Aloha Donors and Friends of UH,

An investment in an endowment that benefits the University of Hawai‘i is one of the most powerful financial tools for promoting learning and discovery. The more than 1,100 privately donated endowed funds support research, scholarships, fellowships, professorships, and much more. The endowment builds an economic foundation that will support the University's mission for generations to come.

Thanks to a positive 11.4 percent return on investment and $11 million in new gifts and other additions, the total market value of the UH Foundation's endowment investment portfolio rose from $202 million to $226 million in fiscal year 2013 net of payout and other withdrawals.

The market continues to be affected by a mix of developments. The economy continues to gradually expand, inflation is under control, employment is slowly improving and housing continues to recover. At the same time, interest rates have begun to creep up and emerging market growth has slowed. With a well-balanced and diversified investment portfolio, we remain cautiously optimistic.

As always, we are thankful for your support and we will continue to be diligent stewards of your generous investment in the future of the University of Hawai‘i. We welcome this opportunity to report to you on our endowment investment strategy and returns. In addition, you’ll find stories of the steadfast generosity of UH Foundation donors and how it benefits the university.

Mahalo nui loa,

Elizabeth Hokada

Chair
UH Foundation Investment Committee
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. It also seeks partial protection from potentially severe adverse effects of extended deflationary environments. 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 2013, U.S. equity, global ex. U.S. equity, alternative investments and private equity contributed to the positive results for the year. Real assets, emerging markets and fixed income were a drag on overall performance. A diversified portfolio continues to serve the University of Hawai‘i’s best interests over the long term.

### Endowment Asset Allocation

- **Private Equity/Venture Capital**: 6%
- **Global Tactical Asset Allocation**: 4%
- ** Marketable Alternative Assets**: 15%
- **Real Assets**: 13%
- **U.S. Equity**: 20%
- ** Global ex. U.S. Equity**: 17%
- **Fixed Income & Cash**: 17%
- **Emerging Market Equity**: 8%

### Annual rate of return compared to benchmark

<table>
<thead>
<tr>
<th>Annual Rate of Return</th>
<th>Fiscal Year 2013</th>
<th>Annualized Trailing 3 Years</th>
<th>Annualized Since 12/31/03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>11.4%</td>
<td>9.1%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>10.3%</td>
<td>9.2%</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

The current benchmark reflects a blend of Russell 3000 (17%), MSCI EAFE (17%), MSCI Emerging Markets Index (9%), HFRI Diversified FOF Index (20%), Russell 3000 Index +3% (lagged one quarter) (5%), Marketable Real Assets Benchmark (5%), CPI-U + 6% (lagged on quarter) (12%), Fixed Income Benchmark (14%) BofA ML 91-Day T-Bills (1%).
Alec D. & Kay M. Keith created an endowment to fund scholarships for UH Hilo students who are graduates of Hawai‘i high schools, with preference given to Hawai‘i Island high school graduates and residents of Hawai‘i, or citizens of U.S. territories, especially Pacific islands. Since 2004-2005, 530 students have benefitted from the scholarship, including Elina Fred, who received both her BA and BBA from UH Hilo in 2012.

Q: Where does your story begin, Elina?
A: I’m an island girl, born in Kosrae, an island state of the Federated States of Micronesia. I am the second of four children raised by loving parents who cared for us as best they could despite economic challenges. My childhood was extraordinary. It was filled with happy memories of playing on the beach, owning imaginary businesses and catering to my “customers” (my parents, grandparents and neighborhood kids), lounging around on Sundays after church, enjoying the peace and quiet, listening to grandpa tell stories of his childhood, and hearing mom and dad reminisce about their younger days. It was a good life. There was always something to smile about.

