HERITAGE AND STABILISATION FUND (HSF)

QUARTERLY INVESTMENT REPORT

JANUARY TO MARCH 2024

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[1] This section includes economic data available as at June 28, 2024.

EXECUTIVE SUMMARY

- Economic performance of the main developed countries in the first quarter of calendar year 2024 has been mixed, with the United States continuing to lead the way with robust economic growth and the European economies (the United Kingdom and the Eurozone) showing a modest recovery after a sluggish performance in the second half of 2023. However, all economies continued to show considerable progress on inflation, when compared with mid-2023 recorded price levels.

- Real GDP in the United States (US) in the first quarter is estimated to have increased by 2.9 per cent, year-on-year, its slowest GDP growth in nearly two years. In the Quarter IV 2023, the US economy grew by 3.1 per cent. Compared to the fourth quarter, growth was led by consumer spending albeit at a much slower pace, residential investment outlays and state and local government spending. The Eurozone (EZ) showed modest growth of 0.4 per cent, year-on-year, in Quarter 1 2024, after virtual stagnation in the second half of 2023, while growth in United Kingdom (UK) is estimated at 0.2 per cent, following the previous two quarters of negative growth. Even though the three major central banks, the US Federal Reserve (US Fed), the Bank of England (BoE) and European Central Bank (ECB), maintained their respective monetary policy rate broadly at the level reached at the end of summer last year, inflation trended downwards as high interest rates eventually began to impact consumer spending. In the US, inflation declined from 3.4 per cent in September 2023 to 2.7 per cent at the end of March 2024. Similarly, at the end of March 2024, inflation in the UK was 3.2 per cent, roughly half of the September 2023 estimate, while EZ declined from 4.3 per cent to 2.4 per cent over the same period.

- While Global financial markets had initially interpreted the pause in policy interest rate increases as the end of the monetary tightening cycle and a signal for an imminent start of cuts in interest rates, the US Fed, BoE and ECB have repeatedly stressed that the loosening of monetary policy will only commence when there is sufficient evidence that the 2 per cent inflation target has been attained on a sustainable basis, a situation they believe has not yet been realised. Indeed, the US Fed still points to the volatility of the index of Private Consumption Expenditure, its main inflation measure for monetary policy. While the BoE remains concerned about the current rate of increase in the cost of services, which hovered around 6 per cent. All three central banks are still uneasy about the continuing tightness of their domestic labour markets, which feeds into their "higher for longer" monetary stance. The US Fed has indicated that the data evidence suggests that it may have to raise the Federal Funds rate a couple times by year end before is 2 per cent inflation target is achieved.

- Notwithstanding the held monetary stance of "higher for longer" by the US Fed, BoE and ECB, global equity markets continue to show marked buoyancy based on the economic resilience displayed by the major developed economies, solid corporate earnings and the hold out market view that the major central banks will likely start to loosen monetary conditions by the end of 2024. As a result, the US Standard and Poor's 500 index advanced by 10.55 per cent in the first quarter of 2024, while non US developed equity markets, as measured by the MSCI EAFE index, gained 5.90 per cent over the same period.

- Meanwhile, fears of persistent price pressures in the US drove investors, during the quarter, to reassess the likely timing and extent of interest rate cuts. As a consequence, fixed income asset prices declined amid the rise in yields as investors re-priced upwards the higher for longer monetary stance. The 2-year US Treasury yield rose by 37 basis points to 4.62 per cent, while the 10-year US Treasury yield added 32 basis points to close the quarter at 4.20 per cent. All-in-all, the US investment grade fixed income market, as measured by the Bloomberg Barclays US Aggregate Bond index, fell by 0.78 per cent.

- For the quarter ended March 31, 2024, the Heritage and Stabilisation Fund (HSF) returned 4.28 per cent. Overall, the equity mandates contributed roughly 4.39 per cent while the fixed income mandates modestly detracted 0.14 per cent (see Tables 1 and 2).

- In comparison to the strategic asset allocation (SAA) benchmark, the Fund outperformed by 1.86 per cent (see Table 2 and Appendix 1). Excess returns were driven by the Fund's relative asset allocation positioning and external managers' active investment decisions. The HSF's underweight to fixed income and overweight to equities enhanced performance. This was further bolstered by external managers' strategies most notably in the Non-US Core International Equity mandate and US Core Fixed Income mandate.

- As at the end of March 2024, the total net asset value of the HSF was **US$5,898.0 million**, approximately US$239.3 million higher than the previous quarter's closing value of US$5,658.6 million.

