HERITAGE AND STABILISATION FUND (HSF)

QUARTERLY INVESTMENT REPORT

APRIL TO JUNE 2025

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[1] This section includes economic data available as at 17 July, 2025, except for the US labour market, which references data as at 5 September, 2025.

EXECUTIVE SUMMARY

- Gross Domestic Product (GDP) across the major economies diverged in the quarter ended March 31, 2025. In the United States (US), economic activity contracted at an annualised rate of 0.5 per cent, a directional change from the 2.4 per cent growth in the final quarter of 2024. In contrast, the United Kingdom (UK) economy expanded by 0.7 per cent, up from 0.1 per cent growth in the prior quarter. The Eurozone (EZ) economy also expanded, with output increasing by 0.6 per cent, while Japan's economy recorded a flat performance.

- Inflation rates in the second quarter of 2025 measured higher than 2.0 per cent for the major economies, except for the EZ where consumer prices decelerated from 2.2 per cent in March to 2.0 per cent in June. The US inflation rate increased from 2.4 per cent to 2.7 per cent, while in the UK, the core inflation rate climbed from 2.6 per cent to 3.6 per cent. In Japan, inflation decelerated from 3.6 per cent in March to 3.3 per cent in June 2025.

- Over the period, monetary policy actions differed across the major developed central banks. The US Federal Reserve (Fed) maintained its federal funds rate at a range of 4.25 per cent to 4.50 per cent, reaffirming the need for clarity before adjusting its monetary policy stance. Meanwhile, the Bank of England (BoE) and the European Central Bank (ECB) reduced their key interest rates, while the Bank of Japan held interest rates steady at 0.50 per cent.

- In the US fixed income market, US Treasury yield movements were volatile over the quarter as investors responded to unpredictable trade proposals, shifting monetary policy expectations and fiscal deficit concerns. Overall, the 2-year yield fell by 16 basis points to 3.72 per cent. Meanwhile, the 10-year yield rose by two basis points to 4.23 per cent, and the 30-year yield ended the quarter 20 basis points higher at 4.77 per cent. The US investment grade fixed income market, as measured by the Bloomberg Barclays US Aggregate Bond index, returned 1.21 per cent. Positive performance arose mainly from interest income earned. A decline in yields in the 1-7 year portion of the curve as well as modest credit spread tightening also incrementally added to returns.

- Global developed equity markets delivered strong gains over the quarter. Stocks quickly recovered from a sharp sell-off in early April following the initial US tariff announcement. News of a 90-day pause on tariffs and some progress towards trade deals with key trading partners helped to ease investors' anxiety. In the US, resilient economic data and strong corporate earnings results also supported the move higher. Overall, the US Standard and Poor's 500 index advanced 10.94 per cent, with optimism over Artificial Intelligence-driven growth fuelling gains in related sectors. Similarly, non-US developed stock markets, represented by the MSCI EAFE index, returned 12.01 per cent when measured in US dollars. In Europe, improving economic prospects, easing monetary policy, plans for greater government spending, and de-escalating geopolitical tensions were all positive for risk assets. In addition, a partial UK-US trade deal and hope for a potential Japan-US trade agreement also helped to drive stocks higher in those regions.

- For the quarter ended June 30, 2025, the Heritage and Stabilisation Fund (HSF) returned 7.30 per cent. The US Core Domestic Equity and Non-US Core International Equity mandates contributed 3.21 percentage points and 3.28 percentage points, respectively, while the fixed income mandates added 0.71 percentage points (see Tables 1 and 2).

- Relative to the strategic asset allocation (SAA) benchmark, the Fund outperformed by 2.32 percentage points (see Table 2 and Appendix 1). Collectively, the Fund's relative asset weights were the main driver of excess returns for the quarter. The HSF's overweight to equities significantly enhanced performance, while the underweight allocation to fixed income modestly detracted. Active management strategies, most notably in the Non-US Core International Equity mandate and US Core Fixed Income mandate, were also positive for the Fund's performance.

- As at June 30, 2025, the total net asset value of the HSF was **US$6,322.9 million**, approximately US$426.3 million higher than the previous quarter's closing value of US$5,896.6 million.

Table 1

Absolute Quarterly Returns

For the period Apr-Jun 2025

/per cent/

	Absolute Return HSF	Absolute Return Benchmark
Composite Portfolio	7.30%	4.97%
US Short Duration Fixed Income	1.54%	1.37%
US Core Domestic Fixed Income	1.48%	1.21%
US Core Domestic Equity	11.67%	11.71%
Non-US Core International Equity	14.06%	12.30%

Table 2

Contributions to Quarterly Returns

For the period Apr-Jun 2025

/per cent/

	3 Months Portfolio Weighted Return to 30-Jun-25	
	HSF	**Benchmark**
Composite Portfolio	7.30%	4.97%
US Short Duration Fixed Income	0.28%	0.34%
US Core Domestic Fixed Income	0.43%	0.48%
US Core Domestic Equity	3.21%	2.00%
Non-US Core International Equity	3.28%	2.09%

NB: Differences in totals are due to rounding.

SECTION 1 – INTERNATIONAL ECONOMIC ENVIRONMENT

The US economy contracted at an annualised rate of 0.5 per cent in the first quarter of 2025, compared with growth of 2.4 per cent in the final quarter of 2024. This outturn marked the first quarterly contraction for the US economy in three years and it was driven by a surge in imports, as businesses and consumers increased their purchases of foreign goods in anticipation of higher tariffs. Also contributing to the weak economic performance was the decline in government spending and the slowdown in consumer expenditure and exports. On April 02 2025, the Trump Administration announced a comprehensive tariff package, including a 10 per cent universal tariff and a series of higher reciprocal tariffs which were subsequently suspended for 90 days.

