HERITAGE AND STABILISATION FUND (HSF)

QUARTERLY INVESTMENT REPORT

JANUARY TO MARCH 2021

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[1] This section includes economic data available as at April 22, 2021.

EXECUTIVE SUMMARY

- During the second quarter of the financial year, the widespread distribution of vaccines and the accelerated pace of inoculations in several key economies boosted the global growth outlook for 2021. However, there was growing divergence in recovery outlook among countries. Over the period, the United States (US) and United Kingdom (UK) benefitted from relatively successful vaccine campaigns, which allowed a broader recovery to take place with increased participation from the services sector. In addition, job creations, further fiscal support and easing of restrictions on economic activities drove consumer confidence higher over the quarter. In the US, the passage of a US$1.9 trillion stimulus package strengthened growth prospects while fueling fears about mounting inflationary pressures.

- In contrast, the Euro zone and Japanese economies were hampered by extended lockdown measures and vaccination delays that increased the risk of a double-dip recession. Economic activity remained depressed before improving towards the end of the quarter when some restrictions were gradually lifted. In these economies, the manufacturing sector led the recovery during the quarter supported by strong global demand while the services industry continued to struggle.

- Global equity markets continued to rally during the quarter, driven by the encouraging vaccination progress. Market gains were also supported by accommodating fiscal and monetary policies. In comparison, global fixed income markets declined during the quarter as longer-dated interest rates rose sharply due to higher inflation and growth expectations. Interest rates stayed elevated despite assurances from major central banks that they would remain accommodative for as long as necessary.

- In the second quarter of the financial year 2021, the HSF returned 1.28 per cent due mainly to the strong performance of the Fund's equity mandates which offset the decline experienced in the fixed income mandates during the quarter (see Table 1). The Fund's exposure to global equities contributed 2.50 per cent to its overall second quarter's performance and exposure to US fixed income securities, negative 1.22 per cent (see Table 2).

- When compared to its SAA benchmark, which returned 0.08 per cent, the HSF outperformed by 119 basis points (see Table 2 and Appendix I). The HSF's outperformance was mainly driven by its overweight exposure to equities relative to the SAA benchmark, which benefitted the Fund as equities gained over the quarter. External asset manager strategies incrementally added to outperformance across all mandates, with managers within the Non-US Core International Equity mandate providing the largest contribution.

- As at the end of March 2021, the total net asset value of the HSF was **US$5,661.7 million**, approximately US$226.4 million lower than the previous quarter's closing value of US$5,888.1 million. During the quarter, a total of US$293.8 million was withdrawn from the Fund. This comprised US$93.8 million, representing the remaining balance under Section 15 of the Act (2007) to cover the petroleum revenue shortfall for the financial year 2019/2020, and US$200.0 million drawdown under Section15a (1)(b) of the amended HSF Act (2020).

Table 1

Absolute Quarterly Returns
For the period January – March 2021
/per cent/

	Absolute Return HSF	Absolute Return Benchmark
Composite Portfolio	**1.28**	**0.08**
US Short Duration Fixed Income	-0.38	-0.52
US Core Domestic Fixed Income	-3.15	-3.37
US Core Domestic Equity	6.50	5.82
Non-US Core International Equity	4.89	3.25

Table 2
Contributions to Quarterly Returns
For the period January - March 2021
/per cent/

	3 Months Portfolio Weighted Return to 31-March-2021	
	HSF	**Benchmark**
Composite Portfolio	**1.28**	**0.08**
US Short Duration Fixed Income	-0.08	-0.13
US Core Domestic Fixed Income	-1.15	-1.36
US Core Domestic Equity	1.43	1.01
Non-US Core International Equity	1.07	0.57

NB: Differences in totals are due to rounding.

SECTION 1 – INTERNATIONAL ECONOMIC ENVIRONMENT

The global economic outlook improved during the first quarter of 2021. In April, the International Monetary Fund's World Economic Outlook revised upwards its 2021 global growth forecast to 6.0 per cent from 5.5 per cent projected in January 2021. Among the advanced economies, the US is expected to lead the recovery given the accelerated rollout of its vaccination programme as well as its very aggressive fiscal policy. The new Biden administration passed a US$1.9 trillion Covid-19 relief bill, which delivered direct payments to households and provided funds for vaccine distribution. The Administration also plans to inject a further US$2.0 trillion into the economy through an infrastructure programme. Record immunisation rates and slowing virus cases supported the broader re-opening of the economy. Overall activity picked up with strong gains in the service sector driving continued growth in job creation. The Markit Services PMI rose by 5.6 points to end the quarter at 60.4 points while the unemployment rate fell to 6.0 per cent in March from 6.7 per cent in December 2020. Sharp increases in the producer price index over the quarter added to inflation concerns. However, consumer prices were stable during the quarter. When compared to December 2020, the Consumer Price Index (CPI) ex-Food and Energy was unchanged at 1.60 per cent in March 2021.

Similarly, the UK economy is anticipated to rebound at the beginning of the year given that close to two-thirds of the adult population was immunised at the end of the quarter.

