# HERITAGE AND STABILISATION FUND (HSF)

## QUARTERLY INVESTMENT REPORT

## JULY TO SEPTEMBER 2024

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[1] This section includes economic data available as at 30 October, 2024.

## EXECUTIVE SUMMARY

- The COVID pandemic along with the geopolitical conflict between Russia and Ukraine sent in inflation in the last quarter 2022 in the United States (US), United Kingdom (UK) and the Eurozone (EZ) to levels not seen since 1982. While aggressive monetary tightening, largely through increases in policy interest rates, succeeded in lowering inflation in these economies significantly, the resulted high interest rate levels strained economic growth in these countries, but with varying degrees.

- Notwithstanding increases in the policy interest rate by the US Federal Reserve (Fed) from 0-0.25 per cent in March 2021 to 5.25-5.50 per cent in July 2023, the increase in real GDP in the US averaged 2.7 per cent in the period 2022/23. Based on real GDP growth rates for the first three quarters of 2024, real GDP is projected to increase slightly to 2.8 per cent in 2024. With a broadly similar increase in the Bank Rate administered by the Bank of England (BOE), real GDP growth in the UK declined from 4.8 per cent in 2022 to 0.3 per cent in 2023 and is projected for a small rebound to 1 per cent in 2024. In the EZ, with similar increases in the policy interest rates to fight inflation, real GDP growth declined from 3 per cent in 2022 to 0.4 percent in 2023. Real GDP growth is projected to double to 0.8 per cent in 2024.

- The aggressive tightening of monetary policy by the three major central banks took place in 2022 and in the first three quarters of 2023. The Fed's last increase in its policy interest rate (25 basis points) was in July 2023, while the BoE and the European Central Bank (ECB) delayed their final rate increases to September 2023. Global financial markets initially interpreted this pause in monetary policy tightening as a signal for a start of a round of interest rate cuts. However, in response, the three monetary authorities repeatedly stressed that the loosening in monetary policy would only commence when there was convincing evidence that the 2 per cent inflation target had been attained on a sustained basis.

- Surprisingly, with headline inflation in the EZ at 2.5 per cent in June 2024, the ECB was the first of the three major central banks to begin the process of interest rate reduction, when it lowered its deposit rate by 0.25 percentage points to 3.75 per cent. The ECB rationalised that "keeping interest rates high for nine months had helped reduced inflation significantly and expressed confidence that inflation would fall to 2 per cent before the end of 2024". As it turned out, inflation in the EZ declined to 1.7 per cent in September 2024 and ended October at 2 per cent.

- In the US, reflecting the accumulated impact of higher interest rates on private consumption expenditure, headline inflation declined from a peak of 7.2 per cent in June 2022 to 2.5 per cent in June 2024. In its July Federal Open Market Committee (FOMC) meeting, the Fed recognised the significant progress achieved on inflation reduction and the improvements in the labour market during the first half of 2024. However, the Committee felt that it would have been inappropriate to reduce the federal funds rate, with the core PCE index, considered to be a better guide to future inflation, still rising. The Committee, therefore, decided to maintain the Federal Funds rate unchanged until there was more evidence that inflation was moving sustainably to 2 per cent.

- At its September 2024 meeting, while inflation had come very close to the 2 per cent target, the Fed agreed to lower the policy interest rate by 50 basis points to a range of 4.75% to 5%. The Fed explained that, given the significant progress on inflation, the decision was made to support economic growth and to stabilise the labor market.

- With the economy continuing to expand at a solid pace, the Fed's confidence on the inflation front was bolstered by data showing the 12-month increase in the personal consumption expenditures (PCE) index, its favorite indicator of inflation, at 2.1 per cent in September 2024. With the inflation target close to being achieved, the Fed's primary focus shifted to its employment mandate. In July 2024, labour market conditions softened with data showing a jump in unemployment rate to 4.3 per cent (4.1 per cent in June), its highest level in 3 years, and job gains of just 118,000. The Fed's 50-basis point rate cut in September 2024 was seen as supporting growth, and a soft labour market, rather than combatting inflation as recession fears grew. Additional rate cuts in 2024 were priced by the market as the broad data trend suggested a moderating US economy. In the month of September, however, the US labour market rebounded strongly, adding 254,000 jobs as unemployment rate fell slightly to 4.1 per cent, suggesting the US economy remains resilient and a more gradual space of rate cuts in the coming months.

- The reduction in inflation in the first quarter and expectation of an early start to interest rate cuts in the US, drove the S&P 500 index to a 14.5 per cent increase in the first half of 2024, with three AI companies accounting for 49 per cent of the gain. However, market corrections in the US tech sector and a sizable market drawdown at the start of August limited the third quarter 2024 increase in the S&P 500 index to 5.9 per cent. The non-US developed stock market, as represented by the MSCI-EAFE index, increased by 7.3 per cent in the quarter, when measured in US dollars. Currency exposure added to the level of returns as the US dollar depreciated against G-10 currencies. On balance, the Fed's jumbo rate cut, increased expectations for further easing in monetary policy rates and China's large stimulus programme pushed global equity markets higher during the quarter despite a notable raise in market volatility.