Table 1
Absolute Quarterly Returns
For the period Jan-Mar 2024
/per cent/

	Absolute Return HSF	Absolute Return Benchmark
Composite Portfolio	**4.28**	**2.42**
US Short Duration Fixed Income	0.06	-0.02
US Core Domestic Fixed Income	-0.47	-0.78
US Core Domestic Equity	10.41	9.91
Non-US Core International Equity	8.79	5.95
Investment Portfolio Cash	0.01	N/A

Table 2
Contributions to Quarterly Returns
For the period Jan-Mar 2024
/per cent/

	3 Months Portfolio Weighted Return to 31-Mar-2024	
	HSF	Benchmark
Composite Portfolio	**4.28**	**2.42**
US Short Duration Fixed Income	0.01	0.00
US Core Domestic Fixed Income	-0.15	-0.31
US Core Domestic Equity	2.58	1.70
Non-US Core International Equity	1.80	1.03
Investment Portfolio Cash	0.00	N/A

NB: Differences in totals are due to rounding.

SECTION 1 – INTERNATIONAL ECONOMIC ENVIRONMENT

The first quarter of 2024, real GDP in the US expanded 2.9 per cent, year-on-year, the lowest pace of growth since the first half of 2022. In the previous quarter, the US economy grew by 3.1 per cent. In comparison to previous quarter, the deceleration in growth mainly reflected in consumer spending, exports, and federal government spending. Imports increased, while residential fixed investment accelerated. Consumer spending grew at modest pace of 1.5 per cent when compared with an increase of 4.0 per cent in December 2023. Notwithstanding this, residential investment growth was solid at 16 per cent and business invest at 4.4 per cent. Net international trade shaved 0.7 per cent off GDP growth on strong imports numbers. On the employment front, the labour market continued to be resilient, adding 829 thousand jobs over the March 2024 quarter compared with 637 thousand jobs in the previous quarter. Job creation occurred mainly in the health care, local government and construction sectors. However, these gains did not translate into an improvement in the unemployment rate, which rose marginally to 3.8 per cent in March 2024 from 3.7 per cent in December 2023. Meanwhile, price pressures persisted as higher energy and transportation costs pushed the headline inflation rate to 3.5 per cent in March 2024 compared with 3.4 per cent in December 2023.

The UK economy grew by 0.2 per cent, year-on-year, in the first quarter 2024, following the previous two quarters of negative growth. This outturn was driven by broad-based growth in services of 0.7 per cent supported by an increase in consumer spending 0.4 per cent. The production sector grew by 0.8 per cent, while construction sector declined by 0.9 per cent. Headline inflation moved lower in March 2024, measuring 3.2 per cent compared with 4.0 per cent in December 2023. The core inflation rate, which excludes food and energy costs, slowed to 4.2 per cent in March from 5.1 per cent three months earlier. Meanwhile, the latest unemployment rate rose to 4.2 per cent in February 2024, up from 3.8 per cent in December 2023.

The EZ economy expanded 0.4 per cent, year-on-year, in the Quarter 1 2024, after 0.2 per cent growth in the previous quarter. The quarterly expansion reflected board-based expansions in the EZ, led by largest economies in the region. The economies of Germany and France both increased by 0.2 per cent, while the economies of Italy and Spain rose 0.3 per cent and 0.7 per cent, respectively. The contribution to GDP growth was primarily household final consumption expenditure increased by 0.2% in the quarter supported by an increase in net international trade of 1.1 per cent. Other indicators revealed that the inflation rate declined to 2.4 per cent in March from 2.9 per cent in December 2023 while the latest unemployment rate in February 2024 remained unchanged at 6.5 per cent for the fourth consecutive month, with Spain, Italy and France having the highest jobless rates in the region.

In Asia, Japan's GDP contracted 0.7 per cent, year-on-year, in the first quarter, marking the first contraction in two quarters amid weaker private consumption, which fell for the fourth consecutive quarter, and external demand. In the first quarter, private consumption declined by an annualised 2.7 per cent from the previous three-month period as inflation outpaced growth in wages. Corporate investment fell 3.2 per cent. Exports fell 18.7%, while imports also fell 12.8%, resulting in a decline in net exports. The annual inflation rate edged up to 2.7 per cent in March from 2.6 per cent in December, mainly due to higher energy prices. In China, the economy expanded by 1.6 per cent in the first quarter of 2024, up from 1.2 per cent in the previous three months. In March 2024, inflation measured 0.1 per cent, an upward movement from -0.3 per cent three months earlier.