In March, a sharp reduction in the spread of the virus and good progress made on vaccination allowed the government to move forward with its plans re-opening from the nation's third lockdown. Service sector activity benefitted from easing restrictions with the Markit/CIPS UK Services PMI index rising to 56.3 points at the end of the quarter from 49.4 points in the prior period. In addition, both imports from and exports to the European Union (EU) plunged in January before modestly recovering thereafter. The decline was attributed to stockpiling in advance of end of the Brexit transition, Covid lockdowns in the region and Brexit headwinds as firms grappled with the new trading rules. Inflation remained subdued with the Consumer Price Index ex-food and energy falling to 0.9 per cent in February from 1.4 per cent in December 2020.

In contrast, the near-term outlook for the euro zone economies weakened due to the reintroduction of lockdown measures and vaccination campaign setbacks. Vaccine supply challenges were compounded by temporary suspensions of the Oxford/AstraZeneca vaccine in several countries due to safety concerns. Notwithstanding, business activity surprised to the upside in March with the Markit Composite PMI reflecting an expansion at 53.2 points from 49.1 points in December 2020. Strong overseas demand for manufactured goods drove most of these gains while service sector activity remained in contractionary territory.

The Chinese economy expanded by a record 18.3 per cent year-on-year during the first quarter of 2021 as the country continues to recover from the sharp decline in output from the start of pandemic roughly a year ago. However, month-to-month change in economic activity indicated that the Chinese economy continued to advance but at a more moderate pace. The Japanese economy benefitted from growth in the region as exports to Asia rose 20.4 per cent year-on-year in March. However, consumer confidence has been hampered by Japan's slow vaccine rollout which commenced in February following a lengthy approval process. The most recent household spending data for February showed a 6.6 per cent decline year-on-year as the country struggled to contain the new variants of the Covid-19 virus. Rising infection rates during the quarter resulted in extended state of emergency measures, as officials exercised caution ahead of the Tokyo Olympics in July.

Major central banks left policy rates unchanged and re-affirmed their commitment to maintain their current level of monetary accommodation for as long as necessary. Policymakers were encouraged by the economic progress thus far but remained cognisant of the ongoing pandemic risks and uncertainties stemming from new variants. The US Federal Reserve Bank (Fed) indicated that substantial further progress was needed to meet its employment and inflation targets. Elsewhere, the European Central Bank (ECB) maintained the overall size of its asset purchase programme but indicated that the pace of purchases would likely increase in the coming months due to soft market conditions. Following the Bank of Japan's (BOJ) policy review, officials conveyed that a more sustainable approach was warranted to boost the Japanese economy and made incremental policy adjustments to provide additional flexibility going forward.

SECTION 2 – CAPITAL AND MONEY MARKET REVIEW

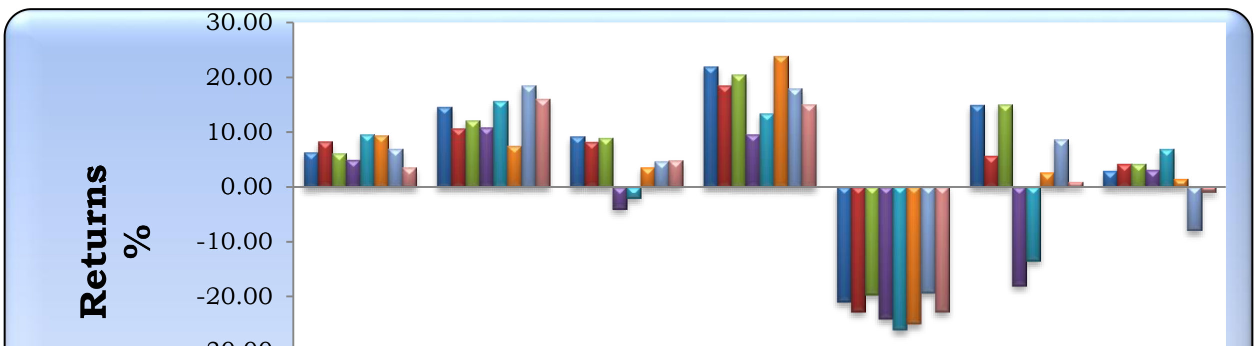
Optimism surrounding the roll-out of vaccines and the expansion of fiscal stimulus in the US drove global equities higher for a fourth consecutive quarter. Gains were moderated by several bouts of volatility during the period. Speculative trading activity in heavily shorted companies and fears around mounting inflationary pressures fuelled risk-off episodes. Despite these events, overall market volatility declined modestly. The US Chicago Board Options Exchange Volatility Index (VIX) averaged 23.16 points in the three months to March when compared to an average of 25.54 points during the prior quarter. Similarly, the European measure of investor anxiety, the Euro Stoxx 50 Volatility Index (VSTOXX), was incrementally lower over the period, declining by 3.33 points to close the quarter at 21.36 points.