- The long delayed expectations for the Fed to begin an accelerated interest rate cutting cycle drove US treasury yields sharply lower early in the third quarter. By end September, the 2-year yield had fallen by 111 basis points to 3.64 per cent, while the 10-year yield dropped 62 basis points to 3.78 per cent. For the quarter ended September 2024, the US investment grade fixed income market, as measured by the Bloomberg Barclays US Aggregate Bond Index, posted a return of 5.2 per cent.

- In the third quarter (July-August) 2024, the Heritage and Stabilisation Fund (HSF) returned 5.74 per cent. The equity mandates contributed 3.47 percentage points, while the fixed income mandates contributed 2.19 percentage points (see Tables 1 and 2).

- When compared to its strategic asset allocation (SAA) benchmark, the Fund outperformed by 30 basis points (see Table 2 and Appendix 1). The Fund's relative asset allocation positioning was the main driver of excess returns. Collectively, the HSF's overweight equity exposure and its corresponding underweight allocation to fixed income assets enhanced the Fund's performance.

- As at September 30, 2024 the total net asset value of the HSF was US$6,087 million, approximately US$326.6 million higher than the previous quarter's closing value of US$5,761.3 million

**Table 1**
**Absolute Quarterly Returns**
**For the period Jul-Sep 2024**
**/per cent/**

| | **Absolute Return HSF** | **Absolute Return Benchmark** |
|---|---|---|
| **Composite Portfolio** | **5.74** | **5.44** |
| US Short Duration Fixed Income | 3.47 | 3.39 |
| US Core Domestic Fixed Income | 5.11 | 5.20 |
| US Core Domestic Equity | 6.33 | 6.60 |
| Non-US Core International Equity | 7.92 | 7.82 |

**Table 2**
**Contributions to Quarterly Returns**
**For the period Jul-Sep 2024**
**/per cent/**

| | **3 Months Portfolio Weighted Return to 30-Sep-2024** | |
|---|---|---|
| | **HSF** | **Benchmark** |
| **Composite Portfolio** | **5.74** | **5.44** |
| US Short Duration Fixed Income | 0.70 | 0.84 |
| US Core Domestic Fixed Income | 1.49 | 2.06 |
| US Core Domestic Equity | 1.74 | 1.13 |
| Non-US Core International Equity | 1.73 | 1.34 |

Note: Differences in totals are due to rounding.

## SECTION 1 – INTERNATIONAL ECONOMIC ENVIRONMENT

Preliminary GDP data indicated that the US economy grew at an annualised rate of 2.8 per cent during the three months to September, compared with growth of 3.0 per cent in the previous quarter. This slight deceleration in growth reflected a slowdown in private inventory investment and residential fixed investment. Nonetheless, the economy continued to show resilience, boosted by robust consumer spending and increased government expenditure. Other indicators also pointed towards continued growth for the US economy. The S&P Global US Composite Purchasing Managers' Index (PMI) averaged 54.3 points[2], up from 53.5 points in the previous quarter, marking the strongest quarterly performance for the index since March 2022. At a sectoral level, this increase in business activity was driven by the services sector, which more than offset the contraction in the manufacturing sector.

During the quarter, the labour market became more of a focal point for policymakers as job growth showed signs of a slowdown in July. However, employment gains in September 2024 far exceeded expectations, suggesting that the labour market continued to be relatively strong, which helped to allay concerns about a US recession. The unemployment rate initially increased to 4.3 per cent in July, from 4.1 per cent in June, before trending down to 4.1 per cent in September.

Meanwhile, on the pricing front, the Fed continued to make progress towards its 2.0 per cent target. The headline inflation rate declined for a sixth consecutive month in September 2024, falling to 2.4 per cent year-on-year, from 3.0 per cent in June. On the other hand, the latest reading of the Fed's preferred inflation gauge, the Core PCE, which excludes food and energy, edged slightly higher, measuring 2.7 per cent year-on-year in August, from 2.6 per cent in June. Despite this upward movement, the average Core PCE inflation rate for the third quarter of 2024 thus far remained unchanged from the previous quarter's average. With inflation concerns largely subsiding and the economy showing continued signs that it is fundamentally strong, increased focus is now being placed on the upcoming US elections and the impact of growing geopolitical tensions on the economy.

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[2] A PMI reading above 50 represent business expansion compared to the previous month; below 50, a contraction, while a reading of 50 indicates no change in activity.

Following a strong recovery during the first half of 2024, the UK economy continued its positive trajectory over the three months to September. The S&P Global Composite Purchasing Managers' Index (PMI) rose by 0.3 points to end the quarter at 52.6 points. Both manufacturing and service sector activity improved with businesses reporting increases in domestic orders. Moreover, retail spending surged to 4.0 per cent year-on-year in September from a decline of 1.3 per cent in June. Continued improvement in the labour market and slowing inflation supported household demand. The most recent data showed that the unemployment rate fell to 4.0 per cent in August, from 4.2 per cent in June. Meanwhile, the inflation rate fell below the Bank of England's 2.0 per cent target in September, moving lower to 1.7 per cent, from 2.0 per cent three months earlier. On the political front, the Labour Party led by Keith Starmer secured victory in the UK Parliamentary election on 04 July. While there was a brief uptick in confidence post general election, concerns around higher taxes ahead of the new government's Autumn budget announcement at the end of October dampened the outlook and hindered consumer and business sentiment.