Most major developed central banks maintained their monetary policy stance as policymakers' exercised caution before beginning to unwind the rapid tightening cycle that took place over the past two years. The US Fed left its fed funds rate steady at a range of 5.25 per cent to 5.50 per cent. The BoE also maintained its bank rate at 5.25 per cent. Similarly, the ECB main refinancing operations rate remained at 4.5 per cent and the deposit facility rate at 4.0 per cent. The People's Bank of China (PBoC) kept its one-year loan prime rate (LPR), the benchmark for most loans, at 3.45 per cent. However, the Bank of Japan (BoJ) was the exception, raising its key short-term interest rate for the first time in 17 years from -0.1 per cent to a range of 0.0 per cent to 0.1 per cent, effectively ending its negative interest rate regime. The BoJ also terminated its yield curve control on 10-year government bonds and concluded several of its asset purchase programmes.

SECTION 2 – CAPITAL AND MONEY MARKET REVIEW

Global developed equity markets extended their gains from the previous quarter buoyed by solid corporate earnings, resilient economic activity, and the prospect that most major central banks would begin easing monetary policy later this year. Meanwhile, fears of persistent price pressures in the US drove investors to reassess the likely timing and extent of interest rate cuts. With rates expected to remain higher for longer than initially anticipated, US Treasury yields rose driving bond prices lower.

Financial market volatility fell over the quarter ended March 31, 2024 despite escalating geopolitical tensions in the Middle East and the ongoing conflict between Russia and Ukraine. The US Chicago Board Options Exchange Volatility Index (VIX) averaged 13.68 points, lower than the previous quarter's average of 15.25 points. Likewise, the Euro Stoxx 50 Volatility Index (VSTOXX), which reflects investor sentiment in Europe, averaged 13.83 points for the quarter, compared with an average of 16.32 points for the three months ended December 2023.

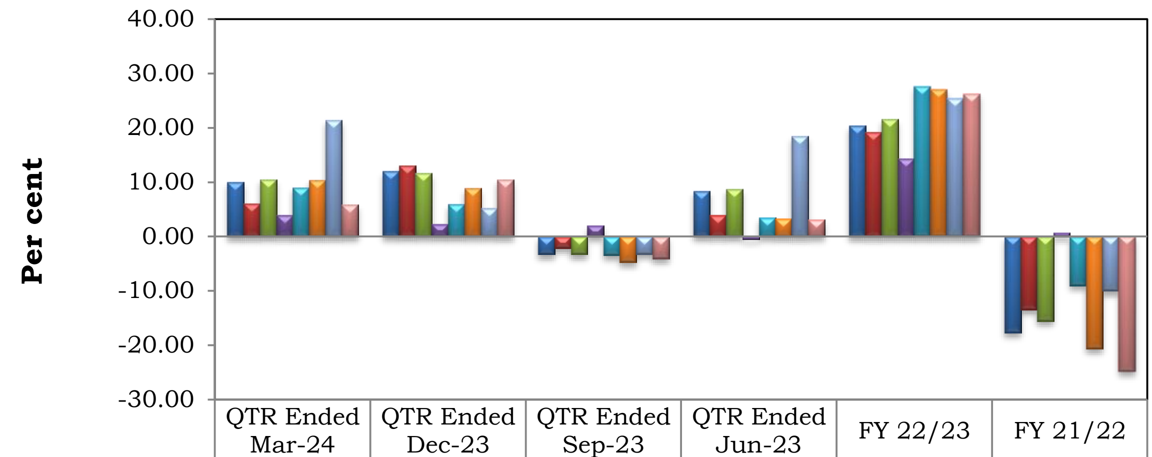
The US S&P 500 index advanced 10.55 per cent over the quarter with broad based gains across a range of sectors including Communication Services, Energy, Information Technology and Financials. Enthusiasm surrounding generative artificial intelligence bolstered the Information Technology and Communication Services sectors. At the same time, oil prices rose with ongoing geopolitical tensions in the Middle East, Ukraine's attacks on Russian refineries and voluntary reductions in supply by the OPEC+ members. West Texas Intermediate Crude Oil (WTI) climbed from US$71.65 per barrel at the end of December 2023 to US$83.17 per barrel at the end of March 2024. Meanwhile, the higher yield environment hampered the Real Estate and Utilities sectors which underperformed for the period.

Non-US developed stock markets, as represented by the MSCI EAFE index, added 5.90 per cent, when measured in US dollars (see Figure 1). European equities rose amid improving economic data, further progress on the inflation front and monetary easing expectations. In March, the surprise monetary policy action by the Swiss National Bank to reduce interest rates emboldened investors' hopes that other major central banks would soon follow. Overall, Germany's DAX index and the UK's FTSE 100 index gained 10.39 per cent and 3.98 per cent, respectively. In Asia, Japan's Nikkei 225 index surged

21.43 per cent on expectations that the steep decline in the Yen would help boost exports and company profits.

