're looking at, and how much oversight do they have, and has that been productive and high yield with the amount of oversight that they have or don't have?

**Independent Board Investment Advisor Chattergy:** So, Kamehameha Schools is always difficult to know what they're doing, because they don't have transparency, but all endowments are kind of like that. They all manage, and they've got internal, and they do very well, so I don't know what they're doing exactly. I don't even know exactly what's going on in other investment institutions in the State, but I know that, for example, when I was at the ERS, State of Hawaii, when we moved from a lower allocation to private markets, to a higher allocation to private markets, working with the consultant Hamilton Lane, we developed a *Discretion in a Box* so that we could move forward and make commitments without having to go back to the committee on the committee's schedule because the markets wouldn't wait for the committee. And again, it's very much a *Discretion in a Box* structure like what we're talking about here, but it can evolve over time. I'm not sure if they still use a *Discretion in a Box*, or how they use their consultant, or don't use their consultant as staff capacity grows, and they have people who are folks in private markets, some of that can come in house, and that *Discretion in a Box* evolves. But again, it's never like, the staff just runs off and does what they want to do, there's always an accountability, there's always a feedback loop to the Board in terms of the way it's run, and I think that's still the case today. But, certainly when we were building out the private markets from like, say, 12% to 16 or 18%, there was a need to move quickly, and so the *Discretion in a Box* was a satisfactory solution, at that time.

**Trustee Akaka:** *Ryan, could you elaborate?*

**Endowment Director Lee:** I can comment, at Kamehameha Schools, typically, we would present a plan to the Board in terms of the private markets, providing updates in terms of performance managers that you want to target, and just the plan for the year, in terms of commitment budget.

**Trustee Akaka:** *So, you provided that information to the Board once a year?*

**Endowment Director Lee:** At least once or twice a year. I think there were committee meetings that met about three times a year that we provide updates to, but in those meetings, we talked about the plan, the commitment budget, to get to a certain target, the access issue right, how to gain access to these managers. At the end of the day, the decision was delegated down to staff for the actual implementation, definitely discussing plans on the private markets was discussed with the Board, they were aware of the strategy.

**Trustee Akaka:** *Would you say that the Alaskan natives have something like what we have?*

**Independent Board Investment Advisor Chattergy:** There are several plans in Alaska, the Native Alaska fund, I'm not that familiar with. I'm more familiar with, like the permanent fund or the retirement system, in those cases they're very large pools of assets, and they tend to have a pretty robust staff, so I'm not sure how they work with consultants, but I would think that the staff would be leading a lot of the investing and activities in private markets there. But, that's just an impression as opposed to I know that for sure.

**Trustee Akaka:** *Thank you.*

**Chair Waihe'e** recognizes Trustee Trask

**Trustee Trask:** I just wanted to say that I have very much the same concerns that Trustee Dan has expressed. We're supposed to take a vote on this today, I'm requesting that the Board delay that so that we can have a further discussion. The second thing is that I am requesting that the Board consider that we have collectively, all of us together, a discussion with the State Attorney General, so that we can be advised as to our Trust authority in this matter. I have been in contact with them, preliminary discussion was that I was told that OHA is not an endowment, they did not know why endowment funds were being used unless a probate occurred, somebody died and left it. I think we need to talk with Attorney General, all of us together, because when I told them that without consulting the Board, staff and Admin and the Chair had created, turned us into an endowment. And he said, you are not the Bishop Estate, you are a state agency. I think we could get a lot of understanding, I'm kānalua to go forward with a vote. When OHA moved forward and he said, when did the Trustees create the endowment, and I said, well, we never did, the staff did it all, we never did it.

Trustees, also I gotta tell you, today's meeting and yesterday's meeting were really important for me, but I have to leave now, I can't hear what's going on, and I'm losing connectivity, because, although the Board set these two days for critical meetings, they sent me a notice, saying, you gotta get out of the office because the movers are coming. So, the movers have been here yesterday and today that they're taking all the furniture, they're taking the connectivity, and I'm trying to tell them I will stay here until I leave in the old office, and I need connectivity. I don't know why the staff and admin did this.

