HERITAGE AND STABILISATION FUND

Quarterly Investment Report
October – December 2009

EXECUTIVE SUMMARY

During the third quarter of 2009, most of the developed economies performed creditably as some indicators pointed towards an improvement in their economic conditions. This performance was aided in part by the implementation of stimulus packages as well as an accommodative monetary policy stance adopted by policy makers. In the third quarter of 2009, the United States (US) economy and the Eurozone returned to economic growth while the United Kingdom's (UK) economy experienced a slower pace of contraction compared to the previous quarter. At the time of this report these economies were expected to report stronger economic performances during the fourth quarter of 2009.

Against this backdrop, the Heritage and Stabilisation Fund (HSF) composite portfolio returned 0.96 per cent during the period October to December 2009, higher than the 0.90 per cent returned by the composite benchmark. Though only accounting for 22 per cent of the Fund at the end of the year, the main driver of fund's total performance was the equity portion which contributed 0.84 per cent of the 0.96 per cent total return. The fixed income and cash portions which account for the remaining 78 per cent of the Fund contributed 0.12 per cent.

The portion of the Fund categorised as US Core Domestic equities returned 5.70 per cent over the quarter, a 26 basis points lower than its benchmark's return of 5.96 per cent. The Non-US Core International equity portion of the Fund on other hand outperformed its respective benchmark, returning 1.96 per cent compared with 1.69 per cent for the benchmark. These positive returns were generally driven by the following:

- Expectation of relatively higher corporate earnings.
- Increased risk appetite by investors.

The return of the fixed income portion of the Fund outperformed its benchmark during the quarter and this was driven by the US Core Fixed Income mandate which posted a quarterly return of 0.45 per cent versus 0.20 per cent for the benchmark. The other mandate comprising the fixed income segment, the US Short Duration Fixed Income, generated a return of -0.09 per cent compared with a slightly lower benchmark return of -0.07 per cent. The performance in these sectors was generally lower than the quarter ended September 2009 due to the inching up of yields which resulted in a softening of bond prices.

The aggregate HSF portfolio as at December 31st 2009 was valued at approximately US$2,992 million, up from US$2,964 million at the end of September 2009. In October 2009, US$135 million was reallocated from deposits to the international fixed income and equity mandates and there were no contributions or withdrawals by the Government during the quarter.

SECTION 1 – INTERNATIONAL ECONOMIC ENVIRONMENT

United States

Recent data in the US show that Gross Domestic Product (GDP) rose by 2.20 per cent on an annualized basis in the third quarter of 2009 compared with a second quarter contraction of 0.70 per cent (annualized). The fiscal stimulus measures provided much of the basis for the resumption of growth. In particular, the two Federal government programmes, "Cash for Clunkers" and the "First Time Home Buyers Credit" helped boost consumer spending during the quarter.

Activity in the manufacturing sector continued to recover with the Institute for Supply Management (ISM) index rising to 55.90 in December, the highest level since April 2006 up from 52.60 in September.

Despite the improved growth performance, unemployment continued to worsen as the jobless rate rose to 10.00 per cent in December, (the highest level since 1983) from 9.80 per cent in September. A total of 85,000 jobs were lost in December bringing the total number of Americans out of work to 7.2 million. The continued softness in the labour markets has impacted consumer credit which contracted in December.

Inflationary pressures remained subdued for most of the quarter. Core Inflation, which excludes food and energy, inched up in December at 1.80 per cent year-over-year. Higher energy prices however induced an uptick in headline inflation in December which rose 2.70 per cent (year-over-year) from 1.70 per cent in the previous month. The Federal Open Market Committee (FOMC) expects long-term inflation expectations to remain stable due to the substantial resource slack in the economy.

The Federal Reserve Board also indicated that in light of the improvements in the functioning of financial markets (see section on Money Markets), most of the Federal Reserve's (FED) special liquidity facilities would expire on February 1st 2010. These facilities include the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility, the Commercial Paper Funding Facility, the Primary Dealer Credit Facility, and the Term Securities Lending Facility. In addition, the FED indicated that it will be working with its central bank counterparties to close its temporary liquidity swap arrangements by February 1st 2010. The FED also intends to scale back the Term Auction Facility in early 2010 with the anticipated expiration dates for the Term Asset-Backed Securities Loan Facility and for loans backed by new-issued commercial mortgage-backed securities set at June 30, 2010. Despite this deadline, the FED indicated that it is prepared to modify the plans if necessary to support financial markets and economic stability. Meanwhile, the Fed Funds rate was left unchanged at the range of 0 per cent - 0.25 per cent for the quarter ending December 2009.

Eurozone

Economic activity in the Eurozone staged a mild recovery in the latter half of 2009. Real GDP in the region increased by 0.40 per cent in the third quarter following a decline of 0.10 per cent in the second quarter. Germany, Italy and France all recorded positive quarterly growth rates of 0.70 per cent, 0.60 per cent and 0.30 per cent respectively while the Spanish economy contracted by 0.30 per cent in the third quarter.

