HERITAGE AND STABILISATION FUND

QUARTERLY INVESTMENT REPORT

APRIL TO JUNE 2019

TABLE OF CONTENTS

[1] This section includes economic developments to August 9th, 2019.

EXECUTIVE SUMMARY

- In second quarter of 2019, global economic and investment activity slowed due, in part, to growing trade tensions between the US and its major trading partners and the heightened political uncertainty of Brexit.

- In response to these concerns, major central banks signalled that additional monetary stimulus may be warranted in the near future, citing the headwinds to economic growth and the relatively low inflationary environment.

- The likelihood of monetary actions by central banks boosted financial markets towards the end of the quarter. Equity markets recovered from mid quarter losses to end higher in June. Bond market prices also rose during the quarter as investors priced in the possibility that the US Federal Reserve (Fed) would cut rates at its next policy meeting.

- For the second quarter of 2019, the Heritage and Stabilisation Fund (HSF) gained 3.01 per cent as all investment mandates generated positive returns (see Table 1). Despite the positive return performance, the HSF underperformed its strategic asset allocation (SAA) benchmark, which returned 3.26 per cent. The main contributing factor to the HSF's underperformance was the poor return performance of the asset managers, relative to their respective benchmarks, in the Non-US Core International Equity mandate (see Table 2).

- The total net asset value of the HSF as at the end of June 2019 rose to US$6,194.3 million from US$6,016.4 million at the end of the previous quarter. Of this total, the HSF Investment Portfolio was valued at US$6,191.7 million, while the remaining portion (US$2.6 million) was held in an operating cash account to meet the day-to-day expenses that arise from the management of the Fund.

Table 1
Absolute Quarterly Returns
For the period April – June 2019
/per cent/

	Absolute Return HSF	Absolute Return Benchmark
Composite Portfolio	**3.01**	**3.26**
US Short Duration Fixed Income	1.75	1.82
US Core Domestic Fixed Income	3.33	3.08
US Core Domestic Equity	4.36	4.51
Non-US Core International Equity	2.36	3.88

Table 2
Contributions to Quarterly Returns
For the period April - June 2019
/per cent/

	3 Months Weighted Return as at 30-June-2019	
	HSF	Benchmark
Composite Portfolio	**3.01**	**3.26**
US Short Duration Fixed Income	0.40	0.45
US Core Domestic Fixed Income	1.28	1.23
US Core Domestic Equity	0.91	0.85
Non-US Core International Equity	0.42	0.72

NB: Differences in totals are due to rounding.

SECTION 1 – INTERNATIONAL ECONOMIC ENVIRONMENT

Economic growth slowed in several of the major economies during the second quarter of 2019 as trade tensions and a fall in business confidence in Europe negatively impacted global trade and investment activity. The challenging growth environment coupled with persistently low inflation prompted central banks across the developed countries to consider the need for additional monetary accommodation in the near future.

In the US, both the manufacturing and services sectors lost momentum. However, consumer consumption remained robust with unemployment at a multi-decade low of 3.7 per cent in June. Gross domestic product (GDP) for the second quarter declined to an annualized rate of 2.1 per cent compared to 3.1 per cent in the three months to March. In Europe, initial growth estimates for the three months to June showed that the Eurozone economy expanded by 0.2 per cent quarter-on-quarter, down from 0.4 per cent in the first quarter. Meanwhile, preliminary data from the United Kingdom showed that the economy contracted by 0.2 per cent in the second quarter, down from an expansion of 0.5 per cent in the three months to March. The probability of a no-deal Brexit increased during the period and detracted from overall production activity. An additional source of uncertainty was introduced with the resignation of the British Prime Minister, which was announced shortly after failing to secure parliamentary approval for a Brexit deal with the European Union.

In Asia, China's economy expanded at a slower pace during the second quarter, growing by 6.20 per cent from 6.40 per cent in the three months to March 2019. Economic activity was supported, in part, by expansionary fiscal and monetary policies however, exports continued to be hampered by the ongoing trade dispute with the US. Japan also experienced slowing exports which dampened the outlook for growth and inflation in the country. Nonetheless, private consumption remained robust ahead of the government's planned consumption tax increase in October.

On the monetary policy front, the Federal Open Market Committee (FOMC) kept its policy rate range unchanged at 2.25-2.50 per cent in June. However, officials acknowledged that a rate reduction may be warranted to sustain the economic expansion of the US economy and achieve its monetary inflation target. Similarly, both the European Central Bank (ECB) and the Bank of Japan (BOJ) expressed a willingness to provide additional monetary stimulus, in an effort to spur economic activity and lift inflation rates in their respective economies. In contrast, the Bank of England (BOE) maintained a more balanced stance, noting that rates could move in either direction and that there is no pre-determined policy response in the event of a no-deal Brexit.