**Chair Waihe'e** recognizes Trustee Souza

**Trustee Souza:** Mahalo, Chair. I'm just going to sum this up, what I heard was oversight, what I heard was underperforming. What does oversight mean? The action of overseeing something, that's the literal definition, so my thing is, we're gonna continue as Trustees to oversee. And I'm going back to what I said earlier, this recommendation is being put forth by 3 experts here today, one of them

being our consultant who is advising us, who is here at the table. We're not giving you the full and sole authority Ryan Lee, today, right. Vijoy is sitting right here, so if I had a question, Vijoy, what Ryan Lee is saying, is it legit, you guys talked about this prior to coming to the Board?

**Independent Board Investment Advisor Chattergy:** *That's your question to me?*

**Trustee Souza:** Yes.

**Independent Board Investment Advisor Chattergy:** *Yes, we coordinated.*

**Trustee Souza:** *Perfect.* You had conversations with other Trustees prior to coming to this table.

**Independent Board Investment Advisor Chattergy:** Yes.

**Trustee Souza:** *Perfect.* Ryan Lee, did you talk to Vijoy?

**Endowment Director Lee:** Yes.

**Trustee Souza:** *Perfect.* So, ladies and gentlemen of the jury, I think because I've been hearing, let's do our homework and postpone, postpone, postpone. Wait, hold on! Sorry, I just got more of an update, we just lost 2 million dollars just sitting here the last 2 hours. So can we actually make a decision as a Board with nine very smart people here, but to me nobody invests in this room like Ryan Lee and Vijoy, for that matter, very effective in what you guys do in your field. The State Attorney General can't imagine what their assets are, but they can confirm that we are the fiduciary, that is our obligation. But I think we have enough smart people in this room to make a decision, we have the discussion, we take the vote, if it doesn't happen, it doesn't happen. That's the process right? Then we can revisit it. But I want to make it clear to you, Ryan Lee, as well, because I told this to Vijoy earlier, when we have our meeting, just be clear, whatever the Trustees ask for, go find out, come back and report to us. If you have a conversation with Admin or staff, furthermore, I don't like referring to staff as these guys down here, they're not down here, they get paid more than us Trustees, by the way. So, they're obviously worth it, somehow, we need to start treating each other with respect, we're talking about cohesiveness, I don't like talking about staff like they're nobodies, they all have some kind of value that they bring to the table.

So, Ryan Lee, I'm going to be clear to you now, when we have conversations, quarterly, I saw something about quarterly in here, right, there's going to be reports, you're going to come to us. If I have an issue as the oversight guy, I want to come to you to see what's going on, we wanted this, how come it's not this. Your response might be, I cannot control the world, Trustee because there's many variables, I'm going to invest at this time, maybe it's the wrong time, I'm going to invest this amount of money, maybe it's the wrong amount, the time you wanted to commit, too long, too short, whatever it may be. But we're going to have that conversation along the way, as we are today, right? All of us, whoever's here at that time, right?

**Endowment Director Lee:** *Correct.*

**Trustee Souza:** So that's all I ask, can we just be adults in this room and educated adults, because we sat through enough continuing education courses, which I really love. So, thank you all for listening, appreciate it, Mahalo

## **Chair Waihe'e recognizes Trustee Ahuna**

**Trustee Ahuna:** I promise I'll be real quick. I just wanted to just thank Vijoy, Ryan and Gerry for coming to the table today. For me these are the type of conversations I like to have about oversight, and this is very good, and I just wanted to share a little bit about what I've learned from you guys. I just want you guys to understand, first of all, when I did my research, I think when we look at Managers of Managers, I think that's an old way of doing business, and I think the Fund of Fund is a much more proven way, moving forward. However, for me, the question about oversight still needs to continue, as I'm looking over the policy right now, it doesn't reflect anything that I'm talking about right now, and I just think that needs to be fixed. So, if we're going to vote, I would love to come back to the table with all you guys again, because we're getting closer, but today I'll be voting no, if it happens. I just want to thank you guys for coming here. A lot of it has to do with my role and responsibility, so thank you guys

