HERITAGE AND STABILISATION FUND (HSF)

QUARTERLY INVESTMENT REPORT

JANUARY TO MARCH 2025

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[1] This section includes economic data available as at 17 April, 2025.

EXECUTIVE SUMMARY

- Economic momentum slowed in most major economies during the final quarter of 2024. In the United States (US), Gross Domestic Product (GDP) expanded at an annualised rate of 2.4 per cent in the fourth quarter of 2024, compared with 3.1 per cent in the previous quarter. The Eurozone also experienced a deceleration in growth as the region's two largest economies, Germany and France, contracted. Meanwhile, higher government spending in the United Kingdom (UK) contributed to a marginal increase in economic activity during the fourth quarter. For the first quarter of 2025, global output is projected to have weakened further amid increased uncertainty stemming from US President Donald Trump's trade tariff policies. According to the IMF's April 2025 World Economic Outlook, forecasts for global growth were revised considerably lower for 2025, mainly reflecting the negative impact of rising barriers to trade.

- Inflation rates remained above 2.0 per cent in the major economies at the end of the first quarter of 2025. In the UK, the headline rate rose to 2.6 per cent as at March 2025, from 2.5 per cent in December. Elsewhere, the Consumer Price Index (CPI) in the US and Eurozone decelerated to 2.4 per cent and 2.2 per cent, respectively in March 2025, from 2.9 per cent and 2.4 per cent, respectively in December 2024.

- Over the quarter, monetary policy actions diverged across the developed central banks. The US Federal Reserve (Fed) left its federal funds rate unchanged at a range of 4.25 per cent to 4.50 per cent, citing the need for greater clarity and additional data before adjusting the Bank's policy stance. Meanwhile, the Bank of England (BoE) and the European Central Bank (ECB) each lowered their key interest rates, taking into consideration both inflation and growth expectations.

- In the US fixed income market, US Treasury yields declined reflecting heightened trade tensions, policy headwinds, slow growth concerns and hope for additional monetary policy easing. Both the 2-year yield and the 10-year yield ended the quarter 36 basis points lower at 3.88 per cent and 4.21 per cent, respectively. Meanwhile, the US investment grade fixed income market, as measured by the Bloomberg Barclays US Aggregate Bond index, returned 2.78 per cent.

- Global developed equity market performance varied across the different regions. Following strong returns in 2024, US stock markets fell during the first quarter of 2025 amid heightened policy uncertainty, as President Trump undertook drastic actions on multiple fronts at the start of his term. The new administration's approach to immigration, government efficiency and trade imbalances disquieted investors and hindered risk assets. The US Standard and Poor's 500 index lost 4.28 per cent. Conversely, non-US developed equities, as represented by the MSCI EAFE index, advanced 6.99 per cent, when measured in US dollars. Europe's outlook improved with hopes for a resolution on the Russia-Ukraine war and Germany's fiscal spending plans. The UK's FTSE 100 index and Germany's DAX index gained 6.11 per cent and 11.32 per cent, respectively. Overall, currency exposures enhanced performance as the US dollar weakened against most of the G-10 currencies. The ICE U.S. Dollar index ended the period lower by 3.94 per cent.

- For the quarter ended March 31, 2025, the Heritage and Stabilisation Fund (HSF) returned 1.27 per cent. The fixed income and Non-US Core International Equity mandates contributed 1.14 percentage points and 1.68 percentage points, respectively. However, the US Core Domestic Equity mandate detracted 1.51 percentage points and reduced the Fund's overall gain (see Tables 1 and 2).

- Relative to the strategic asset allocation (SAA) benchmark, the Fund underperformed by 0.59 percentage points (see Table 2 and Appendix 1). The Fund's relative asset weights were the main detractor from performance. The HSF's underweight allocation to fixed income and its overweight position to US equities negatively impacted returns, as investors' heightened risk aversion fuelled US bond market gains alongside US stock market losses. Meanwhile, external managers' strategies in the Non-US Core International Equity mandate incrementally enhanced the Fund's performance.