On the price front, headline inflation accelerated to 2.7 per cent in the twelve months to June 2025, up from 2.4 per cent in March 2025. This movement reflected a faster pace of increase in core inflation, alongside a smaller decline in energy prices. The core inflation rate, which excludes the impact of food and energy costs, rose to 2.9 per cent in June, from 2.8 per cent three months earlier. Meanwhile, energy prices fell by 0.8 per cent in June compared with a decline of 3.3 per cent in March. Food inflation however, measured 3.0 per cent in June, the same rate as in March 2025.

Other economic indicators point towards positive GDP growth in the US during the second quarter of 2025. Although retail sales slowed year-over-year to June 2025, it expanded by 3.9 per cent, which suggest that consumer spending picked up following an initial decline when tariffs were announced earlier in the quarter. In the labour market, nonfarm payrolls data showed that employment gains continued during the second quarter, but at a slower pace as 164 thousand jobs were added, compared with a downwardly revised 333 thousand jobs in the previous three months. In June, the unemployment rate edged lower to 4.1 per cent, down from 4.2 per cent in March, reflecting further job gains over the quarter which more than compensated for the marginal decline in the labour force. On the business side, activity in both the manufacturing and services sectors increased according to the S&P Global US Manufacturing and Services Purchasing Managers' Indices (PMIs). The manufacturing PMI rose to 52.9 points in June, up from 50.2 points in March, while the Services PMI eased to 52.9 points, from 54.4 points three months earlier.

On May 16, 2025, Moody's Ratings downgraded the US sovereign credit rating by one notch, from AAA to Aa1, citing rising government debt and increasing interest costs. This action followed similar moves by Standard and Poor's and Fitch Ratings in August 2011 and August 2023, respectively.

The UK economy expanded by 0.7 per cent in the first quarter of 2025, compared with growth of 0.1 per cent in the preceding quarter. This expansion was driven by the strong performance of the services and construction sectors. For the three months to June 2025, initial data suggested a slowdown in economic activity. GDP contracted month over month for April and May by 0.3 per cent and 0.1 per cent, respectively. However, there appeared to be a modest recovery in June, as business activity improved following news of a partial UK-US trade agreement. The S&P Global UK Composite PMI ended the quarter at 52.0 points, up from 48.2 points in April and unchanged from 52.0 points in March 2025. Companies reported an uptick in orders, but indicated export demand remained constrained by tariff-related uncertainties and geopolitical tensions. Meanwhile, job openings declined partly due to rising employer costs. The national living wage, national minimum wage, and national insurance contributions all increased in April. The latest unemployment data for May reflected an increase to 4.7 per cent from 4.5 per cent in March. Annual headline inflation accelerated from 2.6 per cent year-on-year in March to 3.6 per cent in June, largely reflecting higher food and energy costs. Likewise, the core index also increased, moving from 3.4 per cent at the end of the first quarter to 3.7 per cent in June 2025.

In the Eurozone, real GDP expanded by 0.6 per cent in the first quarter of 2025, compared with 0.3 per cent growth in the final quarter of 2024. At the member state level, the strongest growth occurred in Ireland (9.7 per cent), while Spain (0.6 per cent) and Germany (0.4 per cent) recorded notable increases in GDP. In the second quarter of 2025, manufacturing activity showed signs of recovery, with the HCOB Eurozone Manufacturing PMI increasing from 48.6 points in March to 49.5 points in June. However, services activity softened but remained in expansionary territory, as reflected by the HCOB Eurozone Services PMI, which edged down from 51.0 points in March to 50.5 points in June. In the labour market, conditions improved as the unemployment rate declined from 6.4 per cent in March to 6.3 per cent in June. Meanwhile, on the inflation front, consumer prices decelerated, with headline inflation measuring 2.0 per cent in the year to June 2025, from 2.2 per cent three months prior. Core inflation, which excludes volatile items such as energy, food, alcohol and tobacco, also slowed, decelerating to 2.3 per cent in June from 2.4 per cent in March.

Elsewhere, the Japanese economy was stagnant in the first quarter of 2025, following 0.6 per cent growth in the final quarter of 2024. This flat performance reflected weak export demand and higher imports, alongside a robust increase in business investment. In the second quarter of 2025, economic activity improved, with the au Jibun Manufacturing PMI increasing to 50.1 points from 48.4 points in the prior quarter. Similarly, the au Jibun Services PMI increased, moving from 50.0 points in March to 51.7 points in June, supported by a rise in new orders and strong overseas sales. Moreover, the labour market remained stable, with the unemployment rate holding steady at 2.5 per cent while Japan's annual inflation rate moved lower to 3.3 per cent in June, compared with 3.6 per cent in March 2025.

Monetary policy decisions differed among the major central banks. The Federal Reserve and the Bank of Japan left their benchmark interest rates unchanged during the June quarter, noting concerns about the impact of President Trump's tariffs on the respective economies. The US Federal Funds Rate remained at the range 4.25 per cent to 4.50 per cent while the Bank of Japan's benchmark interest rate stayed at 0.50 per cent. Conversely, the Bank of England took one action over the quarter, reducing its bank rate by 25 basis points in May to 4.25 per cent, in an effort to boost economic growth. Meanwhile, the European Central Bank lowered interest rates twice by 25 basis points each, bringing its marginal lending facility rate down to 2.40 per cent, its main refinancing rate to 2.15 per cent and its deposit facility rate to 2.00 per cent.

