HERITAGE AND STABILISATION FUND

QUARTERLY INVESTMENT REPORT

JULY TO SEPTEMBER 2019

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[1] This section includes economic developments to October 28, 2019.

EXECUTIVE SUMMARY

- During the third quarter of 2019, global economic growth remained challenged as the negative impact of the protracted trade dispute between the US and China intensified. As a result, the slowdown in global manufacturing and exports increased during the quarter, with indications that economic activities in other key sectors were beginning to be affected by the trade dispute.

- In an effort to counter the mounting downside risks to growth, several key central banks introduced monetary stimulus measures during the quarter, while others indicated that monetary accommodation could be warranted in the near future.

- Global financial markets were bolstered by accommodating monetary policy and investors' sentiment improved towards the end of the quarter with progress on the trade and Brexit front. As a consequence, equity markets recovered from intra period losses to end the third quarter higher. Bond markets also performed well during the period as bond prices rose on the back of policy rate cuts by both the US Federal Reserve (Fed) and the European Central Bank (ECB).

- For the third quarter of 2019, the Heritage and Stabilisation Fund (HSF) gained 1.05 per cent (see Table 1). The Fund's exposure to the US fixed income and equity markets was the main contributing factor in its positive return performance during the quarter.

- Notwithstanding its positive return performance, HSF underperformed its Strategic Asset Allocation (SAA) benchmark by 22 basis points, which returned 1.27 per cent for the quarter (see Table 2). The Fund's underperformance relative to its SAA benchmark was mainly due to the poor performance of the asset managers, relative to their respective benchmarks, in the Non-US Core International Equity mandate.

- As at the end of September 2019, the total net asset value of the HSF was US$6,255.3 million, an increase of roughly US$61 million from second quarter ending value of US$6,194.3 million. Of this total, the HSF Investment Portfolio was valued at US$6,253.6

million, while the remaining US$1.7 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 July – September 2019
/per cent/

	Absolute Return HSF	Absolute Return Benchmark
Composite Portfolio	**1.05**	**1.27**
US Short Duration Fixed Income	0.79	0.75
US Core Domestic Fixed Income	2.46	2.27
US Core Domestic Equity	1.52	1.60
Non-US Core International Equity	-2.25	-0.75

Table 2
Contributions to Quarterly Returns
For the period July - September 2019
/per cent/

	3 Months Weighted Return as at 30-September-2019	
	HSF	**Benchmark**
Composite Portfolio	**1.05**	**1.27**
US Short Duration Fixed Income	0.18	0.19
US Core Domestic Fixed Income	0.95	0.91
US Core Domestic Equity	0.32	0.28
Non-US Core International Equity	-0.40	-0.12

NB: Differences in totals are due to rounding.

SECTION 1 – INTERNATIONAL ECONOMIC ENVIRONMENT

Throughout the developed economies, the protracted trade dispute between the US and China further detracted from business sentiment during the quarter, and there were indications that the slowdown in manufacturing was spreading to other sectors. The mounting downside risks to growth coupled with the subdued inflationary environment prompted several key central banks to pivot towards a more accommodative monetary policy stance.

The United States (US) economy continued to be supported by a strong labour market with the unemployment rate falling to a multi-decade low of 3.5 per cent. However, the negative effects of the ongoing trade war with China intensified and detracted from overall investors' sentiment. Despite job gains and robust wage growth, consumer confidence waned towards the end of the quarter and tempered personal spending. Other areas of the economy deteriorated further, with industrial production, durable goods and key manufacturing economic indicators all contracting during the quarter.

Lacklustre global demand continued to challenge growth in Europe and Asia. The slowdown in manufacturing and export activity was joined by weaker capital expenditure and falling consumer and business confidence. Germany's economy was notably impacted and there were concerns that the country may descend into a technical recession during the quarter. In the United Kingdom (UK), Brexit remained a key detractor. The risk of the UK leaving the European Union (EU) without a deal rose following the appointment of Boris Johnson as the new prime minister and leader of the governing Conservative Party. In Asia, increasingly violent anti-government protests in Hong Kong disrupted one of the world's major financial centres and challenged China's leadership. On the economic front, China grew at its slowest pace in decades, expanding by only 6.0 per cent in the third quarter.

