

**APPENDIX**

**HERITAGE AND STABILISATION FUND  
(HSF)**

**QUARTERLY INVESTMENT REPORT**

**APRIL TO JUNE 2024**

## TABLE OF CONTENTS

	Page
Executive Summary	1
Section 1: International Economic Environment <sup>1</sup>	5
Section 2: Capital and Money Market Review	6
Section 3: Portfolio Performance	10
Section 4: Compliance and Portfolio Risks	13
Appendix I: HSF Portfolio Historical Performance	17
Appendix II: Portfolio Valuation	20
Appendix III: Summary Characteristics of Composite Benchmarks	22
Appendix IV: Summary of the Fund's Net Asset Value by Mandate	23
Appendix V: HSF Portfolio Quarterly Returns	24

---

<sup>1</sup> This section includes economic data available as at August 28, 2024.

## **EXECUTIVE SUMMARY**

- In the first quarter 2024, the United States (US) sustained its growth trajectory, albeit at a slower pace, while economies of United Kingdom (UK) and the Eurozone (EZ) rebounded as growth returned. The second quarter of 2024 started with investors uncertain about the possibility of monetary rate cuts in the near-term as interest rate expectations evolved to reflect hotter-than-expected economic data from the first quarter. Throughout the second quarter, inflation outlook weighed heavily on financial markets.
- In April 2024, inflation rates trended downward in the US and EZ but were still higher than market expectations. Meanwhile, the downward trajectory of inflation to the monetary policy target inflation picked up steam in the UK. Further inflation readings during the subsequent months in the quarter increased market concerns that the progress of inflation to target inflation has stalled in the US and EZ. At the end of the second quarter, inflation rates in the US and EZ were 3.0 per cent and 2.5 per cent, respectively, still above 2.0 per cent inflation target in both countries. UK's inflation readings were brighter, the 2.0 per cent inflation target was achieved in the month of May and held firm at June quarter end.
- Against a backdrop of stubbornly high inflation, US Federal Reserve (Fed) kept its monetary policy rate unchanged during the second quarter of 2024. Despite the UK's solid progress on inflation, the Bank of England (BoE) surprised markets by holding interest rates. The BoE erred on the side of caution, seeking a wider data window to confirm that inflation has indeed settled at the target inflation of 2.0 per cent. Surprisingly, the European Central Bank (ECB) lowered its benchmark interest rate by 25 basis points in June having not achieved its inflation target and against an inflation outlook that was increasingly becoming uncertain. ECB did stress, however, that further monetary actions would be largely data-dependent.
- On the economic front, first estimates for real GDP growth in the second quarter of 2024 for the US, UK and EZ were positive. According to the US Bureau of Statistics, the US economy grew at an annual rate of 2.8 per cent (0.7 per cent, quarter-on-quarter) in second quarter, up from 1.4 per cent in the previous quarter. The economic expansion reflected the continued strength in consumer spending along with an increase in inventories and business investment. After no growth in the

second half of 2023, the UK economy registered a second quarter of strong growth. In the second quarter of 2024, GDP in the UK grew by 0.6 per cent (quarter-on-quarter), following a rise of 0.7 per cent in the first quarter. UK growth was led by the services sector, which grew 0.8 per cent in the three months to June 2024. Meanwhile, the EZ economy expanded at a rate of 0.3 per cent (quarter-on-quarter) in Quarter 2 2024, the same as in Quarter 1 2024. The economic performance in the six months to June 2024 has raised expectations that the EZ economy has started to recover from a technical recession it entered into in the second half of 2023.

- At the start of second quarter of 2024, both bond and stock markets were very sensitive to the outlook on inflation. In April, US Treasury yields moved higher and stock and bond prices lower as inflation readings were higher than expected. As the quarter progressed, both markets started to recover as inflation outlook turned more positive, which raised market expectations of multiple cuts in Fed rate later in the year. All-in-all, the US investment grade bond market, as measured by the Bloomberg Barclays US Aggregate Bond index, returned 0.07 per cent in the quarter as yields rose, with the 10-year US Treasury yield increasing by 20 basis points to close the quarter at 4.40 per cent. Relatively high bond coupon income helped to offset the capital loss from rising yields.
- Amid inflation uncertainty, global developed equity market performance was mixed in the second quarter of 2024, with the US outperforming the other markets. The US Standard and Poor's 500 index rose by 4.28 per cent supported by strong corporate earnings, continued enthusiasm over technology stocks tied to artificial intelligence and increased hope for Fed rate cuts this year. Non-US developed stock markets, as represented by the MSCI EAFE index, fell a modest 0.22 per cent, when measured in US dollars. Elections in Europe weighed heavily on European stocks.
- Markets' strong performance continued in the month of July as cooling inflation, steady economic growth and a weakening US labour market increased odds for multiple Fed rate cuts this year and a likelihood of an economic "soft landing". On July 31, the Fed left its rate unchanged at 5.25 per cent to 5.50 per cent but signalled that a September rate cut is likely as recent data have shown that wage growth had eased and the labour market condition was not a source of inflation pressure.