Figure 1

Total Returns on Selected Equity Indices

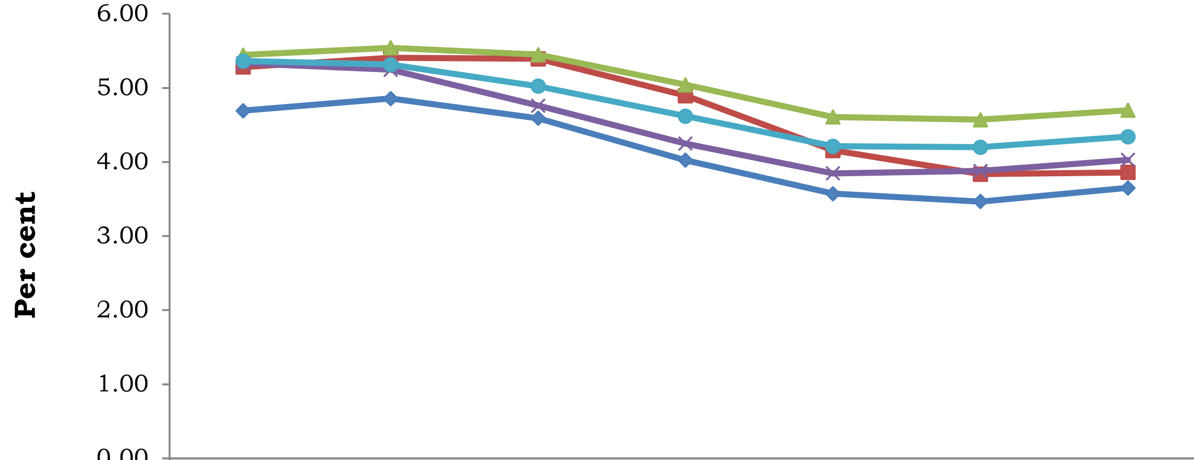


	QTR Ended Mar-24	QTR Ended Dec-23	QTR Ended Sep-23	QTR Ended Jun-23	FY 22/23	FY 21/22
Russell 3000	10.02	12.06	-3.25	8.39	20.43	-17.64
Dow Jones	6.14	13.09	-2.10	3.97	19.18	-13.40
S&P 500	10.55	11.68	-3.27	8.74	21.59	-15.49
FTSE 100 - UK	3.98	2.31	2.05	-0.42	14.36	0.78
CAC 40 - France	9.04	5.93	-3.43	3.54	27.62	-8.95
DAX 30 - Germany	10.39	8.87	-4.71	3.32	27.01	-20.62
Nikkei 225 - Japan	21.43	5.24	-3.25	18.49	25.45	-10.00
MSCI EAFE	5.90	10.45	-4.05	3.17	26.23	-24.79

Source: Bloomberg

US Treasury yields rose over the quarter ended March 31, 2024 as inflationary pressures persisted, alongside relatively strong economic conditions. These contributed to a lower probability that the Fed would reduce interest rates during the first half of 2024. Accordingly, investors revised their projections for the number of interest rate reductions for 2024 to three from six just three months prior. The 2-year yield increased by 37 basis points to 4.62 per cent, while the 10-year yield added 32 basis points to end the quarter at 4.20 per cent (see Figure 2).

Figure 2
US Treasury Yield Curve



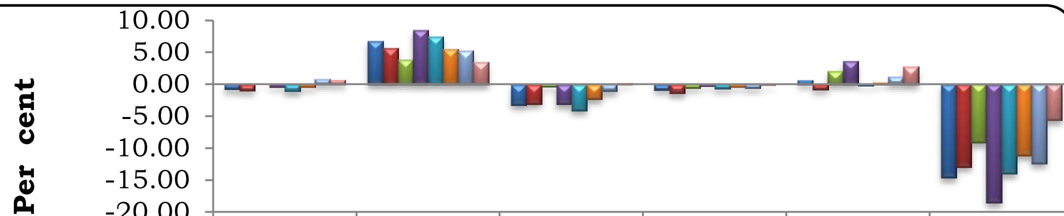
	3 Month	6 Month	1 Year	2 Year	5 Year	10 Year	30 Year
Mar-23	4.69	4.86	4.59	4.03	3.57	3.47	3.65
Jun-23	5.28	5.41	5.39	4.90	4.16	3.84	3.86
Sep-23	5.45	5.54	5.45	5.04	4.61	4.57	4.70
Dec-23	5.33	5.25	4.76	4.25	3.85	3.88	4.03
Mar-24	5.36	5.32	5.02	4.62	4.21	4.20	4.34

