

HERITAGE AND STABILISATION FUND (HSF)

QUARTERLY INVESTMENT REPORT

OCTOBER TO DECEMBER 2023

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¹ This section includes economic data available as at January 24, 2024.

EXECUTIVE SUMMARY

- During the first quarter of the financial year, continued headwinds from inflation, restrictive monetary policy, ongoing concerns about China’s real estate sector and geopolitical conflicts weighed on global output. However, a surprisingly resilient United States (US) economy and softening inflation across major economies served to boost the outlook on growth and raise expectations of imminent monetary rate cuts, in particular in the US.
- Across the major economies inflation decelerated during the fourth quarter of 2023, but remained above the monetary policy target of 2 per cent. Inflation in the US eased to 3.4 per cent in the twelve months to December 2023, while inflation rates in the Eurozone (EZ), and the United Kingdom (UK) measured 2.9 per cent and 4.0 per cent, respectively. With inflation moving in the right direction to target, the US Federal Reserve (Fed), the UK Bank of England (BoE) and the EZ European Central Bank (ECB) kept their monetary policy rate unchanged during the quarter at 5.25 per cent to 5.50 per cent, 5.25 per cent 4.75 per cent, respectively. The Fed cited the progress made on inflation and a resilient US economy for its unchanged monetary stance during the quarter, while the BoE and ECB pointed to the need to balance a stagnating economy with still too high inflation. In its December Monetary Announcement Meeting, the Fed pivoted from its “higher for longer” monetary stance and pencilled in at least 3 rate cuts in 2024 as inflation continued to ease towards its 2 per cent target. In contrast, the BoE and ECB both warned against over optimism on inflation, noting price pressures continued to be a general concern and as a result, “higher for longer” would have to be maintained to bring inflation back to target.
- The progress on inflation to monetary target during the quarter raised expectations that key central banks would begin to reduce interest rates, and at a faster pace than previously anticipated, in 2024. As a result, the US bond and developed equity markets recorded strong gains in the quarter. The US bond market, as measured by the Bloomberg Barclays US Aggregate Bond index, advanced 6.82 per cent in the quarter as key yields fell. The 2-year US Treasury yield declined by 79 basis points to 4.25 per cent, while the 10-year US Treasury yield fell by 69 basis points to close the quarter at 3.88 per cent. Meanwhile, the US Standard and Poor’s 500 equity index rose by 11.68 per

cent, while non US developed equity markets, as measured by the MSCI EAFE index, gained 10.45 per cent.

- For the quarter ended December 31, 2023, the HSF returned 8.08 per cent with positive return performance from the Fund's equity (5.23 per cent) and fixed income (2.71 per cent) mandates. The USD fixed deposits added 0.09 per cent to the HSF's performance during the quarter (see Tables 1 and 2).
- In comparison to the strategic asset allocation (SAA) benchmark, which rose by 7.71 per cent, the Fund outperformed by 36.3 basis points (see Table 2 and Appendix 1). Excess returns were driven by the Fund's relative asset weights over the period. This was augmented by external managers' strategies with significant positive contributions from the Non-US Core International Equity mandate and the US Core Domestic Fixed Income mandate.
- In December 2023, the Board undertook a review of its decision to hold the contributions received for fiscal year 2022 in US fixed deposits. The position was created in September 2022 in order to preserve the capital value of and to provide stable return to the HSF during a period of high market uncertainty driven by aggressive monetary actions. The position was reviewed and extended on several occasions during the period from its inception to December 2023. At its December 2023 Meeting, the Board assessed the near term market outlook as favourable and thus, a good market entry point for the HSF. As a result, the Board took the decisions to transfer the total value of US fixed deposit holding (US\$365.1 million) to US Short Duration Fixed Income Mandate. The transfer supported the rebalancing the HSF, reducing its asset deviations, and maintained the liquidity level of the Fund.
- As at the end of December 2023, the total net asset value of the HSF was US\$5,658.6 million, approximately US\$268.5 million higher than the previous quarter's closing value of US\$5,390.2 million. During the quarter, US\$160.4 million was withdrawn from the HSF under Section 15 of the Act (2007) for the financial year 2022/2023, which was funded from the Fund's liquid assets.

Table 1
Absolute Quarterly Returns
For the period Oct-Dec 2023
/per cent/

	Absolute Return HSF	Absolute Return Benchmark
Composite Portfolio	8.08	7.71
US Short Duration Fixed Income	3.19	3.10
US Core Domestic Fixed Income	6.97	6.82
US Core Domestic Equity	13.03	13.04
Non-US Core International Equity	11.27	10.93
USD Fixed Deposit	1.44	N/A

Table 2
Contributions to Quarterly Returns
For the period Oct-Dec 2023
/per cent/

	3 Months Portfolio Weighted Return to 31-Dec-2023	
	HSF	Benchmark
Composite Portfolio	8.08	7.71
US Short Duration Fixed Income	0.65	0.77
US Core Domestic Fixed Income	2.06	2.72
US Core Domestic Equity	3.03	2.26
Non-US Core International Equity	2.20	1.93
USD Fixed Deposit	0.09	N/A

NB: Differences in totals are due to rounding.

SECTION 1 – INTERNATIONAL ECONOMIC ENVIRONMENT

Sustained headwinds from inflation and restrictive monetary policy continued to restrain global growth. Geopolitical tensions stemming from the ongoing Russia-Ukraine war and the evolving conflict in the Middle East added to near-term downside risks. The likelihood of a recession in the United Kingdom, Eurozone and Japan remained relatively high as these economies contracted during the three months to September. In contrast, the United States economy expanded at a solid pace in 2023 underpinned by

a strong labour market and resilient consumer demand. With significant progress on the inflation front, most major developed central banks signalled that they were likely at the end of their interest rate hiking cycle and suggested it may be appropriate to begin monetary policy easing in 2024.

Following robust growth of 4.9 per cent annualised during the quarter ended September 2023, the US economy continued to expand at a solid pace over the three months to December 2023. A strong labour market, higher wages and easing inflation supported household spending over the period. The unemployment rate fell to 3.7 per cent in December from 3.8 per cent in September with payrolls increasing by 165,000 per month on average. Hourly earnings grew by 4.3 per cent in December from twelve months prior. Meanwhile, inflation decelerated to 3.4 per cent in December compared with 3.7 per cent three months earlier. Business activity remained steady as an uptick in service sector activity helped to offset further weakness in the manufacturing sector. The S&P Global US Composite Purchasing Managers Index (PMI) ended the quarter at 50.9 points compared to 50.2 points in September.

