EXECUTIVE SUMMARY

Heightened **concerns about the slowdown in global growth** emerged during the second quarter of 2010 as some key economic indicators of major economies weakened over the period. In the United States (US), the first estimate of Real Gross Domestic Product (GDP) annualized growth was 2.4 per cent for the second quarter of 2010, down from 3.7 per cent in the earlier three months. Both the manufacturing and non-manufacturing sectors expanded at a slower pace in June while housing data continued to be a source of disappointment. On the other hand, the unemployment rate declined in June to 9.5 per cent from 9.7 per cent in the previous month. In the Euro zone, GDP data indicated that economic growth in the region remained sluggish during the first quarter of 2010 and is expected be subdued for the second quarter. The Japanese economy which is mainly export-driven may also experience a slower pace of growth in the second quarter as overseas demand for Japanese products fell during the quarter. However, the United Kingdom (UK) economy registered a stronger economic performance for the second quarter buoyed by its manufacturing and construction sectors which exhibited solid performances during the quarter.

During the second quarter of 2010, financial markets were largely influenced by the fiscal challenges facing the Euro zone. This combined with growing concerns about the slowdown in the pace of growth of the global economy **resulted in increased market flows into perceived "safer" securities**. As a result, equity markets, in particular, those in developed economies experienced increased volatility and performed poorly. At the same time, the yields on fixed income securities fell as investors increased their demand for these assets. In the US, all the sectors of the fixed income market produced positive returns.

As a result, the Fixed Income portfolios within the Heritage and Stabilisation Fund (HSF) generated positive returns for the quarter, of 2.02 per cent and 3.34 per cent for the US Short Duration Fixed Income mandate and the US Core Domestic Fixed Income mandate, respectively. **While, these portfolios account for approximately 51 per cent of the Fund, the positive returns were more than outweighed by the double-digit losses on the equity portion of the Fund.** The US Core Domestic Equity mandate lost 11.33 per cent over the quarter while the Non-US International Equity mandate relinquished 12.26 per cent of its value. The combined equities in the portfolio account for almost 25 per cent of the total portfolio value. The remaining 24 per cent of the Fund comprise Money Market deposits which generated a modest return of 6 basis points for the quarter.

On an aggregate level, **the Fund's total return for the quarter was -1.83 per cent** compared with 1.61 per cent in the previous quarter and -1.90 for the composite benchmark. The equity mandates contributed -3.22 per cent to the composite portfolio return while the Fixed Income and Money Market portfolios combined to contribute 1.38 per cent.

During the quarter, a further US$183.6 million was reallocated from money market deposits to the fixed income and equity mandates, in line with the Fund's Strategic Asset Allocation implementation plan.

Towards the end of April 2010, the Government made a **deposit of approximately US$104 million** with respect to the quarter ended March 2010 and subsequent to the quarter ended June 2010, the Government **contributed US$223 million** with respect to the June quarter. The **total market value of the HSF portfolio as at June 30th, 2010 was US$3,083 million,** up from US$3,039 million at the end of March 2010.

SECTION 1 – INTERNATIONAL ECONOMIC ENVIRONMENT

United States

Recent economic indicators on the US economy suggest that the pace of economic recovery in the second quarter was slower than many analysts had anticipated. Preliminary estimates of Real GDP Q2 2010 were 2.4 per cent, down from a revised 3.7 per cent annualized growth rate for the first quarter of 2010.

The rate of growth of US Manufacturing has also slowed according to recent figures released by the Institute of Supply Management. The manufacturing index for June 2010 measured 56.2 index points, down from 59.6 recorded in May. The non-manufacturing index also fell to a four-month low of 53.8 points in June, down from 55.4 points one month earlier.

There was a slight improvement in US employment as non-farm payroll employment increased by 207,000 during the second quarter. Private employment also increased by 83,000 to add almost 600,000 jobs during the first half of 2010. As a consequence, the unemployment rate declined to 9.5 per cent in June 2010 from 9.7 per cent in May.

Activity in the housing market remained depressed in May 2010 with housing starts and the number of building permits falling by 10.0 per cent and 5.9 per cent respectively. The monthly decline in housing starts was the largest since March 2009. In addition, new home sales dipped in May to 300,000, the lowest level since 1963. Analysts believe that the lack-lustre performance in the U.S. housing market may largely be attributed to the expiration of the government housing tax credit program in April 2010.

Consumer prices in the US remained relatively stable in May as the year-on-year inflation rate measured 2.0 per cent, marginally lower than the 2.2 per cent recorded in the prior month. Core

inflation, which excludes the impact of food and energy items, remained unchanged from April 2010 at 0.9 per cent. With prices remaining subdued, the Federal Reserve Board (FED) maintained its accommodative monetary policy stance and kept the Fed Fund rate unchanged in the range 0 to 0.25 per cent in June 2010.

Euro zone

In the Euro zone, economic activity expanded by 0.2 per cent in the first quarter compared with 0.1 per cent in the previous quarter. While most of the economies exhibited positive growth performances, the debt crisis in Greece served to dampen the pace of economic expansion in the Euro zone region. Real GDP expanded in Italy (0.4 per cent), Germany (0.2 per cent) and France (0.1 per cent) but contracted by 1.0 per cent in Greece.

On May 06th 2010, following sustained turmoil in the European markets, the European Union governments announced a €750 billion debt rescue package which included €440 billion in guarantees from euro-zone countries, €60 billion from the European Union's budget and a further €250 billion from the International Monetary Fund. The package was designed to provide liquidity to European countries that were having difficulties in raising funds in the financial markets.

With economic performance still weak, the rate of unemployment remained relatively high at 10.0 per cent in May 2010. Spain continued to record the highest rate of unemployment (19.0 per cent) while the lowest rates were recorded in the Netherlands (4.3 per cent) and Austria (4.0 per cent).

Inflationary pressures in the Euro zone area remained subdued as the year-on-year inflation rate decelerated to 1.4 per cent in June 2010 from 1.6 per cent in May. The European Central Bank (ECB) expects inflation to remain moderate over the medium- to- long term and held its benchmark interest rate at 1.0 per cent on July 08, 2010.

United Kingdom

Economic output in the UK continued to expand in the second quarter of 2010 as it grew by 1.1 per cent following an expansion of 0.3 per cent in the previous quarter. This continued growth reflected higher output in the construction, production and services industries. Construction output rose 6.6 per cent in the second quarter, compared with a decline of 1.6 per cent in the previous quarter. The services sector expanded by 0.9 per cent compared with growth 0.3 per cent in the first quarter, with business services and finance making the largest contributions to the sector's growth. Meanwhile, production output expanded by 1.0 per cent, the same rate as in the earlier quarter.

