Hawaiian Tax-Free Trust

PORTFOLIO MANAGER COMMENTARY

Q2 2026

A Shares: **HULAX**	C Shares: **HULCX**	F Shares: **HULFX**	Y Shares: **HULYX**

Municipal Bond Market Overview

The second quarter was shaped by a sharp shift in the interest-rate narrative. Earlier expectations for Federal Reserve rate cuts gave way to a more cautious, and potentially more restrictive, policy outlook as inflation pressures reemerged. Energy-market volatility tied to the conflict in Iran contributed to higher headline inflation, while the labor market remained broadly stable. Against this backdrop, the Federal Reserve kept policy rates unchanged and emphasized its commitment to returning inflation toward its 2% objective.

Municipal bonds posted positive returns for the quarter despite rising U.S. Treasury yields. Prices were supported by strong demand for tax-exempt income, summer reinvestment flows, and favorable market technicals. During the three-month period, 10-year "AAA" tax-exempt yields fell about 20 basis points to 2.9%, while 10-year U.S. Treasury yields rose about 15 basis points to 4.5%. The Bloomberg Municipal Bond Index returned 2.5%, and the Bloomberg Hawaii Index gained 2.0%.

In Hawaii, the limited availability of new tax-exempt issuance remained an important market factor. During the first half of the year, approximately $438 million new Hawaii tax-exempt bonds came to market, compared with $1.4 billion during the same period last year—a decline of roughly 70%. The scarcity of new supply helped support valuations, while steady investor demand and secondary-market activity provided additional liquidity. Looking ahead, we expect issuance to increase from summer into fall as Hawaii borrowers access the capital markets to fund infrastructure needs and other public-purpose projects.

Nationally, municipal bonds outperformed comparable U.S. Treasuries, and relative valuations became richer over the quarter. The 10-year municipal-to-Treasury yield ratio declined from approximately 71% to 64%, reflecting stronger municipal demand and lower tax-exempt yields. The municipal curve also remained steeper than the Treasury curve, creating comparatively attractive taxable-equivalent yields in longer maturities. We continue to view longer-dated, high-quality municipal bonds as a compelling source of tax-advantaged income for suitable investors.

Hawaii Municipal Bond Market and Economy

Hawaii's economy remains stable, supported by low unemployment, resilient visitor activity, and continued private-sector job growth. According to the most recent data released by the Hawaii Department of Business, Economic Development & Tourism, visitor arrivals increased 3.6% in the first quarter of 2026 compared with the prior year. Construction employment rose by 1,200 jobs, contributing to a 2,300-job increase in private-sector employment. These gains were offset by reductions in the government sector, including a decline of 3,200 federal jobs. Despite this adjustment, Hawaii's unemployment rate remained low at 2.2% in the first quarter, underscoring the continued strength of the labor market.

State revenue trends also remained favorable. Transient Accommodations Tax revenue increased 9.8% in the first quarter, while General Excise Tax revenue rose 3.2%. For 2025, Hawaii's nominal gross domestic product increased by approximately $7.0 billion, or 5.9%, and real GDP increased by approximately $2.3 billion, or 2.5%. These figures point to an economy that continues to expand, though at a more moderate pace than the prior year.

Inflation pressures in Hawaii have also moderated from recent peaks. Honolulu consumer prices rose 2.3% in the second half of 2025, below the national average of 2.8% over the same period and down from Hawaii's 4.0% inflation rate in 2024. Lower local inflation supports household purchasing power and contributes to a more constructive backdrop for state and local credit fundamentals.

We believe Hawaii's long-term credit profile remains supported by a diverse revenue base, strong demand for essential public services, and ongoing investment in infrastructure. Federal, state, local, and private capital investment should continue to support economic activity, even as the state navigates slower growth, federal employment reductions, and external risks from global energy markets.

Fund Outlook and Strategy

Looking ahead, we continue to manage the portfolio with an emphasis on stable, attractive tax-exempt income and prudent risk management. The steepness of the municipal yield curve has allowed us to selectively extend the portfolio's maturity structure into higher long-term yields, while maintaining a focus on credit quality, call protection, and income durability. This positioning has helped improve the portfolio's dividend yield and supports the Trust's objective of providing sustainable tax-exempt income over time.

With the Federal Reserve remaining cautious and inflation risks still present, we expect interest-rate volatility to continue. However, today's higher starting yields provide a more favorable income cushion than investors have had in recent years. If rates remain elevated, the portfolio should continue to benefit from attractive income generation. If rates decline, longer-maturity holdings may provide additional total-return potential. While future results cannot be guaranteed, we believe the Trust is well positioned to pursue its dual goals of preserving capital and generating double tax-exempt income for Hawaii investors.

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 futureresults.**

Fund Facts as of 06/30/26

Lead Portfolio Manager	Inception Date	Total Investments	Number of Holdings
REID SMITH	2/20/1985	$365.42M	89

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.

[1]The 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.

[2]The 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