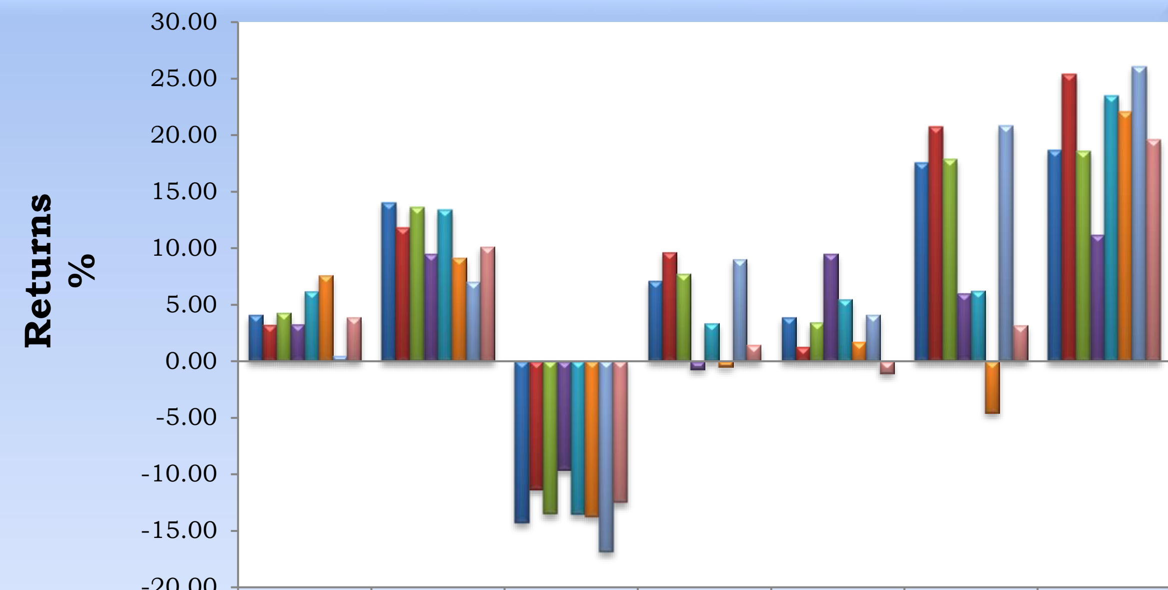
SECTION 2 – CAPITAL AND MONEY MARKET REVIEW

During the second quarter of 2019, both global equity and fixed income markets recorded positive gains. The prospect of additional monetary stimulus from several key central banks placed downward pressure on rates and helped bolster equity and bond prices. Market volatility briefly spiked in May following an increase in trade tensions between the US and China, but was otherwise relatively contained during the quarter. In the US, market volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), averaged 15.15 points in the second quarter of 2019 compared to 16.61 points in the previous quarter. Similarly, the European measure of investor anxiety, the Euro Stoxx 50 Volatility Index (VSTOXX), fell to an average level of 14.71 points in the three months to June, from 15.66 points over the first quarter of 2019.

Global equity market gains were lower in the second quarter of 2019, when compared to first quarter's performance. Global growth concerns, increasing trade tensions and mounting political uncertainty in Europe weighed on investors' sentiment throughout the quarter. However, the likelihood of additional monetary stimulus by the Fed and other major central banks broadly supported continued investment into risky asset classes.

In the US, equity prices performed well in April and June, while losses in May detracted from overall returns. The US Standard and Poor's (S&P) 500 index rose 4.30 per cent during the quarter, with all sectors posting positive returns except for energy. Non-US developed equity markets also recorded positive returns for the quarter as the MSCI EAFE Index advanced 3.90 per cent in US dollars terms. Despite political uncertainty in the European Union and the increasing likelihood of a no-deal Brexit, all the main equity markets in Europe rose during the quarter. The UK's FTSE 100 and Germany's DAX 30 indices gained 3.28 per cent and 7.57 per cent, respectively. The performance of the Japanese equity market, however, lagged those of other major developed markets during the quarter. The Nikkei 225 Index, the broad measure of equity market performance in Japan, increased by 0.48 per cent in the quarter (see Figure 1).