- As at March 31, 2025, the total net asset value of the HSF was **US$5,896.6 million**, approximately US$70.4 million higher than the prior quarter's closing value of US$5,826.2 million.

Table 1

Absolute Quarterly Returns

For the period Jan-Mar 2025

/per cent/

	Absolute Return HSF	**Absolute Return Benchmark**
Composite Portfolio	1.27%	1.86%
US Short Duration Fixed Income	2.08%	2.00%
US Core Domestic Fixed Income	2.61%	2.78%
US Core Domestic Equity	-5.24%	-5.15%
Non-US Core International Equity	7.64%	6.56%

Table 2

Contributions to Quarterly Returns

For the period Jan-Mar 2025

/per cent/

	3 Months Portfolio Weighted Return to 31-Mar-25	
	HSF	**Benchmark**
Composite Portfolio	1.27%	1.86%
US Short Duration Fixed Income	0.37%	0.50%
US Core Domestic Fixed Income	0.77%	1.11%
US Core Domestic Equity	-1.51%	-0.88%
Non-US Core International Equity	1.68%	1.14%

NB: Differences in totals are due to rounding.

SECTION 1 – INTERNATIONAL ECONOMIC ENVIRONMENT

The US economy slowed in the fourth quarter of 2024 as GDP grew at an annualised rate of 2.4 per cent, down from 3.1 per cent in the previous quarter. Since the start of 2025, downside risks to global growth have increased substantially, particularly in light of escalating trade tensions. Consumers' expectations of economic conditions deteriorated over the first quarter of 2025. The University of Michigan consumer sentiment index declined to 57 points in March 2025, from 74 points three months earlier. Nonetheless, retail sales rose by 4.6 per cent year-on-year in March 2025, a slightly faster pace when compared to an increase of 4.4 per cent three months earlier. On the services front, the S&P Global US Services Purchasing Managers' Index (PMI) fell to 54.4 points in March 2025, from 56.8 points in December 2024. Higher labour costs and government policy uncertainty detracted from the sector. Conversely, the S&P Global US Manufacturing PMI rose modestly to 50.2 points, from 49.4 points in December 2024, reflecting an uptick in new orders. In the labour market, 456 thousand jobs were added between January and March 2025, down from 628 thousand job gains in the previous quarter. Despite concerns around the record layoffs by the federal government, the job market remained relatively solid. The unemployment rate was 4.2 per cent in March 2025, a marginal increase from 4.1 per cent in December 2024. During the first quarter of 2025, inflationary pressures eased mainly due to lower energy costs. Headline inflation decelerated to 2.4 per cent in the twelve months to March, from 2.9 per cent in December 2024. Similarly, the Core Personal Consumption Expenditures (PCE) index, the Federal Reserve's (Fed's) preferred inflation gauge, which excludes the impact of food and energy prices, measured 2.8 per cent in February 2025, down from 2.9 per cent in December 2024.

Economic output in the UK grew by 0.1 per cent during the fourth quarter of 2024, compared with a GDP of 0.0 per cent over the previous three months. Initial data suggested the UK economy continued to improve at a gradual pace over the first quarter of 2025. Business activity was mixed as the manufacturing sector fell into a deeper downturn while there was modest increase in service sector activity. The S&P Global UK Manufacturing PMI declined to 44.9 points, compared with 47.0 points in December 2024. Meanwhile, the UK Services PMI rose to 52.5 points, from 51.1 points in December 2024. The latest unemployment rate remained unchanged for the fourth consecutive month at 4.4 per cent in February 2025. Moreover, the inflation rate increased marginally to 2.6 per cent in March 2025, from 2.5 per cent in December 2024.