Source: Bloomberg

The broader US fixed-income market, as represented by the Bloomberg Barclays US Aggregate Bond Index, lost 0.78 per cent due to rising interest rates (see Figure 3). At the sectoral level, US Commercial Mortgage-Backed Securities and US Asset-Backed Securities exhibited the best performance, gaining 0.84 per cent and 0.68 per cent, respectively, amid narrower credit spreads. In contrast, the worst performing sectors in the Index were US Mortgage-Backed Securities and US Treasuries which lost 1.04 per cent and 0.96 per cent, respectively.

The US Dollar strengthened against its G10 peers reflecting the relative strength of the US economy and the increasing likelihood that the Fed would keep interest rates at elevated levels for longer than initially anticipated (see Figure 4). The Japanese Yen depreciated by 6.81 per cent against the US Dollar, fuelling speculation that officials could soon intervene to support the currency. The Yen remains the lowest yielding G10 currency with the BoJ raising interest rates for the first time in 17 years in March 2024. The Euro and British Pound also weakened against the US Dollar, falling by 2.26 per cent and 0.85 per cent, respectively.

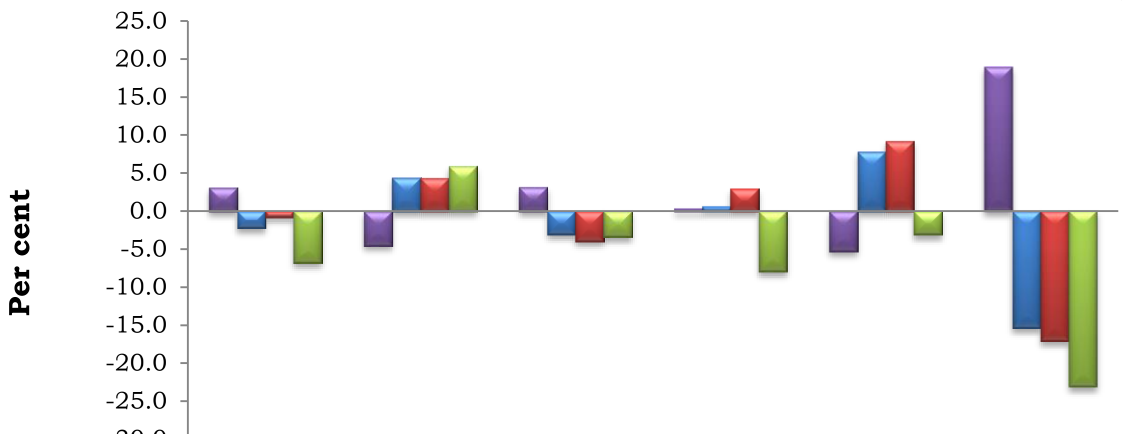
Figure 3
Returns on Selected Fixed Income Indices



	QTR Ended Mar-24	QTR Ended Dec-23	QTR Ended Sep-23	QTR Ended Jun-23	FY 22/23	FY 21/22
Bloomberg US Aggregate	-0.78	6.82	-3.23	-0.84	0.64	-14.60
US Treasury	-0.96	5.66	-3.06	-1.38	-0.81	-12.94
Agencies	0.03	3.90	-0.38	-0.60	2.09	-9.14
US Corporate	-0.40	8.50	-3.09	-0.29	3.65	-18.53
US MBS	-1.04	7.48	-4.05	-0.64	-0.17	-13.98
G7 Bonds (Hedged)	-0.42	5.50	-2.33	-0.40	0.33	-11.12
US CMBS	0.84	5.25	-1.02	-0.60	1.19	-12.38
US ABS	0.68	3.48	0.25	-0.12	2.81	-5.61

Source: Bloomberg

Figure 4
Foreign Exchange Returns for Major Currency Pairs



	QTR Ended Mar-24	QTR Ended Dec-23	QTR Ended Sep-23	QTR Ended Jun-23	FY 22/23	FY 21/22
DXY CURNCY	3.11	-4.56	3.17	0.40	-5.30	18.98
EURUSD CURNCY	-2.26	4.41	-3.08	0.65	7.87	-15.35
GBPUSD CURNCY	-0.85	4.36	-3.97	2.97	9.21	-17.10
JPYUSD CURNCY	-6.81	5.90	-3.39	-7.93	-3.10	-23.12

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 March 31, 2024 and the previous three quarters.