Figure 1
Total Returns on Equity Indices
/Per cent/

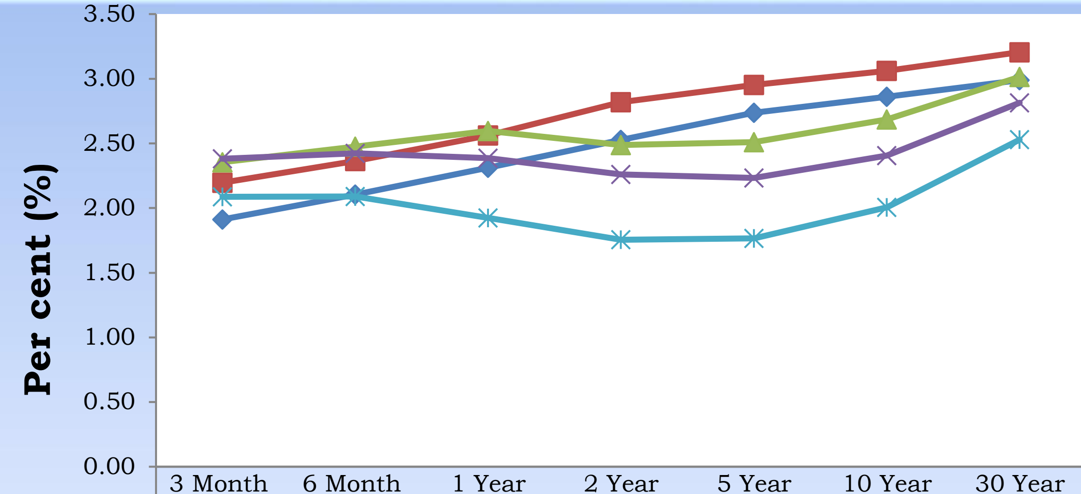


	QTR Ended Jun-19	QTR Ended Mar-19	QTR Ended Dec-18	QTR Ended Sep-18	QTR Ended Jun-18	FY 17/18	FY 16/17
Russell 3000	4.09	14.04	-14.30	7.12	3.89	17.57	18.70
Dow Jones	3.21	11.81	-11.31	9.63	1.26	20.76	25.42
S&P 500	4.30	13.65	-13.52	7.71	3.43	17.90	18.60
FTSE 100 - UK	3.28	9.50	-9.61	-0.70	9.51	6.00	11.21
CAC 40 - France	6.19	13.39	-13.56	3.36	5.47	6.25	23.49
DAX 30 - Germany	7.57	9.16	-13.78	-0.48	1.73	-4.54	22.05
Nikkei 225 - Japan	0.48	7.03	-16.86	9.01	4.10	20.83	26.07
MSCI EAFE	3.90	10.14	-12.50	1.42	-1.06	3.17	19.61

Source: Bloomberg

In the US fixed income market, yields fell due to speculation regarding the magnitude of the Fed's potential rate cut as well as the relatively low inflationary environment. In addition, bouts of heightened trade tensions between the US and China increased demand for traditional safe haven assets. The 10-year yield fell by 40 basis points to end the quarter at 2.01 per cent, while the 2-year declined by 51 basis points to 1.75 per cent (see Figure 2).

Figure 2
US Treasury Curve
/Per Cent/

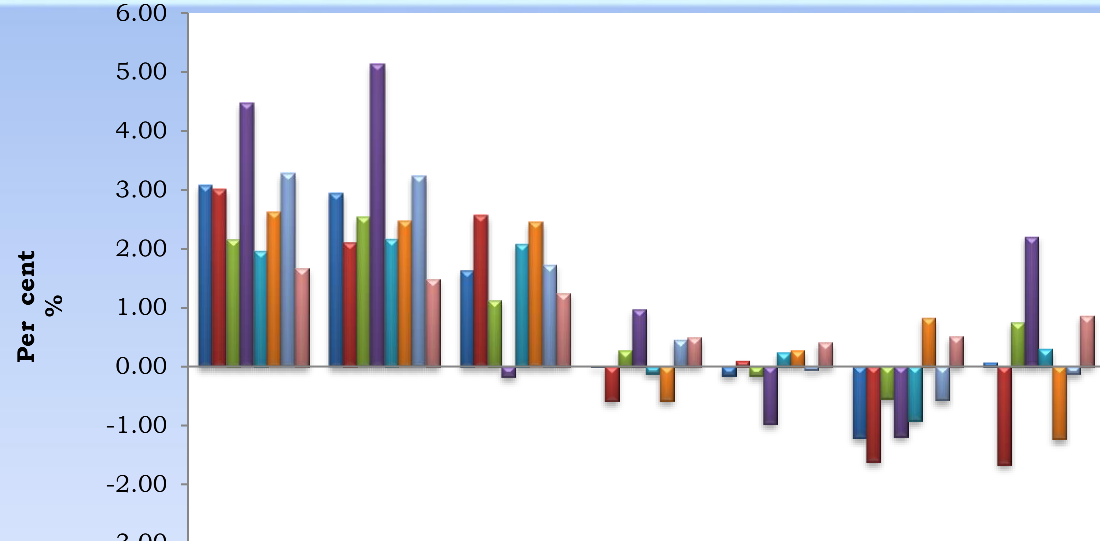


	3 Month	6 Month	1 Year	2 Year	5 Year	10 Year	30 Year
Jun-18	1.91	2.10	2.31	2.53	2.74	2.86	2.99
Sep-18	2.20	2.36	2.56	2.82	2.95	3.06	3.21
Dec-18	2.35	2.48	2.60	2.49	2.51	2.68	3.01
Mar-19	2.38	2.42	2.39	2.26	2.23	2.41	2.81
Jun-19	2.09	2.09	1.93	1.75	1.77	2.01	2.53

Source: Bloomberg

The broad US fixed income market, as represented by the Bloomberg Barclays US Aggregate Bond Index, gained 3.08 per cent in the second quarter of 2019. Declining interest rates and narrowing credit spreads were the main contributors to the return performance of the US fixed income market. Corporate investment grade bonds were the best performing sector of the US fixed income market, returning 4.48 per cent. Commercial mortgage backed securities (CMBS) and treasuries also generated positive returns over the quarter, gaining 3.28 per cent and 3.01 per cent, respectively (see Figure 3).