**Chair Waihe'e:** Okay, we'll move on to the next item.

## **IV. NEW BUSINESS**

C. Action Item RM #24-36: Approval of the Native Hawaiian Trust Fund (NHTF) Private Markets Program and Commitment Plan for 2024\*

**Chair Waihe'e** 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 Waihe'e** turns it over to Endowment Director Lee

**Endowment Director Lee:** In terms of proposed Action Item, RM 24-36, we're seeking RM Committee approval for the Private Markets Program and the 2024 Commitment Plan. In summary, it covers the work that we've done in terms of evaluating the private markets program, the current state, as well as the future state. So, highlighted here is the issue that the private allocation program is underweight, 12.7% versus target, and with this plan we can get to target by 2028. So, basically improving the long-term returns to serve our beneficiaries.

Now for the remainder of 2024, the plan outlines a strategic commitment of 45 to 60 million, across diverse private equity sectors. So mainly within the secondary funds and co-invested funds, which are much more diversified to help us ramp up our exposure to the program. The strategy involves making commitments to four to eight firms, each ranging from \$5 to \$20 million. The larger amounts will need to be more diversified strategies versus the smaller commitments. And the commitment also calls for that *Discretion in a Box* concept in which it streamlines to private equity commitment approvals by providing advanced authorization within predefined limits. So, as mentioned, Administration will provide quarterly updates, it can be monthly without an issue. But again, each year we'll come back to the committee for approval, as models are updated to reflect the current market conditions.

I'll open it up for questions or comments

**Chair Waihe'e** okay, before we move into discussion let's get a motion on the table, please.

Trustee Hulu Lindsey moves to Approve Administration's recommendations to

1. Approve the NHTF Private Markets Program and Commitment Plan for 2024.
2. Approve the Delegation to Administration for implementation within the guidelines.
3. Execute all necessary agreements, instruments, applications, and other documents related to implementing the Private Markets Program Commitment Plan for 2024

Trustee Souza seconds the motion

Chair Waihe'e asks if there is any further discussion

Chair Waihe'e recognizes Trustee Ahuna

**Trustee Ahuna:** Thank you. Chair. For me, I'm hoping we can defer this, and the reason why I'm asking for this deferment is because I don't want this to be a no, if you guys want to be yes, it's going to be hard, because what's written in it. It doesn't reflect the outcomes that is going to shape all of the testimony you heard today. So, I'm just hoping that we can continue this conversation because I really want to make it better, and right now, as it stands, it's not. If you guys feel okay with it, let's do this. But it has nothing to do with the concerns that we had today. So I'm going to ask for if a motion to defer it, because I really don't want this to go away. I just want us to make good decisions.

Trustee Ahuna moves to defer Action Item RM #24-36

Trustee Akaka seconds the motion

Chair Waihe'e asks if there is any further discussion

There is no further discussion.

Chair Waihe'e calls for a **ROLL CALL VOTE**.

MOTION							12:15 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
DAN	AHUNA	1		X			
KALEIHIKINA	AKAKA		2	X			
KELI'I	AKINA				X		
VICE-CHAIR LUANA	ALAPA						EXCUSED
BRICKWOOD	GALUTERIA				X		
CARMEN HULU	LINDSEY				X		
J. KEONI	SOUZA				X		
MILILANI	TRASK						Departed mtg. at 12:04p.m.
CHAIR JOHN	WAIHE'E				X		
TOTAL VOTE COUNT				2	5	0	2

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

Chair Waihe'e notes for the record that two members present vote 'AE (YES), five members present vote A'OLE (NO) and, two are EXCUSED and the **MOTION TO DEFER FAILS**.