The US Standard and Poor's (S&P) 500 index rose by 6.17 per cent over the quarter as equities quickly recovered from brief sell-offs towards the end of January and February (see Figure 1). Equities trended higher as the faster pace of vaccinations and additional fiscal stimulus bolstered recovery hopes. All sectors in the S&P 500 index delivered positive returns. Energy stocks performed the best with oil prices moving above $50.0 per barrel for the first time since the start of pandemic to end the quarter at $59.16 per barrel (West Texas Intermediate Oil). Financials also outperformed the broader market due to the positive impact of a steepening yield curve on earnings. However, the technology sector lost some momentum as higher interest rates detracted from valuation levels.

Non-US developed stock markets, as represented by the MSCI EAFE index, rose by 3.57 per cent, when measured in US dollar terms (see Figure 1). Exposure to local currencies detracted as the US dollar appreciated against most of the G-10 currencies. During the quarter, international equities benefitted from overwhelming optimism that a robust rebound in global economic growth would materialise in the second half of the year. Despite vaccine setbacks and uncertainties stemming from prolonged lockdowns in Europe ex-UK and Japan, Germany's DAX 30 index gained 9.40 per cent while Japan's Nikkei 225 index returned 6.93 per cent, in local currency terms. Both markets benefitted from the global recovery as export demand boosted manufacturing sector activity. The UK's FTSE 100 index also positive a return, returning 4.97 per cent during the quarter. Positive vaccine developments and the re-opening of the economy helped to boost investors' confidence despite Brexit headwinds.

Figure 1

Total Returns on Equity Indices
/Per cent/

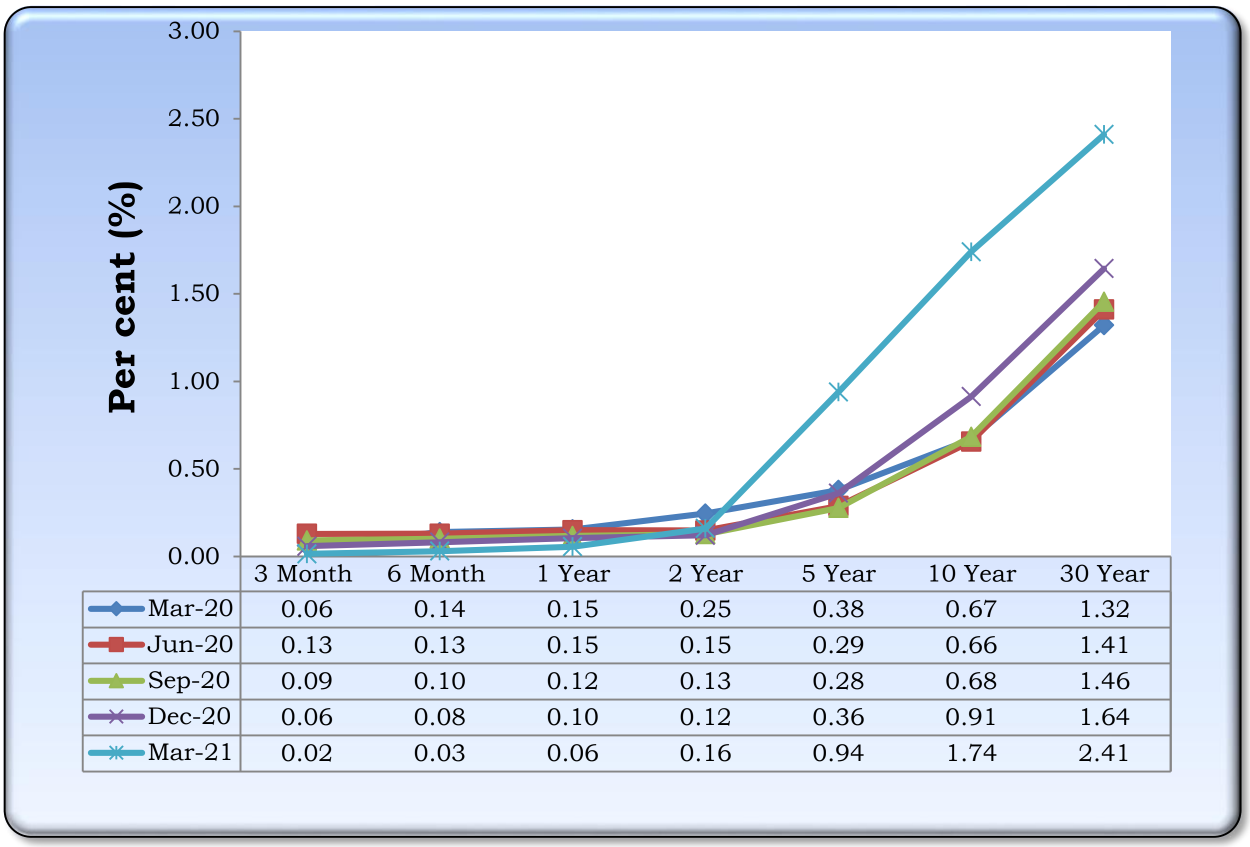


	QTR Ended Mar-21	QTR Ended Dec-20	QTR Ended Sep-20	QTR Ended Jun-20	QTR Ended Mar-20	FY 19/20	FY 18/19
Russell 3000	6.34	14.68	9.21	22.03	-20.90	14.99	2.91
Dow Jones	8.29	10.73	8.22	18.51	-22.73	5.70	4.21
S&P 500	6.17	12.14	8.93	20.54	-19.60	15.14	4.25
FTSE 100 - UK	4.97	10.86	-4.02	9.58	-24.05	-17.96	3.18
CAC 40 - France	9.59	15.76	-2.03	13.48	-26.15	-13.41	6.93
DAX 30 - Germany	9.40	7.51	3.65	23.90	-25.01	2.68	1.48
Nikkei 225 - Japan	6.93	18.52	4.75	17.97	-19.25	8.69	-7.84
MSCI EAFE	3.57	16.08	4.90	15.14	-22.76	0.95	-0.87