The UK economy shrunk 0.1 per cent in the quarter ended September 2023 and recent indicators suggested output remained subdued in the three months to December 2023. Corporations reported a modest improvement with the S&P Global/CIPS UK Composite PMI increasing to 52.1 points in December from 48.5 points in September. Inflation trended lower to 4.0 per cent in December from 6.7 per cent in September. Nonetheless, the prolonged period of elevated price pressures has placed a strain on household finances. Retail sales disappointed during the holiday shopping season amid downbeat consumer sentiment. In an effort to boost business investment and household expenditures the government announced a range of tax cuts which are expected to go into effect during 2024.

In the Eurozone, high interest rates and weak global demand hampered economic activity. Germany, the region's largest economy, contracted 0.30 per cent during the three months to December amid declines in industrial production and the construction industry. Eurozone business conditions weakened for an eighth consecutive month with the S&P Global Euro Area Composite PMI at 47.6 points in December. Meanwhile, easing price pressures provided some relief to households. Inflation fell to 2.9 per cent in December from 4.3 per cent in September.

In Asia, Japan's economy contracted 0.7 per cent during the third calendar quarter of 2023 as a sharp fall in consumer spending and capital expenditures added to challenges from waning export demand. The au Jibun Bank Composite PMI declined to 50.0 points in December from 52.1 points in September with both manufacturing and service-oriented firms reporting a deterioration in operating conditions. Despite labour market shortages, wage growth was muted and lagged inflation which edged lower to 2.6 per cent. This prompted the government to unveil stimulus measures to improve disposable income levels with the hope of spurring growth.

With inflation levels moving closer to target, major central banks decided to maintain their monetary policy stance towards the end of 2023. The Fed held its policy rate at a range of 5.25 per cent to 5.50 per cent, with the last increase occurring in July 2023. Policymakers highlighted significant progress towards meeting the Bank's inflation goals and signalled potentially 75 basis points of rate cuts in 2024. The ECB raised its marginal lending rate to 4.75 per cent in September and left rates unchanged at subsequent meetings citing caution around the growth outlook. Similarly, the BoE also kept its Bank rate at 5.25 per cent with its last rate increase in August 2023. Officials underscored the need to balance the weakening economic backdrop with still too high price pressures. At the same time, the BOJ added flexibility to its yield curve control policy but retained its ultra-accommodative stance as its short-term interest rate was kept unchanged at -0.10 per cent.

SECTION 2 – CAPITAL AND MONEY MARKET REVIEW

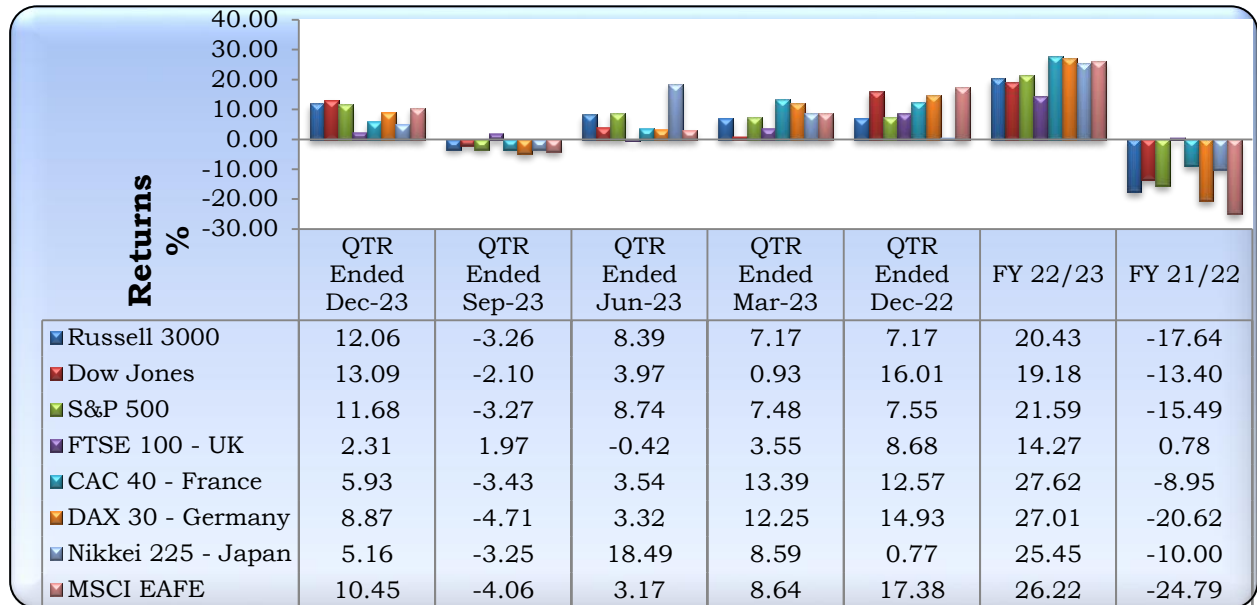
Global developed bond and equity markets recovered from losses early in the quarter to end the period higher. Heightened geopolitical risks and expectations for interest rates to remain elevated for longer than initially anticipated detracted from investors' sentiment in October. However, further progress on the inflation front alongside comments from policymakers supported hopes that central banks in the US and Europe would ease monetary policy in 2024. Positive momentum stemming from the shift in the monetary policy outlook led markets to rally in November and December.

Financial market volatility remained relatively subdued with the US Chicago Board Options Exchange Volatility Index (VIX) averaging 15.3 points for the quarter ended December 2023 when compared to the previous quarter's average of 15.0 points. Similarly, the Euro Stoxx 50 Volatility Index (VSTOXX), a measure of investor sentiment in Europe, averaged 16.3 points for the quarter, compared with an average of 17.1 points for the three months ended September 2023.

The US S&P 500 index rose 11.68 per cent over the quarter with gains across ten of the eleven sectors. Higher growth sectors such as Information Technology as well as Real Estate Investment Trusts (REITs) performed well amid the decline in yields. In contrast, the energy sector lagged the broader market. Despite production cuts by OPEC, oil prices moved lower amid subdued global economic activity and record output from non-OPEC producers such as the US and Brazil. West Texas Intermediate Crude Oil (WTI) fell to US\$71.65 per barrel at the end of December 2023 from US\$90.79 per barrel at the end of the previous quarter.

Non-US developed stock markets, as represented by the MSCI EAFE index, posted a quarterly gain of 10.45 per cent, when measured in US dollars (see Figure 1). Greater confidence that the ECB and BoE had reached the end of their respective rate hiking cycle and are likely to reduce rates next year boosted risk sentiment in Europe. Overall, Germany's DAX index and France's CAC 40 index grew by 8.87 per cent and 5.93 per cent, respectively. Meanwhile, the UK's FTSE 100 index added a modest 2.31 per cent, underperforming its European counterparts. In Asia, Japan's Nikkei 225 index advanced 5.16 per cent, supported by solid earnings and continued progress towards corporate governance reform.