**Chair Waihe'e** asks if there is any further discussion on the main motion

**Chair Waihe'e** recognizes Trustee Akaka

**Trustee Akaka:** Well, my question was to get a feel of the room on if we feel comfortable in moving forward overall, but I think we got a sense of that just with that last motion vote.

**Chair Waihe'e** recognizes Trustee Akina

**Trustee Akina:** Mr. Chair, Thank you. I feel confident in affirming this resolution today. I think it's been well prepared by our Administration and our advisors. Number one, it answers my first concern, and that is how we can have a more proactive role in ensuring the outcomes and the results of our investment that we want to see happen over the next 10 years. Secondly, it answers the question about oversight and accountability, and we've merged the two terms to some extent, but oversight is something that has to do with authority, and it's not always what has to do with performance. I think that the concept that's presented here in the action item helps to ensure that we provide boundaries that will be respected, we can give authority and delegate it, but we can also pull it back and it and it's monitored. So, I'm confident that this is a good move for us going forward.

**Chair Waihe'e:** *Thank you.*

**Chair Waihe'e** recognizes Trustee Lindsey

**Trustee Lindsey:** I just wanted to say that I have confidence in the professionals that we hired, Ryan as well as Vijoy and his company, and that is why I'm voting it for it to go forward.

**Chair Waihe'e** recognizes Trustee Galuteria

**Trustee Galuteria:** I just want to tell you, folks, that you're quite aware now that we want to be in play, that this Board definitely wants to be in play. What we want to maintain is adequate guidelines, and then let you folks run. But if we see something that is questionable, we're going to require some time with you. Appreciate that. Thank you, Chair.

**Chair Waihe'e:** *Thank you*

**Chair Waihe'e** asks if there is any further discussion

There is no further discussion.

Chair Waihe'e calls for a **ROLL CALL VOTE**.

MOTION							Motion: 12:13 p.m. Vote: 12:18 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
DAN	AHUNA					1 – X, 2 - X	
KALEIHIKINA	AKAKA			X			
KELI'I	AKINA			X			
VICE-CHAIR LUANA	ALAPA						EXCUSED
BRICKWOOD	GALUTERIA			X			
CARMEN HULU	LINDSEY	1		X			
J. KEONI	SOUZA		2	X			
MILILANI	TRASK						Departed mtg. at 12:04p.m.
CHAIR JOHN	WAIHE'E			X			
TOTAL VOTE COUNT				6	0	1	2

VOTE: ☒ UNANIMOUS ☐ PASSED ☐ DEFERRED ☐ FAILED

Chair Waihe'e notes for the record that six members present vote 'AE (YES) and one ABSTAINED, two are EXCUSED and the **MOTION PASSES**.



## V. ADJOURNMENT

Trustee Lindsey moves to adjourn the RM meeting.

Trustee Souza seconds the motion.

Chair Waihe'e asks if there is any discussion.

There is zero discussion.

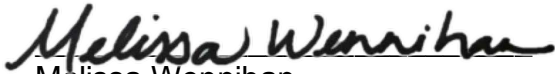
Chair Waihe'e calls for a **ROLL CALL VOTE**.

							12:19 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
DAN	AHUNA			X			
KALEIHIKINA	AKAKA			X			
KELI'I	AKINA			X			
VICE-CHAIR LUANA	ALAPA						EXCUSED
BRICKWOOD	GALUTERIA			X			
CARMEN HULU	LINDSEY	1		X			
J. KEONI	SOUZA		2	X			
MILILANI	TRASK						Departed mtg. at 12:04p.m.
CHAIR JOHN	WAIHE'E			X			
TOTAL VOTE COUNT				7	0	0	2

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

Chair Waihe'e adjourns the RM meeting at 12:19 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Melissa Wennihan", written over a horizontal line.

Melissa Wennihan  
Trustee Aide  
Committee on Resource Management

As approved by the Committee on Resource Management (RM) on September 11, 2024

A handwritten signature in black ink, appearing to read "John Waihe'e, IV", written over a horizontal line.

Trustee John Waihe'e, IV  
Chair  
Committee on Resource Management