Towards the end of the second quarter of 2010, the new coalition government unveiled an emergency budget which was mainly designed to address the country's debt-to-GDP ratio (62.2 per cent), the highest recorded level since 1993. Budget provisions included a 25 per cent spending cut for most government departments, an increase in value added tax to 20 per cent from 17.5 per cent, as well as a levy on banks' balance sheets. These measures, while expected to increase tax revenues by approximately £2 billion per year, are likely to have a dampening effect on growth during the second half of the year.

The year-on-year rate of consumer inflation in the UK slowed to 3.4 per cent from 3.7 per cent in April 2010. The fall in food prices along with the slower rate of increase in petrol, alcohol and tobacco prices were the main factors accounting for the slower inflation rate. Despite these developments, the UK inflation rate remained well above the Bank of England's (BOE) 2.0 per cent target. At its July 2010 meeting, the BoE Monetary Policy Committee reiterated its expectation for inflation to moderate during the course of 2010 given the substantial spare capacity in the economy.

In addition, the BoE left the benchmark interest rate unchanged at 0.5 per cent and maintained its bond-stimulus program.

Japan

Industrial production in Japan fell by 0.1 per cent in May, driven by a 2.7 per cent decline in motor vehicle sales following fewer orders from overseas. The lower demand for Japanese goods in overseas markets was due in part to the fading effect of various economic stimulus measures. While the manufacturing sector continued to expand in June, the Japanese purchasing managers' index fell to 53.9 in June from 54.7 points one month earlier. This movement in the index represented a slowdown in growth and was the first decline in the five month period to May 2010.

Japan's unemployment rate rose for a third consecutive month in May, increasing to 5.2 per cent from 5.1 per cent in April and 5.0 per cent at the end of the first quarter. With growth still weak, the Bank of Japan kept interest rates unchanged at 0.1 per cent in mid-June.

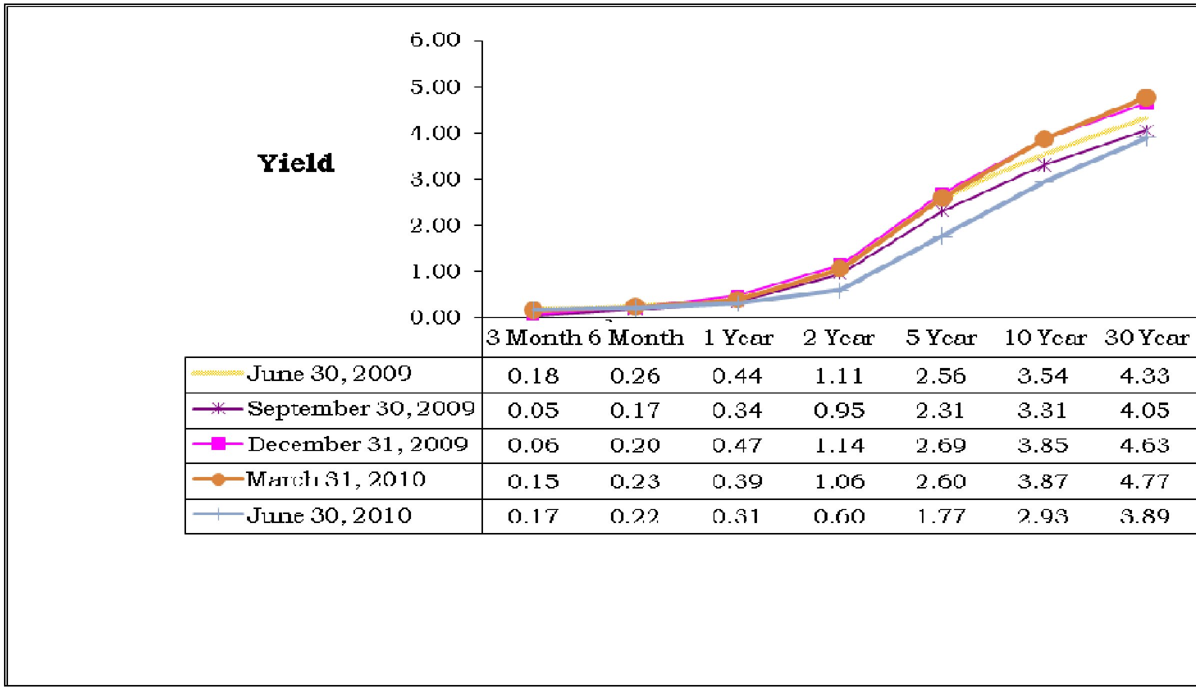
SECTION 2 – CAPITAL AND MONEY MARKET REVIEW

During the second quarter of 2010, financial markets were mainly influenced by concerns about the slower pace of global growth as well as the fiscal challenges confronting the Euro zone. Equity markets, especially those in developed economies recorded lack-lustre performances and exhibited increased volatility. The VIX Index, an indicator of volatility in the US equity markets trended sharply upwards to close the June quarter at 34.54, from 17.59 in March. At the same time, investors moved away from the more risky equity assets to the fixed income market which recorded positive returns.

Fixed Income

During the second quarter of 2010, the US yield curve trended downwards with the 10-year benchmark Treasury yield falling to 2.93 per cent, from 3.87 at the end of the first quarter. This was the first occasion in more than a year that the 10-year Treasury yield had fallen below 3 per cent. This decline reflected the increased demand for these securities as investors' harboured growing concerns about increasing sovereign risk in Europe. By the end of the quarter, the treasury yield curve flattened as the spread between the US 2-year and US 10-year treasury yields declined to 233 basis points from 281 basis points at the close of March 2010.