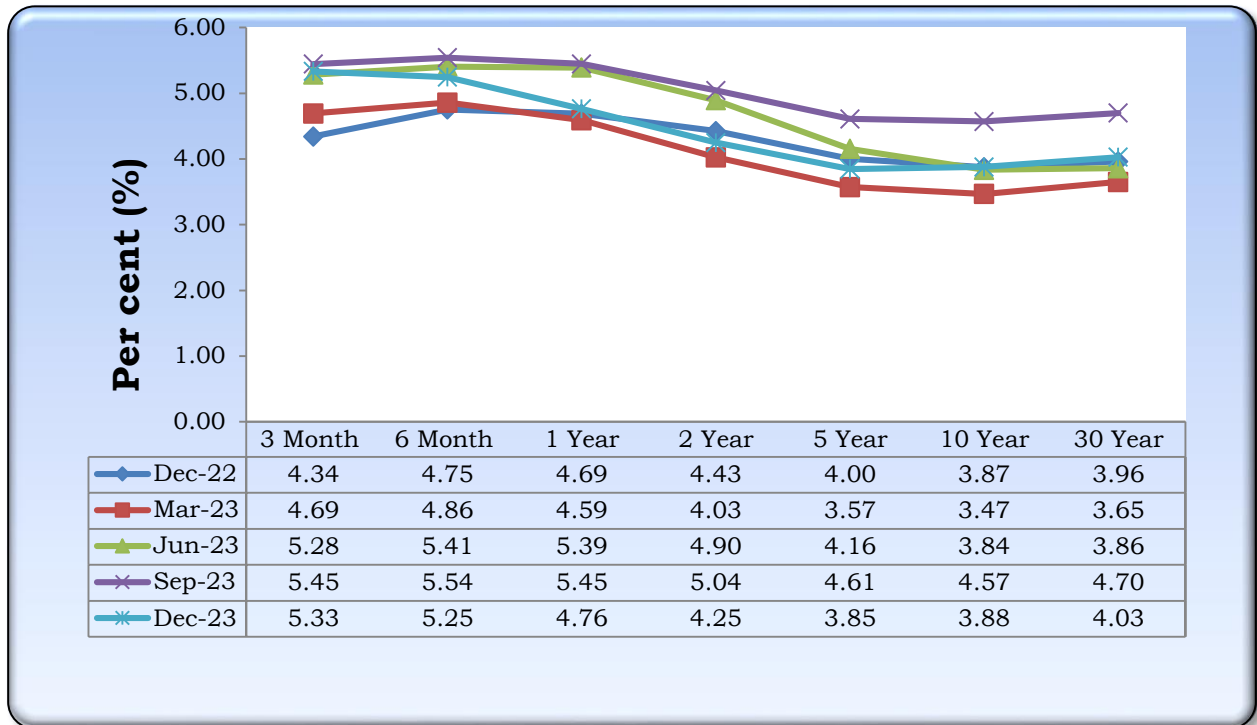
Figure 1
Total Returns on Equity Indices
/Per cent/



Source: Bloomberg.

U.S. Treasury yields decreased over the quarter as investors adjusted monetary policy expectations amid a slowdown in inflation and revised Fed projections. Speculation around a potentially faster pace of interest rate cuts in 2024 drove the two-year yield lower by 79 basis points to 4.25 per cent. Meanwhile, the 10-year yield fell 69 basis points to close December 2023 at 3.88 per cent. As a result, the US Treasury curve steepened and the spread between the 10-year yield and the 2-year yield stood at -37 basis points at the end of December 2023, compared with -47 basis points three months earlier.