The Eurozone economy expanded by 0.2 per cent in the fourth quarter of 2024, compared with 0.4 per cent in the previous quarter. This weaker performance reflected contractions in the region's two largest economies, Germany and France. During the first quarter of 2025, the manufacturing sector remained challenged but improved modestly. The HCOB Eurozone Manufacturing PMI was 48.6 points in March 2025, up from 45.1 points in December 2024. The services sector continued to exhibit resilience with the HCOB Eurozone Services PMI at 51.0 points in March. On the labour market front, the unemployment rate was incrementally lower at 6.1 per cent in February 2025, from 6.2 per cent in December 2024. Among the area's largest economies, the lowest jobless rates were observed in Germany and the Netherlands. In terms of consumer prices, the annual inflation rate fell to 2.2 per cent in March 2025, from 2.4 per cent in December 2024, mainly on account of slower increases in services and energy prices.

In Asia, the Japanese economy grew by 0.6 per cent for the quarter ended December 2024, a faster pace relative to the 0.4 per cent expansion recorded in the previous quarter. Economic growth was supported by higher capital expenditure and government spending. However, data for the first quarter of 2025 reflected a modest slowdown in business activity. The Au Jibun Bank Japan Manufacturing PMI measured 48.4 points in March 2025, down from 49.6 points in December 2024. Firms reported declines in both production and new orders citing subdued demand across domestic and foreign purchasers. Similarly, the Services PMI decreased to 50.0 points, from 50.9 points in December. Labour market conditions continued to be tight with some companies highlighting challenges related to worker shortages. The unemployment rate was steady at 2.4 per cent in February 2025. At the same time, inflation was stable, remaining at 3.6 per cent in the twelve months to March 2025, unchanged from December 2024.

Over the quarter, the monetary policy decisions diverged among the developed central banks. The Fed left interest rates unchanged at 4.25 per cent to 4.50 per cent, given the uncertainty surrounding the economic outlook. The BoE lowered its bank rate by 25 basis points to 4.50 per cent at its February meeting, but held the rate steady in March, citing a gradual and careful approach to reducing rates in the future. The ECB had a more accommodative stance, reducing its key interest rates by 50 basis points over the quarter, adjusting its marginal lending and deposit facility rates to 2.90 per cent and 2.50 per cent, respectively. The ECB further lowered its benchmark interest rates by 25 basis points at its mid-April meeting. Meanwhile, the Bank of Japan (BOJ) increased its key short-term interest rate to 0.50 per cent at its January 2025 meeting, citing stronger wages and an above-target inflation rate. Subsequently, in March, the BOJ kept its rate unchanged, noting that a cautious approach is required given the potential headwinds from the global trade environment on Japan's economy.

SECTION 2 – CAPITAL AND MONEY MARKET REVIEW

Financial market volatility increased over the period, fuelled by trade policy uncertainty and mounting recession fears. The Chicago Board Options Exchange Volatility Index (VIX) averaged 18.50 points for the quarter ended March 31 2025, up from 17.32 points in the previous quarter. Similarly, in Europe, market volatility rose as geopolitical tensions stemming from the ongoing conflicts in the Middle East and between Russia and Ukraine, added to escalating trade war concerns. Overall, the Euro Stoxx 50 Volatility Index (VSTOXX) averaged 17.89 points, modestly higher than the prior quarter's average of 17.83 points.

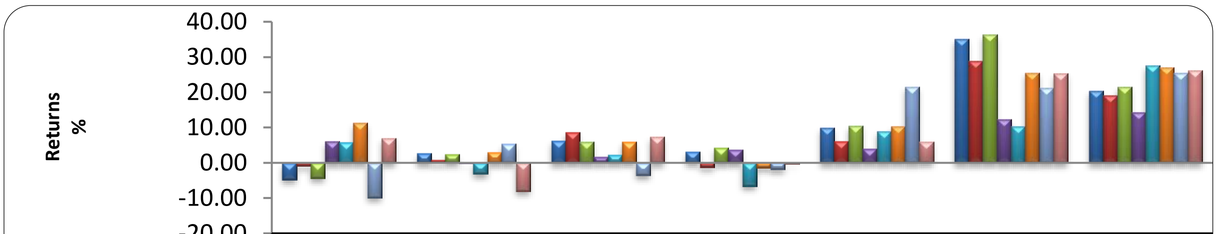
Global developed equity market performance varied across the different regions. In the US, news of a low-cost artificial intelligence (AI) model from DeepSeek, a Chinese company, that appeared to rival those of US firms, prompted a sharp sell-off in the technology sector. Sentiment deteriorated further amid heightened trade tensions as tariffs were announced on imports from countries such as Mexico, Canada and China, while higher levies were imposed on specific goods, including steel and aluminium. Towards the end of the quarter, investors remained cautious ahead of President Trump's April 2, 2025 announcement regarding reciprocal tariff rates. Overall, the US Standard and Poor's index lost 4.28 per cent, with the Consumer Discretionary and Information Technology sectors declining by 13.80 per cent and 12.65 per cent, respectively. In contrast, the Energy sector delivered a positive return of 10.21 per cent.