- In the opening days of August 2024, global markets sold off and US Treasury yields fell sharply as weak employment, manufacturing and construction data raised odds of a US recession by year end. The Bank of Japan's surprise rate hike on July 31 added to the market turmoil as investors unwound yen-funded carry trade positions. On August 5, the S&P 500 index fell 3 per cent and 10-year US Treasury yield fell below 4.0 per cent. However, the drawdowns in equity markets were short-lived as improved economic data and increased expectations of an imminent cut in Fed rate in September have sent stocks soaring. The S&P 500 Index has jumped 8 per cent since August 5 to August 28. Despite the recovery, near-term market outlook is uncertain. Investors seem to have become very sensitive to incoming market data, which suggests that big swings in markets are still possible in the near-term. The HSF Board will continue to actively monitor global market conditions, taking prudent market positions that, hopefully, will improve the long-term risk-adjusted return performance of the Fund.
- For the quarter ended June 30, 2024, the Heritage and Stabilisation Fund (HSF) returned 1.38 per cent. Overall, the equity mandates contributed 1.11 per cent while the fixed income mandates returned 0.32 per cent (see Tables 1 and 2).
- When compared to its strategic asset allocation (SAA) benchmark, the Fund outperformed by 0.61 per cent (see Table 2 and Appendix 1). The Fund's outperformance was driven by the HSF's asset allocation exposures and active investment decisions. The HSF's overweight equity position and its corresponding underweight allocation to fixed income was positive for performance. In aggregate, external managers' strategies also enhanced returns, led by the strong outperformance of the Non-US Core International Equity and US Core Domestic Fixed Income mandates.
- As at June 30, 2024, the total net asset value of the HSF was US\$5,761.3 million, approximately US\$136.6 million lower than the previous quarter's closing value of US\$5,898.0 million. During the quarter, US\$209.6 million was withdrawn from the HSF in accordance with Section 15 of the Act (2007) with respect to Fiscal Year 2023.

**Table 1**  
**Absolute Quarterly Returns**  
**For the period Apr-Jun 2024**  
**/per cent/**

	<b>Absolute Return HSF</b>	<b>Absolute Return Benchmark</b>
<b>Composite Portfolio</b>	<b>1.38</b>	<b>0.77</b>
US Short Duration Fixed Income	0.92	0.82
US Core Domestic Fixed Income	0.38	0.07
US Core Domestic Equity	3.53	3.45
Non-US Core International Equity	0.35	-0.49

**Table 2**  
**Contributions to Quarterly Returns**  
**For the period Apr-Jun 2024**  
**/per cent/**

	<b>3 Months Portfolio Weighted Return to 30-Jun-2024</b>	
	<b>HSF</b>	<b>Benchmark</b>
<b>Composite Portfolio</b>	<b>1.38</b>	<b>0.77</b>
US Short Duration Fixed Income	0.18	0.21
US Core Domestic Fixed Income	0.14	0.04
US Core Domestic Equity	1.01	0.64
Non-US Core International Equity	0.10	-0.07

Note: Differences in totals are due to rounding.

## **SECTION 1 – INTERNATIONAL ECONOMIC ENVIRONMENT**

Economic activity in the US expanded at an annual rate of 2.8 per cent in the second quarter of 2024, compared with growth of 1.4 per cent in the previous quarter. The expansion was better than expected as strong consumer spending, government spending and a sizeable inventory build boosted economic activity. Retail sales increased year-on-year by 2.3 per cent in June 2024, a slower pace relative to March 2024 when it expanded by 3.6 per cent. The S&P Global US Composite Purchasing Managers' Index (PMI) for June surged to 54.8 points from 52.1 points in March, supporting an improvement in economic activity during the second quarter of 2024.

Meanwhile, the US labour market remained strong adding 532 thousand jobs over the quarter ended June 2024. Job creation occurred mainly in the health care and government sectors. These gains did not however translate into an improvement in the unemployment rate, which rose to 4.1 per cent in June from 3.8 per cent in March 2024. On the price front, headline inflation resumed its downward trend but remained above the Federal Reserve's 2.0 per cent target. The Consumer Price Index (CPI) fell to 3.0 per cent in June compared with 3.5 per cent in March. While prices for shelter, transportation and vehicles eased, food prices moved higher. Similarly, the Fed's preferred gauge of inflation, the Core Personal Consumption Expenditures (PCE) Price index, which excludes food and energy, moved down to 2.6 per cent in the twelve months to June 2024, compared with 2.8 per cent in March.

Following a technical recession in the second half of 2023, the UK economy continued its recovery in the second quarter of 2024. Real GDP in the UK grew by 0.6 per cent, quarter-on-quarter, in the second quarter following a 0.7 per cent expansion in the first quarter. The services sector led growth, which grew 0.8 per cent in the three months to June 2024. Output in the manufacturing and construction fell in the quarter. Growth in the month of June slowed to zero from 0.4% in May, suggesting a slowdown in growth ahead. Meanwhile, the annual inflation rate continued to decline mainly reflecting a slower increase in food prices. For the first time since July 2021, the CPI reached the Bank of England's (BoE) 2.0 per cent target in May and held steady at this level in June.

The Eurozone's economy likewise, recovered from a contraction in the second half of 2023, recording a second quarter of GDP growth. Growth in the second quarter of 2024 was 0.3, quarter-on-quarter, the same as in the first three months of 2024. The higher-

than-expected outturn was driven by a rise in consumer spending and improved trade activity. Germany, which is the largest economy in the EZ, unexpectedly contracted 0.1%, as the industrial sector continues to be strained by high interest rates, weaker global growth and fragile consumer confidence. The unemployment rate in June 2024 was 6.5 per cent, no change from the previous. The two highest jobless rates were recorded in Spain and France, with the lowest in Germany. Meanwhile, there was a modest uptick in the inflation rate to 2.5 per cent in June from 2.4 per cent in March 2024.