Source: Bloomberg

In the US fixed income market, longer dated treasury yields moved sharply higher due to stronger growth and inflation expectations. The 10-year yield increased by 83 basis points to end the quarter at 1.74 per cent. Meanwhile, the Fed's commitment to maintain policy rates near current levels for an extended period of time helped to anchor the shorter end of the curve. The 2-year yield rose a modest 4 basis points to 0.16 per cent. As a result, the yield curve steepened further with the spread between the 2-year and 10-year widening by 79 basis points to 1.58 per cent.

Figure 2
US Treasury Curve
/Per Cent/



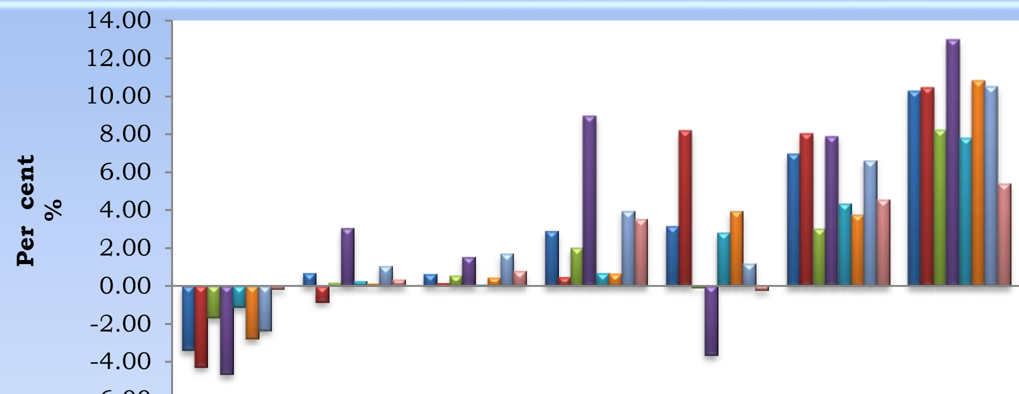
	3 Month	6 Month	1 Year	2 Year	5 Year	10 Year	30 Year
Mar-20	0.06	0.14	0.15	0.25	0.38	0.67	1.32
Jun-20	0.13	0.13	0.15	0.15	0.29	0.66	1.41
Sep-20	0.09	0.10	0.12	0.13	0.28	0.68	1.46
Dec-20	0.06	0.08	0.10	0.12	0.36	0.91	1.64
Mar-21	0.02	0.03	0.06	0.16	0.94	1.74	2.41

Source: Bloomberg

The rising rate environment negatively impacted fixed income investments. The broader US investment grade market, as represented by the Bloomberg Barclays US Aggregate Bond Index, lost 3.37 per cent during the three months to March 2021 (see Figure 3). Sub-sectors with lower interest rate risk such as Asset Backed Securities and Mortgage

Backed Securities outperformed the index, falling by 0.16 per cent and 1.10 per cent, respectively. Meanwhile, the US Corporate bond sub-sector declined by 4.65 per cent as its relatively longer duration profile detracted from returns and outweighed the incremental narrowing of spreads over US treasuries.