During the three months ended March 2024, fluctuations in the market values of the HSF's assets and cash flow movements resulted in changes in the mandates' weights. For the period, the Fund maintained an underweight allocation to fixed income securities and a corresponding overweight to equities.

Table 3
Portfolio Composition relative to the Approved SAA[2]
/per cent/

Portfolio Weights	Asset Class	Target Weight SAA	Jun-23 Actual % of Fund	Sep-23 Actual % of Fund	Dec-23 Actual % of Fund	Mar-24 Actual % of Fund
	US Short Duration Fixed Income	25.00	20.47	21.04	19.73	23.31
	US Core Domestic Fixed Income	40.00	29.88	29.65	30.17	28.79
	US Core Domestic Equity	17.50	23.41	23.11	24.88	26.35
	Non-US Core International Equity	17.50	19.81	19.52	20.66	21.55
	USD Fixed Deposit	0.00	6.43	6.68	0.00	0.00
	Investment Portfolio Cash	0.00	0.00	0.00	4.55	0.00

Totals may not sum to 100 due to rounding.

At the end of the quarter, relative to the SAA, the US Core Domestic Fixed Income mandate held the largest underweight position of 11.21 per cent, while the US Core

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

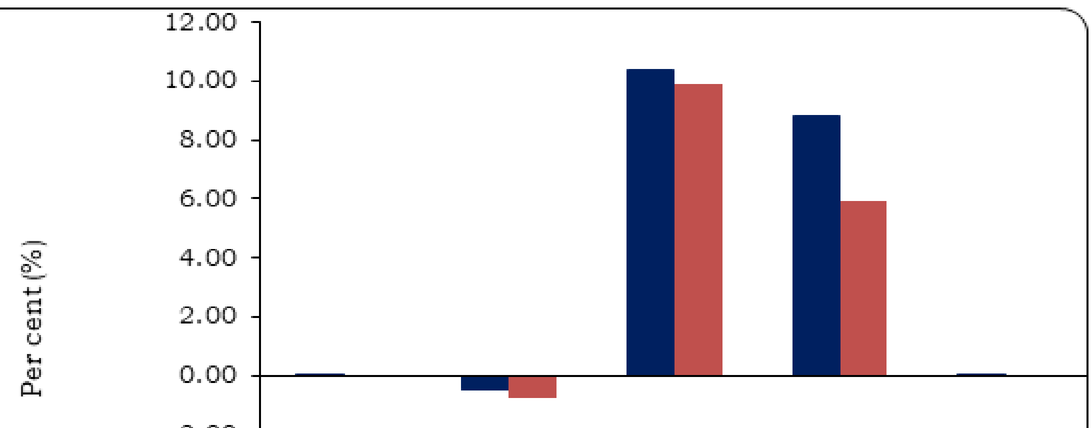
Domestic Equity held the highest overweight exposure at 8.85 per cent (see Table 3). With the Fund's asset allocation deviations above the approved +/- 5.0 per cent limit, the Board continues to evaluate market conditions and its capital market expectations to ascertain the appropriate asset mix.

The total net asset value of the Fund as at the end of March 31, 2024 was **US$5,898.0 million**, compared to US$5,658.6 million as at December 31, 2023. Of this total, the Investment Portfolio was valued at US$5,896.5 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.

Performance of the Investment Portfolio

For the quarter ended March 31, 2024, the HSF's Investment Portfolio returned 4.28 per cent, while its benchmark increased by 2.42 per cent. This positive performance was driven by strong gains within the equity mandates which helped to offset modest losses within the fixed income mandates (see Figure 5).

Figure 5
Absolute Returns by Mandate for the period Jan-Mar 2024



	US Short Duration	US Core Fixed Income	US Core Domestic Equities	Non US Core International Equities	Investment Portfolio Cash
Composite Portfolio Return	0.06	-0.47	10.41	8.79	0.01
SAA Benchmark Return	-0.02	-0.78	9.91	5.95	N/A

When compared with its SAA benchmark[3], the HSF outperformed by 186 basis points. Excess returns were driven by the Fund's relative asset allocation positioning and external managers' active investment decisions. The HSF's underweight to fixed income and overweight to equities enhanced performance. This was further bolstered by external managers' strategies most notably in the Non-US Core International Equity mandate and US Core Fixed Income mandate.