Similar to the situation in the US, unemployment in the Eurozone region remained high at 10.00 per cent in November. Spain continues to be the main source of weakness in the region with the unemployment rate reaching 19.40 per cent in November, whilst the Netherlands and Austria had unemployment rates of 3.90 per cent and 5.50 per cent respectively, the lowest in the region.

Consumer prices in the region rose to a ten month high of 0.90 per cent in the twelve months to December 2009 following a 0.50 per cent year-on-year increase in the previous month. The European Central Bank (ECB) expects the outlook for inflation to remain moderate over the medium-term horizon, with overall price, cost and wage developments staying subdued in line with a slow recovery in demand both in the euro area and elsewhere. The ECB left its target benchmark interest rate unchanged at 1.00 per cent.

United Kingdom

The UK economy contracted by 0.30 per cent in the third quarter of 2009. Whereas analysts anticipate a return to growth in the fourth quarter, concerns about the sustainability arose since much of the upsurge in spending was related to expenditure brought forward by households to avoid the VAT increase in January 2010.

During the last quarter of 2009, manufacturing activity measured by the Purchasing Managers' Index recorded its highest level in two years reaching 54.1 in December. Economists anticipate that the UK would continue to see growth in manufacturing output in the coming months due to a recovery in investments as well as the continued benefit from a weakened exchange rate.

Consumer Price Inflation (CPI) which measured 1.90 per cent (year-over-year) in November rose to 2.90 per cent in December largely due to an increase in petrol prices. At its December meeting, the Bank of England's (BoE) Monetary Policy Committee noted that the immediate prospect for inflation was for CPI to increase over the coming months as there was a greater level of uncertainty stemming from the difficulty in predicting the size and timing of the increase in the VAT rate. Notwithstanding, the BoE expects that the substantial degree of spare capacity in the economy would continue to restrain inflationary pressures over the medium term. The BoE held the benchmark interest rates steady at 0.50 per cent in the fourth quarter.

Japan

Latest economic data indicated that GDP grew by 0.30 per cent in the third quarter of 2009. According to the Bank of Japan (BOJ), economic conditions continue to show signs of improvements in exports and production as well as manufacturing. In addition, the previous declines in business fixed investment appeared to have abated.

Private consumption in the durable goods segment showed some growth as a direct result of some of the policy measures adopted by the BOJ. The jobless rate measured 5.10 per cent in October 2009 marginally down from the September 2009 figure of 5.30 per cent.

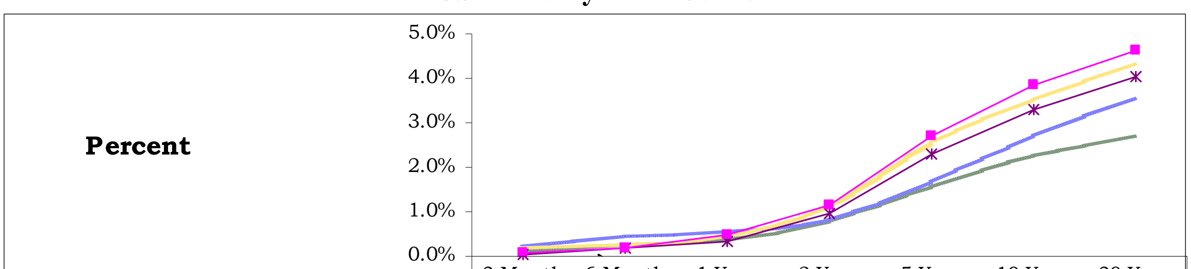
SECTION 2 – CAPITAL AND MONEY MARKET REVIEW

Financial markets continued to benefit from quantitative easing by major central banks and fiscal stimuli in the developed economies during the quarter. While the existence of cheap government-sponsored credit continued to assuage investors' confidence, the increase in returns in developed markets over the quarter was not as strong as in previous quarters. Investors' confidence faced a temporary setback in November as a result of negative news relating to the restructuring of the debts of Dubai World as well as sovereign downgrades in Greece and Spain. These concerns were however short-lived and returns across the majority of asset classes were generally positive over the quarter.

Fixed Income

For the quarter ended December 2009, US 10-year Treasury yields traded in a range of 3.25 per cent to 3.85 per cent. The yield curve continued to steepen compared to earlier quarters as the difference between the US 2-year and US 10-year treasuries rose from around 233 basis points in September to 271 basis points in December.

