

HERITAGE AND STABILISATION FUND

QUARTERLY INVESTMENT REPORT

JANUARY TO MARCH 2019

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¹ This section includes economic developments to April 26, 2019.

EXECUTIVE SUMMARY

- Equity markets rallied following a steep sell-off during the prior quarter as fears around an imminent US economic recession abated. Gains were also supported by easing trade tensions between the United States (US) and China and a shift to a more accommodative monetary policy stance by several of the major central banks.
- Bond markets also delivered positive returns, benefitting from the decline in yields over the period. In addition to supportive monetary policy, a more subdued inflation outlook warranted a lower rate environment.
- US economic growth remained surprisingly robust over the quarter. However, economic activity in Europe and Asia continued to be negatively impacted by rising Brexit risks and the lingering effects from the US-China trade dispute. Nonetheless, domestic consumption remained resilient across the developed world supported in part by strong labour markets.
- The Heritage and Stabilisation Fund (HSF), which has exposure to developed market equities, gained 5.93 per cent in the first quarter of 2019, compared to a return of 5.61 per cent for its Strategic Asset Allocation (SAA) benchmark. While all mandates generated positive absolute returns, the main contributor to the HSF's outperformance of its benchmark was the exposure to equities above its SAA weight.
- The total net asset value of the Heritage and Stabilisation Fund (HSF) as at the end of March 2019 rose to US\$6,016.4 million from US\$5,683.2 million at the end of the previous quarter. Of this total, the investment portfolio was valued at US\$6,015.4 million, while the remaining portion (US\$1.02 million) was held in cash to meet the day-to-day expenses that arise from the management of the Fund.

Table 1
Absolute Quarterly Returns
For the period January – March 2019
/per cent/

	Absolute Return HSF	Absolute Return Benchmark
Composite Portfolio	5.93	5.61
US Short Duration Fixed Income	1.26	1.22
US Core Domestic Fixed Income	3.33	2.94
US Core Domestic Equity	13.69	13.91
Non-US Core International Equity	9.53	9.95

Table 2
Contributions to Quarterly Returns
For the period January - March 2019
/per cent/

	3 Months Weighted Return as at 31-Mar-2019	
	HSF	Benchmark
Composite Portfolio	5.93	5.61
US Short Duration Fixed Income	0.29	0.30
US Core Domestic Fixed Income	1.28	1.17
US Core Domestic Equity	2.65	2.37
Non-US Core International Equity	1.63	1.71

NB: Differences in totals are due to rounding.

SECTION 1 – INTERNATIONAL ECONOMIC ENVIRONMENT

Economic activity in the United States (US) accelerated during the three months to March, despite the US government shutdown and the roll-off of the fiscal stimulus effects. Rising inventories and greater state and local spending bolstered growth. In addition, export demand also accelerated as companies may have increased orders ahead of key trade negotiation deadlines. The initial estimate for first quarter Gross Domestic Product (GDP) was 3.2 per cent compared to 2.2 per cent in the prior quarter. However, inflation slowed over the quarter, with the Core PCE Index falling to 1.6 per cent compared to 2.0 per cent in the prior quarter. Meanwhile, the labour market remained resilient, with the unemployment rate hovering around 3.80 per cent.

Throughout Europe, the downside risks stemming from Brexit increased during the quarter and detracted from overall activity. In the United Kingdom, the services and construction sectors declined, while manufacturing activity received a temporary boost as a result of company stockpiling ahead of the Brexit deadline. Meanwhile, in the Eurozone, growth stagnated as the major economies struggled against the backdrop of weak global demand. However, despite the downturn in manufacturing and exports, improving labour market conditions helped to support a rise in consumer retail sales during the period. In Asia, economic data for Japan broadly disappointed as the country was negatively impacted by slowing growth in China and the uncertainty stemming from the US-China trade negotiations.

Central Banks across the developed market economies placed policy tightening on hold citing the slower growth outlook and muted pricing pressures. The US Federal Reserve (Fed) lowered its growth and inflation forecasts and placed its rate hiking cycle on pause, indicating that rates would likely remain unchanged for 2019. The Federal Reserve expects the US economy to moderate in 2019, with its most recent projection for Gross Domestic Product (GDP) at 2.1 per cent. The European Central Bank (ECB) and Bank of England (BOE) also shifted to a more accommodative monetary policy stance, acknowledging sustained political and economic headwinds.

