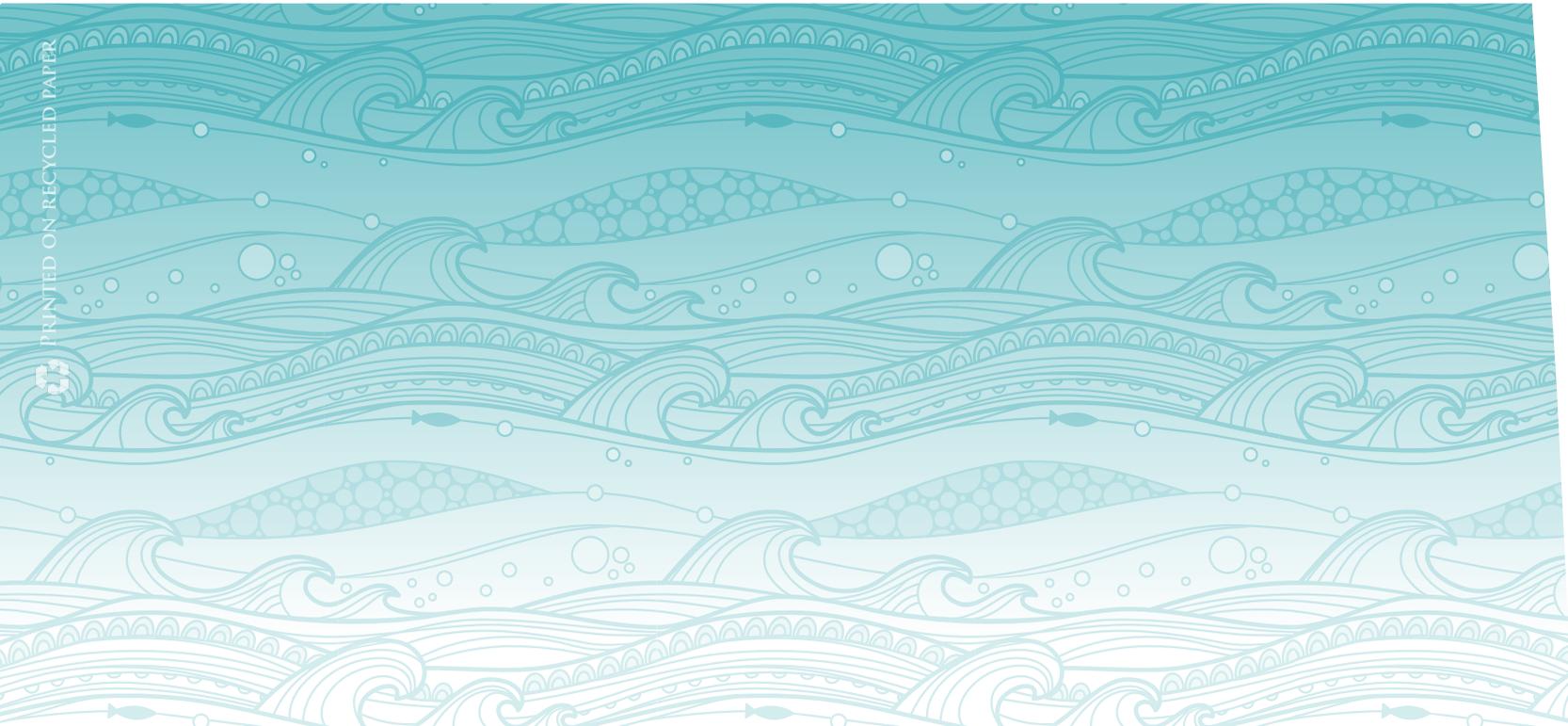


# *Journey Beyond*



UNIVERSITY  
of HAWAII®  
FOUNDATION

2017 **Endowment Report**





## **A message from our chair**

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

Your private support plays an increasingly important role for the University of Hawai'i and its 10 campuses. The greatest example of the long-term power of private support is the endowed fund. Once established, endowed funds continue to make an impact year after year. They are a blessing to their beneficiaries and a lasting tribute to the generosity and foresight of their donors.

In fiscal year 2017, the University of Hawai'i Foundation's endowment provided more than \$10 million in private support for scholarships, professorships and program enhancements across all 10 campuses of the University of Hawai'i System. A positive return on investment of 11.8 percent and \$10.1 million in new gifts and other additions drove the endowment market value from \$260.7 million to \$296.2 million, net of payout and other withdrawals. Over the past five years, the endowment has produced an annualized return of 7.6 percent. We believe a well-diversified portfolio will serve the university's best interests over the long term.