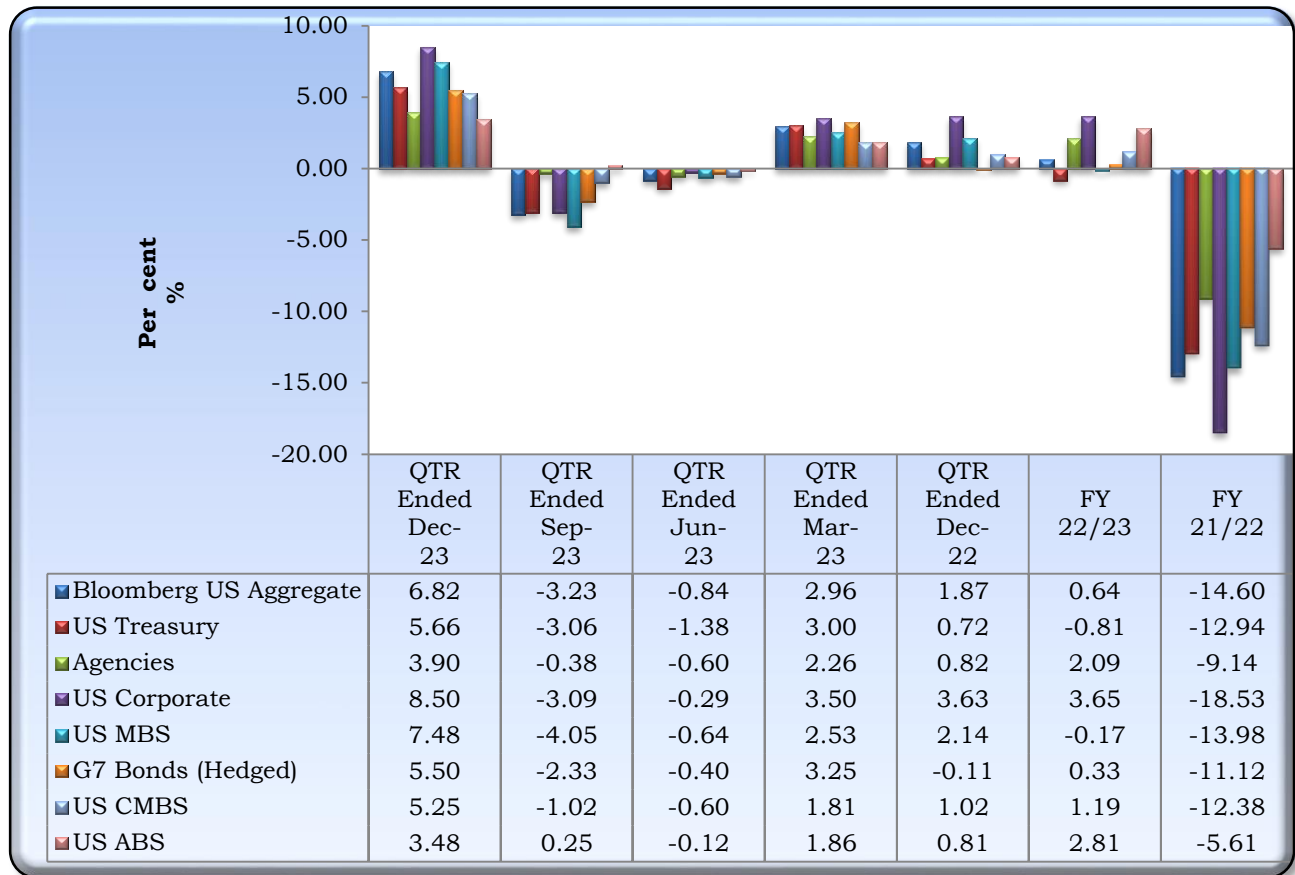
Figure 2
US Treasury Curve
/Per Cent/



Source: Bloomberg

The broader US fixed-income market, as represented by the Bloomberg Barclays US Aggregate Bond Index, returned 6.82 per cent for the quarter ended December 2023 (see Figure 3). Overall, bond prices rose amid the sharp decline in yields. At the sub-sector level, US Corporates and US Mortgage-Backed Securities (MBS) benefitted from tighter credit spreads to return 8.50 per cent and 7.48 per cent, respectively. Meanwhile, the US Asset Backed Securities earned 3.48 per cent reflecting in part its shorter duration profile.

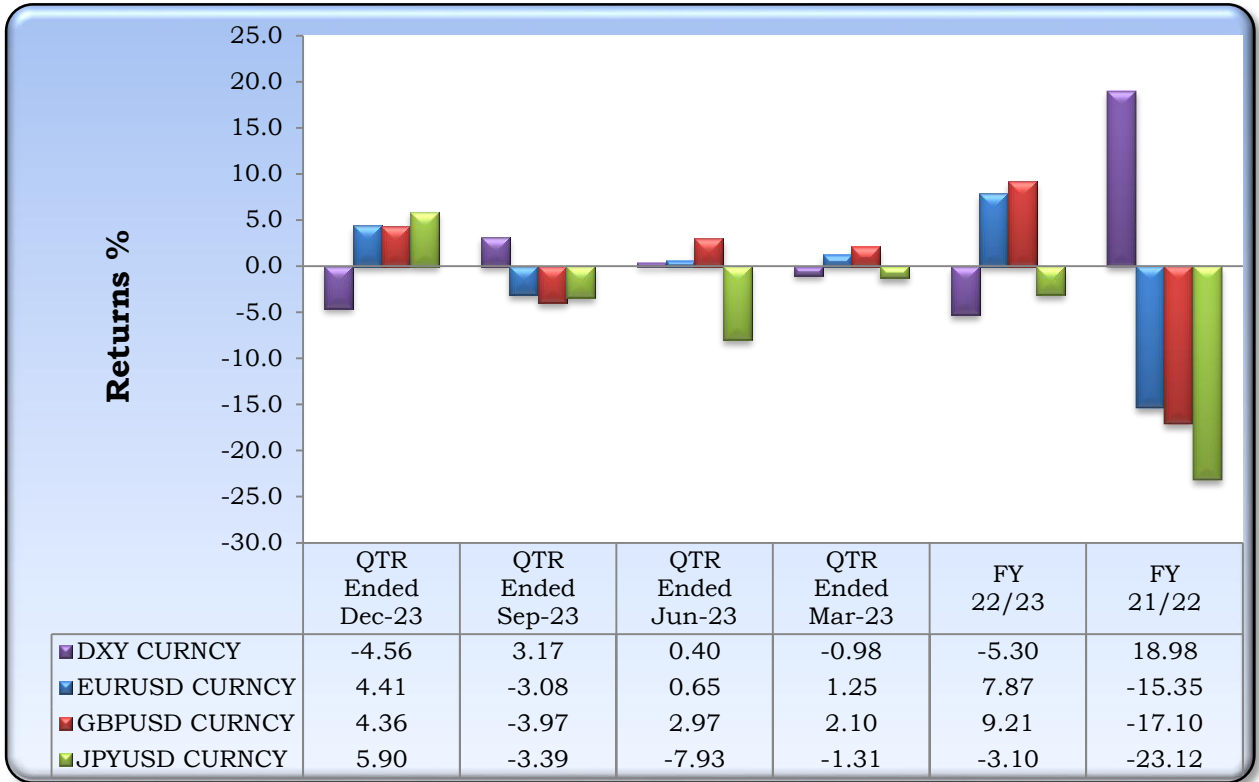
Figure 3
Returns on Fixed Income Indices
/Per Cent/



Source: Bloomberg

When compared to its peers, expectations for the Fed to lead interest rate cuts in 2024 drove the US dollar spot index (DXY) down by 4.56 per cent. The Euro, British Pound and the Japanese Yen appreciated against the US dollar by 4.41 per cent, 4.30 per cent and 5.90 per cent, respectively, over the three months to December 2023.

Figure 4
Foreign Exchange Returns for Major Currencies
vis-à-vis the US Dollar
/Per Cent/



Source: Bloomberg

SECTION 3 – PORTFOLIO PERFORMANCE

Strategic Asset Allocation

Table 3 reports the actual mandate weights of the HSF’s Investment Portfolio relative to its approved SAA for the quarter ended December 31, 2023 and the previous three quarters.

Table 3
Portfolio Composition relative to the Approved SAA²
/per cent/

<i>Portfolio Weights</i>	<i>Asset Class</i>	<i>Mar-23</i>		<i>Jun-23</i>	<i>Sep-23</i>	<i>Dec-23</i>
		<i>Target</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
		<i>Weight SAA</i>	<i>% of Fund</i>	<i>% of Fund</i>	<i>% of Fund</i>	<i>% of Fund</i>
	US Short Duration Fixed Income	25.00	21.15	20.47	21.04	19.73
	US Core Domestic Fixed Income	40.00	30.83	29.88	29.65	30.17
	US Core Domestic Equity	17.50	22.10	23.41	23.11	24.88
	Non-US Core International Equity	17.50	19.40	19.81	19.52	20.66
	USD Fixed Deposit	0.00	6.52	6.43	6.68	0.00
	Investment Portfolio Cash	0.00	0.00	0.00	0.00	4.55

Totals may not sum to 100 due to rounding.

During the three months ended December 2023, fluctuations in the market values of the HSF’s assets and cash flow movements resulted in changes in the mandates’ weights. For most of the period, the Fund maintained an underweight allocation to fixed income securities and a corresponding overweight to equities and USD fixed deposits. Towards the end of the quarter, taking into consideration potential liquidity needs and

² The Board’s approved investment policy allow the mandate weights to deviate from the approved SAA weights by +/- 5 per cent.

the near-term market outlook, the Board decided to transfer the proceeds from the maturing USD fixed deposits totalling US\$365.12 million³ to the US Short Duration Fixed Income Mandate.