Figure 1
US Treasury Yield Curve
/per cent/



	3 Month	6 Month	1 Year	2 Year	5 Year	10 Year	30 Year
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
March 31, 2010	0.15	0.23	0.39	1.06	2.60	3.87	4.77
June 30, 2010	0.17	0.22	0.31	0.60	1.77	2.93	3.89

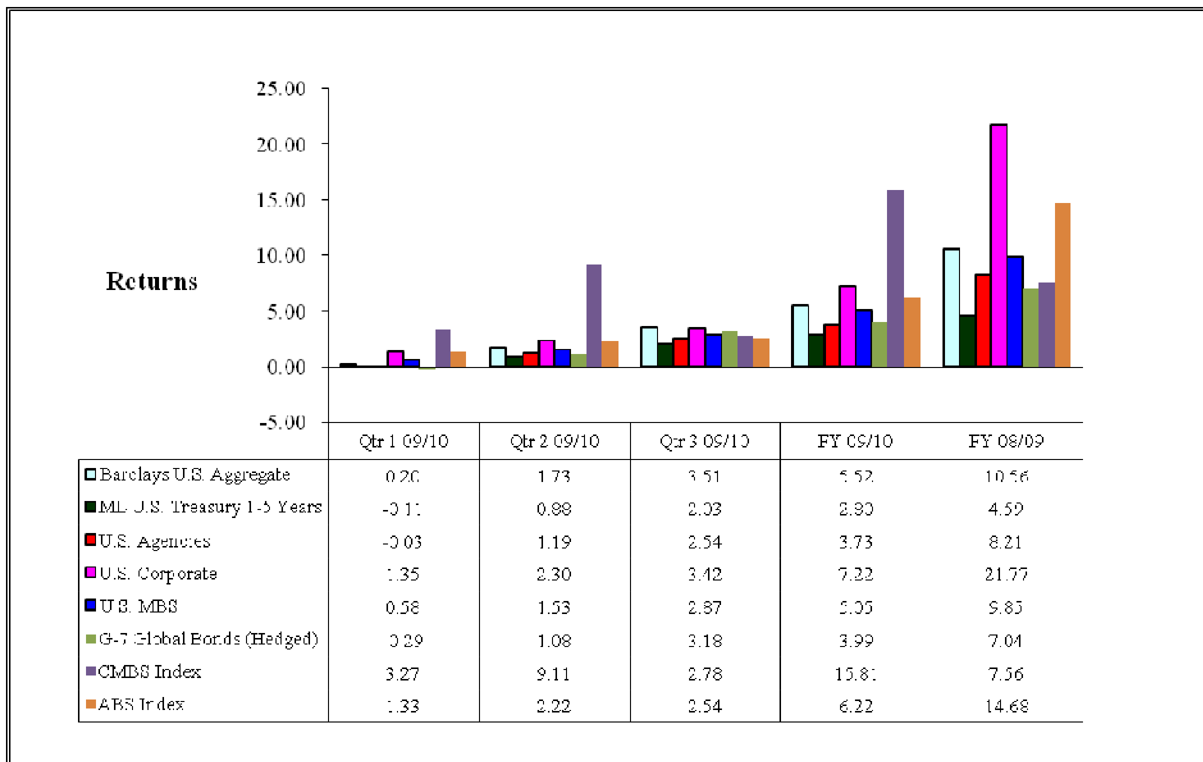
The Bank of America/Merrill Lynch US Government Treasury 1 – 5 Year Index generated a return of 2.03 per cent during the second quarter of 2010, a stronger performance when compared with the 0.88 per cent returned in the previous quarter. For each of the three months, the index's return was positive with June exhibiting the best performance. Meanwhile, the broader US fixed income market, as represented by the Barclays US Aggregate Index, returned 3.51 per cent compared with a return of 1.73 per cent for the quarter ended March 2010.

The Commercial Mortgage Backed Securities (CMBS) sub-index of the Barclays US Aggregate Index continued to generate positive returns during the quarter. The CMBS sub-index returned 2.78 per cent, significantly lower than the previous quarter as CMBS spreads widened over the period. Among the other sectors, Asset Backed Securities (ABS), US Corporate Investment Grade securities

and US agency securities returned 2.54 per cent, 3.42 per cent and 2.54 per cent, respectively for the quarter ended June 2010.

On the European front, the movement in government bond yields was mixed over the quarter as some bond yields declined while others increased. The yield on German 10-year bonds fell to 2.58 at the close of the quarter from 3.09 three months earlier. In addition, the yield on France's 10-year bond dropped 37 basis points to end June at 3.05 per cent, while the 10-year UK Gilt yielded 3.36 per cent, 58 basis points lower than the yield at the end of March 2010. Bond yields in the other European economies exhibited a general upward trend over the three months to June 2010. In Greece, 10-year government bond yields jumped to 10.41 percent in June from 6.53 per cent in March. Meanwhile in Italy, yields rose by 11 basis points to reach 4.09 per cent while in Ireland, the 10-year government bond yield increased by 1 per cent to stand at 5.50 per cent.

Figure 2
Returns on Fixed Income Indices
/per cent/



	Qtr 1 09/10	Qtr 2 09/10	Qtr 3 09/10	FY 09/10	FY 08/09
Barclays U.S. Aggregate	0.20	1.73	3.51	5.52	10.56
ML U.S. Treasury 1-5 Years	-0.11	0.88	2.03	2.80	4.59
U.S. Agencies	-0.03	1.19	2.54	3.73	8.21
U.S. Corporate	1.35	2.30	3.42	7.22	21.77
U.S. MBS	0.58	1.53	2.87	5.05	9.83
G-7 Global Bonds (Hedged)	0.29	1.08	3.18	3.99	7.04
CMBS Index	3.27	9.11	2.78	15.81	7.56
ABS Index	1.33	2.22	2.54	6.22	14.68

Equity Markets

Despite the general positive trend in corporate earnings announcements in the second quarter of 2010, the major US equity market indices posted negative returns. Stock prices were adversely impacted by several factors including the fears related to the European debt crisis, the BP oil spill, the newly proposed financial regulation and slowing pace of the US economic recovery. These factors resulted in high volatility which created waves of uncertainty throughout the market. For example, on May 6, US equity markets inexplicably fell by almost 10 per cent in the span of less than thirty minutes. This episode which was referred to as the “flash crash” appeared to have caused some deterioration in investor confidence although the market had recovered most of its losses by the end of the day.