The **US Core Domestic Equity** mandate advanced 10.41 per cent for the quarter ended March 31, 2024, outperforming its benchmark, the Russell 3000 ex-Energy index, which increased by 9.91 per cent (see Figure 5). Stock selection within the Technology, Consumer Discretionary and Industrial sectors contributed to performance while, relative positioning in Consumer Staples and Financials detracted from returns. For the quarter, the mandate's net asset value increased by $145.9 million to **$1,553.5 million** as at March 31, 2024.

The **Non-US Core International Equity** mandate gained 8.79 per cent and surpassed its benchmark, the MSCI EAFE ex-Energy by 2.84 per cent. This outperformance was driven by both strong stock selection and country allocation decisions over the period. Most countries contributed positively to relative returns with Japan, UK, Italy and Spain being some of the top performers. The net asset value of the mandate increased from US$1,168.9 million as at December 31, 2023 to **US$1,270.9 million** as at March 31, 2024.

The **US Short Duration Fixed Income** mandate earned 0.06 per cent over the quarter, while its benchmark, the ICE Bank of America 1-5 year US Treasury index, fell by 0.02 per cent. Excess returns were driven by exposure to high credit quality spread sectors such as developed market government related debt. The net asset value of the mandate rose by $258.0 million to **US$1,374.4 million** as at March 31, 2024. Most of this increase was due to the transfer of US$257.6 million from the matured USD fixed deposits.

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[3] 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%).

The longer duration **US Core Domestic Fixed Income** mandate returned -0.47 per cent, compared with its benchmark, the Bloomberg US Aggregate Bond index, which lost 0.78 per cent. Overweight exposures to investment-grade corporate bonds, commercial mortgage-backed securities and asset-backed securities enhanced relative returns. Security selection most notably in investment-grade corporates also benefitted the portfolio while, yield curve strategies modestly detracted from performance. The net asset value of the mandate declined over the three months from US$1,706.5 million as at December 31, 2023 to **US$1,697.8 million** as at March 31, 2024.

SECTION 4 – COMPLIANCE AND PORTFOLIO RISKS

Compliance

During the quarter, the relative deviations of the mandates' weights from the approved SAA were maintained and reflected market value and cash flow movements. As at March 31, 2024, the US Core Domestic Equity and US Core Fixed Income mandates held weights above the allowable +/- 5 per cent deviation (see Table 3). Following the rebalancing exercise in December 2023, the HSF Board determined that the Fund's current asset allocation was appropriate taking into consideration the near-term market outlook. 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 March 31, 2024.

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 March 31, 2024.

Table 5
Weighted Average Duration
/Years/

Mandate	Portfolio	Benchmark
US Short Duration	**2.76**	**2.59**
US Core Domestic Fixed Income	**6.16**	**6.21**

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 March 2024, the currency exposure for this portfolio was 97 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
March	4.28	2.42	185.78	12.70	10.32	237.96	5.39	4.69	69.36

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)
March 31, 2024	5,897,953,874	238,314,454	4,250,987,469	-

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	13,534	158
Coupon (%)	3.20	2.45
Duration (Years)	6.21	2.59
Average Life (Years)	8.44	2.77
Yield to Maturity (%)	4.85	4.55
Option Adjusted Spread (bps)	39	0
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	2,797	741
Earnings Per Share (EPS Growth 3-5yr fwd.)	14.2	9.36
Price Earnings (P/E fwd.)	22.1	15.42
Price / Book (P/B)	4.3	1.93
Weighted Average Market Capitalisation* (Bn)	720.5	99.5