In Asia, Japan's economy rebounded from a contraction of 0.6 per cent in the first quarter of 2024, expanding 0.8 per cent, quarter-on-quarter, in second quarter. Growth was led by private consumption, rising for the first time in five quarters, business investment and government spending. Net trade subtracted from growth, as exports rose less than imports, suggesting the rebound in the Japanese economy is tenuous. The annual inflation rate was 2.8 per cent in June 2024 up from 2.7 per cent in March, mainly due to a steep rise in electricity prices as the Japanese government ended its energy subsidies.

On the monetary policy front, most major developed central banks maintained their policy stance. Policymakers conveyed caution around the timing and extent of interest rate reductions, citing the need for additional evidence that inflation is on a sustainable path to target levels. The Fed left its fed funds rate steady at a range of 5.25 per cent to 5.50 per cent. Similarly, the UK's BoE maintained its bank rate at 5.25 per cent while the Bank of Japan (BoJ) held its key short-term interest rate at a range of 0.0 per cent to 0.1 per cent. The ECB was the exception, lowering interest rates by 25 basis points in June, to bring its deposit facility to 3.75 per cent and its marginal lending facility to 4.5 per cent.

## **SECTION 2 – CAPITAL AND MONEY MARKET REVIEW**

During the quarter, uncertainties related to the monetary policy outlook and geopolitical tensions in the Middle East briefly drove financial market volatility higher. However, in the US, overall volatility remained relatively subdued with the US Chicago Board Options Exchange Volatility Index (VIX) averaging 13.98 points, a modest increase when compared to its previous quarter's average of 13.68 points. Meanwhile, in Europe, heightened political risks stemming from the snap elections in France added to



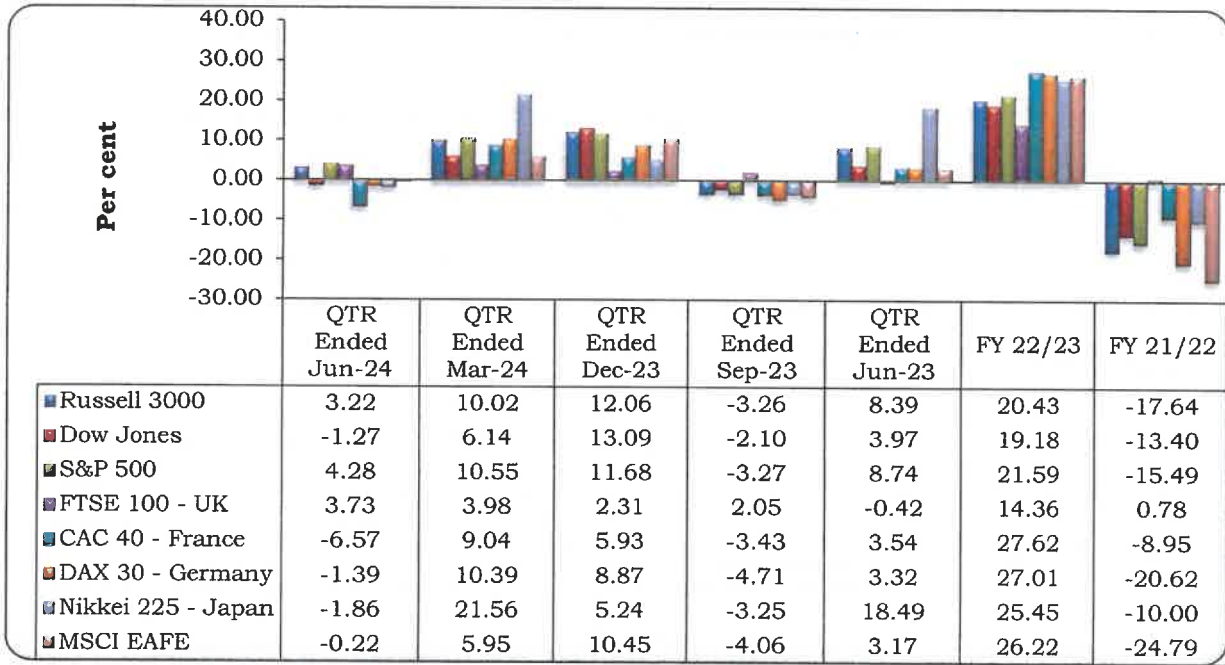
investors' anxiety. The Euro Stoxx 50 Volatility Index (VSTOXX) averaged 15.48 points up from 13.83 points for the quarter ended March 2024.

Global developed equity market performance was mixed over the period. In the US, stock markets recovered from early losses in April to end the quarter higher. The US S&P 500 index gained 4.28 per cent supported by strong corporate earnings, ongoing enthusiasm over artificial intelligence developments and hope for the Fed to begin reducing interest rates in the coming months. At the sector level, Information Technology and Communication Services delivered the highest returns while, Materials and Industrials lagged the broader market.

