Aloha Mai Kākou,

The unwavering mission of Queen Lili‘uokalani – to ensure the wellbeing of the most disadvantaged Hawaiian children and families – is both a guidepost and a launching pad for the work that we do at the Trust.

In 2015, we started the strategic planning process which builds on our strengths in individual, group, and community work, to address larger root causes of poverty while intensifying our focus on the most disadvantaged kamali‘i: incarcerated, homeless, and sex-trafficked youth.

INFLECTION POINT

Our pace in developing these programs is contingent upon growth primarily from our Keahuolū real estate holdings. The 1,300-acre community we envision at Keahuolū in West Hawai‘i is projected to provide significant financial resources over the next 25 years.

The process of building a platform for strategic change began with extensive research, interviews, and assessments. More than 150 meetings with associates and 60 meetings around the country with leaders of organizations that serve children and families allowed us to understand the landscape; identify potential opportunities for collaboration; learn how other culturally-based organizations approach program evaluation; and create a plan based on our collective wisdom.

HIGHLIGHTS FROM 2015

• We unified under a single management structure, reorganized to enhance collaboration, and streamlined processes;

• We hired a team of six professionals skilled in research, evaluation, social work, and strategic planning who will use data to measure our progress, inform our decisions, and ensure our full accountability;

• We established the Queen Lili‘uokalani Distinguished Professorship in Native Hawaiian Culture at the Myron B. Thompson School of Social Work, University of Hawai‘i at Mānoa. Eighty-one percent of our current social workers are graduates of the school. We are proud to support the relationship with the University in order to further our research around the most vulnerable Native Hawaiians;

• We hosted a series of events to solicit ideas from all team members; we invested in learning opportunities and offered mentoring and coaching to optimize the contributions of individuals;

• We purchased a two-acre site in Kapolei to serve West O‘ahu, one of the fastest growing areas for Native Hawaiians;

• We directly served 12,333 orphan and destitute children, and partnered with community organizations through 49 collaborative projects.

• We diversified assets to policy targets, increased rental revenues by 4.04% and exceeded long-term investment benchmarks.

• At Keahuolū, our long-term planning efforts are on track. The first of an eventual three motions was filed with the State Land Use Commission to sort out and clarify entitlements received back in 1990. In addition, preliminary subdivision approval was granted for the Kona Judiciary Center; and

• ‘Āina-based activities included the launch of an online campsite reservation system; initiation of baseline environmental data collection for the nearshore, intertidal, anchialine pool, and upland forest ecosystems; and a pilot collaboration with Kanu o ka ‘Āina New Century Public Charter School to restore and monitor the ecological health of anchialine pools using traditional practices combined with modern applied science.

The groundwork laid in 2015 was critical to the launching of our expanded vision for Lili‘uokalani Trust. We are taking bold steps to meet the challenge we’ve set for ourselves of empowering kamali‘i (beneficiaries) for generations to come. It’s a challenge that honors and builds on the Queen’s dream. Her legacy is our inspiration.

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, 2015 and 2014, available at onipaa.org.
**Endowment Performance**

**Investment Portfolio**

For the year ended December 31, 2015

<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>-0.4%</td>
<td>-2.4%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Diversified Assets</td>
<td>-3.0%</td>
<td>-0.7%</td>
<td>-2.3%</td>
</tr>
<tr>
<td>Inflation Sensitive</td>
<td>-32.7%</td>
<td>-18.1%</td>
<td>-14.6%</td>
</tr>
<tr>
<td>Deflation Sensitive</td>
<td>-0.3%</td>
<td>1.2%</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Gold</td>
<td>-10.4%</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>TOTAL FUND</strong></td>
<td>-2.5%</td>
<td>-2.8%*</td>
<td>(+) 0.3%</td>
</tr>
</tbody>
</table>

(excl. Private Real Estate holdings)

*Benchmark: 47.0% MSCI ACWI (Net) + 15.0% MSCI ACWI (Net) (0.4 Beta Adjusted) + 10.0% MSCI ACWI (Net) (0.6 Beta Adjusted) + 5.0% Inflation Sensitive Benchmark + 9.0% Deflation Sensitive Benchmark + 2.0% Gold Spot Price + 12.0% Private Investments Benchmark

Source: Cambridge Associates, LLC.

**Hawaii Real Estate**

<table>
<thead>
<tr>
<th>RETURN</th>
<th>TARGET*</th>
<th>VALUE ADDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hawaii Private Real Estate Holdings</td>
<td>6.3%</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

*No formal benchmark; the Endowment’s long-term target return is CPI-U + 4%.
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.

![Endowment Market Value Chart]

Hoʻopaʻa i na wā i hala
ROOTED IN THE PAST

CHARITABLE SPENDING

In 2015, the trust endowment provided $26 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

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
<th>5-YR AVG</th>
<th>MINIMUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.52%</td>
<td>3.36%</td>
<td>3.57%</td>
<td>3.28%</td>
</tr>
</tbody>
</table>

Community Collaborations

In addition to working directly with orphan and destitute children and their families, the Trust partnered with 49 other community organizations in 2015, in the following areas:

![Community Collaborations Chart]