The EZ economy gained momentum in the third quarter of 2024 as it expanded by 0.4 per cent compared with growth of 0.2 per cent in the previous quarter. This represents the strongest growth rate for the region in two years and eased concerns that activity was slowing, particularly in light of fragility in the larger economies. Germany's economy returned to growth, expanding by 0.2 per cent in the third quarter following a contraction of 0.3 per cent in the second quarter. This directional change in output occurred on account of increased government and household spending. In France, the Olympics provided a surge in tourism-related sales which boosted growth. The economy rose by 0.4 per cent in the third quarter, doubling the rate of expansion experienced in the previous quarter. During the period, France also contended with political uncertainty as no party secured a majority in July's Parliamentary elections resulting in months of political gridlock. On the inflation front, price pressures in the EZ moderated further amidst weaker demand and lower energy costs. Headline inflation declined to below the ECB's 2.0 per cent target in September, falling to 1.7 per cent, from 2.5 per cent in June.

In Asia, Japan's economy expanded by 2.9 per cent on an annualised basis in the second quarter of 2024, a significant turnaround from the 2.4 per cent contraction over the first three months of the year. This positive trajectory continued into the third quarter. The au Jibun Bank of Japan Composite PMI increased to 52.0 points in September from 49.7 points in June. Significant growth in service sector activity outweighed continued weakness in the manufacturing sector stemming from persistent disruptions in the automobile industry. Meanwhile, weather-related events contributed to a decline in household spending in August. Nonetheless, consumer demand is expected to rebound, buoyed by successful wage negotiations earlier this year. On the inflation front, prices rose at a slower pace due in part to a stronger Yen. The Consumer Price Index rose by 2.5 per cent in the twelve months to September, compared with an increase of 2.8 per cent in June. On the political front, Shigeru Ishiba secured leadership of Japan's ruling party, the Liberal Democratic Party (LDP), and became the new Prime Minister on 1 October.

Most major developed central banks eased their monetary policy stance with the exception of the BoJ. The Fed cut interest rates for the first time since March 2020, announcing a 50 basis points reduction at its September meeting. This brought the target range for the federal funds rate to 4.75 per cent - 5.00 per cent and officials projected that it would be appropriate to continue lowering rates at a gradual pace. The BOE began its rate cutting cycle in August 2024, decreasing its key rate by 25 basis points to 5.0 per cent in a narrow 5 to 4 vote. Meanwhile, the ECB reduced its key deposit facility rate by 25 basis points for a third time this year in October, following cuts in September and June. Similarly, the rate on the ECB's marginal lending facility was also lowered by 25 basis points in October, after declining by 60 basis points in September. The current rates on the deposit facility and the marginal lending facility stand at 3.65 per cent and 3.25 per cent, respectively. In contrast, the BoJ ended its negative interest rate policy in March 2024, announcing a second rate increase in July, which took its short-term policy rate to 0.25 per cent, from the range of 0.0 - 0.10 per cent. At its September meeting, the BoJ kept its benchmark interest rate unchanged, indicating that some time is needed to assess the impact of the previous rate hikes amid increasing global uncertainty.

## SECTION 2 – CAPITAL AND MONEY MARKET REVIEW

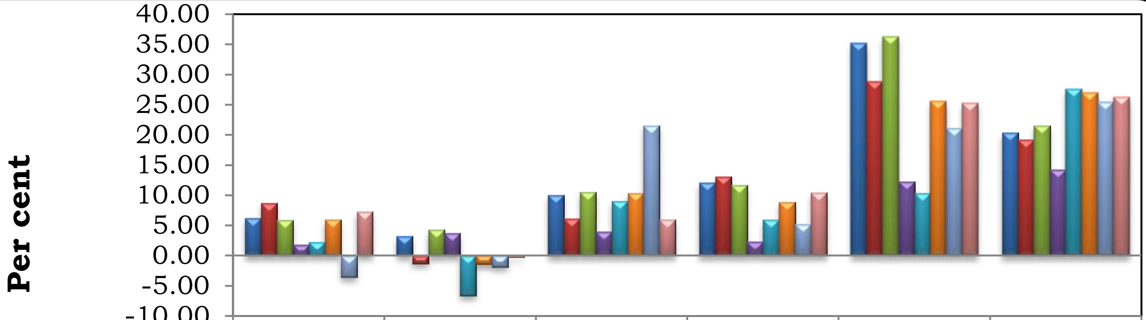
Financial market volatility surged at the beginning of August as recession fears resurfaced with signs of slowing US job growth and weaker than anticipated economic activity. However, improving economic data and the prospect of accelerated interest rate cuts by the Fed helped to reassure investors. Nonetheless, overall volatility increased over the period given heightened geopolitical tensions, monetary policy uncertainty and election risk in the US, Europe and Japan. The US Chicago Board Options Exchange Volatility Index (VIX) averaged 17.07 points when compared to 13.98 points over the previous three months. Meanwhile, in Europe, the Euro Stoxx 50 Volatility Index (VSTOXX) rose by 1.44 points to a quarterly average of 16.92 points.