Meanwhile, non-US developed stock markets, represented by the MSCI EAFE index, gained 6.99 per cent when measured in US dollars (see Figure 1). Currency exposures were positive for performance as the US Dollar depreciated against most G-10 currencies. European equity markets rallied on optimism following the German elections and the government's plans to increase defence and infrastructure spending. Over the period, Germany's DAX index advanced 11.32 per cent, while France's CAC 40 index returned 5.79 per cent. In Asia, Japan's Nikkei 225 index fell by 9.95 per cent, driven by global trade uncertainty and the potentially negative impact on Japanese exports.

Figure 1

Total Returns on Selected Equity Indices

/per cent/



	QTR Ended Mar-25	QTR Ended Dec-24	QTR Ended Sep-24	QTR Ended Jun-24	QTR Ended Mar-24	FY 23/24	FY 22/23
Russell 3000	-4.73	2.63	6.23	3.22	10.02	35.18	20.43
Dow Jones	-0.87	0.93	8.72	-1.27	6.14	28.85	19.18
S&P 500	-4.28	2.39	5.89	4.28	10.55	36.33	21.59
FTSE 100 - UK	6.11	-0.18	1.79	3.73	3.98	12.32	14.36
CAC 40 - France	5.79	-3.15	2.28	-6.57	9.04	10.37	27.62
DAX 30 - Germany	11.32	3.02	5.97	-1.39	10.39	25.60	27.01
Nikkei 225 - Japan	-9.95	5.34	-3.48	-1.85	21.56	21.19	25.45
MSCI EAFE	6.99	-8.08	7.35	-0.22	5.95	25.34	26.22

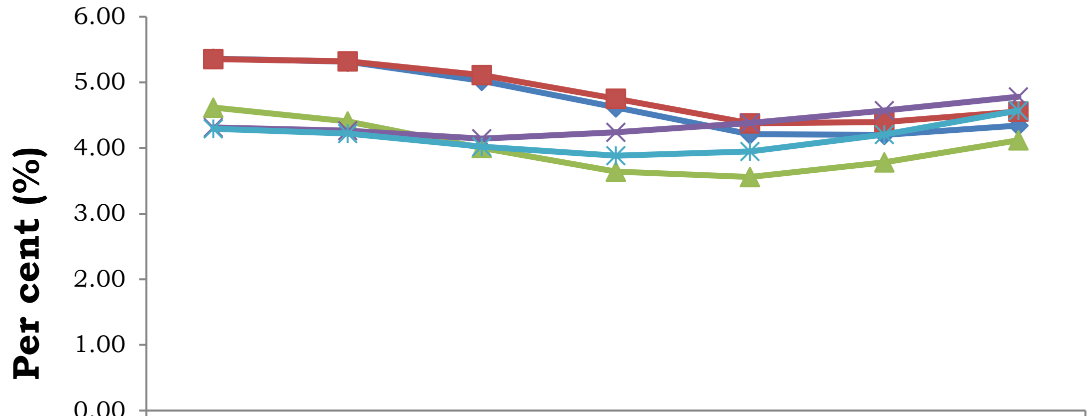
Source: Bloomberg.