On the monetary policy front, the Federal Open Market Committee (FOMC) cut its policy rate by 25 basis points in July and September and noted that it was representative of a mid-cycle adjustment. The ECB also lowered rates, reducing its deposit rate by 10 basis points to -0.50 per cent and re-introduced a monthly bond buying programme. Although the Bank of Japan (BOJ) and the Bank of England (BOE) held monetary policy steady over the period, both central banks acknowledged that accommodative monetary policy measures may be necessary in the not too distant future.

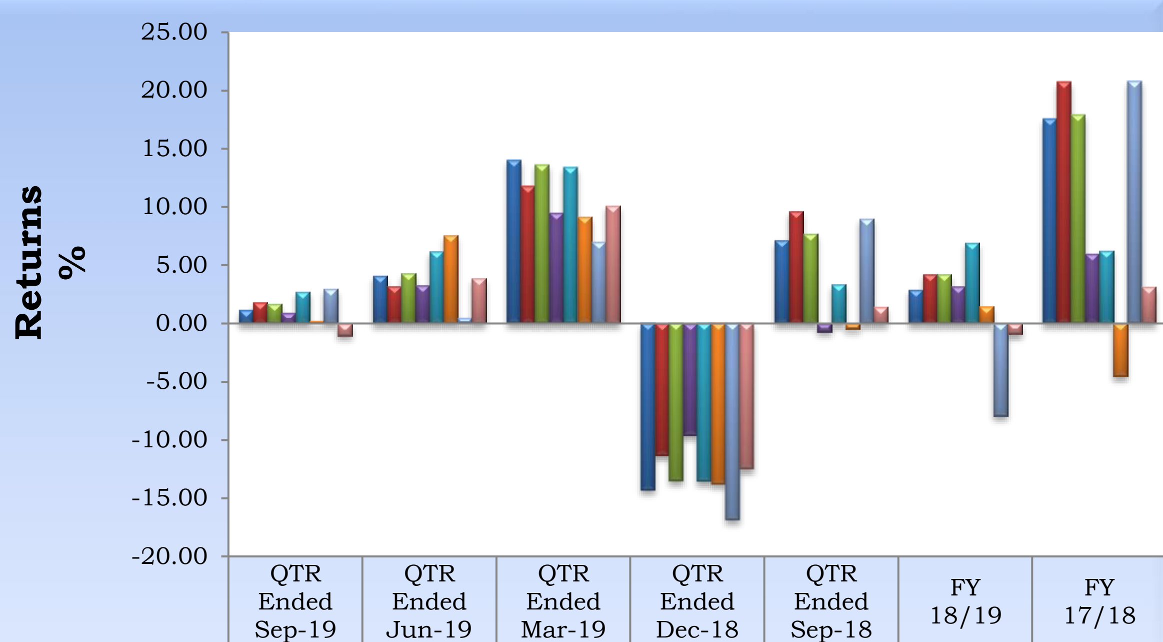
SECTION 2 – CAPITAL AND MONEY MARKET REVIEW

In the US, market volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), averaged 15.95 points in the third quarter of 2019 compared to an average of 15.15 points over the second quarter. Markets were relatively sanguine following the G-20 summit meeting between U.S. and Chinese officials, which resulted in a temporary moratorium on trade protectionist measures. However, volatility moved higher in August reaching an intra-period high of 24.81 points, as the trade war re-escalated resulting in a series of retaliatory tariffs and other protectionist trade policies. Tensions eased somewhat in September with symbolic conciliatory gestures by both parties ahead of negotiations in October.

In addition to the broad risk aversion in the market, fixed income assets benefitted from the policy rate cuts by key central banks which placed downward pressure on yields. Global equity markets also gained with major indices in the US increasing modestly, while non-US developed equity markets, as represented by the MSCI EAFE Index, rose in local currency terms.

Despite the ongoing concerns around trade and slowing global growth, risk assets were encouraged by central bank support during the quarter, as well as rising expectations for further accommodative policies in the near future. In the US, equity markets benefitted from the Fed's easy monetary policy as well as relatively resilient corporate earnings. Despite losses in August, the US Standard and Poor's (S&P) 500 index rose 1.70 per cent for the period. Within the index, utilities and real estate were the top performing sectors while the energy and health care sectors lagged. Most non-US developed equity markets produced positive returns when measured in local currency terms. The United Kingdom's FTSE 100, Germany's DAX 30 and France's CAC 40 indices all had positive returns of 0.93 per cent, 0.24 per cent and 2.73 per cent, respectively. However, returns were negative when measured in US dollars, reflecting the considerable depreciation of the British pound and Euro during the quarter (Figure 1).