Global developed equity markets moved higher bolstered by expectations for most major central banks to ease their monetary policy stance. Positive corporate earnings reports also supported gains with the US S&P 500 index returning 5.89 per cent. The more interest rate sensitive sectors delivered the highest returns. Utilities and Real Estate led performance, while concerns around valuations and the high expectations for artificial intelligence driven growth hindered the information technology sector. The Energy sector was the only sector that posted negative returns as oil prices fell on fears of weak demand, particularly from China. West Texas Intermediate crude oil closed the quarter at US$68.17/barrel, down from US$81.54/barrel at the end of June.

Non-US developed stock markets, as represented by the MSCI EAFE index, returned 7.31 per cent, when measured in US dollars (see Figure 1). Expectations for additional interest rate cuts by the ECB bolstered European equity markets. Germany's DAX 30 index and France's CAC 40 index added 5.97 per cent and 2.28 per cent, respectively. In the UK, the FTSE 100 index rose 1.79 per cent buoyed by a more stable political backdrop following the Labour Party's victory in the elections, and better than expected economic data. Meanwhile, in Asia, Japan's Nikkei 225 index fell by 3.55 per cent as a stronger Yen dampened the outlook for exports. In addition, newly elected Prime Minister Shigeru Ishiba and his support for tighter monetary policy also detracted from equities.

US Treasury yields ended the quarter sharply lower in anticipation for the Fed to begin reducing interest rates at its September FOMC meeting. Uncertainty about the pace of monetary policy easing and the prospect of a larger than 50 basis points cut placed additional downward pressure on yields. Overall, the 2-year yield decreased by 111 basis points to 3.64 per cent, while the 10-year yield fell by 62 basis points to end the quarter at 3.78 per cent (see Figure 2). The spread between the 2-year and the 10-year portion of the curve normalised as it stood at 14 basis points, compared with -36 basis points three months prior when that part of the yield curve was inverted.

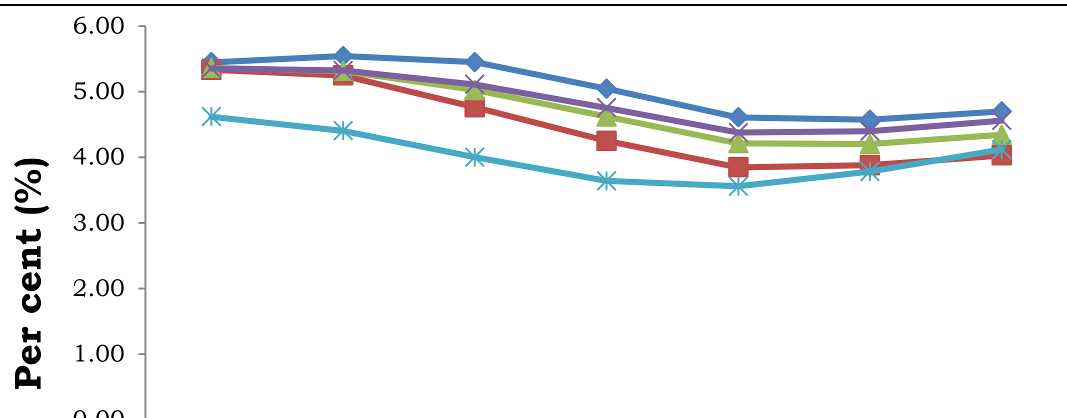
**Figure 1**
**Total Returns on Selected Equity Indices**




| | QTR Ended Sep-24 | QTR Ended Jun-24 | QTR Ended Mar-24 | QTR Ended Dec-23 | FY 23/24 | FY 22/23 |
|---|---|---|---|---|---|---|
| Russell 3000 | 6.23 | 3.22 | 10.02 | 12.06 | 35.18 | 20.43 |
| Dow Jones | 8.72 | -1.27 | 6.14 | 13.09 | 28.85 | 19.18 |
| S&P 500 | 5.89 | 4.28 | 10.55 | 11.68 | 36.33 | 21.59 |
| FTSE 100 - UK | 1.79 | 3.73 | 3.98 | 2.31 | 12.32 | 14.27 |
| CAC 40 - France | 2.28 | -6.57 | 9.04 | 5.93 | 10.37 | 27.62 |
| DAX 30 - Germany | 5.97 | -1.39 | 10.39 | 8.87 | 25.60 | 27.01 |
| Nikkei 225 - Japan | -3.55 | -1.85 | 21.56 | 5.24 | 21.11 | 25.45 |
| MSCI EAFE | 7.31 | -0.22 | 5.95 | 10.45 | 25.30 | 26.22 |

Source: Bloomberg.