US Treasury yields moved lower due to a combination of safe haven demand and expectations for monetary policy easing given the slower growth outlook. The 2-year yield and the 10-year yield both declined by 36 basis points to close at 3.88 per cent and 4.21 per cent, respectively. Similarly, the 30-year yield also fell by 21 basis points to 4.57 per cent, despite concerns that tariffs could lead to higher inflation.

Figure 2

US Treasury Yield Curve

/per cent/



	3 Month	6 Month	1 Year	2 Year	5 Year	10 Year	30 Year
Mar-24	5.36	5.32	5.02	4.62	4.21	4.20	4.34
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

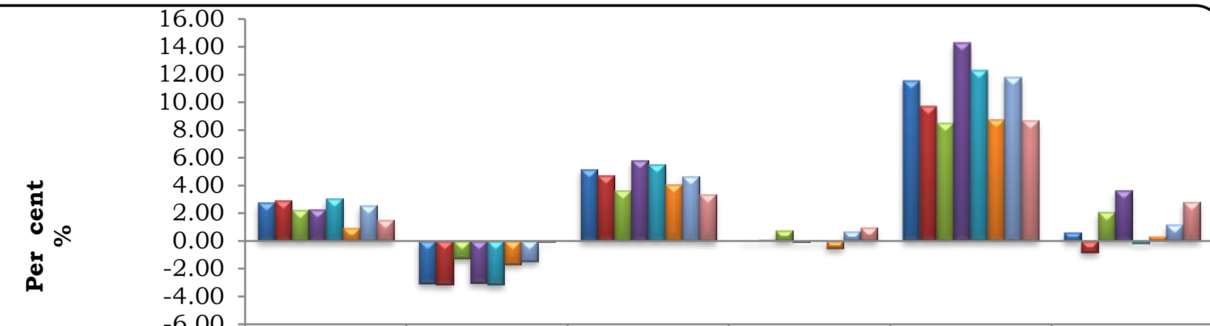
Source: Bloomberg.

The broader US fixed income market, as represented by the Bloomberg Barclays US Aggregate Bond Index, returned 2.78 per cent (see Figure 3). Bond valuations were bolstered by the steep decline in yields, which offset modest credit spread widening. At the sub-sector level, US mortgage-backed securities (MBS) delivered the highest return at 3.06 per cent while US corporates earned 2.31 per cent.

Figure 3

Returns on Selected Fixed Income Indices

/per cent/



	QTR Ended Mar-25	QTR Ended Dec-24	QTR Ended Sept-24	QTR Ended Jun-24	FY 23/24	FY 22/23
Barclays US Aggregate	2.78	-3.06	5.20	0.07	11.57	0.64
US Treasury	2.92	-3.14	4.74	0.09	9.72	-0.81
Agencies	2.25	-1.26	3.63	0.76	8.52	2.09
US Corporate	2.31	-3.04	5.84	-0.09	14.28	3.65
US MBS	3.06	-3.16	5.53	0.07	12.32	-0.17
G7 Bonds (Hedged)	0.97	-1.67	4.10	-0.52	8.79	0.33
US CMBS	2.56	-1.48	4.65	0.67	11.83	1.19
US ABS	1.53	-0.05	3.35	0.98	8.72	2.81