Figure 1
Total Returns on Equity Indices
/Per cent/

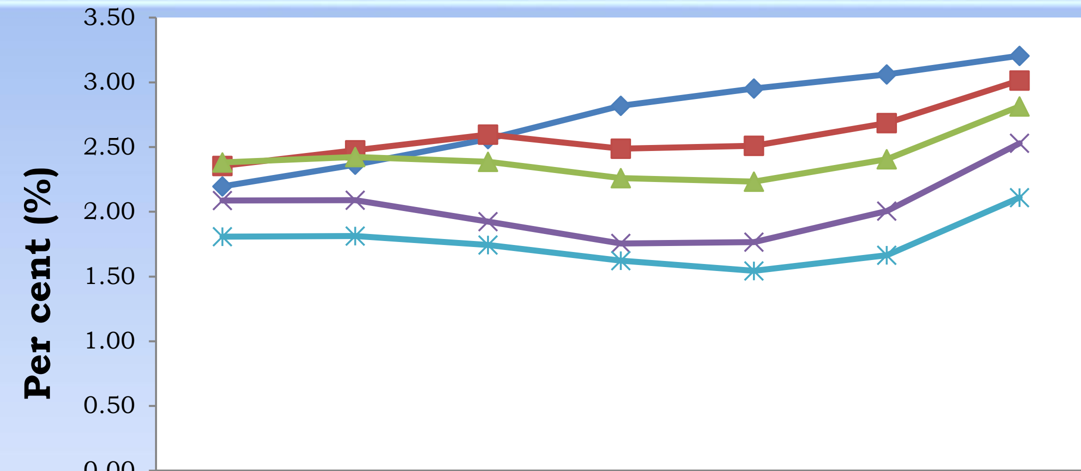


	QTR Ended Sep-19	QTR Ended Jun-19	QTR Ended Mar-19	QTR Ended Dec-18	QTR Ended Sep-18	FY 18/19	FY 17/18
Russell 3000	1.16	4.09	14.04	-14.30	7.12	2.91	17.57
Dow Jones	1.83	3.21	11.81	-11.31	9.63	4.21	20.76
S&P 500	1.70	4.30	13.65	-13.52	7.71	4.25	17.90
FTSE 100 - UK	0.93	3.28	9.50	-9.61	-0.70	3.18	6.00
CAC 40 - France	2.73	6.19	13.39	-13.56	3.36	6.93	6.25
DAX 30 - Germany	0.24	7.57	9.16	-13.78	-0.48	1.48	-4.54
Nikkei 225 - Japan	2.98	0.48	7.03	-16.86	9.01	-7.91	20.83
MSCI EAFE	-1.03	3.90	10.14	-12.50	1.41	-0.91	3.16

Source: Bloomberg

In the US fixed income market, yields declined during the quarter as slowing global economic growth and trade concerns led the Fed to further ease its monetary policy. Furthermore, the unpredictable course of events related to US-China trade negotiations increased demand for traditional safe haven assets during the period. The 10-year yield fell by 35 basis points to end the quarter at 1.66 per cent, while the 2-year declined by 13 basis points to close the period at 1.62 per cent (Figure 2).