At the end of the period, relative to the SAA, the US Core Domestic Fixed Income mandate held the largest underweight position of 9.83 per cent, while the US Core Domestic Equity held the highest overweight exposure at 7.38 per cent (see Table 3). Given the Fund's asset allocation deviations above the approved +/-5.0 per cent limit, the Board continues to evaluate market conditions and reassess its capital market expectations to ascertain the appropriate asset mix.

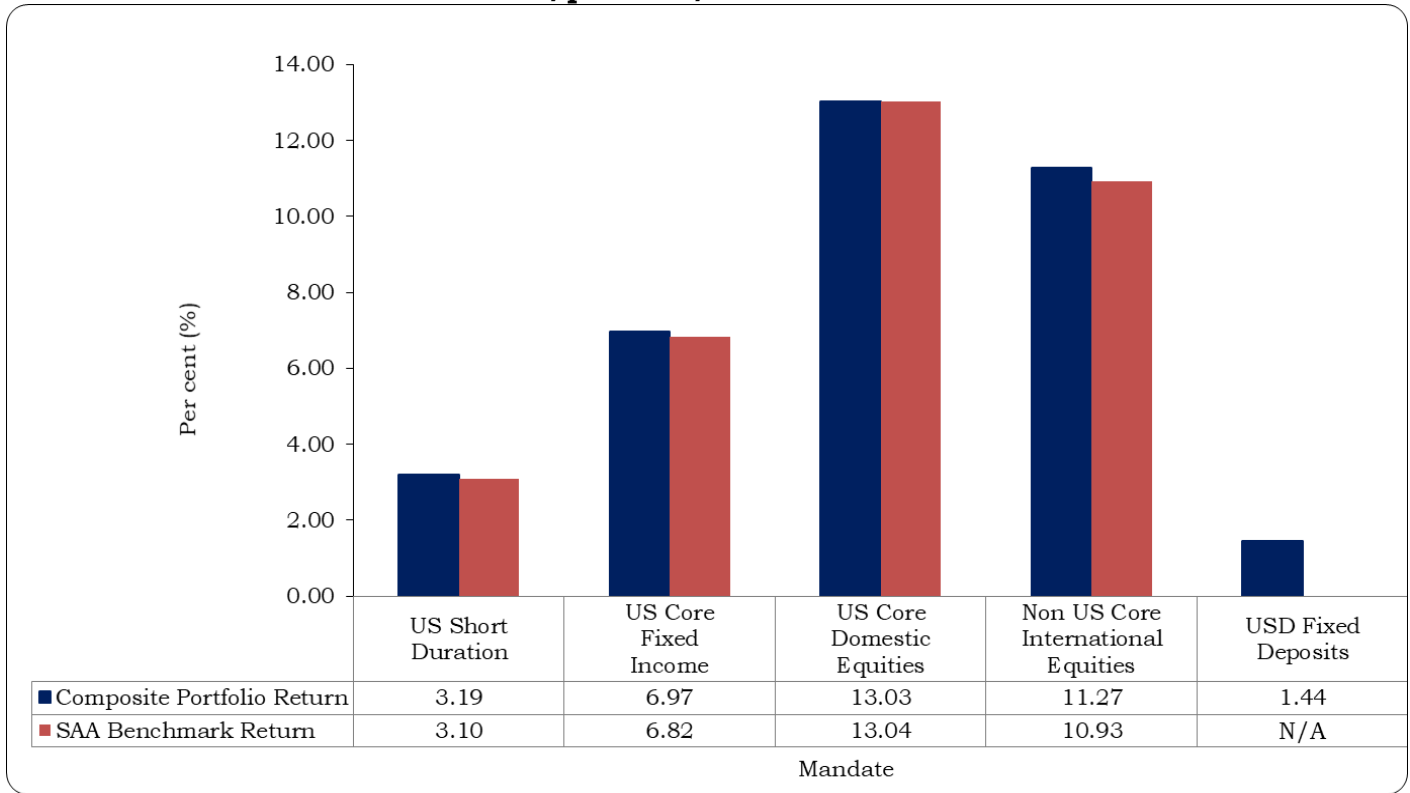
The total net asset value of the Fund as at the end of December 31, 2023 was **US\$5,658.6 million**, compared to US\$5,390.2 million as at September 30, 2023. Of this total, the Investment Portfolio was valued at US\$5,656.9 million, while the remaining portion was held in operating cash accounts to meet the day-to-day expenses that arise from the management of the Fund. In accordance with the HSF Act (2007), US\$160.38 million was withdrawn from the Fund on December 18, 2023. Assets from the US Short Duration Fixed Income mandate were sold to meet this obligation.

Performance of the Investment Portfolio

During the quarter ended December 31, 2023, the HSF's Investment Portfolio rose by 8.08 per cent. This positive performance was driven by strong gains within both the equity and fixed income mandates. The USD fixed deposit portfolio incrementally enhanced the Fund's return (see Figure 5).

³ US\$107.56 million was allocated to the US Short Duration Mandate on December 29, 2023 and the remaining balance of US\$257.6 million was transferred on January 02, 2024.

Figure 5
Absolute Returns by Mandate
For the period Oct-Dec 2023
/per cent/



When compared with its SAA benchmark⁴, which increased by 7.71 per cent, the HSF outperformed by 36 basis points. Excess returns were driven by the Fund’s relative asset weights over the period. This was augmented by external managers’ strategies with significant positive contributions from the Non-US Core International Equity mandate and the US Core Fixed Income mandate.

The **US Core Domestic Equity** mandate returned 13.03 per cent for the quarter ended December 31, 2023. This compares to a gain of 13.04 per cent for its benchmark, the Russell 3000 ex-Energy index (see Figure 5). Strong stock selection within the Consumer

⁴ The SAA benchmark is a blended benchmark, which comprises of the ICE Bank of America US Treasury 1-5 Year Index (25%), Bloomberg Barclays US Aggregate Bond Index (40%), Russell 3000 ex Energy Index (17.5%), and MSCI EAFE ex Energy Index (17.5%).

Discretionary, Financials and Consumer Staples sectors balanced relative underperformance in the Health Care, Technology and Telecommunications sectors. For the quarter, the mandate's net asset value increased by \$161.8 million to **US\$1,407.5 million** as at December 31, 2023.

The **Non-US Core International Equity** mandate gained 11.27 per cent and outperformed its benchmark, the MSCI EAFE ex-Energy index by 34 basis points. In aggregate, positive security selection in Europe and the United Kingdom drove excess returns. When combined, country and currency allocation incrementally added to performance. The net asset value of the mandate increased from US\$1,052.0 million at the end of the prior quarter to **US\$1,168.9 million** as at December 31, 2023.