SECTION 2 – CAPITAL AND MONEY MARKET REVIEW

Risk assets recovered from sharp declines in the fourth quarter of 2018. During the three months ending March 2019, major developed equity markets rose due to extended central bank support as well as easing US-China trade tensions. Commodity markets also participated in the rally as investor sentiment improved over the period. Oil prices, as measured by West Texas Intermediate crude, rose in excess of 30.00 per cent during the period to close at US\$60.14 per barrel.

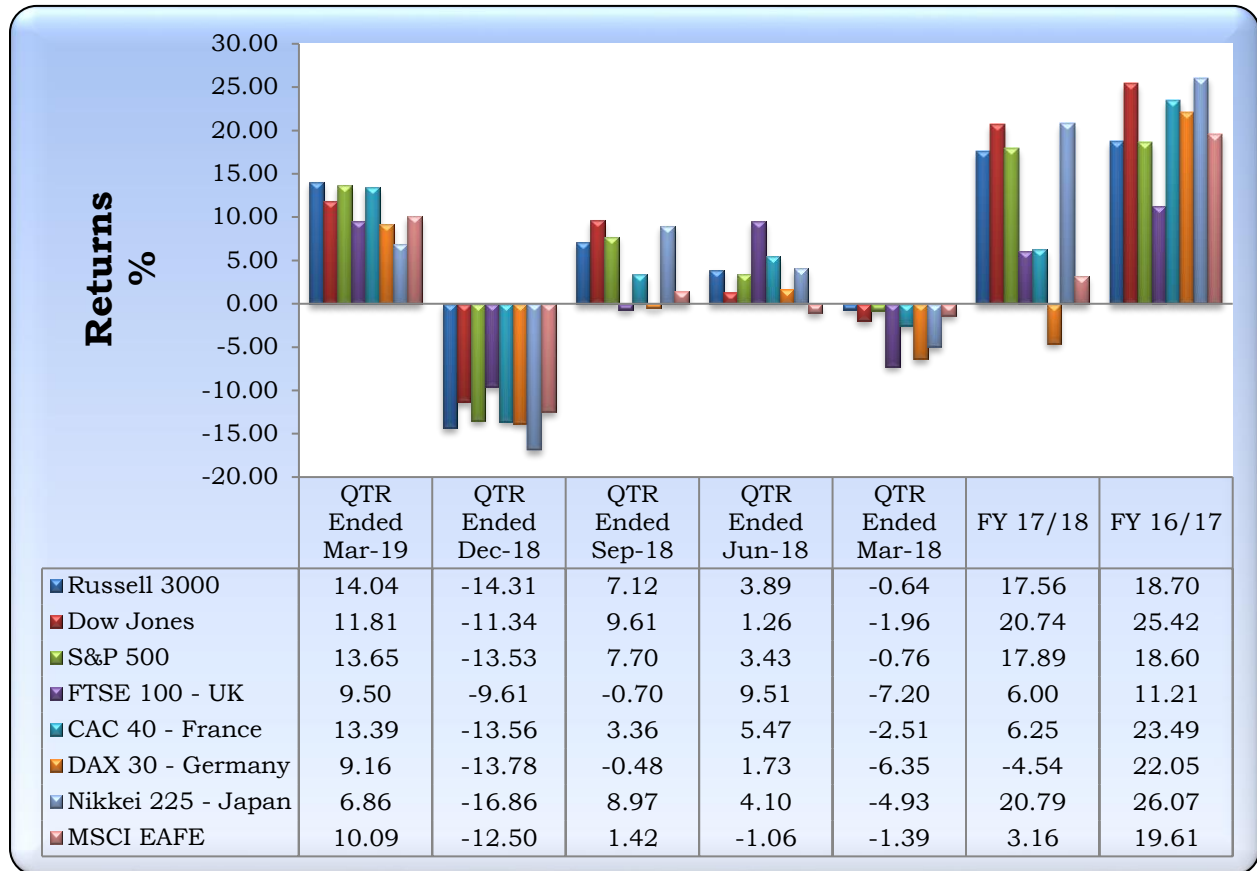
Volatility was significantly lower during the quarter despite lingering concerns surrounding global economic growth prospects and the rising risks stemming from Brexit. In the US, market volatility as measured by the Chicago Board Options Exchange Volatility Index (VIX), averaged 16.61 points in the first quarter of 2019 compared to 21.27 points in the previous quarter. Similarly, the European measure of investor anxiety, the Euro Stoxx 50 Volatility Index (VSTOXX), fell to an average of 15.66 points in the three months to March, from an average of 19.28 points over the fourth quarter of 2018.