Figure 3
Returns on Fixed Income Indices
/Per Cent/

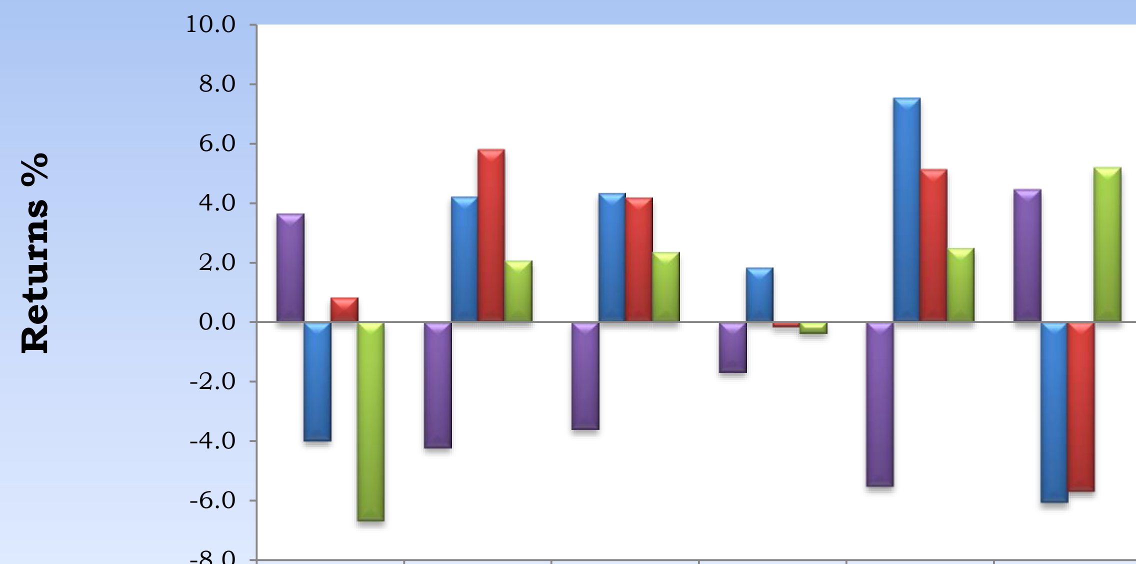


	QTR Ended Mar-21	QTR Ended Dec-20	QTR Ended Sep-20	QTR Ended Jun-20	QTR Ended Mar-20	FY 19/20	FY 18/19
Barclays US Aggregate	-3.37	0.67	0.62	2.90	3.15	6.98	10.30
US Treasury	-4.25	-0.83	0.17	0.48	8.20	8.04	10.48
Agencies	-1.66	0.18	0.55	2.02	-0.07	3.02	8.24
US Corporate	-4.65	3.05	1.54	8.98	-3.63	7.90	13.00
US MBS	-1.10	0.25	0.11	0.67	2.82	4.36	7.80
G7 Bonds (Hedged)	-2.77	0.14	0.45	0.66	3.96	3.77	10.84
US CMBS	-2.32	1.05	1.71	3.95	1.18	6.63	10.51
US ABS	-0.16	0.36	0.80	3.54	-0.21	4.55	5.42

Source: Bloomberg

The accelerated pace of vaccinations and brighter economic outlook in the US and UK broadly boosted their currencies. The US dollar as measured by the DXY index appreciated by 3.66 per cent, while the British Pound strengthened 0.83 per cent against the US dollar over the quarter (see Figure 4). In contrast, extended lockdowns, vaccination delays and growing interest rate differentials resulted in the Euro and Japanese Yen depreciating by 3.98 per cent and 6.68 per cent, respectively, against the US dollar.

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



	QTR Ended Mar-21	QTR Ended Dec-20	QTR Ended Sep-20	QTR Ended Jun-20	FY 19/20	FY 18/19
DXY CURNCY	3.66	-4.21	-3.60	-1.67	-5.53	4.46
EURUSD CURNCY	-3.98	4.22	4.34	1.84	7.54	-6.08
GBPUSD CURNCY	0.83	5.80	4.19	-0.15	5.13	-5.69
JPYUSD CURNCY	-6.68	2.07	2.35	-0.37	2.49	5.20

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 March 2021 and the previous three (3) quarters.

Table 3
Portfolio Composition relative to the Approved SAA[2]
/per cent/

			Jun-20	*Sep-20*	*Dec-20*	*Mar-21*
Portfolio Weights	*Asset Class*	*Target Weight SAA*	*Actual % of Fund*	*Actual % of Fund*	*Actual % of Fund*	*Actual % of Fund*
	US Short Duration Fixed Income	25.00	20.78	21.14	19.59	19.76
	US Core Domestic Fixed Income	40.00	39.97	39.36	36.50	33.78
	US Core Domestic Equity	17.50	21.61	20.61	22.88	23.56
	Non-US Core International Equity	17.50	17.65	18.89	21.03	22.91

Totals may not sum to 100 due to rounding.

During the period January to March 2021, changes in mandate weights were a result of movements in the market values of the Fund's assets and withdrawal activity from the HSF. When combined, these events contributed to the HSF's overall underweight allocation to fixed income securities and corresponding overweight to equities as at the end of the quarter.

[2] The Board's approved investment policy allow the mandate weights to deviate from the approved SAA weights by +/- 5 per cent. In December 2020, the Board took the decision to defer quarterly rebalancing until the end of second quarter due to market volatility.

At the HSF's mandate level, the US Core Domestic Fixed Income mandate held the largest underweight position of 6.22 per cent, while the US Core Domestic Equity mandate maintained the largest overweight position of 6.06 per cent (see Table 3).