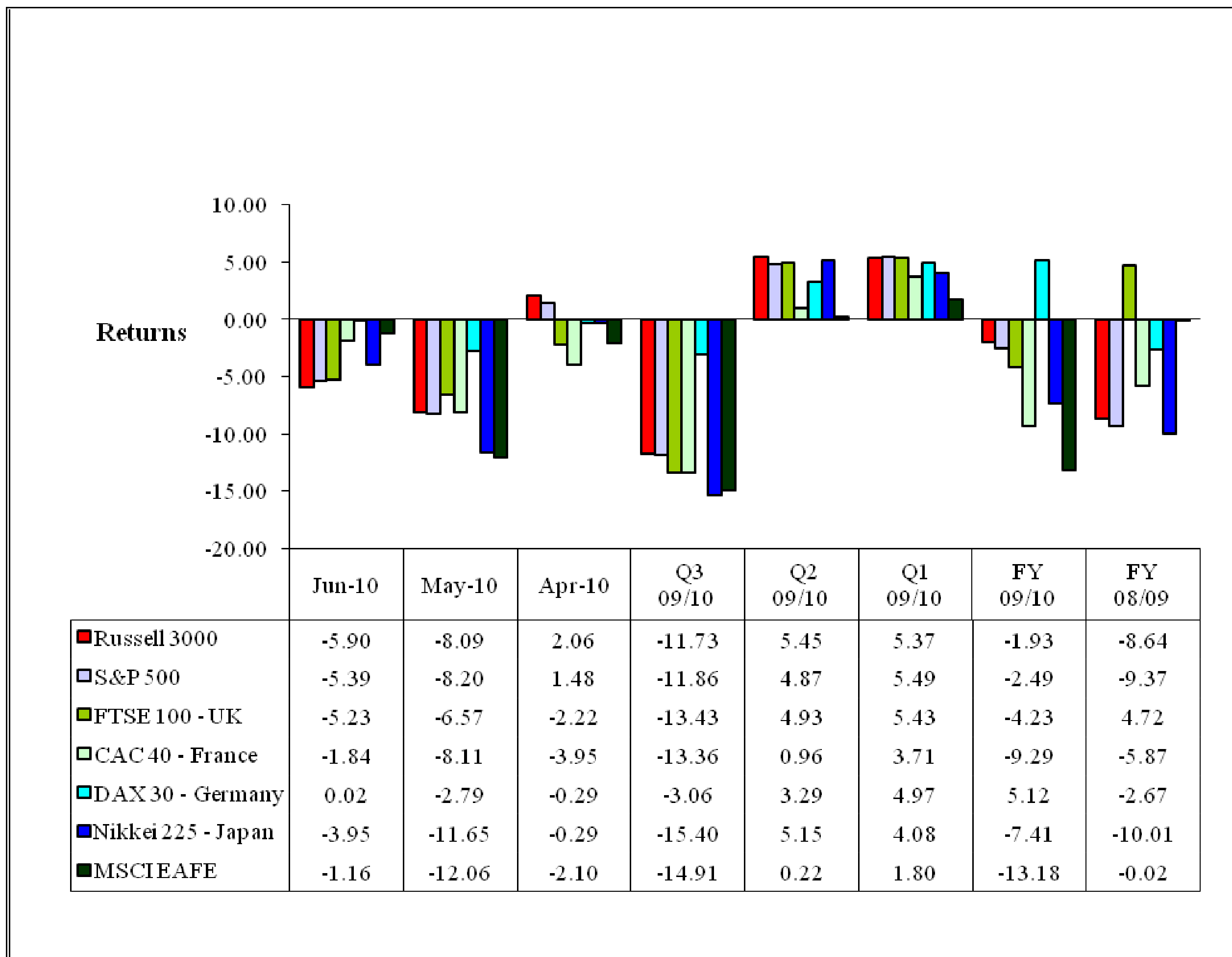
The S&P 500 index declined by 11.86 per cent during the second quarter, with all ten sub-sectors recording losses. This marked the worst decline since the fourth quarter of 2008 when the index fell 22.56 per cent.

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, fell by 11.73 per cent over the quarter ended June 2010. The small gain posted by the Index in April was quickly wiped out in May and the downward trend continued through to June. This trend was reversed in July as the index returned 6.9 per cent for the month.

The MSCI EAFE Index which tracks the performance of equity markets in Europe, Australia and the Far East was even more adversely affected than US indices and fell by 14.91 per cent in the second quarter as most markets posted negative returns. Within Europe, the weakest performing equity markets were Finland, Greece, Austria and Italy while the equity markets in Israel and Denmark which returned -1.35 per cent and -5.26 per cent, respectively, were the top performers in the region. In Australia, equity markets suffered losses as a result of falling commodity prices while the Japanese

markets plunged over concerns about the impact of the appreciating Yen on exports. The equity market in Singapore was the only market within the MSCI EAFE Index that generated a positive return for the second quarter of 2010. In July 2010 however, there was some strengthening in international equity markets as the MSCI EAFE Index returned in excess in 9.0 per cent for the month.

Figure 3
Returns on Equity Indices
/per cent/

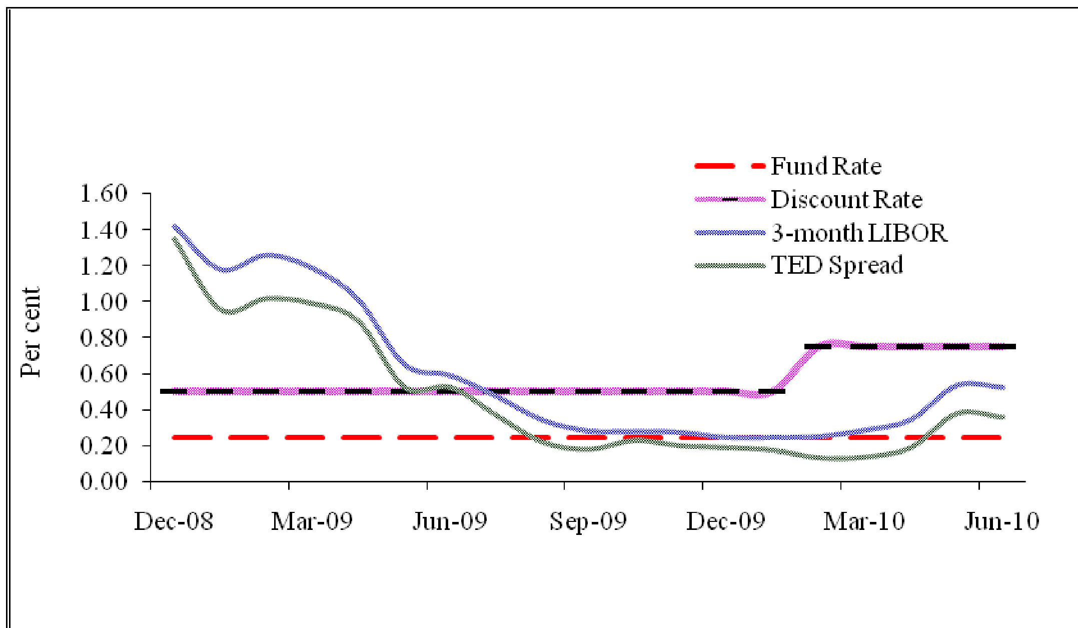


	Jun-10	May-10	Apr-10	Q3 09/10	Q2 09/10	Q1 09/10	FY 09/10	FY 08/09
Russell 3000	-5.90	-8.09	2.06	-11.73	5.45	5.37	-1.93	-8.64
S&P 500	-5.39	-8.20	1.48	-11.86	4.87	5.49	-2.49	-9.37
FTSE 100 - UK	-5.23	-6.57	-2.22	-13.43	4.93	5.43	-4.23	4.72
CAC 40 - France	-1.84	-8.11	-3.95	-13.36	0.96	3.71	-9.29	-5.87
DAX 30 - Germany	0.02	-2.79	-0.29	-3.06	3.29	4.97	5.12	-2.67
Nikkei 225 - Japan	-3.95	-11.65	-0.29	-15.40	5.15	4.08	-7.41	-10.01
MSCI EAFE	-1.16	-12.06	-2.10	-14.91	0.22	1.80	-13.18	-0.02