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

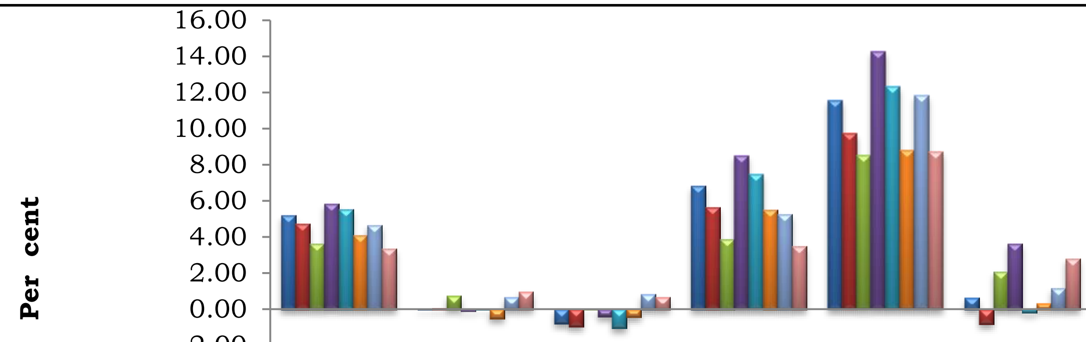



| | 3 Month | 6 Month | 1 Year | 2 Year | 5 Year | 10 Year | 30 Year |
|---|---|---|---|---|---|---|---|
| Sep-23 | 5.45 | 5.54 | 5.45 | 5.04 | 4.61 | 4.57 | 4.70 |
| Dec-23 | 5.33 | 5.25 | 4.76 | 4.25 | 3.85 | 3.88 | 4.03 |
| Mar-24 | 5.36 | 5.32 | 5.02 | 4.62 | 4.21 | 4.20 | 4.34 |
| Jun-24 | 5.35 | 5.32 | 5.11 | 4.75 | 4.38 | 4.40 | 4.56 |
| Sep-24 | 4.62 | 4.40 | 4.00 | 3.64 | 3.56 | 3.78 | 4.12 |

Source: Bloomberg.

The broader US fixed-income market, as represented by the Bloomberg Barclays US Aggregate Bond Index, gained 5.20 per cent (see Figure 3). The declining interest rate environment and still relatively high levels of interest income were the main drivers of performance. Overall, higher duration sectors performed the best with US Corporate Bonds and US Mortgage Backed Securities advancing 5.84 per cent and 5.53 per cent, respectively. The US Corporate Bond sector also benefited from modest credit spread tightening over the quarter. Meanwhile, US Asset-Backed Securities and Agencies earned 3.35 per cent and 3.63 per cent, respectively.

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

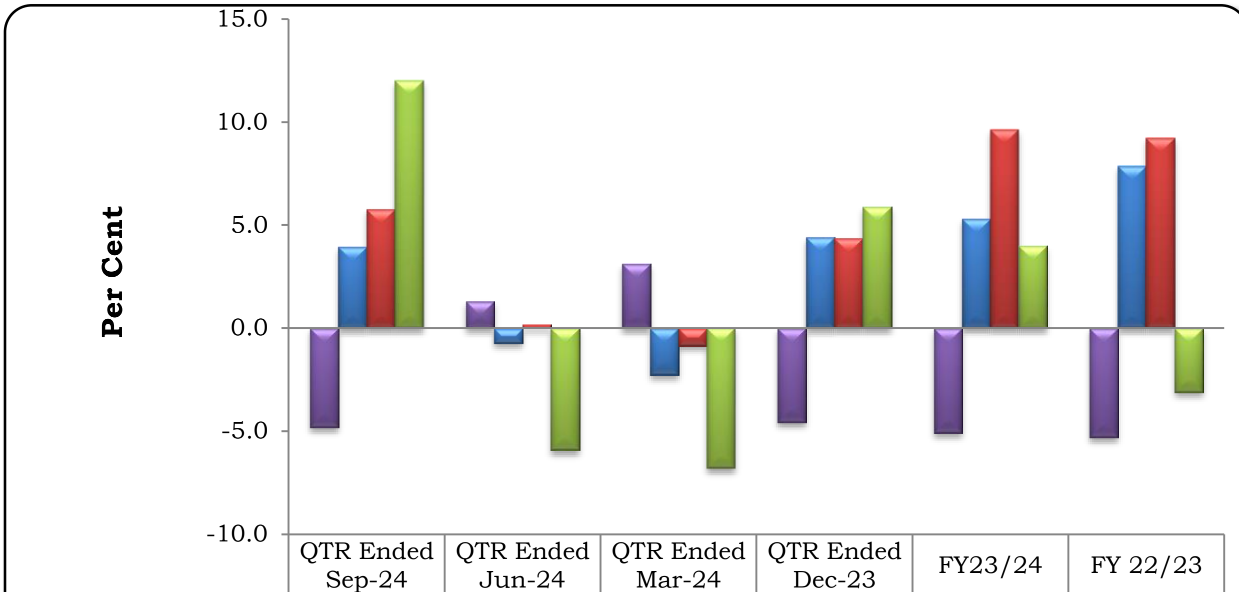



| | QTR Ended Sep-24 | QTR Ended Jun-24 | QTR Ended Mar-24 | QTR Ended Dec-23 | FY 23/24 | FY 22/23 |
|---|---|---|---|---|---|---|
| Bloomberg US Aggregate | 5.20 | 0.07 | -0.78 | 6.82 | 11.57 | 0.64 |
| US Treasury | 4.74 | 0.09 | -0.96 | 5.66 | 9.72 | -0.81 |
| Agencies | 3.63 | 0.76 | 0.03 | 3.90 | 8.52 | 2.09 |
| US Corporate | 5.84 | -0.09 | -0.40 | 8.50 | 14.28 | 3.65 |
| US MBS | 5.53 | 0.07 | -1.04 | 7.48 | 12.32 | -0.17 |
| G7 Bonds (Hedged) | 4.10 | -0.52 | -0.42 | 5.50 | 8.79 | 0.33 |
| US CMBS | 4.65 | 0.67 | 0.84 | 5.25 | 11.83 | 1.19 |
| US ABS | 3.35 | 0.98 | 0.68 | 3.48 | 8.72 | 2.81 |

Source: Bloomberg.