Figure 1
US Treasury Yield Curve



	3 Month	6 Month	1 Year	2 Year	5 Year	10 Year	30 Year
December 31, 2008	0.11%	0.27%	0.37%	0.76%	1.55%	2.25%	2.69%
March 31 2009	0.21%	0.43%	0.57%	0.81%	1.67%	2.71%	3.56%
June 30 2009	0.18%	0.26%	0.44%	1.11%	2.56%	3.54%	4.33%
September 30 2009	0.05%	0.17%	0.34%	0.95%	2.31%	3.31%	4.05%
December 31, 2009	0.06%	0.20%	0.47%	1.14%	2.69%	3.85%	4.63%

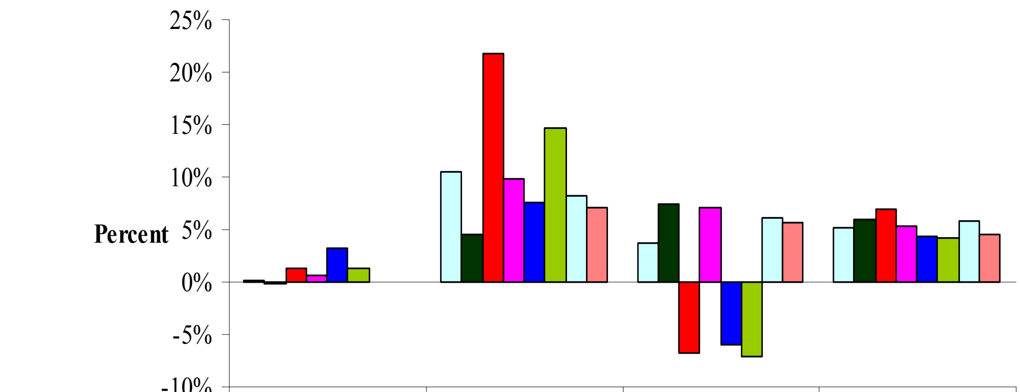
Period

The Bank of America Merrill Lynch US Government Treasury 1 – 5 Year Index (Figure 2) produced a negative return 0.11 per cent for the quarter as yields across the curve rose amidst supply concerns and better economic indicators. The broader US fixed income market, as represented by the Barclays US Aggregate Index, provided a total return of 0.20 per cent for the quarter ending December 2009 compared to a return of 3.74 per cent in the previous quarter.

The Asset Backed Securities (ABS) and Commercial Mortgage Backed Securities (CMBS) sectors performed modestly, returning 1.33 per cent and 3.27 per cent, respectively, down from the prior quarter returns of 6.30 per cent and 12.70 per cent respectively. US corporate investment grade security prices also increased as the spreads (the yield versus comparable Treasuries) continued to tighten, generating a 1.35 per cent return for the quarter ending December 2009, significantly lower than the pervious quarter’s return of 8.12 per cent.

The G-7 global treasury sector produced an overall negative return 0.03 per cent during the quarter with the US (1.30 per cent), UK (2.17 per cent) and Euro zone (0.08 per cent) government bonds all producing negative returns. Despite the low benchmark interest rates, there was some uncertainty in the treasury markets as investors considered the effect of the increased issuance of government securities and pending cessation or reduction of government support in the financial markets. These factors resulted in higher yields. Figure 2 presents a detailed breakdown for the fixed income indices.

Figure 2
Fixed Income Indices



	Qtr 1 09/10	FY 08/09	FY 07/08	FY 06/07
Barclays U.S. Aggregate	0.20%	10.56%	3.65%	5.14%
ML U.S. Treasury 1-5 Years	-0.11%	4.59%	7.36%	5.96%
U.S. Corporate	1.35%	21.77%	-6.78%	6.89%
U.S. MBS	0.58%	9.85%	7.02%	5.39%
CMBS Index	3.27%	7.56%	-6.03%	4.43%
ABS Index	1.33%	14.68%	-7.04%	4.12%
U.S. Agencies	-0.03%	8.21%	6.11%	5.73%
G-7 Global Bonds (Hedged)	-0.03%	7.04%	5.61%	4.44%

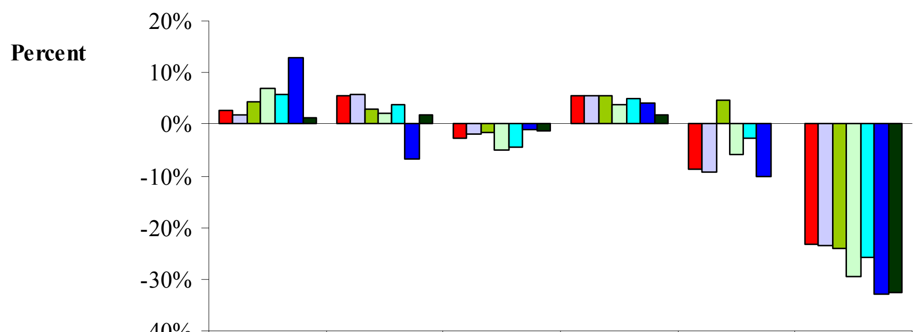
***Equity Markets*.**

Despite a slight decline in October, global equity markets rebounded in November and December. The Russell 3000 Index (US), which measures the performance of the largest 3000 U.S. companies and represents approximately 98 per cent of the investable U.S. equity market, gained over 5 per cent for the quarter ending December 2009. Major international indices in the United Kingdom, France, Germany and Japan also returned single-digit positive returns during the quarter (Figure 3). The VIX Index (which is an indicator of volatility) traded downwards, closing at 19.96 at the end of December down from 25.61 in September.