Money Market

Money market interest rates rose over the quarter in keeping with increased market volatility as a result of the European debt crisis. The TED spread, which is the difference between the 3-month T-bill rate and 3-month London Inter Bank Offered Rate (LIBOR) widened to 36 basis points at the end of June from 25 basis points in March. Yields on money market deposits increased as investors concerned about the exposure of financial institutions to Europe's most indebted nations demanded higher risk premia. The movements in key short-term US money market rates for the period December 2008 to June 2010 are shown in figure 4.

Figure 4
US Money Market Rates
/per cent/

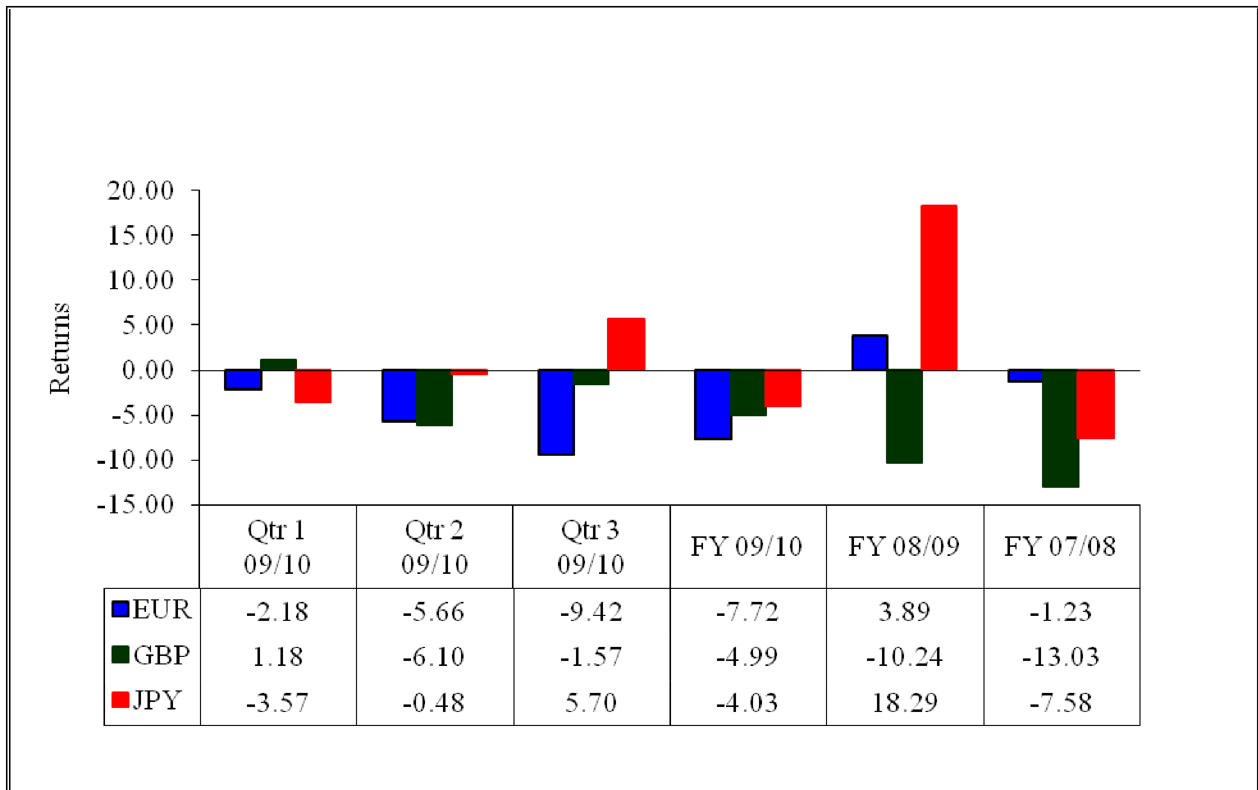


Currency Markets

During the second quarter of 2010, the US dollar appreciated against the Euro and the Pound Sterling by 9.42 per cent and 1.57 per cent, respectively. The Japanese Yen also benefitted from its status as a

safe haven currency, and appreciated by 5.70 per cent against the US dollar. The rates of exchange vis-à-vis the US dollar at the end of June 2010 for the Euro, Pound Sterling and Japanese Yen were 1.224, 1.495 and 88.430, respectively.

Figure 5
Foreign Exchange Returns for Major Currencies vis-à-vis the US Dollar
/per cent/



	Qtr 1 09/10	Qtr 2 09/10	Qtr 3 09/10	FY 09/10	FY 08/09	FY 07/08
EUR	-2.18	-5.66	-9.42	-7.72	3.89	-1.23
GBP	1.18	-6.10	-1.57	-4.99	-10.24	-13.03
JPY	-3.57	-0.48	5.70	-4.03	18.29	-7.58

SECTION 3 – PORTFOLIO PERFORMANCE

Strategic Asset Allocation (SAA)

Consistent with the approved transition plan towards the Strategic Asset Allocation (SAA), funds amounting to US$183.6 million were transferred to six of the eight external managers in April 2010. At the time of the transfer, 78 per cent of the Fund was managed externally while the other 22 per cent continued to be internally managed. When the transition plan is fully implemented by January 2011, the Fund would be fully invested in four major asset classes in the following proportions:

