



Legislative Assembly of Alberta

The 29th Legislature
First Session

Standing Committee
on the
Alberta Heritage Savings Trust Fund

Annual Public Meeting

Thursday, November 26, 2015
7 p.m.

Transcript No. 29-1-3

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First Session**

**Standing Committee on the
Alberta Heritage Savings Trust Fund**

Miller, Barb, Red Deer-South (ND), Chair
Nielsen, Christian E., Edmonton-Decore (ND), Deputy Chair

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McKittrick, Annie, Sherwood Park (ND)
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Ministry of Treasury Board and Finance Participants

Rod Babineau	Manager, Portfolio Analysis, Capital Markets
Lowell Epp	Assistant Deputy Minister, Treasury and Risk Management
Stephen J. Thompson	Executive Director, Capital Markets

Alberta Investment Management Corporation Participants

Darren Baccus	Chief Client Relations and Legal Officer
Dale MacMaster	Chief Investment Officer

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Standing Committee on the Alberta Heritage Savings Trust Fund

Public Participants

Dan Bury
Nicholas Dziuba
Nate Glubish
Paulette Hagel
Rory Koopmans
Doug Pruden
Chips Reid

7 p.m.

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[A video was shown from 7:04 p.m. to 7:10 p.m.]

[Ms Miller in the chair]

The Chair: Good evening. Welcome to the 2015 annual public meeting on the Alberta heritage savings trust fund. I'm Barb Miller, MLA for Red Deer-South and chair of the Legislative Assembly of Alberta's standing committee on the fund.

We are pleased to be holding this meeting in the Federal building in Edmonton, Alberta, for the first time.

Now to the business at hand. The Alberta heritage savings trust fund is a large part of a better Alberta for tomorrow. The fund earned a net income of \$1.7 billion for the year ended March 31, 2015. We are here today to discuss the status of the fund, what lies ahead for 2016, and how the fund will continue to provide a brighter future for our province in the years to come.

I'd like to begin the meeting by introducing the rest of your panel. Let's start with the members of the standing committee. To my right I have Chris Nielsen, MLA, Edmonton-Decore, deputy chair of this committee; Marie Renaud, MLA for St. Albert; Wes Taylor, MLA, Battle River-Wainwright; Dr. Bob Turner, MLA for Edmonton-Whitemud. To my left I've got Scott Cyr, MLA, Bonnyville-Cold Lake; Graham Sucha, MLA, Calgary-Shaw; Annie McKittrick, MLA for Sherwood Park.

We are the Standing Committee on the Alberta Heritage Savings Trust Fund, an all-party committee of the Legislative Assembly. In a nutshell, we review and approve the performance of the fund and report back to Albertans and the Legislative Assembly.

The President of Treasury Board and Minister of Finance is ultimately responsible for the fund and its investments. The department looks after setting the fund's long-term strategy, developing its investment policies, and monitoring the performance of its investments.

Joining us on the panel, from Alberta Treasury Board and Finance, are Lowell Epp, deputy minister of treasury and risk management; Rod Babineau, manager, portfolio analysis, capital markets; and Steve Thompson, executive director, capital markets.

The Alberta Investment Management Corporation, or AIMCo, is responsible for making and managing investments in stocks, bonds, and other instruments within the fund's portfolio. Joining us from AIMCo are Dale MacMaster, chief investment officer, and Darren Baccus, chief client relations and legal officer.

I'm happy to remind you that tonight's meeting is being broadcast live on Shaw TV and streamed on the Legislative Assembly website at www.assembly.ab.ca. I'd like to encourage everyone to join the conversation and contribute to our discussion during the live broadcast. You can submit your questions through Twitter or by e-mail. The information can be seen on the bottom of your screen. Simply submit your questions, and we will endeavour to respond to as many as time will allow during the question-and-answer segment of the meeting, which will be immediately following our panel presentations.

We promise to keep our points and answers brief to allow us to address as many of your questions and comments as possible. Your input is important to us, and I encourage you to participate.

Please note that this meeting is being recorded by *Alberta Hansard*, and transcripts from this meeting will be available online on the Assembly website.

By the end of the meeting we'll have walked you through the history, mission, long-term performance, and future of the Alberta heritage savings trust fund.

With that, let's take a look at the following video on the Alberta heritage savings trust fund, followed by our presentations.

The Chair: I'd now like to invite Lowell Epp with Alberta Treasury Board and Finance to walk us through a financial update on the heritage fund, as I mentioned earlier.

Mr. Epp: Thank you, Madam Chair and members of the committee. Minister Ceci and Deputy Minister Gilmour are unable to make it tonight and would like to send their regrets. I'm certainly pleased to be here to represent the department and to have the opportunity to discuss with you Alberta's heritage fund and its recent performance.

To start, we want to talk about the investment philosophy of the fund and its basic objectives. As was mentioned in the video, the Alberta heritage savings trust fund was established in 1976, and it gets its mandate today from the Alberta Heritage Savings Trust Fund Act. This legislation sets out the investment objective for the fund, which, as the video stated, is to maximize long-term financial returns for the fund subject to an acceptable level of risk. Based on this objective, the fund is invested with a long-term focus, using strategies that can be expected to generate investment returns on a consistent basis. As such, the fund is invested in a well-diversified and global portfolio. This approach allows the fund to reduce risk while at the same time earning higher returns than it otherwise would.

The heritage fund is invested in an efficient manner as well. Its investments are pooled with those of other AIMCo clients to provide cost efficiency. AIMCo has over \$90 billion under management, which allows it to minimize investment cost. This size also allows AIMCo's clients opportunities to participate in investment transactions that are simply not available to smaller funds.

The President of Treasury Board and Minister of Finance is responsible under the legislation for investing the heritage fund. This responsibility includes establishing investment policies for the fund. These policies guide how the fund is invested, its tolerance for risk, and the benchmark for evaluating investment performance. This policy, by the way, called Statement of Investment Policy and Goals, can be found on the heritage fund's website at www.albertaheritagefund.com.

Among other things, the investment policy establishes a target asset allocation for the fund. At the broadest level the fund has a target allocation of 50 per cent to equities, 30 per cent to inflation-sensitive and alternative investments, and 20 per cent to fixed income. This policy portfolio can be seen as an expression, or one expression, of the fund's risk tolerance.

Equities, of course, include shares of companies, and we invest in shares of companies from across the world. We invest, or AIMCo on the fund's behalf, in public stock markets as well as investments in private companies. Equities are chosen and form the largest part of the portfolio because they can be expected over the long run to have the highest returns. They also have higher risks and at times will cause the investment returns for the fund to be less than what other investments may drive. But as we will see later, investments in equities have benefited the fund this year, as they have in many other years.