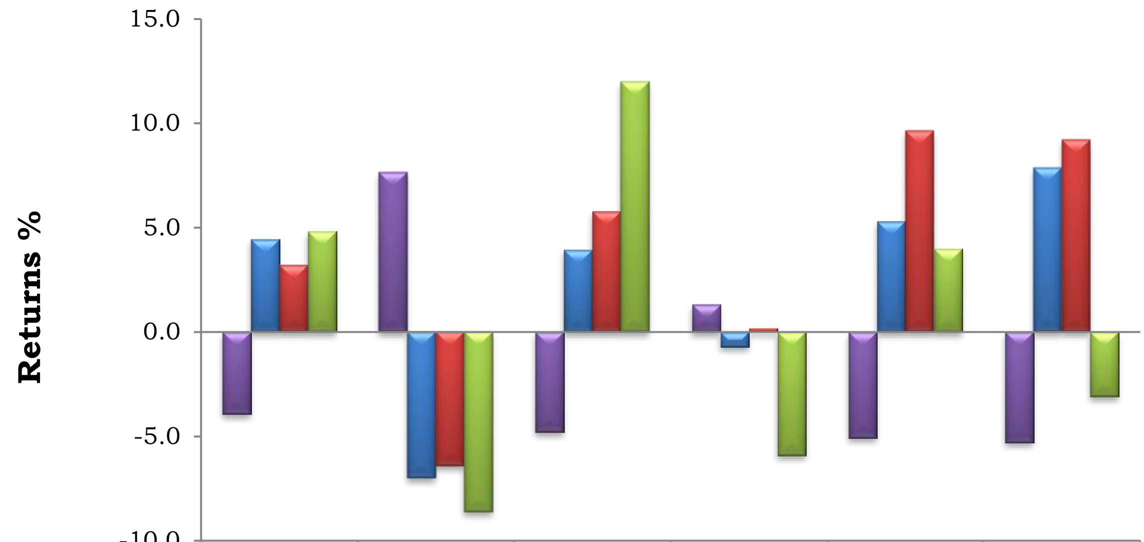
Source: Bloomberg.

The US Dollar depreciated against the major currencies as the US administration's approach to trade policy undermined investors' confidence in the US. The ICE US Dollar Index fell by 3.94 per cent over the quarter. In contrast, the Euro appreciated by 4.46 per cent. Germany's shift away from its conservative fiscal spending approach and renewed optimism over a potential ceasefire between Russia and Ukraine helped improve the outlook for the Eurozone. The British Pound also strengthened, gaining 3.21 per cent. This move was partly supported by expectations for policy rates to remain elevated given above target inflation forecasts. Similarly, the Japanese Yen appreciated by 4.83 per cent as it retained its traditional safe haven status amid escalating US-China trade tensions.

Figure 4

Foreign Exchange Returns for Major Currency Pairs

/per cent/



	QTR Ended Mar-25	QTR Ended Dec-24	QTR Ended Sept-24	QTR Ended Jun-24	FY 23/24	FY 22/23
DXY CURNCY	-3.94	7.65	-4.81	1.32	-5.08	-5.30
EURUSD CURNCY	4.46	-7.01	3.94	-0.71	5.32	7.87
GBPUSD CURNCY	3.21	-6.42	5.77	0.17	9.64	9.21
JPYUSD CURNCY	4.83	-8.63	12.00	-5.92	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 March 31, 2025 and the previous three quarters.

Table 3

Portfolio Composition relative to the Approved SAA[2]

/per cent/

Portfolio Weights	Asset Class		Jun-24	Sep-24	Dec-24	Mar-25
		Target Weight SAA	Actual % of Fund	Actual % of Fund	Actual % of Fund	Actual % of Fund
	US Short Duration Fixed Income	25.00	20.39	19.96	18.08	18.23
	US Core Domestic Fixed Income	40.00	29.58	29.41	29.88	30.28
	US Core Domestic Equity	17.50	27.92	28.08	29.99	28.07
	Non-US Core International Equity	17.50	22.11	22.55	22.05	23.42

Totals may not sum to 100 due to rounding.

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

Relative to the strategic asset allocation, the US Core Domestic Fixed Income mandate held the largest underweight deviation at 9.72 per cent, while the US Core Domestic Equity mandate maintained the highest overweight position at 10.57 per cent (see Table

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

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 updates to the Board of Governors.

The total net asset value of the Fund as at the end of March 2025 was **US$5,896.6 million**, approximately $70.4 million higher than the net asset value of US$5,826.2 million as at December 31, 2024. Of this total, the Investment Portfolio was valued at US$5,896.2 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.