The positive trend in the equity markets since the March lows was due mainly to a positive outlook by investors given some favourable economic indicators in some of the world's largest economies, particularly the US, Germany and France.

The S&P 500 Index which had experienced a slump in October recovered in the final two months of 2009 to post returns of 5.74 per cent and 1.78 per cent, respectively. The positive performance came largely from the consumer discretionary (9.10 per cent), health care (9.09 per cent) and information technology (10.70 per cent) sub-sectors. By contrast, the finance sub-sector posted a negative return of 3.31 per cent for the quarter.

Figure 3
Equity Indices



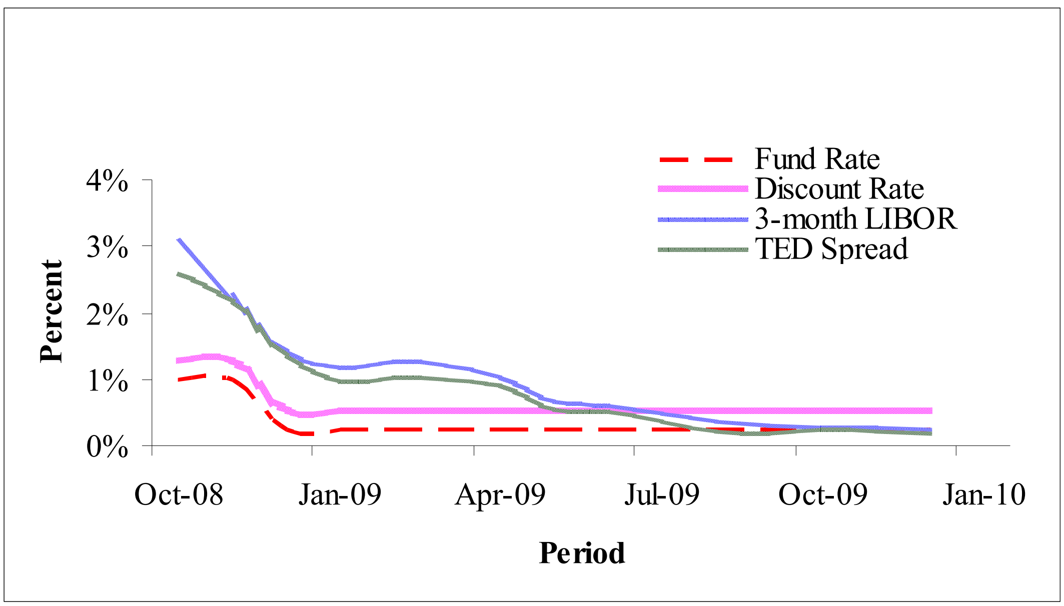
	Dec-09	Nov-09	Oct-09	FY 09/10 Q1	FY 08/09	FY 07/08
Russell 3000	2.69%	5.43%	-2.68%	5.37%	-8.64%	-23.14%
S&P 500	1.78%	5.74%	-1.98%	5.49%	-9.37%	-23.61%
FTSE 100 - UK	4.28%	2.90%	-1.74%	5.43%	4.72%	-24.19%
CAC 40 - France	6.96%	2.01%	-4.95%	3.71%	-5.87%	-29.46%
DAX 30 - Germany	5.89%	3.90%	-4.58%	4.97%	-2.67%	-25.83%
Nikkei 225 - Japan	12.85%	-6.87%	-0.97%	4.08%	-10.01%	-32.92%
MSCI EAFE	1.36%	1.75%	-1.29%	1.80%	-0.02%	-32.48%

Period

Money Market

Money market interest rates remained extremely low over the quarter. The TED spread, which is the difference between the 3-month T-bill rate and 3-month London Inter Bank Offered Rate (LIBOR) and which is used as a key measure of the health of the Banking system, remained flat ending the period at 29 basis points. Yields on money market deposits were also static as investors demanded less risk premia, as there was improved confidence in the banking system. Figure 4 shows movements in the key short-term money market rates for the US between the period October 2008 to December 2009.