Figure 3
Returns on Fixed Income Indices
/Per Cent/

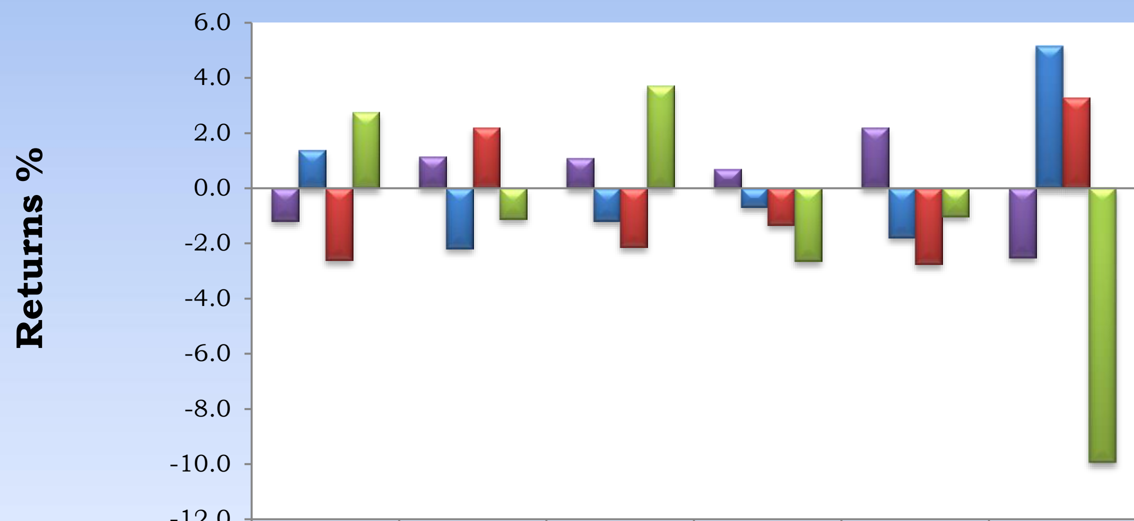


	QTR Ended Jun-19	QTR Ended Mar-19	QTR Ended Dec-18	QTR Ended Sep-18	QTR Ended Jun-18	FY 17/18	FY 16/17
Barclays US Aggregate	3.08	2.94	1.64	0.02	-0.16	-1.22	0.07
US Treasury	3.01	2.11	2.57	-0.59	0.10	-1.62	-1.67
Agencies	2.17	2.54	1.13	0.28	-0.16	-0.54	0.75
US Corporate	4.48	5.14	-0.18	0.97	-0.98	-1.19	2.21
US MBS	1.96	2.17	2.08	-0.12	0.24	-0.92	0.30
G7 Bonds (Hedged)	2.63	2.48	2.46	-0.58	0.27	0.83	-1.23
US CMBS	3.28	3.24	1.72	0.46	-0.06	-0.58	-0.13
US ABS	1.67	1.48	1.25	0.50	0.41	0.51	0.86

Source: Bloomberg

In currency markets, the US dollar traded lower over the quarter due to rising expectations that the Fed would reduce rates in the near future. As a result, the Japanese yen and Euro appreciated against the US dollar during the period by 2.75 per cent and 1.38 per cent, respectively. In contrast, the British pound depreciated by 2.60 per cent against the US dollar during the quarter. The pound’s decline was fuelled by increasing downside risks resulting from the sudden resignation of the UK Prime Minister as well as the higher probability of a no-deal Brexit.

Figure 4
Foreign Exchange Returns for Major Currencies
vis-à-vis the US Dollar
/Per Cent/



	QTR Ended Jun-19	QTR Ended Mar-19	QTR Ended Dec-18	QTR Ended Sep-18	FY 17/18	FY 16/17
DXY CURNCY	-1.19	1.16	1.09	0.70	2.21	-2.50
EURUSD CURNCY	1.38	-2.17	-1.18	-0.68	-1.78	5.15
GBPUSD CURNCY	-2.60	2.20	-2.13	-1.33	-2.74	3.28
JPYUSD CURNCY	2.75	-1.12	3.72	-2.63	-1.02	-9.94

Source: Bloomberg

SECTION 3 – PORTFOLIO PERFORMANCE

Strategic Asset Allocation

Table 3 reports the actual mandate weights of the HSF's Investment Portfolio relative to its approved SAA for quarter end June, 2019 and the previous three (3) quarters.