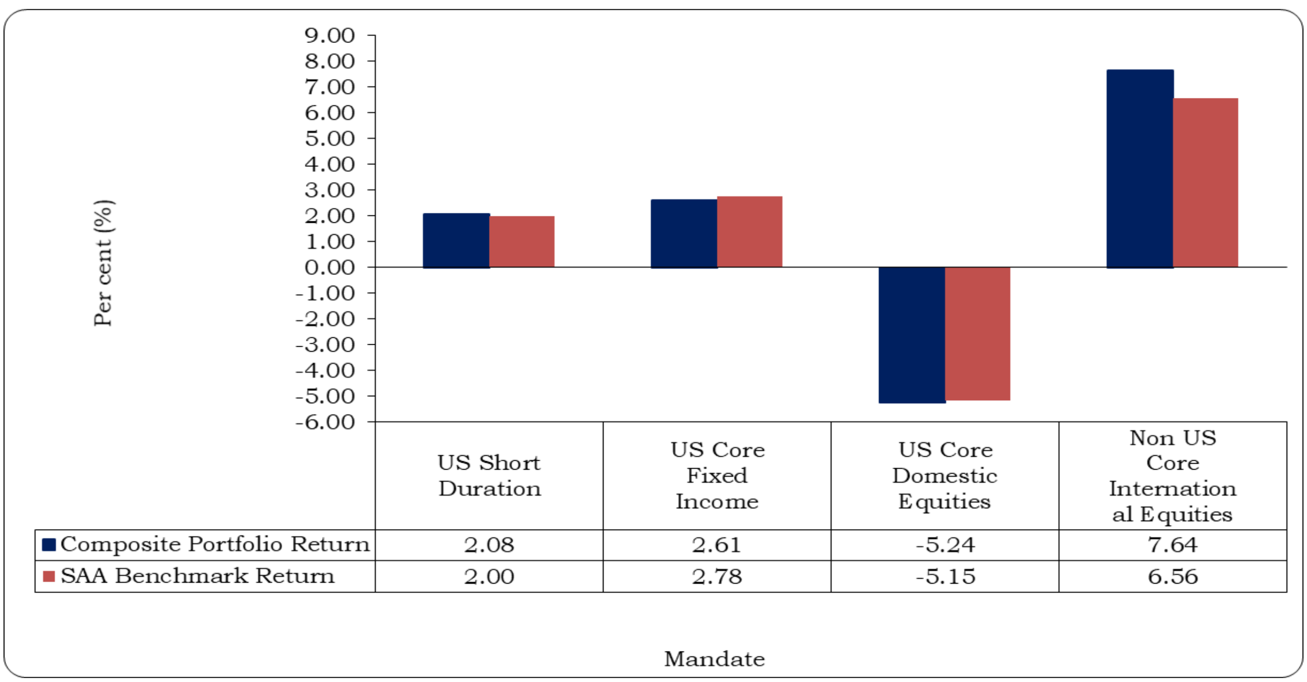
Performance of the Investment Portfolio

The HSF's Investment Portfolio returned 1.27 per cent, underperforming its benchmark, which rose by 1.86 per cent. For the quarter, the strong performance of the Non US Core International Equity mandate and modest gains in the US fixed income mandates offset losses in the US Core Domestic Equity mandate.

Figure 5

Absolute Returns by Investment Mandate for the period Jan-Mar 2025

/per cent/



	US Short Duration	US Core Fixed Income	US Core Domestic Equities	Non US Core International Equities
Composite Portfolio Return	2.08	2.61	-5.24	7.64
SAA Benchmark Return	2.00	2.78	-5.15	6.56

Relative to the strategic asset allocation (SAA) benchmark, the Fund underperformed by 0.59 percentage points (see Table 2 and Appendix 1). Collectively, the main detractor from the Fund's performance was the investment portfolio's asset allocation deviations versus the benchmark. The HSF's underweight exposure to fixed income alongside its overweight position to US equities negatively impacted returns, as heightened risk aversion fuelled US bond market gains alongside US stock market losses. Meanwhile, external managers' strategies in the Non-US Core International Equity mandate incrementally helped to enhance the Fund's performance.