The **US Short Duration Fixed Income** mandate returned 3.19 per cent over the quarter, while its benchmark, the ICE Bank of America 1-5 year US Treasury index, earned 3.10 per cent. Excess returns were driven by interest rate strategies and exposure to high credit quality spread sectors. The net asset value of the mandate as at December 31, 2023 was **US\$1,116.4 million** compared to US\$1,134.3 million as at the end of the previous quarter. Market gains on the portfolio's investment assets helped to partially offset the net cash flow activity arising from the withdrawal of US\$160.38 million and the re-balancing contribution of US\$107.56 million.

The longer duration **US Core Domestic Fixed Income** mandate rose by 6.97 per cent. This compares to a return of 6.82 per cent for its benchmark, the Bloomberg US Aggregate Bond index. Overweight exposure to investment-grade corporates and mortgage-backed securities enhanced returns. Specific selection within corporates was also positive for performance while yield curve strategies modestly detracted. The net asset value of the mandate as at December 31, 2023 was **US\$1,706.5 million**, up from US\$1,598.0 million as at September 30, 2023.

The **USD Fixed Deposit** portfolio earned 1.44 per cent. The HSF Board decided to conclude the Fund's investments in fixed deposits on December 29, 2023 and transfer the proceeds totaling US\$365.1 million to the US Short Duration Fixed Income mandate.

SECTION 4 – COMPLIANCE AND PORTFOLIO RISKS

Compliance

During the quarter, the relative deviation of the mandate weights from the approved SAA were maintained and reflected market value and cash flow movements. As at December 31, 2023, asset classes varied above the allowable +/- 5 per cent deviation (see Table 3). In December 2023, given the near-term market outlook, the HSF Board took a decision to conclude the USD Fixed Deposit portfolio and transfer the proceeds to the US Short Duration mandate. The Central Bank will continue to monitor the Fund's asset class exposures and provide regular updates to the Board.

Portfolio Risks

The main risks for the HSF portfolio are credit, concentration, interest rate, and currency risks. The following paragraphs give a description of how these risks are mitigated.

Credit Risk

Within the **money market portion** of the Fund, credit risk is minimised by the strict adherence to the following standards: (i) all counterparties must have a minimum credit rating of either A-1 from the Standard and Poor's rating agency or P-1 from Moody's Investors Services; and (ii) a maximum exposure limit for counterparties of no more than 5.0 per cent of the market value of the portfolio.

For **fixed-income instruments**, credit risk is mitigated by the use of credit concentration limits as well as minimum credit quality ratings. Bonds must have an investment grade rating as defined by Standard and Poor's, Moody's Investors Services or Fitch Ratings Incorporated. Should the required ratings on an existing fixed-income security fall below the minimum standards, the security must be sold within an agreed upon timeframe. Table 4 below shows the average credit quality of the US Short Duration and US Core Fixed Income Portfolios as at December 31, 2023.

Table 4
Average Credit Rating

Mandate	Portfolio	Benchmark
US Short Duration	AA+	AA+
US Core Fixed Income	AA-	AA

Concentration Risk

Concentration or diversification risk is minimised by investing across various asset types and holding a large number of positions within an asset class. The aim is to minimise risk and/or maximise return by investing in a wide cross-section of asset classes and positions that would each react differently to the same market event. As such, it is likely that when one has strong returns, another may have lower returns to the same market event.

The portfolio is currently invested across five (5) asset groups as follows: US Short Duration Fixed Income; US Core Domestic Fixed Income; US Core Domestic Equity and Non-US Core International Equity and USD Fixed Deposits. Concentration risk is also minimised within asset groups by approved market exposure and issuer holding limits.

For the **equity portfolios**, this risk is managed by imposing a maximum percentage holding of 3.0 per cent of any security's outstanding shares, as well as a maximum sector deviation relative to the benchmark of 5.0 per cent.

Interest Rate Risk

Interest rate risk is managed using a weighted average effective duration limit on the respective portfolios. For the US Short Duration Fixed Income mandate, the allowable range is six months longer or shorter than the weighted average duration of its respective benchmark. While the US Core Domestic Fixed Income mandate has an allowable range of 12 months longer or shorter than the weighted average duration of its respective benchmark. Table 5 shows the weighted average duration for the US Short Duration and US Core Domestic Fixed Income portfolios as at December 31, 2023.

Table 5
Weighted Average Duration
/Years/

Mandate	Portfolio	Benchmark
US Short Duration	2.61	2.60
US Core Domestic Fixed Income	6.31	6.24

Currency Risk

Currency risk is managed by containing and managing the exposure to non-US dollar instruments. For the fixed income mandates, no more than 10 per cent of the market value of the portfolio can be invested in securities denominated in currencies other than the US Dollar. For these mandates, non-US dollar currency exposure is fully hedged into the US Dollar. However, the effectiveness of the hedge may vary depending on market conditions.

For the US Core Domestic Equity mandate, no more than 5 per cent of the market value of the portfolio can be invested in securities denominated in currencies other than the US Dollar. The performance benchmark for the Non-US Core International Equity portfolio is the custom MSCI EAFE ex-energy Index. The index comprises of equity securities of issuers domiciled in developed markets countries, excluding the US and Canada. Where benchmark securities are quoted in currencies other than the US dollar, the Fund accepts the currency risk. For this mandate, however, managers can hedge up to 15 per cent of the market value of their currency exposure into the US dollar, the base reporting currency for the HSF. At the end of December 2023, the currency exposure for this portfolio was 98 per cent of its market value. During the quarter, all the portfolios were within their respective limits.

Appendix I

HSF Portfolio - Historical Performance

Quarter End	Current Returns			Financial YTD			Annualised Return Since Inception		
	Portfolio	Benchmark	Excess	Portfolio	Benchmark	Excess	Portfolio	Benchmark	Excess
	%	%	bps	%	%	bps	%	%	bps
FY 2010									
December	0.96	0.89	6.65	0.96	0.89	6.65	3.72	3.78	-6.16
March	1.61	1.68	-6.20	2.59	2.58	0.49	3.95	4.03	-7.76
June	-1.83	-1.89	6.05	0.71	0.64	6.69	3.07	3.12	-5.18
September	5.33	5.08	24.73	6.07	5.75	31.93	4.37	4.35	2.06
FY 2011									
December	2.29	2.21	8.15	2.29	2.21	8.15	4.70	4.65	4.13
March	1.62	1.54	7.24	3.94	3.79	15.68	4.81	4.76	5.72
June	1.88	1.81	6.68	5.89	5.67	22.91	4.98	4.91	7.00
September	-4.82	-4.28	-53.66	0.79	1.14	-34.89	3.57	3.63	-6.29
FY 2012									
December	2.74	3.03	-28.52	2.74	3.03	-28.52	3.97	4.08	-12.00
March	5.04	4.46	57.50	7.92	7.63	29.29	4.78	4.78	-0.08
June	-0.90	-0.60	-30.42	6.95	6.98	-3.72	4.37	4.43	-6.13
September	3.53	2.98	55.03	10.73	10.18	55.02	4.68	4.65	2.07
FY 2013									
December	1.49	1.45	4.11	1.49	1.45	4.11	4.88	4.83	4.76
March	3.29	2.90	39.19	4.82	4.38	44.01	5.23	5.12	11.20
June	-0.30	-0.69	39.05	4.51	3.66	84.64	4.97	4.80	17.26
September	3.95	3.47	47.35	8.63	7.26	137.06	5.40	5.16	24.01
FY 2014									
December	3.95	2.66	129.38	3.95	2.66	129.38	5.80	5.37	42.67
March	1.46	1.30	16.28	5.47	4.00	147.73	5.80	5.37	43.52
June	2.56	2.30	25.90	8.17	6.38	178.44	5.96	5.51	45.76
September	-0.48	-0.73	25.31	7.65	5.60	204.51	5.69	5.22	47.69
FY 2015									
December	2.25	1.63	62.27	2.25	1.63	62.27	5.81	5.26	54.46
March	2.29	2.25	3.95	4.60	3.92	67.71	5.92	5.39	53.34
June	-0.02	-0.51	49.43	4.58	3.39	119.07	5.74	5.16	57.93
September	-2.02	-2.19	16.83	2.47	1.13	134.06	5.31	4.73	58.12