The US Dollar depreciated against its G-10 peers as the Fed's 50 basis points interest rate reduction drove hopes for an accelerated rate cutting cycle (see Figure 4). When measured against the US dollar, the Euro and British Pound appreciated by 3.94 per cent and 5.77 per cent, respectively. Meanwhile, the Japanese Yen strengthened from record lows, appreciating by 12.00 per cent against the US Dollar due to a combination of technical factors, as well as projections for the further narrowing of the interest rate differential given diverging monetary policies.

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




| | QTR Ended Sep-24 | QTR Ended Jun-24 | QTR Ended Mar-24 | QTR Ended Dec-23 | FY23/24 | FY 22/23 |
|---|---|---|---|---|---|---|
| DXY CURNCY | -4.81 | 1.32 | 3.11 | -4.56 | -5.08 | -5.30 |
| EURUSD CURNCY | 3.94 | -0.71 | -2.26 | 4.41 | 5.32 | 7.87 |
| GBPUSD CURNCY | 5.77 | 0.17 | -0.85 | 4.36 | 9.64 | 9.21 |
| JPYUSD CURNCY | 12.00 | -5.92 | -6.81 | 5.90 | 3.99 | -3.10 |

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 September 30, 2024 and the previous three quarters. During the three months ended September 2024, fluctuations in the market values of the HSF's assets 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 at 10.59 per cent, while the US Core Domestic Equity mandate maintained the highest overweight exposure at 10.58 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[3]**
**/per cent/**

| Portfolio Weights | Asset Class | | Dec-23 | Mar-24 | Jun-24 | Sep-24 |
|---|---|---|---|---|---|---|
| | | Target Weight SAA | Actual % of Fund | Actual % of Fund | Actual % of Fund | Actual % of Fund |
| | US Short Duration Fixed Income | 25.00 | 19.73 | 23.31 | 20.39 | 19.96 |
| | US Core Domestic Fixed Income | 40.00 | 30.17 | 28.79 | 29.58 | 29.41 |
| | US Core Domestic Equity | 17.50 | 24.88 | 26.35 | 27.92 | 28.08 |
| | Non-US Core International Equity | 17.50 | 20.66 | 21.55 | 22.11 | 22.55 |
| | USD Fixed Deposit | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Investment Portfolio Cash | 0.00 | 4.55 | 0.00 | 0.00 | 0.00 |

Totals may not sum to 100 due to rounding.

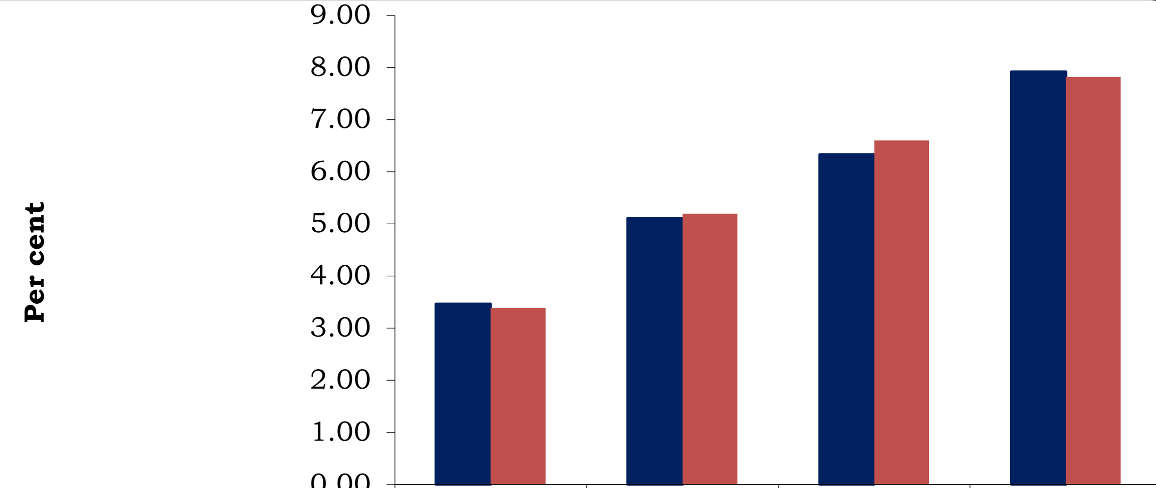
The total net asset value of the Fund as at the end of September 2024 was **US$6,087.9 million**, compared to US$5,761.3 million as at June 30, 2024. Of this total, the Investment Portfolio was valued at US$6,086.1 million, while the remaining portion was held in operating cash accounts to meet the day-to-day expenses that arise from the management of the Fund.