Inflation-sensitive and alternative investments are intended to provide a combination of investment returns and protection against inflation. Examples of these, and the most prominent investments in this class, are real estate and infrastructure investments, whose revenues can be expected to rise with inflation and give some protection. Fixed-income investments include the bonds and debts of governments and companies within the economy. The fund is invested in both publicly traded bonds and private market loans.

This segment of the portfolio provides stability and has the lowest risk within the portfolio.

The target asset allocation is 50 per cent to equities, 30 per cent to inflation-sensitive investments, and 20 per cent to fixed income. The current asset allocation, as of March 31, 2015, was 51 per cent to equities, 30 per cent to inflation-sensitive and alternative investments, and 17 per cent to fixed income. There is also a 2 per cent allocation to strategic opportunities. This asset class, which is a special class, allows AIMCo to find opportunities that wouldn't easily fit into one of the three other buckets. They are opportunities to earn high returns at low levels of risk.

During the year the heritage fund earned gross income of just over \$1.8 billion and had a net return of 12.5 per cent. The \$1.8 billion was gross income, and after investment expenses of \$147 million net income for the fund was \$1.68 billion for this year. The strongest contributor to income was the equity segment of the fund, which generated \$1.4 billion in gross income, as you can see on the chart. Global equities were the primary source as the returns on these investments benefited from the fall of the Canadian dollar.

It is important to note that the heritage fund holds a significant portion of its investments in foreign currencies; 42 per cent of the equities held by the heritage fund are held in foreign markets. This was a change that was initiated in 2011 after studying the currency exposures of the province as a whole. We determined that as we've seen recently, the Canadian dollar tends to fall when oil prices fall. Not strictly as a perfect hedge or anything but to provide some protection against times when the price of crude oil falls, we deliberately shifted some of the investments of the heritage fund into foreign markets. Therefore, when the province's economy is hurt by lower oil prices, the heritage fund's investments are structured to provide a small offset by earning a higher return when the Canadian dollar falls. It is estimated that this shift, which was implemented in 2011, has added approximately \$540 million to the heritage fund's earnings in the last four years.

Finally, by legislation a portion of the fund's earnings are retained in the fund to protect against inflation. This year \$210 million of the fund's earnings were retained in the fund to protect against inflation. The remaining approximately 1 and a half billion dollars was transferred to the government's general revenue fund to fund government programs and services.

Since its creation in 1976 the heritage fund has contributed over \$38 billion in investment earnings to help government budgets and capital projects. In addition to these \$38 billion in investment earnings two important endowment funds, the medical research fund and the scholarship fund, were funded from the heritage fund. This has been an important part of the government's budget for a number of years and has allowed Albertans to benefit from things like better programming or, depending on how you look at it, lower taxes.

The historical performance of the fund is shown on the chart on the screen. Over the past five years the heritage fund has been very successful and has produced an average annual return of 11.7 per cent. Inflation over the last five years has averaged 1.6 per cent, so we have earned a return of 10.1 per cent over inflation.

7:20

Now, why is that important? The heritage fund's long-term investment goal is to earn a return of 4 and a half per cent plus inflation over a five-year period. That has been stated in our ministry's business plans for years. We also have a goal that AIMCo should add another 1 per cent, or a hundred basis points, of return using their expertise and the flexibility that we provide to them in the investment policy to earn additional returns. So with inflation being 1.6 per cent, we expect to earn 5 and a half per cent,

4 and a half per cent plus 1 per cent for active management. That makes it 7.1 per cent for our target return over the last five years. A return of 11.7 per cent is 4.6 per cent higher than our target return.

Over the past 10-year period, which includes the financial crisis of 2008-2009, the fund has earned an average annual return of 8 per cent. Over this period inflation averaged 1.7 per cent, making the target return equal to 5 and a half plus 1.7 per cent, or 7.2 per cent. So over 10 years we have earned an excess return of .8 per cent for the fund.

In terms of performance over the last year, as I mentioned earlier, the fund earned a return of 12 and a half per cent this last year. One of the things we do is measure year-by-year performance using a passive benchmark: how the fund would have done if it had been invested without the active management of AIMCo. This past year the passive benchmark earned a return of 14.7 per cent, which means that active management had a negative performance of 2.2 per cent. One thing about active management is that some years it's going to be good, and some years it's going to be not as good, so this is not something that I want to concern the committee about by any means. It's just a fact.

The chart shows the performance and benchmark returns for the various segments within the fund. As you can see, there were strong positive returns from all primary segments within the portfolio. It was a very good year for investment returns. The strongest performance came from global equities, with a return of 18 per cent on the year, and private equities, which returned 15.2 per cent on the year. Both of these segments benefited from the falling Canadian dollar, which I discussed previously. The best active management returns came from real estate, where the actual return was 4.1 per cent higher than the benchmark. On the other hand, private equities saw the weakest active management returns, with the actual return being 5.8 per cent lower than the benchmark.

Finally, looking forward for the fund, one of the significant developments this year was that in Budget 2015 the government announced that it would be changing the asset allocation of the heritage fund by allocating 3 per cent of the portfolio to growth opportunities in Alberta. That's approximately \$540 million because the fund's market value is around \$18 billion. This allocation is intended to encourage economic growth and diversification in Alberta. However, it is important to note that these investments in Alberta growth opportunities will be subject to the same legislative objective of maximizing the fund's long-term investment earnings at an acceptable level of risk. These investments, in other words, will be sourced in Alberta for the benefit of Albertans but will be judged, first and foremost, by AIMCo on their investment merits.

Going forward, the department and AIMCo will be looking at a number of aspects of the fund and working on a number of projects together to ensure that the fund continues to be invested optimally for the province. These projects include evaluating the fund's risk tolerances and how those risk tolerances are measured to ensure that the fund will continue to maximize investment returns at a prudent level of risk, developing strategies for minimizing downside risk, and analyzing the fund's asset allocation based on current and expected future market developments and trends.

That concludes my remarks, and I would pass it back to you. Thank you.

The Chair: Thank you, Mr. Epp.

I will now call upon Dale MacMaster, chief investment officer of AIMCo, to provide a market update.

Mr. Baccus: Thank you, Madam Chair and the committee. I think I'll commence, and then Dale will comment on some broader

economic points. Good evening to our guests. Over the next 10 minutes Dale and I are going to speak with you about three things: first of all, a general overview of AIMCo; second of all, some commentary on the heritage fund from the perspective of AIMCo, the investment manager; and then, as I mentioned, Dale will provide the committee and our guests and Albertans with some general views on the economic conditions globally.

As a starting point, AIMCo is a provincial corporation that is headquartered right here in Edmonton, just down the street at 109 and Jasper. Since inception in 2008 we've attracted investment talent from all across the world while at the same time sourcing local investment talent and bringing it to what we view to be a crown jewel of Alberta. On a day-to-day basis we have the privilege of investing funds for the benefit of 375,000 beneficiaries of public-sector pensions as well as all Albertans for endowments such as the heritage fund.

