

Endowment Fact Sheet

Management of the Endowment Pool

Endowments, of all private giving, offer perhaps the most influential of investments in higher education, creating living legacies that span generations. An endowment is a financial gift that provides income in perpetuity for a specified use.

Endowments are needed to provide funding for faculty chairs and professorships, graduate fellowships, undergraduate scholarships, program support, visiting scholars/lectureships, research support and student internships. Among the top priorities of the University of Hawai'i is to increase the Foundation's endowment.

The purpose of the endowment pool investment program is to preserve the real value or purchasing power of investment pool assets – and the annual support the assets provide – over an infinite time horizon. The investment program attempts to balance current need and future support so that any university program supported by an endowment will receive the same or greater financial support in the future as it relies on today.

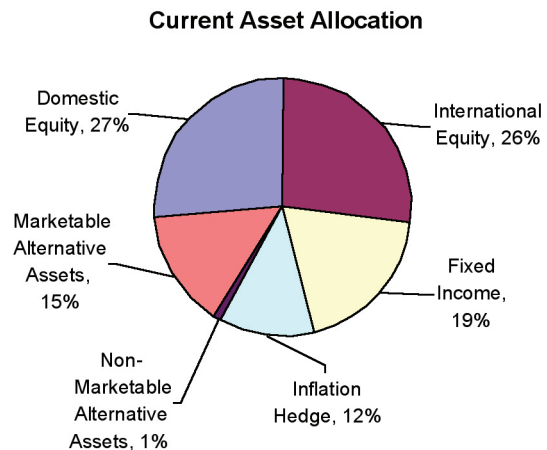
ENDOWMENT POOL POLICIES

Endowment gifts to the University of Hawai'i Foundation are placed in a pooled fund for investment and oversight purposes. A pool of assets provides more options for investment, stronger diversification, superior returns and lower management fees. The market performance of the pool is allocated between all the accounts proportionately so they all share equitably in the gains or losses.

Decisions regarding the investment of the endowment are made by the Investment Committee of the Foundation's Board of Trustees. The Investment Committee seeks superior investment returns through a diversified, professionally managed portfolio. To achieve its objective, the Foundation retains an independent consulting firm, Cambridge Associates, with expertise in investment policy development, spending policy analysis, manager evaluation, and selection and performance evaluation. Cambridge Associates provides investment service to over 180 colleges and universities.

ASSET ALLOCATION

The funds in the endowment are managed based on Modern Portfolio Theory. The basic principle of this theory is that risk is reduced by investing in non-correlated assets. To achieve this objective the consultant recommends the percentage allocation to each asset class. The consultant also recommends professional investment managers to manage each specific portfolio management strategy of the endowment pool. Based on their assessment of the consultant's recommendations the Investment Committee determines the appropriate allocation and selects the investment managers. The Foundation's asset allocation at 6/30/06 is displayed in the following chart:



The non-marketable assets allocation is low since the managers only invest funds as opportunities are identified. Over time, this allocation will increase to 8%.

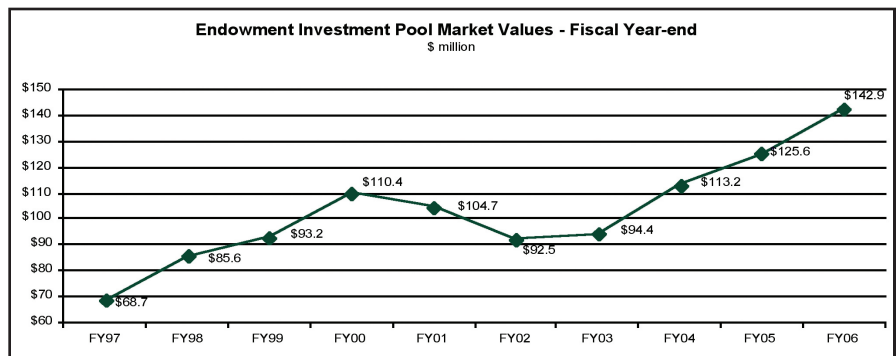
Guide to Understanding the Endowment Fund

The Foundation currently utilizes 14 investment managers in 20 funds. The investment managers and styles for the asset categories are as follows:

INVESTMENT MANAGER/FUND	INVESTMENT STYLE
U.S. Equity	
State Street Global Advisors – S&P 500 Fund	S&P 500 Index Fund
Gardner Russo — Semper Vic Partners Fund	Large Cap Value
Delaware — Pooled Trust Large Cap Growth Fund	Large Cap Growth
Southeastern — Longleaf Partners Fund	Mid and Large Cap Value
Hotchkis & Wiley Fund	Mid and Small Cap Value
International Equity	
Brandes Investment Partners — Non-U.S. Equity	Large Cap International
Arnhold & S. Bleichroeder — First Eagle Overseas Fund	Mid Cap International
Non-Marketable Alternative Assets	
Park Street Capital — Private Equity (Three Funds)	New Non-public Companies
Marketable Alternative Assets	
Pine Grove Associates	Hedge Fund of Funds - Multiple Styles
Common Sense Investment Management	Hedge Fund of Funds - Equity Long/Short
Inflation Hedge	
Wellington Trust Company — Real Asset Fund & Diversified Inflation Hedges Fund	Natural Resources, Real Estate, Commodities, Inflation-linked Bonds
Park Street Capital — Natural Resources Fund	Natural Resources
TIFF — Real Estate Partners	Real Estate
TIFF — Realty and Resources Fund	Real Estate and Natural Resources
Fixed Income	
State Street — US Gov. Bond Index Fund	Intermediate Government
PIMCO — Total Return Fund	Full Range of Securities and Market Sectors
Mondrian Investment Partners — Global Fixed Income Fund	Foreign Sovereign Debt

ENDOWMENT INVESTMENT POOL PERFORMANCE

The chart at right provides the historical results of the endowment investment pool.



The chart to the right summarizes the endowment rate of return compared to the benchmark.

Annual Rate of Return	Fiscal Year 2006	Annualized Trailing Three Years	Annualized Since Inception (4/1/96)
Actual	12.5%	12.9%	8.3%
Benchmark	10.4%	11.6%	8.3%

The current benchmark reflects a blend of Russell 3000 (32%), MSCI EAFE (19%), 91 Day T-bills plus 5% (15%), CPI plus 5% (12%), Lehman Brothers Aggregate Index (8%), Lehman Brothers Government Bond Index (8.8%), Citigroup World Government Bond Index (4.4%).