US equities led other developed equity markets higher. The US Standard and Poor's (S&P) 500 index increased by 13.65 per cent in the first quarter, with most of the gains occurring in January. Stock prices rose amidst better than expected fourth quarter earnings, a more accommodative Fed and an end to the US government shutdown. All sectors rose, with the best performing being Information Technology and Real Estate, while Health Care and Financials lagged the broader market.

Non-US developed equity markets also advanced over the quarter. The MSCI EAFE index, when measured in US dollars, returned 10.09 per cent. European stocks rose, despite the increasing uncertainty surrounding Brexit with the UK's FTSE 100 and Germany's DAX 30 indices gaining 9.50 per cent and 9.16 per cent, respectively. In Asia, Japanese equities delivered more moderate returns. The Nikkei 225 increased 6.86 per cent, supported in part by a weaker yen.

Figure 1

Total Returns on Equity Indices
/Per cent/



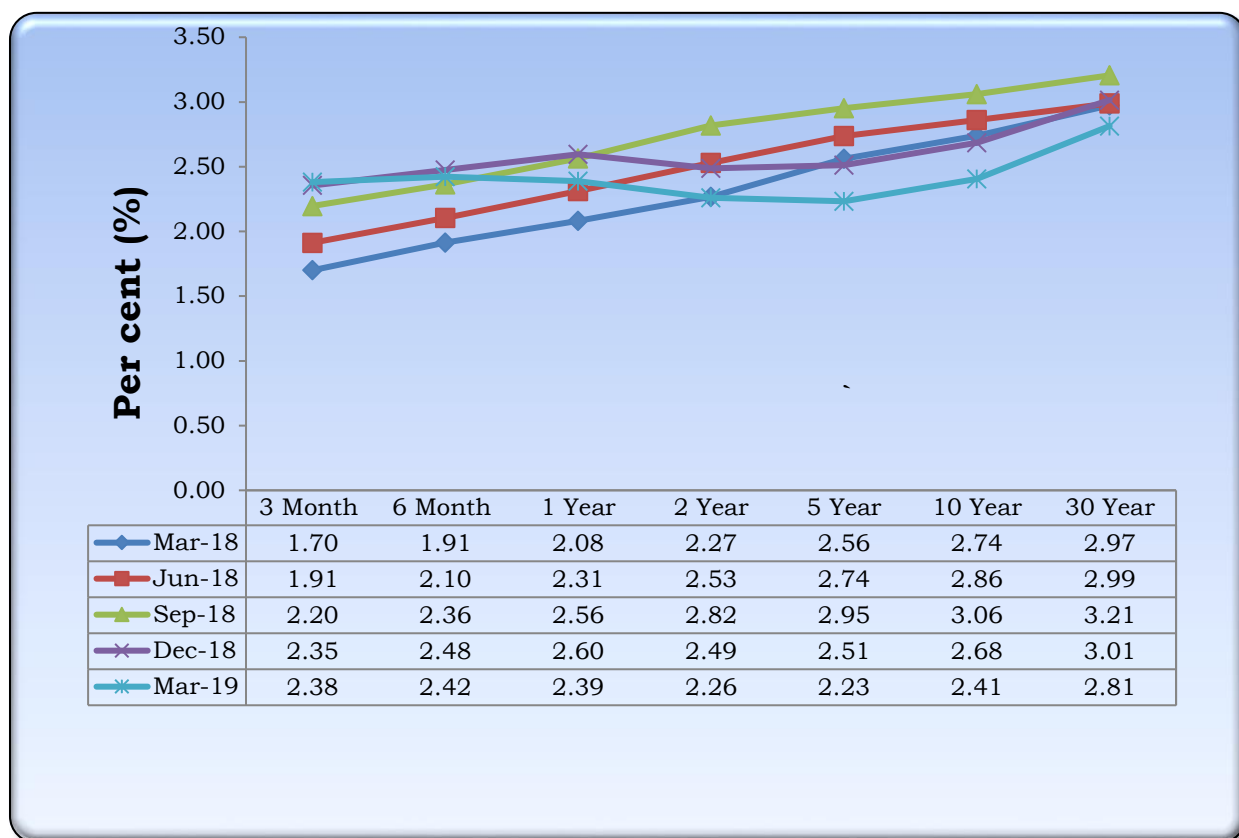
Source: Bloomberg

In the US fixed income market, treasury yields were volatile over the quarter but broadly declined following the Fed's shift to a more accommodative monetary policy approach. The slower growth outlook and contained inflationary pressures placed downward pressure on rates, especially in the longer-end of the curve. The 10-year yield fell by 27 basis points to end the quarter at 2.41 per cent.