SECTION 2 – CAPITAL AND MONEY MARKET REVIEW

Financial market volatility sharply increased at the beginning of the quarter amid tariff-related uncertainties. The Chicago Board Options Exchange Volatility Index (VIX) surged to a high of 60.13 points in April, as higher-than-anticipated tariffs fuelled fears of a global recession and a potential re-acceleration in inflation. However, investors' sentiment quickly recovered with news of a 90-day pause on most tariffs, with the US indicating a willingness to negotiate trade deals during this time. Volatility rose again in June amid escalating attacks on Iran from Israel and the US, but tensions subsided with news of a ceasefire agreement; the VIX index retreated to close the quarter at 16.73 points. Similarly, the Euro Stoxx 50 Volatility Index (VSTOXX), which measures market movements in European markets, briefly surged in April to 53.54 points but declined to 17.67 points at the end of June.

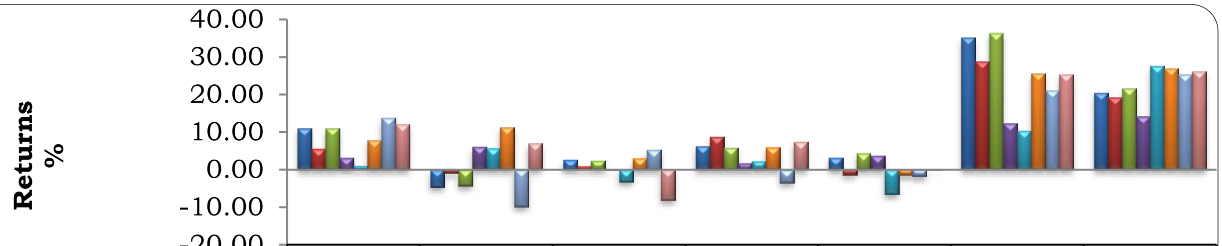
Global developed equity markets delivered strong gains over the quarter as stocks rebounded from a steep sell-off in early April. Following President Trump's initial tariff announcement, news of a 90-day pause on tariffs and some progress towards trade deals helped to improve investors' sentiment. In the US, resilient economic data and strong corporate earnings results also boosted stock prices. The US Standard and Poor's 500 index advanced 10.94 per cent. Optimism around artificial intelligence advancements continued to drive the Information Technology and Communication Services sectors higher, by 23.50 per cent and 18.20 per cent, respectively. In contrast, the Energy sector delivered the weakest performance, with a negative return of 9.37 per cent. Despite the attacks in the Middle East, the outlook for weaker global demand alongside increased supply from OPEC Plus members resulted in oil prices declining over the quarter. West Texas Intermediate oil fell from US$71.48 per barrel in March to US$65.11 per barrel at the end of June 2025.

Non-US developed stock markets, represented by the MSCI EAFE index, returned 12.01 per cent when measured in US dollars (see Figure 1). Currency exposures added to performance as the US Dollar weakened against the major G-10 currencies. European equity markets were buoyed by improving economic prospects, easing monetary policy, plans for greater government spending and a de-escalation in geopolitical tensions. Germany's DAX index rose by 7.88 per cent, while the UK's FTSE 100 index earned 3.15 per cent. A partial trade agreement between the UK and US also boosted UK stocks. Meanwhile, in Asia, Japan's Nikkei 225 index surged 13.81 per cent, bolstered by hope for a US-Japan trade deal and signs that the Fed was moving closer to reducing interest rates further.

Figure 1

Total Returns on Selected Equity Indices

/per cent/



	QTR Ended Jun-25	QTR Ended Mar-25	QTR Ended Dec-24	QTR Ended Sep-24	QTR Ended Jun-24	FY 23/24	FY 22/23
Russell 3000	10.99	-4.73	2.63	6.23	3.22	35.18	20.43
Dow Jones	5.46	-0.87	0.93	8.72	-1.27	28.85	19.18
S&P 500	10.94	-4.28	2.39	5.89	4.28	36.33	21.59
FTSE 100 - UK	3.15	6.11	-0.18	1.79	3.73	12.32	14.27
CAC 40 - France	0.96	5.79	-3.15	2.28	-6.57	10.37	27.62
DAX 30 - Germany	7.88	11.32	3.02	5.97	-1.39	25.60	27.01
Nikkei 225 - Japan	13.81	-9.87	5.34	-3.48	-1.85	21.19	25.45
MSCI EAFE	12.01	7.02	-8.08	7.35	-0.22	25.34	26.22