We value the trust you have placed in us with your philanthropic investments. Generous donors like you have invested your financial resources in the future of UH, making a difference in the lives of our students, faculty and the entire UH community. For this reason, we want to report our endowment investment strategy and returns, as well as share stories about the impact of these funds. Your continued partnership and support are essential in building a stronger university for our Journey Beyond.

Mahalo for your vision and generosity!

*Elizabeth S. Hokada*

*Chair*

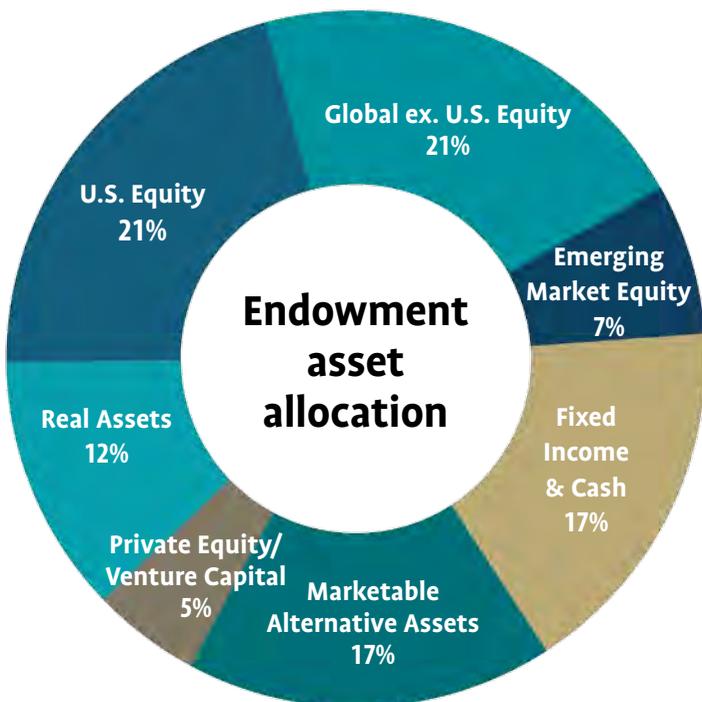
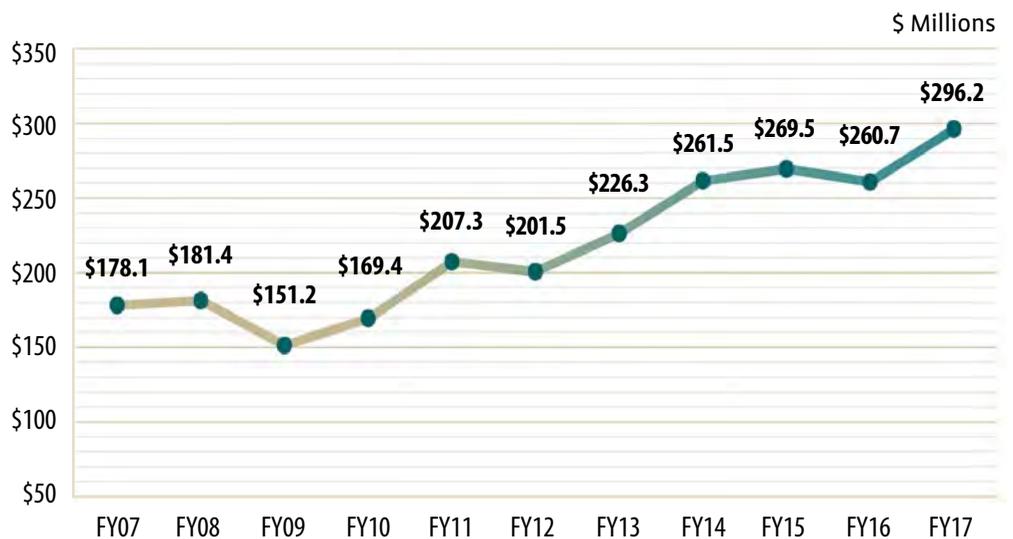
UH Foundation Investment Committee

# UH FOUNDATION *Endowment Investments*

The Endowment Fund seeks future long-term growth of investments, at an acceptable risk level, sufficient to offset reasonable spending plus normal inflation, thereby preserving the purchasing power of the fund for future generations. Generous gifts from donors and a continued, disciplined focus on investment strategies and opportunities will help the endowment grow over the long term, thereby providing support for University of Hawai'i programs and priorities into the future.

## Endowment investment pool market values

The UH Foundation has consistently produced competitive investment returns when compared to portfolio benchmarks and peer institutions. In fiscal year 2017, absolute performance was led by emerging markets equity with relative performance from U.S. equity and global ex. U.S. equity. A diversified portfolio continues to serve the University of Hawai'i's best interests over the long term.