This is a brief overview of our clients. You'll notice that in excess of 50 per cent of the assets that we have the privilege of managing are represented by the public-sector pension funds. The heritage fund, which we're discussing this evening, falls into the category of endowment funds. Madam Chair, as you touched upon, as the asset manager for these clients we provide them with a broad range of investment opportunities. These range from public debt and equities, which are listed on the open markets, through to the illiquid assets such as real estate, infrastructure, and mortgages. It's important to note that everyone at AIMCo remains constantly mindful of our responsibility to the clients and also to the ultimate beneficiaries, and we ensure that our day-to-day activities are always consistent with our mandate, which, as you'll see here, is to maximize the risk-adjusted net investment returns in a manner that is responsive to our clients' needs and their expectations.

Finally, regardless of where the members of the AIMCo family have come from, we focus upon being contributing members of where our homes are today. As part of that we're very proud to support a number of local organizations that provide grassroots support to the community and to the economy.

Now I'll turn it over to Dale, our chief investment officer.

Mr. MacMaster: Thank you, Darren. I'd like to take a few minutes, if I could, to talk about returns, markets, and what we expect in the near term. At AIMCo we're long-term, global investors, so it's useful to look at where we've come from to help frame the conversation. What I'm showing here at the top part of this chart is the long-term historic returns for stocks and bonds, and if you look at the top section of the chart, you can see that over the very long run stocks have returned 10 per cent, and the lower part of the chart shows that bond returns have been 5 per cent over very long periods of time.

I'd like to draw your attention as well to the '80s and '90s, which represent the greatest period of returns for both stocks and bonds that we've seen in the last hundred years. If you look at the bond returns over the last 35 years, in fact, every decade the returns have been greater than the long-run average. We've really come through a period with extraordinary returns. Other than the 2000s in equities, where we had two significant market corrections of 50 per cent, it's been a pretty good investing environment. In fact, equities, of course, once again, this decade are again above the long-term average.

So I think that to a certain extent investors have been spoiled by the environment in the last 40 years, and there's reason to believe that the returns going forward are going to be much less, so we have to temper expectations.

7:30

First of all, why were returns so great in the last 35 years? This next chart shows you 10-year interest rates going back to the '50s. What you can see is that from 1980 to the current day interest rates have fallen, and we've had 35 years of declining rates. The value of any asset is simply the cash flows, dividends, earnings, returns at a discount rate to the present value. If you lower the discount rate, the value goes up. This has driven asset prices up not only for equities but real estate as well and bonds. But as you can see from the chart, we're pretty close to zero, so this environment is over now, and we're likely to see interest rates rise in the coming years. This is why we believe that we need to temper our expectations. These terrific returns we've seen in the heritage fund have been great. We've enjoyed them, but it's going to be a more challenging environment, and that's the first message I'd like to give you.

Fast-forward to today and recent current events that have been driving the market. There have really been four things that have driven asset prices this year. Number one, oil, which is near and dear to our hearts, has had a difficult time. Oil prices fell from \$110 to \$40 in the last 12 months. Obviously, that's had a huge impact on Canada and investing in Alberta. We also have issues with Greece once again teetering on the edge of bankruptcy. That drove stock prices down in the spring. No sooner had we moved through that trial when we found out that China was slowing. So we're already in the midst of a slow-growth global environment, and then one last engine of growth was showing signs of slowing down, and that set off a market correction.

Lastly, the focus on U.S. interest rates – when are they going up, and how much are they going up? – has been driving investor behaviour. In all likelihood we'll see an increase in the U.S. rates in December.

So what has this meant for the markets? Well, we had a stock market correction this year, first time in about four years. We were long overdue. Normally we get a correction of 5 to 10 per cent every 18 months or so, so it shouldn't come as a surprise. Volatility has picked up. As you can see from the top chart, stock market selection, sector selection, is very important. The S&P is up about 2 per cent whereas the Toronto Stock Exchange is down close to 8 per cent on the year, so where you invest matters in today's environment. Although we expect interest rates in the U.S. to go up later this year, towards the end of this year and into next year, we expect Canada to lag, and even in the U.S. the path of interest rates will be slow and gradual.

What does that mean for the markets? Well, we expect the public markets to become more volatile and less liquid, and while that volatility from stock market corrections, when they come, is uncomfortable, it presents AIMCo the opportunity to put money to work at attractive prices. We're long-term investors, and our most important assets are our size, cash, patience, and scale. We don't suffer from short termism, so if we do get a correction of 5 to 10 per cent, it allows us the opportunity to put money to work from the heritage fund in very attractive assets that'll grow and earn returns over the very long run.

That concludes my comments.

The Chair: Thank you, Mr. MacMaster and Mr. Baccus.

That concludes the formal presentations. Before I open the floor to your questions, I would like to remind everyone that you're welcome to join the conversation and submit your questions to the committee or our panel's experts. You can submit your questions to the Twitter handle @legassemblyofab using #abheritagefund or by e-mail to committees@assembly.ab.ca. Again, your comments

are important to us, and we will attempt to answer as many questions as possible during the meeting.

I'll now open the floor for questions from our in-house audience. Please be sure to state your name for the record before you begin speaking.

If you want to go to the microphone to the right of me.

Mrs. Hagel: I notice, and it always puzzles me, that because the interest . . .

The Chair: Could I get you to state your name first, please?

Mrs. Hagel: Sorry. Paulette Hagel. I live in Edmonton.

I know that the market in China has dropped, but still their growth rate is something like 6 or 7 per cent, isn't it? Well, wouldn't we love to have a growth rate of 6 or 7 per cent? Why is it such a tragedy? I don't understand that.

Mr. MacMaster: Thanks for the question. I would tend to agree with you. You know, China has downgraded from 7 per cent to 6 per cent, 5 per cent. I mean, it's hard to say exactly what the growth rate is in China as some of the data coming from there isn't reliable, but I would agree with you. As that economy grows, mathematically it becomes very difficult to continue to grow at these high rates. We're not too fussed about what's happening in China. In fact, it's somewhat of a two-tiered economy with the old, state-owned enterprises in traditional industries like steel and manufacturing and the new, consumer-related industries, which are growing very well. The contacts we have in China tell us that it's a fairly robust economy. We as investors are with you; we don't share the anxiety that you see exercised in the market when these growth numbers hit and stock markets correct. So we would agree with you.

The Chair: Thank you.

Mr. Nielsen, do you have any questions from the other audience?

Mr. Nielsen: I do, Madam Chair. An e-mail question from A.M. in Edmonton: "How do you decide how the heritage funds are used or distributed?"