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

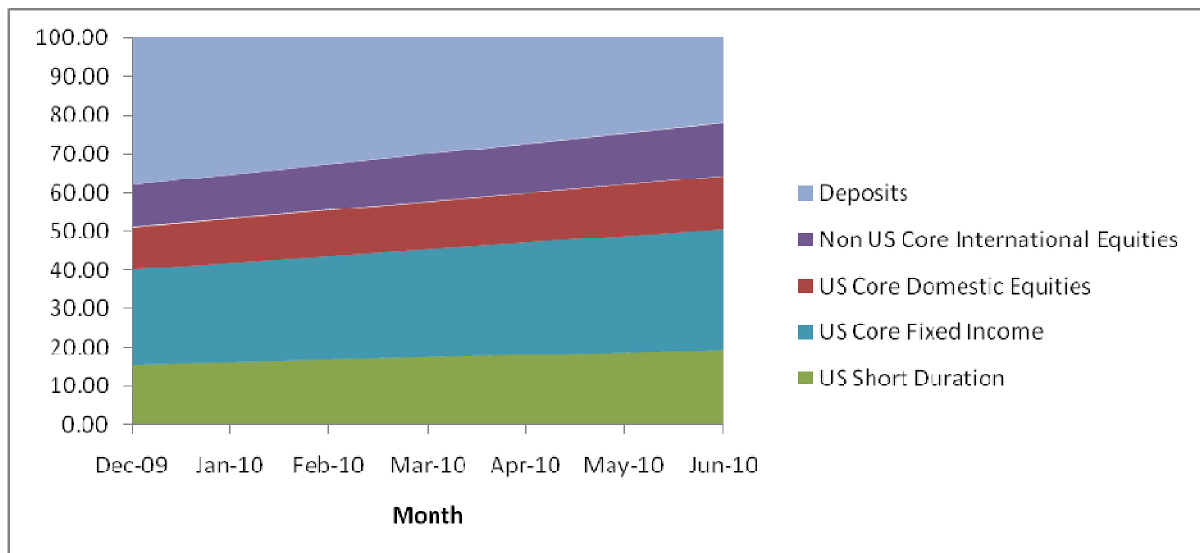
The total portfolio (money market, fixed income and equity) as at June 30th 2010 was valued at approximately US$3,083 million, up from US$3,039 million at the end of March 2010. **In April, the Government made a cash contribution of approximately US$104 million to the Fund for the quarter ended March 2010. Subsequent to the quarter ended June 2010, the Government deposited approximately US$223 million into the Fund for the June quarter, consistent with the deposit rules of the Act.**

The SAA's target asset allocation as well as the portfolio weighting as at June 30th 2010 is shown below in Table 2 and Figure 6.

Table 2
Portfolio Transition Towards Target SAA
/per cent/

	Asset Class	Dec-09		Mar-09		Jun-10	
		Target SAA	Actual % of Fund	Target SAA	Actual % of Fund	Target SAA	Actual % of Fund
Portfolio Weights	US Fixed Deposits	38.00	39.00	30.00	27.55	22.00	23.97
	US Short Duration Fixed Income	15.50	19.00	17.50	20.30	19.50	20.03
	US Core Domestic Fixed Income	24.80	22.00	28.00	28.00	31.20	31.30
	US Core Domestic Equity	10.85	10.00	12.25	12.45	13.65	12.47
	Non US Core International Equity	10.85	10.00	12.25	11.70	13.65	12.23

Figure 6
Asset Composition of the HSF Portfolio
/per cent/



Fund Performance

During the period April to June 2010, the HSF portfolio generated a composite return of -1.83 per cent compared with a benchmark return of -1.90 per cent. The negative performance of the equities in the Fund (-11.80 per cent) was the main reason for the portfolio loss over the quarter. Equity holdings which comprise roughly 25 per cent of the Fund's market value, contributed -3.22 per cent to the quarterly return. The Fixed Income and Money Market portions of the Fund posted positive returns. The Fixed Income mandate and the Money Market portfolio, which accounted for 51 per cent and 24 per cent, respectively of the Fund, collectively contributed 1.38 per cent.

Within the Equity mandate, the US Core Domestic Equity portfolio lost 11.33 per cent while the Non-US International Equity portfolio relinquished 12.26 per cent of its value. These losses more than reversed the gains made in the previous quarter when the US equity portfolio returned 5.98 per cent and the Non-US portfolio returned 0.86 per cent. Similar to the quarter ended March 2010, the US Core Domestic Equity mandate underperformed its benchmark - the Russell 3000 ex Energy Index - by 0.18 per cent. On the other hand, while the Non-US Core International Equity mandate lost value, it was still able to outperform the MSCI EAFE ex Energy benchmark by 0.97 per cent.

The underperformance of the US Core Domestic Equity portfolio relative to its benchmark was attributed to overweight allocations to the Consumer Discretionary and Materials sectors which were among the worst performers for the quarter. Also, underweight allocations to the Healthcare sector also detracted from portfolio performance. While an overweight allocation to Utilities stocks and the underweighting of the Financials sector contributed positively to returns, this was not sufficient to enable the portfolio to generate positive overall returns. On a fiscal year-to-date basis to June, this mandate returned -0.67 per cent compared with 0.32 per cent for the benchmark. As at June 30th, 2010 the market value of the US Core Domestic Equity Portfolios was US$384 million.

The Non-US Core International Equity mandate which outperformed its benchmark benefitted from overweight positions in Singapore and Sweden during the quarter. Equity markets in these countries performed better than their counterparts in other developed countries. On a sectoral level, decisions to overweight the healthcare and telecommunications sectors added to the portfolio's relative return. The market value of the Non-US Core International Equity mandate as at June 30th 2010 stood at US$377 million while the fiscal year to date return was -9.78 per cent compared with -10.57 per cent for the benchmark.

The US Short Duration Fixed Income portfolio, which is one of the two fixed income mandates in the Fund, represented approximately 20 per cent of the composite portfolio. During the quarter, this mandate returned 2.02 per cent to marginally underperform its benchmark - the Bank of America Merrill Lynch 1-5 year US Treasury Index - by 1.0 basis point. Meanwhile, the US Core Domestic Fixed Income mandate which is of a longer duration to the other fixed income counterpart and which accounted for 31 per cent of the Fund, also underperformed its benchmark - the Barclays US Aggregate Index - by 15 basis points to return 3.34 per cent for the quarter. In the case of the US Short Duration portfolio, the underperformance reflected the overweight positions in US Agency bonds as well as bonds of Foreign Guaranteed Banks. Similarly, the US Core Domestic Fixed Income portfolio underperformed its benchmark on account of overweight positions in US non-government securities. The market value of the US Short Duration Fixed Income, US Core Domestic Fixed Income and Money Market deposits stood at US$2,322 million as at the end of June 2010.