## Annual rate of return compared to benchmark

Annual Rate of Return	FY 2017	Annualized Trailing		
		3 Years	5 Years	10 Years
Actual	11.8%	3.6%	7.6%	4.3%
Benchmark	11.8%	4.1%	7.5%	3.6%

The current benchmark reflects a blend of Russell 3000 Index (18%), MSCI EAFE Index (18%), MSCI Emerging Markets Index (9%), HFRI Diversified FOF Index (20%), Russell 3000 Index + 3% (lagged one quarter) (10%), Marketable Real Asset Benchmark (3%), CPI-U + 5% (lagged one quarter) (7%), Fixed Income Benchmark (13%), and BofA ML 91 Day T-Bills (2%).

# Frequently Asked Questions

## ABOUT THE UH FOUNDATION ENDOWMENT

### **What is an endowment, and what does it support?**

An endowment is a financial gift that provides income in perpetuity for a specified use. The principal of the gift is invested, and a portion of the return is used each year to support the school, college or program designated by the donor.

Endowments may be established for a wide variety of purposes, including faculty chairs and professorships, graduate fellowships, undergraduate scholarships and program support, visiting scholars/lectureships, and research support. Endowment gifts may be named for the donor or someone the donor wishes to honor or memorialize.

### **How does the UH Foundation's endowment strengthen the university?**

The endowment is an enduring gift to future generations that helps provide the funding necessary to maintain the university's pre-eminence in an ever-changing and increasingly demanding world. The endowment provides a margin of excellence – allowing students and faculty to engage in innovative programs and advanced research that distinguish the university.

With funds invested prudently, the UH Foundation's endowment provides a reliable, long-term financial resource that can be used to attract and retain world-renowned scholars, launch exciting research endeavors, and make it possible for

the best and brightest students to join the student body, regardless of their financial situations.

Through careful investment and new gifts, the growth of the endowment can help to protect the University of Hawai'i from fluctuations in the business cycle and changes in government funding.

### **Who manages UH Foundation endowment investments?**

Decisions regarding the investment of the endowment are made by the Investment Committee of the UH Foundation's Board of Trustees. The Investment Committee seeks superior investment returns through a diversified, professionally managed portfolio.

To achieve its objective, the Foundation retains an independent consulting firm, Cambridge Associates, with expertise in investment policy development, spending policy analysis, manager evaluation, and selection and performance evaluation.

### **How is the UH Foundation's endowment invested, and what investment principles are followed?**

Endowment gifts are placed in a pooled fund for investment and oversight purposes. A pool of assets provides more options for investment, stronger diversification, superior returns and lower management fees. The market performance of the pool is allocated between all

the accounts proportionately so they all share equitably in the gains or losses.

A key goal of the endowment investment program is to preserve the real value or purchasing power of endowment assets – and the annual support the assets provide – in perpetuity. The funds in the endowment are managed based on Modern Portfolio Theory. The basic principle of this theory is that risk is reduced by investing in non-correlated assets.

The UH Foundation's endowment asset allocation policies therefore allow for diversification among broad asset classes (e.g., domestic and international equities, fixed income) and among the various styles within individual asset classes (e.g., "growth" and "value" within domestic equity).

To achieve this objective, Cambridge Associates recommends the percentage allocation to each asset class. Cambridge Associates also recommends professional investment managers to manage each specific portfolio management strategy of the endowment pool. Based on its assessment of the consultant's recommendations, the Investment Committee determines the appropriate allocation and selects the investment managers.

The investment managers currently employed by the UH Foundation can be found at [uhfoundation.org/investmentmanagers2017](http://uhfoundation.org/investmentmanagers2017).

W. T. YOSHIMOTO FOUNDATION CHARITABLE TRUST

*Lifelong passion energizes  
conservation & preservation*

*Yoshimoto Fellow Dr. Annick Cros and Dr. Jay Andrew of the Palau International Coral Research Center dive to sample every colony of table coral *Acropora hyacinthus* in a 50 m<sup>2</sup> area.*

**W**atson T. "Yoshi" Yoshimoto's lifelong passion for big game inspired him to establish the W. T. Yoshimoto Foundation for wildlife preservation in 1978. Since then, the organization has funded two University of Hawai'i scholarships and a course of study:

- W. T. Yoshimoto Foundation Charitable Trust Endowed *Scholarship Fund* for the Conservation and Preservation of Wildlife Habitats and Large Land Mammals.
- W. T. Yoshimoto Foundation Charitable Trust Endowed *Program Fund* for the Conservation and Preservation of Wildlife Habitats and Large Land Mammals.
- W. T. Yoshimoto Foundation Charitable Trust Endowed *Fellowship* in Animal Wildlife Conservation Biology.