Non-US developed stock markets, as represented by the MSCI EAFE index, fell by 0.22 per cent, when measured in US dollars (see Figure 1). With the exception of the UK, European equities moved lower over the quarter. France's CAC 40 index lost 6.57 per cent as stocks declined sharply ahead of the snap parliamentary elections at the end of June. In the UK, improving economic growth coupled with weaker inflation data helped bolster stock valuations. Overall, the FTSE 100 index earned 3.73 per cent despite some caution towards the end of the period around the upcoming national elections on 4 July. Meanwhile, in Asia, following a strong rally over the first three months of 2024, Japan's Nikkei 225 index fell by 1.86 per cent due in part to waning interest from foreign investors amid a persistently weak Yen currency.

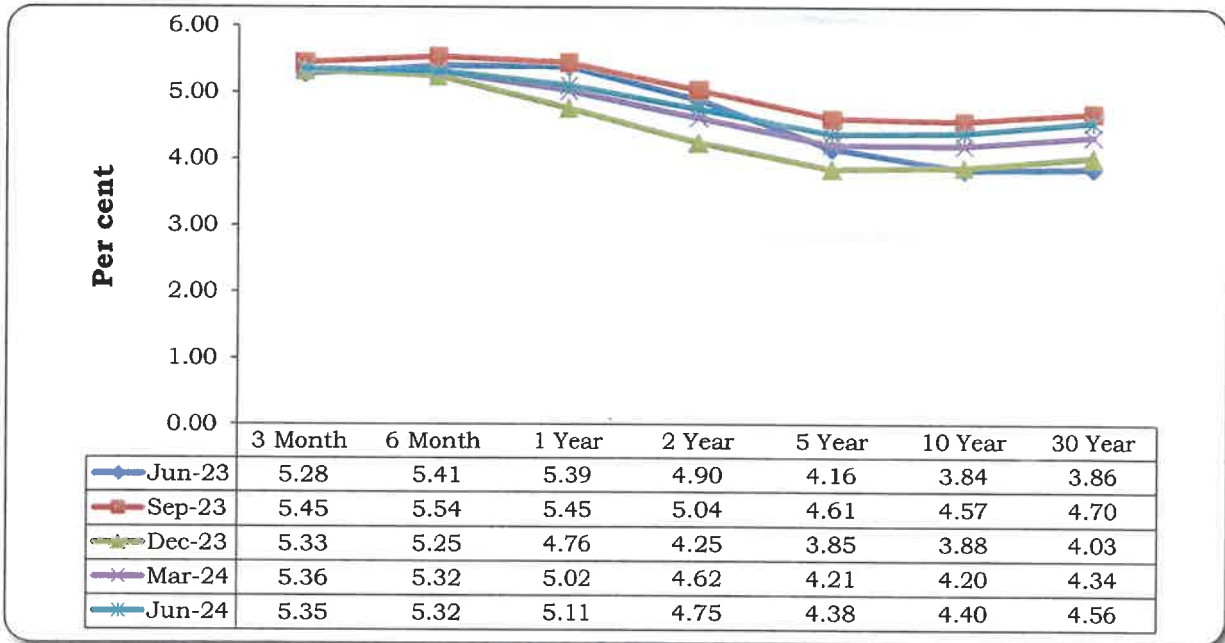
US Treasury yields initially rose due to concerns over persistent inflation pressures. However, as the quarter progressed, the deceleration in inflation alongside slowing economic activity renewed market expectations for the Fed to cut interest rates later this year. Overall, the 2-year yield increased by 13 basis points to 4.75 per cent while, the 10-year yield added 20 basis points to end the quarter at 4.40 per cent (see Figure 2). The yield curve remained inverted with the 2-year to 10-year spread narrowing to 35 basis points from 42 basis points three months prior.

**Figure 1**  
**Total Returns on Selected Equity Indices**



Source: Bloomberg

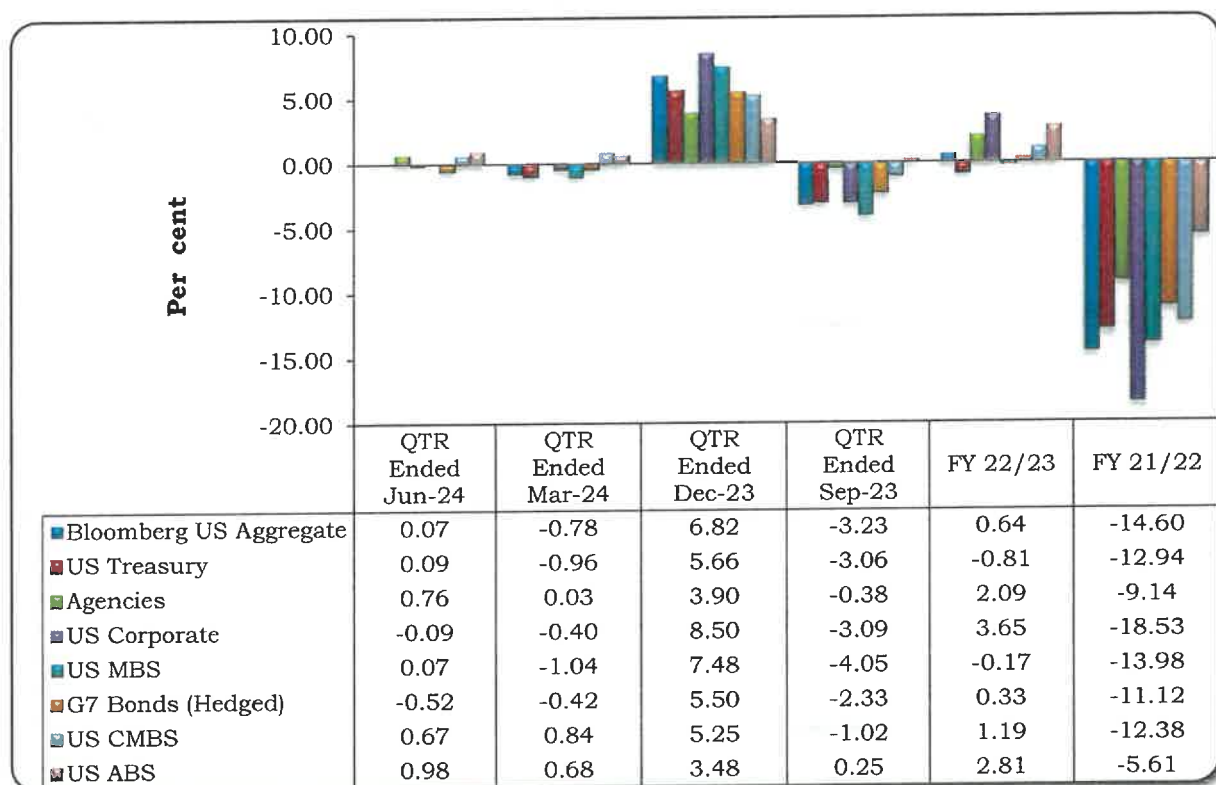
**Figure 2**  
**US Treasury Yield Curve**