During the period, the US Treasury yield curve partially inverted between the 3-month to 10-year portion, re-igniting fears over a looming US economic recession. Although the inversion was not sustained, investors continued to closely monitor the shape of the yield curve given its relationship to future growth expectations.

Figure 2
US Treasury Curve

/Per Cent/

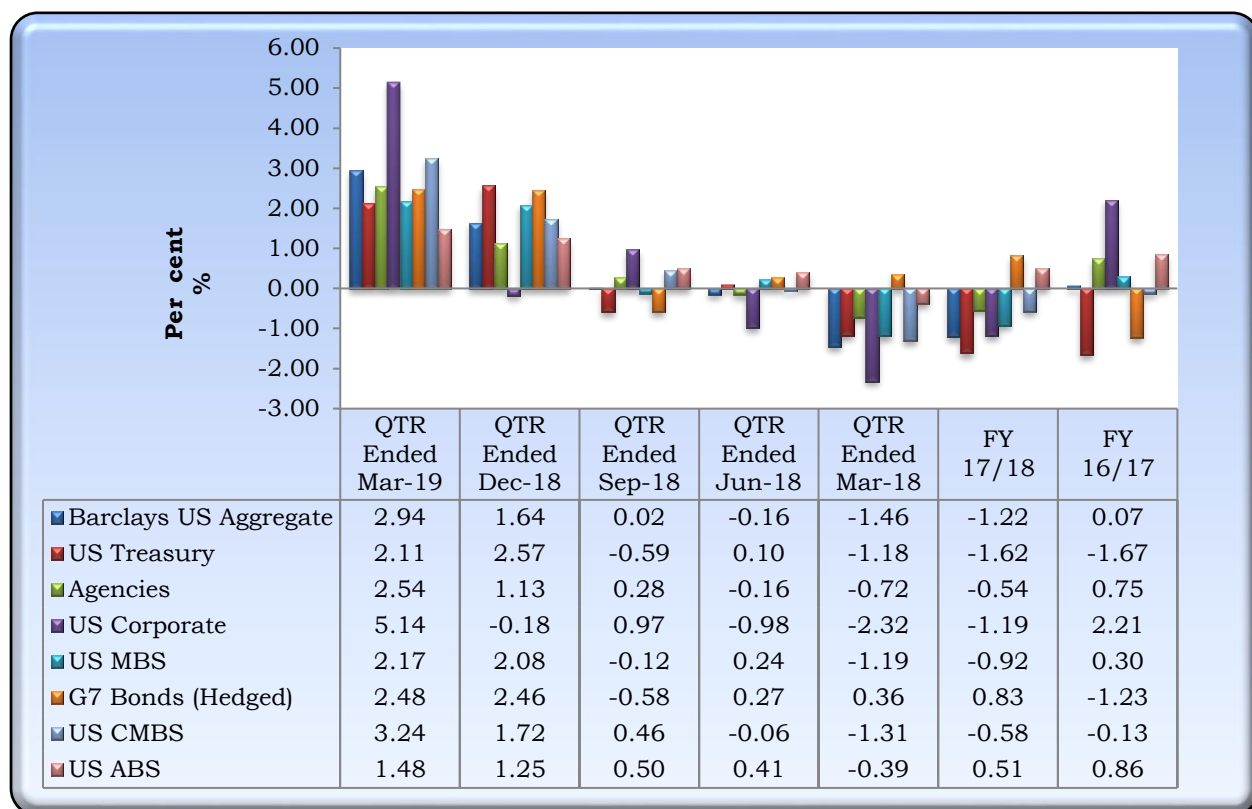


Source: Bloomberg

The broader US fixed income market, as represented by the Bloomberg Barclays US Aggregate Bond Index, earned 2.94 per cent in the first quarter of 2019. The decreasing interest rate environment boded well for overall fixed income assets. Moreover, the lower risk aversion in the market resulted in narrowing credit spreads. The US Corporate Investment Grade sector was the best performing sub-component of the bond market, gaining 5.14 per cent. Meanwhile, US Agencies and Commercial Mortgage Backed Securities (CMBS) also generated positive returns over the quarter, gaining 2.54 per cent and 3.24 per cent, respectively