Figure 4
US Market Rates (October 2008 – December 2009)

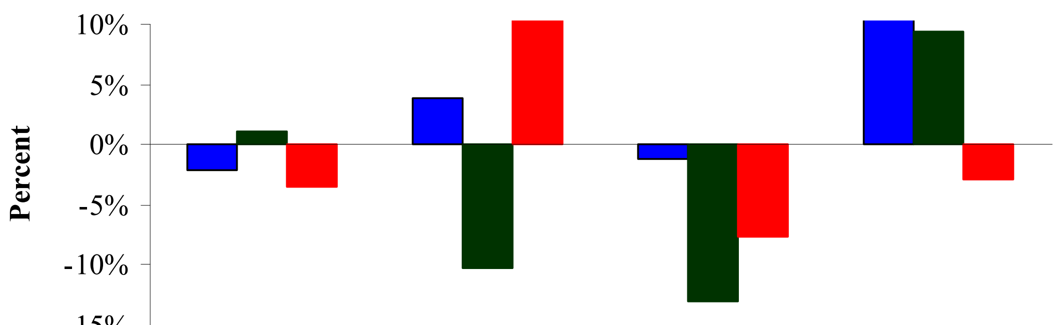


Currency Markets

Over the quarter, the US dollar strengthened against the Euro and Japanese yen by 2.18 per cent and 3.57 per cent, respectively but weakened by 1.18 per cent against the pound sterling. One of the major explanations behind the strength of the US dollar over the quarter was investors' sentiment surrounding the eventual change in the US Central Bank's policy towards a tightening bias as economic indicators in the US continued to improve.

Rates of exchange versus the US dollar for the Euro, Pound Sterling and Japanese Yen were 1.4321, 1.6170 and 93.02, respectively, as at the end of December.

Figure 5
FX Returns for Major Currencies versus the US Dollar



	Qtr 1 09/10	FY 08/09	FY 07/08	FY 06/07
EUR	-2.18%	3.89%	-1.23%	12.57%
GBP	1.18%	-10.24%	-13.03%	9.35%
JPY	-3.57%	18.29%	-7.58%	-2.85%

Period

SECTION THREE – PORTFOLIO PERFORMANCE

The quarter ended December 30th 2009 saw a continuation in the execution of the two-year transitional plan towards achieving the optimal asset mix defined by the Strategic Asset Allocation (SAA). The transition to the SAA is expected to be completed by January 2011 provided that favourable market conditions persist. Once the SAA target is attained, the Fund would be fully invested in the four major asset classes in the following proportions:

1) US Short Duration Fixed Income Mandate (25.0%)
2) US Core Domestic Fixed Income Mandate (40.0%)
3) US Core Domestic Equity Mandate (17.5%)
4) Non US Core International Equity Mandate (17.5%)

In October 2009, after reassessing the market conditions, the Fund made an additional cash contribution of US$135 million bringing the Fund's assets allocated to international fixed income and equity mandates to US$ 1,735 million. The table below shows the SAA's target asset allocation as well as the portfolio weighting as at December 31st 2009.

Table 1: Portfolio Composition to Target SAA:

	Asset Class	Jun-09		Sep-09		Dec-09	
		Target SAA	Actual	Target SAA	Actual	Target SAA	Actual
Portfolio Weights	US Fixed Deposits	95.00%	95.00%	46.00%	39.00%	38.00%	34.00%
	US Short Duration Fixed Income	5.00%	5.00%	13.50%	19.00%	15.50%	20.00%
	US Core Domestic Fixed Income	0.00%	0.00%	21.60%	22.00%	24.80%	24.00%
	US Core Domestic Equity	0.00%	0.00%	9.450%	10.00%	10.85%	11.00%
	Non US Core International Equity Mandate	0.00%	0.00%	9.450%	10.00%	10.85%	11.00%

The Fund yielded a return of 0.96 per cent for the quarter, versus the benchmark return of 0.90 per cent (See Appendix 1 Note 2 for details on the Composite Benchmark) and prior quarter return of 1.91 per cent. US Equity markets were the largest driver of performance during the quarter adding 0.84 per cent to the overall performance with the Fixed Income and Money Market segments returning 0.12 per cent for the quarter.

The combined HSF Equity portfolios returned 0.84 per cent for the quarter down from the previous quarter return of 1.16 per cent. The US Core Domestic Portfolio returned 0.62 per cent marginally underperforming its Benchmark, the Russell 3000 ex Energy Index by 0.03 per cent. Overweight allocations to the materials and health care sectors contributed to performance whilst an underweight allocation to the consumer discretionary sector detracted from performance. The Fund invested in companies like Amazon, Google and Deere that outperformed their respective sectors although its exposures to companies like Citigroup and State Street detracted from the overall performance. The non-US Core International Portfolio outperformed its benchmark the MSCI EAFE ex Energy Index by 0.02 per cent to return 0.21 per cent for the quarter. Overall, country allocation decisions were positive over the period with the Fund benefiting from country selection decisions in Australia, the U.K. and Japanese markets whilst being negatively affected by positioning in the Italian and Swiss equity markets. The market value of the Fund's equity exposure as at December 31st 2009 was US$664 million (see Table 2 below and Figure 7).