Source: Bloomberg.

The broader US fixed-income market, as represented by the Bloomberg Barclays US Aggregate Bond Index, added 0.07 per cent (see Figure 3). Relatively high interest income helped to mitigate the negative impact of rising rates on bond prices. Lower duration sectors performed the best with US Asset-Backed Securities and Agencies returning 0.98 per cent and 0.76 per cent, respectively. Conversely, US Corporate bonds lost 0.09 per cent reflecting the larger increase in rates on the longer-end of the curve and modest credit spread widening over the period.

**Figure 3**  
**Returns on Selected Fixed Income Indices**

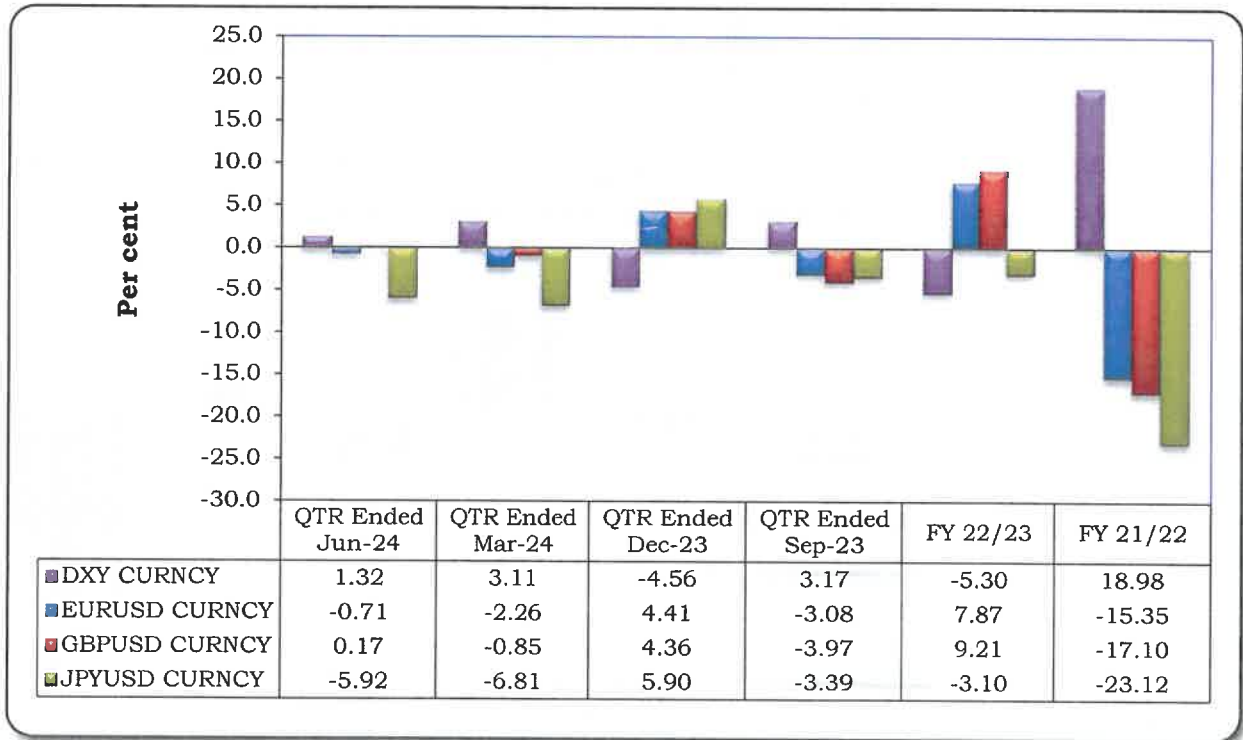


Source: Bloomberg.

The US Dollar strengthened against most of its G10 peers due to widening interest rate differentials and risk aversion stemming from geopolitical events. The Japanese Yen fell to new record-lows, depreciating by 5.92 per cent against the US Dollar despite the government's intervention efforts aimed at supporting the currency. The ECB's decision to cut rates in June along with heightened political uncertainty in France hampered the Euro, which weakened 0.71 per cent against the US Dollar. Meanwhile, the British

Pound modestly appreciated 0.17 per cent, boosted by improving economic data and expectations for the BoE to begin reducing interest rates later than initially anticipated.