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

	Asset Class	Target Weight SAA	Sep-18 Actual % of Fund	Dec-18 Actual % of Fund	Mar-19 Actual % of Fund	Jun-19 Actual % of Fund
Portfolio Weights	US Short Duration Fixed Income	25.00	22.27	23.77	22.73	22.46
	US Core Domestic Fixed Income	40.00	37.21	39.51	38.55	38.65
	US Core Domestic Equity	17.50	21.57	19.51	20.94	21.22
	Non-US Core International Equity	17.50	18.95	17.22	17.79	17.67

Totals may not sum to 100 due to rounding.

At the HSF's mandate level, the US Core Domestic Equity mandate had the largest overweight position of 3.72 per cent, while the US Short Duration Fixed Income mandate had the largest underweight position amounting to 2.54 per cent (see Table 3). The mandate weight deviations from its approved SAA were largely due to cumulative market movements over prior periods. Notwithstanding the deviations from the approved SAA, all mandate weights remained within their respective approved range of +/- 5 per cent.

The total net asset value of the Fund as at the end of June 2019 was US$6,194.3 million, compared with US$6,016.4 million at the end of the previous quarter. Of this total, the investment portfolio was valued at US$6,191.7 million, while the remaining portion was held in an operating cash account to meet the day-to-day expenses that arise from the management of the Fund.

Performance of the Investment Portfolio

During the second quarter of 2019, the HSF grew by 3.01 per cent as all mandates recorded positive returns (see Table 1). Notwithstanding the positive performance, the HSF underperformed its SAA benchmark, which returned 3.26 per cent for the quarter[2]. The main driver of the 25 basis points underperformance was the poor return performance, relative to the benchmark, of the asset managers in the Non-US Core International Equity mandate (see Table 1).

On an absolute basis, the US Core Domestic Equity mandate was the best performing HSF mandate during the quarter, returning 4.36 per cent. However, relative performance across the mandates proved more challenging. All mandates with the exception of the US Core Fixed Income mandate underperformed their respective benchmark returns (Figure 5).

The **US Core Domestic Equity** mandate delivered the best performance on an absolute basis, gaining 4.36 per cent during the first quarter of 2019. However, it underperformed its benchmark, the Russell 3000 ex Energy index, by 15 basis points. Stock selection within the consumer staples, technology and health care sectors as well as sector allocation deviations in the consumer discretionary, producer durables and technology industries negatively impacted the relative performance of the portfolio. The net asset value of this mandate as at June 30, 2019 was **US$1,313.8 million**, compared with US$1,259.5 million three months earlier.

The **Non-US Core International Equity** mandate also generated positive returns, increasing 2.36 per cent during the three months ending June 2019. This compares to a gain of 3.88 per cent for its benchmark, the MSCI EAFE ex Energy index. Overall, stock selection in the UK was positive for the portfolio but was outweighed by poor stock selection in Europe ex-UK, Japan and Hong Kong. To a lesser extent, country selection

---

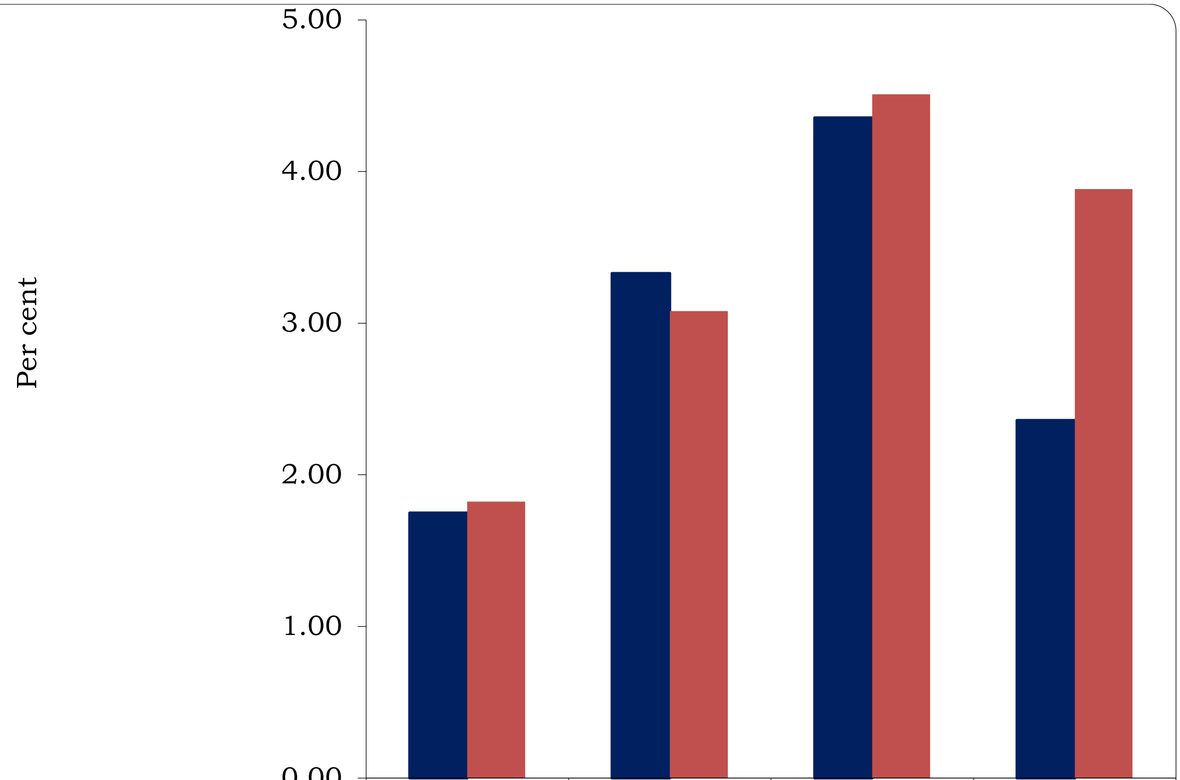
[2] The SAA benchmark is a blended benchmark which comprises, Bank of America/Merrill Lynch US Treasury 1-5 Years Index (25%), Bloomberg Barclays US Aggregate Bond Index (40%), Russell 3000 ex Energy Index (17.5%), and MSCI EAFE ex Energy Index (17.5%).