Mr. Epp: The earnings of the heritage fund: by legislation there's an amount retained in the fund for inflation. The remainder of the fund's earnings are transferred from the heritage fund into the general revenue fund. How they are spent is determined by the government's budget and all the bills needed to pass those budgets.

The Chair: Thank you.

Do you have any other questions, Mr. Nielsen?

Mr. Nielsen: Yes, Madam Chair. I have a question from Twitter user @munzaster. "Why can't Norway fund be compared to Heritage Fund?"

Mr. Epp: There are a number of differences between Norway's fund and Alberta's fund and certainly a number of differences between Norway and Alberta. Norwegians made different choices, first and foremost, than Albertans did. It should be noted that Norway has higher income taxes than Alberta, has a 23 per cent sales tax. Its neighbours, Sweden and other Nordic countries, also have similar high tax structures. So when they compete for jobs and businesses and investment dollars, their investment is much different. Alberta in the '70s and '80s and '90s and even now competes with its neighbours, and while we have lower taxes than many, we don't have lower taxes than all. There were a number of U.S. states, especially in the '80s and '90s, that had lower tax regimes. So that's one context.

Norway's oil is primarily offshore oil, so it's already on tidewater. Alberta's oil, as we all know, is not on tidewater and does not have access to tidewater. Norway's oil is light sweet crude. In Alberta we've had, in the early '70s, a light sweet crude oil boom, but it was nowhere near the size of Norway's in terms of volume. We had a natural gas boom in the 2000s up until about 2009, but, again, we could only sell our natural gas in North America. Fracking and other technologies have reduced the value of gas since about the beginning of 2009. Fortunately, we had a third opportunity to benefit from energy, which we'll continue to benefit from, and that is the oil sands, which really took off around that same time, 2008, '07, '09. I don't know. But bitumen does not provide the same returns as light sweet crude. That is not the same quality of oil.

7:40

So there are taxation differences. There are quality of oil differences, access to tidewater. There are a number of differences. Norway is a country; Alberta is a subsovereign. It's a province. We don't control all the fiscal decisions. We don't control tax decisions made in Ottawa. This is not to say whether Alberta's choices were right or wrong, but we made different choices than Norway, and we have benefited from those. You know, choices have to be made. None are perfect.

The Chair: Thank you, Mr. Epp.

Is there anyone else who has any questions? Okay. If you'd like to take the microphone to the right, please, and state your name.

Mr. Pruden: My name is Doug Pruden, and I'm a citizen of Edmonton.

The Chair: Thank you. Welcome.

Mr. Pruden: Some of you may have heard me before. I'm just wondering if anybody on the committee can please explain the scholarship program that is given to students. After that, I would like to suggest a potential program to help adult Alberta learners, such as myself, for potential re-entry into careers that they used to be in but could not do because of the potentially high education debt levels. I'll get into it after the first question is answered regarding what they do for scholarships for students.

The Chair: Okay. Mr. Epp, do you know?

Mr. Epp: I think he asked the committee members, but I'm happy to say that, strictly speaking, that's outside the mandate of this committee and outside the mandate of this fund, but I don't want to shut you down, by any means. The scholarship fund, the two primary scholarships: a scholarship to high school graduates that obtain the high marks is the most prominent one. So if you attain I believe an 80 average in grades 10, 11, and 12, you get a scholarship I believe of \$2,500. If you only hit it in certain grades, you get a lesser amount. About a year ago the government of the day added \$200 million from the heritage fund, transferred it to the scholarship fund, and that endowment provides funds for training in the trades sector. So that's the mandate of the scholarship fund as it is now.

Mr. Pruden: The trades sector apparently – I read some of these papers and talk to educators out there at NAIT, U of A, et cetera – is short of skilled people to enter the trades. Some of that perhaps is because of the fear of the high debt of education. That's one of my fears. Now, I am standing here with a lot of potential skills. Some of the skills I do already, which are athletic related, but other skills that I've trained in are not being used. I have asked that

question a few times, and I've thought of this heritage trust fund thing. Perhaps they could invest in the education system so people like me can get a grant, similar to what high school students get, and just pay for the whole thing until I am acceptable to industry to re-enter these fields. Now, I might represent hundreds or even thousands of middle-aged learners that just cannot access education because of the debt, and a lot of us have different, ever-increasing costs of living or anything like that. So there are challenges, and a grant system would assist in that.

Now, I know this committee may not be able to take a suggestion like that, but perhaps it could be passed along as an investment in the future of actual Albertans, whether it's in schooling, scholarships for adult learners, or otherwise, free tuition or whatever it may be. There are examples in different countries of the world where they do this. I won't list all these countries, but they're out there, where they even have free education or free college education, and some of them are oil-producing nations.

The Chair: Well, I will take the transcript from your question and make sure that the Minister of Jobs, Skills, Training and Labour sees it. Her department would be the department that would handle something like that. I'll refer it to Minister Sigurdson, and we'll see what comes of it.

Mr. Pruden: Thank you so much for your time and the committee's time and for listening.

The Chair: No problem.

Mr. Pruden: I know that in my life it has been a barrier to perhaps engage in further adult learning and maybe in other people's lives, too, but thank goodness people like myself have alternative cushions or ways to keep things happening in our lives.

The Chair: Thank you for your question.

Mr. Nielsen, any more questions?

Mr. Nielsen: Yes, Madam Chair. I have an e-mail question from J.S.: "What was the initial investment in the Heritage fund when it was created in 1976?"

Mr. Epp: We just have to look up the numbers. In 1976-77 a total of \$2.1 billion in nonrenewable resource revenues was transferred to the fund. There were expenditures of \$36 billion in capital projects that year and net income from the fund of \$88 million. So at the end of the first year it had a value of almost \$2.2 billion. In following years, from, say, '77-78 to about '82-83, approximately \$1 billion to 1 and a half billion dollars was transferred each year. Then from '83-84 to '86-87 nonrenewable resource revenues of approximately \$700 million were transferred into the fund. In 1987 the government of the day stopped transfers of nonrenewable resource revenues into the fund and simply retained them in the general revenue fund.

The Chair: Thank you, Mr. Epp.

Any more questions from the audience?

Mr. Buryn: Thank you. My name is Dan Buryn. I'm involved in my local council in Thorhild county, and I also received the position of reeve. What I've been hearing from the public are the issues of funding. Today information is so readily available. Historically the Bank of Canada used to provide public funding. It was created in the '30s basically as a public bank, and by 1975 it was not fulfilling its statutory requirements. For example, what it would do was provide funding credit to all levels of government, so federal, provincial, and municipal. I was wondering if the committee was

considering or has ever considered providing public funding for these levels of government; for example, at simple interest or an administration fee that is less than 1 per cent simple interest, along those parameters, enough to cover the administration of these loans rather than borrowing from the private sector. When you look at debt federally, provincially, borrowing from the private sector creates huge burdens on the taxpayer. Has there been any consideration for moving into this public banking area?