Q: What impact did UH Hilo have on your life?
A: After I graduated from Kosrae High School, I enrolled at UH Hilo. It took me longer to graduate with my BBA in accounting and BA in communication, but the journey was enlightening and very much worth it. During my time there, I made dear friends and learned from some of the best educators to ever walk the halls of academia. Though I faced some of the hardest times I’ve ever had while studying at UH Hilo, I came out a stronger and richer person in spirit, mind and heart.

Q: How did scholarships make a difference for you?
A: As a student I received numerous scholarships and grants, and I would not be where I am today if not for financial aid. I once tallied up the total funding I received and calculated how long it would have taken to earn that money before college. The result was astounding: the financial support gave me a 23-year head start in life! If not for the generosity of donors who made it possible for me to enroll right out of high school, I would have been 41 years old before I could have attended my first college class. I was rocked and extremely humbled by the discovery. I will always be thankful to those who give financial assistance to people like me, who have potential but not the means of paying for our higher education.

Q: Where are you now?
A: Currently I live in a small town in Southwest Oklahoma, where I am an associate at a bank. My goal of getting my CPA license is not too far away and life has been good since my days in college. All this has been possible largely thanks to the individuals who committed their resources to providing a means for folks like myself – who come from economically challenged families – to pursue education and earn our degrees. My parents taught me that a complete circle of life includes giving back to those that gave to you. It is my goal to one day be among those who continue that circle of giving back to the academic community and the larger community as a whole.

Q: Any thoughts for Alec & Kay Keith?
A: For all that you’ve done and continue to do, many thanks from me and my family. Kulo ma lulap!
Gilbert D. Kobatake was a dedicated man, dedicated to his country, to his family and dedicated to the achievement of his professional aspirations. There was also a rascal side to him; he learned how to brew okolehau in the basement of his parent’s hotel in Pahoa in the 1920s and he had a penchant for blowing things up – perhaps a remnant from his service as an officer with the 442nd RCT – 232nd Combat Engineer Company during World War II. But he was kind and gentle. The worst thing his children ever heard him say about another person was, “He’s not a nice man.” A well-respected structural engineer and surveyor with the demeanor of a Buddhist monk, he valued education and regretted at the end of his life that he hadn’t acquired more financial resources so he could do something for his alma mater. He was a 1934 graduate of the College of Engineering at the University of Hawai‘i at Mānoa.

In 1977, Gilbert retired from the day-to-day duties of his engineering firm and passed the mantel to his son Ken and daughter-in-law Sue-Ann. To reflect the evolution of the new generation, Delta Construction Corporation was born. Gilbert’s knowledge and experience provided valuable counsel to this fledgling second generation company. However, as in many a case, knowledge alone does not a successful business make, so determined to solidify Delta’s capital structure, Ken and Sue-Ann used all the money they had been saving to purchase their first home.

Building on Gilbert’s reputation, focusing on the development plans for West O‘ahu, investing a lot of hard work, and hiring good people, Ken and Sue-Ann’s company did well. Two years ago when Ken was preparing to transfer the company to Delta employees, he realized he was in a position to do something that his father had always wanted to do. To fulfill his dad’s dreams as well as realize tax benefits, Ken and Sue-Ann chose to create Delta Construction Scholarships at Leeward Community College and UH West O‘ahu.

“Dad wanted a building, but I think we need to help people,” Ken explains. “For 30 years we made our living out this way [in West O‘ahu]. Now it’s time to give back. We really want people from this area to get the education they need to truly succeed and make this area what it can be – a real city with a mix of people and people who are educated.”

The gift agreement states: “The purpose of these scholarships is to provide support to students of the West O‘ahu region to help change their lives through higher education, positively impact their families and
communities, and raise hope and pride in West O‘ahu. These funds are being established in honor of Gilbert D. Kobatake ... Mr. Kobatake possessed a strong connection to his family, workers, and community. The employees of Delta Construction Corporation with KSK Foundation establish these funds to provide the means to empower students through higher education.”