Figure 3
Returns on Fixed Income Indices

/Per Cent/



Source: Bloomberg

In currency markets, the Japanese Yen depreciated 1.12 per cent against the US dollar, as a result of the ongoing trade dispute and concerns around slowing Chinese demand. The Euro also lost 2.17 per cent against the US dollar due to the ECB's rate hike delay and anaemic economic growth in the region. Although there remains considerable uncertainty surrounding Brexit, the Pound appreciated 2.20 per cent against the US dollar. The currency moved higher due to the lower likelihood of a "no deal" scenario, following an agreement with the European Union to extend the Brexit deadline.

Figure 4
Foreign Exchange Returns for Major Currencies

**vis-à-vis the US Dollar
/Per Cent/**



Source: Bloomberg

SECTION 3 – PORTFOLIO PERFORMANCE

Strategic Asset Allocation

During the period January to March 2019, the asset classes of the Fund deviated from their Strategic Asset Allocation (SAA) but their weights all remained within the permitted (+/- 5 per cent) range. The approved SAA for the HSF investment portfolio is as follows:

i.	<i>US Short Duration Fixed Income Mandate</i>	<i>25.0%</i>
ii.	<i>US Core Domestic Fixed Income Mandate</i>	<i>40.0%</i>
iii.	<i>US Core Domestic Equity Mandate</i>	<i>17.5%</i>
iv.	<i>Non US Core International Equity Mandate</i>	<i>17.5%</i>

At the end of March 2019, the equity mandates carried an overweight position, while the fixed income mandates had a corresponding underweight allocation. At the asset class level, the US Core Domestic Equity mandate had the largest overweight of 3.44 per cent while the US Short Duration Fixed Income mandate had the largest underweight position amounting to 2.27 per cent.

The total net asset value of the Fund as at the end of March 2019 was US\$6,016.4 million, compared with US\$5,683.2 million at the end of the previous quarter. Of this total, the investment portfolio was valued at US\$6,015.4 million, while the remaining portion was held in cash to meet the day-to-day expenses that arise from the management of the Fund. The Fund's target asset allocation and the portfolio weightings as at March 31, 2019 are shown in Table 3 below.

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

<i>Portfolio</i>	<i>Asset Class</i>	<i>Jun-18</i>	<i>Sep-18</i>	<i>Dec-18</i>	<i>Mar-19</i>
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	Target Weight SAA	Actual % of Fund	Actual % of Fund	Actual % of Fund	Actual % of Fund
US Short Duration Fixed Income	25.00	22.64	22.27	23.77	22.73
US Core Domestic Fixed Income	40.00	37.81	37.21	39.51	38.55
US Core Domestic Equity	17.50	20.43	21.57	19.51	20.94
Non-US Core International Equity	17.50	19.12	18.95	17.22	17.79

Totals may not sum to 100 due to rounding.

Performance of the Investment Portfolio

During the first quarter of 2019, the HSF grew by 5.93 per cent compared with a gain of 5.61 per cent for its SAA benchmark². The main driver of the 32 basis points outperformance was the overweight allocation to the US Core Domestic Equity mandate compared to the SAA. All mandates rose over the period but the US Core Domestic Equity mandate delivered the highest return, on an absolute basis. Relative performance was mixed across the mandates. When compared to their respective benchmarks, the fixed income mandates outperformed, while the active management strategies employed in the equity mandates underperformed over the quarter.

The **US Core Domestic Equity** mandate delivered the best performance on an absolute basis, gaining 13.69 per cent during the first quarter of 2019. However it underperformed its benchmark, the Russell 3000 ex Energy index, by 22 basis points. Stock selection in the financial services, health care, and materials and processing sectors negatively impacted performance while exposure within the consumer staples and the consumer discretionary sectors positively contributed to the portfolio. The net

² The SAA benchmark is a blended benchmark which comprises, Bank of America/Merrill Lynch US Treasury 1-5 Years Index (25%), Bloomberg Barclays US Aggregate Bond Index (40%), Russell 3000 ex Energy Index (17.5%), and MSCI EAFE ex Energy Index (17.5%).

asset value of this mandate as at March 31, 2019 was **US\$1,259.5 million**, compared with US\$1,108.3 million three months earlier.