Quarter End	Current Returns			Financial YTD			Annualised Return Since Inception		
	Portfolio	Benchmark	Excess	Portfolio	Benchmark	Excess	Portfolio	Benchmark	Excess
	%	%	bps	%	%	bps	%	%	bps
FY 2016									
December	1.68	1.67	0.22	1.68	1.67	0.22	5.36	4.79	56.52
March	0.80	1.26	-46.14	2.48	2.95	-46.70	5.30	4.80	49.64
June	0.80	1.11	-30.92	3.30	4.09	-78.90	5.24	4.79	44.83
September	2.45	2.12	32.85	5.83	6.29	-45.72	5.37	4.89	47.33
FY 2017									
December	-0.46	-0.98	51.92	-0.46	-0.98	51.92	5.17	4.66	51.64
March	3.17	2.92	24.41	2.69	1.91	77.74	5.37	4.84	52.92
June	2.74	2.44	30.00	5.50	4.40	110.45	5.51	4.97	54.69
September	2.61	2.06	54.78	8.25	6.55	170.48	5.64	5.05	58.79
FY 2018									
December	2.24	1.83	40.22	2.24	1.83	40.22	5.72	5.11	61.32
March	-0.55	-0.94	38.21	1.67	0.88	78.91	5.53	4.90	63.49
June	0.26	0.21	5.36	1.94	1.09	84.52	5.43	4.81	62.52
September	1.81	1.54	27.02	3.79	2.65	113.37	5.47	4.84	63.61
FY 2019									
December	-4.69	-3.54	-114.99	-4.69	-3.54	-114.99	4.93	4.41	51.33
March	5.93	5.61	31.25	0.96	1.88	-91.66	5.33	4.79	53.03
June	3.01	3.26	-25.10	4.00	5.20	-119.99	5.47	4.97	49.95
September	1.05	1.27	-21.70	5.10	6.54	-144.08	5.44	4.97	47.15
FY 2020									
December	3.62	3.20	41.90	3.62	3.20	41.90	5.63	5.13	49.64
March	-7.33	-5.51	-182.43	-3.98	-2.48	-149.43	4.90	4.58	32.73
June	8.62	7.57	104.53	4.30	4.90	-60.38	5.46	5.06	39.94
September	3.74	2.98	76.36	8.20	8.03	17.42	5.65	5.20	45.01

Quarter End	Current Returns			Financial YTD			Annualised Return Since Inception		
	Portfolio	Benchmark	Excess	Portfolio	Benchmark	Excess	Portfolio	Benchmark	Excess
	%	%	bps	%	%	bps	%	%	bps
FY 2021									
December	6.43	5.50	93.52	6.43	5.50	93.52	6.02	5.51	51.10
March	1.28	0.08	119.45	7.79	5.58	220.73	6.00	5.41	59.10
June	4.00	3.09	90.18	12.10	8.85	324.76	6.19	5.54	64.60
September	-0.31	-0.09	-22.00	11.75	8.75	299.80	6.05	5.44	61.82
FY 2022									
December	2.97	1.98	99.31	2.97	1.98	99.31	6.16	5.48	67.75
March	-5.69	-5.44	-25.12	-2.89	-3.57	68.04	5.64	5.00	64.44
June	-9.91	-7.81	-209.37	-12.51	-11.10	-140.61	4.83	4.36	47.24
September	-4.59	-4.93	34.58	-16.52	-15.49	-103.41	4.43	3.95	48.73
FY 2023									
December	5.27	5.13	14.43	5.27	5.13	14.43	4.70	4.21	48.99
March	4.74	4.57	16.93	10.27	9.94	32.92	4.93	4.44	49.39
June	2.75	1.53	121.88	13.30	11.62	167.81	5.03	4.46	56.33
September	-2.39	-2.74	34.84	10.59	8.56	202.68	4.80	4.22	57.61
FY 2024									
December	8.08	7.71	36.30	8.08	7.71	36.30	5.21	4.62	59.08

Notes:

- (1) Differences in totals are due to rounding.
- (2) In August 2009, International Equities and Fixed Income Securities were added to the HSF portfolio. The performance benchmark for the HSF portfolio became a blended benchmark which comprise, Bank of America/Merrill Lynch US Treasury 1-5 Years Index, US One-month LIBID Index, Barclays US Aggregate, Russell 3000 ex Energy, and MSCI EAFE ex Energy.
- (3) In January 2011, the HSF Portfolio achieved its Strategic Asset Allocation where the portfolio was invested in four assets classes. US Short Duration Fixed Income (25), US Core Fixed Income (40), US Equity (17.5) and Non-US International Equity (17.5).
- (4) With effect from the quarter ended December 2012, the Annualised Returns Since Inception were computed using a geometric average and not the previously used arithmetic average. For comparative purposes, prior period annualized returns since inception shown above were computing using a geometric average.