*Performance of the Investment Portfolio*

For the quarter ended September 30, 2024, the HSF's Investment Portfolio returned 5.74 per cent and outpaced its benchmark, which increased by 5.44 per cent. The declining interest rate environment provided a favourable backdrop for both bond and stock markets. Over the period, strong gains in the US fixed income and developed equity markets contributed to the Fund's positive performance (see Figure 5).

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

**Figure 5**
**Absolute Returns by Mandate for the period Jul-Sep 2024**




| | US Short Duration | US Core Fixed Income | US Core Domestic Equities | Non US Core International Equities |
|---|---|---|---|---|
| Composite Portfolio Return | 3.47 | 5.11 | 6.33 | 7.92 |
| SAA Benchmark Return | 3.39 | 5.20 | 6.60 | 7.82 |

The HSF outperformed by 30 basis points when compared with its SAA benchmark[4]. Excess returns were driven by relative asset allocation positioning. In aggregate, the HSF's larger exposure to stocks - in particular the US Core Domestic Equity mandate - outweighed the negative effect of the Fund's under allocation to fixed income. Collectively, external managers' strategies were broadly neutral. While the US Short Duration and Non US Core International Equity mandates exceeded their respective market benchmarks, this was offset by the underperformance within the US Core Fixed Income and US Core Domestic Equity mandates.

The **US Core Domestic Equity** mandate gained 6.33 per cent for the quarter ended September 30, 2024, while its benchmark, the Russell 3000 ex-Energy index, returned 6.60 per cent (see Figure 5). Stock selection in the Industrials, Healthcare and Telecommunications sectors detracted from performance, while positioning in Financials, Consumer Staples and Utilities sectors contributed to returns. As at the end

[4] The SAA negative relative returns in the US Core Fixed Income mandate and US Core Domestic Equity mandate offset the 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%).

of the period, the mandate's net asset value increased to **US$1,709.0 million** from US$1,608.1 million as at the end of June 2024.

The **Non-US Core International Equity** mandate advanced 7.92 per cent, outperforming its benchmark, the MSCI EAFE ex-Energy, by 0.10 per cent. Strong security selection in countries such as Japan and the UK enhanced performance while, in aggregate, country and currency allocation decisions modestly detracted. For the quarter ended September 30, 2024, the net asset value of the mandate added $99.2 million to **US$1,372.3 million**.

The **US Short Duration Fixed Income** mandate earned 3.47 per cent over the quarter, exceeding its benchmark, the ICE Bank of America 1-5 year US Treasury index, which grew by 3.39 per cent. Interest rate positioning and yield curve strategies were positive for performance, while exposure to high credit quality spread securities modestly detracted. The net asset value of the mandate as at September 30, 2024 was **US$1,214.7 million** compared to US$1,174.3 million as at June 30, 2024.

The longer duration **US Core Domestic Fixed Income** mandate returned 5.11 per cent, underperforming its benchmark, the Bloomberg US Aggregate Bond index, which increased by 5.20 per cent. Yield curve strategies detracted while exposure to credit spread products and security selection were broadly positive. For the quarter ended September 30, 2024, the net asset value of the mandate increased by US$86.5 million to **US$1,790.1 million**.

## 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 movements. As at September 30, 2024, all the 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 September 30, 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 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. 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 September 30, 2024.

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

| Mandate | Portfolio | Benchmark |
|---|---|---|
| **US Short Duration** | **2.71** | **2.59** |
| **US Core Domestic Fixed Income** | **6.06** | **6.20** |

**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 September 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 |
| June | 1.38 | 0.77 | 61.16 | 14.26 | 11.17 | 308.72 | 5.39 | 4.67 | 72.03 |
| September | 5.74 | 5.44 | 29.37 | 20.81 | 17.22 | 359.08 | 5.65 | 4.92 | 72.84 |

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 & 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 |
| September 30, 2024 | 6,087,864,395 | 1,066,041,442 | 4,649,548,807 | (369,946,835) |
| **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 & Unrealised 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 | - |
| June 30, 2024 | 5,761,305,038 | 71,938,586 | 4,322,926,055 | (209,563,136) |
| September 30, 2024 | 6,087,864,395 | 326,622,752 | 4,649,548,807 | |

# 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 | 13,657 | 158 |
| Coupon (%) | 3.37 | 2.70 |
| Duration (Years) | 6.20 | 2.59 |
| Average Life (Years) | 8.36 | 2.77 |
| Yield to Maturity (%) | 4.23 | 3.65 |
| Option Adjusted Spread (bps) | 36 | -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 | 2,836 | 706 |
| Earnings Per Share (EPS Growth 3-5yr fwd.) | 15.1 | 6.8 |
| Price Earnings (P/E fwd.) | 23.7 | 15.5 |
| Price / Book (P/B) | 4.6 | 1.9 |
| Weighted Average Market Capitalisation* (Bn) | 887.40 | 97.36 |