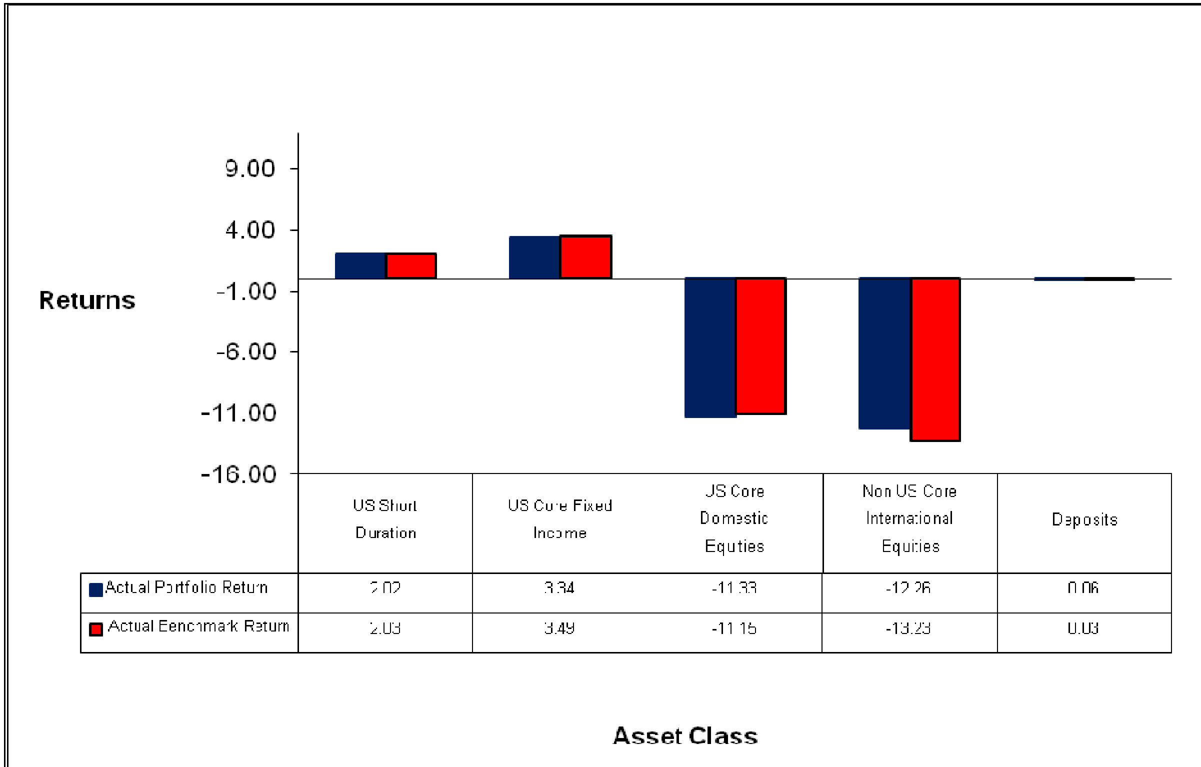
Table 3
Contribution to Quarterly Return
/per cent/

	Weighting as at June 30th 2010 (%)	Weighted Return HSF (%)	Weighted Return Benchmark (%)	Excess Return (%)	FYTD* Weighted Return HSF (%)	FYTD Weighted Return Benchmark (%)	FYTD Excess Return (%)
Composite Portfolio	100.00	-1.83	-1.90	-0.07	0.71	0.64	0.07
Money Market	23.97	0.02	0.01	0.01	0.04	0.03	0.02
US Core Domestic Fixed Income	31.30	0.98	1.03	-0.05	1.65	1.58	0.06
US Core Domestic Equity	12.47	-1.58	-1.55	-0.03	-0.22	-0.10	-0.12
Non US Core International Equity	12.23	-1.64	-1.76	0.12	-1.32	-1.42	0.10
US Short Duration Fixed Income	20.03	0.40	0.40	0.00	0.58	0.57	0.01

*FYTD - Fiscal Year to Date.

Note: Returns are for the period April 2010 to June 2010.

Figure 7
Absolute Returns by Asset Class
Apr 2010 – Jun 2010



SECTION 4 – PORTFOLIO RISKS AND COMPLIANCE

Compliance

During the quarter ended June 30th 2010, there was one breach of the Investment Guidelines involving the purchase of a non-investable bond. This was corrected by the end of the quarter without any financial cost to the Fund.

Credit Risk

Over the quarter, the Fund adhered to its respective credit quality requirements as outlined in the Investment Guidelines. Table 4 below shows the Average Credit Quality of the US Short Duration and US Core Fixed Income Portfolios as at June 30th 2010.

Table 4
Average Credit Rating

Mandate	**Portfolio**	**Benchmark**
US Short Duration	AAA	AAA
US Core Fixed Income	AAA	AAA

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 5 shows the Fund's US Short Duration and US Core Domestic Fixed Income duration limits as at June 30th 2010.

Table 5
Weighted Average Duration

Mandate	Portfolio	Benchmark
US Short Duration	2.49	2.58
US Core Domestic Fixed Income	4.09	4.27

Currency Risk

For the quarter, no more than 10.0 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. During the quarter the Fund had a currency position amounting to roughly 4 per cent of the total equity portfolio. As at June 30th 2010, this position was closed bringing the currency hedge to zero.

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	0.23	0.23	0.30						
June	1.32	1.31	1.04						
September	1.38	1.37	0.52	**2.96**	**2.94**	**1.89**	**5.47**	**5.44**	**3.50**
FY 2008									
December	1.25	1.27	-1.80						
March	0.90	0.96	-5.28						
June	0.73	0.63	10.36						
September	0.68	0.59	9.27	**3.61**	**3.49**	**12.30**	**4.33**	**4.24**	**9.48**
FY 2009									
December	0.76	0.99	-22.54	**0.76**	**0.98**	**-22.49**	**4.19**	**4.24**	**-5.25**
March	0.08	0.07	0.62	**0.84**	**1.06**	**-21.88**	**3.71**	**3.72**	**-4.30**
June	0.02	0.03	-0.69	**0.86**	**1.09**	**-22.60**	**3.32**	**3.36**	**-4.15**
September	1.90	2.07	-16.05	**2.78**	**3.18**	**-39.26**	**3.80**	**3.91**	**-10.62**
FY 2010									
December	0.96	0.89	6.65	**0.96**	**0.89**	**6.65**	**3.84**	**3.91**	**-6.56**
March	1.61	1.68	-6.26	**2.59**	**2.58**	**0.44**	**4.12**	**4.20**	**-8.40**
June	-1.83	-1.90	6.28	**0.71**	**0.64**	**6.87**	**3.18**	**3.23**	**-5.47**

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 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.