**Figure 4**  
**Foreign Exchange Returns for Major Currency Pairs**



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 June 30, 2024 and the previous three quarters.

During the three months ended June 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.

Relative to the SAA, the US Core Domestic Fixed Income mandate held the largest underweight position of 10.42 per cent, while the US Core Domestic Equity mandate maintained the highest overweight exposure at 10.42 per cent (see Table 3). With the

Fund's asset allocation deviations above the approved +/- 5.0 per cent limit, the Central Bank continues to monitor the Fund's asset exposures and provide updates to the Board.

**Table 3**  
**Portfolio Composition relative to the Approved SAA<sup>2</sup>**  
**/per cent/**

Portfolio Weights	Asset Class	Target Weight SAA	Sep-23	Dec-23	Mar-24	Jun-24
			Actual% of Fund	Actual% of Fund	Actual% of Fund	Actual% of Fund
	US Short Duration Fixed Income	25.00	21.04	19.73	23.31	20.39
	US Core Domestic Fixed Income	40.00	29.65	30.17	28.79	29.58
	US Core Domestic Equity	17.50	23.11	24.88	26.35	27.92
	Non-US Core International Equity	17.50	19.52	20.66	21.55	22.11
	USD Fixed Deposit	0.00	6.68	0.00	0.00	0.00
	Investment Portfolio Cash	0.00	0.00	4.55	0.00	0.00

Totals may not sum to 100 due to rounding.

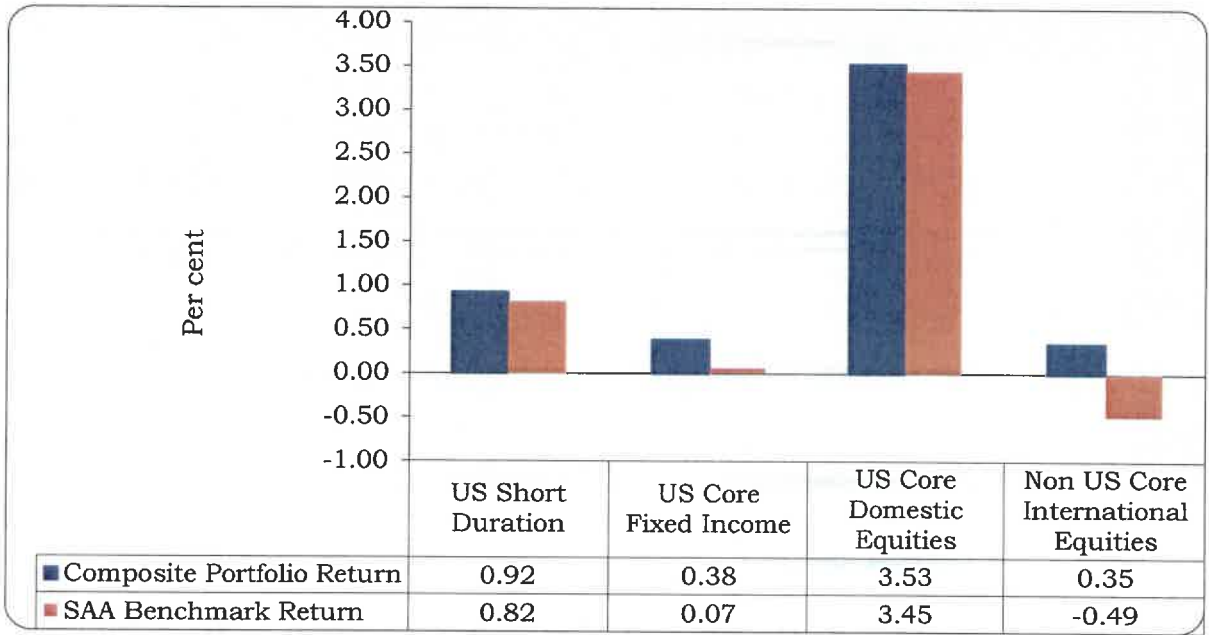
The total net asset value of the Fund as at the end of June 30, 2024 was **US\$5,761.3 million**, compared to US\$5,898.0 million as at March 31, 2024. Of this total, the Investment Portfolio was valued at US\$5,759.1 million, while the remaining portion was held in operating cash accounts to meet the day-to-day expenses that arise from the management of the Fund. During the quarter, a total of US\$209.56 million was withdrawn from the Fund under Section 15 of the Act (2007) for the financial year 2022/2023. Assets within the US Short Duration Fixed Income mandate were liquidated to meet the obligation.

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

*Performance of the Investment Portfolio*

For the quarter that ended June 30, 2024, the HSF’s Investment Portfolio returned 1.38 per cent, while its benchmark increased by 0.77 per cent. Strong US equity market gains and the Fund’s relatively higher allocation to the US Core Domestic Equity mandate helped to drive performance. This was augmented by positive contributions from the fixed income mandates and international equities (see Figure 5).