was also a net detractor from relative performance over the period. The mandate's net asset value at the end of June 2019 was **US$1,093.9 million**, compared with US$1,069.9 million at the end of March 2019.

The **US Short Duration Fixed Income** mandate gained of 1.75 per cent during the second quarter and underperformed its benchmark, the Bank of America Merrill Lynch US Treasury 1-5 year index, by 7 basis points. The interest rate strategies employed by asset managers detracted from returns, as rates moved significantly lower in response to potential monetary policy action. The net asset value of this mandate as at the end of June 2019 was **US$1,390.9 million,** compared with US$1,367.3 million at the end of March 2019.

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 3.08 per cent over the quarter. Security selection in the corporate and securitised sectors positively contributed to excess returns during the period. In addition, curve positioning incrementally added to gains. The net asset value of this mandate at the end of March 2019 was **US$2,393.1 million,** compared with US$2,318.8 million three months earlier.

Figure 5
Absolute Returns by Mandate
For the period April – June 2019
/per cent/



	US Short Duration	US Core Fixed Income	US Core Domestic Equities	Non US Core International Equities
Composite Portfolio Return	1.75	3.33	4.36	2.36
SAA Benchmark Return	1.82	3.08	4.51	3.88

SECTION 4 – COMPLIANCE AND PORTFOLIO RISKS

Compliance

During the second 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 which brought the impacted portfolio back in compliance with the investment guidelines.

Also in the quarter, asset managers within the equity mandates failed to meet the performance objectives outlined in the investment guidelines. Based on an initial assessment, the Central Bank, as manager of the Fund, has engaged in an enhanced monitoring programme with the respective managers, during which a determination will be made regarding how to best position the Fund to achieve its stated objectives.

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

For **fixed income instruments**, credit risk is mitigated by the use of credit concentration limits as well as minimum credit quality ratings. Bonds must have an investment grade rating as defined by Standard and Poor's, Moody's Investors Services or Fitch Ratings Incorporated. Should the required ratings on an existing fixed income security fall below the minimum standards, the security must be sold within an agreed upon timeframe. Table 4 below shows the Average Credit Quality of the US Short Duration and US Core Fixed Income Portfolios as at June 30, 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 and holding a large number of positions within an asset class. The aim is to minimise risk and/or maximise return by investing in a wide cross-section of asset classes and positions that would each react differently to the same market event. As such, it is likely that when one has strong returns, another may have lower returns to the same market event.

The portfolio is 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. In addition, concentration risk is minimised within asset groups by approved market exposure and issuer holding limits. For the **equity portfolios**, this risk is managed by imposing a maximum percentage holding of 3.0 per cent of any security's outstanding shares, as well as a maximum sector deviation relative to the benchmark of 5.0 per cent.

Interest Rate Risk

Interest rate risk is managed using a weighted average effective duration limit on the respective portfolios. For the US Short Duration Fixed Income mandate, the allowable range is six months longer or shorter than the weighted average duration of its respective benchmark. While the US Core Domestic Fixed Income mandate has an allowable range of 12 months longer or shorter than the weighted average duration of its respective benchmark. Table 5 shows the weighted average duration for the US Short Duration and US Core Domestic Fixed Income portfolios as at June 30, 2019.

Table 5
Weighted Average Duration
/Years/

Mandate	Portfolio	Benchmark
US Short Duration	**2.42**	**2.63**
US Core Domestic Fixed Income	**5.59**	**5.73**

Currency Risk

Currency risk is managed by containing and managing the exposure to non-US dollar instruments. For the fixed income mandates, no more than 10 per cent of the market value of the portfolio can be invested in securities which are denominated in currencies other than the US Dollar. For these mandates, non-US dollar currency exposure is fully hedged into the US Dollar. However, the effectiveness of the hedge may vary depending on market conditions.