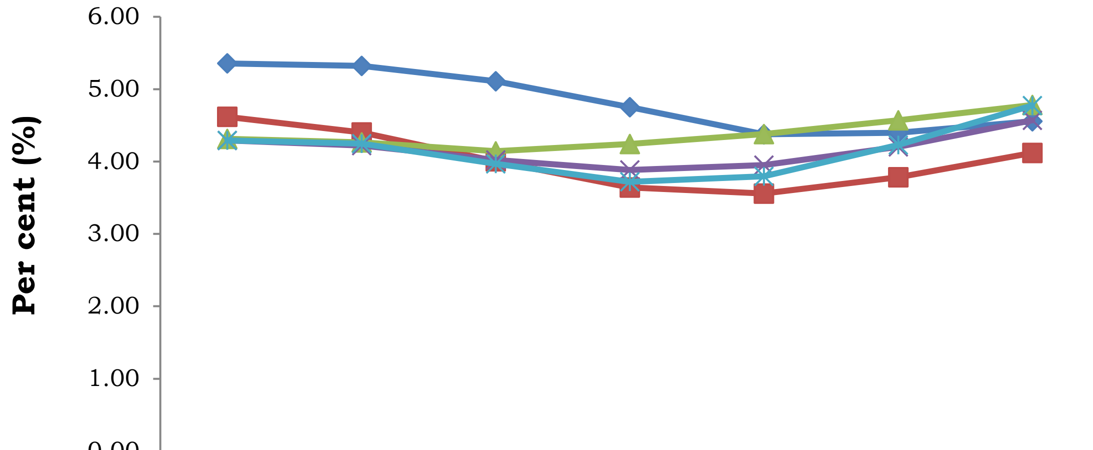
Source: Bloomberg.

US Treasury yield movements varied along the curve amid elevated volatility. Unpredictable trade proposals, Fed policy expectations and fiscal deficit concerns contributed to significant yield changes over the quarter. Short to medium-term US treasury yields declined with support from several FOMC members for a potential July interest rate cut. The 2-year yield fell by 16 basis points to 3.72 per cent. Meanwhile, the 10-year yield rose modestly by two basis points to 4.23 per cent, and the 30-year yield ended the quarter 20 basis points higher at 4.77 per cent. Longer-dated yields increased as fears around rising US debt levels intensified as the US lost its last AAA sovereign credit rating following Moody's downgrade. Negotiations over the One Big Beautiful Bill Act, and questions around the traditional safe-haven role of US treasuries, also placed upward pressure on longer-term yields and contributed to a further steepening of the yield curve.

Figure 2

US Treasury Yield Curve

/per cent/



	3 Month	6 Month	1 Year	2 Year	5 Year	10 Year	30 Year
Jun-24	5.35	5.32	5.11	4.75	4.38	4.40	4.56
Sep-24	4.62	4.40	4.00	3.64	3.56	3.78	4.12
Dec-24	4.31	4.27	4.14	4.24	4.38	4.57	4.78
Mar-25	4.29	4.22	4.02	3.88	3.95	4.21	4.57
Jun-25	4.29	4.25	3.97	3.72	3.80	4.23	4.77

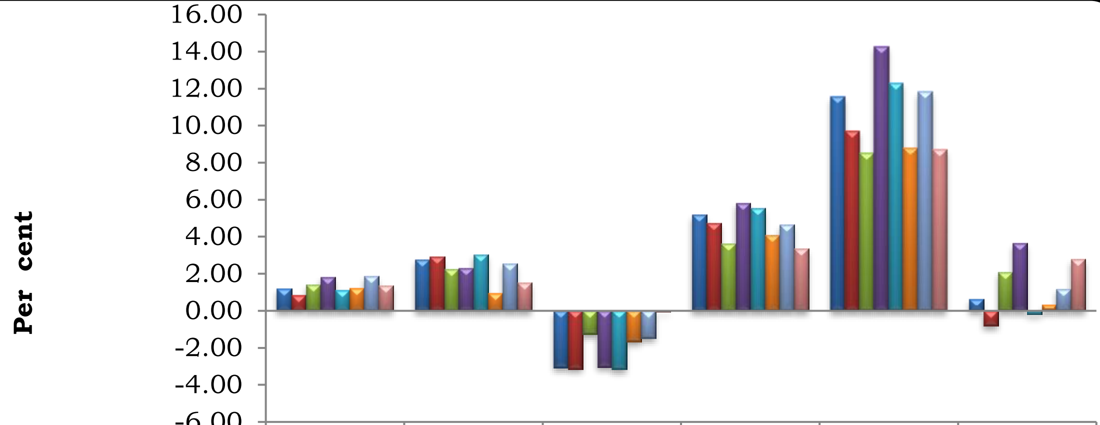
Source: Bloomberg.

The broader US fixed income market, as represented by the Bloomberg Barclays US Aggregate Bond Index, returned 1.21 per cent for the quarter ended June 30, 2025 (see Figure 3). Positive performance arose mainly from interest income earned. A decline in yields in the 1-7 year portion of the curve as well as modest credit spread tightening incrementally added to returns. At the sector level, US Commercial Mortgage-Backed Securities and US Corporates delivered the highest returns of 1.88 per cent and 1.82 per cent, respectively, while US Mortgage-Backed Securities earned 1.14 per cent.

Figure 3

Returns on Selected Fixed Income Indices

/per cent/



	QTR Ended Jun-25	QTR Ended Mar-25	QTR Ended Dec-24	QTR Ended Sep-24	FY 23/24	FY 22/23
Bloomberg US Aggregate	1.21	2.78	-3.06	5.20	11.57	0.64
US Treasury	0.85	2.92	-3.14	4.74	9.72	-0.81
Agencies	1.42	2.25	-1.26	3.63	8.52	2.09
US Corporate	1.82	2.31	-3.04	5.84	14.28	3.65
US MBS	1.14	3.06	-3.16	5.53	12.32	-0.17
G7 Bonds (Hedged)	1.24	0.97	-1.67	4.10	8.79	0.33
US CMBS	1.88	2.56	-1.48	4.65	11.83	1.19
US ABS	1.38	1.53	-0.05	3.35	8.72	2.81