**Figure 5**  
**Absolute Returns by Mandate for the period Apr-Jun 2024**



The HSF outperformed by 61 basis points, when compared with its SAA benchmark<sup>3</sup>. Relative asset allocation positioning and external managers’ active investment decisions drove excess returns. The HSF’s overweight allocation to equities and corresponding underweight position in fixed income was positive for performance. In addition, the Fund benefitted from the strong outperformance of external managers’ strategies, most notably in the Non-US Core International Equity and US Core Domestic Fixed Income mandates.

<sup>3</sup> 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 **US Core Domestic Equity** mandate gained 3.53 per cent for the quarter ended June 30, 2024, and outperformed its benchmark, the Russell 3000 ex-Energy index, by 0.08 per cent (see Figure 5). Stock selection within the Technology, Consumer Discretionary and Utilities sectors contributed to performance while, relative positioning in Industrials, Real Estate and Basic Materials detracted from returns. As at the end of the quarter, the mandate's net asset value increased by \$54.6 million to **\$1,608.1 million**.

The **Non-US Core International Equity** mandate increased by 0.35 per cent, outperforming its benchmark, the MSCI EAFE ex-Energy, which declined by 0.49 per cent. Strong security selection in countries such as Japan, Italy and France bolstered performance while, country and currency allocation decisions modestly detracted. The net asset value of the mandate increased from US\$1,270.9 million as at March 31, 2024 to **US\$1,273.1 million** as at June 30, 2024.

The **US Short Duration Fixed Income** mandate returned 0.92 per cent over the quarter, while its benchmark, the ICE Bank of America 1-5 year US Treasury index, rose by 0.82 per cent. Interest rate strategies coupled with exposure to high credit quality spread sectors, such as developed market government related debt, generated excess returns over the period. The net asset value of the mandate as at June 30, 2024 was **US\$1,174.3 million** compared to US\$1,374.4 million as at the end of the previous quarter. The decline in the net asset value was due to withdrawal activity totaling US\$209.6 million during the period.

The longer duration **US Core Domestic Fixed Income** mandate earned 0.38 per cent and outpaced its benchmark, the Bloomberg US Aggregate Bond index, which returned 0.07 per cent. Excess returns were driven by security selection within the investment-grade corporate and securitised sectors while, cross-sector and duration strategies detracted. For the quarter, the net asset value of the mandate increased by US\$5.90 million to **US\$1,703.7 million** as at June 30, 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 June



30, 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 remained appropriate. 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 describe 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 June 30, 2024.

**Table 4**  
**Average Credit Rating**

<b>Mandate</b>	<b>Portfolio</b>	<b>Benchmark</b>
<b>US Short Duration</b>	<b>AA+</b>	<b>AA+</b>
<b>US Core Fixed Income</b>	<b>AA-</b>	<b>AA</b>

**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 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 June 30, 2024.

**Table 5**  
**Weighted Average Duration**  
**/Years/**

<b>Mandate</b>	<b>Portfolio</b>	<b>Benchmark</b>
<b>US Short Duration</b>	<b>2.72</b>	<b>2.58</b>
<b>US Core Domestic Fixed Income</b>	<b>6.27</b>	<b>6.13</b>

**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 June 2024, 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 bps	Portfolio %	Benchmark %	Excess bps	Portfolio %	Benchmark %	Excess bps
	<b>FY 2010</b>								
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
	<b>FY 2011</b>								
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
	<b>FY 2012</b>								
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
	<b>FY 2013</b>								
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
	<b>FY 2014</b>								
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
	<b>FY 2015</b>								
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		Portfolio		Benchmark		Portfolio		Benchmark		Excess	
	%	bps	%	bps	%	bps	%	bps	%	bps	%	bps	%	bps
	<b>FY 2016</b>													
December	1.68	0.22	1.67	0.22	1.68	0.22	1.67	0.22	5.36	4.79	5.36	4.79	56.52	
March	0.80	-46.14	1.26	-46.14	2.48	-46.14	2.95	-46.70	5.30	4.80	5.30	4.80	49.64	
June	0.80	-30.92	1.11	-30.92	3.30	-30.92	4.09	-78.90	5.24	4.79	5.24	4.79	44.83	
September	2.45	32.85	2.12	32.85	5.83	32.85	6.29	-45.72	5.37	4.89	5.37	4.89	47.33	
	<b>FY 2017</b>													
December	-0.46	51.92	-0.98	51.92	-0.46	51.92	-0.98	51.92	5.17	4.66	5.17	4.66	51.64	
March	3.17	24.41	2.92	24.41	2.69	24.41	1.91	77.74	5.37	4.84	5.37	4.84	52.92	
June	2.74	30.00	2.44	30.00	5.50	30.00	4.40	110.45	5.51	4.97	5.51	4.97	54.69	
September	2.61	54.78	2.06	54.78	8.25	54.78	6.55	170.48	5.64	5.05	5.64	5.05	58.79	
	<b>FY 2018</b>													
December	2.24	40.22	1.83	40.22	2.24	40.22	1.83	40.22	5.72	5.11	5.72	5.11	61.32	
March	-0.55	38.21	-0.94	38.21	1.67	38.21	0.88	78.91	5.53	4.90	5.53	4.90	63.49	
June	0.26	5.36	0.21	5.36	1.94	5.36	1.09	84.52	5.43	4.81	5.43	4.81	62.52	
September	1.81	27.02	1.54	27.02	3.79	27.02	2.65	113.37	5.47	4.84	5.47	4.84	63.61	
	<b>FY 2019</b>													
December	-4.69	-114.99	-3.54	-114.99	-4.69	-114.99	-3.54	-114.99	4.93	4.41	4.93	4.41	51.33	
March	5.93	31.25	5.61	31.25	0.96	31.25	1.88	-91.66	5.33	4.79	5.33	4.79	53.03	
June	3.01	-25.10	3.26	-25.10	4.00	-25.10	5.20	-119.99	5.47	4.97	5.47	4.97	49.95	
September	1.05	-21.70	1.27	-21.70	5.10	-21.70	6.54	-144.08	5.44	4.97	5.44	4.97	47.15	
	<b>FY 2020</b>													
December	3.62	41.90	3.20	41.90	3.62	41.90	3.20	41.90	5.63	5.13	5.63	5.13	49.64	
March	-7.33	-182.43	-5.51	-182.43	-3.98	-182.43	-2.48	-149.43	4.90	4.58	4.90	4.58	32.73	
June	8.62	104.53	7.57	104.53	4.30	104.53	4.90	-60.38	5.46	5.06	5.46	5.06	39.94	
September	3.74	76.36	2.98	76.36	8.20	76.36	8.03	17.42	5.65	5.20	5.65	5.20	45.01	