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

Valuation Date	Net Asset Value	Quarterly Income	Accumulated Surplus & Unrealized Capital Gains/Losses	Contributions
March 15th, 2007	1,402,178,155	0	0	
March 31st, 2007	1,405,448,567	3,270,412	3,270,412	
June 30th, 2007	1,424,094,965	18,646,398	21,916,810	
September 30th, 2007	1,766,200,701	20,301,027	41,966,361	321,706,043
December 31st, 2007	1,788,304,749	22,204,785	64,035,501	
March 31st, 2008	1,804,531,743	16,631,853	80,514,798	
June 30th, 2008	1,997,251,772	13,715,988	93,124,304	180,210,617
September 30th, 2008	2,888,421,556	15,341,508	110,379,131	873,963,840
December 31st, 2008	2,909,717,167	16,296,264	131,638,985	
March 31st, 2009	2,911,075,318	4,492,667	133,066,161	
June 30th,2009	2,912,040,600	3,621,489	133,909,143	
September 30th, 2009	2,964,686,478	11,397,337	186,755,766	
December 31st, 2009	2,992,717,167	19,444,496	214,699,141	
March 31st, 2010	3,038,173,194	17,674,928	259,925,615	
June 30th, 2010	3,083,272,124	23,243,505	199,004,184	103,843,621

Appendix III
Summary Characteristics of Composite Benchmarks

Fixed Income Benchmarks

Key Characteristics	Barclays US Aggregate Index	Merrill Lynch 1-5 Index
Total Holdings	8,191	94
Coupon (%)	4.51	2.41
Duration (Years)	4.27	2.58
Average Life (Years)	6.47	2.69
Yield to Maturity (%)	2.84	0.91
Option Adjusted Spread (bps)	45	-1
Average Rating	AAA	AAA

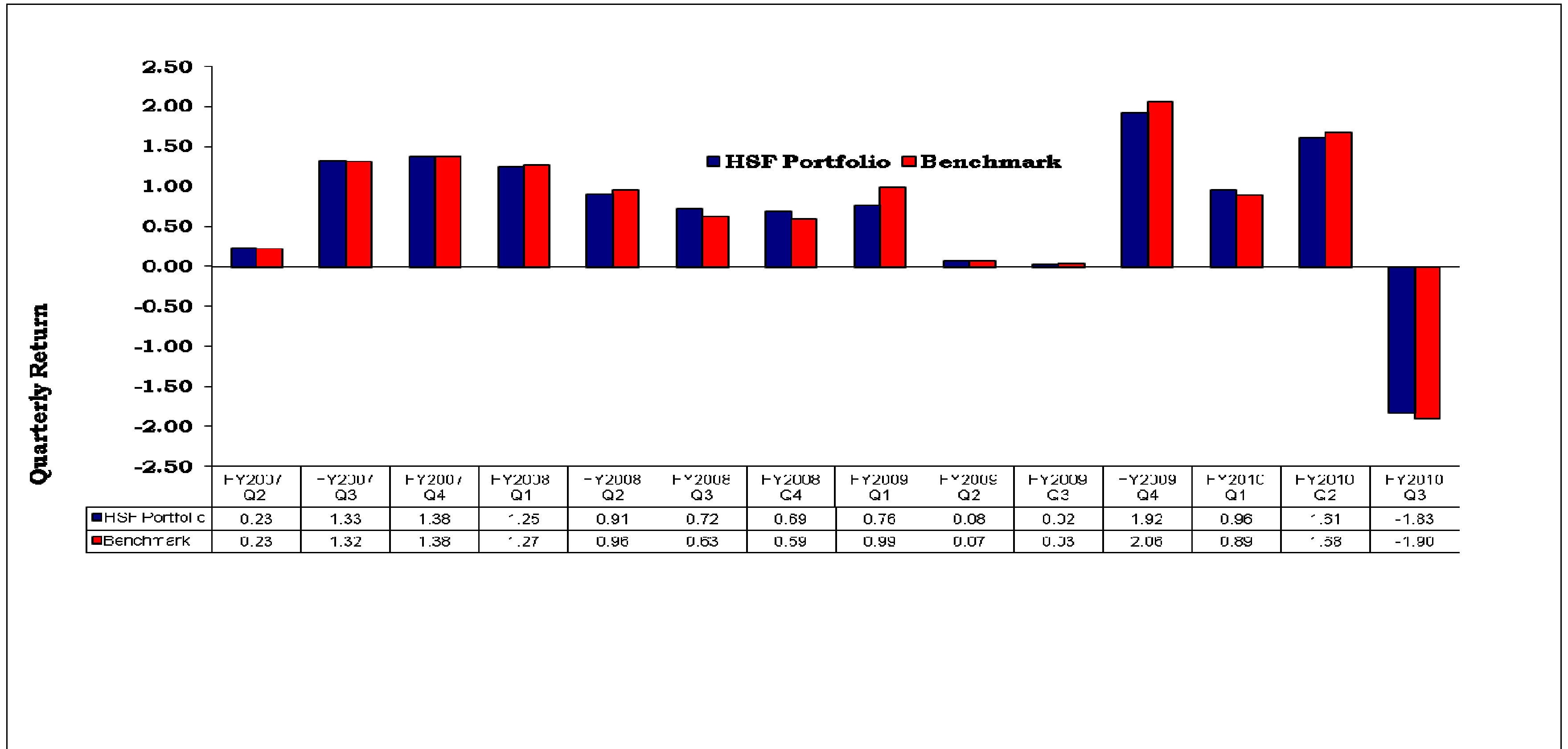
Equity Benchmarks

Key Characteristics	Russell 3000 (ex energy)	MSCI EAFE (ex energy)
Total Holdings	2,810	914
Earnings Per Share (EPS Growth 3-5y fwd) (%)	9.20	13.09
Price Earnings (P/E fwd)	11.0	17.06
Price / Book (P/B)	1.9	2.39
Market Capitalization (Bn)	$53.7	$39.5

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

	December 2009	March 2010	June 2010
Total Fund Value	2,992	3,039	3,083
Total Value of Equity	664	770	761
US Core Domestic Equity	337	398	384
Non-US Core International Equity	327	372	377
Total Value of Fixed Income	1,304	1,451	1,583
US Short Duration Fixed Income	436	606	618
US Core Domestic Fixed Income	708	845	965
US Treasury Portfolio	160	0	0
Total Value of Cash or Cash Equivalents	1,024	818	739

Appendix V
HSF Portfolio Quarterly Returns
/per cent/



	FY2007 Q2	FY2007 Q3	FY2007 Q4	FY2008 Q1	FY2008 Q2	FY2008 Q3	FY2008 Q4	FY2009 Q1	FY2009 Q2	FY2009 Q3	FY2009 Q4	FY2010 Q1	FY2010 Q2	FY2010 Q3
HSF Portfolio	0.23	1.33	1.38	1.25	0.91	0.72	0.69	0.76	0.08	0.02	1.92	0.96	1.61	-1.83
Benchmark	0.23	1.32	1.38	1.27	0.96	0.63	0.59	0.99	0.07	0.03	2.06	0.89	1.68	-1.90

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 to 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.