

Hawaiian Tax-Free Trust

PORTFOLIO MANAGER COMMENTARY

Q4 2025



A Shares: HULAX

C Shares: HULCX

F Shares: HULFX

Y Shares: HULYX

Municipal Bond Market Overview

The fourth quarter of 2025 brought the Federal Reserve back to reducing the Fed Funds rate. During the quarter, the Federal Reserve voted two additional times, in October and December, to reduce rates by 25 basis points each time. The total reduction of 75 basis points in the last half of 2025 brought the rate range to between 3.50 to 3.75 percent. The Fed forecast is for an additional 25 bp cut in 2026. At this point, the Fed Reserve appears on pause until later this year. The US Government shut down caused the loss or delayed release of economic statistics used by the Federal Reserve and the market economists to monitor the key factors impacting employment situation and inflation. Interestingly, the market has embedded a three-cut expectation in the yield curve for this year exceeding the Fed forecast.

The municipal bond market responded favorably. Over the past three months, 10-year tax-exempt yields for “AAA” bonds declined 0.20 basis points to 2.7%, while 10-year U.S. Treasury yields remained relatively unchanged at 4.2%. For the full year, municipals fell a total of 40 basis points, while the U.S. Treasury yields also declined the same amount. The Treasury decline occurred at the beginning of the year, and municipal yields fell at the end of the year. This relative reduction of municipals yields in the last two quarters of 2025 reflected both attractive valuations at midyear and favorable seasonal supply-and-demand dynamics at year end. In 2025, the Bloomberg Municipal Bond Index¹ returned 1.6% for the last quarter and 4.3% for the entire year. During the same period, Bloomberg Hawaii Index² advanced 1.4% in Q4 and 4.7% for the year.

Hawaii’s municipal market remained active and resilient. During this year, \$2.75 billion new bonds were issued in Hawaii, a 46% increase compared with the same period last year. This gave Hawaii investors the highest issuance volume since 2021 during the rush to issue debt prior to the Federal Reserve increasing rates post pandemic. Hawaii issuers have sought funding in the capital markets this year to apply to new and revitalized local infrastructure projects. Demand for these offerings remained strong, with new deals consistently well-received by both local and mainland investors.

Nationally, the ratio of 10-year municipal yields to 10-year Treasury yields declined from 70.4% to 65.4% over the past three months, ending slightly below 68.4% when the year started. We monitor the ratio on an ongoing basis as a relative value metric. The ratio also factors into the calculation of taxable-equivalent yield for comparative purposes. The higher the ratio, the higher the taxable-equivalent yields to bondholders. Therefore, the ratio is an important indicator of relative value.

Hawaii Municipal Bond Market and Economy

Hawaii’s economy continues to demonstrate stability. However, the economic indicators are mixed according to the latest data from the State Department of Business, Economic Development and Tourism. Unfortunately, over the third quarter (latest data release) of 2025, total visitor arrivals were down 3% while visitor expenditures rose 1% compared with the same period last year. Also troubling, the State’s general fund revenues decreased \$553 million in the first three quarters of 2025, a 7.1% decline from the same period last year. Counterbalancing the drop in visitor traffic, the construction sector added 1,200 jobs, or a positive 3.1%, in the second quarter. Labor conditions remain strong, supported by the continued broadening of the State’s economy. The unemployment rate in Hawaii fell to 2.8% in the second quarter of 2025, well below the national rate of 4.3%. This improvement bodes well as Hawaii continues to diversify beyond its heavy reliance on tourism. Despite some softening in tourism, Hawaii’s economic backdrop remains healthy and supportive of long-term municipal credit quality.

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. Regarding the dividend yield during this recent period, we have been emphasizing longer maturities with strong call protection³, which we believe has strengthened the sustainability of tax-exempt income over time.

As the Federal Reserve transitions toward lower short-term rates, we believe the Trust is well positioned for the evolving interest rate environment and the long-term benefit of shareholders. At the Asset Management Group of the Bank of Hawaii, investment adviser to the Hawaiian Tax-Free Trust for over 40 years, we remain committed to disciplined, research-driven management. Our approach emphasizes identifying relative value opportunities within high-quality municipal sectors that can support stable, long-term income potential.

We continue to believe that this patient, value-oriented strategy is prudent given current market conditions and consistent with our mission to deliver durable, double tax-free income for Hawaii investors. We thank you for your continued confidence and trust. Our team remains focused on preserving capital, maintaining consistent income, and seeking opportunities that align with the Trust's objectives. As we enter the first quarter of 2026, we are optimistic about the prospects for municipal investors and confident in the strength and stability of Hawaii's economy and credit markets.

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 12/31/25

Lead Portfolio Manager REID SMITH	Inception Date 2/20/1985	Total Investments \$374.80M	Number of Holdings 96
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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

³Call Protection is a provision in a bond that prevents the issuer from refinancing it during a set period of time

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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

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