Quarter End	Current Returns				Financial YTD				Annualised Return Since Inception					
	Portfolio		Benchmark		Portfolio		Benchmark		Portfolio		Benchmark		Excess	
	%	bps	%	bps	%	bps	%	bps	%	bps	%	bps	%	bps
<b>FY 2021</b>														
December	6.43	5.50	6.43	93.52	5.50	93.52	6.02	5.51	51.10					
March	1.28	0.08	7.79	119.45	5.58	220.73	6.00	5.41	59.10					
June	4.00	3.09	12.10	90.18	8.85	324.76	6.19	5.54	64.60					
September	-0.31	-0.09	11.75	-22.00	8.75	299.80	6.05	5.44	61.82					
<b>FY 2022</b>														
December	2.97	1.98	2.97	99.31	1.98	99.31	6.16	5.48	67.75					
March	-5.69	-5.44	-2.89	-25.12	-3.57	68.04	5.64	5.00	64.44					
June	-9.91	-7.81	-12.51	-209.37	-11.10	-140.61	4.83	4.36	47.24					
September	-4.59	-4.93	-16.52	34.58	-15.49	-103.41	4.43	3.95	48.73					
<b>FY 2023</b>														
December	5.27	5.13	5.27	14.43	5.13	14.43	4.70	4.21	48.99					
March	4.74	4.57	10.27	16.93	9.94	32.92	4.93	4.44	49.39					
June	2.75	1.53	13.30	121.88	11.62	167.81	5.03	4.46	56.33					
September	-2.39	-2.74	10.59	34.84	8.56	202.68	4.80	4.22	57.61					
<b>FY 2024</b>														
December	8.08	7.71	8.08	36.30	7.71	36.30	5.21	4.62	59.08					
March	4.28	2.42	12.70	185.78	10.32	237.96	5.39	4.69	69.36					
June	1.38	0.77	14.26	61.16	11.17	308.72	5.39	4.67	72.03					

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 computed using a geometric average.



**Appendix II**  
**Heritage and Stabilisation Fund**  
**Portfolio Valuation (USD)**

Valuation Date	Net Asset Value	Total Comprehensive Income	Accumulated Surplus & Unrealised 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)**

<b>Valuation Date</b>	<b>Net Asset Value</b>	<b>Total Comprehensive Income</b>	<b>Accumulated Surplus &amp; Unrealised Capital Gains/Losses</b>	<b>Contributions / (Withdrawals)</b>
<b>Quarterly Portfolio Valuation</b>				
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	-
June 30, 2024	5,761,305,038	71,938,586	4,322,926,055	(209,563,136)

**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	13,632	158
Coupon (%)	3.30	2.61
Duration (Years)	6.13	2.58
Average Life (Years)	8.43	2.77
Yield to Maturity (%)	5.00	4.64
Option Adjusted Spread (bps)	39	-1
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	2,775	715
Earnings Per Share (EPS Growth 3-5yr fwd.)	16.4	7.16
Price Earnings (P/E fwd.)	22.6	14.98
Price / Book (P/B)	4.4	1.88
Weighted Average Market Capitalisation* (Bn.)	916.3	102.6

\* 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/**

	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
<b>Total Fund Value</b>	<b>5,525</b>	<b>5,390</b>	<b>5,659</b>	<b>5,898</b>	<b>5,761</b>
<b>Total Value of Equity</b>	<b>2,388</b>	<b>2,298</b>	<b>2,576</b>	<b>2,824</b>	<b>2,881</b>
US Core Domestic Equity	1,293	1,246	1,408	1,553	1,608
Non-US Core International Equity	1,094	1,052	1,169	1,271	1,273
<b>Total Value of Fixed Income</b>	<b>2,781</b>	<b>2,732</b>	<b>2,823</b>	<b>3,072</b>	<b>2,878</b>
US Short Duration Fixed Income	1,131	1,134	1,116	1,374	1,174
US Core Domestic Fixed Income	1,651	1,598	1,707	1,698	1,704
<b>Internal Portfolio</b>	<b>355</b>	<b>360</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Investment Portfolio Cash</b>	<b>0</b>	<b>0</b>	<b>258</b>	<b>0</b>	<b>0</b>
<b>Total Value of Operating Cash</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>2</b>

Note: Differences in totals are due to rounding.