The **US Core Domestic Equity** mandate lost 5.24 per cent for the quarter ended March 31, 2025, while its benchmark, the Russell 3000 ex-Energy index, fell by 5.15 per cent (see Figure 5). Stock selection decisions in Software and Services, and Industrials detracted from returns, while relative positioning in Financial Services and Consumer Staples positively impacted performance over the quarter. The mandate's net asset value fell from US$1,747.2 million as at December 31, 2024 to **US$1,655.0 million** as at March 31, 2025.

The **Non-US Core International Equity** mandate returned 7.64 per cent, and outperformed its benchmark, the MSCI EAFE ex-Energy, by 1.08 percentage points. In aggregate, country and currency allocation augmented performance over the quarter. Security selection was also positive as decisions in Europe ex-UK and Asia boosted returns. As at the end of March 31 2025, the net asset value of the mandate increased by US$96.5 million to **US$1,381.2 million**.

The **US Short Duration Fixed Income** mandate earned 2.08 per cent over the quarter, and outperformed its benchmark, the ICE Bank of America 1-5 year US Treasury index, by 8 basis points. Yield curve and duration positioning coupled with country interest rate strategies contributed towards the positive excess returns. The net asset value as at March 31, 2025 stood at **US$1,074.9 million,** compared with US$1,053.2 million from the previous quarter.

The longer duration **US Core Domestic Fixed Income** mandate rose by 2.61 per cent. This was modestly lower than its benchmark, the Bloomberg US Aggregate Bond index, which returned 2.78 per cent. Excess allocation to credit sectors and security selection within Agency Mortgage Backed Securities detracted from performance. Over the quarter ending March 31, 2025, the net asset value of the mandate increased to **US$1,785.2 million** from US$1,740.4 million as at December 31, 2024.

SECTION 4 – COMPLIANCE AND PORTFOLIO RISKS

Compliance

During the quarter, the relative deviations of the mandates' weights from the approved SAA were broadly maintained (see Table 3). With all the mandate exposures above the allowable +/- 5 per cent deviation, the Central Bank continues to monitor the Fund's asset class allocations and provide updates to the Board.

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 March 31, 2025.

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 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 March 31, 2025.

Table 5

Weighted Average Duration

/Years/

Mandate	Portfolio	Benchmark
US Short Duration	**2.73**	**2.55**
US Core Domestic Fixed Income	**5.56**	**6.09**

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 March 2025, 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
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

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				
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)
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	

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	13,783	156
Coupon (%)	3.50	2.90
Duration (Years)	6.09	2.55
Average Life (Years)	8.38	2.73
Yield to Maturity (%)	4.60	3.93
Option Adjusted Spread (bps)	35	-1
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	2,808	671
Earnings Per Share (EPS Growth 3-5yr fwd.)	12.6	6.75
Price Earnings (P/E fwd.)	24.9	15.01
Price / Book (P/B)	4.3	1.92
Weighted Average Market Capitalisation* (Bn)	816.93	89.96

*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-24	Jun-24	Sep-24	Dec-24	Mar-25
Total Fund Value	**5,898**	**5,761**	**6,088**	**5,826**	**5,897**
Total Value of Equity	**2,824**	**2,881**	**3,081**	**3,032**	**3,036**
US Core Domestic Equity	1,553	1,608	1,709	1,747	1,655
Non-US Core International Equity	1,271	1,273	1,372	1,285	1,381
Total Value of Fixed Income	**3,072**	**2,878**	**3,005**	**2,794**	**2,860**
US Short Duration Fixed Income	1,374	1,174	1,215	1,053	1,075
US Core Domestic Fixed Income	1,698	1,704	1,790	1,740	1,785
Total Value of Operating Cash	**1**	**2**	**2**	**1**	**0.4**

NB: Differences in totals are due to rounding.

Appendix V

HSF Portfolio and SAA Benchmark Quarterly Returns

/per cent/

	FY2021 Q3	FY2021 Q4	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
HSF Portfolio	4.00	-0.31	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
Benchmark	3.09	-0.09	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