For the US Core Domestic Equity mandate, no more than 5 per cent of the market value of the portfolio can be invested in securities, which are denominated in currencies other than the US Dollar. The performance benchmark for the Non-US Core International Equity portfolio is the custom MSCI EAFE ex-energy Index. The index comprises of equity securities of issuers domiciled in developed markets countries', excluding the US and Canada. Where benchmark securities are quoted in currencies other than the US dollar, the Fund accepts the currency risk. For this mandate, however, managers can hedge up to 15 per cent of the market value of their currency exposure into the US dollar, the base reporting currency for the HSF. At the end of June 2019, the currency exposure for this portfolio was close to 97 per cent of its market value. During the quarter, all the portfolios were within their respective limits.

Appendix I

HSF Portfolio - Historical Performance

Quarter End	Current Returns			Financial YTD			Annualised Return Since Inception		
	Portfolio	Benchmark	Excess	Portfolio	Benchmark	Excess	Portfolio	Benchmark	Excess
	%	%	bps	%	%	bps	%	%	bps
FY 2010									
December	0.96	0.89	6.65	0.96	0.89	6.65	3.72	3.78	-6.16
March	1.61	1.68	-6.20	2.59	2.58	0.49	3.95	4.03	-7.76
June	-1.83	-1.89	6.05	0.71	0.64	6.69	3.07	3.12	-5.18
September	5.33	5.08	24.73	6.07	5.75	31.93	4.37	4.35	2.06
FY 2011									
December	2.29	2.21	8.15	2.29	2.21	8.15	4.70	4.65	4.13
March	1.62	1.54	7.24	3.94	3.79	15.68	4.81	4.76	5.72
June	1.88	1.81	6.68	5.89	5.67	22.91	4.98	4.91	7.00
September	-4.82	-4.28	-53.66	0.79	1.14	-34.89	3.57	3.63	-6.29
FY 2012									
December	2.74	3.03	-28.52	2.74	3.03	-28.52	3.97	4.08	-12.00
March	5.04	4.46	57.50	7.92	7.63	29.29	4.78	4.78	-0.08
June	-0.90	-0.60	-30.42	6.95	6.98	-3.72	4.37	4.43	-6.13
September	3.53	2.98	55.03	10.73	10.18	55.02	4.68	4.65	2.07
FY 2013									
December	1.49	1.45	4.11	1.49	1.45	4.11	4.88	4.83	4.76
March	3.29	2.90	39.19	4.82	4.38	44.01	5.23	5.12	11.20
June	-0.30	-0.69	39.05	4.51	3.66	84.64	4.97	4.80	17.26
September	3.95	3.47	47.35	8.63	7.26	137.06	5.40	5.16	24.01
FY 2014									
December	3.95	2.66	129.38	3.95	2.66	129.38	5.80	5.37	42.67
March	1.46	1.30	16.28	5.47	4.00	147.73	5.80	5.37	43.52
June	2.56	2.30	25.90	8.17	6.38	178.44	5.96	5.51	45.76
September	-0.48	-0.73	25.31	7.65	5.60	204.51	5.69	5.22	47.69
FY 2015									
December	2.25	1.63	62.27	2.25	1.63	62.27	5.81	5.26	54.46
March	2.29	2.25	3.95	4.60	3.92	67.71	5.92	5.39	53.34
June	-0.02	-0.51	49.43	4.58	3.39	119.07	5.74	5.16	57.93

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
June	3.01	3.26	-25.10	4.00	5.20	-119.99	5.47	4.97	49.95

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	-
June 30, 2019	6,194,328,757	177,424,921	2,859,686,621	-

Appendix III

Summary Characteristics of Composite Benchmarks

Fixed Income Benchmarks

Key Characteristics	Bloomberg Barclays US Aggregate Index	Merrill Lynch 1-5 Index
Total Holdings	10,610	151
Coupon (%)	3.23	2.23
Duration (Years)	5.73	2.63
Average Life (Years)	7.87	2.75
Yield to Maturity (%)	2.50	1.77
Option Adjusted Spread (bps)	46	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	2,786	886
Earnings Per Share (EPS Growth 3-5yr fwd)	11.9	7.30
Price Earnings (P/E fwd)	17.9	14.31
Price / Book (P/B)	1.6	1.58
Weighted Average Market Capitalization* (Bn)	208.8	59.4