Separately, each endowment addresses a different aspect of wilderness conservation.

The scholarship fund awards a full year's tuition to a UH Hilo junior or senior studying agriculture or biology who demonstrates an interest in conserving large land mammals and their habitats. In 2017, three science students were awarded this scholarship.

In fall 2016, the program fund allowed UH Hilo to offer Introduction to Wildlife Science for the first time in 35 years. It covered the cost of a course lecturer, who was an expert from the Hawai'i State Department of Land and Natural Resources. It will also pay for the 400-level Conservation of Wildlife Populations course in 2018, as well as the development of a certificate program in wildlife science.

The fellowship assists graduate students at UH Mānoa with one-year research projects related to

preserving animal wildlife and the habitats where they live. In nearly 20 years, 44 master's and doctoral candidates have pursued their interests as Yoshimoto Fellows.

### Endowment in action

One recipient of the Yoshimoto Fellowship was Dr. Annick Cros, who received her PhD in fall 2016 after studying the way coral reefs recover from severe damage.



*Dr. Cros preserves table coral samples for DNA testing – Palau Int'l. Coral Research Center*

Coral larvae are so tiny that they *could* float, sink or be carried passively by the movement of their surroundings. Instead, they move across currents, make decisions and respond to cues. Using new techniques to examine the DNA of corals in a Palau reef, Cros discovered that coral larvae tended to stay close to the neighborhoods they came from.

Palau's barrier reef, which had suffered mortality from a bleaching event in 1995, had recovered completely by 2005 – not with larvae traveling several kilometers from the nearby atoll of Yap, but with

its own surviving coral, which had stayed within meters of its home.

"What I find for Palau is reflected in the findings of colleagues like Johanna Wren, who shows that corals in the Northwestern Hawaiian Islands are unlikely to help the reefs of the main Hawaiian Islands to recover from damage," she said.

"You can't wait for help to come from further away," said Cros. "If we take care of reefs at home, we will likely see more return on our conservation investment."

Finding seed money can be difficult when researchers like Cros venture into new scientific territory using new techniques. Many funders prefer to see preliminary results before committing. With private funding from the Yoshimoto Foundation, Cros said she was able to do pilot projects that showed her techniques could work on larger scales.

"Because the Yoshimoto Foundation believed in my work, other funders could see that I was on to something and then contribute their own support," she said.

### For the benefit of all

Together, the Yoshimoto endowments highlight the interconnectedness of life – the tallest giraffes on land and the tiniest coral larvae in the sea are inextricably bound.

Scholars like Annick Cros have learned a great deal about how these connections work, but there's so much more to discover as they strive to understand life's balance to benefit of us all. With the Yoshimoto Foundation's investment in UH, local academic pursuits can help our local ecosystems thrive.

## PI'IANĀI'A FAMILY ENDOWMENTS

# Helping Hawai'i students explore new knowledge

**W**hen Hōkūle'a sailed into Rarotonga in September 1985, her captain Gordon Pi'ianāi'a didn't have to call home to let his father or son know he'd completed the two-week trip from Papeete. Father Abraham and son St. Chad were crew members.

It was the second leg of the canoe's "Voyage of Rediscovery," an effort to inspire new interest in Polynesian culture. Hōkūle'a and her crew traveled 12,000 miles using ancient navigational practices to find their way, demonstrating the wisdom and courage of seagoing ancestors throughout the south Pacific.

Yet the mission was not limited to perpetuating a culture. It hoped to educate students and their communities "to respect and care for themselves, each other, and their environments," just as the Pi'ianāi'a family, powerfully connected to the land and sea, have continued to respect and care for their communities.

### All in the 'ohana

Gordon's brother Norman, a retired Matson captain, has also served on Hōkūle'a's crew, and their



*Ilima Pi'ianāi'a*

sister Ilima was on the crew of Hawai'iloa, Hōkūle'a's sister ship.

"My dad believed in education and was concerned about the under-representation of native Hawaiians in the UH System," said Gordon. "He believed that more Hawaiians should strive for higher learning."

All three siblings and their father Abraham did graduate studies at UH Mānoa. Abraham taught geography classes there, and teaching became his hobby. Gordon and sister Ilima also lectured at UH, teaching geography of Hawai'i and Honolulu. Gordon taught about Hawaiian culture in the adult

education program. "Our family had three geographers and three sea captains," he said.