Figure 2
US Treasury Curve
/Per Cent/

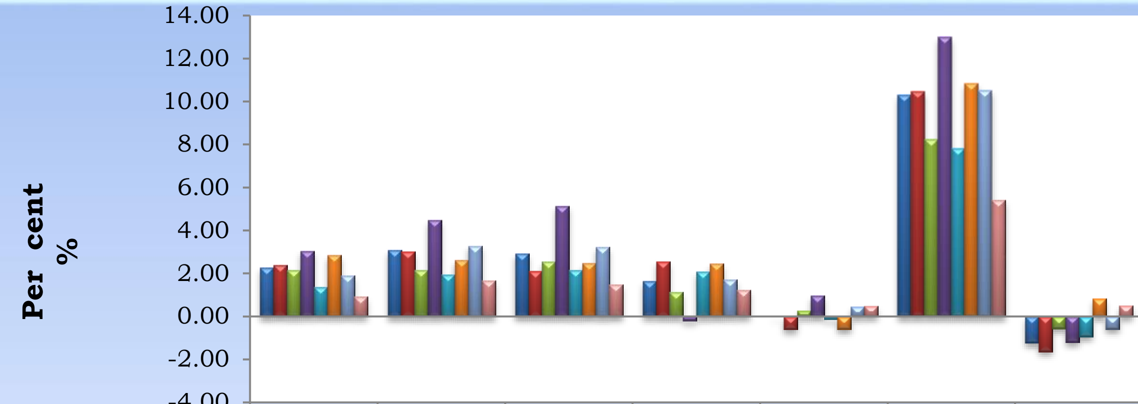


	3 Month	6 Month	1 Year	2 Year	5 Year	10 Year	30 Year
Sep-18	2.20	2.36	2.56	2.82	2.95	3.06	3.21
Dec-18	2.35	2.48	2.60	2.49	2.51	2.68	3.01
Mar-19	2.38	2.42	2.39	2.26	2.23	2.41	2.81
Jun-19	2.09	2.09	1.93	1.75	1.77	2.01	2.53
Sep-19	1.81	1.81	1.74	1.62	1.54	1.66	2.11

Source: Bloomberg

The broader US fixed income market, as represented by the Bloomberg Barclays US Aggregate Bond Index, gained 2.27 per cent in the third quarter of 2019. Most of the returns were driven by the decline in interest rates over the period. The US Corporate Investment Grade sector remained the best performing sub-component of the bond market, returning 3.05 per cent. Meanwhile, pre-payment speeds negatively impacted the US MBS market which lagged the broader market, returning 1.37 per cent (Figure 3).

Figure 3
Returns on Fixed Income Indices
/Per Cent/



	QTR Ended Sep-19	QTR Ended Jun-19	QTR Ended Mar-19	QTR Ended Dec-18	QTR Ended Sep-18	FY 18/19	FY 17/18
Barclays US Aggregate	2.27	3.08	2.94	1.64	0.02	10.30	-1.22
US Treasury	2.40	3.01	2.11	2.57	-0.59	10.48	-1.62
Agencies	2.17	2.17	2.54	1.13	0.28	8.24	-0.54
US Corporate	3.05	4.48	5.14	-0.18	0.97	13.00	-1.19
US MBS	1.37	1.96	2.17	2.08	-0.12	7.80	-0.92
G7 Bonds (Hedged)	2.86	2.63	2.48	2.46	-0.58	10.84	0.83
US CMBS	1.90	3.28	3.24	1.72	0.46	10.51	-0.58
US ABS	0.92	1.67	1.48	1.25	0.50	5.42	0.51

Source: Bloomberg

In currency markets, the US dollar strengthened over the quarter as the US economy remained firmly in expansionary territory surpassing their counterparts in the developed world. The Euro and British pound depreciated against the US dollar during the period by 4.17 per cent and 3.21 per cent, respectively. These currencies were undermined by worsening economic prospects throughout Europe, expectations for the ECB to engage in an extended easing cycle and mounting Brexit concerns. The Japanese yen marginally weakened by 0.17 per cent against the US dollar over the quarter, with the BOJ deciding to maintain its monetary policy ahead of the government's planned consumption tax increase in October.

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

	QTR Ended Sep-19	QTR Ended Jun-19	QTR Ended Mar-19	QTR Ended Dec-18	FY 18/19	FY 17/18
DXY CURNCY	3.38	-1.19	1.16	1.09	4.46	2.21
EURUSD CURNCY	-4.17	1.38	-2.17	-1.18	-6.08	-1.78
GBPUSD CURNCY	-3.21	-2.60	2.20	-2.13	-5.69	-2.74
JPYUSD CURNCY	-0.17	2.75	-1.12	3.72	5.20	-1.02

Source: Bloomberg

SECTION 3 – PORTFOLIO PERFORMANCE

Strategic Asset Allocation

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

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

	Asset Class	Target Weight SAA	Dec-18 Actual % of Fund	Mar-19 Actual % of Fund	Jun-19 Actual % of Fund	Sep-19 Actual % of Fund
Portfolio Weights	US Short Duration Fixed Income	25.00	23.77	22.73	22.46	22.41
	US Core Domestic Fixed Income	40.00	39.51	38.55	38.65	39.19
	US Core Domestic Equity	17.50	19.51	20.94	21.22	21.32
	Non-US Core International Equity	17.50	17.22	17.79	17.67	17.07

Totals may not sum to 100 due to rounding.

