

Hawaiian Tax-Free Trust

PORTFOLIO MANAGER COMMENTARY

Q1 2026



A Shares: HULAX

C Shares: HULCX

F Shares: HULFX

Y Shares: HULYX

Municipal Bond Market Overview

The first quarter of 2026 was marked by heightened volatility, culminating in the Iranian conflict. Markets were concerned about a dramatic spike in oil prices following the closure of the Strait of Hormuz and Iran's targeting of Middle East oil infrastructure. During this period, the Federal Reserve paused further interest-rate cuts but indicated the possibility of one additional cut before year-end, depending on incoming data. Prior to the conflict, the market had priced in nearly three additional Fed Funds rate cuts in 2026; that outlook reversed as oil prices rose and expectations shifted to a "no cut" stance for 2026. In remarks during the quarter, Federal Reserve Chair Jerome Powell refocused attention from oil-price volatility to the potential impact on U.S. economic activity. Despite easing concerns about embedded inflationary pressures, overall interest rates increased during the quarter.

Municipal bond prices declined alongside U.S. Treasury bonds during the first quarter, particularly following the outbreak of the Iranian conflict. Over the past three months, 10-year tax-exempt yields for "AAA" bonds increased 35 basis points to 3.1%, while 10-year U.S. Treasury yields increased 15 basis points, from 4.2% to 4.3%. During the quarter, the Bloomberg Municipal Bond Index declined -0.2%, while the Bloomberg Hawaii Index advanced 0.2%. The lack of new-issue supply in the 50th State, combined with solid demand for investment-grade paper, supported Hawaii bond valuations during the quarter.

Hawaii's municipal market remained quiet, with no new issuance during the first quarter. Demand was steady in the face of limited supply in the secondary market. Looking forward, we expect supply to increase from spring into summer as Hawaii issuers seek ongoing funding in the capital markets for new projects and the revitalization of state infrastructure.

Nationally, the ratio of 10-year municipal yields to 10-year Treasury yields increased from 65% to 71% over the past three months. The municipal bond curve is steeper than the U.S. Treasury maturity curve, resulting in higher ratios—and correspondingly higher taxable-equivalent yields—in longer maturities. We expect the relative value of longer maturities to remain attractive to investors into the second quarter of 2026.

Hawaii Municipal Bond Market and Economy

Hawaii's economy continues to exhibit a mixed set of indicators. According to the Hawaii Department of Business, Economic Development & Tourism, visitor arrivals are down 3.6% in the first quarter of 2026 versus the prior year. Offsetting the decline, visitor expenditure increased 8.5% from a year earlier. On the positive side, construction-sector employment grew 6.9% in the fourth quarter of 2025 compared with the year prior. Oahu continues to experience a meaningful increase in capital infrastructure and new project development, supported by state, local, and private investment. While visitor volumes have softened, job growth has contributed to stability and diversification across the state's economy. State GDP has also grown solidly; based on the latest data available, GDP increased 5.9% over 2024 during the first three quarters of 2025. Consumer prices (Urban) rose 2.3% in the second half of 2025, lower than the national average of 2.5% over the same period. This compares favorably with Hawaii's higher 4.0% inflation rate in 2024.

As for revenues, state general fund tax collections decreased 14.7% in the third quarter of 2025. This contrasted with an 11.0% increase in excise tax revenues; however, lower personal and corporate income tax collections more than offset that gain, resulting in a 7.1% reduction in state general fund tax revenue.

Despite the weakness in visitor arrivals, the state's economy remains on solid ground. However, the overall budget will likely require either expense reductions or revenue enhancements to balance the current cycle.

Fund Outlook and Strategy

Looking ahead, we continue to position the portfolio to optimize income while preserving flexibility. We have extended the maturity structure of the Trust to lock in higher long-term yields focusing on income stability and have taken advantage of a steeper yield curve relative to taxable markets. The improvement in dividend yield during this recent period has been notable, and by emphasizing longer maturities with strong call protection, we have strengthened the sustainability of tax-exempt income over time.

With the Federal Reserve in a steady mode for now, we believe the trust is well positioned to earn income exempt from both federal and state income taxes. If rates do fall in the coming year, longer duration should support stable dividends and potential share-price appreciation. While we cannot guarantee future outcomes, we aim to provide our best assessment of interest-rate conditions. We believe our focus on stable, double tax-exempt income over the long term remains the greatest benefit of an investment in the Hawaiian Tax-Free Trust.

Information about fund characteristics, holdings and performance please see the Fund Fact Sheet on our website at www.hawaiiantaxfreetrust.com. **Index performance is not indicative of fund performance. Past performance does not guarantee future results.**

Fund Facts as of 03/31/26

Lead Portfolio Manager REID SMITH	Inception Date 2/20/1985	Total Investments \$362.58M	Number of Holdings 94
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This information is general in nature and is not intended to provide investment, accounting, tax or legal advice. It is not intended to represent a recommendation or solicitation related to any particular investment, security or industry sector. The opinions shared are those of the portfolio manager and do not necessarily reflect those of Asset Management Group of the Bank of Hawaii, Investment Adviser for Hawaiian Tax-Free Trust.

Information regarding holdings is subject to change and is not necessarily representative of the entire portfolio. A complete list of the Fund's current holdings, including percentage allocation, is available on our website, www.hawaiiantaxfreetrust.com

Independent rating services (such as S&P Global Ratings, Moody's Investors Services and Fitch Ratings) assign ratings, which generally range from AAA (highest) to D (lowest), to indicate the credit worthiness of the underlying bonds in the portfolio. Where the independent rating services differ in the rating they assign to an issue, or do not provide a rating for an issue, the highest available rating is used in calculating allocations by rating.

The Bloomberg Municipal Bond Index covers the U.S. dollar-denominated, long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.

¹The Bloomberg Municipal Index is an unmanaged index composed of a broad range of municipal bonds of issuers in the United States. Indices are unmanaged and are not available for direct investment. Past performance does not guarantee future results.

²The Bloomberg Hawaii Index is an unmanaged index composed of a broad range of municipal bonds of issuers in the state of Hawaii

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A Basis Point (BPS) is a unit of measure equal to one hundredth of one percent (0.01%)

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Mutual fund investing involves risk; loss of principal is possible. Investments in bonds may decline in value due to rising interest rates, a real or perceived decline in credit quality of the issuer, borrower, counterparty, or collateral, adverse tax or legislative changes, court decisions, market or economic conditions. State-specific fund performance could be more volatile than that of funds with greater geographic diversification.

Investors should consider the investment objectives, risks, charges and expenses carefully before investing. For a prospectus or summary prospectus with this and other information about the Hawaiian Tax-Free Trust please contact your financial advisor, visit www.hawaiiantaxfreetrust.com OR please call 800-437-1000. Read the prospectus or summary prospectus carefully before investing