7:50

The Chair: Mr. Epp?

Mr. Epp: I can only comment on the legislation that the House has passed. The legislation that guides the fund is one to maximize long-term investment returns.

The Chair: Okay. Mr. MacMaster, is there anything you can add to that?

Mr. MacMaster: I don't think so.

The Chair: Okay. Thank you.

Mr. Nielsen, any more questions?

Mr. Nielsen: Yes. I have a question from Twitter user @JimVeeeee in Calgary. "Does AIMCo invest in marijuana companies?"

Mr. Baccus: No, we do not.

The Chair: Thank you.

Any other questions from the audience?

Mr. Reid: My name is Chips Reid. I live in Edmonton, retired. It came up tonight that our government, the Alberta government, stopped transferring nonrenewable resource income into the heritage savings trust fund. Why did they do that?

Mr. Epp: Well, I wasn't a member of the Legislature, and that was an act passed by the Legislature. I assume that the Legislature and the government of the day decided that it could not afford to run the large deficits that it was running and continue to increase those deficits while they had a revenue source available to them. Clearly, you don't agree with that decision, but that was the decision that the Legislature made in 1987.

Mr. Reid: Why can't they reverse that decision based on the income they're receiving now? I mean, it doesn't seem fair to me and to the citizens of Alberta that we no longer put any money away into what Premier Lougheed started, when he was taking 30 per cent of the cash cow that we're sitting on, which is under the ground here, which belongs to Albertans and Canadians. I think that's a shame.

The Chair: Okay. Mr. Nielsen, do you have any other questions?

Mr. Nielsen: Yes. I have one from someone on Twitter from Calgary: can the funds be used to subsidize industry since we are experiencing a downturn in the economy, and if not, why not?

Mr. Epp: The fund's legislation is clear, that the funds must be invested in a commercial manner, if you will, to maximize long-term earnings at an acceptable rate of risk. Economic development investments don't fit under that mandate since they don't maximize returns. The Legislature could choose and is certainly able to choose to change that law and make those funds available if it chooses. That's entirely in the purview of the Legislative Assembly.

The Chair: Thank you, Mr. Epp.

Do we have any more questions from the audience?

Seeing none, do you have any more, Mr. Nielsen?

Mr. Nielsen: Yes, Madam Chair. An e-mail comment from Ric Dolphin in Edmonton: “With the investment return worse under management than the passive fund, and with Q1 returns down to a miserable .1%, is it time to start questioning why we are paying for a \$3M AIMCo CEO, and a bunch of high-salaried investment brokers, and not simply move the govt’s investment management back in house? Or simply turn it over to a computer?”

Mr. MacMaster: Well, first of all, AIMCo and its managers can’t control the absolute return on the fund, so most of the return is going to come from the asset mix that is set for the heritage fund. Our job is to try and add value over, you know, the benchmarks. While this past year our value-add fell short, over longer periods we have shown that we can add value, and that’s really what it’s about. We are long-term investors. We do not focus on the quarter, the year. We’re looking at five-year and 10-year returns. I think the strategies we have in place have shown that we can add value over the passive benchmark for the benefit of all Albertans.

Mr. Epp: I would add to that. This is partially my fault, and I apologize. Over the last five years – and you can find these numbers in the annual report – the active management, while it was, as Dale said, negative this last year, has added an average of 1.2 per cent per year. We are achieving and exceeding that target of 100 basis points, or 1 per cent, annually. It is dangerous, as Dale said, to look at one-year returns and one-year active management returns. AIMCo has exceeded its targets over the last five years, and we expect them to continue to do so.

The Chair: Thank you, Mr. Epp and Mr. MacMaster.

Another one from online?

Mr. Nielsen: Yes. From Twitter. From @Tachyon: “If the fund is used for a rainy day isn’t now a rainy day?”

Mr. Epp: Nowhere in the legislation is the fund described as a rainy-day fund. The mandate of the fund is to save for the future, not to save for a rainy day. I know that a lot of people think that it is a rainy day, but the legislation is quite clear on its mandate, and that mandate does not include a rainy-day or any similar concept.

The Chair: Thank you, Mr. Epp.

Anyone else in the audience with questions?

Mr. Koopmans: Hi. Rory Koopmans. I live in the west end of Edmonton. I am just curious. Couldn’t they have some sort of advisory council that paid a nominal fee of a dollar apiece a year to all the living former Provincial Treasurers and/or Finance ministers to help advise where the heritage fund should go, say, with Minister Dinning and Minister Day, all these different people that are out of office now? I couldn’t think of anybody better to have than ministers and, say, deputy ministers who used to be in charge of the fund at its inception and who are all living and still have good ideas to contribute and explore, to have our past make the fund stronger for the future by bringing old ideas together with new ideas and old administrations together with new.

Thank you.

The Chair: Does anyone want to tackle that one?

Mr. Epp: I believe that’s a political question.

The Chair: AIMCo, I believe, was created to be an arm’s-length investment company. It would be just like you hiring an investment company. We’re doing the same. It’s better than having government doing the investing, wouldn’t you say, Mr. Baccus?

Mr. Baccus: Madam Chair, I think that you’ve absolutely summarized that appropriately. AIMCo was created to operate at arm’s length and independent from the government, with in particular two key tenets of governance, to protect the ultimate beneficiaries, one of which is the professional board that AIMCo enjoys, that has oversight of the organization, the second of which is that the investment decisions are not subject to political interference. I think you summarized that well.

8:00

The Chair: Thank you.

Any more online questions, Mr. Nielsen?

Mr. Nielsen: Yes, Madam Chair. From Twitter user @AlbertaActivist: “Is capitalism’s drive to profit maximization going to cause it to implode? Should AIMCo invest in social ventures?”

Mr. Baccus: AIMCo’s mandate from the heritage fund is consistent with the act, which is to maximize the investment return. If I can just touch on the social venture piece of that question and expand it a bit. Although AIMCo’s mandate is to maximize the net risk-adjusted returns, we, of course, are mindful of environmental, social, and governance factors as well. The reason is that it’s clear that investment opportunities in companies that are aware of, sensitive to, and have plans for environmental factors, social factors, and that practise good governance are better performing investments.

The Chair: Thank you.

Mr. Nielsen.

Mr. Nielsen: Yes, Madam Chair. From e-mail: AIMCo is a signatory to the carbon disclosure project and CDP water. What activities are these projects involved in, and how might this contribute to Alberta’s climate change plan?

Mr. Baccus: That’s correct. AIMCo is a signatory to CDP on carbon and water. Being a signatory involves a commitment to have our investments report on carbon emissions and then also water. That reporting is amalgamated by the organizations that the question references and then is made public.