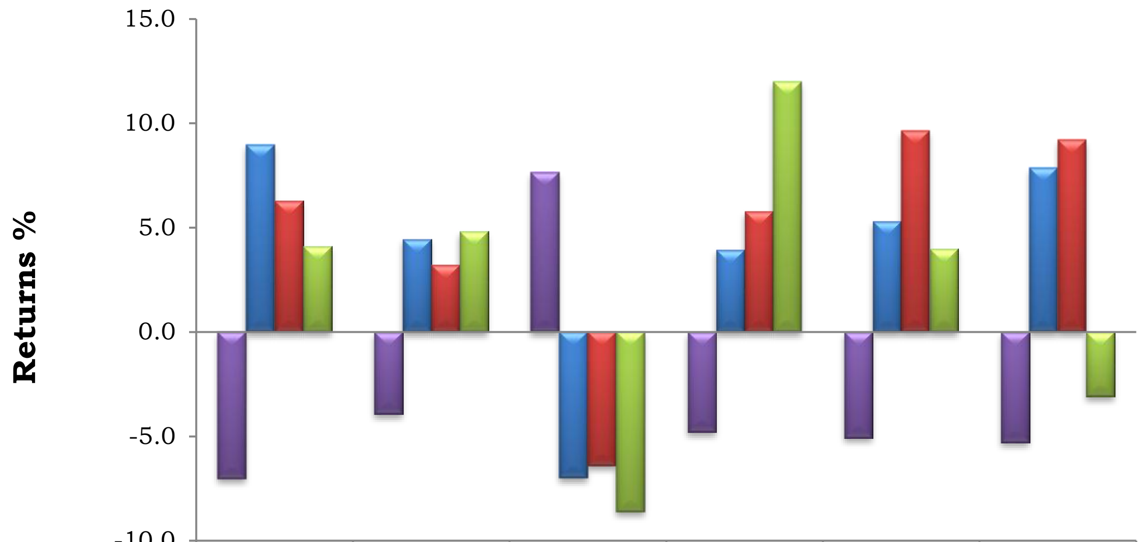
Source: Bloomberg.

The US Dollar depreciated against the major G-10 currencies, extending its decline from earlier this year. Tariff uncertainties, the country's rising debt burden and doubts over the future independence of the Federal Reserve all contributed to the ICE US Dollar index falling by 7.04 per cent. The British Pound strengthened against the US Dollar by 6.30 per cent buoyed by stronger-than-expected UK economic growth and improved sentiment following the successful trade negotiations with the US. Similarly, the Euro appreciated by 8.98 per cent due mostly to broad-based US dollar weakness. At the same time, the Japanese Yen retained its role as a safe-haven currency, appreciating 4.12 per cent vis-à-vis the US Dollar.

Figure 4

Foreign Exchange Returns for Major Currency Pairs

/per cent/



	QTR Ended Jun-25	QTR Ended Mar-25	QTR Ended Dec-24	QTR Ended Sept-24	FY 23/24	FY 22/23
DXY CURNCY	-7.04	-3.94	7.65	-4.81	-5.08	-5.30
EURUSD CURNCY	8.98	4.46	-7.01	3.94	5.32	7.87
GBPUSD CURNCY	6.30	3.21	-6.42	5.77	9.64	9.21
JPYUSD CURNCY	4.12	4.83	-8.63	12.00	3.99	-3.10

Source: Bloomberg.

SECTION 3 – PORTFOLIO PERFORMANCE

Strategic Asset Allocation

Table 3 reports the HSF's Investment Portfolio mandate weights relative to its approved SAA for the quarter ended June 30, 2025 and the previous three quarters.

Table 3

Portfolio Composition relative to the Approved SAA[2]

/per cent/

	Asset Class		Sep-24	Dec-24	Mar-25	Jun-25
		Target Weight SAA	Actual % of Fund	Actual % of Fund	Actual % of Fund	Actual % of Fund
Portfolio Weights	US Short Duration Fixed Income	25.00	19.96	18.08	18.23	17.26
	US Core Domestic Fixed Income	40.00	29.41	29.88	30.28	28.61
	US Core Domestic Equity	17.50	28.08	29.99	28.07	29.22
	Non-US Core International Equity	17.50	22.55	22.05	23.42	24.90

Totals may not sum to 100 due to rounding.

During the three months ended June 2025, changes in the mandates' weights reflected fluctuations in the market values of the HSF's assets. Over the period, the Fund's underweight allocation to fixed income securities and its corresponding overweight allocation to equities rose amid strong stock market performance.

Relative to the strategic asset allocation (SAA), the US Core Domestic Fixed Income mandate held the largest underweight deviation at 11.39 per cent, while the US Core Domestic Equity mandate maintained the highest overweight position at 11.72 per cent

[2] The Board's approved investment policy allow the mandate weights to deviate from the approved SAA weights by +/- 5 per cent.

(see Table 3). With the Fund's asset allocation deviations above the approved +/- 5.0 per cent limit, the Central Bank continues to monitor the Fund's asset exposures and provide regular updates to the HSF Board of Governors.

The total net asset value of the Fund as at June 30, 2025 was **US$6,322.9 million**, approximately $426.3 million higher than the net asset value of US$5,896.6 million as at March 31, 2025. Of this total, the Investment Portfolio was valued at US$6,321.1 million, while the remaining portion was held in operating cash accounts to cover the day-to-day expenses that arise from the management of the Fund.

