Aloha Mai Kākou,

In 2016, we set the course for implementing our strategic plan, building on a solid foundation of research, a lookback on prior strategies, and opportunity mapping that allowed us to make informed decisions.

At a company-wide retreat in August, we unveiled a strategic direction that aligns with the Queen's commitment to Native Hawaiian children and families, and builds on her vision in the face of a changing world. At every level of our organization, we've begun making changes that: focus on serving the most disadvantaged kamali‘i (trust beneficiaries); address root causes of poverty; and stimulate change – in addition to providing direct services to kamali‘i – that includes advocating for systems-level change.

We're taking bold steps to meet the challenges we've set for ourselves, starting with a new vision and mission which are rooted in our core values of ‘imi na‘auao (seeking knowledge), po‘okele (excellence), wiwo‘ole (being courageous), hō‘ihi (respect), kuleana (responsible), and pono (right time and place).

VISION
E NĀ KAMALEI LUPALUPA
Thriving Hawaiian Children

MISSION
We BELIEVE in the resiliency of all Native Hawaiian children. We ADVOCATE for their wellbeing and BUILD them pathways to thriving lives.

HIGHLIGHTS FROM 2016
• A Theory of Change was created as a first step to transforming the conditions (views, beliefs, behaviors, and systems) that trap too many Native Hawaiian children and families in a cycle of poverty.
• The most vulnerable children, those most seriously and chronically placed at-risk by their circumstances, were given priority in the allocation of resources.
• High-impact programs that focused on economic self-sufficiency and strengthening social, emotional, and cultural foundations reached 12,190 kamali‘i through direct services from 15 kīpuka across the Hawaiian Islands.
• Expanding our understanding of research and evaluation methods enabled us to start compiling and interpreting data to measure the impact of our work and improve our current programs and services.
• New projects were launched in areas of self-efficacy, financial literacy, and Pua Lili‘u (a pilot framework for organizing work).
• Partnerships were forged with similarly-aligned organizations that will help us serve our kamali‘i and their communities.
• Investing in capacity building, training, and tools helped to empower all LT teammates to collaborate, lead, and innovate.
• A return to our original name, Lili‘uokalani Trust, better reflected our roots and rich history.

Our mission is fueled by the endowment assets of the Trust. In 2016, these assets outperformed their relevant benchmarks by 5.4% on an annualized-since-inception basis; and progress continued on both the overall land plan and the Makalapua Project District at Keahuolū, the primary driver of LT’s future growth.

In all of the work we’ve done and have yet to do, we are seeking to fulfill the Queen’s mission by improving the lives of Hawaiian children for generations to come. Even as Lili‘uokalani Trust grows and evolves, the Queen’s legacy remains 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, 2016 and 2015, available at onipaa.org.
### Endowment Performance

**For the year ended December 31, 2016**

#### Investment Portfolio

<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>6.1%</td>
<td>7.9%</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Diversified Assets</td>
<td>9.1%</td>
<td>1.1%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Inflation Sensitive</td>
<td>30.3%</td>
<td>26.5%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Deflation Sensitive</td>
<td>0.1%</td>
<td>1.1%</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Gold</td>
<td>9.0%</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

**Total Fund (excl. Private Real Estate holdings)**

<table>
<thead>
<tr>
<th></th>
<th>Return</th>
<th>Benchmark</th>
<th>Value Added</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fund</td>
<td>7.2%</td>
<td>6.8%*</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

*Benchmark: 47.0% MSCI ACWI (Net) + 15.0% MSCI ACWI (Net) (0.1 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

**For the years ended December 31, 2016 and 2015**

<table>
<thead>
<tr>
<th></th>
<th>Return</th>
<th>Target*</th>
<th>Value Added</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hawaii Private Real Estate Holdings</td>
<td>4.6%</td>
<td>6.1%</td>
<td>-1.5%</td>
</tr>
</tbody>
</table>

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

Totals may not add due to rounding.

Source: Cambridge Associates, LLC.
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.

In 2016, the trust endowment provided $28 million to fund all direct charitable expenses, while also preserving purchasing power for future generations.

LT worked with a total of 54 partners in 2016, in addition to the direct services provided to orphan and destitute children and their families. 47 of these collaborations were at the kipuka level and consisted of community partnerships, community needs assessments, capacity building, and other projects. The remaining seven collaborations were statewide.