Now, to the second part of the question, as to how it could be used, I don’t know the answer. I can say that the purpose of AIMCo’s signing on to those organizations and, in addition, of AIMCo’s signing on to the United Nations principles of responsible investing is one of transparency. We believe as stewards, having the privilege of investing funds on behalf of the pensioners and Albertans, that transparency is key, and as I mentioned, environmental, social, and governance issues do impact the returns, so signing on to these types of obligations is to ensure that our ultimate beneficiaries and clients are aware of how these factors are taken into account.

The Chair: Thank you very much.

Are there any more questions from our live audience? Go ahead.

Mr. Buryn: My name is Dan Buryn. A moment ago one of the fellows from AIMCo mentioned in relation to investment decisions: was it referred to as no political involvement? Is that what you were saying?

Mr. Baccus: That's correct.

Mr. Buryn: Okay. In that case, what checks and balances are there? For example, AIMCo has the ability to manage these investments. What if there are some bad investments made? Are there any checks and balances to ensure that AIMCo is properly investing, that there would be no problems in the future, or, for lack of a better term, is it a free-for-all for AIMCo?

Mr. Baccus: It is certainly not a free-for-all, but the question of checks and balances comes down to one of governance. When AIMCo was created, as Madam Chair commented previously, as the province's investment manager on an arm's-length basis, a number of governance checks were put in place. Allow me to run through a few.

First of all, to the shareholder AIMCo is accountable and reports to the government of Alberta through Treasury Board and Finance, and for the shareholder there is regular reporting and oversight. Second of all, as I noted, is a governance item, which is the professional board. AIMCo has a professional board that is populated in a skills-based process, and these individuals, keeping an eye on the mandates provided by the clients, have oversight of the investment processes of AIMCo. Then once we get to the management of AIMCo, we are very much like a private-sector investment manager organization, with strong compliance, strong oversight, both pretrade and posttrade, and ongoing monitoring of our investments as they relate to the mandates provided to us by our clients.

Mr. MacMaster: If I could just add to that. In addition to forums like this, for our other clients, pension clients, they have boards, which also provide oversight of AIMCo's investment activities, as well as their own consultants, that review our performance, our practices around risk management, our costs, every aspect of our organization. So as an investment firm it has a tremendous amount of oversight.

Mr. Baccus: Finally, I'd go back to a comment I'd made earlier, which is one of transparency as it relates to the heritage fund. Through this committee the public is provided with transparency on the actions taken by AIMCo. As Dale mentioned with respect to our public-sector pension plan clients, they're provided with an exceptional degree of transparency as well on how we are exercising their instructions from an investment perspective.

Mr. Buryn: So these processes that you say are in place for accountability: is that all accessible on the website for the public to view, or is that somewhere else?

Mr. Baccus: Certainly, a number of them are on the AIMCo, the Alberta Investment Management Corporation, website. As well, as a provincial corporation we are audited by the Auditor General, who, of course, makes his report public on an annual basis.

Mr. Buryn: So all of them – like, for example, I'm learning in this process and also other people in the public are as well. Is there anywhere specifically that we can be directed to take a look at that information?

Mr. MacMaster: One place you may want to look is our website as well as our annual report. I think there's a tremendous amount of disclosure in our annual report around every aspect of our organization: investment performance, risk management, compensation, oversight, board. It's quite thorough, so I would say that that's a good place to start.

Mr. Buryn: Okay. Thank you very much.

The Chair: Thank you, gentlemen.
Mr. Nielsen, any more questions?

Mr. Nielsen: Yes, Madam Chair. From Twitter, @JimVeeeee: "If ATB Financial was a publicly traded bank, would AIMCo find it a good investment?"

Mr. MacMaster: It might. I haven't looked at it, so I can't say. But I would just reiterate that in all these things, when it comes to investing, we're investing on economic return, and we are global. This screen starts with the global universe, and even with that we have quite a lot of investments in Alberta, roughly \$8 billion out of the 85 or so billion dollars in the fund. The heritage fund, I think, has about \$1.7 billion invested in Alberta. Even with that standard Alberta has been a very good place to invest.

The Chair: Thank you.
Any more questions from the audience?

Mr. Sucha: Madam Chair, if I can note as well that ATB does post a financial report every year, so if the person who was asking the question is curious about how they are doing overall, they can go online and visit that annual report as well.

8:10

The Chair: Thank you, Mr. Sucha.
Go ahead, sir.

Mr. Pruden: Hi. I'm back. My name is Doug Pruden. I'll just give you very brief information about myself. I'm a multi world record holder athlete in fitness. I think that the Alberta heritage trust fund should invest in what I would call an Alberta excellence fund or a spirit of Alberta fund, spirit of Alberta excellence fund, where they would take people like me and maybe 20 others who are known, perhaps, or who are champions at what they do in education, business, or athletics – and we're not talking just Olympic gold medalist or chairman of the board of this or the president of that school but really neat people – and you take us all over the world and promote this beautiful province.

I've been around Europe and the U.S.A., and I've showed the mountains when I'm in the hotels, and they cry. They say: "My, is your province ever beautiful. We don't have mountains like that. We don't have freedom like that. We don't have the beautiful education system that you guys have. We admire you. Is it really that good?"

I'm already promoting Alberta because I do love this province and the amazing community that has built the champion from what I am because to be a world record holder takes a community – it's mandatory with Guinness – and without community it could never have happened. I don't want to just boast about myself. I want to boast about what Albertans are building even today, in each individual life in Alberta, how this province is steadfast in their helping of other people and promoting its values and its education and its beauty, because Alberta is an ever-changing, growing, and beautiful multicultural organization and a totally beautiful organism, that needs to be shared amongst people all over the world.

So if any opportunity comes out there, I will answer my phone to promote this province more and more and more, not only in Canada but all over the world, because we have something to tell. We have a great story, that is still being written, I know, not only in my life – it's always ongoing – but in the many lives of the people around me and in every Albertan.

Thank you.

The Chair: What I'm going to suggest is that the minister of culture would be the person you would talk to. If you do up a proposal and send it in to his office, that's who would be the one who would look after something like that.

Dr. Turner: The Minister of Culture and Tourism is Minister David Eggen.

The Chair: Another question, Mr. Nielsen?

Mr. Nielsen: Yes, Madam Chair. Through e-mail from D.O. in Calgary: "What is the percentage of the fund that is invested in infrastructure, and what is the infrastructure that that fund owns?"

Mr. MacMaster: In terms of the investments that we have in infrastructure, we have a diversified mix of assets, including a Chilean toll road, transmission in Chile as well. We have Porterbrook, which is railcars in the U.K. It's quite a diversified mix of assets.

Mr. Epp: At March 31, 2015, the fund's infrastructure investments totalled \$1.3 billion, and as Dale mentioned, that includes a combination of toll roads, airports, ports, power and energy, water utilities, all kinds of things. It's well diversified.