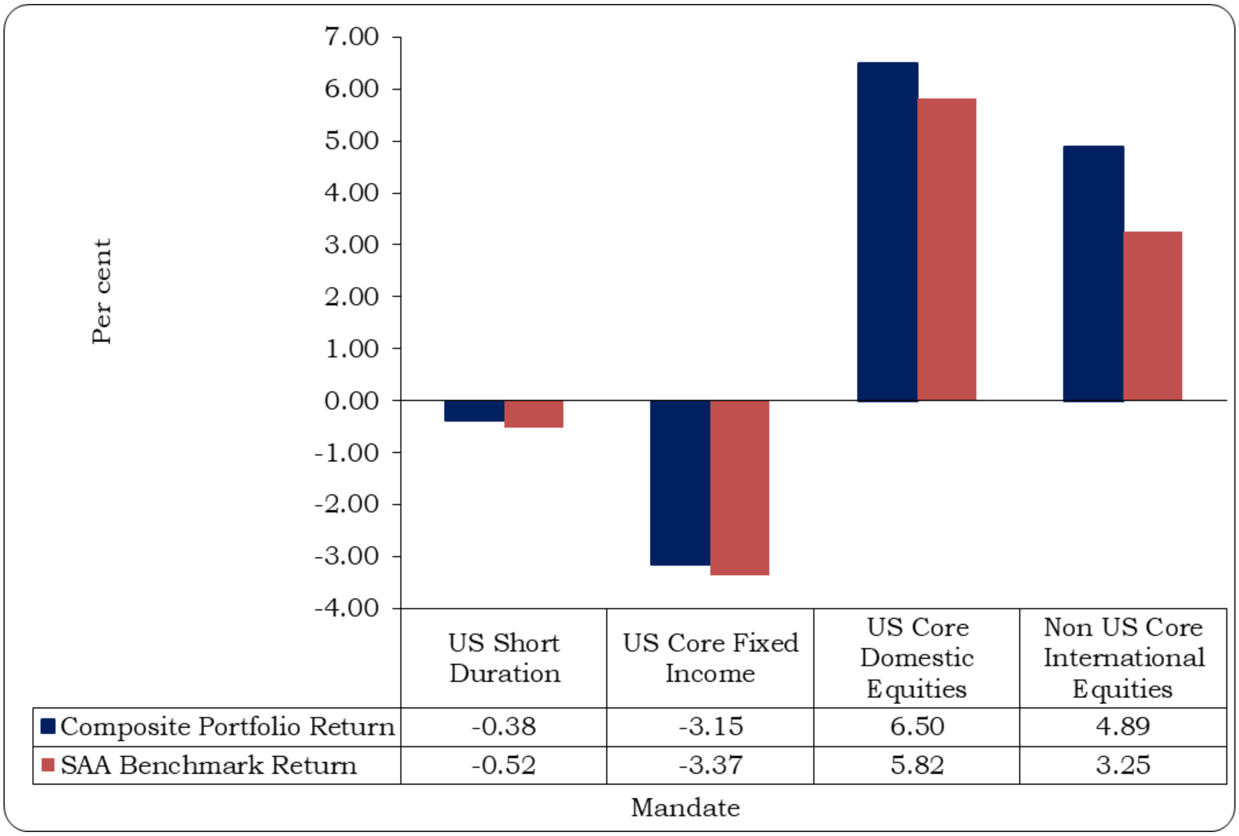
Following continuous reviews, the Board took a tactical decision to not rebalance the Fund as at the end of March and approved the Fund's asset allocation above the allowed +/-5.0 per cent deviation. The Board assessed that the overweight exposure to equity markets would continue to benefit the Fund's performance given expectations for equities to outperform fixed income over the near-term, without unduly impacting the approved risk tolerance for the HSF. The Board maintained that it would continue to conduct a monthly assessment of its decision.

The total net asset value of the Fund as at the end of March 2021 was **US$5,661.7 million**, compared with US$5,888.1 million at the end of the previous quarter. Of this total, the Investment Portfolio was valued at US$5,660.4 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 fiscal 2021, the HSF's Investment Portfolio returned 1.28 per cent due to positive performance in the equity mandates (see Figure 5).

Figure 5
Absolute Returns by Mandate
For the period January – March 2021
/per cent/



When compared with its SAA benchmark[3], which rose 0.08 per cent, the HSF outperformed by 119 basis points. Overweight allocations to the equity mandates, which outperformed the fixed income mandates, was the main contributor to excess returns (see Table 2). This was augmented by the strong relative performances of asset managers, particularly within the Non-US Core International Equities mandate.

The **US Core Domestic Equity** mandate continued to gain, returning 6.50 per cent for the quarter. It outperformed its benchmark, the Russell 3000 ex Energy index by 68 basis points (see Figure 5). The mandate's outperformance was mainly due to strong

[3] The SAA benchmark is a blended benchmark, which comprises of the 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%).

stock selection over the period. Exposures within the technology, industrial and consumer discretionary sectors were the main contributors to excess returns. The mandate's net asset value as at March 31, 2021 was **US$1,333.4 million** compared with US$1,346.9 million three months earlier. The decrease in the net asset value was mainly due to a withdrawal of US$93.8 million during the quarter, which was partially offset by market gains.

The **Non-US Core International Equity** mandate also produced positive returns, rising 4.89 per cent during the quarter. This compares to a return of 3.25 per cent for its benchmark, the MSCI EAFE ex Energy index. In aggregate, security selection in countries from the Asia-Pacific and European regions added to performance. Country allocation also marginally added to relative outperformance during the quarter. The mandate's net asset value at the end of March 2021 was **US$1,296.6 million** compared with US$1,237.6 million at the end of December 2020.