### Giving is a family affair

In this spirit of discovery and knowledge, the Pi'ianāi'a family has established three endowments to honor the memories of their loved ones and to provide educational opportunities for future UH students.

In 1997 Abraham and Annie Pi'ianāi'a established their Graduate Scholarship in Geography, a subject close to the family's heart. Abraham had a master's degree in economic geography and was a geography professor at UH. He received several awards, including an Outstanding UH Alumni Award and a UH Regents Award. The scholarship assists students pursuing graduate study in topics related to the Hawaiian Islands.

To honor their matriarch, the family created the Annie Pi'ianāi'a Endowed Fund for Kapi'olani Community College. Their gift celebrates Annie's belief in education as "the key to improving one's standing in life" and her desire to support culinary students

“so they may open their minds and hearts to all possibilities.”

Scholarship recipients use their gift to purchase supplies and other material needs in the pursuit of culinary degrees. Annie never had the benefit of an education herself, as she had to leave elementary school to help her mother raise five younger siblings when their father died. Her dream of an education touches others through her endowed fund.

The Ilima Pi‘ianāi‘a Endowment at ‘Imiloa Astronomy Center, created

in 2017 by Norman and Gordon in their sister’s memory, will help connect Hawai‘i’s students to programs at UH Hilo’s astronomy and culture education center.

“Ilima would be pleased to know she has, in this way, returned and will continue to help nurture and contribute to the education of Hawai‘i Island youngsters,” said Norman. “Although she was from Honolulu, she loved Hawai‘i Island and its people.”

Gordon said, “We just hope to help people get a start at the university,

or continue into graduate school. We want to provide a little support with the understanding that every little bit helps. My parents were not materialistic people; they were very philanthropic, always giving and sharing, and it carries on in the family.”

In the Hawaiian language, *‘Imiloa* means “exploring new knowledge” – a fitting description of the Pi‘ianāi‘a family’s most recent gift. Through their repeated commitment to UH, the family continues its tradition of bridging ancient wisdom and modern learning.



*The Pi‘ianāi‘a family’s support helps Hawai‘i Island children learn about Hawaiian culture at ‘Imiloa Astronomy Center.*



## DR. ROSITA LEONG ENDOWMENT

# Medical school for our kūpuna

**I**t's not your typical medical school graduation photo, but neither is it your typical graduating class. These 170 smiles reflect the joy of fulfillment in graduates, instructors, volunteers and supporters of the spring 2017 Dr. Rosita Leong Mini-Medical School on Healthy Aging, an innovative program created by Dr. Virginia Hinshaw.

Each Saturday for five weeks at John A. Burns Medical Center, attendees participated in interactive classroom learning, led by experts in the field on courses such as Healthy Traveling, Caring for the Caregiver, and Tapping into Your Creativity at Any Age.

Leong, president and CEO of Bunker Hill Developments, Inc., understands the value of connecting

Hawai'i seniors to the latest practical information on aging well. Her gift endowment ensures that the program will have funding in perpetuity, and that will be put to great use: the classes are so popular that they are now offered twice a year, with a new slate of courses each spring and a repeat each fall.

Participants learn scientific reasons for changes related to aging, along with advances in addressing these issues, in hopes that they will use this information to enhance their own health and well-being.

Much of the material is similar to that received by JABSOM medical students, but it's tailored for public audiences made up of seniors, future seniors, caregivers, and interested members of the community.

Leong earned a medical degree from the University of Santo Tomas in the Philippines in 1963 and served as chief of pathology at the Metropolitan Hospital in Manila in 1982. Since then, she has focused her efforts on a wide range of investment activities.

She serves in multiple capacities, including director at the Ricardo Leong Center for Chinese Studies at Ateneo de Manila University, director at the Persis Corporation, and member of the UH Foundation Board of Trustees.

As Leong shares her wisdom and resources with the school, the school reaches out to the community – which will soon lead the nation in percentage of people over 65 and already has the longest life-expectancy in the country.

# UH FOUNDATION ENDOWMENT FUND LEADERSHIP

July 1, 2016 – June 30, 2017

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Endowments play a critical role in ensuring student success, faculty excellence  
and stellar programs and research at the University of Hawai'i.

*Your gifts are making a difference,  
today and for our future.*

We are grateful for the trust you have placed in us to fulfil your philanthropic goals.

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

Your generosity has helped us create a legacy for generations to come.

Thank you for joining us as we build on our past shared successes and *Journey Beyond*.

2444 Dole Street • Bachman Hall 105 • Honolulu, HI 96822 • [www.uhfoundation.org](http://www.uhfoundation.org)

FOR OUR UNIVERSITY, OUR HAWAI'I, OUR FUTURE