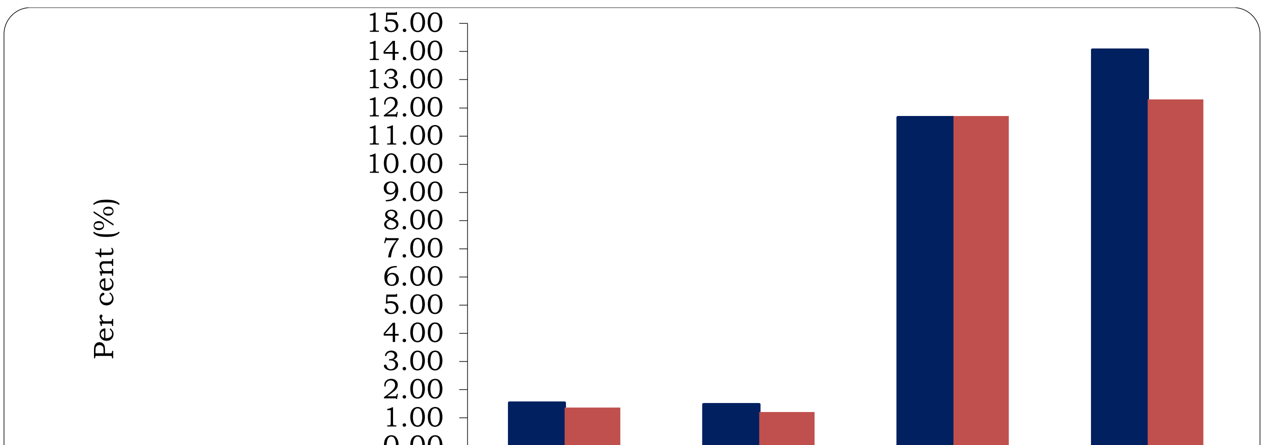
Performance of the Investment Portfolio

The HSF's Investment Portfolio returned 7.30 per cent during the quarter ended June 2025, outperforming its benchmark, which rose by 4.97 per cent. All mandates generated positive performance with significant contributions from the US Core Domestic Equity and Non-US Core International Equity mandates.

Figure 5

Absolute Returns by Investment Mandate for the period Apr-Jun 2025

/per cent/



	US Short Duration	US Core Fixed Income	US Core Domestic Equities	Non US Core International Equities
Composite Portfolio Return	1.54	1.48	11.67	14.06
SAA Benchmark Return	1.37	1.21	11.71	12.30

Compared to its strategic asset allocation (SAA) benchmark, the Fund outperformed by 232 basis points (see Table 2 and Appendix 1). Collectively, the HSF's relative asset allocation positioning was the main driver of excess returns. The positive effect from the Fund's overweight exposure to equities outpaced the negative impact from its below benchmark allocation to fixed income. In aggregate, active investment strategies also added to returns over the quarter, with material contributions from external asset managers in the Non-US Core International Equity and US Core Fixed Income mandates.

The **US Core Domestic Equity** mandate returned 11.67 per cent for the period ended June 30, 2025, modestly trailing its benchmark, the Russell 3000 ex-Energy index, which earned 11.71 per cent (see Figure 5). Stock selection in the Pharmaceuticals, Medical Technology and the Health Care sectors detracted from performance. The mandate's net asset value increased from US$1,655.0 million as at March 31, 2025 to end the quarter at **US$1,847.1 million.**

The **Non-US Core International Equity** mandate rose by 14.06 per cent, exceeding its benchmark, the MSCI EAFE ex-Energy, by 1.76 percentage points. Security selection delivered positive excess returns across most regions, with significant contributions from the European Union, UK and Japan. In aggregate, country and currency allocation decisions were also incrementally positive for performance. The net asset value of the mandate increased from US$1,381.2 million on March 31, 2025 to **US$1,574.2 million** at the end of June 2025**.**

The **US Short Duration Fixed Income** mandate advanced 1.54 per cent and outperformed its benchmark, the ICE Bank of America 1-5 year US Treasury index, which returned 1.37 per cent. Excess returns were driven by duration and yield curve positioning strategies as well as exposure to high credit quality sectors. The net asset value of the mandate closed the quarter $16.3 million higher at **US$1,091.2 million**.

The longer duration **US Core Domestic Fixed Income** mandate increased by 1.48 per cent, 27 basis points higher when compared to its benchmark, the Bloomberg US Aggregate Bond index, which returned 1.21 per cent. Cross-sector allocation, interest rate strategies and security selection decisions were all positive for performance. The net asset value of the mandate increased from US$1,785.2 million at the end of the previous quarter to **US$1,808.6 million** as at June 30, 2025.

SECTION 4 – COMPLIANCE AND PORTFOLIO RISKS

Compliance

During the quarter, the mandates' weights relative to the approved SAA remained above the allowable +/- 5.0 per cent deviation (see Table 3). The Central Bank continues to monitor the Fund's asset class allocations and provide updates to the Board.

In the US Core Domestic Equity mandate, one of the asset managers failed to meet the performance objectives outlined in the investment guidelines. The Bank, as manager of the Fund, held discussions with the asset manager to review the recent underperformance and assess the main contributing factors. The Bank will continue to closely monitor the portfolio's performance and provide updates to the Board.

There were two compliance matters in the US Core Domestic Fixed Income mandate. The first arose due to the downgrade of the US sovereign debt credit rating to Aa1 from AAA by Moody's Rating agency in May 2025. The Bank is working with the asset manager to resolve this matter. The second compliance issue was related to a security falling below the portfolio's minimum credit rating in June 2025. The position was subsequently sold in July, and the impacted portfolio was brought back into compliance with the investment guidelines.

