Aloha Mai Kākou,

Through our children’s centers, we are improving the daily lives of thousands of Hawaiian children and families each year. In 2014, we served 9,642 orphan and destitute children, partnered with community organizations through 49 collaborative projects, and improved program evaluation and effectiveness. Our endowment is secure; we diversified assets closer to policy targets, increased rental revenues by 5.5%, and exceeded investment benchmarks.

At Keahuolū, our long-term land planning efforts are on track. A natural resource management program was initiated, the trail system in the Historic Preserve Area was completed, engagement with our community advisory group continued, and the preliminary land plan was presented at 26 meetings with over 160 stakeholders.

Our source of inspiration, and the guiding star for our work is the mission of our Queen to serve the children of Hawai‘i. To carry out her legacy in perpetuity, we must evolve as an organization to meet the changing and growing needs of our beneficiaries.

This commitment to our beneficiaries extends beyond their present circumstances to include their futures. It involves embarking on an effort to understand and ultimately tackle the root causes of poverty and break the cycle of affliction that is affecting one generation of Hawaiian children after another.

A challenge of this scope must consider the social services environment as a whole. We are exploring a number of partnerships and collaborations that will help us achieve the transformational social changes we want to see.

It is a complex and multifaceted undertaking, and one that we are approaching in a thoughtful and analytical way. We are developing a strategic plan that ensures the wise use of resources and outlines strategies for moving forward. We are integrating policies and functions to maximize efficiency and unify our organizational structure. We have strengthened our evaluation process and hired a well-trained team to measure our progress. We have undertaken a self-assessment of the Trust and analyzed data on our children’s center programs over the past 12 years. We have held 150 meetings with our associates and more than 60 meetings with leaders of relevant community organizations to better understand the problems and the possibilities.

In short, we are taking actions as individuals and as an organization to perform at our highest level and to lay the groundwork for creating better long-term outcomes for our children and families.

The support for innovation exists thanks to the alignment of our visionary board of the trustees and the remarkable dedication of over 180 associates. But the ultimate source of our vision comes from the Queen herself, whose dedication and activism guide us every step of the way.

E ʻonipaʻa kākou i ka bana nui.
Let us persevere in our important work.

Robert H. Ozaki
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Further information can be found in the Financial Statements and Supplemental Schedule for the years ended December 31, 2014 and 2013. Full copies are available at onipaa.org.
### Endowment Performance

#### Investment Portfolio

**For the year ended December 31, 2014**

<table>
<thead>
<tr>
<th>ASSET CLASSIFICATION</th>
<th>RETURN</th>
<th>BENCHMARK</th>
<th>VALUE ADDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth Assets</td>
<td>4.3%</td>
<td>4.2%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Diversified Assets</td>
<td>0.5%</td>
<td>1.7%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Inflation Sensitive</td>
<td>-1.6%</td>
<td>-8.2%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Deflation Sensitive</td>
<td>0.0%</td>
<td>2.6%</td>
<td>-2.5%</td>
</tr>
<tr>
<td>Gold</td>
<td>-1.8%</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>TOTAL FUND (excl. Private Real Estate holdings)</strong></td>
<td><strong>2.9%</strong></td>
<td><strong>2.3%</strong></td>
<td><strong>0.6%</strong></td>
</tr>
</tbody>
</table>

On an annualized-since-inception basis, the investment portfolio has outperformed its benchmark by 1.2%.

*Benchmark: 55.0% MSCI ACWI (Net) + 10.0% MSCI ACWI (Net) (0.6 Beta Adjusted) + 15.0% MSCI ACWI (Net) (0.4 Beta Adjusted) + 9.0% Wellington DIH + 9.0% Barclays Intermediate Term Treasury Bond Index + 2.0% Gold Spot Price.

Source: Cambridge Associates, LLC. Totals may not add due to rounding.

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**Hawaii Real Estate**

<table>
<thead>
<tr>
<th>RETURN</th>
<th>TARGET*</th>
<th>VALUE ADDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.0%</td>
<td>5.8%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

*No formal benchmark; the Endowment’s long-term target return is CPI-U + 5%.
The Trust continues to diversify its assets to reach its target of 65% Hawaii real estate and 35% investment assets, and to strategically focus future real estate development away from Waikiki to its land holdings in West Hawaii.

Community Collaborations

The Trust partners with other community organizations in addition to working directly with orphan and destitute children and their families. In 2014, there were 49 such community collaborations in the following areas:

**COLLABORATION CLASS**

- **COMMUNITY PARTNERSHIPS**
- **COMMUNITY NEEDS ASSESSMENT**
- **CAPACITY BUILDING**
- **OTHER PROJECTS**

**Endowment Market Value**

The Trust continues to diversify its assets to reach its target of 65% Hawaii real estate and 35% investment assets, and to strategically focus future real estate development away from Waikiki to its land holdings in West Hawaii.

**Hoʻopaʻa i na wā i hala**

**ROOTED IN THE PAST**

**CHARITABLE SPENDING**

In 2014, the trust endowment provided over $21 million to fund all direct charitable expenses, including the entire operating budget of the Children’s Center, while also preserving purchasing power for future generations.

**CHARITABLE SPENDING RATES**

- **2014**
  - 3.36%
  - 12%
  - 12%
  - 68%

- **2013**
  - 3.46%
  - 8%

- **QLT AVG**
  - 3.78%

- **MINIMUM**
  - 3.28%

**OTHER PROJECTS**

**COMMUNITY NEEDS ASSESSMENT**

**CAPACITY BUILDING**

**COMMUNITY PARTNERSHIPS**

**$530.12 $540.98 $584.24 $600.63 $700 $600 $500 $400 $300 $200 $100**

**2011 2012 2013 2014 TARGET**

- **HAWAII REAL ESTATE**
  - 23%
  - 26%
  - 31%
  - 32%
  - 35%

- **INVESTMENT PORTFOLIO**
  - 77%
  - 74%
  - 69%
  - 68%
  - 65%