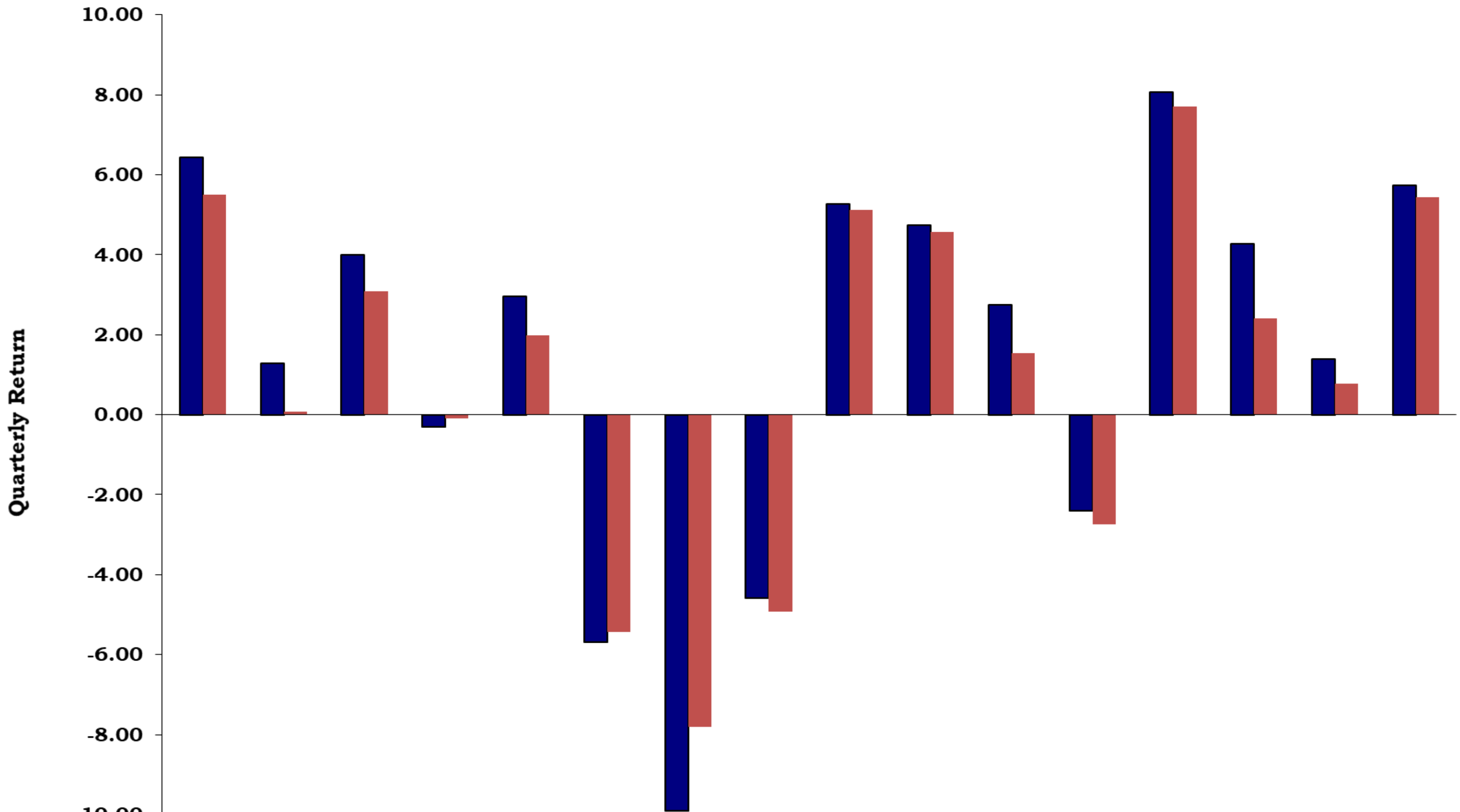
*Market capitalisation is a measurement of the size of a company (share price x the number of outstanding shares). The weighted average market capitalisation of a stock market index represents the average size of the firms comprising the index where each is weighted according to its market capitalisation.

## Appendix IV
## Summary of the Fund's Net Asset Value by Mandate
## /US$ Million/

| | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 |
|---|---|---|---|---|---|
| **Total Fund Value** | **5,390** | **5,659** | **5,898** | **5,761** | **6,088** |
| **Total Value of Equity** | **2,298** | **2,576** | **2,824** | **2,881** | **3,081** |
| US Core Domestic Equity | 1,246 | 1,408 | 1,553 | 1,608 | 1,709 |
| Non-US Core International Equity | 1,052 | 1,169 | 1,271 | 1,273 | 1,372 |
| **Total Value of Fixed Income** | **2,732** | **2,823** | **3,072** | **2,878** | **3,005** |
| US Short Duration Fixed Income | 1,134 | 1,116 | 1,374 | 1,174 | 1,215 |
| US Core Domestic Fixed Income | 1,598 | 1,707 | 1,698 | 1,704 | 1,790 |
| **Internal Portfolio** | **360** | **0** | **0** | **0** | **0** |
| **Investment Portfolio Cash** | **0** | **258** | **0** | **0** | **0** |
| **Total Value of Operating Cash** | **0** | **2** | **1** | **2** | **2** |

NB: Differences in totals are due to rounding.

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




| | 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 | FY2024 Q3 | FY2024 Q4 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| HSF Portfolio | 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 | 1.38 | 5.74 |
| Benchmark | 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 | 0.77 | 5.44 |