Although the scholarships won’t be fully endowed and producing income until 2015, the donors chose to provide expendable support to launch the scholarships sooner. Using these annual contributions, the scholarships have benefitted 19 students at the two UH West O‘ahu campuses. As the recipients report, the scholarships are indeed empowering them. The following are just two of these students’ stories.

**Stephen Sabala**

Leeward Community College student Stephen Sabala, a Campbell High School graduate from a lower middle class family, is used to making do with what he has. He hopes to get his associate’s in science in engineering and transfer to UH Mānoa for a BS in mechanical engineering. Last semester he was taking 18 credits and working a part-time job. “The scholarship has helped me immensely and taken some stress off of me, for which I am very grateful. The thing is education comes at a price that not all people can pay. With me, it’s a little hard going to school with the cost of education being high, the time and dedication it takes, and making ends meet at the end of the day as well. This scholarship has truly been a blessing and I am very grateful that this scholarship exists.”

**Ashley Adams**

Ashley Adams, a Wa‘ianae High School graduate, hopes to pursue a degree in social work or psychology after she finishes her associate’s degree at Leeward Community College (LCC). “Growing up, I had a hard life. Being taken away from my parents at only age 6, being placed in CPS and adjusting to strangers and their families was what I dealt with, what my siblings dealt with. How would I cope with it? I would strive to work hard in school, earning the best grades so that one day when I see my parents again, they will be proud of me. This scholarship has helped me a lot. It has helped me buy books for classes and bus passes. Also, this scholarship made it possible for me to attend the Disney College Program in Florida and represent Wa‘ianae, LCC, and Hawai‘i. My future plans are to continue going to school, get a good career that I love, own my own home and provide for myself and family. I love learning new things. I believe my future is bright, and I can’t wait to see what it has in store for me!”
In 1991, Tadashi (Tad) and Elizabeth (Liz) Kunimoto, with the help of their brother Earl Kunimoto, established the Masaki and Momoe Kunimoto Memorial Award for two purposes: 1) to honor their parents, and 2) to celebrate outstanding contributions made by faculty and staff in the area of career and technical education at UH community colleges. Since 1993, this award has been given each year, alternating between a faculty member and a student.

Although they were born and raised in Hawai‘i, Tad and Liz met at the University of Michigan. Tad was the first of his family to attend college thanks to the encouragement of a high school mentor and the sacrifice of his parents, Masaki and Momoe. Tad returned to Hawai‘i with his engineering degree and a new bride. He and Liz started a family and had two sons and a daughter. Over his career, Tad worked at Pearl Harbor, the Federal Aviation Administration, M&E Pacific and as a consultant in mechanical engineering.

Raised by a progressive father who encouraged her to pursue a doctorate, Liz continued her education while raising her family. She received her MA in speech and PhD in educational psychology from UH Mānoa, where she earned tenure in the School of Communications. For a number of years she also served part time as a staff development coordinator for the community colleges at the invitation of Chancellor Joyce Tsunoda.

Since 1993, this award has been given each year, alternating between a faculty member and a student. After his parent’s deaths, Tad and Liz wanted to do something in...
their memory that reflected their lives. Liz remembers, “Tad’s mother and father were really hands-on people in the field and always doing service for others.” That’s why she thought an award in their honor at the community colleges would be most appropriate.

“Because of my work with Dr. Tsunoda, I came to respect all the staff members and people at the community colleges. I really appreciate the hands-on training and relationship-building at these campuses. I knew it would really be worth doing something there, and Tad was very happy about this award.”

After 60 years of marriage, Tad passed away last February 14. Liz, his children and their spouses, and five grandchildren will carry on his legacy of love. He also leaves this award, which will continue to memorialize his parents and help his community for generations to come.

Momoe & Masaki Kunimoto

Roy Kamida

PROFESSOR/CPA, LEEWARD COMMUNITY COLLEGE

“I teach accounting and business courses with a specialization in taxes for Leeward’s Business Division. I am also the coordinator for Leeward’s Volunteer Income Tax Assistance (VITA) Program where current students, alumni, and community members volunteer to prepare tax returns for qualifying low to moderate-income taxpayers.