The HSF Fixed Income and Money Market Portfolios returned 0.12 per cent for the quarter outperforming the quarterly composite benchmark return of 0.06 per cent but down from the prior quarter return of 0.74 per cent. The relative outperformance was driven primarily by the US Core Fixed Income Portfolio which outperformed its benchmark, the Barclays US Aggregate Index by 0.06 per cent. An overweight allocation to BBB (triple B) rated issuer names in the Barclays US Aggregate Index as well as an underweight position in the MBS sector enhanced performance in the US Core

Fixed Income Portfolio. Interest rate positioning however weighed negatively on quarterly performance as the US Core Fixed Income Portfolio was slightly longer duration in a period in which US Treasury yields rose (see Fixed Income section above).The market value of the fixed income and money market segment of the Fund stood at US$2,328 million as at the end of December 2009 (see Table 2 below and Figure 7).

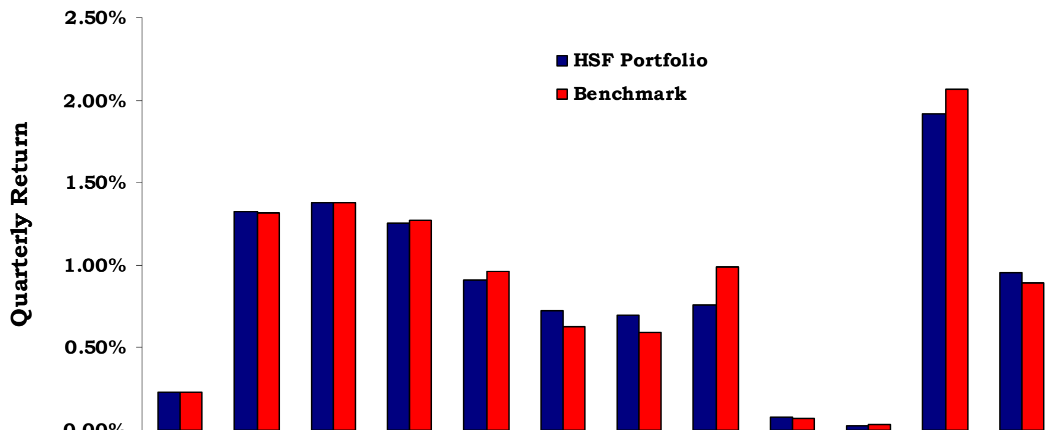
Table 2: Summary of Net Asset Value by Mandate

		USD millions	**USD millions**
Total (USD millions)		Sep-09	Dec-09
Value of Fund		2,964	2,992
Total Value of Equity		593	664
	US Core Domestic Equity	296	337
	Non-US Core International Equity	297	327
Total Value of Fixed Income		1,219	1,304
	US Short Duration Fixed Income	405	436
	US Core Fixed Income	652	708
	US Treasury Portfolio	161	160
Total Value of Cash or Cash Equivalents			
	Money Market Deposits	1,152	1,024

The total portfolio (money market, fixed income and equity) as at December 30th 2009 was valued at approximately US$2,992 million up from US$ 2,964 million as at September 2009. There were no contributions or withdrawals by the Government for the quarter ending December 2009. The improved performance in the market valuation resulted from dividends from the US Equity and

International equities portfolios, interest income from the US Core Fixed Income portfolio and an overall price appreciation.

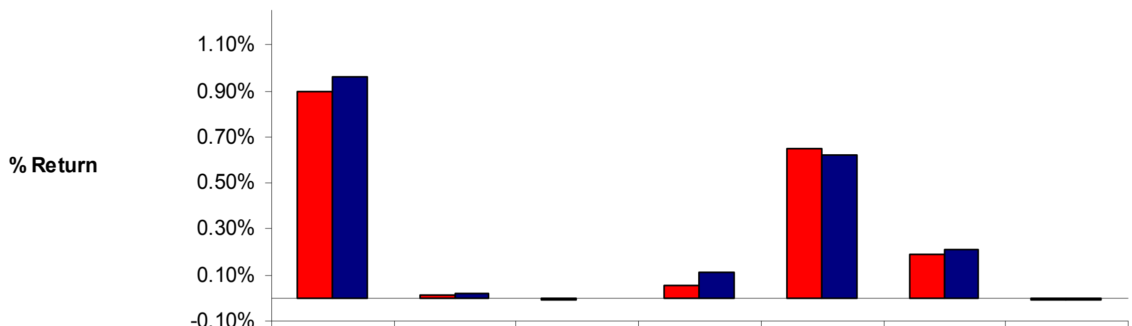
Figure 6
HSF Portfolio Quarterly Performance



	FY2007 Q2	FY2007 Q3	FY2007 Q4	FY2008 Q1	FY2008 Q2	FY2008 Q3	FY2008 Q4	FY2009 Q1	FY2009 Q2	FY2009 Q3	FY2009 Q4	FY2010 Q1
HSF Portfolio	0.233%	1.327%	1.381%	1.252%	0.907%	0.723%	0.694%	0.762%	0.078%	0.024%	1.914%	0.956%
Benchmark	0.230%	1.316%	1.376%	1.269%	0.960%	0.626%	0.591%	0.987%	0.071%	0.031%	2.063%	0.892%

Quarter

Figure 7
Performance by Asset Class for the Quarter September – December 2009



	Composite Portfolio	Money Market	U.S. Treasury Portfolio	US Core Fixed Income	US Core Domestic Equity	Non US Core International	US Short Duration Fixed
Benchmark Returns	0.897%	0.011%	-0.008%	0.054%	0.652%	0.189%	-0.008%
Portfolio Returns	0.962%	0.018%	0.001%	0.114%	0.623%	0.214%	-0.010%

Portfolio Risk and Compliance

Credit Risk

Over the quarter, the Fund adhered to its respective credit quality requirements as outlined in the Investment Guidelines. Table 3 below shows the Average Credit Quality of the US Short Duration and US Core Fixed Income Portfolios as at December 31st 2009.