At the HSF's mandate level, the US Core Domestic Equity mandate maintained the largest overweight position of 3.82 per cent while the US Short Duration Fixed Income mandate had the largest underweight position amounting to 2.59 per cent (see Table 3). The deviations of the mandates from their approved SAA were largely due to cumulative market movements over prior periods. Notwithstanding the deviations from the approved SAA, all the mandates weights remained within their respective approved range of +/- 5 per cent.

The total net asset value of the Fund as at the end of September 2019 was **US$6,255.3 million**, compared with US$6,194.3 million at the end of the previous quarter. Of this total, the investment portfolio was valued at US$6,253.6 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 third quarter of 2019, the HSF grew by 1.05 per cent compared with a gain of 1.27 per cent for its SAA benchmark[2]. The main contributor to the 22 basis points underperformance was the disappointing return performance, relative to the benchmark, of the Non-US Core International Equity mandate (see Table 1). Asset manager strategies within this mandate continued to detract from the portfolio, as investment decisions have been challenged by unpredictable trade policy developments and persistent end of cycle concerns.

On an absolute basis, all mandates except for the Non-US Core International Equity mandate delivered positive returns. The US Core Fixed Income mandate was the best performing HSF mandate returning 2.46 per cent (see Figure 5). In contrast, the return on the Non-US Core International Equity mandate was negative 2.25 per cent for the quarter.

The **US Core Domestic Equity** mandate gained 1.52 per cent during the third quarter of 2019. However it underperformed its benchmark, the Russell 3000 ex Energy index, by 8 basis points. Stock selection within the financial services, health care and consumer discretionary sectors negatively impacted relative performance. The net asset value of this mandate as at September 30, 2019 was **US$1,333.2** million, compared with US$1,313.8 million three months earlier.

The **Non-US Core International Equity** mandate declined 2.25 per cent during the three months ending September 2019. This compares to a negative return of 0.75 per cent for its benchmark, the MSCI EAFE ex Energy index. Both country and stock

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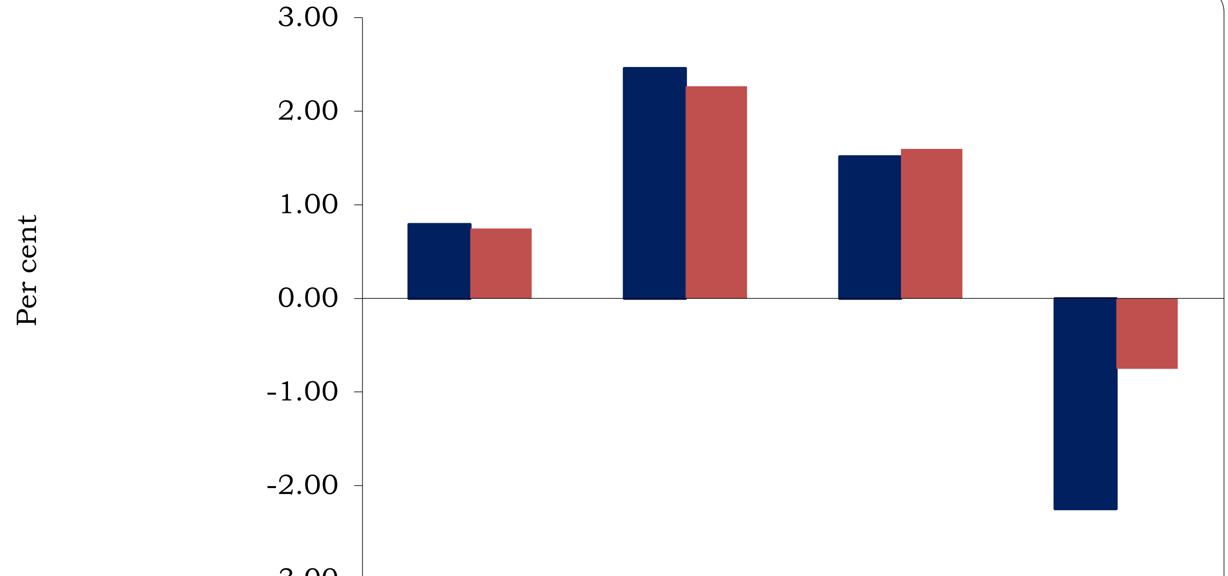
[2] The SAA benchmark is a blended benchmark which comprises, Bank of America/Merrill Lynch US Treasury 1-5 Years Index (25%), Bloomberg Barclays US Aggregate Bond Index (40%), Russell 3000 ex Energy Index (17.5%), and MSCI EAFE ex Energy Index (17.5%).