I am appreciative of my colleagues who nominated me for this award and their dedication to our career and technical education (CTE) programs. It motivates me to continue providing our students with real-work, hands-on experiences through our CTE programs. Half of the monetary award helped fund refreshments for our 80+ participants in our volunteer tax program. The other half of the award was re-contributed to Leeward’s Business Division’s UH Foundation account for use in its three CTE program areas.

To the donors I say, ‘Mahalo! Your family’s contribution provides special recognition to our CTE students and faculty. This, in turn, supported volunteers of Leeward’s VITA program to contribute their time and efforts in helping our community.’

Generous donors like the Kunimotos support students and faculty to learn, teach, and serve.”
After Dr. Fred M. Bullard died in 1994, his daughter Thaïs wrote a biography of his life. She documented the life of a brilliant, successful, well-travelled geologist and volcanologist who, in 1939, was a research assistant under Dr. T. A. Jaggar at Volcanoes National Park. His experience in Hawai‘i prepared him to research and document the Paricutin volcano in Mexico that first erupted in 1943.

By all accounts, Thaïs was devoted to her father and attributed all that she had to him. These feelings were reflected in her last will and testament that left her estate to the academic institutions that had played important roles in her father’s life.

She left 30 percent to the University of Hawai‘i, establishing The Fred M. Bullard Endowed Graduate Fellowship “to provide graduate fellowships to assist outstanding students with high potential for scholarship and research in the Department of Geology and Geophysics at the University of Hawai‘i at Mānoa School of Ocean & Earth Science & Technology. In establishing this endowment, the donor is honoring her father, Fred M. Bullard, who was a pioneer in the studies of Volcanology and general Geology and Geophysics.”

Thaïs had no children to record her life as she had her father’s, but this fund is her legacy to help students pursue their studies and research in geology, geophysics and volcanology, and to remember her father. In the past four years, the fund has distributed $93,273 to 12 graduate students. Here are two of their stories:

**Emily First** (at right) had a life-long love for volcanoes. After receiving her undergraduate degree in geology and French from the University of Georgia, Emily was able to move to Hawai‘i for her graduate study thanks to the Bullard Fellowship. With her love of volcanology and interest in planetary science, Emily is researching the mineralogy and texture of the Martian meteorite Yamato 980459. By experimenting with replicating the conditions to create rocks similar to that of the meteorite, she's been able to determine that Yamato, in its final stages, cooled slower than previous works suggest and that it was likely part of the upper portion of a lava flow on Mars. As Emily explains, “By studying a rock from Mars, we're not only learning more about our neighbor planet, but about processes that are applicable to volcanic settings here on Earth.” Emily is most appreciative of her fellowship for this research as well as the opportunities she’s had to visit different volcanoes in the course of her studies here.

**Tiffany Anderson**, a single mother originally from Kaua‘i, has a mathematics/computer science degree from UH Hilo. She was working as a software engineer for a Department of Defense contractor when she decided to return to school to become a coastal scientist. Although the decision to leave a well-paying job was difficult as a parent, she chose to make the change to set an example for her daughter to pursue her dreams. The goal of her research is to improve methods of identifying shoreline behavior trends and predicting future shoreline evolution using mathematical modeling and statistical techniques. This research will help better calculate shoreline setbacks from the ocean for new structures so fewer structures and beaches will be lost in the future. The fellowship has been invaluable to Tiffany because it’s given her uninterrupted time to really concentrate on complex portions of her research and writing.
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to those generous donors who invest in an endowment.

We appreciate your willingness to help
at a time when state support is waning
despite an increasing need for an educated work force.

You make all the difference.

For our part, the University of Hawai‘i Foundation is devoted to
making sure your gift is well-managed and
working as hard as it can for the University of Hawai‘i.