*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/

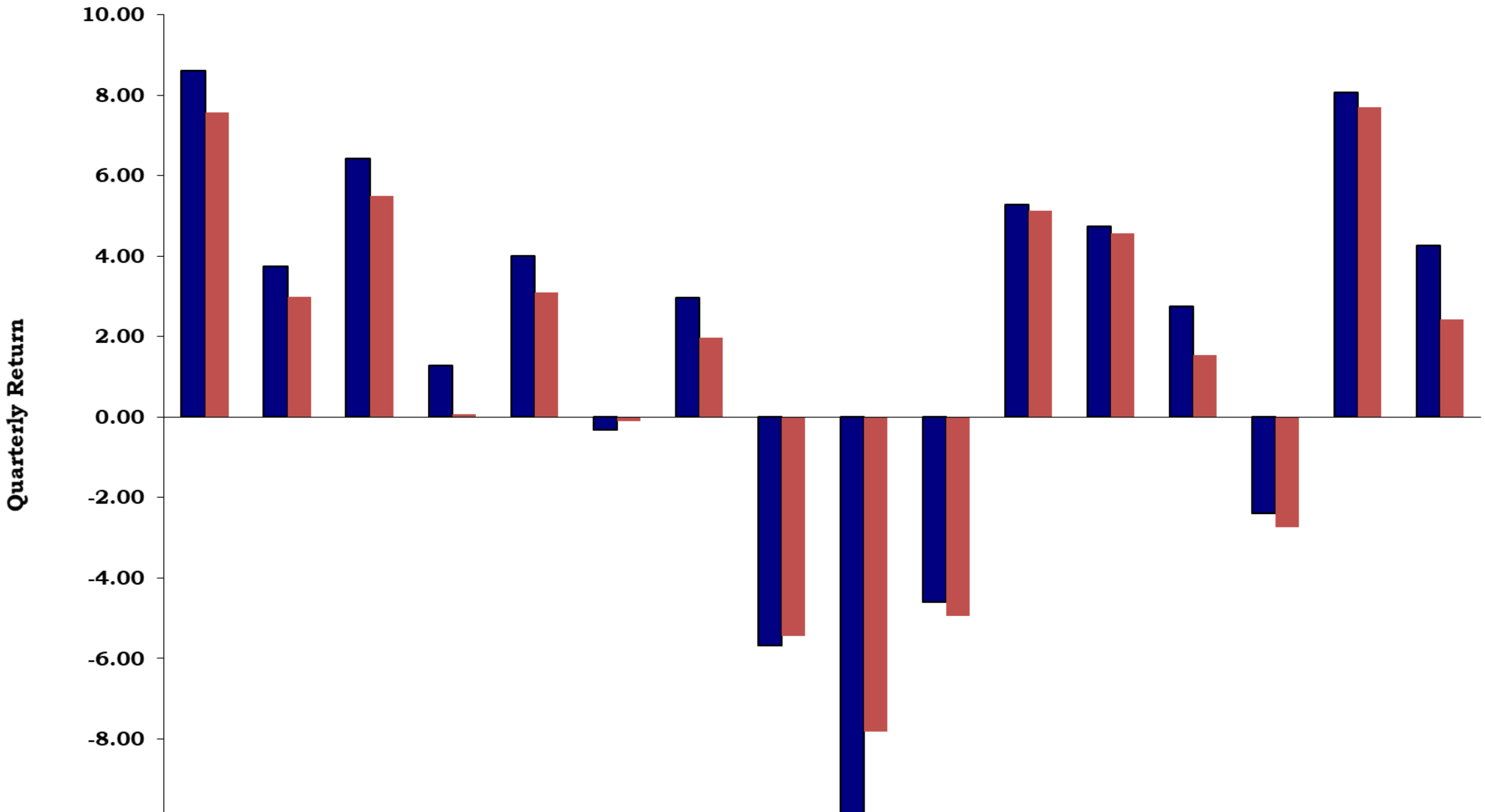
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Total Fund Value	**5,380**	**5,525**	**5,390**	**5,659**	**5,898**
Total Value of Equity	**2,232**	**2,388**	**2,298**	**2,576**	**2,824**
US Core Domestic Equity	1,189	1,293	1,246	1,408	1,553
Non-US Core International Equity	1,043	1,094	1,052	1,169	1,271
Total Value of Fixed Income	**2,796**	**2,781**	**2,732**	**2,823**	**3,072**
US Short Duration Fixed Income	1,138	1,131	1,134	1,116	1,374
US Core Domestic Fixed Income	1,659	1,651	1,598	1,707	1,698
Internal Portfolio	**351**	**355**	**360**	**0**	**0**
Investment Portfolio Cash	**0**	**0**	**0**	**258**	**0**
Total Value of Operating Cash	**1**	**1**	**0**	**2**	**1**

NB: Differences in totals are due to rounding.

Appendix V

HSF Portfolio and SAA Benchmark Quarterly Returns

/per cent/



	FY2020 Q3	FY2020 Q4	FY2021 Q1	FY2021 Q2	FY2021 Q3	FY2021 Q4	FY2022 Q1	FY2022 Q2	FY2022 Q3	FY2022 Q4	FY2023 Q1	FY2023 Q2	FY2023 Q3	FY2023 Q4	FY2024 Q1	FY2024 Q2
HSF Portfolio	8.62	3.74	6.43	1.28	4.00	-0.31	2.97	-5.69	-9.91	-4.59	5.27	4.74	2.75	-2.39	8.08	4.28
Benchmark	7.57	2.98	5.50	0.08	3.09	-0.09	1.98	-5.44	-7.81	-4.93	5.13	4.57	1.53	-2.74	7.71	2.42