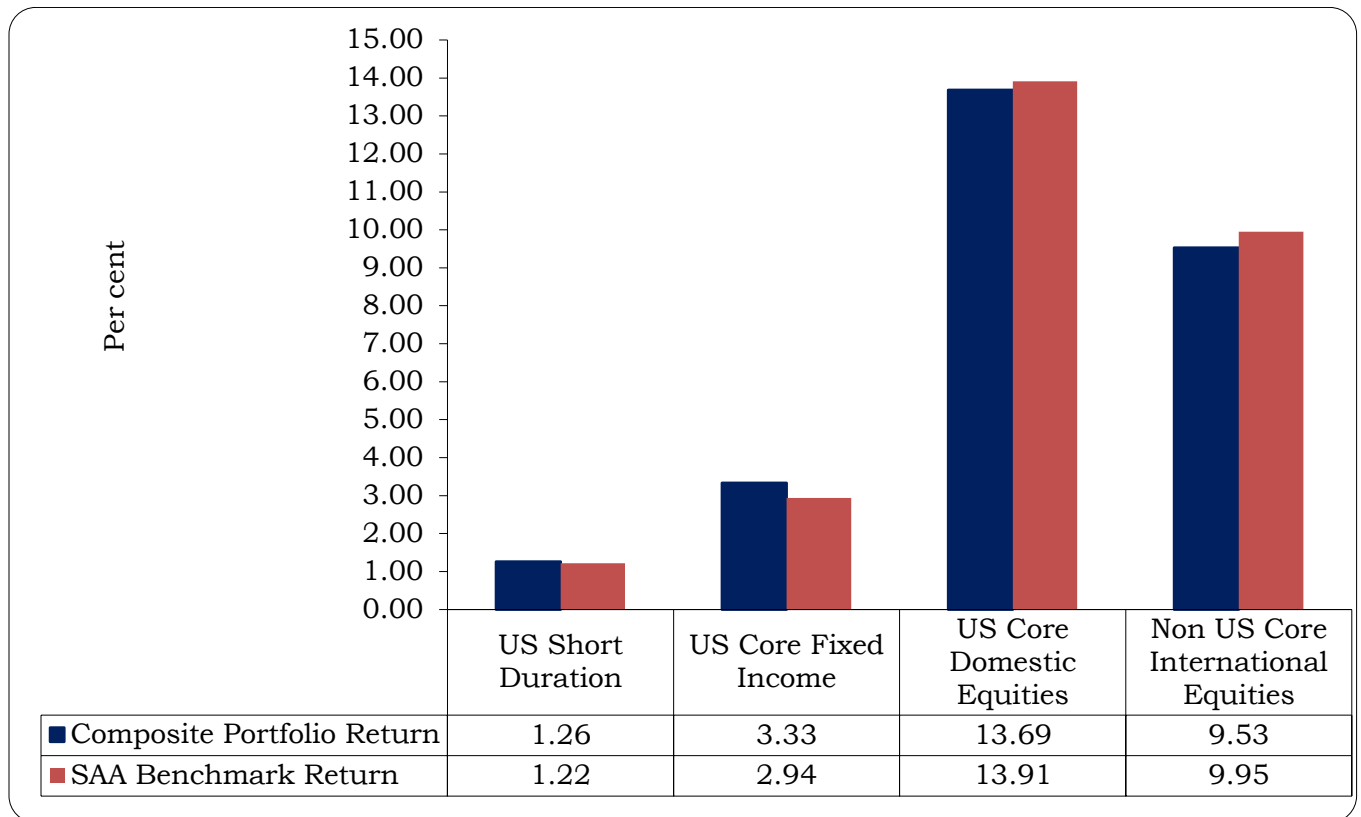
The **Non-US Core International Equity** mandate also generated strong returns, increasing 9.53 per cent during the three months ending March 2019. This compares to a gain of 9.95 per cent for its benchmark, the MSCI EAFE ex Energy index. Overall, stock selection detracted from performance over the period. While security exposure within the UK contributed to returns, the positive effects were outweighed by stock holdings in Japan and Europe ex-UK. The mandate's net asset value at the end of March 2019 was **US\$1,069.9 million**, compared with US\$978.2 million at the end of December 2018.