selection were negative for performance over the quarter, while currency hedging helped to marginally offset some of the losses. Stock selection was particularly poor in the United Kingdom, France, Japan and Hong Kong, while stock picks in Germany and Spain performed well. The mandate's net asset value at the end of September 2019 was **US$1,067.7 million**, compared with US$1,093.9 million at the end of June 2019.

The **US Short Duration Fixed Income** mandate rose 0.79 per cent during the third quarter and outperformed its benchmark, the Bank of America Merrill Lynch US Treasury 1-5 year index, by 4 basis points. Spread strategies employed by the asset managers primarily contributed towards excess returns, with allocations to Agency Mortgage Backed Securities, Supranationals and other Non US Government instruments providing incremental yield. Overall, interest rate positioning was somewhat neutral over the quarter. The net asset value of this mandate as at the end of September 2019 was **US$1,401.6 million,** compared with US$1,390.9 million at the end of June 2019.

The longer duration **US Core Domestic Fixed Income** mandate delivered the best performance on an absolute basis, increasing 2.46 per cent. This compares to a gain of 2.27 per cent for its benchmark, the Barclays Capital US Aggregate Bond index. Overall, sector allocation and security selection positively contributed to excess returns. Overweight positions to Mortgage Backed securities and Asset Backed securities added to returns, while credit positioning within the corporate sector was positive for the quarter. The net asset value of this mandate at the end of September 2019 was **US$2,451.1 million**, compared with US$2,393.1 million three months earlier.

Figure 5
Absolute Returns by Mandate
For the period July – September 2019
/per cent/



	US Short Duration	US Core Fixed Income	US Core Domestic Equities	Non US Core International Equities
Composite Portfolio Return	0.79	2.46	1.52	-2.25
SAA Benchmark Return	0.75	2.27	1.60	-0.75

SECTION 4 – COMPLIANCE AND PORTFOLIO RISKS

Compliance

In the quarter, asset managers within the equity mandates failed to meet the performance objectives outlined in the investment guidelines. The Central Bank, as manager of the Fund, has engaged in an enhanced monitoring programme with the respective managers. This programme is intended to position the Fund in a manner to best 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 September 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 September 30, 2019.

Table 5
Weighted Average Duration
/Years/

Mandate	Portfolio	Benchmark
US Short Duration	**2.42**	**2.56**
US Core Domestic Fixed Income	**5.54**	**5.78**

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 September 2019, the currency exposure for this portfolio was 96 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
September	1.05	1.27	-21.70	5.10	6.54	-144.08	5.44	4.97	47.15

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	-
September 30, 2019	6,255,349,599	61,381,293	2,921,067,914	

Appendix III

Summary Characteristics of Composite Benchmarks

Fixed Income Benchmarks

Key Characteristics	Bloomberg Barclays US Aggregate Index	Merrill Lynch 1-5 Index
Total Holdings	10,904	150
Coupon (%)	3.20	2.20
Duration (Years)	5.78	2.56
Average Life (Years)	7.92	2.73
Yield to Maturity (%)	2.26	2.68
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	2,838	890
Earnings Per Share (EPS Growth 3-5yr fwd)	11.8	7.26
Price Earnings (P/E fwd)	18.3	14.68
Price / Book (P/B)	3.1	1.59
Weighted Average Market Capitalization* (Bn)	216.1	60.7

*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/

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
Total Fund Value	**5,966**	**5,683**	**6,016**	**6,194**	**6,255**
Total Value of Equity	**2,417**	**2,086**	**2,329**	**2,408**	**2,401**
US Core Domestic Equity	1,287	1,108	1,259	1,314	1,333
Non-US Core International Equity	1,131	978	1,070	1,094	1,068
Total Value of Fixed Income	**3,548**	**3,595**	**3,686**	**3,784**	**3,853**
US Short Duration Fixed Income	1,329	1,351	1,367	1,391	1,402
US Core Domestic Fixed Income	2,220	2,245	2,319	2,393	2,451
Total Value of Cash or Cash Equivalents	**0**	**1**	**1**	**3**	**2**