The Chair: Don't forget shopping centres.

Mr. Epp: Well, that would be in real estate, Madam Chair.

The Chair: It's infrastructure, too, though, because it's under construction, one of them.

Mr. Epp: All right.

The Chair: Okay. Any more questions? Go ahead.

Mr. Glubish: Hi there. My name is Nate Glubish. I'm from Sherwood Park. I think you talked earlier about how a portion of the fund's revenue or earnings is retained for inflation proofing and the balance is currently transferred into the general revenue fund of the province. So a couple of questions. One is: can the government change that legislation? Two: if so, does the current government have plans to change that to allow it to withdraw funds from the fund to deal with the current deficit challenges that we're facing over the next few years?

Mr. Epp: Certainly, the Legislature, since it created the act, can change the act and decide to do whatever it wants with the heritage fund. It could decide to use the fund to fund infrastructure investments or fund social programs, whatever. Certainly, the Legislature has that within its power. There is nothing limiting that power. Whether or not they would do so is another question.

Your second question, if I recall, was: has the government considered that? Well, I certainly haven't been a party to any of those discussions one way or the other. That is not my role. Budget 2015 clearly indicated that the government is not going to be touching the heritage fund to use it as a funding source in providing for either general revenues or to fund or finance capital investments.

Mr. Glubish: Thank you.

The Chair: Mr. Nielsen.

Mr. Nielsen: Yes. Madam Chair, I have a question from a Twitter user, Adam Gallan. "Would any Alberta government consider using the heritage fund for economy stimulus?"

The Chair: Other than the program we've brought out in this budget to bring investment to Alberta, to bring jobs to Albertans – I think that's the best way, to use part of the fund for economic stimulus based on the guidelines of the fund that AIMCo has got set up for investment purposes.

Ms Renaud: I think it's important to remember that these decisions are made in the Legislature, and there is a democratic process involved. You know, that's not something that we could arbitrarily decide and implement.

But going back to AIMCo's purpose and vision, they are long-term investors, and it is long-term investment. I think that's why they are so strong and that they've done so well. I think it's important to remember that.

Thank you.

The Chair: Thank you.

Anyone else in the audience that would like to ask a question? Come to the microphone, please.

Mr. Dziuba: My name is Nicholas Dziuba. My question is: does the heritage trust fund invest any funds in affordable housing? I think that would be under real estate investment. Of course, I think that there would be no financial return on such investment. So is there investment in kind of social housing or affordable housing, or would you consider making that kind of investment?

8:20

Mr. MacMaster: Once again, my mandate is very, very clear. It's economic return. All our investments are based on maximizing value, keeping our costs low, providing high-quality services. That's what we do, and that mandate is very clear. Now, if there is government-sponsored housing that's constructed, we could be involved, but it would have to be strictly on an economic return basis. It can't be a social program.

Mr. Dziuba: Okay. Thank you.

The Chair: Thank you.

Mr. Nielsen.

Mr. Nielsen: Thank you, Madam Chair. I have another question, from Twitter user @GreasySalad. "What exactly is the future plans of the legacy foundation in terms [of] protecting for the future and possible uncertainty?"

Mr. Epp: Could you repeat that question?

Mr. Nielsen: Certainly. "What exactly is the future plans of the legacy foundation in terms [of] protecting for the future and possible uncertainty?"

Mr. Epp: I will start, and my colleagues from AIMCo can certainly add to my response. Certainly, the financial markets always have uncertainty. If any of us could predict where the future lies, we'd invest in lottery tickets or something like that because they pay off very well if you know the answer.

We protect against future uncertainty through diversification, global diversification. We are invested in a number of different asset classes, you know, at a top level: equities, fixed income, infrastructure and other alternative investments, inflation sensitive. But below that we're invested geographically: different types of real estate, different types of companies, different types of debt securities from different parts of the world. I would add that AIMCo uses state-of-the-art risk management systems as well to measure the risk to the fund and to do that.

There is no doubt that as we saw in 2008-09, the heritage fund will go through a year sometime in the future where it loses double digits, where its return is negative 10 per cent or more. There's no doubt that that is going to happen. But as we talked about earlier today, we're invested for the long term and not for one-year periods, and when you do that, you have to experience some of the bad years to get the good years. We have a fairly aggressive target, I think, of 5 and a half per cent plus inflation, long term, and we have beat that over 10 years, which included a year, if my memory serves me – Rod, you can correct me – where we lost 18 per cent, in 2008-09.

The best way to protect against risk is to take that long-term view and not panic and sell out when the market bottoms out. We're well diversified, we use risk systems to control our risk and to measure our risk, and we look for the long term. That's how we handle those risks.

The Chair: Okay. Thank you.

Does anyone on our panel have any questions?

Mr. Taylor: I have a question. As I understand it, AIMCo has been directed by the Minister of Finance to set aside 3 per cent of the Alberta heritage savings trust fund to go to specific types of Alberta companies. What category of companies are you directed to set aside funds for?

The Chair: Mr. Baccus.

Mr. Baccus: Yes. You're of course referring to the Budget 2015 announcement.

Mr. Taylor: Yes.

Mr. Baccus: The relationship between AIMCo and the government is such that, as our client, there are a number of details that will dictate the parameters of that investable universe. At this point we're still in discussions with Treasury Board and Finance to precisely define what that growth investable universe will be.

Mr. Taylor: In the past, you know, we've had governments try to pick winners and losers, or perhaps it would be better said: direct the funds. Consequently, we ended up with companies like Gainers on the books. Those were solid losers. Should the government be directing AIMCo given their past performance with investing? Like, past governments, frankly, just haven't done a great job when they've tried to direct funds.

Mr. Baccus: The relationship between AIMCo and our clients and the government is such that our clients direct us from an asset-class perspective. The examples that the committee member referenced were, of course, specific investment examples, and that was done under a different act. That was done under different legislation for the heritage fund. Today, as we've been discussing, the heritage fund's mandate is maximized returns, and the instructions that we are discussing with Treasury Board and Finance are with respect to an asset class.

The specific investments, similar to the ones you described – but we don't expect to be investing with similar results. The specific investments will be made by AIMCo and chosen by AIMCo.

Mr. MacMaster: I would just reiterate that the mandate has not changed. What drives our investment behaviour is returns, so that's the key.

Mr. Epp: If I can add to that. Those discussions that Darren mentioned: we are involved in those as well from the department

side. We would reiterate what they're saying. The primary screen, if you will, for investments is investment returns. It is not: this company benefits Albertans; hopefully, we make a return. It is: does this company or whatever it is make a return? Then: does it benefit Albertans? It's returns first and foremost. If it doesn't pass that screen, it doesn't go into the asset class.