The **US Short Duration Fixed Income** mandate lost a modest 0.38 per cent the second quarter of the financial year. It outperformed its benchmark, the Bank of America Merrill Lynch US Treasury 1-5 year index, by 14 basis points. The portfolio's allocation to credit spread products as well as its long inflation and short duration strategies contributed to performance. The net asset value of this mandate as at March 31, 2021 was **US$1,118.4 million** compared to US$1,153.0 million as at December 31, 2020. The decrease in the net asset value was due to a withdrawal of US$30.0 million during the quarter.

The longer duration **US Core Domestic Fixed Income** mandate fell by 3.15 per cent compared to a decline of 3.37 per cent for its benchmark, the Barclays Capital US Aggregate Bond index. Overweight exposures to investment grade corporates as well as asset-backed and commercial-mortgaged backed securities were the main drivers of outperformance while security selection within mortgage-backed securities and yield curve positioning modestly detracted from returns. The net asset value of this mandate at the end of March was **US$1,911.9 million** compared to US$2,148.4 million three months earlier. Withdrawals totaling US$170.0 million in the quarter were the main driver of the mandate's lower net asset value.

SECTION 4 – COMPLIANCE AND PORTFOLIO RISKS

Compliance

As at the end of the quarter, one asset manager within the Non-US Core International equity mandate continued to fall below the performance objectives outlined in the investment guidelines. Additionally, the managers in the US Core Domestic Fixed Income mandate operated above the risk target relative to the benchmark, as stated in their investment guidelines. The Central Bank, as manager of the Fund, aims to bring the managers back in compliance with the investment guidelines as soon as feasible. The Central Bank continues to closely monitor the performance of these managers and holds more frequent discussions with them regarding the market environment and their portfolio positioning.

The withdrawal from the HSF and market movements during the quarter increased the deviation of the mandate weights from the approved SAA. As at March 31, 2021, all the mandates exceeded the allowable +/- 5 per cent deviation (see Table 3). Based on the HSF Board's assessment, a decision was taken to defer the rebalancing of the Fund until a further assessment at the quarter ending June 30, 2021. To support the review of its decision, the Board requested the Central Bank to provide monthly updates on the Fund's performance, asset class exposures as well as market outlook.

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 March 31, 2021.

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 March 31, 2021.

Table 5
Weighted Average Duration
/Years/

Mandate	Portfolio	Benchmark
US Short Duration	**2.38**	**2.60**
US Core Domestic Fixed Income	**6.42**	**6.40**

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 March 2021, the currency exposure for this portfolio was 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
September	-2.02	-2.19	16.83	2.47	1.13	134.06	5.31	4.73	58.12

Quarter End	Current Returns			Financial YTD			Annualised Return Since Inception		
	Portfolio	Benchmark	Excess	Portfolio	Benchmark	Excess	Portfolio	Benchmark	Excess
	%	%	bps	%	%	bps	%	%	bps
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
FY 2020									
December	3.62	3.20	41.90	3.62	3.20	41.90	5.63	5.13	49.64
March	-7.33	-5.51	-182.43	-3.98	-2.48	-149.43	4.90	4.58	32.73
June	8.62	7.57	104.53	4.30	4.90	-60.38	5.46	5.06	39.94
September	3.74	2.98	76.36	8.20	8.03	17.42	5.65	5.20	45.01
FY 2021									
December	6.43	5.50	93.52	6.43	5.50	93.52	6.02	5.51	51.10
March	1.28	0.08	119.45	7.79	5.58	220.73	6.00	5.41	59.10

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	-
September 30, 2019	6,255,349,599	288,837,111	2,921,067,914	-
September 30, 2020	5,731,799,397	457,090,777	3,378,158,691	(979,853,158)
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	-

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				
September 30, 2017	5,762,544,777	142,463,920	2,428,512,893	-
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	-
December 31, 2019	6,478,340,872	222,180,512	3,143,248,426	-
March 31, 2020	5,925,283,653	(473,394,404)	2,669,854,022	(79,853,158)
June 30, 2020	5,817,072,795	493,393,358	3,163,247,380	(600,000,000)
September 30, 2020	5,731,799,397	214,911,311	3,378,158,691	(300,000,000)
December 31, 2020	5,888,114,410	355,398,920	3,733,557,611	(198,943,283)
March 31, 2021	5,661,689,420	67,788,202	3,801,345,814	(293,771,250)

Appendix III

Summary Characteristics of Composite Benchmarks

Fixed Income Benchmarks

Key Characteristics	Bloomberg Barclays US Aggregate Index	Merrill Lynch 1-5 Index
Total Holdings	12,161	151
Coupon (%)	2.64	1.63
Duration (Years)	6.40	2.60
Average Life (Years)	8.38	2.66
Yield to Maturity (%)	1.62	0.36
Option Adjusted Spread (bps)	31	0
Average Rating (S&P)	AA	AAA
Minimum Rating (S&P)	BBB	AA+

Equity Benchmarks

Key Characteristics	Russell 3000 (ex-Energy)	MSCI EAFE (ex-Energy)
Total Holdings	2,965	843
Earnings Per Share (EPS Growth 3-5yr fwd.)	15.4	10.87
Price Earnings (P/E fwd.)	22.4	18.09
Price / Book (P/B)	4.1	1.85
Weighted Average Market Capitalisation* (Bn)	400.1	76.2