Portfolio Risks

The main risks for the HSF portfolio are credit, concentration, interest rate, and currency risks. The following paragraphs describe 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, 2025.

Table 4
Average Credit Rating

Mandate	Portfolio	Benchmark
US Short Duration	**AA+**	**AA+**
US Core Fixed Income	**A+**	**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 invested across four (4) asset groups as follows: US Short Duration Fixed Income; US Core Domestic Fixed Income; US Core Domestic Equity and Non-US Core International Equity. Concentration risk is also 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, 2025.

Table 5

Weighted Average Duration

/Years/

Mandate	Portfolio	Benchmark
US Short Duration	**2.66**	**2.55**
US Core Domestic Fixed Income	**5.85**	**6.06**

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 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 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 2025, 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

Quarter End	Current Returns			Financial YTD			Annualised Return Since Inception		
	Portfolio	Benchmark	Excess	Portfolio	Benchmark	Excess	Portfolio	Benchmark	Excess
	%	%	bps	%	%	bps	%	%	bps
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
June	4.00	3.09	90.18	12.10	8.85	324.76	6.19	5.54	64.60
September	-0.31	-0.09	-22.00	11.75	8.75	299.80	6.05	5.44	61.82
FY 2022									
December	2.97	1.98	99.31	2.97	1.98	99.31	6.16	5.48	67.75
March	-5.69	-5.44	-25.12	-2.89	-3.57	68.04	5.64	5.00	64.44
June	-9.91	-7.81	-209.37	-12.51	-11.10	-140.61	4.83	4.36	47.24
September	-4.59	-4.93	34.58	-16.52	-15.49	-103.41	4.43	3.95	48.73
FY 2023									
December	5.27	5.13	14.43	5.27	5.13	14.43	4.70	4.21	48.99
March	4.74	4.57	16.93	10.27	9.94	32.92	4.93	4.44	49.39
June	2.75	1.53	121.88	13.30	11.62	167.81	5.03	4.46	56.33
September	-2.39	-2.74	34.84	10.59	8.56	202.68	4.80	4.22	57.61
FY 2024									
December	8.08	7.71	36.30	8.08	7.71	36.30	5.21	4.62	59.08
March	4.28	2.42	185.78	12.70	10.32	237.96	5.39	4.69	69.36
June	1.38	0.77	61.16	14.26	11.17	308.72	5.39	4.67	72.03
September	5.74	5.44	29.37	20.81	17.22	359.08	5.65	4.92	72.84
FY 2025									
December	-1.80	-2.36	56.19	-1.80	-2.36	56.19	5.46	4.71	75.07
March	1.27	1.86	-58.69	-0.56	-0.55	-0.40	5.46	4.75	70.68
June	7.30	4.97	232.12	6.70	4.40	230.41	5.79	4.96	82.49

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)
September 30, 2021	5,463,893,835	624,178,449	4,002,337,140	(892,714,533)
September 30, 2022	4,712,444,758	(913,456,918)	3,088,880,222	163,994,499
September 30, 2023	5,390,162,369	494,627,143	3,583,507,365	182,213,278
September 30, 2024	6,087,864,395	1,066,041,442	4,649,548,807	(369,946,835)
Quarterly Portfolio Valuation				
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	-
December 31, 2017	5,888,599,170	124,900,387	2,553,413,280	-

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				
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)
June 30, 2021	5,583,193,276	220,867,117	4,022,212,931	(300,000,000)
September 30, 2021	5,463,893,835	(19,875,791)	4,002,337,140	(100,000,000)
December 31, 2021	5,623,159,544	158,986,912	4,161,324,052	-
March 31, 2022	5,299,527,705	(323,446,707)	3,837,877,345	-
June 30, 2022	4,771,488,412	(527,955,978)	3,309,921,367	-
September 30, 2022	4,712,444,758	(221,041,145)	3,088,880,222	163,994,499
December 31, 2022	5,139,740,767	245,008,297	3,333,888,519	182,213,278
March 31, 2023	5,380,057,262	240,193,741	3,574,082,260	-
June 30, 2023	5,525,021,764	144,766,607	3,718,848,867	-
September 30, 2023	5,390,162,369	(135,341,502)	3,583,507,365	-
December 31, 2023	5,658,630,256	429,165,650	4,012,673,015	(160,383,699)
March 31, 2024	5,897,953,874	238,314,454	4,250,987,469	-
June 30, 2024	5,761,305,038	71,938,586	4,322,926,055	(209,563,136)
September 30, 2024	6,087,864,395	326,622,752	4,649,548,807	-
December 31, 2024	5,826,240,228	(111,281,442)	4,538,267,365	(150,000,000)
March 31, 2025	5,896,583,736	70,178,311	4,608,445,676	
June 30, 2025	6,322,918,847	425,928,646	5,034,374,322	

Appendix III

Summary Characteristics of Composite Benchmarks

Fixed Income Benchmarks

Key Characteristics	Bloomberg US Aggregate Bond Index	ICE Bank of America 1-5 Year US Treasury Index
Total Holdings	13874	157
Coupon (%)	3.56	2.97
Duration (Years)	6.06	2.55
Average Life (Years)	8.33	2.73
Yield to Maturity (%)	4.51	3.77
Option Adjusted Spread (bps)	32	-2
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	2,855	672
Earnings Per Share (EPS Growth 3-5yr fwd.)	12.1	6.66
Price Earnings (P/E fwd.)	23.5	15.68
Price / Book (P/B)	4.6	1.98
Weighted Average Market Capitalisation* (Bn)	1,023.8	93.67