Mr. Taylor: Excellent. Yeah, that's the litmus test that I would expect you would have for that.

Mr. Epp: Absolutely.

The Chair: Thank you, Mr. Taylor, Mr. Epp.

Mr. Epp: The legislation gives us no alternative.

Mr. Taylor: Okay. Thank you.

Ms McKittrick: I've been very impressed by the returns that you've been able to get for the fund and some of the things that you discussed before around carbon and water policies. I was just wondering if, as you're making investments, you have any other ethical or environmental screening in terms of deciding what investments to invest in.

Mr. Baccus: From the AIMCo terminology it's what we refer to as responsible investing. Again, at the risk of belabouring this, AIMCo's mandate is to maximize net risk-adjusted returns. But, of course, as part of the investment process, when we are reviewing the investments that we're going to make and, in fact, reviewing the investments that we are maintaining, we certainly take into account environmental factors, social factors, and governance factors, the reason being, as I mentioned earlier, that companies and assets that excel in those areas, that have good governance, that have processes and policies in place to address environmental issues, including climate change, are better investments and tie back to our succeeding in our core mandate.

Ms McKittrick: Thank you very much.

The Chair: Ms Renaud.

Ms Renaud: It's okay. Actually, my question was answered by Mr. Epp. Thank you.

The Chair: Okay. Thank you.

Mr. Cyr: It was stated earlier that there's \$8 billion invested in Alberta right now. Is that correct? That was my understanding. This is \$8 billion of \$90 billion in total. So we have 9 per cent of our portfolio invested in Alberta right now?

Mr. Baccus: Correct.

Mr. Cyr: So this announcement in the budget, a 3 per cent allocation to Alberta growth opportunities: does that mean we're going from 8 to 11, or does that mean we're going from 8 down to 3?

8:30

Mr. Epp: It certainly doesn't mean that we're going from 8 to 3 per cent, and it doesn't necessarily mean that we're going from 8 to 11 per cent. With the 8 per cent that we're invested in – and this is in the annual report on page 18 – the largest investment is Alberta real estate. That's about \$976 million, but we also have \$300 million in equities, \$250 million in fixed income, and so on. That's for the heritage fund. So \$1.75 billion of the heritage fund is invested in

Alberta. Is it \$540 million more? Well, it could be. It would allow for that.

What we've done with the asset allocation in the letter that the deputy minister sent to AIMCo to make this change to our policy is that that will come from Canadian equities. We have an 8 per cent allocation of Canadian equities right now within our target asset allocation, so 50 per cent total equities with 42 per cent foreign, 8 per cent Canadian. We're going to drop that 8 per cent Canadian to 5 per cent Canadian. Total equities will be 47 per cent. It is likely that that 3 per cent will be equities as well. If you look at what the budget says, it's in Alberta growth opportunities. That sounds like companies' equities to me, so theoretically the reduction in Canadian equities could come from Alberta companies or Ontario or Quebec.

Mr. Cyr: So to be clear here: it might actually make no difference, this allocation of 3 per cent in this fund, that the budget has named out saying that we're going to help Alberta companies.

Mr. Epp: It is a change to the focus, so it's Alberta growth companies. I don't think it's my place to make the comment on whether or not it will have that impact.

Mr. Cyr: So then it would be AIMCo. Do we have an answer? This 3 per cent that you're negotiating with the ministry: are we actually going to see any additional investment in Alberta? It looks to me like we're already at 8 per cent. I guess if it's not going from 8 to 11 per cent, then it's misleading, possibly, that this number is coming from the budget.

Mr. MacMaster: If we could just go over the numbers a little bit. We're throwing a lot of numbers around. I mean, if I've got this right – Lowell will correct me if I'm wrong – it's about \$1.7 billion in Alberta, and it's my understanding that the 3 per cent represents another \$535 million, roughly, right?

I would just add that, you know, this is still relatively new and the details have not been worked out. We plan on meeting with our partners at Alberta Treasury Board and Finance to figure out how this is going to be deployed and in what manner. There are still some questions as to what growth is and the timing of investing and what that represents. As I said earlier, AIMCo has \$8 billion invested in Alberta, the heritage fund has \$1.7 billion, and it's invested across a number of different asset classes, including equities and infrastructure and real estate, that have I'm sure contributed to the economy and created jobs, and that's a wonderful thing. But the details on this program are still being worked out and finalized. I don't think that we have all of the answers to all of the particulars just yet.

Mr. Cyr: Is it possible with this allocation for us to end up with less Alberta investment?

Mr. Epp: If you look at our annual report – again, it's page 18 – total investment in equities in Alberta as of March 31 was \$313

million. If we sold every Alberta company – and I'm pretty sure AIMCo is not going to do that because there are very good Alberta companies traded publicly and privately – we'd put more back in. Simple numbers – right? – \$313 million is the most we could sell.

Mr. Cyr: But if we end up with \$540 million again, then we're only getting – what? – like, a 1 per cent increase or 1 and a half per cent, which is not what has been stated in the budget. I'm sorry; I'm trying to understand this.

Mr. Epp: Absolutely. Could it work out that way? I suppose it could, but not necessarily.

Mr. Cyr: Thank you. That's the answer that I was hoping that we'd get.

The Chair: Are there any more questions from the audience?
Seeing none, Mr. Nielsen, any more questions?

Mr. Nielsen: Yes, Madam Chair. I have a question via e-mail from G.Z. "Why don't we lend money to Azerbaijan and other central Asian countries? They are paying high returns on their bonds."

Mr. MacMaster: We assess all of our investments around the world on risk-adjusted returns, so while the yields on emerging market bonds might be higher, we have to assess the risk and also the liquidity of those investments. At this time we don't feel that that is the appropriate investment for the portfolio right now.

The Chair: Thank you.
Any more questions, Mr. Nielsen?

Mr. Nielsen: No, Madam Chair.

The Chair: Okay. None from the audience?

Seeing no more questions or comments, I will begin wrapping up our meeting. Before I close, I would like to sincerely thank all of you for your participation tonight. I think I can speak on behalf of the entire committee when I say that we have enjoyed spending the evening with you and engaging in conversation about your Alberta heritage savings trust fund. In turn, we hope you found the meeting informative and valuable.

For those of you who would like to offer feedback on this evening's meeting, please go to www.assembly.ab.ca and answer our short survey. To our TV and online viewers, thanks so much for tuning in. To those of you who made it here tonight, we really appreciate you taking the time to be here as part of our audience.

A repeat broadcast of this meeting will air on Shaw Direct from 9 to 11 tonight and on Shaw TV Edmonton from 10 till midnight.

More information about this committee and its mandate can be found at www.assembly.ab.ca/abheritagetrustfund.

This meeting is now adjourned. Thank you.

[The committee adjourned at 8:38 p.m.]