Table 3: Average Credit Rating

Mandate	Average Portfolio Credit Rating	Average Benchmark Rating
US Short Duration	AAA	AAA
US Core Fixed Income	AA	AA

For the equity portfolios, no security was above the maximum percentage holding of 3.00 per cent of the security's outstanding shares or the 5.00 per cent sector and 3.00 per cent maximum holding limits of any one security above benchmark weighting.

Interest Rate Risk

The Interest Rate Risk for the Fixed Income Mandates are managed using a weighted average effective duration limit on the respective portfolios, with an allowable range of one (1) year longer or shorter than the weighted average duration of the respective Benchmark. Table 4 shows the Fund's US Short Duration and US Core Fixed Income duration limits as at December 31st 2009.

Table 4: Weighted Average Duration

Mandate	Weighted Average Portfolio Duration	Weighted Average Benchmark Duration
US Short Duration	2.66	2.64
US Core Fixed Income	4.24	4.40

Currency Risk

For the quarter, no more than 10.00 per cent of the market values of US Fixed Income and US Core Equity were invested in securities denominated in currencies other than the US Dollar.

The Non US Core International Equity Portfolio absorbs the currency risk however currency hedging is allowed for up to 15 per cent of the market value of the portfolio. No currency hedges were implemented during the quarter.

Compliance

At the end of the period ending December 31st 2009 there were no breaches of the various risk limits.

Appendix I

HSF Portfolio
Historical Performance since Inception

Quarter End	Current Returns			Fiscal YTD			Annualised Return Since Inception		
	Portfolio %	Benchmark %	Excess bps	Portfolio %	Benchmark %	Excess bps	Portfolio %	Benchmark %	Excess bps
FY 2007									
March	0.233	0.230	0.30						
June	1.327	1.316	1.04						
September	1.381	1.376	0.52	**2.966**	**2.947**	**1.89**	**5.475**	**5.440**	**3.50**
FY 2008									
December	1.252	1.269	-1.80						
March	0.907	0.960	-5.28						
June	0.730	0.626	10.36						
September	0.685	0.592	9.27	**3.614**	**3.491**	**12.30**	**4.337**	**4.242**	**9.48**
FY 2009									
December	0.762%	0.987%	-22.549	**0.762%**	**0.987%**	**-22.49**	**4.191%**	**4.244%**	**-5.25**
March	0.078%	0.071%	0.62	**0.841%**	**1.060%**	**-21.88**	**3.719%**	**3.762%**	**-4.30**
June	0.024%	0.031%	-0.69	**0.865%**	**1.091%**	**-22.60**	**3.325%**	**3.366%**	**-4.15**
September	1.904%	2.065%	-16.05	**2.786%**	**3.179%**	**-39.26**	**3.804%**	**3.910%**	**-10.62**
FY 2010									
December	0.962%	0.897%	6.05	**0.962%**	**0.897%**	**6.05**	**3.842%**	**3.911%**	**-6.90**

Note:

(1) In May 2008, US Treasury instruments were added to the HSF portfolio. As a result, the performance benchmark for the HSF portfolio became a blended benchmark, which comprised of 2.5% Merrill Lynch US Treasury 1-5 Years Index and 97.5% US One-month LIBID Index.

(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 comprises, Merrill Lynch US Treasury 1-5 Years Index, US One-month LIBID Index, Barclays US Aggregate, Russell 3000 ex Energy, MSCI EAFE ex Energy.

Appendix II

Heritage and Stabilisation Fund

Quarterly Portfolio Valuation and Cash flows (USD)

Valuation Date	Net Asset Value	Monthly Income	Accumulated Unrealized Capital Gains/Losses	Contributions
March 15th, 2007	1,402,178,155.01	0	0	
June 30th, 2007	1,424,094,965.45	6,219,841	21,916,810	
September 30th, 2007	1,766,200,701.73	6,928,748	41,966,361	241,992,101.13[1]
December 31st, 2007	1,788,304,749.27	7,457,728	64,035,501	–
March 31st, 2008	1,804,531,743.56	4,590,333	80,514,798	
June 30th, 2008	1,997,251,772.00	5,476,329	93,124,304	
September 30th, 2008	2,888,421,556.00	5,699,080	110,379,131	415,833,666.53
December 31st, 2008	2,909,717,167.00	3,529,009.	131,638,985	
March 31st, 2009	2,911,075,318.00	1,101,561	133,066,161	
June 30th,2009	2,912,040,600.39	1,188,606	133,909,143	
September 30th, 2009	2,964,686,478.00	4,361,407	186,755,766	
December 31st, 2009	2,992,717,167.00	5,495,828	214,699,141	

Note:

[1] The last quarter contribution for the fiscal year 2006/07 was paid on September 28, 2007.