*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/

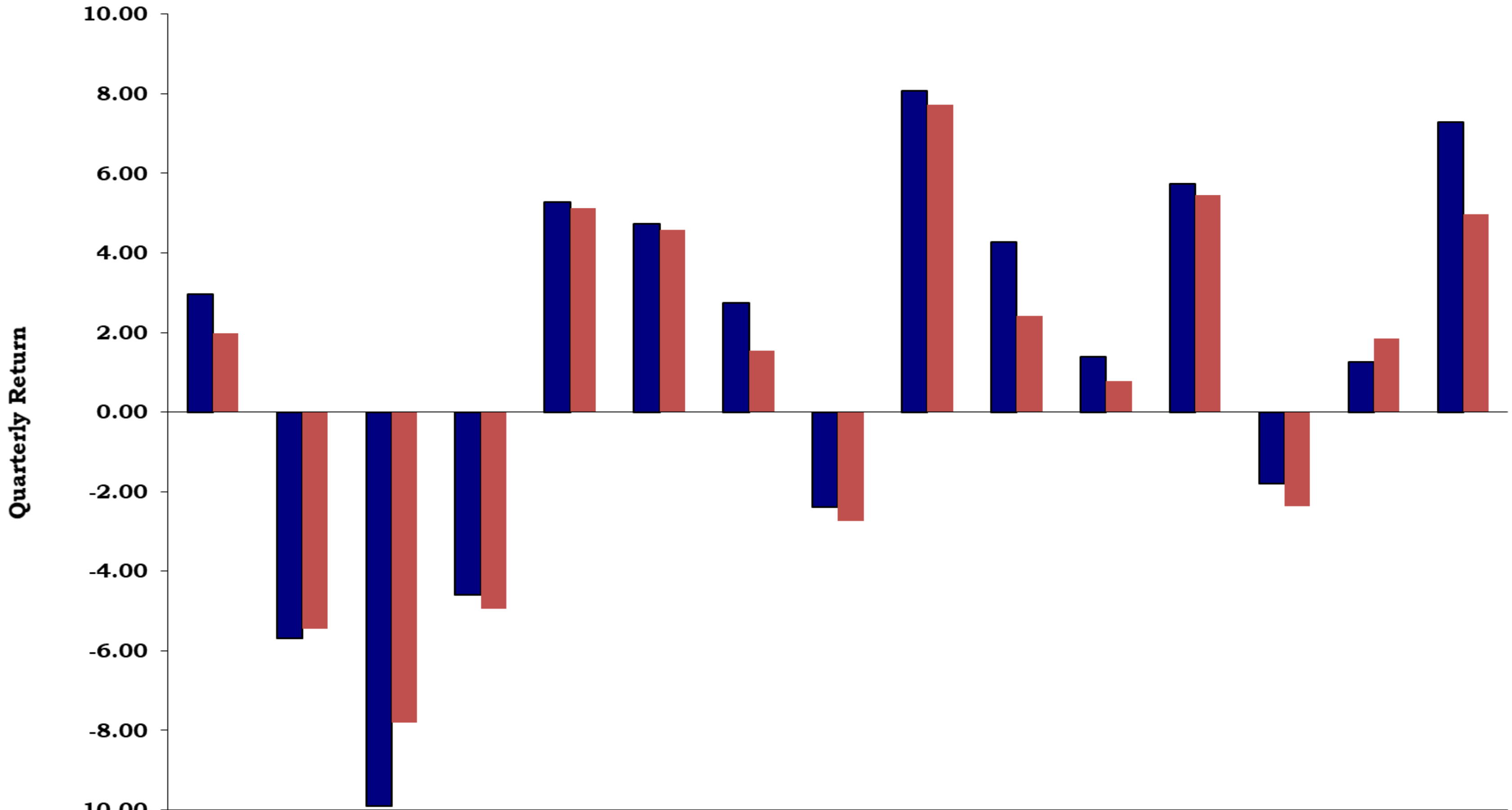
	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Total Fund Value	**5,761**	**6,088**	**5,826**	**5,897**	**6,323**
Total Value of Equity	**2,881**	**3,081**	**3,032**	**3,036**	**3,421**
US Core Domestic Equity	1,608	1,709	1,747	1,655	1,847
Non-US Core International Equity	1,273	1,372	1,285	1,381	1,574
Total Value of Fixed Income	**2,878**	**3,005**	**2,794**	**2,860**	**2,900**
US Short Duration Fixed Income	1,174	1,215	1,053	1,075	1,091
US Core Domestic Fixed Income	1,704	1,790	1,740	1,785	1,809
Total Value of Operating Cash	**2**	**2**	**1**	**0.4**	**2**

NB: Differences in totals are due to rounding.

Appendix V

HSF Portfolio and SAA Benchmark Quarterly Returns

/per cent/



	FY2022 Q1	FY2022 Q2	FY2022 Q3	FY2022 Q4	FY2023 Q1	FY2023 Q2	FY2023 Q3	FY2023 Q4	FY2024 Q1	FY2024 Q2	FY2024 Q3	FY2024 Q4	FY2025 Q1	FY2025 Q2	FY2025 Q3
HSF Portfolio	2.97	-5.69	-9.91	-4.59	5.27	4.74	2.75	-2.39	8.08	4.28	1.38	5.74	-1.80	1.27	7.30
Benchmark	1.98	-5.44	-7.81	-4.93	5.13	4.57	1.53	-2.74	7.71	2.42	0.77	5.44	-2.36	1.86	4.97