Appendix II

Heritage and Stabilisation Fund

Portfolio Valuation (USD)

Valuation Date	Net Asset Value	Total Comprehensive Income	Accumulated Surplus & Unrealized Capital Gains/Losses	Contributions / (Withdrawals)
Annual Portfolio Valuation				
September 30,2007	1,766,200,701	41,966,361	41,966,361	321,706,043
September 30,2008	2,888,421,556	68,412,770	110,379,131	1,054,174,457
September 30,2009	2,964,686,478	76,248,691	186,755,766	-
September 30,2010	3,621,984,041	177,645,460	364,361,226	477,344,263
September 30,2011	4,084,016,158	9,715,841	374,074,067	451,400,519
September 30,2012	4,712,376,278	420,693,705	794,770,772	207,550,846
September 30,2013	5,154,027,747	399,007,950	1,193,778,722	42,414,251
September 30,2014	5,533,425,248	379,167,024	1,572,945,746	-
September 30,2015	5,655,143,565	120,639,605	1,693,585,351	-
September 30,2016	5,584,246,290	305,452,096	1,999,037,447	(375,050,860)
September 30, 2017	5,762,544,777	429,475,446	2,428,512,893	(252,548,048)
September 30, 2018	5,965,847,092	203,717,910	2,632,230,803	-
September 30, 2019	6,255,349,599	288,837,111	2,921,067,914	-
September 30, 2020	5,731,799,397	457,090,777	3,378,158,691	(979,853,158)
September 30, 2021	5,463,893,835	624,178,449	4,002,337,140	(892,714,533)
September 30, 2022	4,712,444,758	(913,456,918)	3,088,880,222	163,994,499
September 30, 2023	5,390,162,369	494,627,143	3,583,507,365	182,213,278

Quarterly Portfolio Valuation

December 31, 2014	5,653,895,156	120,509,077	1,693,454,823	-
March 31, 2015	5,779,420,631	125,471,133	1,818,925,956	-
June 30, 2015	5,774,951,169	(4,765,278)	1,814,160,678	-
September 30, 2015	5,655,143,565	(120,575,327)	1,693,585,351	-
December 31, 2015	5,744,963,957	90,833,573	1,784,418,924	-
March 31, 2016	5,787,343,363	42,134,260	1,826,553,184	-
June 30, 2016	5,454,568,405	42,838,704	1,869,391,888	(375,050,860)
September 30, 2016	5,584,246,290	129,645,559	1,999,037,447	-
December 31, 2016	5,555,039,859	(29,605,256)	1,969,432,191	-

Appendix II

Heritage and Stabilisation Fund

Portfolio Valuation (USD)

Valuation Date	Net Asset Value	Total Comprehensive Income	Accumulated Surplus & Unrealized Capital Gains/Losses	Contributions / (Withdrawals)
Quarterly Portfolio Valuation				
March 31, 2017	5,473,047,983	170,609,885	2,140,042,076	(252,548,048)
June 30, 2017	5,619,311,033	146,006,897	2,286,048,973	-
September 30, 2017	5,762,544,777	142,463,920	2,428,512,893	-
December 31, 2017	5,888,599,170	124,900,387	2,553,413,280	-
March 31, 2018	5,852,789,288	(36,468,342)	2,516,944,938	-
June 30, 2018	5,863,070,206	12,336,541	2,529,281,479	-
September 30, 2018	5,965,847,092	102,949,324	2,632,230,803	-
December 31, 2018	5,683,219,683	(486,810,763)	2,349,137,950	-
March 31, 2019	6,016,429,263	333,123,750	2,682,261,700	-
June 30, 2019	6,194,328,757	177,424,921	2,859,686,621	-
September 30, 2019	6,255,349,599	61,381,293	2,921,067,914	-
December 31, 2019	6,478,340,872	222,180,512	3,143,248,426	-
March 31, 2020	5,925,283,653	(473,394,404)	2,669,854,022	(79,853,158)
June 30, 2020	5,817,072,795	493,393,358	3,163,247,380	(600,000,000)
September 30, 2020	5,731,799,397	214,911,311	3,378,158,691	(300,000,000)
December 31, 2020	5,888,114,410	355,398,920	3,733,557,611	(198,943,283)
March 31, 2021	5,661,689,420	67,788,202	3,801,345,814	(293,771,250)
June 30, 2021	5,583,193,276	220,867,117	4,022,212,931	(300,000,000)
September 30, 2021	5,463,893,835	(19,875,791)	4,002,337,140	(100,000,000)
December 31, 2021	5,623,159,544	158,986,912	4,161,324,052	-
March 31, 2022	5,299,527,705	(323,446,707)	3,837,877,345	-
June 30, 2022	4,771,488,412	(527,955,978)	3,309,921,367	-
September 30, 2022	4,712,444,758	(221,041,145)	3,088,880,222	163,994,499
December 31, 2022	5,139,740,767	245,008,297	3,333,888,519	182,213,278
March 31, 2023	5,380,057,262	240,193,741	3,574,082,260	-
June 30, 2023	5,525,021,764	144,766,607	3,718,848,867	-
September 30, 2023	5,390,162,369	(135,341,502)	3,583,507,365	-
December 31, 2023	5,658,630,256	429,165,650	4,012,673,015	(160,383,699)

Appendix III

Summary Characteristics of Composite Benchmarks

Fixed Income Benchmarks

Key Characteristics	Bloomberg US Aggregate Bond Index	ICE Bank of America 1-5 Year US Treasury Index
Total Holdings	13,380	158
Coupon (%)	3.09	2.33
Duration (Years)	6.24	2.60
Average Life (Years)	8.46	2.77
Yield to Maturity (%)	4.53	4.17
Option Adjusted Spread (bps)	42	-2
Average Rating (S&P)	AA	AA+
Minimum Rating (S&P)	BBB	AA+

Equity Benchmarks

Key Characteristics	Russell 3000 (ex-Energy)	MSCI EAFE (ex-Energy)
Total Holdings	2,823	756
Earnings Per Share (EPS Growth 3-5yr fwd.)	13.9	8.5
Price Earnings (P/E fwd.)	21.7	14.6
Price / Book (P/B)	4.0	1.8
Weighted Average Market Capitalisation* (Bn)	645.0	91.9

*Market capitalisation is a measurement of the size of a company (share price x the number of outstanding shares). The weighted average market capitalisation of a stock market index represents the average size of the firms comprising the index where each is weighted according to its market capitalisation.

Appendix IV

Summary of the Fund's Net Asset Value by Mandate

/US\$ Million/

	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Total Fund Value	5,139.7	5,380.1	5,525.0	5,390.2	5,659
Total Value of Equity	2,060	2,232	2,388	2,298	2,576
US Core Domestic Equity	1,104	1,189	1,293	1,246	1,408
Non-US Core International Equity	957	1,043	1,094	1,052	1,169
Total Value of Fixed Income	2,731	2,796	2,781	2,732	2,823
US Short Duration Fixed Income	1,119	1,138	1,131	1,134	1,116
US Core Domestic Fixed Income	1,612	1,659	1,651	1,598	1,707
Internal Portfolio	347	351	355	360	0
Investment Portfolio Cash	0	0	0	0	258
Total Value of Operating Cash	1	0.9	0.5	0.1	2

NB: Differences in totals are due to rounding.

Appendix V
HSF Portfolio and SAA Benchmark Quarterly Returns
/per cent/