*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/

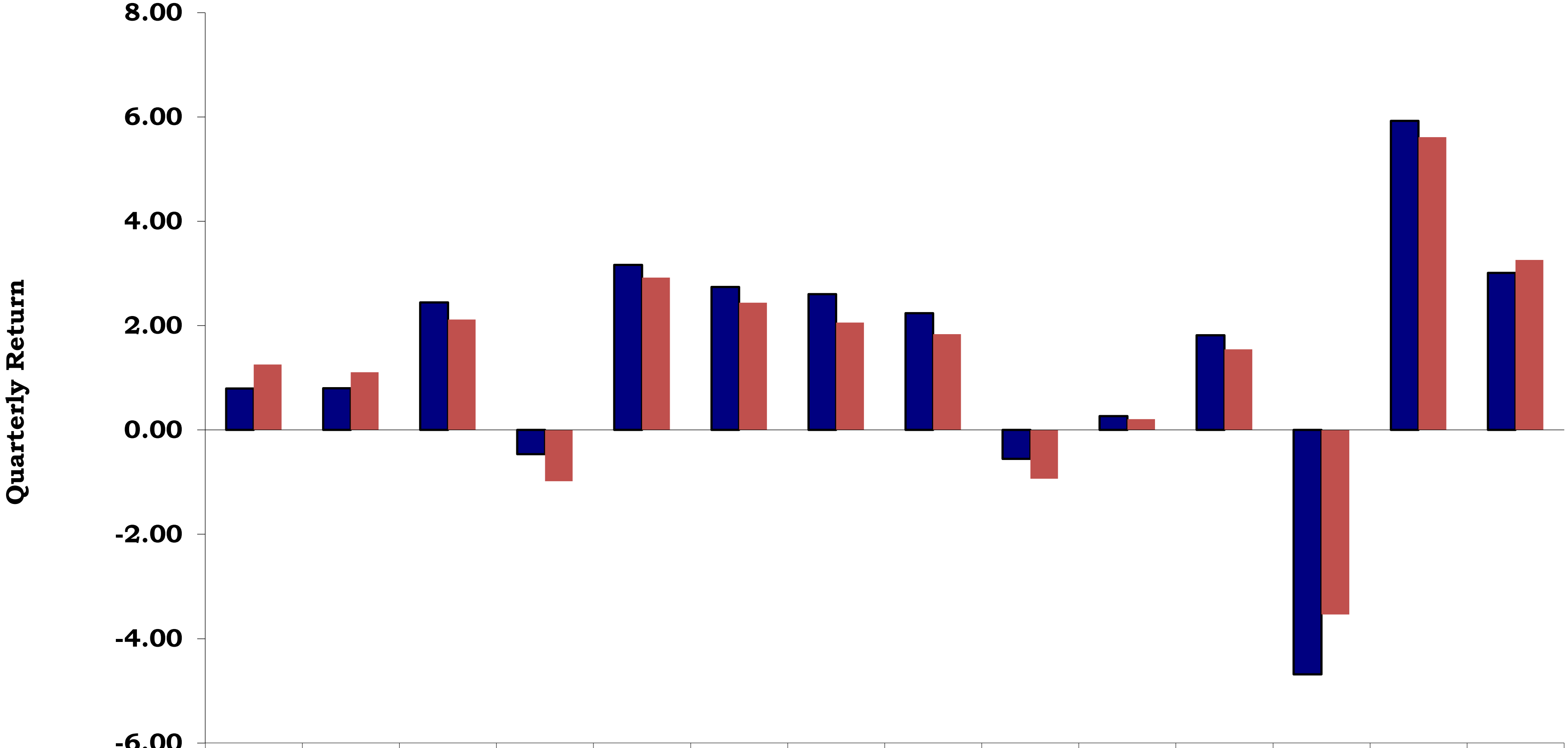
	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Total Fund Value	**5,863**	**5,966**	**5,683**	**6,016**	**6,194**
Total Value of Equity	**2,319**	**2,417**	**2,086**	**2,329**	**2,408**
US Core Domestic Equity	1,198	1,287	1,108	1,259	1,314
Non-US Core International Equity	1,121	1,131	978	1,070	1,094
Total Value of Fixed Income	**3,543**	**3,548**	**3,595**	**3,686**	**3,784**
US Short Duration Fixed Income	1,327	1,329	1,351	1,367	1,391
US Core Domestic Fixed Income	2,216	2,220	2,245	2,319	2,393
Total Value of Cash or Cash Equivalents	**1**	**0**	**1**	**1**	**3**

NB: Differences in totals are due to rounding.

Appendix V

HSF Portfolio Quarterly Returns

/per cent/



	FY2016 Q2	FY2016 Q3	FY2016 Q4	FY2017 Q1	FY2017 Q2	FY2017 Q3	FY2017 Q4	FY2018 Q1	FY2018 Q2	FY2018 Q3	FY2018 Q4	FY2019 Q1	FY2019 Q2	FY2019 Q3
HSF Portfolio	0.80	0.80	2.45	-0.46	3.17	2.74	2.61	2.24	-0.55	0.26	1.81	-4.69	5.93	3.01
Benchmark	1.25	1.11	2.12	-0.98	2.92	2.44	2.06	1.83	-0.94	0.21	1.54	-3.54	5.61	3.26

HSF Portfolio **Benchmark**