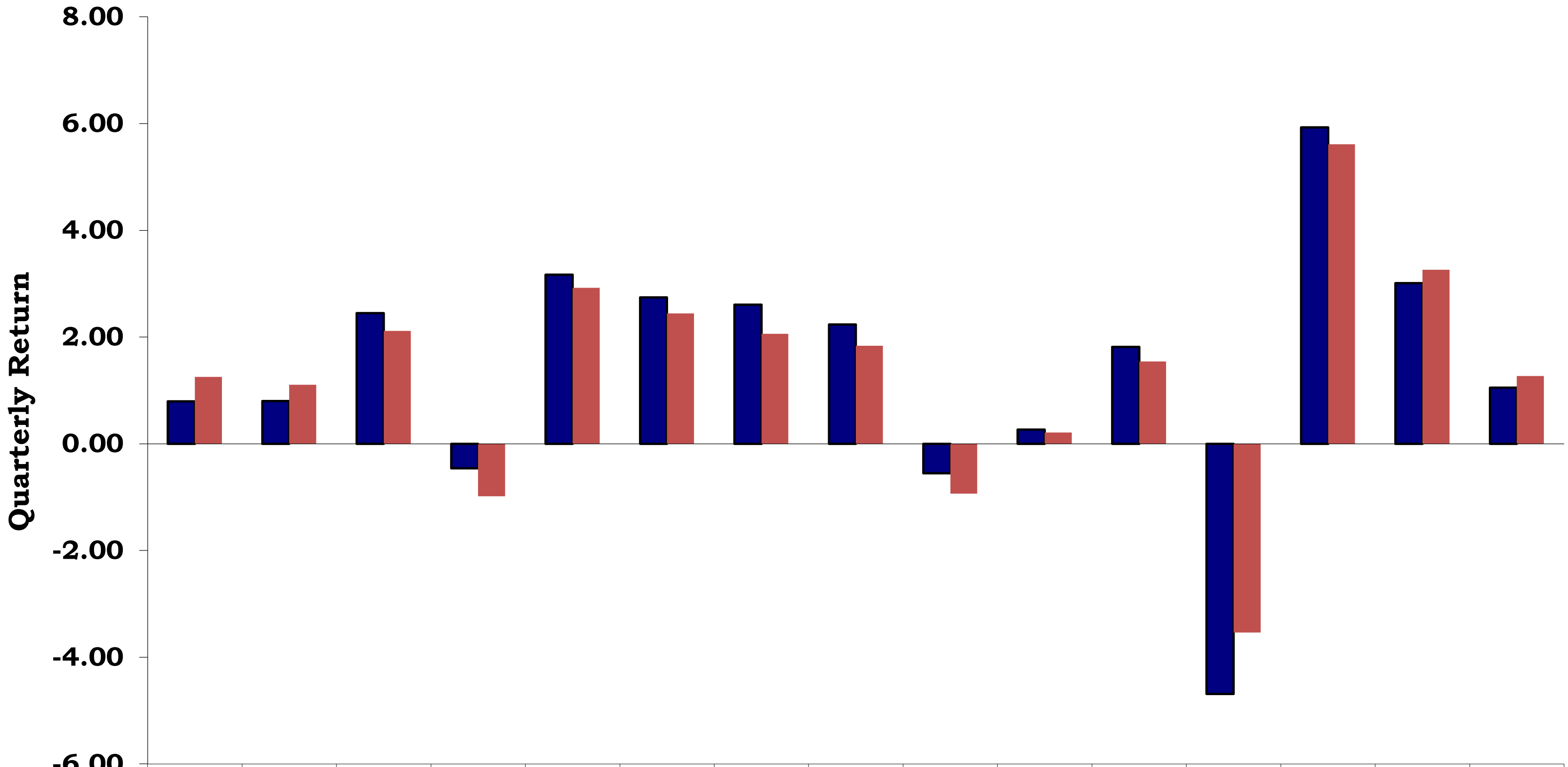
NB: Differences in totals are due to rounding.

Appendix V

HSF Portfolio Quarterly Returns

/per cent/

Quarterly HSF & SAA Benchmark Returns



	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	FY2019 Q4
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	1.05
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	1.27