The **US Short Duration Fixed Income** mandate posted a modest gain of 1.26 per cent during the first quarter and outperformed its benchmark, the Bank of America Merrill Lynch US Treasury 1-5 year index, by 4 basis points. The portfolio's modest exposure to agencies positively contributed to excess returns while interest rate positioning partially detracted. The net asset value of this mandate as at the end of March 2019 was **US\$1,367.3 million**, compared with US\$1,350.5 million at the end of December 2018.

The longer duration **US Core Domestic Fixed Income** mandate rose 3.33 per cent, outperforming its benchmark, the Barclays Capital US Aggregate Bond index, which returned 2.94 per cent over the quarter. The relatively better performance of the portfolio occurred on account of its overweight exposure to the Asset-Backed and the Investment Grade Corporate Credit sectors, which benefitted from spread compression. The net asset value of this mandate at the end of March 2019 was **US\$2,318.8 million**, compared with US\$2,244.8 million three months earlier.

Figure 5
Absolute Returns by Mandate
For the period January – March 2019

/per cent/



SECTION 4 – COMPLIANCE AND PORTFOLIO RISKS

Compliance

During the first quarter of 2019, there was a passive breach of a credit risk limit in the US Core Fixed income mandate resulting from a credit rating downgrade. The security was subsequently sold from the impacted portfolios, which were brought back in compliance with the investment guidelines.

Also in the quarter, asset managers within the equity mandate failed to meet the performance objectives outlined in the investment guidelines. The Bank, as manager of the Fund, highlighted the portfolios underperformance in excess of established thresholds and identified the main contributing factors. Furthermore, the Bank is currently reviewing these asset managers, with a view to mitigating underperformance of the Fund relative to the SAA benchmark.

Portfolio Risks

The main risks for the HSF portfolio are Credit, Concentration, Interest Rate, and Currency risks. The following paragraphs give a description of how these risks are mitigated.

Credit Risk

Within the **money market portion** of the Fund, Credit Risk is minimized by the strict adherence to the following standards: (i) all counterparties must have a minimum credit rating of either A-1 from the Standard and Poor's rating agency or P-1 from Moody's Investors Services; and (ii) a maximum exposure limit for counterparties of no more than 5.0 per cent of the market value of the portfolio.

For **fixed income instruments**, Credit Risk is mitigated by the use of credit concentration limits as well as minimum credit quality ratings. Bonds must have an investment grade rating as defined by Standard and Poor's, Moody's Investors Services or Fitch Ratings Incorporated. Should the required ratings on an existing fixed income security fall below the minimum standards, the security must be sold within an agreed upon timeframe. Table 4 below shows the Average Credit Quality of the US Short Duration and US Core Fixed Income Portfolios as at March 31, 2019.

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. The portfolio is currently invested across four asset groupings as follows - US Short Duration Fixed Income, US Core Domestic Fixed Income, US Core Domestic Equity and Non-US Core International Equity. The Asset classes in which the Fund invests react differently under a given market condition. As such, it is likely that when one asset class has strong returns, another may have lower returns. The Fund's investments are also diversified across a number of assets with the aim of securing a positive return over a range of market conditions and lowering the total risk of the portfolio. In addition, Concentration Risk is minimized within asset groups. 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, with an allowable range of one (1) year longer or shorter than the weighted average duration of the respective benchmark. Table 5 shows the weighted average duration for the US Short Duration and US Core Domestic Fixed Income portfolios as at March 31, 2019.

Table 5
Weighted Average Duration
/Years/

Mandate	Portfolio	Benchmark
US Short Duration	2.45	2.56
US Core Domestic Fixed Income	5.56	5.82

Currency Risk

Currency Risk is managed by containing and managing the exposure to non-US dollar instruments. 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 which are denominated in currencies other than the US Dollar. The Non-US Core International Equity Portfolio is comprised primarily of non-US dollar denominated securities, and the Fund accepts the currency risk inherent in the relevant benchmark. For this mandate, currency hedging is permitted up to 15 per cent of the market value of the portfolio using the US dollar as the base currency. At the end of March 2019, the currency exposure for this portfolio was slightly over 96.00 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

Quarter End	Current Returns			Financial YTD			Annualised Return Since Inception		
	Portfolio	Benchmark	Excess	Portfolio	Benchmark	Excess	Portfolio	Benchmark	Excess
	%	%	bps	%	%	bps	%	%	bps
FY 2015									
September	-2.02	-2.19	16.83	2.47	1.13	134.06	5.31	4.73	58.12
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