Appendix III
Summary Characteristics of Composite Benchmarks
Fixed Income Benchmarks

Key Characteristics	Barclays US Aggregate Index	Merrill Lynch 1-5 Index
Total Holdings	8,347	87
Coupon (%)	4.72	2.46
Duration (Years)	4.40	2.64
Average Life (Years)	6.71	2.69
Yield to Maturity (%)	3.61	1.53
Option Adjusted Spread (bps)	59	-1
Average Rating	AA	AAA

Equity Benchmarks

Key Characteristics	Russell 3000 (ex energy)	MSCI EAFE (ex energy)
Total Holdings	2,790	901
Earnings Per Share (EPS Growth 3-5y fwd)	10.10%	8.05%
Price Earnings (P/E fwd)	15.1	22.86
Price / Book (P/B)	2.2	3.14
Operating Profit Margin	7.40%	12.60%
Market Capitalization	$60.5Bn	$48.9Bn

Appendix IV
Actual Quarterly Returns
For the Quarter ended December 2009

	HSF Return	Benchmark Return	Excess Return
Money Market	0.052%	0.031%	0.021%
U.S. Treasury Portfolio	-0.003%	-0.074%	0.070%
US Core Fixed Income	0.453%	0.198%	0.254%
US Core Domestic Equity	5.702%	5.965%	-0.263%
Non US Core International Equity	1.956%	1.693%	0.263%
US Short Duration Fixed Income	-0.088%	-0.074%	-0.014%

Appendix V
Contribution to Total Return
For the Quarter ended December 2009

	Weighting as at December 31st 2009	Weighted Return HSF	Weighted Return Benchmark	Excess Return
Composite Portfolio	100.00%	0.962%	0.897%	0.066%
Money Market	34.00%	0.018%	0.011%	0.007%
U.S. Treasury Portfolio	5.00%	0.001%	-0.008%	0.009%
US Core Fixed Income	24.00%	0.114%	0.054%	0.060%
US Core Domestic Equity	11.00%	0.623%	0.652%	-0.029%
Non US Core International Equity	11.00%	0.214%	0.189%	0.025%
US Short Duration Fixed Income	15.00%	-0.010%	-0.008%	-0.002%

Appendix VI

Portfolio Risk

The main risks for the HSF portfolio are Credit risk, Interest rate risk, Concentration risk and Currency risk.

Credit Risk

For the money market portion of the Fund, Credit risk is minimized by the adherence to certain strict standards before deposits can be placed with any money market counterparty. In the first instance, all counterparties must have a minimum credit rating of either A1 from the Standard and Poor's rating agency or P1 from Moody's. Credit risk is further minimized by the implementation of a maximum exposure limit for the counterparties. No more than 5.00 per cent of the market value of the portfolio can be invested with a single money market counterparty. For Fixed Income Instruments, Credit risk is mitigated by having strict credit concentration limits as well as minimum credit quality ratings. The HSF requires its core fixed income managers invest in bonds that have an implied investment grade rating as defined by Standard and Poor's, Moody's or Fitch. 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. For the equity portfolios, Credit risk is managed by imposing a maximum percentage holding of 3.00 per cent of the security's outstanding shares as well as a 5.00 per cent sector and 3.00 per cent maximum holding limits of any one security above benchmark weighting.

Interest Rate Risk

Interest Rate Risk is managed using a weighted average effective duration limit on the respective portfolios, with an allowable range of one (1) year longer or shorter than the weighted average duration of the respective Benchmark.

Concentration risk

Concentration or diversification risk is the risk of loss attributable to holding investments from a single investment style or class. The SAA seeks to reduce this risk by ensuring the Fund's assets are invested across various asset classes. The portfolio would be invested across four asset classes as follows; US Short Duration Fixed Income Mandate, US Core Domestic Fixed Income Mandate, US Core Domestic Equity Mandate, Non US Core International Equity Mandate. Each asset class that the Fund invests in reacts differently under the same market conditions and usually when one asset class has strong returns, another will have lower or even negative returns. By diversifying the Fund's investments across a number of asset types, the Fund would better ensure a positive return under a range of market conditions and lowers the total risk of the portfolio.

Currency Risk

For the Fixed Income and US Core Domestic Equity 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 the Non US Core International Equity mandates, the Fund absorbs the currency risk with currency hedging allowed for up to 15 per cent of the market value of the portfolio. The base currency is the US Dollar.