

Hawaiian Tax-Free Trust

PORTFOLIO MANAGER COMMENTARY

Q3 2026



A Shares: HULAX

C Shares: HULCX

F Shares: HULFX

Y Shares: HULYX

Municipal Bond Market Overview

The third quarter was marked by a pronounced shift upwards in interest rates, extending the rise seen earlier in the year. The conflict in Iran escalated in July, which sent oil prices sharply higher and increased concerns about the potential downstream impacts of inflation on the broader economy. After Federal Reserve Chair Kevin Warsh's hawkish remarks in late August, where he restated the Fed's objective of 2 percent inflation, the Fed voted unanimously in September to raise the target range for the federal funds rate by 25 basis points to 3.75% - 4.00%. This marked the first increase since 2023. By quarter end, federal funds futures implied nearly four additional quarter-point rate increases in the following 12 months, a sharp contrast to the cuts that were expected at the beginning of the year.

Municipal bonds posted negative returns for the quarter, underperforming U.S. Treasuries. Sustained high issuance, heightened volatility, and increased selling and bid-wanted activity late in the quarter added to the pressure for higher yields. During the three-month period, 10-year "AAA" tax-exempt yields rose about 124 basis points to 4.1%, while 10-year U.S. Treasury yields rose about 82 basis points to 5.3%.

In Hawaii, the limited availability of new tax-exempt issuance remained an important market factor. During the first three quarters of the year, approximately \$633 million in new Hawaii tax-exempt bonds came to market, compared with \$2.6 billion during the same period last year, a decline of roughly 75%. The limited supply from new issuance supported relative outperformance in the Hawaii municipal market. The Bloomberg Hawaii Index¹ returned -5.1%, and the Bloomberg Municipal Index² returned -6.4%. Looking ahead, we expect low issuance in the fourth quarter from Hawaii borrowers.

Nationally, the 10-year municipal-to-Treasury yield ratio increased from approximately 64% to 78%, reflecting elevated issuance and higher 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 0.9% in the second quarter of 2026 compared with the prior year. Health Care and Social Assistance employment rose by 2,700 jobs, contributing to a 4,400-job increase in private-sector employment. These gains were partially offset by reductions in the government sector, including a decline of 2,900 federal jobs. Despite this adjustment, Hawaii's unemployment rate remained low at 2.7% in the second quarter, though it was up from 2.4% a year earlier, pointing to a labor market that is still tight but softening slightly.

State revenue trends also remained favorable. Transient Accommodations Tax revenue increased 10.7% in the second quarter, while General Excise Tax revenue rose 1.9%. In the first quarter of 2026, Hawaii's nominal gross domestic product (GDP) increased 5.0% year over year. For the same annual period ending in 2025, nominal State GDP grew 5.9%. 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 recently accelerated. Honolulu consumer prices rose 4.0% in the first half of 2026, above the national average of 3.3% over the same period and up from Honolulu's 2.9% inflation rate in the first half of 2025. The largest increases were in apparel (8.9%), medical care (6.0%), and housing (4.7%). Higher local inflation may weigh on household purchasing power and is worth monitoring, though it has not yet changed the broader credit picture for Hawaii and its local governments.

Fund Outlook and Strategy

We remain focused on generating steady tax-exempt income while managing risk prudently. The recent spike in municipal yields has created attractive opportunities to selectively extend portfolio maturities and capture higher long-term yields. This positioning will help enhance the portfolio's dividend yield and support the Trust's objective in delivering sustainable tax-exempt income over time.

The prolonged conflict in Iran creates the environment for inflation risks persisting. We expect continued interest rate volatility. However, higher starting yields offer a larger income cushion than investors have experienced in recent years. If rates remain elevated, the portfolio should continue to generate attractive income. If rates decline, longer-maturity holdings may offer additional total-return potential. Although 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 future results.

Fund Facts as of 09/30/26

Lead Portfolio Manager REID SMITH	Inception Date 2/20/1985	Total Investments \$336.81M	Number of Holdings 90
--------------------------------------	-----------------------------	--------------------------------	--------------------------

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 Hawaii Index is an unmanaged index composed of a broad range of municipal bonds of issuers in the state of Hawaii Indices are unmanaged and are not available for direct investment. Past performance does not guarantee future results.

²The 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.

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

BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). Bloomberg or Bloomberg's licensors own all proprietary rights in the Bloomberg Indices. Bloomberg does not approve or endorse this material or guarantee the accuracy of completeness of any information herein, nor does Bloomberg make any warranty, express or implied, as to the results to be obtained therefrom, and, to the maximum extent allowed by law, Bloomberg shall not have any liability or responsibility for injury or damages arising in connection therewith.

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