Notes:

- (1) Differences in totals are due to rounding.
- (2) In August 2009, International Equities and Fixed Income Securities were added to the HSF portfolio. The performance benchmark for the HSF portfolio became a blended benchmark which comprise, Bank of America/Merrill Lynch US Treasury 1-5 Years Index, US One-month LIBID Index, Barclays US Aggregate, Russell 3000 ex Energy, and MSCI EAFE ex Energy.
- (3) In January 2011, the HSF Portfolio achieved its Strategic Asset Allocation where the portfolio was invested in four assets classes. US Short Duration Fixed Income (25), US Core Fixed Income (40), US Equity (17.5) and Non-US International Equity (17.5).
- (4) With effect from the quarter ended December 2012, the Annualised Returns Since Inception were computed using a geometric average and not the previously used arithmetic average. For comparative purposes, prior period annualized returns since inception shown above were computing using a geometric average.

Appendix II

Heritage and Stabilisation Fund

Portfolio Valuation (USD)

Valuation Date	Net Asset Value	Total Comprehensive Income	Accumulated Surplus & Unrealized Capital Gains/Losses	Contributions / (Withdrawals)
Annual Portfolio Valuation				
September 30,2007	1,766,200,701	41,966,361	41,966,361	321,706,043
September 30,2008	2,888,421,556	68,412,770	110,379,131	1,054,174,457
September 30,2009	2,964,686,478	76,248,691	186,755,766	-
September 30,2010	3,621,984,041	177,645,460	364,361,226	477,344,263
September 30,2011	4,084,016,158	9,715,841	374,074,067	451,400,519
September 30,2012	4,712,376,278	420,693,705	794,770,772	207,550,846
September 30,2013	5,154,027,747	399,007,950	1,193,778,722	42,414,251
September 30,2014	5,533,425,248	379,167,024	1,572,945,746	-
September 30,2015	5,655,143,565	120,639,605	1,693,585,351	-
September 30,2016	5,584,246,290	305,452,096	1,999,037,447	(375,050,860)
September 30, 2017	5,762,544,777	429,475,446	2,428,512,893	(252,548,048)
September 30, 2018	5,965,847,092	203,717,910	2,632,230,803	-

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	-
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	-

Appendix II

Heritage and Stabilisation Fund

Portfolio Valuation (USD)

Valuation Date	Net Asset Value	Total Comprehensive Income	Accumulated Surplus & Unrealized Capital Gains/Losses	Contributions / (Withdrawals)
Quarterly Portfolio Valuation				
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	-

Appendix III

Summary Characteristics of Composite Benchmarks

Fixed Income Benchmarks

Key Characteristics	Bloomberg Barclays US Aggregate Index	Merrill Lynch 1-5 Index
Total Holdings	10,374	157
Coupon (%)	3.23	2.21
Duration (Years)	5.82	2.56
Average Life (Years)	8.07	2.68
Yield to Maturity (%)	2.94	2.29
Option Adjusted Spread (bps)	44	0
Average Rating (S&P)	AA	AA+
Minimum Rating (S&P)	BBB	AA+

Equity Benchmarks

Key Characteristics	Russell 3000 (ex-Energy)	MSCI EAFE (ex-Energy)
Total Holdings	2,806	885
Earnings Per Share (EPS Growth 3-5yr fwd)	11.8	6.7
Price Earnings (P/E fwd)	17.2	13.8
Price / Book (P/B)	3.1	1.6
Weighted Average Market Capitalization* (Bn)	197.6	55.6

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

Appendix IV

Summary of the Fund's Net Asset Value by Mandate

/US\$ Million/

	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Total Fund Value	5,853	5,863	5,966	5,683	6,016
Total Value of Equity	2,309	2,319	2,417	2,086	2,329
US Core Domestic Equity	1,161	1,198	1,287	1,108	1,259
Non-US Core International Equity	1,148	1,121	1,131	978	1070
Total Value of Fixed Income	3,543	3,543	3,548	3,595	3,686
US Short Duration Fixed Income	1,325	1,327	1,329	1,351	1,367
US Core Domestic Fixed Income	2,218	2,216	2,220	2,245	2,319
Total Value of Cash or Cash Equivalents	1	1	0	1	1

NB: Differences in totals are due to rounding.

Appendix V

HSF Portfolio Quarterly Returns

/per cent/