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

Appendix IV

Summary of the Fund's Net Asset Value by Mandate

/US$ Million/

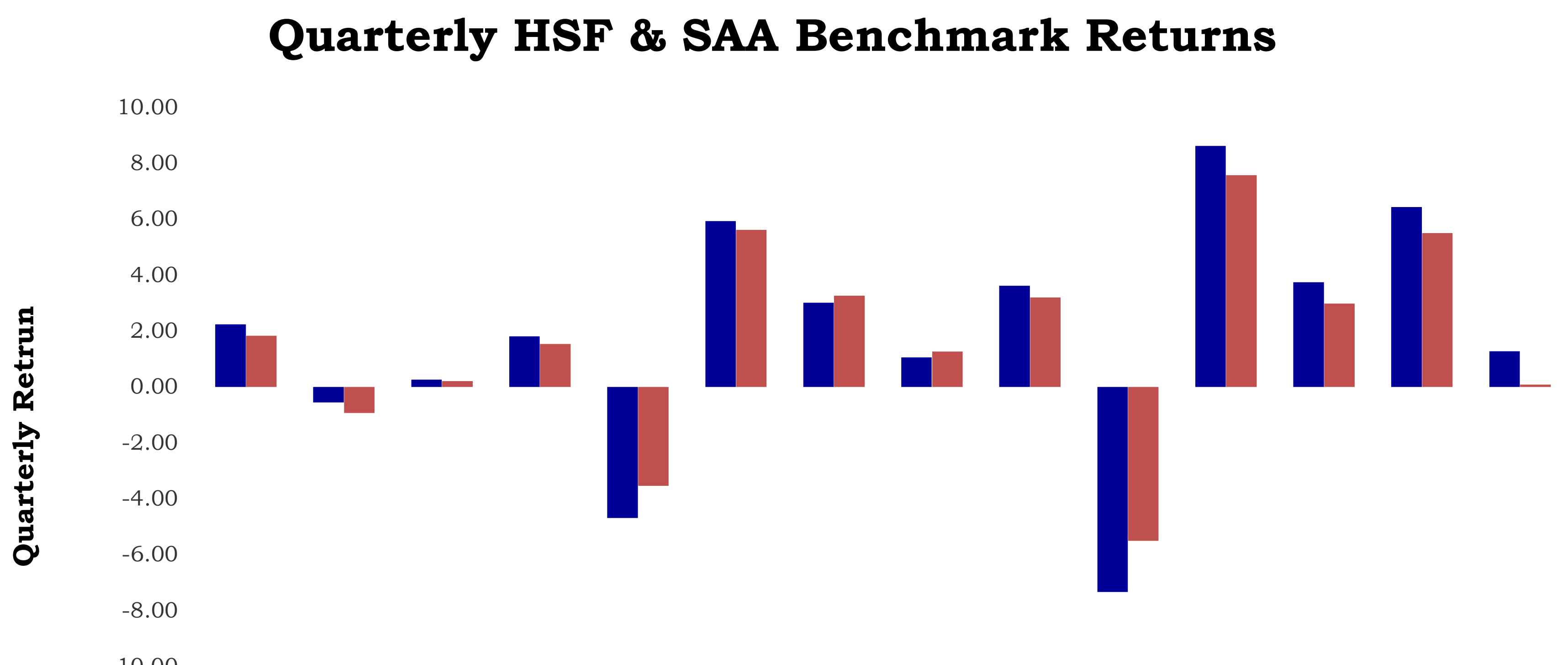
	Mar -20	Jun -20	Sep -20	Dec -20	Mar -21
Total Fund Value	**5,925**	**5,817**	**5,732**	**5,888**	**5,662**
Total Value of Equity	**1,921**	**2,283**	**2,263**	**2,584**	**2,630**
US Core Domestic Equity	1,034	1,256	1,181	1,347	1,333
Non-US Core International Equity	888	1,026	1,083	1,238	1,297
Total Value of Fixed Income	**4,003**	**3,532**	**3,467**	**3,301**	**3,030**
US Short Duration Fixed Income	1,500	1,208	1,211	1,153	1,118
US Core Domestic Fixed Income	2,503	2,324	2,256	2,148	1,912
Total Value of Cash or Cash Equivalents	**1**	**2**	**1**	**2**	**1**

NB: Differences in totals are due to rounding.

Appendix V

HSF Portfolio Quarterly Returns

/per cent/



	FY2018 Q1	FY2018 Q2	FY2018 Q3	FY2018 Q4	FY2019 Q1	FY2019 Q2	FY2019 Q3	FY2019 Q4	FY2020 Q1	FY2020 Q2	FY2020 Q3	FY2020 Q4	FY2021 Q1	FY2021 Q2
HSF Portfolio	2.24	-0.55	0.26	1.81	-4.69	5.93	3.01	1.05	3.62	(7.33)	8.62	3.74	6.43	1.28
Benchmark	1.83	-0.94	0.21	1.54	-3.54	5.61	3.26	1.27	3.20	(5.51)	7.57	2.98	5.50	0.08